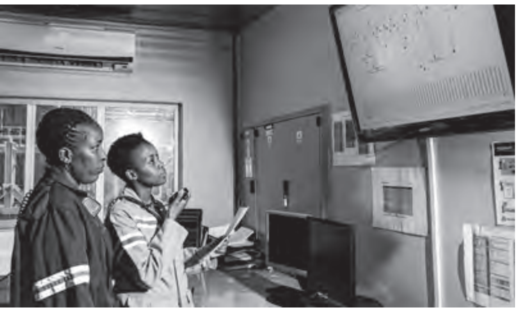
ANNUAL REPORT 2016

100 YEARS 1917 - 2017



DELIVERING CHANGE BUILDING RESILIENCE
FOUNDATIONS FOR THE FUTURE

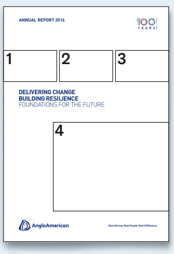
AngloAmerican

Real Mining. Real People. Real Difference.

DELIVERING CHANGE BUILDING RESILIENCE FOUNDATIONS FOR THE FUTURE

In 2016, Anglo American articulated its objective of creating a more resilient business, by materially strengthening its balance sheet through sustainably improving cash flows and focusing its portfolio around its highest quality assets.

Delivering that objective – through cost and productivity improvements, disciplined capital allocation and applying strict value thresholds to those assets that we chose to divest, and others that we considered divesting – has significantly strengthened Anglo American's financial position. Upon the completion of other agreed asset sale transactions during 2017, in addition to continued material operational progress, Anglo American will be well advanced towards embedding the financial, operational and commercial resilience that will ensure the sustainable creation of value for all our stakeholders – building the foundations for the future.



Cover images

1. In South Africa, control room operators Priscilla Tsheole (left) and Maggy Botsanara monitor the stability of operations at the North Concentrator at Mogalakwena, Anglo American's flagship platinum mine.

2. Process plant superintendent Terry Pinske walks up the ramp alongside the conveyor carrying diamond-bearing ore into the recently commissioned Gahcho Kué process plant, based in northern Canada.

3. Concentrate the Mine™ is an integrated mining systems approach pioneered by Anglo American. It integrates three enabling technologies: mine-to-mill; coarse particle recovery; and the separation of ore from waste rock. Featured are maintenance foreman Pedro Andrade (left) and supplies senior administrator, Pilar Méndez at the particle recovery plant at Los Bronces copper mine in Chile.

4. Debmarine Namibia's new diamond-sampling vessel, the SS Nujoma, is scheduled to commence operations off the Namibian coast during 2017. Featured is the vessel soon after its launch in January 2016.

Other sources of information

You can find this report and additional information about Anglo American on our corporate website.

Although we have chosen not to produce an 'integrated report', we have included a comprehensive overview of our non-financial performance in this report. More detailed information on our sustainability performance is provided in our Sustainability Report. This can be found on our corporate website.

For more information, visit **www.angloamerican.com/investors/annual-reporting**

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 188 to 190, 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 and 'koz' denotes thousand ounces; '$' and 'dollars' denote US dollars and 'cents' denotes US cents.

GROUP PERFORMANCE

UNDERLYING EBITDA◊

$6.1bn

2016 $6.1 bn
2015 $4.9 bn

OPERATING PROFIT/(LOSS)

$1.7bn

2016 $1.7 bn
$(4.1) bn 2015

UNDERLYING EARNINGS PER SHARE◊

$1.72

2016 $1.72
2015 $0.64

PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS

$1.6bn

2016 $1.6 bn
$(5.6) bn 2015

ATTRIBUTABLE FREE CASH FLOW◊

$2.6bn

2016 $2.6 bn
$(1.0) bn 2015

EARNINGS PER SHARE

$1.24

2016 $1.24
$(4.36) 2015

NET DEBT◊

$8.5bn

2016 $8.5 bn
2015 $12.9 bn

TOTAL DIVIDENDS PAID PER SHARE

$0

2016 $0
2015 $0.32

GROUP ATTRIBUTABLE ROCE◊

11%

2016 11%
2015 5%

NUMBER OF FATALITIES

11

2016 11
2015 6

TOTAL RECORDABLE CASE FREQUENCY RATE (TRCFR)

0.71

2016 0.71
2015 0.93

GHG EMISSIONS

17.8 Mt CO_2 equivalent

2016 17.8 Mt
2015 18.3 Mt

ENERGY CONSUMPTION

105 Million GJ

2016 105 Million GJ
2015 106 Million GJ

TOTAL NEW WATER CONSUMED

191 Mm^3

2016 191 Mm^3
2015 222 Mm^3

CONTENTS

◊ Alternative Performance Measures
Words with this symbol ◊ are defined in the Alternative Performance Measures section of the Annual Report on pages 188-190.

OUR BUSINESS AT A GLANCE

Anglo American is a globally diversified business. Our portfolio of world class competitive mining operations and undeveloped resources provides the raw materials to meet the growing consumer and other demands of the world's developed and maturing economies.

Mining assets

DIAMONDS	PGMs	COPPER	BULK COMMODITIES AND OTHER MINERALS	
DE BEERS	**PLATINUM**	**COPPER**	**NICKEL**	**NIOBIUM AND PHOSPHATES**
$1,406 million Underlying EBITDA◊	**$532 million** Underlying EBITDA◊	**$903 million** Underlying EBITDA◊	**$57 million** Underlying EBITDA◊	**$118 million** Underlying EBITDA◊
23% Group EBITDA◊	**9%** Group EBITDA◊	**15%** Group EBITDA◊	**1%** Group EBITDA◊	**2%** Group EBITDA◊
11% ROCE◊	**4%** ROCE◊	**6%** ROCE◊	**(1)%** ROCE◊	**19%** ROCE◊
8 Mining assets(1)	**9** Mining assets(1)	**3** Mining assets(1)	**2** Mining assets(1)	The sale of the niobium and phosphates business was completed on 30 September 2016.
27.3 Mcts Production (100% basis)(2)	**2,382 koz** Production platinum	**577.1 kt** Production (attributable)	**44.5 kt** Production	**4.7 kt** Production niobium
				864.3 kt Production phosphates fertiliser
Botswana South Africa Namibia Canada Asset locations	**South Africa Zimbabwe** Asset locations	**Chile** Asset locations	**Brazil** Asset locations	**Brazil** Asset locations
		Finland (Sakatti) **Peru** (Quellaveco) Projects		
For more information See page 46	For more information See page 49	For more information See page 52	For more information See page 54	For more information See page 54

(1) Number of operating mining assets as at 31 December 2016. Reflects the niobium and phosphates business, Rustenburg, Foxleigh, and Callide disposals. De Beers' mining assets include Orapa, Letlhakane and Damtshaa which are managed as one operation, the 'Orapa regime'. Damtshaa was placed onto temporary care and maintenance in January 2016. Namdeb includes Elizabeth Bay, Midwater, Mining Area 1 and Orange River operations.

(2) With the exception of Gahcho Kué, which is on an attributable 51% basis.

IRON ORE AND MANGANESE

$1,536 million
Underlying EBITDA◊

25%
Group EBITDA◊

12%
ROCE◊

4
Mining assets[(1)(3)]

57.6 Mt
Production iron ore

3.1 Mt
Production manganese ore

137.8 kt
Production manganese alloys

South Africa
Brazil
Asset locations

For more information
See page 57

COAL

$1,646 million
Underlying EBITDA◊

27%
Group EBITDA◊

29%
ROCE◊

16
Mining assets[(1)]

20.9 Mt
Production metallurgical – export

32.5 Mt
Production thermal – export

South Africa
Colombia
Australia
Asset locations

For more information
See page 61

CORPORATE AND OTHER

$(123) million
Underlying EBITDA◊

(2)%
Group EBITDA◊

United Kingdom
(Headquarters and Marketing),
Australia, Brazil, Chile, Singapore
(Marketing hub),
South Africa
Corporate office locations

For more information
See page 64

BRAZIL[(1)]	
Iron Ore and Manganese	**1** mine
Nickel	**2** mines
Employees[(4)]	**5,000**

CHILE[(1)]	
Copper	**3** mines
Employees[(4)]	**4,000**

OTHER SOUTH AMERICA[(1)]	
Coal	**1** mine
Employees[(4)]	**200**

CANADA[(1)]	
De Beers	**2** mines
Employees[(4)]	**1,000**

SOUTH AFRICA[(1)]	
De Beers	**2** mines
Platinum	**8** mines
Iron Ore and Manganese[(3)]	**3** mines
Coal	**10** mines
Employees[(4)]	**61,000**

OTHER AFRICA[(1)]	
De Beers	**4** mines
Platinum	**1** mine
Employees[(4)]	**4,000**

AUSTRALIA/ASIA[(1)]	
Coal	**5** mines
Employees[(4)]	**3,000**

(3) The Group's 40% share in Samancor, classified as located in South Africa, is considered to be one asset within the portfolio.
(4) Average number of employees, excluding contractors and associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

RESPONSIVE THROUGH THE DOWNTURN, AND IN SHAPE FOR THE FUTURE

Sir John Parker

During a year of continued slow global economic recovery and low commodity prices on average, Anglo American executed significant cost and productivity improvements, and in the second half benefited from sharply increasing prices for several of its products. This combination enabled a remarkable sector-leading recovery for Anglo American.

FINANCIAL AND OPERATING PERFORMANCE

Since the start of the mining commodities crisis some three years ago, Anglo American has reduced its number of operating assets by 26. Crucially though, we were determined not to sell assets below their inherent value – not even during the dark days of late 2015 and early 2016, after the slump in mining stocks had accelerated, abetted by the aggressive 'shorting' actions of certain hedge funds, which at one stage accounted for about 20% of our share register.

Accordingly, in the first six months of the year, the only major asset we agreed to sell was our niobium and phosphates business in Brazil, for which we received $1.5 billion – well above market expectations.

Later in the second half, however, market sentiment improved on the back of substantially strengthening prices for iron ore and both metallurgical and thermal coal. We also disposed of a number of minor assets as we continued to tidy up our portfolio so that total proceeds for disposals amounted to $1.8 billion[1] for the year.

We delivered a profit for the financial year attributable to equity shareholders of $1.6 billion and underlying EBITDA of $6.1 billion. At the same time, continued capital discipline resulted in capital expenditure[2] declining from $4.0 billion to $2.5 billion, while no new major projects were approved. The performance was bolstered by an across-the-business improvement in productivity of 18% as we progressively rolled out our Operating Model and sold a number of less productive assets, with copper equivalent unit costs declining by 9% in dollar terms.

Net debt was reduced by $4.4 billion, from $12.9 billion to $8.5 billion, considerably below our year-end target of $10 billion, with net debt to EBITDA of 1.4 times. We continue to plan for somewhat lower debt levels, given the continued volatility in the mining industry.

(1) Proceeds from disposals of $1.8 billion were received in 2016. Total nominal cash inflows are expected to reach $2.0 billion over time, subject to prices.

(2) Excluding capitalised operating cash flows.

Although we maintained a high level of liquidity, with cash and undrawn facilities of around $16 billion, the imperative to restore the balance sheet meant, regrettably, that dividends remained suspended. With the company now in a much healthier state than a year ago, however, and prospects for prices a little more positive, the Board is targeting reinstatement of the dividend for the end of 2017 (payable in 2018). When the dividend resumes, we will move to a payout ratio-based policy, the details of which we will define at that time.

ASSET FOCUS AND OPTIONALITY

In February 2016, when, as it turned out, prices for mining products were around their lowest point in the current commodities downturn, we announced that we would be concentrating our capital on our portfolio of diamond, platinum group metals (PGMs) and copper interests, and that we intended to explore the sale of many of our coal and iron ore assets.

As the benefits of our own cost and productivity improvements started to come through, and as we successfully divested a number of coal and platinum assets, in addition to the niobium and phosphates business, with prices also firming for a majority of our products during the second half – all of those factors served to accelerate the repair of our financial position. The pressures on us to divest further major assets have therefore diminished considerably.

Although we still believe that the top-tier asset positions we hold in De Beers, PGMs and Copper form the bedrock of a financially stronger and more competitive Anglo American, we continue to benefit from the much improved operational performance of a number of other high quality iron ore, coal and nickel assets. As a result, we now have a much greater degree of optionality with regard to asset retentions, and to our geographic balance.

SAFETY AND HEALTH

Throughout Anglo American, safety is our paramount consideration. In 2016, we experienced a better total recordable injuries performance, with a 24% reduction in recordable injury rates compared with 2015. It is distressing, however, to record a steep rise in fatal injuries, with 11 lives lost at the Group's operations, including seven in deep mines, of which four were in mines we have subsequently sold. This was clearly against the trend of recent years, and all the more surprising given the heightened focus on safety throughout the Group, including an increasing emphasis on critical controls and more thoroughgoing safety initiatives such as our Global Safety Day campaign. Any loss of life in the workplace is a tragic event – and is quite unacceptable – and a deeply saddening aspect is that several of the fatal incidents were eminently preventable, arising, as they did, from front-line operational practice not being aligned with our stringent safety policies. We must reverse this performance, and the Board, and particularly its Sustainability Committee under the chairmanship of Jack Thompson, an experienced miner, has been engaging closely with chief executive Mark Cutifani and his management team to address this challenge.

Our Sustainability Committee is heavily involved in searching inquiry into all major accidents and fatal incidents, and in assessing operational risks across the business. This includes significant attention to all our 90 tailings storage facilities. Although we have confidence in the integrity of the dams, and our tailings dam monitoring exceeds legal-compliance requirements, we have nonetheless increased our degree of surveillance, inspection monitoring and risk assurance.

I am pleased that a landmark step has been taken on resolving the silicosis issue in South Africa. In March 2016, Anglo American South Africa and AngloGold Ashanti concluded an agreement which resolves fully and finally 4,400 stand-alone silicosis claims. We believe that the agreement to settle this litigation is in the best interests of the plaintiffs, their families, our company and its wider stakeholders.

CLIMATE CHANGE

We continue to work in partnership and consultation with all of our stakeholders, including our shareholders, to help address the causes and impacts of climate change. As part of this outreach, we have been consulting with the 'Aiming for A' coalition, which was established in 2012 by a group of investors, including some of our largest shareholders, to enhance extractive companies' reporting commitment to address climate change, including how they manage its impacts on their business.

OUR CULTURE AND VALUES

At Anglo American, each one of us, in our daily lives, makes a contribution as we seek to earn the trust that gives us our licence to operate.

Trust is integral to our deep-seated reputation for doing the right thing, including acting with integrity and displaying care and respect for the rights and livelihoods of our colleagues, communities and the natural environments in which we work. To assist us in this, we have recently revised, and are continuing to roll out to all employees in the Group, our Code of Conduct – an initiative in which the Board was directly involved. Intended to be a single point of reference, the Code makes very clear what standards of behaviour the company expects. It has at its core our shared values which describe what we should be doing to protect Anglo American's good name, and to make a positive difference.

GOVERNANCE

The role of the board in leading an organisation, and in leading by example, is especially important in times of corporate stress and difficulty. As I mention in my Statement on page 65 of this Report, the non-executive directors worked closely with management through the deepening commodity crisis in the latter months of 2015 and early 2016 to help steer the company through this period.

Executive remuneration

As you know, at the AGM held in April 2016, we received a substantially lower percentage of support from shareholders than that achieved in previous years. Although there is no perfect remuneration system, the Board believes that at Anglo American there is a relatively good correlation between profitability and levels of variable remuneration, and that our remuneration system is fair, performance-based and peer-comparable. Following further consultation with shareholders, we will be presenting a revised remuneration policy at the forthcoming AGM, which we hope you will support, and which you can read on pages 84 to 109 in this Annual Report.

Board composition

During the year, sadly, we saw the departure of non-executives Ray O'Rourke and Judy Dlamini. Ray joined the Board in 2009 and stepped down to concentrate on his business commitments as chairman and chief executive of Laing O'Rourke. His wise counsel and experience of complex projects, safety and innovation were of great value to us. Judy joined us in January 2014 and left to devote more time to her business commitments as chair of Mbekani Group in South Africa; her contributions to the Board and its Committees, drawing on her experiences across a range of geographies and sectors, including mining, were greatly appreciated by her colleagues. We are now nearing the end of the process to recruit replacement non-executive directors with similar skills and experience, and will announce one or more appointments in the near future.

After an exhaustive international search, we appointed Stephen Pearce as our new finance director following René Médori's decision to retire. René has rendered great professional service to the Group for 12 years, for which we thank him, and we wish him all success in the future. Stephen, who comes to us from Fortescue Metals Group in Australia, joined us at the end of January and will succeed René at the conclusion of the AGM in April. René will remain with us until the end of the year to provide continuity in the transition and focus on specific projects.

Chairman succession

In February 2017, I informed the Nomination Committee that I believed the time was right for the Board to seek a successor. I will have served some eight years and have seen Anglo American emerge in a strong position following the mining commodities crisis. I am honoured to have served as chairman of such a great company and I will leave behind not only a highly competent Board but a world class management team.

MY THANKS

I am grateful to my fellow directors for their wise counsel and support during a most challenging few years, and I particularly wish to acknowledge the substantial additional time and effort they spent on building the company's resilience in the face of the crisis in the mining industry. On behalf of the Board, I also wish to thank Mark Cutifani and his executive team, who are delivering value in so many ways. I also would like to express my gratitude in this, our centenary year, to everyone who is working for Anglo American during this turbulent period, which has meant considerable restructuring in our business.

OUR STRATEGIC REPORT

Our 2016 strategic report, from pages 2 to 64, was reviewed and approved by the Board on 20 February 2017.

Sir John Parker
Chairman

MARKETPLACE REVIEW

UNCERTAINTY BECOMES THE WATCHWORD

For the fourth year in a row, the world economy in 2016 continued to languish, with the IMF progressively lowering its growth forecasts for the year, and also for 2017. Global GDP growth was 3.1% for 2016, according to the latest estimates from the IMF, considerably lower than its original forecast.

China, however, surprised on the upside, with fiscal stimulus there appearing to have bought the country time for a more controlled economic rebalancing towards consumption. The US, too, continued to sustain its slow recovery; though elsewhere, the story was generally one of only lacklustre growth.

Some sectors of the mining commodities market, however, notably both metallurgical and thermal coal, experienced spectacular changes in fortune, helping to lift mining companies off their extreme lows experienced early in the year – albeit in a price and demand environment that continues to be characterised by considerable volatility.

CHINA'S SLOWDOWN

While concerns continue to be raised around China and its debt-fuelled economy, the country is still in the process of slowing down, with growth declining to 6.6% against 6.9% in 2015, though this growth rate remains stronger than was expected. This reflects the ongoing moves by the authorities to rebalance the economy away from investment towards consumption, including a housing stimulus that managed to shore up the housing sector and its associated commodity demand. However, despite China appearing to be prepared to manage the economy down gradually, there remain concerns around whether the country has reached the end of the investment boom, with a diminishing potential for 'catch-up' growth, a shrinking workforce and a significant debt overhang in the corporate sector.

The Indian economy under Narendra Modi was expected to perform well at an annualised 7.6% GDP growth for 2016, until money supply issues were encountered as a result of the withdrawing of old-currency banknotes in November. While near term impacts have been severe, the move is still seen as directionally positive, opening the potential for enhanced contributions to the fiscus and sustained future growth.

GDP growth estimates for 2016

GDP percentage growth year-on-year

		%
World	2011	4.85
	2015	3.56
	2016	3.08
Euro area	2011	1.72
	2015	1.63
	2016	1.66
China	2011	9.48
	2015	6.30
	2016	6.58
India	2011	8.14
	2015	7.45
	2016	7.61
Korea	2011	3.98
	2015	3.15
	2016	2.72
Japan	2011	1.34
	2015	1.00
	2016	0.51
United States	2011	3.39
	2015	2.83
	2016	1.57

Source: IMF

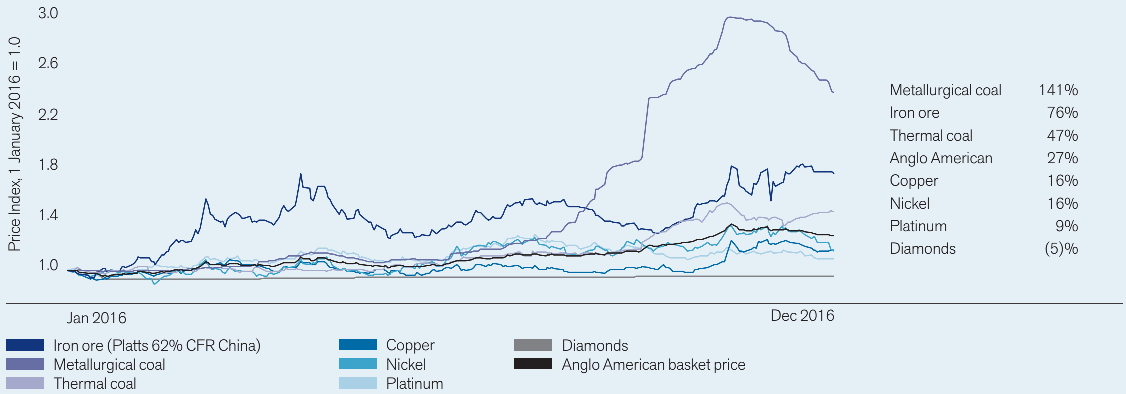
POLITICAL UNCERTAINTY

The advanced economies also recorded low levels of growth, moving up by only 1.6% year-on-year, with the US recording a figure of 1.6% and Japan and South Korea 0.5% and 2.7%, respectively. In spite of the UK voting to leave the EU, the country grew at an estimated 1.8%, compared with the Eurozone (1.7%), and Germany (1.7%), France (1.3%) and Italy (0.8%).

With the US Federal Reserve increasing interest rates in December 2016, despite US growth being lower than the average over the past 15 years, there seems to be greater acceptance of the 'new normal' of lower global economic growth. What this means for global trade and demand for commodities remains uncertain, with a high likelihood of volatility as globalisation takes a new, more populist turn.

For mining commodities, however, with millions of people joining the ranks of the middle classes, the expectation is for commodity demand growth to be focused in the higher-end, fast-growing consumer sectors of the global economy.

Indexed 2016 prices



Source: Anglo American Commodity Research

POLICY CHANGES MAKING AN IMPACT

While there has been significant economic uncertainty in the wake of global developments, gloomy global growth expectations for 2016 have, at least, been deferred. The resilience of the Chinese economy, and particularly its housing sector, resulted in higher than expected demand for steelmaking materials, boosting bulk commodity prices in the year. Coal prices saw an additional benefit as China reduced its domestic coal output in response to new state energy and environmental policies. In other metals and in diamonds, there was limited price recovery, with supply generally higher than anticipated for most of the year, and lacklustre demand outside of China.

Diamonds

Sustained **diamond** jewellery demand growth in the US and marginally positive growth for the full year in China (in local currency, though declining slightly in US dollar terms) contrasted with weakening demand in the other main diamond markets. In India, a month-long jewellers' strike in March and the government's surprise demonetisation programme had a considerable negative impact on demand. For the full year, global consumer demand, in US dollars, is estimated to be in line with 2015. Additional marketing in the US, China, India and Japan in the final quarter of the year, the main selling season, had a positive impact. Looking ahead, some significant downside risks remain owing to foreign exchange volatility and macro-economic and geopolitical factors.

Precious metals

Platinum supply in 2016 declined by 1.7%, following lower sales of stock from South Africa and Russia. Supply from recycling increased by around 10%, with Chinese jewellery recycling up by 53%, though supply from autocatalyst recycling continued to underperform in the low-price environment.

Higher platinum offtake[(1)] by the autocatalyst (+2%) and industrial (+10%) sectors was largely offset by a 15% decrease in demand from the jewellery sector. Platinum jewellery demand in China remained subdued, with a third consecutive year of decline. Meanwhile, demand for platinum climbed across a range of industrial sectors, including the chemical, glass and electrical industries. Investment demand is estimated to have been broadly in line with 2015, with platinum bar and coin sales in Japan remaining robust.

The net effect of maintained production and demand, with a marginally higher supply from recycling, led to a reduced deficit in 2016 in comparison with both the previous year and earlier forecasts.

Palladium mine supply was broadly in line with 2015, with outflows from Exchange Traded Funds (ETFs) slowing and recycling flows growing slightly. This was not sufficient, however, to offset growing demand from the automotive sector; consequently, there was a greater deficit than in 2015, contributing to a rally in the price of the metal as the year progressed.

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 gasoline engine automotive demand continues its upward trend, with limited opportunity for an increase in primary production.

Gross platinum demand by geography (2016)

koz

		%
Europe	2,426	29
China	2,138	25
Japan	1,354	16
North America	1,115	13
Rest of World	1,402	17
Total	**8,435**	

Source: Johnson Matthey

(1) Figures quoted are on a gross basis.

MARKETPLACE REVIEW continued

Base metals

After an uninspiring 2015, global refined **copper** consumption growth of 2% beat market expectations, mainly as a result of stronger construction and infrastructure activity, such as power grid investment, in China.

Despite robust demand, copper prices underperformed other base metals for most of the year. This was partly the result of stronger than expected ramp-up of new mine supply and fewer project-related and weather disruptions at existing operations. Copper prices only started to show sustained increases in the fourth quarter of the year, breaking above $5,650/tonne in December, compared with an average for the first nine months of around $4,725/tonne, as sentiment towards the Chinese economy improved and disruptions on the supply side reverted to more normal levels.

Over the long term, supply is still expected to struggle to meet the growing demand for primary copper, given the difficulty of finding new deposits of scale, a limited project pipeline, declining grades and more challenging mining conditions.

Total copper consumption estimates by end use (2016)
kt

	kt	%
Consumer and general	6,716	24
Transport	3,080	11
Machinery	2,913	10
Electrical network	6,660	24
Construction	8,715	31
Total	28,084	

Source: Wood Mackenzie

Nickel demand was 6% higher in 2016, this strong performance being driven primarily by increases in Chinese stainless steel output from new capacity additions. Refined production fell as the low nickel prices of 2015 and early 2016 finally led to price-related cutbacks. In the Philippines, mine depletion and price- and weather-related cutbacks constrained ore exports to China, reducing nickel pig iron production there. The decline in offtake by China, however, was more than offset by the ramp-up of new pig iron production in Indonesia.

Overall, the nickel market saw its first deficit in five years. Despite LME stocks remaining at high levels, and prices recovering by 16% since the start of 2016, the average price for the year was around 19% lower than for 2015.

Bulk commodities

After a weak 2015, global steel demand was broadly flat in 2016, supported by better than expected Chinese steel consumption. This was driven by a government-led credit stimulus which saw a recovery in housing and construction markets. In addition, Chinese light-duty vehicle production was 7% higher, supported by a temporary sales tax cut on light vehicles. As a result, global demand for both metallurgical coal and iron ore remained fairly stable.

Despite such relative stability in demand, seaborne **thermal** and **metallurgical** coal prices soared in the second half owing to various supply-side drivers, the most significant being the imposition of production controls on Chinese coal mines. An increased focus on safety and permitting, along with a reduction of working days from 330 to 276 per year, reduced domestic supply and boosted demand for seaborne imports. Seaborne producers, however, were not able to quickly fill the gap, and prices in the second half rose spectacularly – 130% in the case of metallurgical coal and 45% for thermal coal. A subsequent partial relaxation of production controls (for those mines producing higher quality coal with the best safety records) has alleviated some of the tightness in the coal markets.

Iron ore prices also fared better than in 2015, but with significant volatility during the year. Around 35 Mt of low-cost (mainly Australian) supply was estimated to have been added to the market, however, Chinese imports hit record levels, partly on the back of the country's displacement of marginal domestic iron ore tonnages. The closure of steel capacity in China, including scrap-based furnaces, as part of capacity rationalisation and an environmental improvement drive, supported both steel and iron ore prices. In addition, a depreciation of the renminbi against the dollar and the higher incentive prices of Tier 2 and Tier 3 suppliers supported prices above expectations.

A CAUTIOUS AND VOLATILE OUTLOOK

Despite the uptick in near term economic performance spilling over into some commodity markets and prices, the key question is how long the global economy, and particularly the Asian economies, can maintain current growth rates and associated commodity demand before moving to lower, and more sustainable, long term levels. Given the continued high macro-economic and political uncertainty, we expect ongoing commodity price volatility.

OUR BUSINESS MODEL

The mining industry continues to face considerable external pressures as global economic and political uncertainties prevail. We responded decisively by sustainably improving cash flow generation, materially strengthening our balance sheet through selective asset disposals and actively managing our diversified portfolio to focus on our differentiated asset and product mix.

The high quality assets across our De Beers, platinum group metals (PGMs) and Copper businesses underpin our positions in those respective markets and are the cornerstone of a more resilient and competitive business, through the economic and commodity price cycle. In addition, Anglo American also benefits from the performance of a number of other high quality, individual assets across the bulk commodities and other minerals, including iron ore, coal and nickel, which are optimised operationally to continue to contribute cash and returns, while ensuring appropriate capital investment to both preserve and enhance value. The value from our mineral resources and market positions is optimised by our dedicated Marketing business, driving appropriate commercial decisions across the value chain.

In summary, our ambition is to create a resilient business that delivers robust profitability and sustainable, positive cash flows through the cycle.

We have a clearly defined approach for how we will achieve this:

Vision: To be partners in the future.

It is our belief that Anglo American, and mining as an industry, has both the potential and responsibility to act as a development partner, for the long term benefit of society.

Mission: Together, we create sustainable value that makes a real difference.

We cannot meet our ultimate objective on our own. We will work together with our diverse range of stakeholders to ensure we deliver value on a sustainable basis that makes a positive and lasting difference.

VALUES AT THE CORE

We are creating an organisation where all our people are treated in such a way that they willingly give their best. Acting according to our values – Safety, Care and respect, Integrity, Accountability, Collaboration and Innovation – defines our culture as an organisation, underpinning our reputation and the promise we make to all our stakeholders: Real Mining. Real People. Real Difference.

WHAT MAKES US DIFFERENT: BUILDING STRATEGIC ADVANTAGE

Across De Beers, PGMs and Copper, our assets are characterised by having world class orebodies, competitive industry cost positions, long reserve lives and significant resource potential, offering considerable organic growth opportunities, thereby representing three businesses in which we have leading competitive positions. These are complemented by a number of other high quality, individual assets across iron ore, coal and nickel. Underpinning our uniquely diversified portfolio of differentiated assets is Anglo American's expertise across a number of core processes – exploration, innovation, project development and sustainability – while our Marketing business optimises value from our resources and market positions. The benefits of a systematically embedded Operating Model and the functional governance structure of the Organisation Model combine to create optimal and sustainable value.

For more information on our core processes
See page 10

DIFFERENTIATED ASSETS IN A UNIQUELY DIVERSIFIED PORTFOLIO:

De Beers
De Beers has a global leadership position in diamonds, producing and selling around one-third of the world's rough diamonds by value. Our major diamond mining assets have large, long life and scalable resource bases and we have well-established partnerships in South Africa and with the governments of Botswana and Namibia.

PGMs
We are the world's leading PGMs producer, with positions in the world's two largest PGM deposits – the Bushveld Complex in South Africa and the Great Dyke in Zimbabwe. We operate the world's highest margin platinum mine at Mogalakwena – a long life, scalable open pit operation that has the potential to lift production significantly as market demand requires.

Copper
Anglo American has a world class position in copper, with the potential to establish a global leadership position built around its interests in two of the world's largest copper mines – Los Bronces and Collahuasi – and its feasibility phase Quellaveco project in southern Peru. The mineral endowments of these assets underpin our organic copper growth opportunities, in addition to a number of future potential projects.

Bulk commodities and other minerals
Anglo American also benefits from a number of other high quality assets across the bulk commodities of iron ore and coal, as well as nickel.

These assets are optimised operationally to continue to contribute cash and returns, while being allocated capital to preserve and enhance value, as appropriate.

DISTRIBUTION AND RETAIL

De Beers' leading position is further enhanced by its rough diamond sales operation selling to term customers, accredited buyers and auction sales customers. It also has a presence in the downstream through Forevermark™ and De Beers Diamond Jewellers.

MARKETING

The value from our mineral resources and market positions is optimised by our dedicated Marketing business. Built on direct customer relationships, Marketing creates value across the entire value chain from mine to market through appropriate commercial decisions aligned to our customers' specific requirements – including product specification, volume and timing. In addition, Marketing proactively develops new markets for our products through, for example, investing in new technologies that are expected to drive new sources of demand for PGMs – such as fuel cell electric vehicles – and building consumer awareness in emerging platinum jewellery markets, such as India.

HOW WE CREATE SHARED VALUE

Anglo American draws upon a number of key inputs from both its central expertise and the 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 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.

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.

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.

RISK AND GOVERNANCE

Our robust system of risk identification, supported by established governance controls, ensures we effectively respond to such risks, while acting ethically and with integrity for the benefit of all our stakeholders.

For our Principal Risks
See pages 41-45

OUR UNIQUELY DIVERSIFIED PORTFOLIO

1 Focus on asset quality and resource potential.

2 Leading positions in diamonds, PGMs and copper, complemented by high quality assets in iron ore, coal and nickel.

3 Value optimised through dedicated marketing expertise, leveraging global supply/demand dynamics.

OUR LEVERAGED VALUE CHAIN

FIND

PLAN AND BUILD

OUR CORE PROCESSES

Exploration
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 and 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.

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 the 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 host communities and 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 brown- 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.

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, generation of mineral residue, as well as atmospheric and water emissions, all of which we strive to minimise through our innovative approach.

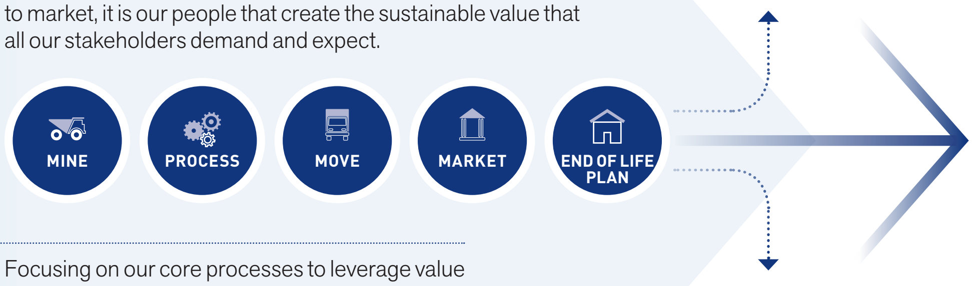
GROUP PRODUCTION GROWTH(1)
2%

CASH FLOWS FROM OPERATIONS
$5.8 billion

NEW WATER CONSUMPTION
191 million m^3

CO_2 EQUIVALENT EMISSIONS
17.8 Mt CO_2e

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



Focusing on our core processes to leverage value chain investment to provide competitive advantage

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.

Organisation Model
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, thereby minimising work duplication and increasing capability and effectiveness.

OUTCOMES

As a mining company, we create and sustain jobs, help communities to develop new skills, support education, build infrastructure, and help improve healthcare for our employees, their families and the local communities around our mines. It is through our core business activities – employing people, paying taxes to governments and procuring from host communities – that we make the most significant and sustainably positive contribution to our host countries.

TAXES BORNE AND COLLECTED(2)
$3.5 billion

WAGES AND BENEFITS PAID
$3.6 billion

COMMUNITY INVESTMENT SPEND
$84 million

LOCAL PROCUREMENT SPEND
$2.0 billion

(1) Pro forma growth in copper equivalent production, excluding disposals.
(2) Taxes borne and collected are based on numbers disclosed within the Group's income statement and exclude the impact of certain associates and joint ventures.

HOW WE MEASURE THE VALUE WE CREATE

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

SAFETY AND HEALTH
To do no harm to our people.
For our KPIs **See page 34**

ENVIRONMENT
To minimise our environmental footprint.
For our KPIs **See page 34**

SOCIO-POLITICAL
To partner in the benefits of mining with local communities and government.
For our KPIs **See page 34**

PEOPLE
Create sustainable competitive advantage through capable people and an effective, performance-driven organisation.
For our KPIs **See page 34**

PRODUCTION
To sustainably deliver valuable product to our customers.
For our KPIs **See page 34**

COST
To be competitive by operating as efficiently as possible.
For our KPIs **See page 34**

FINANCIAL
To deliver sustainable returns to our shareholders.
For our KPIs **See page 34**

DECISIVE ACTIONS STRENGTHENED FOUNDATIONS

Mark Cutifani

The actions we took across the business to drive free cash flow and further refine our portfolio, despite still weaker prices, delivered the significantly strengthened financial position required to create the foundations for the future.

The decisive and wide-ranging operational, cost, capital and portfolio actions we set out in 2016 – to sustainably improve cash flows and strengthen the balance sheet – have enabled us to reduce net debt by 34% to $8.5 billion, significantly below our $10 billion target.

While the prices for many of our products recovered during the second half of 2016 – including a particularly sharp increase for metallurgical coal in the fourth quarter – the average price for our basket of products for the year as a whole remained marginally below that for the prior year, reminding us of the scale of the price decreases that the industry incurred during late 2015.

Against that backdrop, and with our continued sharp focus on operational costs and productivity, we delivered a $3.5 billion increase in attributable free cash flow, a 25% increase in underlying EBITDA to $6.1 billion and grew our underlying EBITDA margin by five percentage points to 26%. Profit for the financial year attributable to equity shareholders increased to $1.6 billion, compared with a $5.6 billion loss in 2015. Following a 20% increase in copper equivalent productivity between 2012 and 2015, we delivered an additional 18% productivity increase during 2016.

The $1.5 billion sale of the niobium and phosphates business further supported our balance sheet recovery goal and, combined with the sale of a number of coal and platinum assets during the year, we received $1.8 billion[1] of disposal proceeds in 2016.

Keeping our people safe at work has always been an absolute priority. In 2016, we reported a 24% reduction in recordable case frequency rates, but an increase in fatal incidents. Tragically, we lost 11 colleagues during the year, largely due to failures around our critical safety risk areas. We can never accept even one serious injury and our efforts are concentrated around those major risk areas. We are determined that our goal of zero harm is achievable and we are working with every employee to get there.

In terms of environmental performance, there is no doubt that improved work planning and a greater focus on risk assessment has delivered a further reduction in the number of incidents, now 85% fewer than in 2013.

(1) Proceeds from disposals of $1.8 billion were received in 2016. Total nominal cash inflows are expected to reach $2.0 billion over time, subject to prices.

OPERATIONAL PERFORMANCE

I regularly state that creating a platform of operational excellence is fundamental to delivering the full potential from our asset base, independent of the market's external influences. In fact, weaker or more volatile markets emphasise a greater need for operating discipline, to ensure that we are operating to deliver optimal cash flows while preserving the assets' longer term integrity.

The actions we have taken to improve the quality of our asset portfolio as a whole, and to lift operating performance at the asset level through the implementation of our Operating Model, is driving materially stronger results.

Compared with 2012, we produced in aggregate in 2016, 8% more physical product from one-third fewer assets and at a 31% lower unit cost, on a copper equivalent basis, together representing a 41% increase in productivity over that four year period. This performance is the clearest illustration of the fundamental changes we have made to the way we run the business and the progress we have made to increase the quality of the portfolio. In dollar terms, we delivered $1.5 billion of cost and volume improvements, net of such headwinds as the snowfall and strikes at Los Bronces and the smelter run-out in our Platinum business.

In 2017, we are aiming to deliver an incremental $1 billion of net cost and volume improvements, 75% of which has already been identified.

REFINING THE PORTFOLIO

The transformation of our portfolio is well advanced, moving from 68 assets in 2013 to 42 at the end of 2016.

In 2016, we received $1.8 billion[1] from disposal transactions, largely from the $1.5 billion sale of our niobium and phosphates business in Brazil to China Molybdenum Co. Ltd., which completed in September 2016.

During the year, we also completed the divestments of the Callide and Foxleigh coal mines in Australia, and our 9.7% interest in Exxaro in South Africa; and in November, following the receipt of all regulatory approvals, we completed the sale of our Rustenburg platinum operations in South Africa to Sibanye.

We will continue to refine our asset portfolio on an ongoing basis in order to ensure that our capital is deployed effectively to generate enhanced returns for our shareholders.

THE NEW ANGLO AMERICAN

Our business strategy is based on the quality of the assets in our portfolio and, in certain product areas, the aggregation of those assets to create leading market positions. The assets are further enhanced by the marketing, technical and other critical, value-adding core processes that are delivered by the Group.

The high quality assets across our De Beers, PGMs and Copper businesses underpin our positions in those respective markets and are the cornerstone of a more resilient and competitive Anglo American, through the economic and commodity price cycle. In addition, we continue to benefit from the performance of a number of other world class assets across the bulk commodities of iron ore and coal, as well as nickel. We will continue to pursue opportunities to improve returns across each of our assets and product suites.

During 2016 and into 2017, we have continued to increase the overall quality of the portfolio through the completed or announced divestments of a number of assets, including the Rustenburg and Union platinum operations in South Africa and several of our smaller coal assets in Australia, amongst others.

In addition, and in response to the need to strengthen our financial position in light of the sharp falls in commodity prices in late 2015, we also decided to sell our niobium and phosphates business in Brazil. Through an extensive and competitive sale process, we agreed to sell those businesses to China Molybdenum, generating cash proceeds considerably higher than market expectations.

While we saw strong interest in a number of the major assets for which we also held sale processes during 2016 to further strengthen our financial position, we adhered to our strict value thresholds and chose not to transact. We will continue to upgrade our portfolio as a matter of course, although asset disposals for the purposes of deleveraging are no longer required. We therefore retain the world class Moranbah and Grosvenor metallurgical coal assets in Australia and our much upgraded nickel assets in Brazil, ensuring that they continue to be optimised operationally to contribute cash and returns, while being allocated capital to both protect and enhance value.

In South Africa, we continue to work through all the potential options for our export thermal coal and iron ore interests, recognising the high quality and performance of these businesses and ensuring that value is optimised for all our shareholders. The retention of these assets remains a viable position given our recent improvements and our focus on continuing improvements as we go forward.

Despite our significant progress, it is critical that the lessons of recent years are applied and, although there is confidence in the long term outlook for our products, the balance sheet must be able to withstand expected price volatility in the short to medium term. Our priority in 2017 is to deliver further productivity improvements while maintaining capital and cost discipline in order to be in a position to resume dividend payments for the end of 2017, and to restore an investment grade credit rating.

In 2017, capital expenditure[(2)] will be maintained at $2.5 billion, with stay-in-business capital increased to $1.2 billion. Capital will be appropriately prioritised, with care taken to ensure that we protect the long term value of our assets. We retain a number of attractive organic options, particularly in our Copper business, which we will continue to progress appropriately and assess in light of our overall capital structure and the prevailing macro environment.

Our portfolio constitutes a highly attractive, competitive and well balanced business, with the leverage of scale, technical and marketing expertise and mineral endowment options, which offer considerable upside potential over the long term.

(2) Excludes capitalised operating cash flows.

PARTNERS IN THE FUTURE

Developing and maintaining positive relationships with host communities continues to be a priority. We made good progress in rolling out the updated Social Way, our rigorous management standard for community issues. During 2016, we eliminated serious non-compliances for the first time and almost halved moderate non-compliances. Overall compliance reached 84% (2015: 66%).

An innovative and low cost SMS-based community survey mechanism was piloted in 2016 with positive results. The surveys highlighted the importance to host communities of high quality stakeholder engagement and a sense of fairness in our dealings with communities, in particular for the handling of complaints, managing negative impacts and generating widespread benefits from our operations. The surveys were also able to provide near real-time feedback on community sentiment and concerns, greatly aiding the ability of sites to respond to local priorities. Survey findings were also successfully combined with local social media activity to create new channels for stakeholder engagement. We will be rolling out the SMS surveys at priority sites as an ongoing programme through 2017.

We continued to drive the implementation of our innovative economic development model at a number of our operations. The model focuses on leveraging the value chains and skills within the business, and prioritises actions such as local procurement, enterprise development and skills-based employee volunteering. It was particularly gratifying to see our approach supported by the Inter-American Development Bank, which has contributed $2 million of co-funding to enhance our supplier and enterprise development programmes across Latin America. We have also piloted an innovative spatial development planning approach in Limpopo, South Africa. This has identified a wide range of near term economic development opportunities that we are now discussing with government and other stakeholders.

Our approach at community level continues to be informed by broader stakeholder engagement at national and international level. We have continued to be a progressive voice in dialogues with governments, faith groups and NGOs on topics such as the Sustainable Development Goals, revenue transparency and ethical value chains in the mining sector.

In 2016, the engagement between leaders in the mining sector and faith groups grew and was formalised as the Mining and Faith Reflections Initiative. An independent secretariat was established to support the initiative and there were new dialogues established in Zambia and Peru. In South Africa, where discussions are most advanced, the focus for 2016 was on exploring how the faith group-industry collaboration can bring meaningful benefits to communities in mining areas, with a particular emphasis on health and economic development. We are very hopeful of seeing the first results from these efforts in 2017.

OUTLOOK

In 2016, we have seen how unpredictable the economic and political environment is, emphasising the importance of asset quality, balance sheet strength, operational excellence and overall resilience. And, as we look ahead, we do expect ongoing price volatility for many of our products. However, with supply generally more constrained following a number of years of low capital investment and a generally more cautious approach across the industry, coupled with still growing demand as China seeks to balance its economy via both stimulus and a managed slowdown, the fundamental picture is sound. The world's consuming and aspirational middle class continues to grow in size at a considerable rate, further supporting demand for our products that are more skewed to the later stages of the development cycle.

THANK YOU

In this, Anglo American's centenary year, and on behalf of my colleagues on the Group Management Committee, I would like to thank all our people across the business for their hard work and commitment in what was a year of significant change and market volatility, and also thank our widespread and diverse stakeholders for their understanding and support.

As a result of our decisive actions in 2016, and the results delivered by our people across the company, Anglo American is now more robust, with a stronger balance sheet and more competitive cost structure around a world class and uniquely diversified asset base. Anglo American's strategic direction is clear and we have a highly motivated team that understands how we create sustainable value through the way we run the business.

DELIVERING CHANGE

OUR MISSION:
Together, we create sustainable value that makes a real difference

OUR VISION:
To be partners in the future

FOCUS THE PORTFOLIO

Prioritising time and capital on the assets that offer the most attractive long term value creation potential.

- Transforming portfolio: 68 assets in 2013 to 42 at end 2016.
- $1.8 billion(1) of disposal proceeds received in the year; including: niobium and phosphates business ($1.5 billion); Rustenburg platinum mines; and 9.7% interest in Exxaro.
- A number of other disposal transactions completed including the Foxleigh and Callide coal mines in Australia.
- Continue to refine and upgrade asset portfolio.

DRIVE CONSISTENT DELIVERY

Maintaining a highly competitive mindset with innovation and outstanding delivery at the forefront of how we drive change.

- Volume and cost improvement delivered: $1.5 billion in year.
- Net debt reduced below $10 billion target: $8.5 billion.
- Two major projects completed ahead of schedule and within budget; Gahcho Kué (De Beers) and Grosvenor (Coal Australia).

DEVELOP CORE BUSINESS PROCESSES

Becoming industry leaders in critical areas, extracting maximum value from our assets and products.

- Operating Model rolled out at nine operations.
- Marketing business ensuring value optimisation across the value chain.
- Avoided energy costs in 2016 estimated at $90 million, driven by business improvement projects.

DELIVER A HIGH PERFORMANCE CULTURE

Ensuring our organisation and people have the critical core skills to improve returns.

- Productivity improved by 41% since 2012.
- Headcount reduced by 40% since 2013.
- 32% reduction in occupational diseases reported since 2015.

(1) Proceeds from disposals of $1.8 billion were received in 2016. Total nominal cash inflows are expected to reach $2.0 billion over time, subject to prices.

As he prepares for his much deserved retirement after 12 years of service, I am also grateful to our finance director, René Médori, for his steady hand and wise counsel. Stephen Pearce will be joining the Board as René's successor after the AGM in April and we look forward to drawing on his broad-based financial and commercial leadership experience.

I would also like to recognise our chairman, Sir John Parker, for his guidance and leadership across many fronts. On behalf of the entire management team, we thank him and wish him well as he steps down as chairman during 2017. Lastly, I thank all the members of the Board for their unwavering support for the changes we have made to deliver our much strengthened position as we continue to build the foundations for Anglo American's future.

Mark Cutifani
Chief Executive

BUILDING RESILIENCE

THE NEW ANGLO AMERICAN

- High quality assets across our De Beers, PGMs and Copper businesses underpin our competitive positions in those respective markets.
- We also benefit from a number of other high quality, individual assets across iron ore, coal and nickel, which are optimised to continue to contribute cash and returns.
- Capital is appropriately prioritised, with care taken to ensure that we protect the long term value of all our assets.
- 2017 priorities to restore an investment grade credit rating and resume dividend payments.

A highly attractive, competitive and well balanced business, with the leverage of scale, technical and marketing expertise and mineral endowment options to offer considerable upside potential over the long term.

Creating a resilient business that delivers robust profitability and sustainable, positive cash flows through the cycle.

For more information on how we measure our performance through our pillars of value **see page 34.**

REMUNERATION

Anglo American's directors' remuneration policy, which will be put to shareholders for approval at the 2017 AGM, 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).

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 are non-financial and include project delivery, business improvement, stakeholder engagement and talent management
- A modifier is applied depending on the extent to which safety 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

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 proposed 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

Full details are set out in the directors' remuneration report on **pages 84-109.**

FOCUS THE PORTFOLIO

The high quality assets across our De Beers, platinum group metals (PGMs) and Copper businesses underpin our position in those respective markets and are the cornerstone of a more resilient and competitive Anglo American. In addition, we continue to benefit from the performance of a number of other world class assets across the bulk commodities of iron ore and coal, as well as nickel.

REDUCTION IN NUMBER OF ASSETS SINCE 2013

38%

DISPOSAL PROCEEDS RECEIVED IN THE YEAR

$1.8 billion

CARATS OF ROUGH DIAMONDS EXPECTED OVER THE LIFE OF THE RECENTLY COMMISSIONED GAHCHO KUÉ DIAMOND MINE

53 million

For more information
See pages 17-19

GAHCHO KUÉ – DELIVERING THE LARGEST NEW DIAMOND MINE IN MORE THAN A DECADE

Gahcho Kué, the world's largest new diamond mine in the last 13 years, officially opened in September 2016, ahead of schedule and in line with the projected C$1 billion (US$0.9 billion) capital budget. The mine, a joint venture between De Beers (51%) and Mountain Province Diamonds (49%), is expected to produce approximately 53 million carats of rough diamonds, from around 34 million tonnes of material, over its projected 12-year life, from 2017.

A fly-in/fly-out remote mine site, where winter temperatures can regularly plunge as low as minus 40°C or colder, Gahcho Kué lies 280 kilometres north-east of Yellowknife in Canada's Northwest Territories (NWT). The mine, which was commissioned in August 2016, is on track to reach full commercial operation in the first quarter of 2017. It will mine three open pits, and will employ a total of 530 employees and long term contractors. In 2016, Gahcho Kué supported a total of 2,050 direct and indirect full time equivalent (FTE) jobs, with an induced employment impact of 660 FTE's[(1)].

Over the life of the mine, Gahcho Kué is expected to contribute a total of C$5.7 billion into the economy of NWT, which derives more than half of its gross domestic product from mining activities. Partnering with local indigenous communities, which have a say on the use of resources in their ancestral lands, has ensured that the majority of workers during both the construction phase and the ongoing operation of the mine are drawn from the local community.

Production from Gahcho Kué will more than compensate for the loss of output following the placement of Snap Lake onto extended care and maintenance at the end of 2015. The mine will make an important contribution to rough diamond supply in an environment characterised by a steady rise in consumer demand from the growing middle classes in emerging markets, and from millennials, combined with supply constraints as economically viable kimberlite resource discoveries continue to be rare events.

Gahcho Kué diamond mine in Canada's Northwest Territories came on stream in August 2016 following major participation by the local indigenous community in its development. New diamond mine openings are rare events, and Gahcho Kué will make a significant contribution to global rough diamond supply. Process plant superintendent Terry Pinske walks up the ramp alongside the conveyor carrying diamond-bearing ore into the process plant.

PILLARS OF VALUE

Financial

For more on pillars of value and our KPIs
See page 34

(1) See Canada Impact Report, 'The socio-economic impact of Gahcho Kué' for further details.

As the mining industry continues to recover from the sharp price decreases of late 2015 and the early months of 2016, Anglo American has materially strengthened its balance sheet by generating significantly improved free cash flows and by completing the sale of a number of assets. Greater project, operating capital and cost discipline, combined with a 41% increase in productivity since 2012, are restoring our competitive advantage. We are building strong foundations for a more resilient Anglo American, more attuned to changing market dynamics, and well positioned to deliver robust profitability and cash flows through the cycle.

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; and
- The additional value potential generated through our dedicated marketing expertise.

De Beers

De Beers has a 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 largest diamond resources, by volume, in the world at Orapa and one of the richest diamond mines, by value, at Jwaneng. The recently commissioned Gahcho Kué mine, in Canada's Northwest Territories, will add an additional 53 million carats of rough diamonds over its projected 12-year life, from 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 any 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™ brand and De Beers Diamond Jewellers, a retail joint venture with LVMH Moët Hennessy Louis Vuitton.

Platinum Group Metals (PGMs)

Our Platinum business (held through a 78% interest in Anglo American Platinum) is the world's leading PGM producer. 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 – and has a significant stake in the world's No. 2 PGM deposit on the Great Dyke in Zimbabwe. Our flagship platinum mine, Mogalakwena, is the highest-margin 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 in Zimbabwe, alongside its joint venture interests in the Bafokeng-Rasimone, Mototolo and Modikwa mines in South Africa.

PORTFOLIO CHOICES DRIVEN BY ASSET QUALITY

De Beers	
Botswana	• Jwaneng • Orapa
South Africa	• Venetia • Voorspoed
Namibia	• Debmarine Namibia • Namdeb
Canada	• Gahcho Kué • Victor

Platinum	
South Africa	• Mogalakwena • Amandelbult • BRPM • Mototolo • Modikwa
Zimbabwe	• Unki

Copper	
Chile	• Los Bronces • Collahuasi • El Soldado
Projects	• Quellaveco • Sakatti

Bulk commodities and other minerals	
Iron ore and manganese	• Kumba Iron Ore • Minas-Rio • Samancor
Coal	• SA Thermal • Australia • Cerrejón
Nickel	• Barro Alto • Codemin

[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.

FOCUS THE PORTFOLIO continued

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 shape 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, such as fuel cells for electric vehicles.

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), with Reserve Lives of 24 years and 69 years, respectively. The resource base of these assets underpins our future brownfield 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 market, although expected to be broadly balanced in the medium term, is expected to struggle to meet longer term demand growth 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 to the market.

Bulk commodities and other minerals

Anglo American also benefits from a number of other high quality individual assets across the bulk commodities of iron ore, metallurgical and thermal coal, as well as nickel.

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 (c. 70%) in Kumba Iron Ore, where the Sishen and Kolomela mines produce leading quality lump ore and also a premium fine ore. 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 pellet feed. 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.

PGMs – FUELLING THE FUTURE

For years, PGMs have not only been essential in curbing noxious emissions in both petrol- and diesel-fuelled vehicles, but have been vital to the fields of medicine, electronics and jewellery, as well as an array of industrial applications. Today, PGMs are playing an increasing part in helping create a cleaner, more sustainable future.

As the contribution of burning fossil fuels to global warming continues to cause concern, and governments impose increasingly stringent vehicle emissions targets, the world needs to identify viable and economic renewable technologies for powering cars. Anglo American believes that PGM-containing fuel cell technologies provide one proven response to this global challenge.

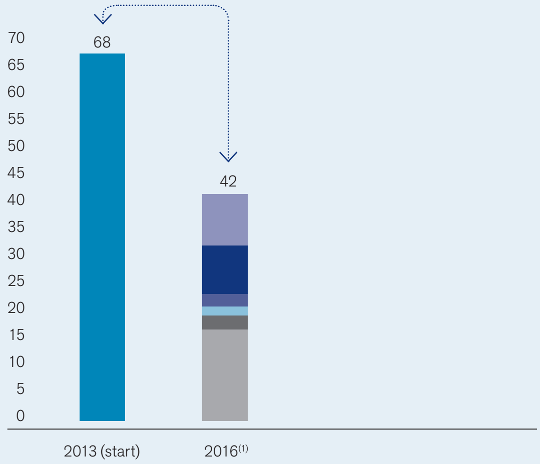
With refuelling taking just a few minutes and with a range similar to petrol or diesel vehicles, fuel cell electric vehicles, or FCEVs, employ platinum as the principal catalyst to cleanly and efficiently convert energy from hydrogen into electrical power in an electrochemical process whose only emission is water.

With fuel cells expected to result in annual platinum demand of several hundred thousand ounces by 2025, the industry presents a major opportunity for the platinum mining industry. At Anglo American, we are working with partners around the world to promote fuel cell technology in a number of applications. In South Africa, we have partnered with Ballard to deploy the world's first off-grid, fuel cell mini-grid to provide primary power to a rural community. In the UK, we are leasing a Hyundai ix35 fuel cell-powered car for four years as part of the London Hydrogen Network Expansion project. We are also working closely with Fuel Cell Hydrogen and Energy Association (in the US) and Hydrogen Europe to promote and advocate FCEVs and hydrogen fuelling infrastructure.

Anglo American believes that PGM-containing fuel cell technologies provide a proven response to the global challenge of cleaner transportation and is leasing this Hyundai ix35 fuel cell-powered car as part of its visible commitment to encouraging the development of the hydrogen economy.

DELIVERING OUR PORTFOLIO RESTRUCTURING

Number of assets



[1] Reflects Niobium and Phosphates, Rustenburg, Foxleigh and Callide disposals.

2016 portfolio changes

Disposal	**Completed sales**	Rustenburg
		Callide
		Foxleigh
		Niobium and Phosphates
		Tarmac Middle East
		Exxaro
		Kimberley
	Sale announced	Pandora
		Dartbrook
Restructure	**Closure**	Thabazimbi
		Drayton
	Care and maintenance	Twickenham

De Beers · Platinum · Copper · Nickel · Niobium and Phosphates · Iron Ore and Manganese · Coal · Corporate and Other

Our Tier 1 coal assets include the Moranbah North (88% ownership) and Grosvenor (100% ownership) metallurgical coal mines, both located in Queensland, Australia. The mines are underground longwall operations and produce hard coking coal. In Colombia, Anglo American, BHP Billiton and Glencore each have a one-third shareholding in Cerrejón, the country's largest thermal coal exporter.

Our Barro Alto nickel operation (100% ownership) produces ferronickel and is based in Goiás, Brazil.

In South Africa, we continue to work through all the potential options for our export thermal coal and iron ore interests, including retention, recognising the high quality and performance of these businesses and ensuring that value is optimised for all our shareholders.

Our Bulk commodities and other minerals assets have been optimised operationally to ensure ongoing and sustainable cash generation and returns, while being allocated capital to both preserve and enhance value, as appropriate.

We will continue to refine and upgrade our asset portfolio on an ongoing basis in order to ensure that our capital is deployed effectively to generate enhanced returns for our shareholders.

Portfolio restructuring in the year

The disposal of a number of assets completed to date, has contributed to the substantial $4.4 billion reduction of net debt during 2016. By year end, net debt stood at $8.5 billion, significantly below the targeted level of $10 billion.

Disposals announced and completed in 2016

During 2016, we received $1.8 billion[1] of disposal proceeds, including the $1.5 billion sale of our niobium and phosphates business in Brazil to China Molybdenum Co. Ltd.

We completed the disposal of two coal assets in Queensland, Australia in the year; a 70% interest in the Foxleigh metallurgical coal mine, and the sale of our 100% interest in the Callide thermal coal mine. The terms of both transactions remain confidential.

The disposal of the Rustenburg platinum mines to Sibanye Gold, announced in 2015, was completed in 2016. Anglo American also sold its 9.7% interest in Exxaro Resources Limited.

Sales have also been agreed for the Dartbrook coal mine in Australia and the Pandora platinum joint venture in South Africa, subject to a number of conditions. The disposal of the remaining interests in Tarmac operations located in the Middle East was completed in 2016.

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 since 2015 include: Snap Lake (diamonds) in Canada; Damtshaa (diamonds, temporary care and maintenance) in Botswana; Drayton coal mine in Australia; and Twickenham platinum mine and Thabazimbi (iron ore), both in South Africa.

In February 2017, we agreed the sale of our 85% interest in the Union platinum mine in South Africa to Siyanda Resources.

[1] Proceeds from disposals of $1.8 billion were received in 2016. Total nominal cash inflows are expected to reach $2.0 billion over time, subject to prices.

DRIVE CONSISTENT DELIVERY

As global economic and political uncertainty continues and commodity prices remain generally volatile, it is important to continue driving improvements through our business. In this challenging environment, we are committed to managing what is in our control; achieving cost and productivity improvements; to enhance cash flows through the cycle; and further strengthen our balance sheet.

34% NET DEBT◊ REDUCTION

$8.5 billion

COST AND VOLUME IMPROVEMENTS◊

$1.5 billion

NET DEBT: EBITDA RATIO◊

1.4x

CAPITAL EXPENDITURE◊[1] IN 2016

$2.5 billion

For more information
See pages 21-23

PILLARS OF VALUE

- **Production**
- **Cost**
- **Financial**

For more on pillars of value and our KPIs
See page 34

SISHEN – COMING THROUGH THE DOWNTURN, PREPARED FOR THE UPTURN

During 2015, confronted by steadily declining prices as iron ore markets continued to deteriorate, Kumba Iron Ore took bold action to ensure that South Africa's premier iron ore producer remained profitable.

In a series of moves in response to the worsening price environment, the huge open pit at Sishen mine was progressively redesigned, with a final pit design achieved in late 2015. This design called for considerably less waste rock stripping, which would allow Sishen to operate at a reduced cash break even price. More generally, it enabled a more flexible and responsive approach to mining operations, with lower execution risk.

The ramifications of the reconfiguration of pit design and change in mining approach, however, were to be felt far more widely – and it would take a multi-disciplinary team effort if Kumba was to successfully deliver on its plans.

On the operational side, the mine and the Group's technical and financial teams worked closely together on a series of business improvement projects, with additional support provided by the ongoing implementation of Anglo American's Operating Model.

Two areas of the business merited particular focus: operating hours and mining fleet utilisation had to increase materially – by as much as 30%; and substantial changes needed to be made to the shift-roster system. The first was largely achieved by the fourth quarter as a new rigour was applied to seeking greater efficiencies. Secondly, new rosters enabled a more effective handover between shifts and reduced break times, leading to a 10% increase in productivity in this area.

In many ways, however, the impact on people's lives was even more challenging. The changes meant that some 1,500 employees, along with 1,000 contractors, would have to leave the operation. Through a comprehensive process of engagement, at all levels of the organisation, with affected stakeholders, Kumba was able to undertake the largest restructure in its history while avoiding industrial action.

The introduction of Anglo American's operating model at Kumba's Sishen iron ore mine in South Africa, in tandem with progressive redesign of the huge open pit in light of a worsening price environment, has led to a more resilient operation able to operate at a reduced cash break even price.

(1) Excludes capitalised operating cash flows.

We are continuing to implement Anglo American's Operating Model in order to deliver ongoing productivity improvements, lower operating costs and to carry out work safely. Leveraging the Group's considerable technical expertise, the Operating Model provides the structure and discipline to optimise the operation of our world class assets and provides the foundation for improvements across the business.

These operational improvements, our rigorous approach to capital allocation, and the proceeds received from asset disposals in the year have improved free cash flows, reducing net debt to significantly below $10 billion and materially strengthening the Group's balance sheet.

BUILDING A STABLE OPERATIONAL PLATFORM

Delivery of the Operating Model is leading to greater confidence in our ability to deliver to our plans and improve work management, as work is now planned, scheduled and resourced well ahead of execution. The Operating Model also provides greater role clarity, with distinct accountabilities and responsibilities, enabling sustainable and stable processes that deliver the expected outcomes.

Although there are three components to the Operating Model, which address operational strategy, work management, and continuous improvement, the focus to date has been on work management execution. By the end of 2016, various components of the Operating Model had been fully or partially implemented at nine sites.

At **Kolomela**, implementation of the Operating Model in the plant area has seen a marked improvement in work execution, with scheduled work completion now in excess of 95%. Screening-tonnes throughput improved by 18% during the 'go-live' phase, and a further 18% during the stabilisation phase. The plant's process stability has also improved significantly.

At **Sishen**, initial mining work management implementation resulted in significant improvements in the amount of ore and waste moved. The restructuring of the business, however, and the resultant lower production and waste removal targets for the year, has reduced the extent of operational improvements compared with previous roll-outs. Work management for the reconfigured mining set-up is now under way.

At **Jwaneng**, the Operating Model went live in September, and is currently in the stabilisation phase, with early indications showing promising results. The model's work management component is now being implemented at the **Letlhakane Tailings Retreatment** plant.

At De Beers' **Venetia** mine, implementation of the Operating Model is in the project set-up phase while at **Gahcho Kué**, the implementation of the Operating Model is more advanced.

Delivery of the Operating Model continued at **Mogalakwena** (production and maintenance) at the South Concentrator, while implementation at the North concentrator was completed earlier in the year.

The improvement in work performance indicators has already led to an increase of approximately 10% in daily milling output.

A significant improvement has also been realised in work execution performance at **Minas-Rio**, with scheduled work completion currently standing at 85%.

At both **Los Bronces**' processing operations, milling circuit availability has increased, while there has been a reduction in process variability. Implementation of the work management component in the mining operations went live at the end of 2016. All remaining work at Los Bronces is scheduled to be completed in 2017.

During 2017, the main focus of the Operating Model's work management component will be on the Platinum business, with Amandelbult scheduled to go live towards the end of the year. Additional projects will also be carried out concurrently at the Rustenburg Base Metal Refinery.

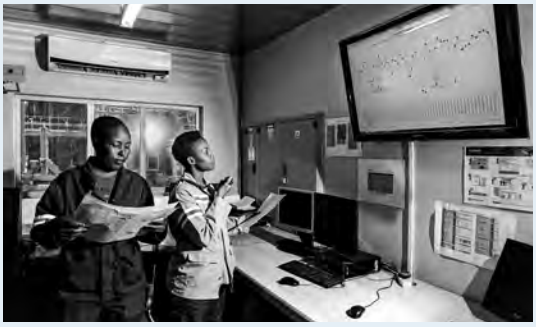
ENHANCING PERFORMANCE AT MOGALAKWENA

Anglo American's Operating Model is aimed at getting the best out of the company's assets – and particularly assets such as Mogalakwena in South Africa.

At the mine's North Concentrator, where PGM-bearing ore is processed into high-grade PGM-bearing concentrate, we are unlocking value through continually modernising processing technologies and through maximising efficiencies in processing.

Key initiatives to enhance concentrator productivity and profitability include: measures to enhance flotation kinetic response; the optimisation of fine grinding techniques in order to mitigate metal losses of locked minerals; modifications to the configuration of the flotation circuit; and taking a hard look at equipment constraints.

Such measures have led to improved nominal throughput rates, which have assisted in increasing metal production while also lowering unit costs.



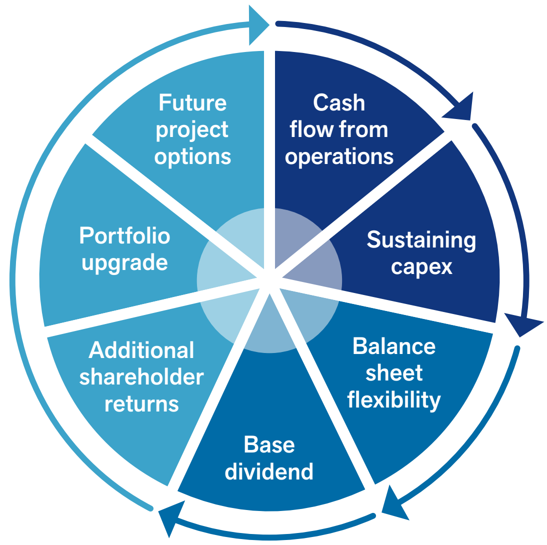
New processing technologies being adopted at Mogalakwena, following the implementation there of Anglo American's Operating Model, are leading to higher ore-milling rates and increased plant throughput. Here, control room operators Priscilla Tsheole (left) and Maggy Botsanara monitor the stability of operations at the North Concentrator.

DRIVE CONSISTENT DELIVERY continued

CAPITAL ALLOCATION

Effective capital allocation throughout the cycle is critical to delivering value, given the long term and capital intensive nature of our business. The Group applies a dynamic capital allocation process, while maintaining a strong focus on capital discipline.

In the near term, the focus remains on further strengthening the balance sheet and to restore an investment grade credit rating, while continuing to allocate the capital expenditure needed, across our portfolio of assets, to both sustain our business and to protect value. We aim to reinstate dividend payments as soon as possible and expect to do so by the end of 2017. The Group will continue to seek to upgrade the quality of its portfolio of assets, including through ensuring an appropriate geographic balance. Excess capital will be returned to shareholders unless there are compelling value-accretive opportunities for investment.



CASH FLOW FROM OPERATIONS

Anglo American seeks to improve operating free cash flow through five key levers: improving productivity and lowering input costs across all operations (including through deployment of the Operating Model); reducing overhead expenditure (including through implementation of the Functional Model); timely delivery of new projects (primarily Grosvenor and Barro Alto during 2016); maximising revenue (including through improvement in our marketing activities); and optimising our investment in working capital.

During 2016, cash flows from operations increased to $5.8 billion (2015: $4.2 billion), driven by the delivery of cost and volume improvements of $1.5 billion, which included a recovery in sales volumes at De Beers, contributions from recently completed projects, and cost reductions across the Group. Working capital cash inflows improved by $0.4 billion following improvement initiatives across all areas. The recently completed Grosvenor (Coal Australia) and Barro Alto (Nickel) projects both ramped up during 2016, together contributing $0.2 billion to cash flow from operations. Results from Gahcho Kué (De Beers) are expected to cease to be capitalised in the first quarter of 2017, and from Minas-Rio (Iron Ore Brazil) with effect from January 2017, after which these assets will also contribute to cash flow from operations.

SUSTAINING CAPITAL EXPENDITURE

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 approximately $2.5 billion per year.

Stay-in-business capital expenditure decreased to $1.0 billion (2015: $1.4 billion), primarily due to a focus on capital discipline and the continued roll-out of the Operating Model across our assets.

Development and stripping capital expenditure decreased to $0.6 billion (2015: $0.7 billion), primarily as a result of the redesign of the pit at Kumba's Sishen iron ore operation, where the transition was made to a lower strip ratio and operational cost position.

During 2016, continued progress was made on our ongoing expansion projects, including the construction of De Beers' Venetia underground mine in South Africa, where the decline advanced to more than 2,000 metres. The project is now 26% complete, with the underground operation expected to be the mine's principal source of ore from 2023.

BALANCE SHEET FLEXIBILITY

Consistent with our objective to restore an investment grade credit rating, our near term objective is to continue to reduce net debt and ensure the Group's net debt/EBITDA ratio remains below 1.5.

Net debt at 31 December 2016 was $8.5 billion, significantly lower than the year-end target of $10 billion, resulting in a net debt/EBITDA ratio of 1.4. The $4.4 billion reduction in net debt since 31 December 2015 was primarily driven by strong operating cash inflows of $5.8 billion, capital expenditure of $2.5 billion(1) and cash proceeds from disposals, before tax, of $1.8 billion(2).

BASE DIVIDEND

The commitment to a sustainable dividend remains a critical part of the overall capital allocation approach.

Given the need to conserve cash and reduce debt, dividend payments remained suspended for 2016. The Board has recommended that, upon reinstatement, Anglo American should adopt a payout ratio in order to provide shareholders with exposure to improvements in commodity prices, while retaining cash flow flexibility during periods of weaker pricing. It is currently expected that dividend payments will be reinstated for the end of 2017 (payable in 2018).

(1) Excludes capitalised operating cash flows.

(2) Proceeds from disposals of $1.8 billion were received in 2016. Total nominal cash inflows are expected to reach $2.0 billion over time, subject to prices.

ADDITIONAL SHAREHOLDER RETURNS

Excess capital will be returned to shareholders unless there are compelling value-accretive opportunities for investment.

The current focus remains on deleveraging the balance sheet further and to restore an investment grade credit rating.

PORTFOLIO UPGRADE

We remain focused on upgrading the portfolio, through improving asset quality, maintaining future optionality and seeking the appropriate geographic balance.

During 2016, we received $1.8 billion[(1)] from divestment transactions. The sale of the niobium and phosphates business in Brazil to China Molybdenum Co. Ltd ($1.5 billion) supported our balance sheet recovery goal, while we also continued to upgrade the portfolio through the divestment of a number of other assets: the Rustenburg platinum mines to Sibanye Gold; our 9.7% interest in Exxaro Resources; and our interests in the Callide and Foxleigh coal mines in Australia. The disposal of Dartbrook (Coal Australia) was agreed in 2015, and is expected to complete in the first half of 2017. The disposal of the remaining interests in Tarmac operations located in the Middle East was completed in 2016. Twickenham (Platinum) was placed onto care and maintenance during the year. In February 2017, we agreed the sale of our 85% interest in the Union platinum mine in South Africa to Siyanda Resources. We will continue to refine the portfolio in this way, ensuring that capital is deployed to generate enhanced returns through the cycle.

FUTURE PROJECT OPTIONS

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 not commit to more than one major project at any given time. No major new project approvals are planned until dividend payments are resumed. The Group will continue to maintain optionality to progress with value-accretive projects, should market conditions and capital availability permit.

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 (FutureSmart™) programme 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 spent in 2016. At the Gahcho Kué diamond mine in Canada, which accounted for capital expenditure of $0.2 billion in 2016, production has commenced and ramp-up is nearing completion.

(1) Proceeds from disposals of $1.8 billion were received in 2016. Total nominal cash inflows are expected to reach $2.0 billion over time, subject to prices.

(2) Excludes capitalised operating cash flows.

Evaluation expenditure reduced to $105 million in 2016 (2015: $145 million) and expenditure on exploration activities decreased by 31% to $107 million (2015: $154 million).

GROUP CAPITAL EXPENDITURE◊

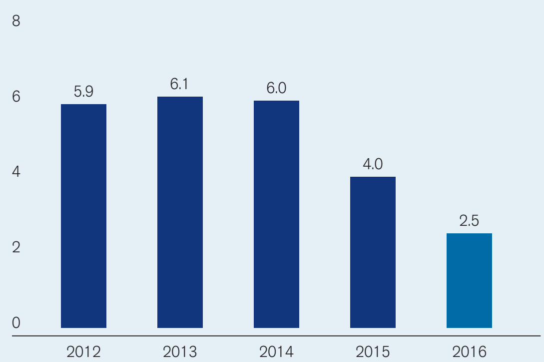
Capital expenditure[(2)] decreased to $2.5 billion (2015: $4.0 billion), owing to rigorous capital discipline applied to all project investments, as well as to the benefits accruing from the commissioning of the Minas-Rio, Gahcho Kué and Grosvenor projects. In 2017, we expect capital expenditure to be approximately $2.5 billion.

Capital expenditure*

$ million	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Expansionary	967	1,936
Stay-in-business	1,042	1,384
Development and stripping	551	740
Proceeds from disposal of property, plant and equipment	(23)	(30)
Total	**2,537**	4,030
Capitalised operating cash flows	(150)	147
Total capital expenditure	2,387	4,177

* See page 189 for the definition of capital expenditure.

Group historical capital expenditure◊ 2012–2016



DEVELOP CORE BUSINESS PROCESSES

At Anglo American, our core business processes refer to the fundamentals of our work across our entire value chain – from exploration and discovery to delivering our products to our customers. With innovation and outstanding delivery at the forefront of how we deliver value, the business processes we are implementing are vital to the success of our core activities and achieving best practice across the Group.

ESTIMATED ENERGY COST SAVINGS

$90 million

WATER SAVED AS A RESULT OF WATER-SAVING PROJECTS ACROSS THE GROUP

23 million m^3

REDUCTION IN DEMURRAGE COSTS AT COPPER

Resulting from the implementation of Marketing's ISOP process

37%

For more information
See pages 25-29

PILLARS OF VALUE

- Environment
- Socio-political
- Production
- Cost
- Financial

For more on pillars of value and our KPIs
See page 34

THE CONCENTRATED MINE

One of the greatest challenges facing the mining industry today is how to develop and implement step-change innovations in order to drive improved productivity and cost performance, while minimising a mine's total physical and environmental footprint.

Concentrate the Mine™ is an integrated mining-systems approach pioneered by Anglo American. It integrates three enabling technologies:

- Advanced mine-to-mill uses new blasting technologies to increase plant throughput and minimise processing costs
- Coarse particle recovery (CPR) is designed to augment advanced mine-to-mill technologies to coarsen the grinding and to reduce energy and water consumption while maintaining, or potentially improving, recovery
- Early-stage gangue rejection separates ore from waste before ore enters the crushing and grinding phase. By rejecting the worthless waste rock earlier in the process, we effectively increase the grade, while reducing processing costs as well as water and energy consumption.

The potential benefits of these Concentrate the Mine™ techniques and technologies are significant, with broad application across our copper, platinum and diamond businesses. Together, they have the potential to deliver a step-change increase in output, without incurring a similar increase in operating and capital costs, in tandem with the prospect of greatly reduced energy and water use.

The Concentrate the Mine™ concept is being developed at the Los Bronces copper mine in Chile. First-phase trials will be completed in the first half of 2017, and early indications are promising. For example, even with only part-implementation of advanced mine-to-mill technologies, we are already achieving a 7% increase in plant throughput and an 84% reduction in blast vibrations.

Concentrate the Mine™ is an integrated mining systems approach pioneered by Anglo American. It is already being developed at our Los Bronces copper operation in Chile, and has the potential for broad application across other copper assets, as well as our platinum and diamond businesses.

We are starting to see tangible benefits from the roll-out of our Operating Model across our major assets; a more stable and predictable operating performance is leading to improved productivity and costs, fewer environmental incidents and a fuller understanding of our mine-to-market value chain. Working together with all our stakeholders, we are beginning to deliver on the full potential of our portfolio and enhance the sustainable value we can create for all our stakeholders.

DELIVERING VALUE THROUGH INNOVATION

By accelerating the implementation of the Operating Model, we have made good progress at a number of our major assets, and we now have clear foundations in place for how we do our work.

Operating excellence remains a focus for our technical function and we aim to continually improve our operating standards which, in turn, helps to boost cash generation. For example, at the Los Bronces molybdenum plant in Chile, metal recovery has increased by more than 10 percentage points. This performance reflected a range of technical improvements, including improved understanding of the mineralogy and orebody, and processing optimisation that builds on a solid knowledge of plant capacity, allowing stable, maximum feed through the plant.

It is essential that we continually focus on, and invest in, innovation and technology development if we are to find more productive, efficient and sustainable ways of extracting value from the minerals we mine and deliver to our customers.

Traditional means of innovating are translating into new approaches that are more collaborative and inclusive. Anglo American's FutureSmart™ approach to innovation includes bringing together stakeholders with different perspectives to reframe challenges, produce rough prototypes to quickly test ideas and co-create user-centred solutions that can be adopted faster.

During 2015 and 2016, we convened FutureSmart™ Open Forums covering four major challenges – Sustainability, Processing, Mining, and Energy. We have also formulated a disciplined approach to innovation implementation which combines the exploration of long term possibilities with pragmatic implementation activities that realise short term value. Our unique innovation process, named 'SmartPath', allows us to move quickly from new ideas to new knowledge. It does so through a process of continuous assessment, with the aim of achieving relatively low cost, high reward capital expansions that can improve our position on the cost curve. This is essential in a prevailing environment of economic uncertainty, water scarcity and energy shortages, declining ore grades, and a productivity decline of around one-third in the mining industry over the past decade.

The most aspirational element of FutureSmart™ is our ambition to make dry tailings a normal operating practice. Water sent to tailings disposal often represents the largest water loss at a mine. Fine particle slurries are particularly difficult to dewater and current dry disposal options have prohibitive capital and operating costs. We are examining how we can reduce the cost of dewatering and are looking at the physical and chemical properties of the fine ore particles to understand why they cling so resolutely to water. If successful, we have the potential to significantly limit how much fresh water we draw, while also gaining access to orebodies in water-stressed areas that are critical to supplying the world's ongoing demand for metals and minerals.

MARKETING PRODUCTS FOR FULL VALUE

During 2016, our Marketing business made good progress with marketing activities designed to create maximum value across the entire value chain – from mine to customer. These activities are designed to contribute value 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 for PGMs through a structured market development programme.

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

- Marketing excellence: continuing to build direct customer relationships and obtain full value for our products.

  Through our dedicated sales and marketing hubs in Singapore and London, we continue to strengthen customer focus and build on our strong relationships. Throughout the year we sold all our equity volume available while managing supply challenges through proactive action such as the purchase of third party material. Close customer relationships have seen us explore and develop innovative propositions that have delivered shared benefits and additional value. Marketing excellence activities have continued to generate a large proportion of Marketing's value for the Group.

- Value chain optimisation: integrated sales and operations planning (ISOP) capability to ensure we make the most of our mineral resource in light of market conditions; ensuring customers get the right products, at the right time; and leveraging our logistics capabilities and shipping services.

  Our approach to planning and execution through our ISOP activities is now established across the majority of our commodities. This has realised specific benefits in higher throughput, lower logistics costs, and improved margins on qualities and quantities shipped.

DEVELOP CORE BUSINESS PROCESSES continued

EFFICIENTLY MANAGING THE INTERFACE BETWEEN PRODUCTION AND MARKETING

ISOP is a core element of Anglo American's Operating Model that is now established across the majority of our commodities. ISOP is Marketing's process for planning the movement of product from the mines' finished-goods stockpiles to end-customer delivery. Through the ISOP process, marketing and mine production plans are reconciled to maximise the value of product delivery into the market within the constraint of our supply capacity.

ISOP provides a structured framework for planning, scheduling and execution from mine to market across two time horizons: an 18-month Sales & Operations (S&OP) planning horizon; and an eight-week Tactical Planning horizon.

ISOP in action at Copper
ISOP was introduced in Copper in January 2016. The S&OP process allowed us to assess potential risks and opportunities beyond the two-month Tactical Planning horizon. For example, the S&OP process typically aligns operation and maintenance plans between our mines, smelter and port. This year, when operations and maintenance plans at the Chagres smelter could not be aligned with Los Bronces' and El Soldado's, ISOP identified an opportunity to source third party concentrate, thereby optimising the smelter's feed and financial performance.

The shorter Tactical Planning process has provided increased visibility of the production forecast which has, in turn, led to an improved shipping schedule, and a 37% reduction in demurrage costs.

ISOP in action at Thermal Coal
ISOP was introduced in Thermal Coal operations in 2013. In early 2016, the market anticipated high demand for lower calorific value (CV) product by India. ISOP provided the agility to react to this trend and maximise the value presented by the recently negotiated extra rail capacity. Through integrating production, logistics and demand plans, ISOP enabled four South African coal mines to supply the Indian market with low CV coal at higher yields, realising significant additional value for our Coal business.

The Richards Bay Coal Terminal (23.2% interest held) achieved its best ever shipping performance in 2016, while export sales at Coal South Africa were the second highest ever recorded.

During the year, several other value chain optimisation activities created additional earnings, including the further expansion of our shipping portfolio, with linked freight trades that yielded cost advantages and benefits relative to stand-alone routes. It was a year when we shipped record volumes across our bulk commodities on a CFR basis.

- Customer value proposition: through creating our own capability to access financial and third party physical markets, broadening the offer we make to customers. Thermal coal trading continues to perform well and we are therefore now active in related areas, including price-risk management in other commodity groups.

Good progress has also been made with our PGMs market development activities. Short term demand drivers include the jewellery and investment sectors; while in the longer term, we are investing in new technologies that are expected to drive new sources of demand for PGMs – such as fuel cell electric vehicles.

All Marketing activities are executed in an increasingly sophisticated risk-management environment. Ensuring the risk factors which affect marketing – including price, credit, operational, and regulatory risks – are transparent and comprehensively managed remains a key priority, helping to maximise value for the Group.

Throughout the year, in addition to progress against our levers, we made good progress on a number of enabling projects to improve our effectiveness and efficiency, and more importantly, set us up for future growth. These included improving our sales operation processes and supporting our IT systems globally.

MANAGING OUR IMPACTS ON COMMUNITIES AND THE ENVIRONMENT

As a responsible miner, our social and legal licences to operate stem largely from our ability to demonstrate compliance with permitting requirements, responsible environmental management and the equitable distribution of the economic value generated by our operations. Our aim is to have a net positive lasting impact on our host communities through forming mutually beneficial partnerships, as reflected in our vision: 'partners in the future'.

The principal environmental and social risks facing our business are associated with socio-economic development, water quality and security, 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.

For more information, visit
http://www.angloamerican.com/investors/annual-reporting

MITIGATING ENVIRONMENTAL IMPACTS

The past three years have shown a steady decline in the number of environmental incidents reported, indicating continued improvement in the management of environmental controls across operations. In both 2015 and 2016, no Level 4 or Level 5 incidents (high impact) were reported. During 2016, four Level 3 (medium impact) environmental incidents were reported that resulted in no lasting harm to the environment (2015: six Level 3).

Water

Water management is of great significance to our business activities, given that a large proportion of our current portfolio is located in regions with high levels of water risk. The water related challenges faced by our sites typically fall into three categories: water security; managing highly variable rainfall; and mitigating the impact of mining activities on water quality and the rights of other users.

In line with International Council on Mining and Metals (ICMM) guidance, we have developed a new water management standard in partnership with our regional stakeholders, which has a more focused and structured approach to managing basin-wide water risks. We are working towards more ambitious water savings targets for 2020, which include reducing our absolute freshwater intake by 20% and recycling/re-using water for 75% of our water requirements.

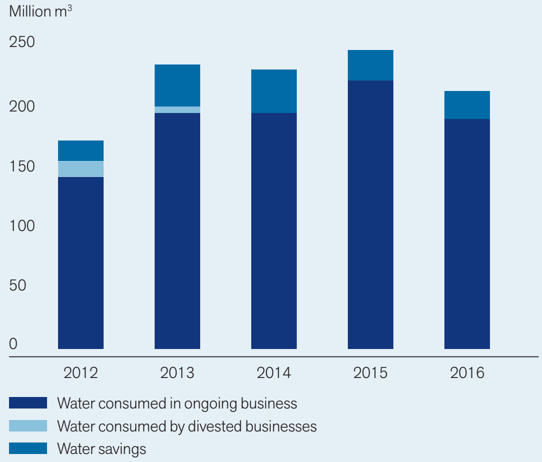
Water security across the Group has improved, with eight sites reporting water shortages during 2016, down from 11 sites in 2015. Continued drought conditions and water restrictions in South Africa and possible shortages in Minas Gerais State in Brazil, however, may increase water scarcity risk in the future.

In South Africa, our Platinum business has started modelling water supply scenarios for the next 20 years for each of its water stressed operations, where there are rapidly growing demands for water to support agricultural, mining, industrial and domestic consumption. In Limpopo province, the business has developed a bulk-water strategy and infrastructure plan to safeguard long term water availability for its operations and surrounding communities. Since a high number of our assets are in southern Africa, we have developed a collaborative water strategy for the region, which will be launched in 2017.

In Chile, our Los Bronces copper mine continues to mitigate water supply challenges by implementing technical solutions that promote water efficiency and water resilience. The site has reduced its water consumption by 20% from 0.69 m^3/tonne of ore to around 0.54 m^3/tonne. During 2016, additional technical solutions were identified that could reduce operational water consumption further.

Water saving projects saved the Group a further 23 million m^3 of water in 2016 (2015: 25 million m^3). Anglo American's total new-water consumption decreased by 14% from 222 million m^3 in 2015 to 191 million m^3 in 2016. The decrease was primarily due to divestments and efficiency measures.

Total water consumed against business as usual 2012–2016



Climate change and energy

In April 2016, the Board supported a special resolution proposed by a group of shareholders that was then passed by shareholders at the AGM, in support of strategic climate resilience for 2035 and beyond. The resolution was prepared by the 'Aiming for A' coalition of institutional investors, and seeks a step change in companies' disclosure to investors on how they measure and manage climate change risks and opportunities to their businesses. Further information on our response to the resolution is available in the Anglo American Sustainability Report.

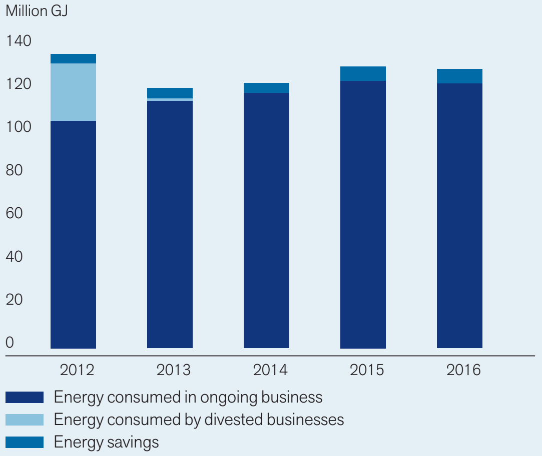
Our climate change strategy is designed to safeguard the business and host communities against climate change risks, and to contribute to mitigating global greenhouse gas (GHG) emissions. We expect that climate change will affect our business in three principal ways: climate regulation and taxation will have a financial impact; demand for PGMs and copper – critical products in enabling alternative energy technologies – will increase, while demand for thermal coal will decrease over the long term; and the physical and social impacts of a changing climate may affect our operations and host communities.

We anticipate a range of carbon pricing and offset/incentive policies to emerge in all our operating geographies. Carbon pricing scenarios are factored into project investment decisions and climate change risk and adaptation assessments have been conducted at vulnerable operations.

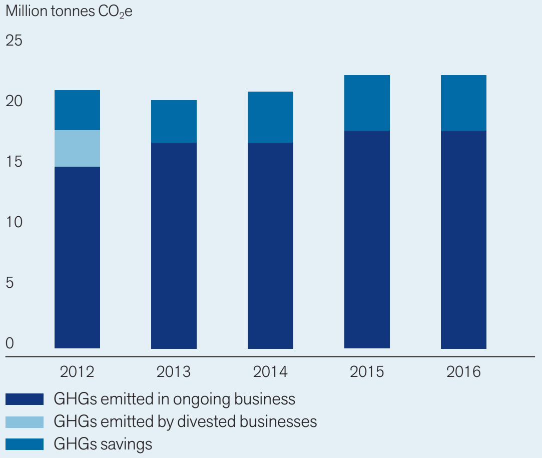
Progress on operational energy and carbon performance is driven through our energy- and carbon-management programme, ECO_2MAN. In 2015, the Group set new reduction targets for 2020, including: 8% for energy and 22% for GHG emissions, with 2015 set as the base year. These were agreed in the context of capital constraints and market complexities and uncertainties, and are subject to divestments and significant business changes.

DEVELOP CORE BUSINESS PROCESSES continued

Total energy consumed against business as usual 2012–2016



Total GHG emissions against business as usual 2012–2016



In 2016, our ECO$_2$MAN energy- and GHG-reduction programme prevented 4.5 million tonnes of CO_2-equivalent (MtCO_2e) emissions from entering the atmosphere. By year end, a total of 320 ECO$_2$MAN and business improvement projects had accounted for estimated energy savings of 5.8 million GJ, representing energy cost savings of approximately $90 million. Performance is driven through the implementation of discrete projects that reduce energy and emissions intensity at the operations concerned.

In 2016, Anglo American operations were responsible for 17.8 Mt CO_2e (2015: 18.3 Mt CO_2e). The Group's total energy consumption was 105 million GJ (2015: 106 million GJ). Total energy used decreased slightly (1%), while GHG emissions fell by 3% when compared with 2015. A large increase in energy consumption at Barro Alto in Brazil following the furnaces' rebuild (around 7 million GJ) was offset by lower consumption across most other businesses owing to divestments, efficiency measures and operational changes. The reduction in GHG emissions was a result of divestments, lower electricity emissions factors in Brazil and South Africa, and GHG mitigation projects.

Tailings storage facilities

Tailings storage facilities are classified as one of our top 10 major risks and are subject to a rigorous risk management programme.

In February 2014, we began implementing a new mineral residue management technical standard, to be fully implemented by the end of 2017, for tailings and water retaining dams. Most businesses are phasing in the new standard and its requirements ahead of schedule.

During 2016, we completed a comprehensive inventory of, and updated risk tables for, all the containment facilities in Anglo American (90 tailings storage facilities and 213 water containment structures). Critical controls at facilities are audited internally on a rotational basis and each of the businesses is addressing identified priority issues. External technical review panels are being established for our mineral residue facilities to undertake independent reviews, and are already in place at several of our operations.

PARTNERS IN THE FUTURE

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

Our drive to manage social impacts and enhance positive benefits to communities is influenced significantly by growing legal and regulatory requirements, as well as by evolving societal and stakeholder expectations. This has highlighted the growing strategic significance of environmental, social and governance issues, and emphasised the important business benefits in building trusted and constructive relationships across stakeholder groups. This is essential to effectively manage social risks, maintain and strengthen our socio-political licence to operate, and support business milestones to achieve our vision of becoming 'partners in the future'.

Managing our social impacts

Inclusive stakeholder engagement underpins our approach to respecting human rights and to responding to legitimate stakeholder aspirations and concerns.

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; to avoid, prevent and mitigate adverse social impacts; and to 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.

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.

Through our responsible sourcing programme, we aim to ensure that the goods and services we procure do not cause harm to individuals or the natural environment.

Social instability leading to community unrest remains a particular challenge in South Africa, and particularly for our operations in Limpopo province. 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 have placed a particular strategic focus on mitigating social conflict and promoting socio-economic development across Limpopo.

Optimising the benefits of mining

Our strategic focus is on improving the productivity of local markets and public institutions to support sustainable job creation and effective public service delivery. Our integrated approach is concentrated on promoting local and preferential procurement, enterprise development and workforce development, working with local institutions to strengthen their capacity, maximise the socio-economic benefits from our own infrastructure, and deliver social investment that supports those most in need.

This approach is most advanced at our South American operations, where we believe that our leading socio-economic development initiatives are a driver of competitive advantage. This is recognised in the $2 million of grant funding secured from the Inter-American Development Bank to expand our integrated enterprise and supplier development programmes in the region.

Our focus on leveraging our core business activities and skills in collaboration with expert partners, enables us to have a significantly greater positive impact on host communities at a much lower cost than conventional social investment-led approaches.

Global expenditure by country

	$ million	%
South Africa	40.1	48
Peru	13.6	16
Chile	10.3	12
Brazil	9.9	12
Canada	4.9	6
Namibia	3.0	4
Botswana	1.0	1
United Kingdom	0.8	1
Rest of World	0.3	–
Australia	0.2	–
Total	84.1	

In 2016, 23% ($2.0 billion) of supplier expenditure was with host communities (2015: $1.8 billion, 17%), while our enterprise development programmes in Botswana, Brazil, Chile, South Africa and Peru supported 62,447 businesses and created/sustained 116,298 jobs.

In 2016, Anglo American's corporate social investment (CSI) expenditure in local communities, including by the Anglo American Chairman's Fund and Zimele, totalled $84.1 million (2015: $124.1 million). This figure represents 2.5% of underlying EBIT, less underlying EBIT of associates and joint ventures.

Responsible mine closure and divestment

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 is aimed at ensuring that the full spectrum of opportunities, risks and liabilities is effectively identified, that plans are fully costed, and that financial provision is made for premature closure.

When operations are divested or placed onto care and maintenance (C&M) there are impacts on employees, communities and the environment. Our aim is to divest businesses responsibly by ensuring that new owners are credible and ethical, that liabilities are fully transparent, and that our legal and other social and environmental commitments are honoured. Efforts around mitigating the effects of C&M focus on stakeholder engagement, mitigating job losses and wider social impacts, and ongoing environmental care and monitoring.

Global expenditure by type

	$ million	%
Community development	50.9	60
Education and training	15.0	18
Water and sanitation	5.3	6
Health and welfare	5.1	6
Other	3.0	4
Sports, art, culture and heritage	2.2	3
Institutional capacity development	1.8	2
Environment	0.6	1
Disaster and emergency relief	0.1	–
Energy and climate change	0.1	–
Total	84.1	

DELIVER A HIGH PERFORMANCE CULTURE

We foster a high performance culture through building an organisation where our operations and functions are structured to maximise the effectiveness of the Anglo American Operating Model, resourcing the Group with capable people and designing reward structures that differentiate performance without compromising our values or the health and safety of our employees.

HEADCOUNT[1] REDUCTION – DRIVEN MAINLY BY ASSET DISPOSALS

32,500

REDUCTION IN RECORDABLE INJURY FREQUENCY RATE

24%

REDUCTION IN OCCUPATIONAL DISEASES REPORTED

32%

For more information
See pages 31-33

PILLARS OF VALUE

Safety and Health

People

For more on pillars of value and our KPIs
See page 34

(1) Includes employees and contractors from subsidiaries and operations over which Anglo American has management control; it does not include independently managed operations, such as Cerrejón and Samancor.

CENTRE FOR EXPERIENTIAL LEARNING

Anglo American's Centre for Experiential Learning (CEL) is a state of the art facility in Johannesburg, focused on embedding business improvement across the Group.

The CEL delivers programmes comprised of business improvement processes, tools and techniques that aim to achieve stable and capable processes that reduce variability and waste; and in coaching and facilitation skills to improve project execution. The courses are designed to support the roll-out of Anglo American's Operating Model and are aligned with technical and safety training initiatives to improve efficiency and effectiveness of individual and team development.

Both areas of work play a vital role in the delivery of Anglo American's strategy, helping to develop core business processes and deliver a high performance culture.

Learning is achieved through experiential activities related to the particular improvement initiative the delegate is working on. Participants are expected to reflect on the activity, develop a theory and then conduct experiments to test the theory's validity before attempting to initiate a solution, i.e. doing, reflecting, investigating, validating and then practising to enhance performance, with the assistance of an experienced business improvement coach. This approach provides employees with tangible skills and outcomes which can be effectively applied to real work processes and individual and team development.

In 2016, the CEL continued to support the Group in the delivery of its strategy and development of our people. In total, business improvement training – including inter-personal skills and Operating Model training – was conducted with more than 1,500 employees. These employees attended more than 90 events, representing teams from across the business – in both functional and operational areas – totalling more than 3,000 training days.

The focus for the CEL in 2017 will be to continue to support the roll-out of the Operating Model and collaborate with sites on leading business improvement practices.

Anglo American's Centre for Experiential Learning in Johannesburg offers a unique adult-learning business environment designed to drive business improvement throughout the Group.

As Anglo American's portfolio evolves, we continue to create a leaner and more effective business that is built around strong, product-focused operating units, supported by functions that provide value-adding expert leadership, improve business performance and ensure effective governance.

ORGANISATION DESIGN THAT ENHANCES BUSINESS PERFORMANCE

During 2016, we continued the review of our organisation to structure work more effectively, establish clear accountabilities and authorities, and remove role duplication. The review has taken place in line with the principles of the Operating Model, which has been rolled out at nine of our operations. As we implement the Operating Model, we are adapting our operational structures in order to derive maximum benefit from its design. We are also reshaping our corporate functions to maximise the value of the relationships that exist between functions and operations, while reducing costs.

The resultant design, known as the Functional Model, intends functions to become more cohesive, for their work to become more integrated and for functions to have a higher level of accountability for business outcomes.

In practice, this means that, rather than having support staff based within, and supporting, individual business units or operations, each function is accountable for providing the Group with the most effective support and delivering it in the most cost-effective manner.

This new Functional Model is delivering benefits through our ability to:

- better promote the sharing of resources and the dissemination of best practice
- bring consistency and the highest level of functional expertise to all business units and their operations
- support the development and retention of highly capable people by creating career paths and opportunities that go beyond the boundaries of a single site or business unit.

While the primary focus has been on designing our functions to maximise the value they can provide, the streamlining of the Group's portfolio has also required the size of corporate structures and overheads to be reviewed to ensure they remain fit for purpose.

At year end, Anglo American's total headcount was 95,000, a reduction of 32,500 people from 2015. This was largely driven by the divestment of the Rustenburg platinum operations, the niobium and phosphates business, De Beers' Kimberley Mines and the Foxleigh and Callide coal assets in Australia, in addition to staff reductions across the entire portfolio. The number of people working in indirect roles (that is, not directly involved in production) across the Group reduced from 11,500 to 8,700, as our support functions were rightsized in line with asset divestments. We will continue to review the size of our support structures as the portfolio evolves over time.

MANAGING TALENT AND DEVELOPING SKILLS

Building capability

Equipping Anglo American with an engaged and productive workforce is essential for our success. In assessing capability, we consider technical skills and knowledge that have been acquired through experience and practice; mental processing ability; social process skills; and application (the degree of drive and commitment a person displays).

We continue to invest in developing a pipeline of future talent. As part of that process, we provide development and training opportunities to our managers and workforce, which are 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 $73 million on training in 2016. In an increasingly competitive market for skills, we continue to invest in developing a pipeline of future talent through our support of 2,700 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 skill and leadership capability. In South Africa, the 2016 South African Graduate Employers Association (SAGEA) survey recognised Anglo American as the Employer of Choice in the South African Mining Sector for the fifth consecutive year.

Diversity

Anglo American embraces diversity. We seek a workforce that represents the regions within which we operate and we provide opportunities for broader development within those regions. A diverse workforce brings greater diversity of thought to tackle the challenges we face. We continually develop our workforce so that we will have this diversity among our leaders of the future. By year end, women made up 18% of our overall workforce (2015: 18%) and 25% of managers (2015: 25%).

In our South African operations, we continue to promote transformation. By year end, 62% of our management comprised historically disadvantaged South Africans (2015: 60%).

Encouraging sound industrial relations

Approximately 75% of our current permanent workforce is represented by works councils, trade unions or other similar bodies, and covered by collective bargaining agreements. We continue to seek to improve relations with our employees and their representative bodies, and have consulted widely with unions throughout our restructuring process. In total, in 2016, there were four instances of industrial action lasting longer than a week.

DELIVER A HIGH PERFORMANCE CULTURE continued

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, the eradication of child and forced labour and non-discrimination. Observance of these rights is required of all our operations, irrespective of location, as well as for suppliers.

REWARD STRUCTURES WHICH DIFFERENTIATE PERFORMANCE

A high performance organisation hinges on strong leadership from line managers and a culture centred on rewarding successful business outcomes. It is critical that we provide appropriate remuneration to attract, retain and motivate the right calibre of employee, wherever 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. Our structured performance management and appraisal process is geared to support a values-driven, high performance culture.

Senior leaders within the organisation are incentivised with longer term awards which are provided upon meeting predetermined objectives that are in line with those of shareholders.

In total, 15% of employees receive formal performance and development reviews.

Code of conduct

In 2016, Anglo American launched a new Code of Conduct, which encapsulates what we stand for as a company. While we focus on building a results-focused culture (the 'what'), we will not be compromised on our values in doing this (the 'how'). The 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.

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

The safety, health and well-being of our employees are a top priority and a core value at Anglo American. We strive to achieve our goal of zero harm by managing our activities in a way that eliminates incidents, minimises risk and promotes excellence in the performance of our operations.

The Group's safety performance is at the front end of the agenda at every Board meeting. Safety performance measures form part of the incentive-based remuneration for all senior executives.

In 2016, we regret to report that 11 employees and contractors lost their lives in work-related activities at operations managed by Anglo American. Seven of the fatalities were at our Platinum operations in South Africa. Eleven fatalities represents a very disappointing increase compared with the six lives lost in 2015.

Any loss of life is unacceptable and we remain unwavering in our commitment to achieving our vision of zero harm. Throughout 2016, we strengthened our control improvement programme by placing an emphasis on the effective management and use of critical controls. The programme is supported by the work management elements of our Operating Model. This work will continue during 2017, with the aim of achieving a consistent approach and standard across all our sites.

Our ongoing focus on ensuring safety in the workplace was positively reflected by a 24% decrease in our total recordable case frequency rate, compared with 2015. While there was a decrease in the number of regulatory stoppages at Platinum, the extent of those was wider and resulted in an increase in production losses.

For each incident resulting in loss of life or a critical injury, an independent investigation is conducted to understand the causes and remedial actions required. The lessons learnt from each are shared via our Group Learning from Incidents process and discussed at Board Sustainability Committee, executive and site management levels. Particular emphasis is placed on ensuring that actions relating to critical controls are implemented in a timely manner to prevent repeats.

Our operations continue to increase and improve reporting of, and learning from, high potential incidents (HPIs) as a preventative tool to improve safety performance. This has now been extended to include high potential hazards, as this allows gaps or control failures to be identified, and addressed, before an incident occurs. Transportation, falls of ground, moving machinery and isolation/lock-out remain the main areas where HPIs occur.

Our safety strategy and management approach is risk-based and concentrates on integrating safe working practices into every aspect of what we do. It is founded on three key principles: a mindset of zero harm; no repeats; and the application of simple, non-negotiable standards. During 2016, we added further impetus to critical control management and strengthening Visible Felt Leadership across the Group. These will remain priorities in 2017 and will be supported by additional programmes to further strengthen leadership and accountability for safety at every level.

Promoting health and well-being

Effective management of health risks protects our people, enhances productivity and is essential in minimising potential long term liabilities, as well as being critical in maintaining our licence to operate. Extending our health promotion activities to the broader community also supports our internal health drive in line with our values of care and respect

In 2016, the number of employees reported to be working in environments with noise levels in excess of the eight-hour exposure limit of 85 dB(A) reduced considerably to 26,280 (2015: 40,869) following the divestment of Platinum's Rustenburg mines. The number of employees reported to be working in environments where they were potentially at risk of exposure to inhalable hazards at levels in excess of the relevant occupational exposure limits also decreased to 3,705 (2015: 5,225).

While we have intensive programmes in place to ensure that employees and contractors working in such environments are trained to use personal protective equipment, our focus is on addressing the source of occupational health risk.

Our overall approach to occupational hygiene is aligned with the Anglo American Operational Risk Management (ORM) process, which requires that operations identify health risks, implement controls to mitigate those risks, monitor the effectiveness of controls, and learn from incidents in order to prevent repeats. We continue to focus on rolling out our health-critical control management process to facilitate proactive engineering and operational control solutions. Targets for the implementation of the ORM influence the performance-based remuneration of senior executives.

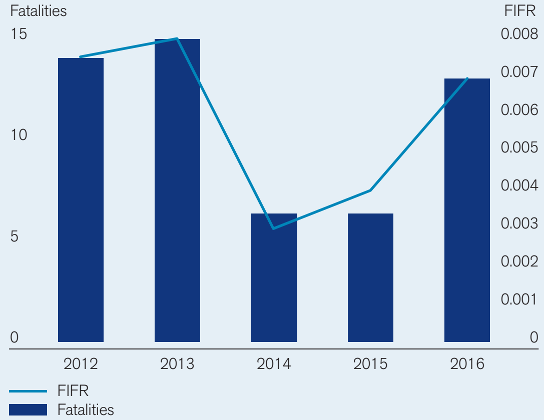
In 2016, the number of reported health incidents, which signify failing controls of health-hazard management systems, decreased significantly across all levels, indicating good progress in health-hazard prevention and control measures.

The number of new cases of occupational disease reported was 111 (2015: 163). The reduction in absolute numbers was largely a result of continuing progress towards eliminating noise-induced hearing loss.

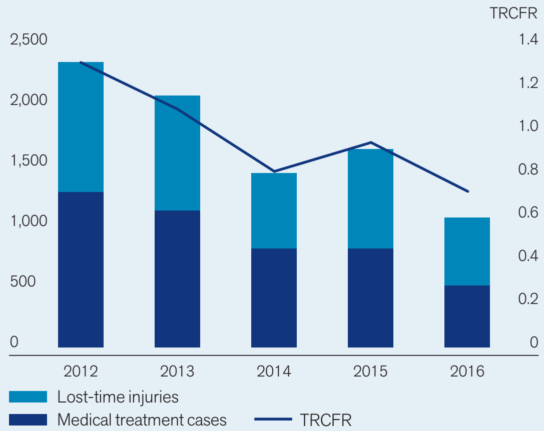
Anglo American has recorded no cases of silicosis owing to exposure at our operations since 2011. However, despite the significant year-on-year decrease last year, we continue to report cases of coal workers' pneumoconiosis. Such cases are thoroughly investigated to better understand their causes, including the past and current occupational exposure profiles of those who become ill, as well as the potential sources of coal dust in the workplace. Our Coal business has set an objective with respect to exposure to coal dust of zero instances exceeding the permitted occupational exposure limit, and is introducing a number of initiatives in the year to help achieve this objective.

Through the industry work group that was formed by Anglo American and other South African mining peers, we continue to address issues relating to compensation and medical care for occupational lung disease in the gold mining industry in South Africa.

Total number of fatal injuries and fatal injury frequency rate 2012–2016



Lost time injuries, medical treatment cases and total recordable case frequency rate 2012–2016



KEY PERFORMANCE INDICATORS

PILLARS OF VALUE	KEY PERFORMANCE INDICATORS (KPIs)[1]	
Safety and Health To do no harm to our people. For more information, see **Deliver a high performance culture on page 30**	**Work related fatal injury frequency rate (FIFR)** FIFR is the number of employee or contractor fatal injuries due to all causes per 200,000 hours worked. **New cases of occupational disease (NCOD)** Number of new cases of occupational disease diagnosed among employees during the reporting period.	**Total recordable case frequency rate (TRCFR)** TRCFR is the number of fatal injuries, lost time injuries and medical treatment cases for both employees and contractors per 200,000 hours worked.
Environment To minimise our environmental footprint. For more information, see **Develop core business processes on page 24**	**Energy consumption** Measured in million gigajoules (GJ). **Greenhouse gas (GHG) emissions** Measured in million tonnes of CO_2 equivalent emissions.	**Total new water consumed** Total new water entering the operation which is used for the operation's primary activities, measured in million m^3. **Level 3-5 environmental incidents** Those environmental incidents that we consider to have prolonged impacts on the local environments.
Socio-political To partner in the benefits of mining with local communities and governments. For more information, see **Develop core business processes on page 24**	**Social Way Implementation** Our Social Way defines Anglo American's governing framework for social performance. Each operation's compliance with the Social Way requirements is assessed annually, with every operation required to implement an improvement plan for those relevant requirements that are not met in full.	
People To create sustainable, competitive advantage through capable people in an effective, performance-driven organisation. For more information, see **Deliver a high performance culture on page 30**	**Voluntary labour turnover** Number of permanent employee resignations as a percentage of total permanent employees.	**Gender diversity** Percentage of women, and female managers, employed by the Group. **South Africa transformation** Percentage of management in South Africa comprised of historically disadvantaged South Africans ('HDSAs').
Production To sustainably deliver valuable product to our customers. For more information, see **Group Financial Review on page 36**	**Production volumes** Production volumes for the year are discussed at a commodity level within each business unit section of the Annual Report (see pages 46-64).	The Group production variance shown is based on copper equivalent production. Quarterly production figures are shown on page 194.
Cost To be competitive by operating as efficiently as possible. For more information, see **Group Financial Review on page 36**	**Unit costs of production**◊ Unit costs of production are discussed at a commodity level within each business unit section of the annual report (see pages 46-64). The Group cost variance shown is based on copper equivalent unit cost of production.	Other factors that impact costs across the Group are discussed in the Group Financial Review (see page 36).
Financial To deliver sustainable returns for our shareholders. For more information, see **Group Financial Review on page 36**	**Attributable ROCE**◊ The return on adjusted capital employed attributable to equity shareholders of Anglo American. It excludes the portion of the return and capital employed attributable to non-controlling interests in operations where Anglo American has control but does not hold 100% of the equity. It is calculated as annualised underlying EBIT divided by adjusted capital employed.	**Underlying earnings per share**◊ Underlying earnings are net profit attributable to equity shareholders, before special items and remeasurements. **Attributable free cash flow**◊ The cash flow generated from operations less total capital expenditure, cash tax paid, net interest, dividends paid to minority interests and dividends from associates and joint ventures. The metric also excludes the receipt of disposal proceeds and the payment of the plc dividend.

(1) Detailed definitions and calculation methodology are given on pages 186-190.
(2) The results and targets in the KPI table above include subsidiaries and joint operations over which Anglo American has management control.

RESULTS AND TARGETS

FIFR(2)
Target: Zero fatal incidents

2016 **11** fatalities, 0.007 FIFR
2015 **6** fatalities, 0.004 FIFR

TRCFR(2)
Target: 10% year-on-year reduction
The ultimate goal of zero harm remains

2016 **0.71**
2015 **0.93**

NCOD(2)
Target: Year-on-year reduction

2016 **111**
2015 **163**

Energy consumption(2)
Million GJ total energy used
Target: 8% saving by 2020 vs. 2015

2016 **105**
2015 **106**

GHG emissions(2)
Mt CO_2-equivalent
Target: 22% saving by 2020 vs. 2015

2016 **17.8**
2015 **18.3**

Total new water consumed(2)
Mm³ new water consumed
Target: 20% saving by 2020 vs. 2015

2016 **191**
2015 **222**

Level 3-5 environmental incidents(2)
Target: Year-on-year reduction

2016 **4**
2015 **6**

Social Way assessment scores 2015–2016*

	Serious non-compliance	Moderate non-compliance	Compliant	Good practice	Best practice
2016	0%	16%	51%	26%	7%
2015	1%	33%	46%	16%	4%

* Social Way assessment scores for 2015 did not include De Beers' joint venture operations in Namibia and Botswana; however, these sites have been included in the 2016 assessment scores. The 2015 and 2016 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 2016.

Voluntary labour turnover(2)

2016 **2.2%**
2015 **1.9%**

Gender diversity(2)
Women as a percentage of management

2016 **25%**
2015 **25%**

Gender diversity(2)
Women as a percentage of total workforce

2016 **18%**
2015 **18%**

South Africa transformation
South Africa transformation – HDSAs as a percentage of management

2016 **62%**
2015 **60%**

Production change
% change vs. 2015

Group (copper equivalent)(3)	2%
De Beers	(5)%
Platinum (produced ounces)	2%
Copper	(19)%
Nickel	47%
Kumba	(8)%
Iron Ore Brazil	76%
Coal	0%

Group unit cost movements – US$ nominal basis
% change vs. 2015

Group (copper equivalent)(3)	(9)%
De Beers	(19)%
Platinum	(12)%
Copper	(11)%
Nickel	(19)%
Kumba	(13)%
Coal – Australia and Canada	(7)%
Coal – South Africa	(13)%

Group attributable ROCE◊

2016 **11%**
2015 **5%**

Underlying EPS◊

2016 **$1.72**
2015 **$0.64**

Attributable free cash flow◊

2016 **$2,562 million**
2015 **$(982) million**

(3) Copper equivalent is normalised for the sale of Anglo American Norte (Copper), Kimberley Mines (De Beers), the niobium and phosphates business, Foxleigh and Callide (Coal) and to reflect Snap Lake (De Beers) being placed onto care and maintenance, and the closure of Drayton (Coal).

GROUP FINANCIAL REVIEW

Operating profit of $1.7 billion increased by $5.8 billion (2015: $4.1 billion loss) while underlying EBITDA increased by 25% to $6.1 billion.

Anglo American reported a profit for the financial year attributable to equity shareholders of $1.6 billion (2015: $5.6 billion loss) with underlying earnings of $2.2 billion (2015: $0.8 billion). Net debt decreased by $4.4 billion to $8.5 billion (2015: $12.9 billion). During 2016, the company did not pay a dividend (2015: $0.32 per share).

Although average prices decreased by 3%, realised prices were comparable with 2015. Metallurgical coal and Kumba's iron ore prices increased by 24% and 21%, respectively, but were offset by a 10% decrease in the average realised rough diamond price and an 8% decrease in the platinum US dollar basket price. Weaker producer country currencies favourably contributed to earnings ($0.7 billion impact), driven principally by a 15% weakening of the South African rand against the dollar.

Higher sales volumes at De Beers, following a weaker 2015, materially benefited underlying EBITDA, as did the ramp-up at Grosvenor following the start of commercial production during the third quarter, and a strong plant performance at Collahuasi. This was partially offset by expected lower volumes at Kumba Iron Ore following the pit reconfiguration at Sishen, and lower volumes at Los Bronces owing to expected lower grades and the adverse weather conditions during the year.

OPERATIONAL PERFORMANCE

Overall, operational performance was maintained across the business. Total platinum production (metal in concentrate) was 2% higher, driven by a continued strong performance at Mogalakwena and Amandelbult in South Africa and at Unki in Zimbabwe. Rough diamond production decreased by 5%, reflecting the decision taken in 2015 to reduce production in response to prevailing trading conditions. In South Africa, iron ore production at Sishen decreased by 10%, in line with the mine's lower-cost pit configuration. Production was affected by restructuring, as well as a higher number of rainfall and safety stoppages. Production in the second half showed considerable improvement as the benefits attributable to improved mining productivity, as well as access to low strip ratio ore and higher plant yields, started to be realised. In Chile, copper production at Los Bronces was 24% lower as the operation faced a number of challenges, driven by significantly lower expected grades, adverse weather conditions and illegal industrial action by contractor unions. In contrast, both Collahuasi and El Soldado had strong performances, with attributable production increasing by 11% and 31%, respectively, as a consequence of operational improvements and higher grades. Total production from Coal South Africa's Export mines increased by 9% as a result of various productivity improvement initiatives. Excluding the impact of divestments, Australian coal production decreased by 4% following cessation of production at Drayton.

In total, four projects commenced or continued to ramp-up, or reached nameplate capacity during 2016. Iron ore production from Minas-Rio increased by 76% as the ramp-up progressed, while Grosvenor produced its first longwall metallurgical coal in May, seven months ahead of schedule, and entered commercial production during the third quarter. Gahcho Kué, a diamond project in Canada, was commissioned in August, and at Barro Alto in Brazil, the furnace rebuild was completed. Production at Barro Alto is now close to nameplate capacity, with nickel output increasing by 47% year-on-year.

The Group achieved a favourable cost performance in 2016, primarily as a consequence of cost-reduction initiatives and the benefits of weaker producer country currencies. Unit cash costs at De Beers decreased by 19% as a result of cost savings, favourable exchange rate movements and a change in production mix following portfolio changes. Unit costs at Coal Australia decreased by 7%, following significant cost-reduction initiatives, particularly in the open cut operations, while on-mine local currency unit costs at Coal South Africa decreased by 2%, reflecting the benefit of increased production at the export mines, driven by productivity improvements across all operations. At Copper, unit costs decreased by 11%, reflecting cost-reduction initiatives and benefits resulting from the divestment of Anglo American Norte; these more than compensated for the effects of lower output. FOB cash costs at Kumba were 13% lower. This was attributable to savings in operating costs, mainly from the reduced mining profile at Sishen mine following restructuring, as well as productivity gains in mining and processing operations, and the benefit of the weaker South African rand. At Platinum, unit costs also decreased by 12%, owing mainly to a weaker South African rand and cost containment. Nickel unit costs declined by 19%, chiefly attributable to increased production volumes from Barro Alto, as well as favourable exchange rates and lower energy and consumable costs.

Underlying EBITDA◊ reconciliation 2015 to 2016

$ million		
2015 Underlying EBITDA◊		**4,854**
Price		**(79)**
Foreign exchange		**694**
Inflation		**(578)**
Volume	433	
Cost	1,175	
Platinum non-cash inventory adjustment	(143)	
Net cost and volume improvements		**1,465**
Other		**(281)**
2016 Underlying EBITDA◊		**6,075**

INCOME STATEMENT

Profit/(loss) for the financial year attributable to equity shareholders of the Company
Profit for the financial year attributable to equity shareholders of the Company was $1.6 billion, compared with a loss of $5.6 billion in 2015.

Underlying earnings
Group underlying earnings increased by 167% to $2.2 billion (2015: $0.8 billion).

Underlying EBITDA
Group underlying EBITDA increased by 25% to $6.1 billion (2015: $4.9 billion).

Underlying EBITDA◊

$ million	Year ended 31 Dec 2016	Year ended 31 Dec 2015
De Beers	1,406	990
Platinum	532	718
Copper	903	942
Nickel	57	(3)
Niobium and Phosphates	118	146
Iron Ore and Manganese	1,536	1,026
Coal	1,646	1,046
Corporate and other	(123)	(11)
Total	6,075	4,854

Underlying earnings◊

	Year ended 31 Dec 2016				
$ million	Underlying EBITDA◊	Depreciation and amortisation	Net finance costs and income tax expense	Non-controlling interests	Underlying earnings◊
De Beers	1,406	(387)	(242)	(110)	667
Platinum	532	(347)	(101)	(19)	65
Copper	903	(642)	(9)	102	354
Nickel	57	(72)	(42)	–	(57)
Niobium and Phosphates	118	(39)	(1)	–	78
Iron Ore and Manganese	1,536	(261)	(304)	(405)	566
Coal	1,646	(534)	(183)	(16)	913
Corporate and other	(123)	(27)	(236)	10	(376)
Total	6,075	(2,309)	(1,118)	(438)	2,210

Reconciliation to underlying earnings from profit/(loss) for the financial year attributable to equity shareholders of the Company

$ million	Year ended 31 Dec 2016	Year ended 31 Dec 2015
Profit/(loss) for the financial year attributable to equity shareholders of the Company	1,594	(5,624)
Operating special items	1,632	5,972
Operating remeasurements	33	178
Non-operating special items	(1,203)	1,278
Financing special items and remeasurements	314	(615)
Special items and remeasurements tax	(44)	(47)
Non-controlling interests on special items and remeasurements	(109)	(584)
Share of associates' and joint ventures' special items and remeasurements	(7)	269
Underlying earnings◊	2,210	827
Underlying earnings per share◊ ($)	1.72	0.64
Earnings per share ($)	1.24	(4.36)

GROUP FINANCIAL REVIEW continued

Net debt◊

$ million	2016	2016	2015	2015
Opening net debt◊		**(12,901)**		(12,871)
Underlying EBITDA◊ from subsidiaries and joint operations[1]	**5,469**		4,419	
Working capital movements	**391**		25	
Other cash flows from operations	**(22)**		(204)	
Cash flows from operations	**5,838**		4,240	
Capital expenditure◊	**(2,387)**		(4,177)	
Cash tax paid[2]	**(465)**		(596)	
Dividends from associates, joint ventures and financial asset investments	**172**		333	
Net interest[3]	**(581)**		(540)	
Dividends paid to non-controlling interests	**(15)**		(242)	
Attributable free cash flow◊	**2,562**		(982)	
Dividends paid to Company shareholders	**–**		(1,078)	
Disposals (net proceeds)[2]	**1,619**		1,745	
Other net debt movements	**233**		285	
Total movement in net debt◊		**4,414**		(30)
Closing net debt[4]◊		**(8,487)**		(12,901)

(1) EBITDA is operating profit before depreciation, amortisation, special items and remeasurements.
(2) Excludes tax payments of $146 million (2015: nil), relating to 2016 disposals which are shown as part of net disposal proceeds.
(3) Includes cash inflows of $89 million (2015: $169 million), relating to interest payments on derivatives hedging net debt, which are included in cash flows from derivatives related to financing activities.
(4) Net debt excludes the own credit risk fair value adjustment on derivatives of $73 million (2015: $555 million).

Net finance costs

Net finance costs, before special items and remeasurements, excluding associates and joint ventures, were $209 million (2015: $458 million). The decrease was driven by a net foreign exchange gain on cash and borrowings of $84 million (2015: $180 million loss) principally due to a strengthening in the Brazilian real and South African rand during the year.

For further details on net finance costs, see note 7 to the Consolidated financial statements on page 130.

Tax

The underlying effective tax rate◊ was 24.6% (2015: 31.0%). The decreased rate in 2016 was due to a benefit received in relation to the reassessment of withholding tax provisions, including in respect of Chile (4.7%), and the utilisation of losses and similar tax attributes not previously recognised, primarily in Australia (3.9%), partially offset by the impact of enhanced tax depreciation, primarily in Chile (2.5%), and other items, including prior year adjustments (0.7%). For further details on the effective tax rate, see note 8 to the Consolidated financial statements on page 131.

The tax charge for the year, before special items and remeasurements, was $742 million (2015: $435 million).

Special items and remeasurements

Special items and remeasurements include impairment charges of $1.5 billion relating to Coal and Copper, gains on the disposals of Callide ($0.6 billion) and the niobium and phosphates business ($0.5 billion), and a provision in respect of a tax matter in Kumba ($0.1 billion). Full details of the special items and remeasurements recorded in the year are included in note 6 to the Consolidated financial statements on pages 128-129.

ROCE◊

ROCE increased to 11% in 2016 (2015: 5%), primarily as a consequence of higher sales volumes at De Beers, the ramp-up of production at Grosvenor mine in Australia and ongoing delivery of cost savings across the portfolio. The Group also benefited from weaker producer country currencies. Average attributable capital employed was lower at $27.4 billion (2015: $32.6 billion) owing to ongoing asset depreciation and a number of asset divestments completed in the year, and selected asset impairments taken in the first half of 2016. This was partially offset by ongoing capital expenditure.

ROCE is the primary return measure used in the Group and is a significant Alternative Performance Measure (APM) used across the business. A full description of the measure is available on page 189 of this Annual Report.

BALANCE SHEET

Net assets of the Group increased by $3.0 billion to $24.3 billion (2015: $21.3 billion). This reflected the reduction in net debt and foreign exchange gains relating to operations with Australian dollar and South African rand functional currencies. These factors were partially offset by the impairment of Coal and Copper operations and the impact of disposals. Capital expenditure◊ of $2.4 billion was largely offset by depreciation.

NET DEBT

Net debt (including related hedges) of $8.5 billion was $4.4 billion lower than at 31 December 2015, representing gearing of 25.9% (2015: 37.7%). Net debt is made up of cash and cash equivalents of $6.0 billion (2015: $6.9 billion) and gross debt, including related derivatives, of $14.5 billion (2015: $19.8 billion). The reduction in net debt was driven by strong operating cash inflows, a decrease in capital expenditure and proceeds from disposals.

Anglo American received gross proceeds from disposals of $1.8 billion[1] (2015: $1.7 billion), primarily from the sale of the niobium and phosphates business, which contributed $1.5 billion, and the sale of its 9.7% stake in Exxaro Resources, contributing $0.2 billion. The post-tax proceeds on disposals was $1.6 billion (2015: $1.7 billion).

CASH FLOW

Cash flows from operations

Cash flows from operations increased by $1.6 billion to $5.8 billion (2015: $4.2 billion). The 25% increase in underlying EBITDA was supported by a focus on cost savings, an increase in sales volumes at De Beers, and weakening foreign exchange rates. Cash inflows on operating working capital were $0.4 billion (2015: inflows of $25 million), primarily reflecting a reduction in inventories at De Beers of $0.3 billion and an increase in operating payables at Platinum of $0.4 billion, half of which relates to a key customer advancing pre-payment for future guaranteed delivery of metal, with the remainder due to an increase in purchase of concentrate following the sale of Rustenburg. These inflows were offset by an increase in operating receivables of $0.4 billion, driven by higher prices in Coal and Iron Ore and Manganese.

(1) Proceeds from disposals of $1.8 billion were received in 2016. Total nominal cash inflows are expected to reach $2.0 billion over time, subject to prices.

Attributable free cash flow

Attributable free cash flow increased by $3.5 billion to an inflow of $2.6 billion (2015: outflow of $1.0 billion). The improvement was driven by an increase in cash flows from operations of $1.6 billion and a $1.8 billion reduction in capital expenditure to $2.4 billion (2015: $4.2 billion).

The reduction in capital expenditure was driven by a 50% decline in expansionary capital expenditure, chiefly as a result of the ramp-up of the Minas-Rio iron ore operation in Brazil and the Grosvenor metallurgical coal operation in Australia, and a 25% decrease in stay-in-business expenditure as a result of lower expenditure at Kumba Iron Ore, De Beers and Coal. A full reconciliation is shown in note 22 to the Consolidated financial statements on page 142. For more detail on our capital expenditure programme, see pages 22-23.

LIQUIDITY AND FUNDING

At 31 December 2016, the Group had undrawn committed bank facilities of $9.7 billion and cash of $6.0 billion. The Group's liquidity position was maintained in the year, while gross debt, including related derivatives, decreased by $5.3 billion to $14.5 billion (2015: $19.8 billion) primarily owing to a $1.8 billion bond buyback transaction, the full repayment of BNDES loans in Brazil ($1.7 billion, including related derivatives) and $1.4 billion of bond maturities. In January 2017, the Group retired the $1.05 billion Club facility which was entered into in 2016 in the context of the bond buyback transaction. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, indicate the Group's ability to operate within the level of its current facilities. The Group has certain financial covenants in place in relation to external debt which are not expected to be breached in the foreseeable future.

MANAGING RISK EFFECTIVELY

Byron Grote
Chairman, Audit Committee

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.

HOW DOES RISK RELATE TO OUR STRATEGIC ELEMENTS?

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 achieve our strategic elements:

- **Where we compete: optimising and streamlining our portfolio**
- **How we win: maximising our performance**
- **Critical core skills: creating a capable organisation**.

VIABILITY STATEMENT

Context

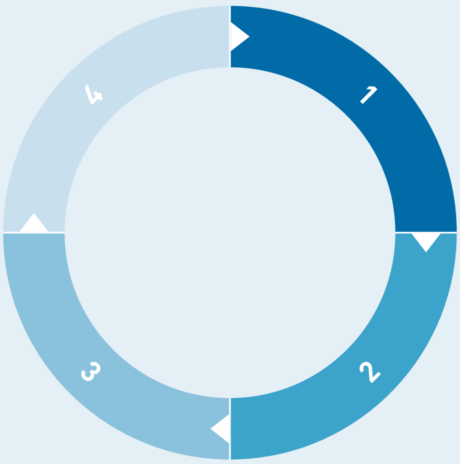
An understanding of our business model and strategy is key to assessment of our prospects. Our ambition is to create a resilient business that delivers robust profitability and sustainable, positive cash flows through the cycle. Details of our business model are provided on pages 9-11.

While the mining industry has seen some recovery from the sharp decreases in commodity prices in 2015 and early 2016, current geopolitical and macro-economic uncertainties are expected to cause continued commodity price volatility. Such volatility is further exacerbated in a commodity pricing environment that is now almost entirely spot priced, compared to the quarterly and longer term contract pricing mechanisms that used to be the norm, and with the accompanying very significant non-physical trading activity. Against that background, the Board has 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.

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 strategy during 2016 has focused on improving cash flow generation and executing selective asset disposals to strengthen the balance sheet and focus our portfolio to create sustainable value.

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.

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 and foreign exchange rates.

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 have been made with reference to the Group's current position and expected performance over a three year period, using budgeted commodity prices and 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 10% 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 impacting demand for diamonds
- Our ability to supply products due to infrastructure constraints
- Failure to achieve budgeted level of financial performance due to cost inflation and interest expense increases.

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 is aligned with a three-year view
- The volatility in commodity markets in recent years makes confidence in a longer assessment of prospects highly challenging
- The Group will be managing the reduction of net debt over this period.

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, information and cyber security, community relations, environment, infrastructure and human resources. These risks are subject to our normal procedures to identify, implement and oversee appropriate mitigation actions.

Principal risks 1-8 on **pages 42-44**

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.

Catastrophic risks 9-12 on **pages 44-45**

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 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 82-83**

SUMMARY

Our risk profile has changed during the course of 2016, as the external economic and political environment has evolved and progress has been made in the mitigation of our risks. We no longer consider 'Organisation change' and 'Portfolio restructuring' as principal risks, but we have added 'Future demand for diamonds', 'Future demand for platinum group metals (PGMs)' and 'Delivery of cash targets' as new principal risks.

MANAGING RISK EFFECTIVELY continued

1. COMMODITY PRICES

Pillars of value: Financial

This risk has decreased since 2015

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 rating agency downgrades and the possibility of restricted access to funding. The Group may be unable to complete its 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: High levels of liquidity will be maintained during the current cycle. An organisation change programme incorporating cost reductions has been implemented, while the roll-out of the Operating Model, reductions in capital expenditure and the divestment of certain assets for value are continuing. The Board regularly monitors progress of these actions.

This risk has reduced over the course of 2016, owing to improving commodity prices and progress in implementing management actions.

Risk appetite: Operating within the limits of our appetite.

Commentary: The target of reducing net debt to below $10 billion by the end of 2016 was achieved, which has improved our resilience to this risk.

2. POLITICAL AND REGULATORY

Pillars of value: Financial, Socio-political, People, Cost

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 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 stability can also result in civil unrest or nullification of existing agreements, mining permits 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 and regulators within the countries in which we operate or plan to operate. 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 on a continuous basis.

Risk appetite: Operating within the limits of our appetite.

Commentary: Current global economic conditions have a significant impact on countries whose economies are exposed to the downturn in commodities, placing greater pressure on governments to find alternative means of raising revenues, and increase 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. FUTURE DEMAND FOR DIAMONDS

Pillars of value:

A new principal risk

Demand for diamonds reduces as a result of developments in the synthetic industry.

Root cause: Technological developments are making the production of man-made gem synthetics commercially viable and there are increased distribution sources. The marketing of synthetics seeks to place them as being environmentally or socially superior.

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

Mitigation: De Beers has a mitigation strategy based on a number of measures, including differentiation of diamonds from synthetics, and the technology to detect all synthetics.

Risk appetite: Operating within the limits of our appetite.

Commentary: This is a new principal risk.

4. FUTURE DEMAND FOR PGMs

Pillars of value:

A new principal risk

Demand for PGMs is impacted by fundamental shifts in market forces.

Root cause: Future demand is at risk from declining 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: Anglo American Platinum has a strategy to grow PGMs demand in industrial and jewellery sectors through marketing and investment initiatives in research, product development and market development opportunities.

Risk appetite: Operating within the limits of our appetite.

Commentary: While this is a new principal risk, we see this as a longer term threat to the business.

5. MINAS-RIO

Pillars of value:

No change in risk

Delay in obtaining the operating licence extension.

Root cause: Increased regulatory scrutiny for the licence extension can be expected as a result of a major tailings dam incident involving loss of life at a competitor facility in Brazil in 2015. There is also the continuing need to manage community issues. This may delay completion of the civil works associated with the mine's development, while delays in obtaining licences would cause operational constraints. The licence process is complex, with multiple stakeholders involved in the approval process at federal, state and local community levels.

Impact: Inability to achieve planned production and revenues and/or reductions in the cost of production. This may also result in loss of investor confidence and reputational damage.

Mitigation: A comprehensive stakeholder engagement plan is in place to manage the licence extension and actions are being taken to address the ramp-up risks identified.

Risk appetite: Operating within the limits of our appetite.

Commentary: An extension to the operating licence has been granted which takes projected production to the second half of 2018. The process to obtain the Step 3 licences to allow the mine to reach its nameplate capacity of 26.5 Mtpa (wet basis) has also started and is expected to be secured in late 2018.

MANAGING RISK EFFECTIVELY continued

6. SOUTH AFRICA POWER

Pillars of value:

No change in risk

Electricity supply not able to meet the country's demands, leading to unplanned outages and failure of the national grid.

Root cause: Anglo American is a significant consumer of power owing to the extent of our operations in South Africa. The risk is created through lack of investment in generating capacity due to funding challenges and a maintenance backlog in some generating facilities, leading to unplanned outages.

Impact: Unplanned and short-notice power supply outages can lead to production shortfalls, with a negative effect on revenue, costs and productivity. There are potential safety implications, particularly for underground mines and process activities. Loss of critical computing systems can interrupt normal business activities.

Mitigation: A central electricity monitoring system enables measurement and analysis of site level power consumption. Business units have emergency generation capability for deep-level shafts and procedures are in place to minimise disruption. Regular interactions are held with management of the state-owned power supplier to understand operational challenges.

Risk appetite: Operating within the limits of our appetite.

Commentary: Reduced industrial demand has improved the position, but new generation capacity has not yet been delivered to the extent required. A complete failure of the national grid is considered to be a very low likelihood event.

7. DELIVERY OF CASH TARGETS

Pillars of value:

A new principal risk

Inability to deliver the EBIT improvement targets of $1 billion in 2017.

Root cause: Unplanned and unexpected operational issues will affect delivery of the target. Delivery will require the support of joint venture partners for non-wholly-owned operations.

Impact: Inability to deliver required levels of cash flow and loss of investor confidence.

Mitigation: A number of initiatives are under way and regular tracking and monitoring mechanisms are in place. Implementation of our Operating Model is one of the key initiatives that mitigates this risk.

Risk appetite: Operating within the limits of our appetite.

Commentary: This is a new principal risk for 2016.

8. SAFETY

Pillars of value:

This risk has increased since 2015 ↑

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: A continued, relentless focus on safety improvement and safety risk management is adopted by executive management. Operating standards and guidelines are in place to mitigate safety risk, supported by a robust risk management and risk assurance processes.

Risk appetite: Operating within the limits of our appetite.

Commentary: During 2016 there were 11 fatalities compared with six in 2015. Although the total recordable case frequency rate (TRCFR) reduced from 0.93 to 0.71 per 200,000 hours worked, management has increased the risk rating to ensure an appropriate response to the increase in fatalities.

9. TAILINGS DAM FAILURE

Pillars of value:

No change in risk

A release of waste material leading to loss of life, injuries, environmental damage, reputational damage, financial costs and production impacts.

Root cause: Tailings dam failures can result from over-topping, poor operating practices, instability of pit slopes, inadequate design and construction, or seismic events.

Impact: Potential for multiple fatalities and injuries, at the mine site and in local communities, long term environmental damage, significant reputational damage and loss of licence to operate. The financial impact associated with clean-up costs and legal liability claims could be substantial.

Mitigation: Anglo American employs technical standards that provide minimum design criteria and operational performance requirements; all of which are regularly inspected by technical experts. Assurance work is conducted to monitor the controls associated with management of tailings dam facilities.

Risk appetite: Operating within the limits of our appetite.

Commentary: Tailings dam failure is considered a catastrophic risk – i.e. a very high severity but very low frequency event that must be treated with the highest priority.

10. SLOPE WALL FAILURE

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

No change in risk

A sudden and unexpected failure of a slope causing landslides and inrush to pit or other asset (such as a pipeline), leading to loss of life, injuries, environmental damage, reputational damage, financial costs and production impacts.

Root cause: Slope wall failure can result from inadequate design, unexpected adverse geological conditions, shortcomings in the mining process, or natural events such as seismic activity or excessive rainfall.

Impact: Potential for multiple fatalities or injuries, significant production impact and damage to assets. Financial costs associated with recovery and legal claims may be extensive. Regulatory issues may result and community relations may be affected.

Mitigation: Technical standards exist that provide minimum criteria for slope stability design and operation. Monitoring of slope movement is conducted at all open pit operations. Inspections and training and awareness programmes are provided by technical experts, and assurance work is conducted to assess the effectiveness of controls.

Risk appetite: Operating within the limits of our appetite.

Commentary: Slope wall failure is considered a catastrophic risk – i.e. a very high severity but very low frequency event that must be treated with the highest priority.

11. MINESHAFT FAILURE

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

No change in risk

A sudden and unexpected failure of a mineshaft.

Root cause: Mineshaft failure can occur as a result of rope failure, fire and explosion in a shaft, flooding, power failure, mud rush, conveyance failure or structural failure.

Impact: Multiple fatalities and injuries, damage to assets, production loss and reputational damage. Financial costs associated with recovery and liability claims may be significant.

Mitigation: Technical standards exist that provide minimum criteria for mineshaft management. Inspections are carried out by technical experts and assurance work is conducted to assess the effectiveness of controls.

Risk appetite: Operating within the limits of our appetite.

Commentary: Mineshaft failure is considered a catastrophic risk – i.e. a very high severity but very low frequency event that must be treated with the highest priority. The sale of the Rustenburg operations has reduced the number of vertical shafts in the Group and the exposure to this risk.

12. FIRE AND/OR EXPLOSION

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

No change in risk

Fire and explosion risks are present at all mining operations, and processing facilities such as smelters and refineries, in our Platinum, Copper and Nickel businesses.

Root cause: The combined presence of fuel, heat and oxygen, as well as conditions that can lead to the concentration and confinement of these elements, can cause an explosion – including gas, coal dust (particularly in underground mines), sulphide dust or furnace gas explosions.

Impact: Multiple fatalities and injuries, damage to assets, loss of production, reputation damage and loss of licence to operate. Financial costs associated with recovery and liability claims may be significant.

Mitigation: Technical standards exist that provide minimum criteria for prevention of underground explosions and fire. Inspections are carried out by technical experts and assurance work is conducted to assess the effectiveness of controls. Third-party reviews of fire risk are conducted at each location where significant risk is present.

Risk appetite: Operating within the limits of our appetite.

Commentary: Fire and explosion is considered a catastrophic risk – i.e. a very high severity but very low frequency event that must be treated with the highest priority.

PILLARS OF VALUE:

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

DE BEERS

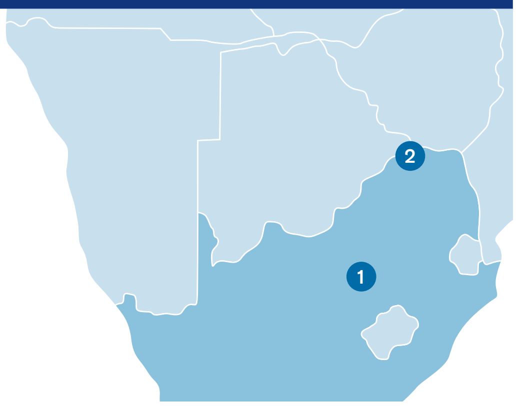
Bruce Cleaver
CEO – De Beers Group

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

CANADA

1 Victor
2 Gahcho Kué

SOUTH AFRICA

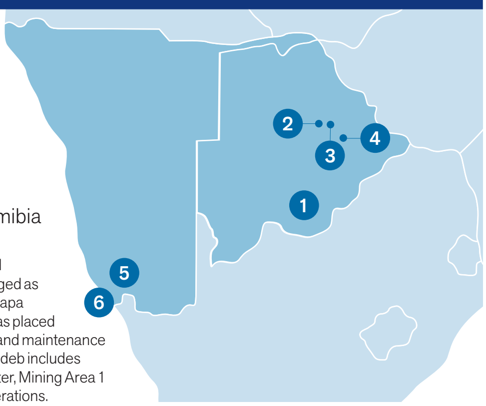


1 Voorspoed
2 Venetia

BOTSWANA & NAMIBIA

BOTSWANA
1 Jwaneng
2 Orapa(1)
3 Damtshaa(1)
4 Letlhakane(1)

NAMIBIA
5 Namdeb
6 Debmarine Namibia



(1) Orapa, Damtshaa and Letlhakane are managed as one operation, the 'Orapa regime'. Damtshaa was placed onto temporary care and maintenance in January 2016. Namdeb includes Elizabeth Bay, Midwater, Mining Area 1 and Orange River operations.

HIGHLIGHTS

30% REVENUE GROWTH
$6.1 billion

19% REDUCTION IN UNIT COSTS◊
$67/carat

14% INCREASE IN NUMBER OF FOREVERMARK™ DOORS(1)
2,010 doors

(1) Forevermark™ is a trademark of the De Beers Group of Companies.

STRATEGIC FOCUS

- Gahcho Kué diamond mine commissioned in August 2016.
- Venetia Underground continues to progress, and is expected to become the mine's principal source of ore from 2023.
- Jwaneng's Cut-8 is expected to become the mine's main source of ore in 2018.
- Snap Lake placed onto extended care and maintenance; the underground workings are being flooded to preserve the orebody.
- Sale of Kimberley Mines completed in January 2016.
- Enhanced marketing, both Forevermark™ and generic, including in partnership with Diamond Producers Association.

Debmarine Namibia's new diamond-sampling vessel, the SS Nujoma, is scheduled to commence operations off the Namibian coast during 2017. Featured is the vessel soon after its launch in Norway in January 2016.

Key performance indicators[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)	ROCE◊
De Beers	**27,339**	**29,965**	**187**	**67**	**6,068**	**1,406**	**23%**	**1,019**	**526**	**11%**
Prior year	28,692	19,945	207	83	4,671	990	21%	571	697	6%
Debswana	**20,501**	**–**	**152**	**26**	**–**	**571**	**–**	**543**	**90**	**–**
Prior year	20,368	–	178	27	–	379	–	352	101	–
Namdeb Holdings	**1,573**	**–**	**528**	**245**	**–**	**184**	**–**	**163**	**65**	**–**
Prior year	1,764	–	553	243	–	147	–	120	30	–
South Africa	**4,234**	**–**	**121**	**53**	**–**	**268**	**–**	**172**	**156**	**–**
Prior year	4,673	–	131	58	–	282	–	174	279	–
Canada	**1,031**	**–**	**271**	**212**	**–**	**79**	**–**	**13**	**184**	**–**
Prior year	1,887	–	275	182	–	154	–	65	254	–
Trading	**–**	**–**	**–**	**–**	**–**	**378**	**–**	**371**	**3**	**–**
Prior year	–	–	–	–	–	107	–	100	2	–
Other[6]	**–**	**–**	**–**	**–**	**–**	**(74)**	**–**	**(243)**	**28**	**–**
Prior year	–	–	–	–	–	(79)	–	(240)	31	–

(1) Prepared on a consolidated accounting basis, except for production which is stated on a 100% basis, with the exception of the Gahcho Kué joint venture, which is on an attributable 51% basis.
(2) Sales volumes on a 100% basis were 32.0 million carats (2015: 20.6 million carats).
(3) Pricing for the mining business units is based on 100% selling value post-aggregation of goods. The group realised price includes the price impact of the sale of non-equity product and, as a result, is not directly comparable to group unit costs, which relate to equity production only.
(4) Unit cost is based on total production and operating costs, excluding depreciation and operating special items, divided by carats recovered. Comparatives have been restated.
(5) Includes rough diamond sales of $5.6 billion (2015: $4.1 billion).
(6) Other includes Element Six, downstream, acquisition accounting adjustments, projects and corporate.

INTRODUCTION

De Beers and its partners produce about a third of the world's rough diamonds by value, with the majority sold via De Beers Global Sightholder Sales to term contract customers (Sightholders) and accredited buyers, and the remainder via De Beers Auction Sales to auction customers. Downstream assets include the De Beers Diamond Jewellers joint venture and the Forevermark™ brand, which now features in 2,010 outlets in 25 key consumer markets around the world. Finally, Element Six sells synthetic diamonds for industrial diamond supermaterials applications.

FINANCIAL AND OPERATING OVERVIEW

Underlying EBITDA increased by 42% to $1,406 million (2015: $990 million). This was the result of higher revenues from stronger rough diamond demand, which led to reduced inventory levels, reflecting improved trading conditions compared with those experienced in the second half of 2015. Results also benefited from cost-saving programmes, portfolio changes, and the impact of favourable exchange rates. Unit costs decreased by 19% from $83/carat to $67/carat.

Total revenue increased by 30% to $6.1 billion (2015: $4.7 billion), driven by higher rough diamond sales, which increased by 37% to $5.6 billion. This was attributable to a 50% increase in consolidated sales volumes to 30.0 million carats (2015: 19.9 million carats), partly offset by a 10% decrease in the average realised rough diamond price to $187/carat (2015: $207/carat), reflecting the 13% lower average rough price index, offset to some extent by an improved sales mix.

MARKETS

Sustained diamond jewellery demand growth in the US and marginally positive growth for the full year in China (in local currency, though declining slightly in US dollars) contrasted with weakening demand in the other main diamond markets. In India, a month-long jewellers' strike in March, and the government's surprise demonetisation programme which started in November, had a considerable negative impact on demand. For the full year, global consumer demand, in US dollar terms, is estimated to be in line with 2015. Additional marketing in the US, China, India and Japan in the final quarter of the year, the main selling season, had a positive impact.

Producers destocked during 2016, as sentiment in the midstream improved and rough and polished inventories normalised, supported by a series of initiatives put in place by De Beers, starting in the second half of 2015. These included lowering rough prices, providing flexibility to Sightholders for their purchase arrangements and increased marketing activity to drive consumer demand.

For more information, refer to the Marketplace review section
See pages 06-08

DE BEERS continued

OPERATING PERFORMANCE

Mining and manufacturing

Rough diamond production decreased by 5% to 27.3 million carats (2015: 28.7 million carats), reflecting the decision, taken in 2015, to reduce production in response to prevailing trading conditions.

Debswana maintained production at close to the previous year's levels, with output of 20.5 million carats (2015: 20.4 million carats). Jwaneng's production increased by 23%; driven by higher tonnes treated, largely offset by Orapa, where production was 20% lower. By year end, 85% of the 500 million tonnes (Mt) of waste stripping required to expose the ore had been mined at Jwaneng Cut-8. The first Cut-8 ore to the processing plant remains scheduled for the first half of 2017, with Cut-8 becoming the main source of ore from 2018. Damtshaa (a satellite operation of Orapa) was placed onto temporary care and maintenance from 1 January 2016.

Production at Namdeb Holdings decreased by 11% to 1.6 million carats (2015: 1.8 million carats), with reduced output at Debmarine Namibia (as a result of the Mafuta vessel undergoing extended planned in-port maintenance) and lower grades at Namdeb's land operations. Debmarine Namibia's new sampling vessel, the SS Nujoma, was completed three months ahead of schedule and within budget, and sea trials commenced in November. The vessel is expected to become operational during 2017.

In South Africa, production declined by 9% to 4.2 million carats (2015: 4.7 million carats), mainly due to the early completion of the sale of Kimberley Mines in January 2016, partly offset by an increase of 12% at Venetia owing to the processing of higher grades. Construction of the Venetia Underground mine continues to progress, with the underground operation expected to become the mine's principal source of ore from 2023.

In Canada, production declined by 45% to 1.0 million carats (2015: 1.9 million carats) owing to Snap Lake being placed onto care and maintenance in December 2015. In July 2016, approval was granted to flood the underground workings, which will reduce the costs of care and maintenance while preserving the long term viability of the orebody. Following conclusion of an unsuccessful process to gauge interest in an acquisition of Snap Lake, flooding commenced in January 2017. Production at Victor decreased by 7% to 0.6 million carats. Development of the Gahcho Kué project was completed on schedule, with the ramp-up to commercial production expected to be reached during the first quarter of 2017.

Owing to continuing depressed markets in key industrial sectors (principally oil and gas), Element Six, the industrial diamonds business, experienced a challenging year. The reduction in contribution arising from lower sales has been largely offset through a comprehensive cost-reduction programme.

Brands

Forevermark™ (the diamond brand of the De Beers Group of Companies) continues to expand its retailer network and is available in 2,010 outlets (a 14% increase) in 25 markets, including the new markets of Hungary, Thailand and now South Korea. In June 2016, Forevermark™ launched the *Black Label* collection (an innovative collection of fancy-shape diamonds) and, in the final quarter of the year, launched a US national television campaign featuring the *Ever Us*™[1] two-stone diamond collection. In the first half of 2016, De Beers also invested in category marketing campaigns to stimulate diamond jewellery demand during key gifting periods in both China and Hong Kong, as well as India (the latter in partnership with the Gem and Jewellery Export Promotion Council, commencing in the second half of 2016). In the third quarter, The Diamond Producers Association, co-funded by De Beers and other leading producers, launched "Real is Rare", a new marketing platform targeting millennial consumers in the US.

De Beers Diamond Jewellers (a joint venture between LVMH Moët Hennessy Louis Vuitton and De Beers) maintained its focus on fast-growing markets, with 34 stores in 17 key consumer markets around the world. The significant growth in mainland China sales helped to offset the impact of lower Chinese tourist levels in France and Hong Kong, while the highlight of the year was the successful relocation in November of the New York flagship store to a new location on Madison Avenue, completing the repositioning of the brand in the US.

Namibia sales agreement

In May 2016, the Government of the Republic of Namibia and De Beers signed a new 10-year sales agreement for the sorting, valuing and sale of Namdeb Holdings' diamonds. This represents the longest sales agreement ever concluded between the parties.

OUTLOOK

Macro-economic conditions underpinning consumer demand for diamonds remain broadly stable in aggregate, with the US expected to continue to be the main driver of global growth in 2017. The extent of global growth will, however, be dependent upon a number of macro-economic factors, including the new administration in the US, the strength of the US dollar impacting consumer demand, economic performance in China, the effects of Indian demonetisation, and sentiment following the main US and Chinese New Year retail season.

With midstream stocks having returned to more typical levels in 2016, rough diamond demand is expected to normalise in 2017, reflecting underlying consumer and retail demand. While producers continue destocking, forecast diamond production (on a 100% basis, except Gahcho Kué on an attributable 51% basis) for 2017 is expected to be in the range of 31-33 million carats, subject to trading conditions.

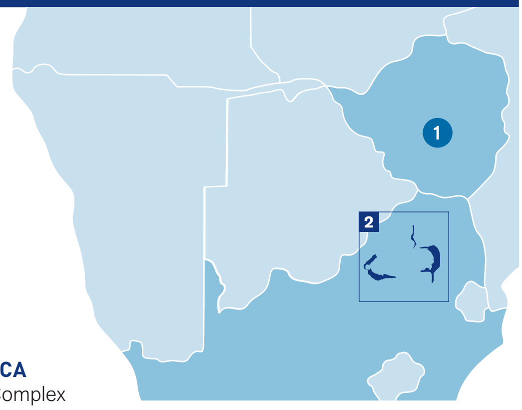
[1] Used under licence from Signet.

PLATINUM

Chris Griffith
CEO – Anglo American Platinum

Anglo American is the leading primary producer of platinum group metals, providing 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.

ZIMBABWE & SOUTH AFRICA



ZIMBABWE
1 Unki

SOUTH AFRICA
2 Bushveld Complex

SOUTH AFRICA: BUSHVELD COMPLEX[(1)]

2 Mogalakwena
3 Amandelbult
4 Union
5 BRPM
6 Kroondal
7 Mototolo
8 Modikwa
9 Bokoni

(1) Excludes Rustenburg and Pandora disposals and Twickenham, which was placed onto care and maintenance during 2016.

HIGHLIGHTS

12% DECREASE IN UNIT COSTS◊

$1,330/ounce

TOTAL PLATINUM PRODUCTION

2.38 million ounces

STRATEGIC FOCUS

- The sale of the Rustenburg operations to Sibanye Gold, announced in 2015, was completed in November for up-front cash proceeds of R1.5 billion and additional minimum deferred proceeds of R3 billion (nominal), in total $0.3 billion.
- The sale of Platinum's 42.5% interest in the Pandora joint venture to Lonmin plc was announced in November 2016. In February 2017, Anglo American Platinum agreed to sell its 85% interest in the Union Mine in South Africa to Siyanda Resources.
- The Twickenham platinum mine/project was placed onto care and maintenance in the year, removing 10,000 ounces of unprofitable platinum.

Asset manager Willem van Loggerenberg (left) and fitter Hendrik Landsberg recording data at one of the ore-slurry pumps at the concentrator at Amandelbult, a mine which, unusually, has both underground and opencast operations.

PLATINUM continued

Key performance indicators

	Production volume (koz)(1)	Sales volume (koz)	Price ($/Pt oz)(2)	Unit cost◊ ($/Pt oz)(3)	Revenue◊ ($m)	Underlying EBITDA◊ ($m)	Underlying EBITDA margin	Underlying EBIT◊ ($m)	Capex◊ ($m)	ROCE◊
Platinum	**2,382**	**2,416**	**1,753**	**1,330**	**4,394**	**532**	**12%**	**185**	**314**	**4%**
Prior year	2,337	2,471	1,905	1,508	4,900	718	15%	263	366	4%
Mogalakwena	**412**	**415**	**2,344**	**1,262**	**968**	**393**	**41%**	**269**	**157**	**–**
Prior year	392	422	2,585	1,369	1,092	496	45%	368	151	–
Amandelbult	**467**	**474**	**1,566**	**1,256**	**739**	**102**	**14%**	**46**	**25**	**–**
Prior year	437	433	1,641	1,382	712	97	14%	36	53	–
Other operations	**1,503**	**1,527**	**n/a**	**n/a**	**2,687**	**77**	**3%**	**(90)**	**129**	**–**
Prior year	1,508	1,616	n/a	n/a	3,096	177	6%	(89)	156	–
Project and corporate	**–**	**–**	**–**	**–**	**–**	**(40)**	**n/a**	**(40)**	**3**	**–**
Prior year	–	–	–	–	–	(52)	n/a	(52)	6	–

(1) Production disclosure reflects own mine production and purchases of metal in concentrate.
(2) Average US$ basket price.
(3) Total cash operating costs – includes on-mine, smelting and refining costs only.

INTRODUCTION

Anglo American Platinum continues to optimise and reconfigure its portfolio. Once complete, Platinum will have a best in class operating footprint at the Mogalakwena and Amandelbult mines in South Africa and Unki in Zimbabwe, alongside its joint venture interests in Bafokeng-Rasimone, the Mototolo mine and Modikwa mine in South Africa. Also in South Africa, Platinum owns smelting and refining operations which treat concentrates, not only from its wholly owned mines, but also from joint venture partners and third parties.

FINANCIAL AND OPERATING OVERVIEW

Underlying EBITDA decreased by 26% to $532 million (2015: $718 million). Lower sales volumes of platinum, palladium, rhodium and minor metals, weakening dollar metal prices and the effects of inflation were partially offset by a weaker South African rand and cost improvements.

Unit costs decreased by 12% to $1,330 per ounce, owing primarily to the softer rand and cost improvements.

MARKETS

	2016	2015
Average platinum market price ($/oz)	**989**	1,051
Average palladium market price ($/oz)	**615**	691
Average rhodium market price ($/oz)	**681**	932
Average gold market price ($/oz)	**1,248**	1,160
US$ realised basket price – Pt ($/Pt oz)	**1,753**	1,905
Rand realised basket price – Pt (R/Pt oz)	**25,649**	24,203

The average platinum price decreased by 6% in US dollar terms, even though the rand basket price increased by 6%. Average palladium and rhodium dollar prices also decreased, notwithstanding their strong price rally during the year. Global supply of platinum group metals (PGMs) was little changed, despite a modest reduction in sales by South African producers. Although the rate of PGM recovery from recycled autocatalysts increased towards the end of the year, there was only limited growth in PGM supplies from the secondary recycling sector.

Platinum demand declined by 1%, with a 15% decrease in demand from the jewellery sector largely offset by a 10% increase in purchases for industrial applications. Demand for platinum in the automotive sector increased by 2%, supported by the introduction of Euro 6b emissions regulations in September 2015, and consequent higher catalyst loadings. Strong sales growth in the European car market saw an increase in the number of diesel cars being manufactured, though diesel's share of the new car market decreased slightly. The platinum market remained in deficit in 2016.

In contrast, palladium offtake increased by 2%, with strong growth in the predominantly petrol-engined Chinese car market supporting automotive demand, which increased by 3% to 7.8 million ounces. Despite continued net liquidation of palladium investments, the palladium market remained in deficit in 2016, contributing to a rally in the price of the metal as the year progressed.

For more information, refer to the Marketplace review section
See pages 06-08

OPERATING PERFORMANCE

Total platinum production (metal in concentrate) increased by 2% to 2,382,000 ounces (2015: 2,337,000 ounces). Production increases at Mogalakwena, Amandelbult, Unki, Union and independently managed operations were partly offset by lower output from Rustenburg and Bokoni. Putting Twickenham onto care and maintenance removed approximately 10,000 ounces of unprofitable platinum, while a contractual agreement with a third party for concentrate ended in 2015, which led to a reduction in purchase of concentrate of 11,000 ounces compared with 2015.

Mogalakwena mine increased production by 5% to 412,000 ounces (2015: 392,000 ounces), including 31,000 ounces (2015: 24,000 ounces) processed at the Baobab concentrator. Mogalakwena had a strong mining performance, with an 8% increase in tonnes milled.

At Amandelbult mine, despite a loss of 20,000 ounces following a fatal incident in which two employees lost their lives, and the subsequent Section 54 safety stoppage, production increased by 7%, reaching 467,000 ounces (2015: 437,000 ounces). The majority of the increase came from a continued strong performance at the opencast area, which produced 41,000 ounces.

Production from Unki mine in Zimbabwe increased by 12%[1] to 75,000 ounces (2015: 66,000 ounces), driven mainly by an improvement in recovered grade through better mining reef cut, which reduced waste mining, resulting in more higher grade ore being delivered to the concentrator. As a result, the 4E built-up head grade increased to 3.46g/t from 3.22g/t.

Total production from Rustenburg mine, including the Western Limb Tailings Retreatment plant, decreased by 4% to 460,000 ounces (2015: 478,000 ounces)[2]. Lower output was attributable to four fatal incidents, Section 54 safety stoppages and other incidents, as well as other operational challenges. The sale of the Rustenburg operations was completed on 1 November 2016; from this date, Rustenburg production is being treated as a purchase of concentrate rather than own mined ounces.

Union mine increased platinum production by 7% to 151,000 ounces (2015: 141,000 ounces). This was the mine's best performance since 2013, following implementation of the optimised mine plan that was completed in June 2016, which resulted in a significant reduction in labour.

Platinum production from independently managed operations, inclusive of both mined and purchased output, increased by 2% to 785,000 ounces (2015: 768,000 ounces). All mines showed year-on-year improvements, with the exception of Bokoni, where production decreased by 21% owing to the closures of two shafts in the fourth quarter of 2015, which removed 26,000 ounces of unprofitable platinum.

Refined platinum production decreased by 5% to 2,335,000 ounces (2015: 2,459,000 ounces), mainly as a result of the run-out at Waterval in September 2016, which had the effect of reducing refined production by 65,000 ounces.

Platinum sales volumes decreased by 2% to 2,416,000 platinum ounces (2015: 2,471,000 ounces), reflecting the decrease in refined platinum production. Sales were higher than refined production and were supplemented by a drawdown in refined inventory.

OPERATIONAL OUTLOOK

Platinum production guidance (metal in concentrate) is 2.35-2.4 million ounces for 2017 (previously 2.4 million-2.5 million ounces), largely driven by an increase in purchase of concentrate from third parties. Year-on-year production from own-managed mines is expected to remain flat at around 960,000 ounces.

(1) Production ounces are shown rounded to the nearest thousand ounces, 12% improvement calculated on unrounded amounts.

(2) Includes purchase of concentrate following sale of Rustenburg in November 2016. Prior year restated to exclude third party production from Platinum Mile which was not sold as part of the Rustenburg transaction.

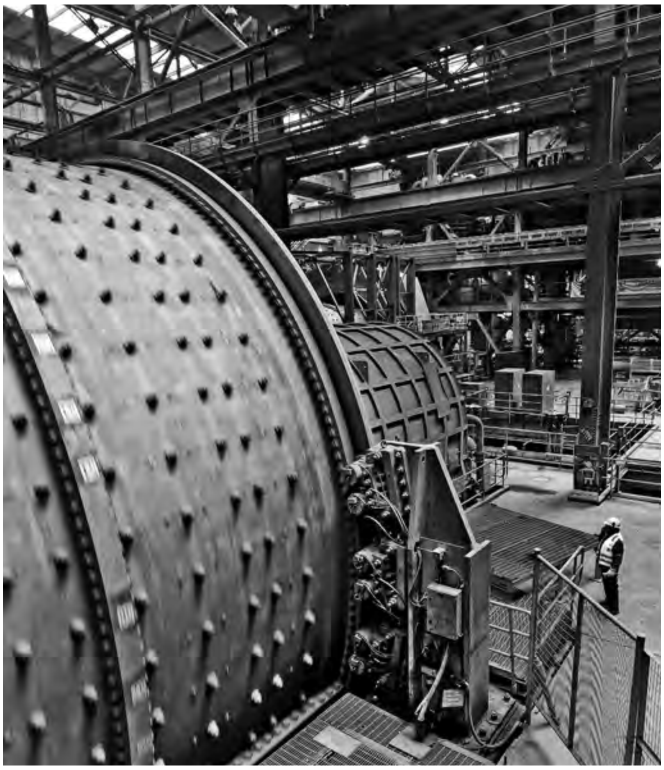
COPPER

Hennie Faul
CEO – Copper

Duncan Wanblad
CEO – Base Metals

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.

CHILE



The main SAG mill at the concentrator and grinding plant at Collahuasi, which achieved a record production of copper concentrate in 2016.

HIGHLIGHTS

LOS BRONCES CONFLUENCIA PLANT OPERATING TIME[(1)]

95% **– amongst best performing in the industry**

RECORD COLLAHUASI CONCENTRATE PRODUCTION (ATTRIBUTABLE)

220,800 tonnes

11% DECREASE IN UNIT COSTS◊

$1.37/lb

OPERATING MODEL CONTINUES TO BE ROLLED OUT AT LOS BRONCES

The Anglo American Operating Model has now been in place at the Los Bronces plant for a full year, delivering improvements in planning and work management, reliability and plant performance. The Operating Model went live at the mine at the end of 2016 and is expected to support capital productivity, improve asset management and mine planning, with a resultant improvement in planning and lower costs.

CASH IMPROVEMENT PROGRAMME

As part of the Group's continued focus on cash, 2016 saw the Copper business launch a programme to further improve cash generation in the low price environment, and rebuild a culture of cost awareness in the business. As a result, cash generation increased by more than $200 million compared with 2015, despite an 11% fall in the average LME copper price, through cost-reduction efforts at the operations and corporate office, including capital expenditure prioritisation and optimising working capital.

FINANCIAL AND OPERATING OVERVIEW

Underlying EBITDA decreased by 4% to $903 million, driven by a decrease in the average LME copper price and an 18% decline in sales volumes (reflecting in part the sale of Anglo American Norte in September 2015), partly offset by a significant reduction in cash costs. Results benefited from cost-reduction initiatives and productivity improvements across all operations, as well as from the implementation, at the start of 2016, of an optimised mine plan at El Soldado. At 31 December 2016, 113,204 tonnes of copper were provisionally priced at 251 c/lb. Provisional pricing of copper sales resulted in an underlying EBITDA gain of $144 million (2015: loss of $366 million), bringing the realised copper price to 225 c/lb for the period, 1% lower than in 2015.

(1) Excludes impact of strikes and illegal industrial action by contractor unions.

Key performance indicators

	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	Underlying EBIT◊ ($m)	Capex◊ ($m)	ROCE◊
Copper	**577**	**578**	**225**	**137**	**3,066**	**903**	**29%**	**261**	**563**	**6%**
Prior year	709	706	228	154	3,539	942	27%	228	659	3%
Los Bronces	**307**	**308**	**–**	**156**	**1,386**	**326**	**24%**	**(49)**	**241**	**–**
Prior year	402	408	–	148	1,852	622	34%	240	228	–
Collahuasi[3]	**223**	**223**	**–**	**111**	**1,068**	**569**	**53%**	**342**	**144**	**–**
Prior year	200	198	–	137	971	381	39%	167	109	–
Other operations	**47**	**47**	**–**	**–**	**612**	**83**	**14%**	**43**	**178**	**–**
Prior year	107	100	–	–	716	55	8%	(63)	322	–
Projects and corporate	**–**	**–**	**–**	**–**	**–**	**(75)**		**(75)**	**–**	**–**
Prior year	–	–	–	–	–	(116)		(116)	–	–

(1) Excludes 62 kt third-party sales.
(2) C1 unit cost including by-product credits.
(3) 44% share of Collahuasi production, sales and financials.

Strategic report

MARKETS

	2016	2015
Average market prices (c/lb)	**221**	249
Average realised prices (c/lb)	**225**	228

The average LME copper price was 11% lower at 221 c/lb. Although the average price was lower than in 2015, prices started 2015 at higher levels and were subsequently impacted by bearish fund positioning, influenced by negative macro-economic sentiment. This precipitated sharp price falls towards the end of 2015, and into January 2016. Prices were relatively stable during the year, before rising strongly in the latter stages. Sentiment towards the metal showed signs of improvement as China's economy displayed evidence of stability, leading to increased investment flows into copper. Key copper-consuming sectors in China contributed to the improved offtake, including stronger construction and infrastructure activity, such as power grid investment.

For more information, refer to the Marketplace review section
See pages 06-08

OPERATING PERFORMANCE

The Los Bronces operation faced a number of challenges during the year. Production decreased by 24% to 307,200 tonnes (2015: 401,700 tonnes), driven by expected significantly lower grades (2016: 0.67% vs. 2015: 0.92%). The mine returned to processing lower average grades than in 2015, when it had prioritised the processing of higher grade areas in order to offset the impact of water shortages. In 2016, in contrast, a series of unusual weather events resulted in the operations having to cope with excess water. Snowfall late in 2015, and its subsequent melting, caused dewatering problems in the pit, while significant snowfall in 2016 (when more than 10 metres was recorded, 30% higher than average) interrupted ore extraction, particularly from the mine's higher altitude and higher grade areas, which affected the ability to feed high grade ore to the plants. In addition, a seven-day strike affected production in September, and there were disruptions in November and December owing to illegal industrial action by contractor unions. In spite of the production challenges, unit costs were only 5% higher than in 2015, at 156 c/lb (2015: 148 c/lb), as cost-reduction initiatives across all areas of the operation partly compensated for the lower output.

Record concentrate production was achieved at Collahuasi; Anglo American's attributable production increased by 11% to 222,900 tonnes (2015: 200,300 tonnes). Strong, sustained plant performance, following rectification work undertaken in 2015, was supported by higher grades (2016: 1.22% vs. 2015: 1.15%). This was offset by reduced cathode production following the closure of the higher cost oxide plant at the end of 2015. Unit costs decreased by 19% to 111 c/lb (2015: 137 c/lb), benefiting from the higher production as well as from an ongoing focus on reducing costs at the operation.

Production at El Soldado increased by 31% to 47,000 tonnes (2015: 36,000 tonnes) as a result of improved throughput and higher grades. Unit costs declined by 19% to 184 c/lb (2015: 228 c/lb), reflecting the benefits of both the higher production and the implementation of the optimised mine plan from the start of the year. In July 2016, the unionised workforce at El Soldado went on a 13-day strike before agreement was reached with the company on a new remuneration offer. Management continued to optimise the mine plan following changes made to sequencing in response to low prices during 2016. The redesigned mine plan for El Soldado is yet to receive permitting approval and therefore we decided, in February 2017, to temporarily suspend mining operations, pending appeal to the regulator and/or amendments being made to the mine plan. Work continues with Sernageomin (Chile's National Geology and Mining Service) on securing appropriate licences for this revised mine plan.

OPERATIONAL OUTLOOK

Production in 2017 is expected to be in line with that in 2016. Higher throughput at Collahuasi is expected to be offset by lower grades. At Los Bronces, recovery from the weather- and strike-related stoppages in 2016 is likely to be affected by increasing ore hardness, thereby constraining plant performance. Production guidance for 2017 remains unchanged at 570,000-600,000 tonnes.

In the next two years it will be necessary to replace the stator motors on each of the two ball mills on the key Line 3 at Collahuasi (responsible for around 60% of plant throughput). This work is planned for 2018 and 2019; however, this may be brought forward for operational reasons (estimated impact of each change on attributable production of 20,000-25,000 tonnes).

NICKEL, NIOBIUM AND PHOSPHATES

Ruben Fernandes
CEO – Anglo American Brazil

Duncan Wanblad
CEO – Base Metals

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. The sale of our niobium and phosphates business, also located in Brazil, was completed in September 2016.

BRAZIL

NICKEL
1 Barro Alto
2 Codemin

NIOBIUM AND PHOSPHATES
3 Boa Vista
4 Chapadão

Following the successful rebuild of Barro Alto's two furnaces, Nickel's output in 2016 increased by almost 50% over the previous year to 44,500 tonnes, with the furnaces now producing at close to nameplate capacity.

HIGHLIGHTS

FOLLOWING THE SUCCESSFUL REBUILD OF THE BARRO ALTO FURNACES, WHICH ARE NOW PRODUCING AT CLOSE TO NAMEPLATE CAPACITY, THE NICKEL BUSINESS ACHIEVED A PRODUCTION RECORD IN 2016

44,500 tonnes

DECREASE IN UNIT COSTS◊

41% since 2012

NET DISPOSAL PROCEEDS RECEIVED FOR SALE OF NIOBIUM AND PHOSPHATES BUSINESS – COMPLETED IN Q3 2016

$1.5 billion

OPERATING COSTS EXPECTED TO CONTINUE TO FALL AT BARRO ALTO

Unit costs at Barro Alto are forecast to be 352 c/lb in 2017, with additional operational improvements expected to reduce them further, to around 330 c/lb in 2020 – placing the asset firmly within the lower half of the industry cost curve.

SCOPE TO FURTHER IMPROVE PRODUCTION

A number of minor plant and mine improvements, including upgrading the plant and debottlenecking, have the scope to increase production by 10% at Barro Alto. These improvements can be implemented for minimal capital expenditure, and could bring total annual nickel production to around 48,000 tonnes from 2020.

Key performance indicators

	Production volume (t)	Sales volume (t)	Price (c/lb)	Unit cost◊ (c/lb)(1)	Revenue◊ ($m)	Underlying EBITDA◊ ($m)(2)	Underlying EBITDA margin	Underlying EBIT◊ ($m)(2)	Capex◊ ($m)	ROCE◊
Nickel segment	**44,500**	**44,900**	**431**	**350**	**426**	**57**	**13%**	**(15)**	**62**	**(1)%**
Prior period	30,300	32,000	498	431	146	(3)	(2)%	(22)	26	(1)%

(1) C1 cash costs (c/lb).
(2) Nickel segment includes $10 million projects and corporate costs (2015: $12 million).

	Production volume (kt)	Sales volume (kt)	Price ($/t)	Unit cost◊ (c/lb)	Revenue◊ ($m)	Underlying EBITDA◊ ($m)(2)	Underlying EBITDA margin	Underlying EBIT◊ ($m)(2)	Capex◊ ($m)	ROCE◊
Niobium and Phosphates(1)	**–**	**–**	**–**	**–**	**495**	**118**	**24%**	**79**	**26**	**19%**
Prior year	–	–	–	–	544	146	27%	119	50	14%
Niobium	**4.7**	**4.6**	**–**	**–**	**137**	**41**	**30%**	**21**	**–**	**6%**
Prior year	6.3	5.1	–	–	111	40	36%	33	26	6%
Phosphates	**864**	**973**	**354**	**–**	**358**	**80**	**22%**	**61**	**26**	**50%**
Prior year	1,111	1,060	479	–	433	111	26%	91	24	30%

(1) Metrics relating to 2016 include results up to the date of disposal, 30 September 2016. Prior year metrics include results for the full year to 31 December 2015.
(2) Niobium and Phosphates also include $3 million and $5 million of projects and corporate costs for year to date September 2016 and full year 2015, respectively.

FINANCIAL AND OPERATING OVERVIEW

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

Nickel

Nickel's underlying EBITDA was $57 million, reflecting lower cash costs and higher volumes following the successful rebuild of Barro Alto's furnaces, with the operation reaching nameplate capacity in the third quarter of 2016, as well as the favourable impact of the weaker Brazilian real. These benefits were partly offset by a decline in the average nickel price for the year, cost inflation and lower energy surplus sales. Barro Alto's operating results were capitalised until October 2015, when the project began commercial production.

Nickel unit costs decreased by 19% to 350 c/lb (2015: 431 c/lb), mainly attributable to increased production volumes from Barro Alto, favourable exchange rates, lower energy costs and consumables, partially offset by inflation.

Niobium

Underlying EBITDA was flat year-on-year at $41 million (2015: $40 million), with higher sales volumes from Boa Vista Fresh Rock (BVFR) and lower cash costs offsetting lower prices and the impact of the sale of the business. Underlying EBITDA from BVFR was capitalised during January and February 2016, with commercial production being achieved in March 2016.

Phosphates

Underlying EBITDA of $80 million decreased by 28% (2015: $111 million), driven primarily by the sale of the business, as well as lower sales pricing and inflation, partially offset by a reduction in operating costs.

MARKETS

	2016	2015
Average market price(1) (c/lb)	**436**	536
Average realised price(2) (c/lb)	**431**	498

(1) 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.
(2) Differences between market prices and realised prices are largely due to variances between the LME and ferronickel price.

For more information, refer to the Marketplace review section
See pages 06-08

Nickel

The average LME nickel cash settlement price decreased by 19% to 436 c/lb (2015: 536 c/lb).

Concerns about global economic growth put significant downward pressure on metal prices, particularly through the second half of 2015 and the first quarter of 2016. Despite these concerns, nickel demand improved strongly during the year, while supply contracted for the second consecutive year, resulting in a market deficit. Demand, which had grown by 1.2% in 2015, increased by 8.3% in 2016, supported by strong growth in global stainless steel production, which rose by 5.3% (2015: 0.2%). With Chinese nickel pig iron (NPI) production declining, price-led cutbacks at other nickel producers and lower availability of nickel-bearing stainless steel scrap, the nickel market tightened, while a shortage of nickel-iron units (ferronickel, NPI and stainless steel scrap) led to ferronickel, which had traded at a discount to the LME price, starting to command a premium to the LME price.

Niobium

Worldwide demand for ferroniobium decreased in 2016. Demand from the key markets of China and North America was particularly muted at the beginning of the year, attributable to overcapacity in steel production, and the effect of the weaker oil and gas sector.

Phosphates

The average MAP CFR Brazil price was $354/tonne, 26% lower than for the equivalent period in 2015 ($479/tonne), as a result of increased global supply and weaker than expected demand in the major markets – the US, China and India. In Brazil, demand for phosphate fertilisers from January to September 2016 was around 10.2 million tonnes, a 6.5% increase. This strong demand was driven by favourable weather conditions, lower fertiliser prices, an attractive barter ratio, the weaker Brazilian real (which supported farmers' earnings) and increased availability of funding to farmers.

NICKEL, NIOBIUM AND PHOSPHATES continued

OPERATING PERFORMANCE

Nickel

Nickel output increased by 47% to 44,500 tonnes (2015: 30,300 tonnes) following the successful rebuild of the Barro Alto furnaces, which are now producing at close to nameplate capacity. Codemin's production of metal was in line with the previous year at approximately 9,000 tonnes.

Niobium

At the point of disposal, production was in line with the prior year at 4,700 tonnes (Q3 2015: 4,700 tonnes; FY 2015: 6,300 tonnes). This was despite two shutdowns; the first in the first quarter to reduce stock levels and facilitate site maintenance and work on residue disposal; and the second, a planned stoppage in May in order to implement the downstream metallurgy project. Following the project's implementation, plant performance was strong, with an all-time production record achieved in July.

Phosphates

At the time of disposal in the third quarter, fertiliser production was 0.9 million tonnes (Q3 2015: 0.8 million tonnes; FY 2015: 1.1 million tonnes), with the increase being attributable to strong granulation plant performance at both sites and favourable operational conditions, which allowed two separate planned maintenance stoppages (scheduled for January and March 2016) to be combined. Phosphoric acid production was also boosted as a result of increased plant stability and higher equipment availability at both sites. Dicalcium phosphate production was higher because of improved plant performance (principally lower idle time at Cubatão and a reduction in time spent on tank maintenance at Catalão), as well as higher phosphoric acid availability.

OPERATIONAL OUTLOOK

Nickel

Production guidance for 2017 is approximately 45,000 tonnes (previously 42,000-45,000 tonnes).

IRON ORE AND MANGANESE

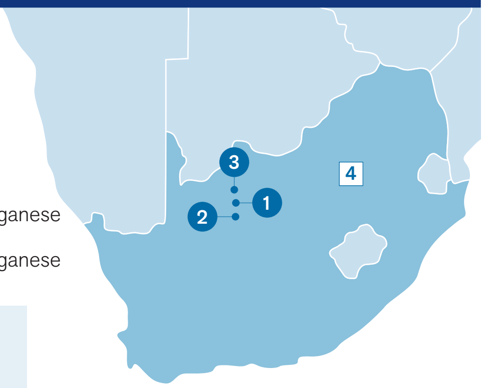
Themba Mkhwanazi
CEO – Kumba Iron Ore

Ruben Fernandes
CEO – Anglo American Brazil

Seamus French
CEO – Bulk commodities and other minerals

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 (c. 70%) 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.

SOUTH AFRICA



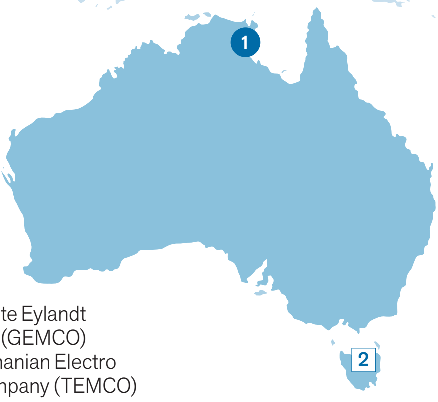
1 Sishen
2 Kolomela
3 Samancor Manganese – Hotazel
4 Samancor Manganese – Metalloys

KEY
● Mining operations
□ Other

BRAZIL

1 Minas-Rio
2 Ferroport (50% ownership)

AUSTRALIA



1 Samancor's Groote Eylandt Mining Company (GEMCO)
2 Samancor's Tasmanian Electro Metallurgical Company (TEMCO)

HIGHLIGHTS

33% INCREASE IN KUMBA'S UNDERLYING EBITDA◊

$1,347 million

13% DECREASE IN KUMBA'S UNIT COSTS◊

$27/tonne

76% INCREASE IN PRODUCTION AT MINAS-RIO

16.1 Mt (wet basis)

STRATEGIC FOCUS

- The reconfiguration of Sishen's open pit has led to a lower cost design, allowing the mine to continue to operate profitably, should the iron ore price deteriorate in the future.
- Minas-Rio continued its ramp-up and ceased capitalising its operating results from January 2017. After the Step 3 licences have been secured, the operation is expected to be in a position to produce at its nameplate capacity of 26.5 Mtpa (wet basis).

At Sishen, ore stockpiles are controlled by four stacker/reclaimers. Mining operations have been substantially reconfigured to reduce waste and to make the overall operation more resilient to future deteriorations in the iron ore price.

IRON ORE AND MANGANESE continued

Key performance indicators

	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	**–**	**–**	**–**	**–**	**3,426**	**1,536**	**45%**	**1,275**	**269**	**12%**
Prior year	–	–	–	–	3,390	1,026	30%	671	1,422	5%
Kumba Iron Ore	**41.5**	**42.5**	**64**	**27**	**2,801**	**1,347**	**48%**	**1,135**	**160**	**51%**
Prior year	44.9	47.8	53	31	2,876	1,011	35%	739	523	26%
Iron Ore Brazil	**16.1**	**16.2**	**54**	**28**	**–**	**(6)**	**–**	**(6)**	**109**	**(1)%**
Prior year	9.2	8.5	41	60	–	(20)	–	(21)	899	(1)%
Samancor[4]	**3.3**	**3.4**	**–**	**–**	**625**	**258**	**41%**	**209**	**–**	**59%**
Prior year	3.3	3.3	–	–	514	104	20%	22	–	4%
Projects and corporate	**–**	**–**	**–**	**–**	**–**	**(63)**	**–**	**(63)**	**–**	**–**
Prior year	–	–	–	–	–	(69)	–	(69)	–	–

(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.

FINANCIAL AND OPERATING OVERVIEW

Kumba

Underlying EBITDA increased by 33% to $1,347 million (2015: $1,011 million), mainly due to a 21% increase in the average realised FOB export iron ore price from $53/tonne to $64/tonne, partially offset by lower sales volumes. Lump- and ore-quality benefits resulted in the average realised iron ore price of $64/tonne being higher than the average iron ore benchmark price of $58/tonne. Unit costs decreased by 13% to $27/tonne (2015: $31/tonne), driven by the pit reconfiguration at Sishen to a lower cost shell, which included restructuring the operation, and the benefit of the weaker South African rand. The pit reconfiguration resulted in lower volumes, partially offset by productivity gains in mining and processing operations. The average CFR break-even price achieved was $29/tonne in 2016.

Sales volumes decreased by 11% to 42.5 Mt (2015: 47.8 Mt), reflecting the 10% decline in production volumes at Sishen. Total finished product stock reduced to 3.5 Mt (2015: 4.7 Mt), in line with the optimum level of around 3 Mt.

Iron Ore Brazil

Iron Ore Brazil's underlying EBITDA loss was $6 million (2015: $20 million loss). Minas-Rio continued to capitalise its operating results in 2016, as the asset remained in the ramp-up phase throughout the year. Iron Ore Brazil's capitalised operating EBITDA amounted to $269 million (2015: $239 million loss), reflecting higher total sales volumes and an improvement in realised iron ore prices, as well as lower unit costs. Minas-Rio's average FOB realised price in 2016 was $54 per wet metric tonne (equivalent to $59 per dry metric tonne). Operating results ceased to be capitalised from January 2017.

Samancor

Underlying EBITDA increased by $154 million to $258 million (2015: $104 million), driven by a recovery in manganese ore prices, a 6% increase in ore sales, and lower costs partly attributable to the restructuring of the South African manganese operations.

The restructuring of the South African manganese operations was completed in the first quarter of the year. This reduced the operating cost base and increased production flexibility in response to the sharp decline in the manganese index ore price in 2015, which carried through into the first half of 2016. During the second six months, however, the price staged a dramatic recovery from its lows.

MARKETS

Iron ore

	2016	2015
Average market price (IODEX 62% Fe CFR China – $/tonne)	**58**	56
Average market price (MB 66% Fe Concentrate CFR – $/tonne)	**69**	67
Average realised price (Kumba export – $/tonne) (FOB Saldanha)[1]	**64**	53
Average realised price (Minas-Rio – $/tonne) (FOB wet basis)[2]	**54**	41

(1) Kumba's outperformance over the Platts 62% Fe CFR China index is primarily representative of the superior iron (Fe) content and the relatively high proportion (approximately 64%) of lump in the overall product portfolio.
(2) Iron Ore Brazil produces a higher grade product than the Platts 62% Fe indices, with pricing reflecting the increased Fe content and lower gangue. Platts 62% is referred to for comparison purposes only.

Iron ore prices fared better than in 2015, but with significant volatility through the year. The IODEX 62% Fe CFR China spot price increased by 4% to an average of $58/tonne, trading in a yearly range of $40-$84/tonne. The improvement in downstream demand in China, combined with steel capacity closures as part of the country's supply-side reforms and environmental improvement drive, supported both steel and iron ore prices. This positive demand environment and improved mill margins have driven an increase in Chinese crude steel production, while the progressive withdrawal of marginal domestic iron ore supply has boosted demand for seaborne iron ore materials. Rallying metallurgical coal prices have also been supportive of demand for high grade ores, with quality price premiums increasing through most of the second half of 2016.

For more information, refer to the Marketplace review section
See pages 06-08

Manganese

Following a 57% reduction in the index ore price during 2015, the index ore price increased by 341% during 2016, closing at $9.01/dmtu (44% Mn CIF China). The price recovery was driven by demand from China, where strong government-led infrastructure spending has resulted in higher steel prices.

OPERATING PERFORMANCE

Kumba

Sishen's production decreased by 10% to 28.4 Mt (2015: 31.4 Mt), consistent with the mine's lower-cost pit configuration. Waste mined reduced to 137.1 Mt (2015: 222.2 Mt), in line with lower production. Run rates for the year were affected by the restructuring; higher levels of rainfall and safety stoppages in the first six months also had an adverse impact on production. Following successful completion of the restructuring, the second half of the year showed a considerable improvement as benefits attributable to improved mining productivity, as well as access to low strip ratio ore and higher plant yields, started to come through.

Implementation of the mining work management element of the Operating Model at Sishen resulted in significant improvements in the amount of ore and waste mined. Work management for the reconfigured mining set-up is now under way.

Kolomela mine produced a record 12.7 Mt, 6% more than the 12.1 Mt produced in 2015, mainly owing to debottlenecking and optimisation of the plant. Waste mining increased by 10% to 50.2 Mt, in line with higher production levels.

At Kolomela, implementation of the Operating Model in the plant area has seen a marked improvement in work execution, with scheduled work completion now in excess of 95%. Screening-tonnes throughput improved by 18% during the go-live phase, and a further 18% during the stabilisation phase. The plant's process stability has also improved significantly.

Mining activities at Thabazimbi ceased on 30 September 2015, and processing activities on 31 March 2016. Closure of the mine has proceeded according to plan. Sishen Iron Ore Company Proprietary Limited, a subsidiary of Kumba, and ArcelorMittal South Africa Limited (AMSA) have signed an agreement for the transfer of the Thabazimbi mine, including all remaining assets and liabilities, to AMSA, which will become effective once all the conditions precedent have been met.

The Dingleton project is substantially complete, with only a small number of households still to be relocated.

Iron Ore Brazil

Iron ore production from Minas-Rio[1] increased by 76% to 16.1 Mt (2015: 9.2 Mt), as the operation continues its ramp-up. There has been an improved operational performance since July 2016, when a licence was granted to access the Step 2 area.

Samancor

Manganese ore production was broadly in line with the prior year at 3.1 Mt (attributable basis). Production from the Australian operations was 2% lower owing to certain ore feed constraints. This was offset by a 5% increase from the South African operations following the drawdown of the Wessels concentrate stockpiles in response to higher market prices.

Production of manganese alloys decreased by 35% to 137,800 tonnes (attributable basis). This was due to power shortages in Tasmania, which resulted in a five month suspension of production at two of the four furnaces. The furnaces were subsequently brought back on line, with a return to full production rates during September. In South Africa, manganese alloy production declined by 46% following the decision in May 2015 to temporarily close three of the four furnaces there.

(1) Iron Ore Brazil production is on a wet basis, unless otherwise stated.

IRON ORE AND MANGANESE continued

Trucks transporting iron ore from the Minas-Rio mine to the nearby beneficiation plant, both located in the state of Minas Gerais, Brazil. The mine continued its ramp-up during 2016, and is expected to reach nameplate capacity of 26.5 Mtpa after the Step 3 licences are secured, expected to be in late 2018.

OPERATIONAL OUTLOOK

Kumba

Production guidance for Sishen is 27-28 Mt for 2017, with a waste movement target of 150-160 Mt. The restructuring is expected to contribute to annual cost savings for 2017. In the medium term, the mine will continue to explore opportunities to fill any spare plant capacity through the use of low grade stockpiles. Further improvements in equipment efficiencies are expected over the medium term.

At Kolomela, annual production is expected to be 13-14 Mt for 2017. Waste removal is expected to increase to around 50-55 Mt in support of the increased annual output.

Kumba has a target unit cost of c. $30/tonne. Full-year total sales volume guidance for 2017 is 40-42 Mt.

Iron Ore Brazil

Iron Ore Brazil continues to focus on operational stability and on obtaining the Step 3 licences required for the operation to access the full range of run-of-mine grades and reach its nameplate capacity of 26.5 Mt (wet basis). Approval of the Step 2 licences, which had been expected in the first half of 2016, was provisionally granted in July 2016, with final approval in October 2016. The Step 2 area is expected to yield c. 45 million saleable tonnes (wet basis) of ore, most of which is anticipated to be mined by the time the licences for Step 3 (which had originally been expected in early 2018, and are now forecast for late 2018) are secured.

As a result of these licensing delays, production guidance for 2017 has been lowered to 16-18 Mt (previously 19-21 Mt), and for 2018 to 15-18 Mt (previously 22-24 Mt), subject to the timing of the Step 3 licences approval. After the Step 3 licences have been secured, the operation is expected to be in a position to ramp-up to produce at its nameplate capacity rate of 26.5 Mt per year.

In 2017, unit costs are expected to be approximately $27/tonne (wet basis, at 2016 average FX rate).

Samancor

Australian manganese ore production guidance of 2.1 Mwmt remains unchanged, albeit with an increased proportion of Premium Concentrate ore (PCO2) in the product mix. The PCO2 fines product has a manganese content of approximately 40%, which leads to both grade and product-type discounts when referenced to the high grade 44% manganese lump ore index.

South Africa Manganese ore production will remain configured for an optimised production rate of 2.9 Mwmt pa (100% basis), although the business will continue to act opportunistically when market fundamentals are supportive.

LEGAL

Residual mining rights

On 12 October 2016, South Africa's Department of Mineral Resources (DMR) granted the residual 21.4% undivided share of the mining right for the Sishen mine to Sishen Iron Ore Company Proprietary Limited (SIOC). As a result of the grant of the residual 21.4% undivided share, SIOC is now the sole and exclusive holder of the right to mine iron ore and quartzite at the Sishen mine. This residual mining right will be incorporated into the 78.6% Sishen mining right that SIOC successfully converted in 2009.

Tax matters

On 3 February 2017, the South African Revenue Services and Sishen Iron Ore Company Proprietary Limited agreed on a R2.5 billion (approximately $185 million) settlement of a tax matter relating to the period covering 2006 to 2015 inclusive. The Group had previously provided for R1.5 billion and an additional R1.0 billion was provided for in 2016.

COAL

Seamus French
CEO – Bulk commodities and other minerals

KEY
(TC) Thermal coal
(MC) Metallurgical 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.

AUSTRALIA[1]

SOUTH AFRICA

COLOMBIA

(1) Excludes Callide and Foxleigh disposals.

HIGHLIGHTS

57% INCREASE IN UNDERLYING EBITDA◊

$1,646 million

7% REDUCTION IN UNIT COSTS◊ (US$ TERMS) AT AUSTRALIAN OPERATIONS – BACK TO LOWEST LEVEL SINCE 2006, IN LOCAL CURRENCY TERMS

$51/tonne

9% INCREASE IN PRODUCTION AT SOUTH AFRICAN EXPORT MINES

24.6 Mt

STRATEGIC FOCUS

- The Grosvenor metallurgical coal mine in Queensland, Australia, produced its first longwall coal in May 2016, seven months ahead of schedule and more than $100 million under its total capital budget.
- The disposal of two assets in Queensland, Australia was completed in the year; a 70% interest in the Foxleigh metallurgical coal mine and the sale of a 100% interest in the Callide thermal coal mine. In October, mining activities ceased at the Drayton thermal coal mine in New South Wales, Australia.

The longwall at Grosvenor metallurgical coal mine. It was commissioned in May 2016, seven months ahead of schedule and substantially below its capital budget.

COAL continued

Key performance indicators

	Production volume (Mt)[1]	Sales volume (Mt)[2]	Price ($/t)[3]	Unit cost◊ ($/t)[4]	Revenue◊ ($m)	Underlying EBITDA◊ ($m)	Underlying EBITDA margin	Underlying EBIT◊ ($m)	Capex◊ ($m)	ROCE◊
Coal	**94.8**	**94.7**	**–**	**–**	**5,263**	**1,646**	**31%**	**1,112**	**613**	**29%**
Prior year	94.9	96.8	–	–	4,888	1,046	21%	457	941	9%
Australia and Canada	**30.4**	**30.3**	**112**	**51**	**2,547**	**996**	**39%**	**661**	**523**	**30%**
Prior year	33.5	34.0	90	55	2,374	586	25%	190	837	6%
South Africa	**53.8**	**53.6**	**60**	**34**	**2,109**	**473**	**22%**	**366**	**90**	**41%**
Prior year	50.3	51.6	55	39	1,893	345	18%	230	104	19%
Colombia	**10.7**	**10.8**	**56**	**28**	**607**	**235**	**39%**	**143**	**–**	**17%**
Prior year	11.1	11.2	55	31	621	168	27%	90	–	11%
Projects and corporate	**–**	**–**	**–**	**–**	**–**	**(58)**	**–**	**(58)**	**–**	**–**
Prior year	–	–	–	–	–	(53)	–	(53)	–	–

(1) Production volumes are saleable tonnes.
(2) South African sales volumes exclude non-equity traded sales volumes of 6.1 Mt (2015: 3.4 Mt).
(3) Australia is the weighted average metallurgical coal sales price achieved. South Africa is the weighted average export thermal coal price achieved.
(4) FOB cost per saleable tonne, excluding royalties. Australia and Canada excludes study costs and Callide. South Africa unit cost is for the export operations.

FINANCIAL AND OPERATING OVERVIEW

Australia and Canada

Underlying EBITDA increased by 70% to $996 million, reflecting a 24% increase in the metallurgical coal realised price, and cost reductions across the business. Underlying EBITDA further benefited from an increase in the proportion of hard coking coal (HCC) production to 65% of total export production (2015: 60%). Although total production declined following a number of divestments, unit costs decreased by 7% in US dollar terms (7% in local currency) following the implementation of significant cost-reduction initiatives, particularly at the open cut operations, and a corporate restructure. Local currency (Australian dollar) unit costs were the lowest since 2006.

Excluding the impact of divestments, total coal production was 4% lower than in 2015. The decrease was attributable to a reduction in export thermal production at Drayton, where mining activities ceased in October, following the New South Wales Planning Assessment Commission decision not to support approval of the Drayton South project. Excluding the divestment of Foxleigh (completed on 29 August 2016), metallurgical coal production was in line with the prior year.

The divestment of Callide was completed on 31 October 2016.

Grosvenor produced its first longwall coal in May 2016, seven months ahead of schedule and more than $100 million under its total capital budget. While all equipment has been fully commissioned, ramp-up to normal production is currently being hampered by challenging geological conditions.

South Africa

Underlying EBITDA increased by 37% to $473 million. This was mainly attributable to a 9% increase in the export thermal coal price, notwithstanding 4% lower export sales volumes as a result of planned destocking in 2015 (which was not repeated in 2016), facilitated by accessing additional rail and port capacity. Despite continued inflationary pressure in South Africa, unit costs reduced by 13% to $34/tonne owing to the weaker rand and a 2% reduction in on-mine rand unit costs. On-mine local currency costs have now reduced in line with those reported in 2013, as a result of the business's cost-saving and productivity initiatives.

Production increased by 7%, with a 9% increase from the Export mines following implementation of productivity improvement initiatives, and a 7% increase at the Eskom-tied mines, due largely to the recommissioning of the third dragline at New Vaal following a maintenance shutdown.

Colombia

Underlying EBITDA increased by 40% to $235 million, attributable mainly to stronger prices and lower costs following planned lower production to remove the highest cost capacity, and by the sustained benefits of significant cost-reduction programmes implemented in 2015.

MARKETS

Metallurgical coal

	2016	2015
Average market price for premium low volatility hard coking coal ($/tonne)[1]	**114**	102
Average market price for premium low volatility PCI ($/tonne)[1]	**88**	84
Average realised price for premium low volatility hard coking coal ($/tonne)	**119**	94
Average realised price for PCI ($/tonne)	**77**	77

(1) Represents the quarterly average benchmark for premium low-volume hard coking coal and PCI.

Metallurgical coal prices started to recover in the first six months, in a balanced market. In the second half, China's imposition of safety, environmental and working time controls on its domestic mines, along with supply disruptions arising from geological difficulties encountered at several mines in Australia, caused significant market tightness, resulting in a sharp increase in both spot and contract prices. The spot metallurgical coal price averaged $199/tonne (TSI Premium HCC FOB Australia East Coast Port $/tonne) in the second half, 134% higher than in the first six months, with the premium for high grade material increasing owing to tightness in the premium HCC market. Supply controls on domestic production in China were relaxed towards the end of the year, while exports from the US slowly increased in the second half as some mines there came out of bankruptcy protection. Australian supply, however, remained broadly stable throughout the year, with producers taking a cautious view on capital investment.

Thermal coal

	2016	2015
Average market price ($/t, FOB Australia)[1]	66	59
Average market price ($/t, FOB South Africa)[1]	64	57
Average market price ($/t, FOB Colombia)[1]	58	52
Average realised price – Export Australia ($/tonne, FOB)	55	55
Average realised price – Export South Africa ($/tonne, FOB)	60	55
Average realised price – Domestic South Africa ($/tonne)	17	19
Average realised price – Colombia ($/tonne, FOB)	56	55

(1) Thermal coal price and realised price will differ according to timing and quality differences.

Chinese domestic supply rationalisation led to rises in the domestic thermal coal price, thereby incentivising imports. Consequently, Chinese import demand increased in the second half of the year, lifting global thermal coal prices. In the Pacific, the globalCOAL Newcastle 6,000 kcal/kg FOB Australia index increased by 12% to $66/tonne. This uplift in demand and subsequent increase in price helped pull up both the South African (API4) and Colombian (API10) indices by 12%. On the supply side, supply from Australia and Indonesia decreased slightly, while Russian exports into the Pacific were marginally higher on the back of increased Chinese import demand.

For more information, refer to the Marketplace review section
See pages 06-08

OPERATING PERFORMANCE

Australia and Canada

Excluding the impact of divestments, production from the Australian mines decreased by 4% owing to the cessation of mining activities at Drayton (thermal coal). Production from the remaining operations was flat year-on-year as geological issues at Capcoal's Grasstree operation, and a planned reduction at Capcoal's open cut, which moved to a five-day operation, were offset by the ramp-up of Grosvenor, productivity improvements at Dawson and Jellinbah, as well as another record year at Moranbah.

Excluding the divestment of Foxleigh, Australian export metallurgical coal production was in line with 2015. HCC production increased by 2%, owing to the ramp-up of Grosvenor (benchmark HCC producer), productivity gains and a change in mix to higher value metallurgical coal production at Dawson.

South Africa

Total production from the export operations increased by 9% to 24.6 million tonnes following the implementation of various productivity improvement initiatives at all managed sites, the introduction of enhanced shift systems at Goedehoop and Zibulo, and plant innovations at Kleinkopje and Goedehoop that have delivered incremental saleable production from previously discarded material.

Export sales at 19.1 Mt were the second highest ever recorded, albeit 4% below 2015, when prior year sales volumes benefited from a planned 1 Mt drawdown of inventory.

Eskom mine production increased by 7%, with New Vaal's third dragline back in production following maintenance in the second half of 2015, and an improved performance at Kriel's underground operations.

Colombia

Anglo American's attributable output from its 33.3% shareholding in Cerrejón decreased by 4% to 10.7 Mt, following heavy rainfall in May and June, and ongoing planned reductions to remove the highest-cost capacity.

OPERATIONAL OUTLOOK

Australia and Canada

Metallurgical coal production in 2017 is expected to be 19-21 Mt. This is below previous guidance owing to the divestment of Foxleigh, the restructuring of Dawson and Capcoal open cut to lower cost, lower volume operations, and current geological issues at Grosvenor.

Export thermal coal

In 2017, export production guidance from South Africa and Colombia has increased to 29-31 Mt (previously 28-30 Mt).

CORPORATE AND OTHER

Key performance indicators

	Revenue◊ ($m)	Underlying EBITDA◊ ($m)	Underlying EBIT◊ ($m)	Capex◊ ($m)
Segment	**4**	**(123)**	**(150)**	**14**
Prior year	925	(11)	(64)	16
Other Mining and Industrial	**–**	**(2)**	**(2)**	**–**
Prior year	921	110	64	3
Exploration	**–**	**(107)**	**(107)**	**–**
Prior year	–	(152)	(154)	–
Corporate activities and unallocated costs	**4**	**(14)**	**(41)**	**14**
Prior year	4	31	26	13

FINANCIAL AND OPERATING OVERVIEW

Corporate and Other reported an underlying EBITDA loss of $123 million (2015: $11 million loss).

Other Mining and Industrial

Underlying EBITDA from Other Mining and Industrial fell from a contribution of $110 million to a loss of $2 million following the disposal of Anglo American's interest in the Lafarge Tarmac joint venture in July 2015.

Exploration

Exploration expenditure decreased to $107 million (2015: $152 million), reflecting general reductions across all commodities. The decreases were mainly attributable to an overall reduction in drilling activities.

Corporate activities and unallocated costs

Underlying EBITDA amounted to a $14 million loss (2015: $31 million gain), driven primarily by a year-on-year loss of $62 million that was recognised in the Group's self-insurance entity, reflecting lower premium income and higher net claims and settlements during 2016.

This was offset to some extent by an 11% decrease in corporate costs ($57 million), of which $56 million represented a foreign exchange gain compared with 2015. The reduction in corporate costs was mitigated by a 10% decrease in the recharge and allocation of corporate costs to business units of $40 million, reflecting the lower corporate cost base.

GOVERNANCE

Sir John Parker
Chairman

We continually work to maintain and develop the framework for good governance.

CHAIRMAN'S INTRODUCTION

As I mention in my Statement on pages 4-5 of this Report, the rapid deepening of the commodity crisis in the last few months of 2015 and at the start of 2016 necessitated an urgent but measured response from the Company. The Board established a committee of non-executive directors to meet regularly with our chief executive and management to approve our strategic approach to the crisis. This committee ensured that we achieved fast decision-making, and good alignment and cohesion between the Board and management, especially in the first six weeks of the year.

BOARD COMPOSITION

As a result of the resignations of Ray O'Rourke and Judy Dlamini in July and August 2016 respectively, the size of the Board was reduced to 10 directors, but given the need to tighten control of costs and to approach any search processes in a considered and appropriate way, we delayed commencing the recruitment of additional non-executives until later in the year. We are now nearing the end of those processes and the new appointments to the Board will ensure that we maintain a minimum of 25% women on the Board and ethnic diversity in our broad mix of attributes. We have now appointed a new finance director following René Médori's decision to retire at the end of 2017 after 12 years in post. Although the process for appointing new directors is led by the Nomination Committee, other Board members are given the opportunity to meet candidates and recommend or otherwise their appointment. The work carried out by the Committee in 2016 is described on page 79.

BOARD VISITS TO OPERATIONS

In order that directors have a good understanding of the business and have the opportunity to interact with employees from a range of backgrounds and seniority, we encourage them to visit the Group's operations. In addition to the site visits (described on page 75) and the Board and committee meetings, the non-executives interact with management throughout the year. This is helpful to them to understand the culture and morale of employees, and to the employees themselves to learn more about the role of the directors and how they contribute to the Group's success.

BOARD EVALUATION

At least every three years the Board and its committees are evaluated by an external third party who interviews the directors and senior management to form an objective opinion on the performance of the Board and its members. Every board and every individual can benefit and improve from the receipt of constructive feedback and this Board and its directors are no exception. The areas highlighted for attention, and the actions we took to address the points raised in the 2015 external review, are described on page 77. An internal review has been carried out for 2016.

COMMITTEE GOVERNANCE

Starting on page 78, each of the Board committee chairmen presents a report on the activities of their committees during 2016. Each of these committees fulfils a vital role in safeguarding the effective governance of the Group and in ensuring that matters of material importance are fully considered and debated. The committee chairmen report to subsequent Board meetings on their deliberations, highlighting any matters that the Board as a whole should be aware of or which need further consideration. This helps to ensure that subjects raised at a committee meeting which may have a bearing on another committee's responsibilities are brought to everyone's attention.

This year we are presenting our remuneration policy to shareholders for approval, together with our remuneration report which is the subject of an advisory only vote. Details of payments received by Board members under the existing policy, and the proposed new policy, are provided in the report of the Remuneration Committee on pages 84-109.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

I am pleased that in 2016 your Company has complied in full with the UK Corporate Governance Code and I hope you find this report useful and informative.

Sir John Parker
Chairman

DIRECTORS

CHAIRMAN

Sir John Parker
GBE, FREng, DSc (Eng), ScD (Hon), DSc (Hon), DUniv (Hon), FRINA

74, joined the Board as a non-executive director on 9 July 2009 and became chairman on 1 August 2009. Sir John is also chairman of the Nomination Committee and is a member of the Sustainability Committee. He is recognised as a highly experienced and independent chairman and brings a wealth of leadership experience across a range of industries in many countries, including in South Africa.

He is chairman of Pennon Group PLC, and a non-executive director of Carnival Corporation and Airbus Group. Sir John is a Visiting Fellow of the University of Oxford and was the President of the Royal Academy of Engineering from 2011 to 2014. Sir John was previously chairman of National Grid plc, deputy chairman of DP World, senior non-executive director and chair of the Court of the Bank of England, joint chair of Mondi and chair of BVT and P&O plc.

FINANCE DIRECTOR

René Médori
Doctorate in Economics

59, joined the Board on 1 June 2005 and became finance director on 1 September 2005. René will step down from the Board and as finance director at the conclusion of the AGM in April 2017. He is a member of the GMC and chairman of the CorpCo and the Investment Committee (InvestCo). René brings significant financial and commercial expertise from capital-intensive businesses, supplying products to the oil refining, steel and mining industries, and experience in international finance in the UK, Europe and the US.

He is a non-executive director of Anglo American Platinum Limited, De Beers and Petrofac Limited. René is a former finance director of The BOC Group plc and was a non-executive director of SSE plc (formerly Scottish and Southern Energy plc).

CHIEF EXECUTIVE

Mark Cutifani
BE (Mining-Hons), FAusIMM, CEngFIMMM, DBA (Hon), DoL (Hon)

58, was appointed as a director and chief executive on 3 April 2013. Mark is chairman of the Group Management Committee (GMC) and a member of the Corporate Committee (CorpCo) and the Sustainability Committee. He has 40 years' experience of the mining industry across a wide range of geographies and commodities.

Mark is a non-executive director of Anglo American Platinum Limited and chairman of Anglo American South Africa and De Beers. He was previously CEO of AngloGold Ashanti Limited. Before joining AngloGold Ashanti, Mark was the COO 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).

In 2016, Mark was awarded an honorary doctorate by the Laurentian University in Canada.

TECHNICAL DIRECTOR

Tony O'Neill
MBA, BASc (Eng)

59, was appointed to the Board as technical director on 22 July 2015. Tony joined the Group in 2013 and has responsibility for the Technical and Sustainability function. He is chairman of the Operational Committee (OpCo) and is a member of the CorpCo, InvestCo and the Sustainability Committee. He is also a non-executive director of De Beers and Anglo American Platinum Limited.

Tony joined AngloGold Ashanti in July 2008 as Executive Vice President – Business and Technical Development, and served as joint acting CEO during 2013. His 36-year career in the mining industry has spanned iron ore, copper, nickel and gold, and includes his roles as Operations Executive at Newcrest Mining and as the head of the Gold Business at Western Mining Corporation. Tony is a mining engineer with an MBA from the University of Melbourne.

SENIOR INDEPENDENT DIRECTOR

Sir Philip Hampton
MA, ACA, MBA

63, joined the Board on 9 November 2009 and has served as the senior independent director since April 2014. He is chairman of the Remuneration Committee and a member of the Audit and Nomination Committees. Sir Philip is chairman of GlaxoSmithKline and brings to Anglo American significant financial, strategic and boardroom experience across a number of industries.

His previous appointments include 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, executive director of Lazards, and non-executive director of RMC Group plc and Belgacom SA.

Mphu Ramatlapeng
MD, MHSc

64, was appointed to the Board on 8 July 2013 and is a member of the Sustainability Committee. 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 is the executive vice president of the HIV/AIDS and Tuberculosis programmes for the Clinton Health Access Initiative and also the vice chair of the Global Fund To Fight AIDS, Tuberculosis and Malaria. She 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.

NON-EXECUTIVE DIRECTORS

Byron Grote
PhD Quantitative Analysis

68, was appointed to the Board on 19 April 2013. He is chairman of the Audit Committee and a member of the Nomination and Remuneration Committees. Byron contributes broad business, financial and board experience in numerous geographies.

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

Jim Rutherford
BSc (Econ), MA (Econ)

57, joined the Board on 4 November 2013 and is a member of the Audit and Sustainability Committees. Jim has extensive experience in investment management and investment banking, and brings to the Board considerable financial insight from the perspective of the capital markets and a deep understanding of the mining industry.

In 2016, Jim was appointed as chairman of Dalradian Resources Inc., having served as a non-executive director since 2015, and as chairman of the Queen's University Belfast Foundation Board. Between 1997 and 2013, he was a senior vice president of Capital International Investors, a division of the 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.

NON-EXECUTIVE DIRECTORS continued

Anne Stevens
BSc, PhD

68, joined the Board on 14 May 2012 and is a member of the Audit, Nomination and Remuneration Committees. Anne brings a wealth of experience and wide-ranging commercial acumen from a number of global industries. She has experience gained across North, Central and South America.

Anne is a non-executive director of GKN plc, Lockheed Martin Corporation and XL Catlin. She served as chairman and CEO of SA IT Services from 2011 until her retirement in December 2014. From 2006 to 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.

Jack Thompson
BSc, PhD

66, joined the Board on 16 November 2009. Jack is chairman of the Sustainability Committee and a member of the Remuneration Committee. He brings experience gained at all levels of the mining industry in North and South America and has received wide recognition as a mining executive.

Jack is a non-executive director of Tidewater Inc. He was previously chairman and CEO of Homestake Mining Company, vice chairman of Barrick Gold Corporation, and has served on the boards of Centerra Gold Inc., Century Aluminum Company, Molycorp Inc., Phelps Dodge Corporation, Rinker Group, and Stillwater Mining.

In addition, the following non-executive directors served during the year:

Ray O'Rourke stepped down from the Board on 25 July 2016.

Judy Dlamini stepped down from the Board on 30 August 2016.

EXECUTIVE MANAGEMENT

GROUP MANAGEMENT COMMITTEE MEMBERS

Mark Cutifani
See page 66 for biographical details.

René Médori
See page 66 for biographical details.

Tony O'Neill
See page 66 for biographical details.

Didier Charreton
MSc

53, Group director – people and organisation since 1 December 2015. Didier has held a number of senior HR roles across his more than 25-year career. From 2007 until 2014 he was chief human resources officer for Baker Hughes, the US-based oilfield services company. Prior to 2007, Didier 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.

Bruce Cleaver
BSc, LLB, LLM

51, was appointed CEO of De Beers on 1 July 2016. Bruce has served as Group director – strategy and business development at Anglo American, and was previously executive head of strategy and corporate affairs for De Beers, having joined the company 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
B Eng (Chemical)

54, is CEO of Bulk commodities and other minerals, with responsibility for the Group's coal and iron ore businesses. 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.

Chris Griffith
B Eng (Mining) Hons, Pr Eng

52, CEO of Anglo American Platinum since 1 September 2012. Chris was previously CEO of Kumba Iron Ore from 2008 to 2012. Prior to this, he was 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
FCCA, FZICA

58, deputy chairman of Anglo American South Africa since 1 June 2015. From 2012 to 2016 he served as 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.

GROUP MANAGEMENT COMMITTEE continued

Anik Michaud
LL.L (Law)

49, Group director – corporate relations since 3 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, after 10 years with the Alcan group. Anik began her career as the political attaché to the Minister of Finance for Quebec.

Duncan Wanblad
BSc (Eng) Mech, GDE (Eng Management)

50, CEO of Base Metals and Group director – strategy and business development since July 2016. Between 2009 and 2013, Duncan held the position of Group director, Other Mining and Industrial. He was appointed joint interim CEO of Anglo American Platinum in 2007, having joined the board in 2004, 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.

Peter Whitcutt
BCom (Hons), CA (SA), MBA

51, CEO of Marketing since January 2016. Peter joined the Group in 1990 within the corporate finance division. He worked on the merger of Minorco with Anglo American, the listing of Anglo American 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 served as Group director – strategy, business development and marketing from 2013 to 2015. He is also a non-executive director of De Beers.

Stephen Pearce
BBus (Acc), FCA, GIA, MAICD

52, Stephen joined Anglo American as finance director designate on 30 January 2017. He will join the Board as finance director on 24 April 2017, subject to shareholder approval at the AGM. Stephen has more than 16 years of public company director experience and 30 years' experience in the mining, oil and gas, and utilities industries. Before joining Anglo American, Stephen served as CFO and an executive director of Fortescue Metals Group from 2010 to 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. Until January 2017, he served as a non-executive director of Cedar Woods Properties Ltd.

Philippe Mellier stepped down from the GMC on 1 July 2016, following his resignation as CEO of De Beers.

THE BOARD IN 2016

CORPORATE GOVERNANCE COMPLIANCE

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). Details of how the Code has been applied are detailed below.

THE ROLE OF THE BOARD

The Board is collectively responsible for the governance of the Company and this role is particularly important when the Company finds itself under stress and operating in difficult economic conditions. At times such as this, shareholders and other stakeholders expect the Board to respond effectively and appropriately and to take the actions necessary to ensure and safeguard the Company's long term success.

As noted in the Chairman's introduction on page 65, the Board established a committee to revise and refine the Company's strategic response. This was presented to, and agreed by, the Board as a whole at its meeting in February 2016. The agreed strategy was outlined in the 2015 Annual Report and its progress to date is described elsewhere in this document.

Throughout 2016, the Board monitored business performance against that strategy, paying particular attention to the effects it had on employees and other stakeholders. The external evaluation gave the Board an opportunity to receive an objective assessment of its performance and effectiveness at a time when, more than ever, its role was crucial to the Company and its long term viability. The results of the evaluation are described on page 77.

As always, the Board was supported in meeting its commitments by a number of committees to which it delegates certain of its responsibilities. Some of those committees were established at specific times to allow closer attention and analysis of key aspects of the Company's business, such as the committee described above, or to finalise matters already discussed in detail by the entire Board. Other committees are more permanent in nature and are required to ensure the Company correctly applies the principles of the Code, and the roles, membership and activities during the year of these are summarised on pages 78-109. Some decisions are sufficiently material that they can only be made by the Board as a whole. The schedule of 'Matters Reserved for the Board', and the committees' terms of reference, explain which matters are delegated and which are retained for Board approval, and these documents can be found online.

For more information, visit
www.angloamerican.com/aboutus/ourapproach

Governance structure

The Board
Provides leadership to the Group and is responsible for its long-term success.

Board committees

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

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

Remuneration Committee
Determines the remuneration of executive directors, the chairman and senior management and oversees remuneration policy for all employees.
See page 84 for more details.

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

Executive committees

Group Management Committee (GMC)
Principal executive committee. Responsible for formulating strategy, setting targets/budgets and managing the Group's portfolio.
For more information see 'GMC Rules' on the Group's website.

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

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

Investment Committee (InvestCo)
Responsible for making recommendations to the GMC on capital investment proposals.

BOARD COMPOSITION

The Code requires that there is a clear division 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, Mark Cutifani). The chairman (Sir John Parker) is also responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The Code also recommends that there is a senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The senior independent director (Sir Philip Hampton) is available to shareholders if they have concerns when communications through the normal channels have failed to resolve the matter or when such contact is inappropriate.

In addition to the roles outlined above, the Board currently comprises a further two executive directors and five additional independent non-executive directors, making a total of 10 directors.

In 2016, two non-executive directors resigned, and one of these resignations (that of Judy Dlamini at the end of August) resulted in the Board's composition falling below the Davies Report target of 25% female membership. Recruitment processes have been under way since late 2016 resulting in the nomination of an additional female director for shareholders to vote on at the AGM in April. This appointment will ensure that the Board returns to having at least 25% female membership and retains two ethnically diverse directors. A separate process is targeting the recruitment of a non-executive director with project management and large construction skills alongside significant mining experience to further strengthen our Board.

In respect of other measures of diversity, the Board has directors from Australia, France, Ireland, Lesotho, the UK, and the USA, with a broad range of professional experience as set out in the table below.

In 2017, René Médori will retire from the Board and as finance director. Stephen Pearce is proposed for election at the AGM in April to succeed him. Stephen joined Anglo American as finance director designate and as a member of the GMC on 30 January 2017. His biography appears on page 70.

Following Sir John Parker's decision to step down as chairman during the course of 2017, Sir Philip Hampton is leading the Nomination Committee's process to identify a successor to the chairmanship. Sir John will continue to chair the Board until a successor is appointed.

Board experience and diversity

		Professional experience										
Directors	Country	Mining	Engineering	Large project management	Construction in mining/ oil and gas	Finance	Health, safety, welfare	Broad based international business experience	Previous NED experience	Previous chief executive	Economics and global economy	Experience as an investor
Sir John Parker	UK	● (1)	●	●	●		●	●	●	●		
Mark Cutifani*	Australia	●	●	●								
René Médori*	France					●			● (2)		●	
Byron Grote	USA/UK			●	●	●		●	●		●	
Sir Philip Hampton	UK			●		●	●	●	●		●	
Tony O'Neill*	Australia	●	●	●								
Mphu Ramatlapeng	Lesotho						●		●	● (3)		
Jim Rutherford	UK					●		●			●	●
Anne Stevens	USA		●	●			●	●	●	● (4)		
Jack Thompson	USA (5)	●	●	●	●		●	●	●	●		

(1) Non-executive director – British Coal Corporation
(2) Non-executive director – Petrofac Limited; SSE plc
(3) Government minister
(4) COO – South America – Ford
(5) Born in Cuba, naturalised US citizen
* Also Group Management Committee members

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 one and a half day strategy session is held, during which strategy formulated by management is debated, stress-tested, modified if necessary, and finally approved by the Board. Each of the Group's business unit heads presents to the Board in some depth once a year on key aspects of the business, including: safety and environment; performance; and risk management.

Board discussions

TOPIC AND LINK TO STRATEGY	AREAS COVERED	COMMENTS
Safety and Health	Fatal incidents, Total Recordable Case Frequency Rate, 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 and investor relations	Community complaints about environmental matters, and any health and safety issues are reported. Investor and media relations updates are given.
People	Organisational restructure, key appointments and resignations, business integrity and Code of Conduct	Progress on organisational restructuring and changes in headcount are monitored. Targets for areas such as diversity are agreed and reported on. The Code of Conduct is reviewed and approved and progress of the roll-out across the business is discussed. The Board is updated on business integrity training being undertaken across the Group.
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 operations, strategy and risks once a year. The Board also visit one of the Group's operations: in 2016 the Board visited the Element Six operation in Oxfordshire.
Financial	Key financial measures, liquidity and balance sheet strength, cost improvements	Progress against the annual budget 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 to that strategy are needed. There are annual presentations on exploration and innovation.
Board governance	Reports from committees, legislative and regulatory compliance	Each of the committee chairs report on recent meetings and 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 10-11.**

BOARD AND COMMITTEE MEETINGS 2016 – 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	Audit	Sustainability	Remuneration	Nomination
Sir John Parker	n/a	6/6	–	4/4	–	6/6
Mark Cutifani	No	6/6	–	4/4	–	–
René Médori	No	6/6	–	–	–	–
Judy Dlamini(1)	Yes	4/4	3/3	–	2/3	–
Byron Grote(2)	Yes	6/6	4/4	–	4/4	1/1
Sir Philip Hampton	Yes	6/6	3/4	–	4/4	6/6
Tony O'Neill	No	6/6	–	4/4	–	–
Ray O'Rourke(3)	Yes	4/4	–	1/3	3/3	4/4
Mphu Ramatlapeng	Yes	6/6	–	4/4	–	–
Jim Rutherford	Yes	6/6	4/4	4/4	–	–
Anne Stevens(4)	Yes	6/6	4/4	–	1/1	6/6
Jack Thompson	Yes	6/6	–	4/4	4/4	–

(1) Resigned 30 August 2016.
(2) Appointed to the Nomination Committee on 21 October 2016.
(3) Resigned 25 July 2016.
(4) Appointed to the Remuneration Committee on 21 October 2016.

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 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 is able to discuss issues arising with the respective chairman and other Board and committee members.

BOARD VISITS TO OPERATIONS

Both the Board and the business as a whole benefit from the directors visiting the Group's operations. As well as gaining a better understanding of the various operations the Group undertakes, the directors have the opportunity to meet and talk to employees at those operations and understand more about the issues of importance to them. During 2016, the Board visited the Element Six operation at Harwell in the UK, part of the De Beers Group of Companies. In addition, several non-executive directors, including members of the Sustainability Committee, visited the following operations in South Africa during the year: the Venetia diamond mine; the Bafokeng-Rasimone Styldrift platinum mine; and the Platinum Precious Metals Refinery.

Images
Top left:
Element Six head of applications – cutting and grinding Wayne Leahy explains aspects of the company's precision testing.

Top right and bottom left:
Element Six principal research scientist Richard Bodkin during a demonstration in the Customer Experience area.

Middle:
Richard Bodkin and Element Six executive director, innovation Siobhan Duffy during a presentation to Board members.

Bottom right:
In Element Six's Press Hall, non-executive directors and Base Metals CEO Duncan Wanblad with Siobhan Duffy, research fellow Ray Spits and senior research scientist Serena Bonetti.

BOARD EVALUATION

In accordance with the Code, Independent Board Evaluation (IBE), an external consultancy with no other connection to the Company, conducted an external evaluation exercise at the end of 2015, the results of which are shown on the following page. A comprehensive brief was provided to IBE, together with supporting materials, prior to their attending Board and committee meetings. Detailed interviews were conducted with each of the directors, certain senior executives and representatives of the Group's auditor, Deloitte. Feedback was provided to the chairman and the committee chairs and a report on the chairman was presented to the senior independent director. Overall, the Board was considered to be generally effective and well balanced, with some areas for improvement, including induction and risk management. The chairman conducted one-to-one interviews with each of the non-executive directors following the evaluation.

At the end of 2016, Board and committee members completed an online, questionnaire-based, internal evaluation of performance. The results of this evaluation will be reported in the 2017 Annual Report.

INVESTOR RELATIONS

The Company maintains an active engagement with its key financial audiences, including institutional shareholders and buy and sell-side analysts, as well as potential shareholders.

The investor relations department manages the interaction 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 is briefed on a regular basis by the investor relations department and analysts' reports are circulated to the directors. 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, and an investor visit to the Jwaneng diamond mine in Botswana.

Executive directors and key executives, including business unit heads, host such presentations, which include seminars for investors and analysts and one-on-one meetings. Throughout the year, executive management also presents at industry conferences that are mainly organised by investment banks for their institutional investor base.

The Company's website provides the latest news and historical financial information, details about forthcoming events for shareholders and analysts, and other information regarding Anglo American.

2015/16 BOARD AND BOARD COMMITTEE EVALUATION – ACTION PLAN

BOARD AND COMMITTEE ACTIVITIES

AREAS IDENTIFIED FOR ACTION	FOLLOW-UP ACTIONS IN 2016
Risk management processes should be reviewed to incorporate best practices from other sectors, including involving the Board in stress testing the combination of key risks, as per the preparation of the viability statement.	The Audit and Sustainability Committees reviewed their respective risk management systems and recommended improvements to the Board.
The use of more external input to strategy discussions as a way of sense-checking the data the Board is given and challenging assumptions should be considered.	The Board received external briefings on the macro-economic environment and on external perceptions of the Group's strategy from its advisers. The views expressed were debated with the presenters, further considered by the Board and informed and influenced the decisions which were taken subsequently.
Tracking of strategy execution was needed for the cost reduction programme and disposals plan by allocating accountability for the individual programmes, tracking key milestones, and reviewing progress regularly at Board meetings.	Tracking of cost-reduction targets and disposals was a regular agenda item for the Board in 2016, with designated executives attending to update the Board on progress of each workstream. This process will continue for the life of the items.
Contact between Board and business unit employees should further improve, including the scheduling of 'deep dives' on key issues at Sustainability Committee, Audit Committee and Board meetings.	Board, Sustainability Committee and Audit Committee meetings are attended by employees from around the business, and Board members are invited to visit Group operations and are encouraged to meet with employees without management being present. The Board as a whole visit one operation each year, and these visits provide an opportunity for the Board to meet and interact with local management and other employees, both in meetings and at Board dinners. Additional meetings and visits outside of those scheduled are arranged if the directors think it would be useful to meet either specific individuals or employees in general.
Communication of decisions to management and employees, especially those adversely affected by the cost reduction and disposals programme could be improved.	The Group director – people and organisation briefed the Board on messaging and communication processes and messaging was kept under review to ensure that it was appropriate and respectful.
Director induction and onboarding could be enhanced, especially for new Board members who have not previously served on the board of a UK listed company. All Board members should have an individual, tailored induction plan.	For new directors, the chairman and company secretary will work together to improve the tailored induction plan and monitor progress more frequently with the director concerned, adjusting the programme itself, and future programmes, to reflect any lessons learned.
Review the Board skills matrix to ensure that the Board's composition is appropriate and identify any skills gaps.	The skills matrix is used to identify areas in which aggregate Board experience could be improved and is used as part of the recruitment process for new Board members and non-executive succession planning.
The Board and committee paper format should be used more widely to help with the effective management of meetings and decision making.	Without being overly prescriptive, standard templates are used to help authors and presenters structure their papers and presentations in a way that is helpful for the audience. This helps ensure that time allocated to individual items is used efficiently, and that the meeting focuses on the key areas for discussion or decision making.
Information flows from the Remuneration and Nomination Committees to the Board could be further improved with directors who do not serve on those committees receiving more information about their work.	The non-executive directors' sessions (held after each Board meeting) are used to share confidential information and directors are encouraged to raise any queries with the relevant chairmen. All committee minutes are circulated to directors unless it is not appropriate to do so.

SUSTAINABILITY COMMITTEE

Jack Thompson
Chairman, Sustainability Committee

COMPOSITION

- Jack Thompson – Chairman
- Mark Cutifani
- Tony O'Neill
- Ray O'Rourke (resigned 25 July 2016)
- Sir John Parker
- Mphu Ramatlapeng
- Jim Rutherford

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/ourapproach

COMMITTEE DISCUSSIONS IN 2016

The Committee met four times in 2016. At each meeting, the Committee reviews a detailed quarterly report covering the Group's performance across a range of sustainability areas including: safety; occupational 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 2016, 11 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, mitigating 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 2016:

February

- business unit sustainability report: Iron Ore Brazil
- tailings storage facilities and water retaining dams – stewardship and crisis management
- permitting compliance – mitigating risks.

June

- providing a safe and healthy work environment – employee exposure to dust
- geo-political developments, with a particular focus on Brazil and South Africa
- International Council on Mining and Metals (ICMM) benchmarking report – comparing safety performance and trends across the industry
- key legislative developments in the sustainability area.

July

- tailings dams contractor management and governance
- business unit sustainability reports: Kumba Iron Ore and Coal
- Social Way assessment results – an update on the Group's performance on managing the social impacts of mining
- safety and sustainable development benchmarking – comparing performance and global trends across the industry.

October

- business unit sustainability report: Base Metals
- safety and sustainable development performance – implementation of the integrated operating model
- water – strategies for managing water usage.

NOMINATION COMMITTEE

Sir John Parker
Chairman, Nomination Committee

COMPOSITION

- Sir John Parker – Chairman
- Sir Philip Hampton
- Ray O'Rourke (resigned 25 July 2016)
- Anne Stevens
- Byron Grote (appointed 21 October 2016)

ROLE AND RESPONSIBILITIES

- Agreeing a skills and experience matrix for all directors (with the approval of the Board) to identify any skills gaps to address when recruiting new directors.
- 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.
- 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.
- Ensuring that the HR 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/ourapproach**

COMMITTEE DISCUSSIONS IN 2016

The Committee met six times during 2016, discussing the following matters:

February
- the composition of the Board and its committees, the leadership needs of the organisation and succession planning.

April
- succession planning for executive directors
- action plan to address the issues raised by the 2015 Board evaluation.

June
- the shortlist of candidates to succeed René Médori as finance director
- senior management changes and succession planning.

July
- progress on the recruitment process for the appointment of the new finance director
- committee membership following Ray O'Rourke's decision to step down as a non-executive director.

October
- succession planning for non-executive directors following Judy Dlamini's decision to step down as a non-executive director
- recommendations to appoint new members to the Nomination and Remuneration Committees
- noting that Stephen Pearce had accepted an offer for the role of finance director.

December
- finalised the role profiles for two non-executive director roles with external consultants
- update on succession planning for non-executive directors.

PROCESS USED IN RELATION TO BOARD APPOINTMENTS

The Board is committed to ensuring that it remains diverse in terms of gender and ethnicity. This includes targets of at least 25% of the directors being female and at least one (and preferably more) person of colour. At the date of this report, the Board's gender diversity target is not currently met, as a result of the resignation of Judy Dlamini in August 2016.

Search processes for new non-executive directors aim to address this while securing the best possible candidates for the Board, regardless of gender. Spencer Stuart (South Africa) and Heidrick & Struggles are retained by the Committee to assist with these search processes. Both consultancies have worked for the Group in recruiting for senior appointments and were chosen for having the best understanding of the Board's requirements given the markets in which the most suitable candidates are likely to be found.

Shortlisted candidates are generally interviewed by all members of the Committee and, where practical, other directors prior to Board approval.

AUDIT COMMITTEE

Byron Grote
Chairman, Audit Committee

COMPOSITION

- Byron Grote – Chairman
- Judy Dlamini (resigned 30 August 2016)
- 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
- 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 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/ourapproach

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 guidance from the European Securities and Markets Authority and the Financial Reporting Council's comments on the use of adjusted measures in its Annual Review of Corporate Reporting 2015/2016
- 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 2017 to review and approve the draft 2016 Annual Report and Accounts in advance of the final sign-off by the Board. This review included the critical accounting judgements explained in Note 1 to the Consolidated financial statements, pages 120-122
- 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 2016

Throughout the course of 2016, the Audit Committee paid particular attention to the evolving commodity price risk and management's actions to mitigate the effects of the risk. Discussion included the actions to maintain sufficient liquidity and the disposal programme. In addition, the implications of the weaker price environment on asset valuations was subject to detailed review.

The Audit Committee held four meetings in 2016. The specific items covered in each meeting included the following:

February
- significant accounting issues and the impairments reported in February 2016. The Committee reviewed the assumptions and rationale for the impairments
- the results of the external audit work
- the going concern statement and the underlying assumptions upon which the statement was made
- the viability statement including the risk scenarios, the basis for modelling the scenarios, results of the analysis, conclusions and the wording of the statement
- tax matters, including the status of tax audits in South Africa and an overview of the global tax landscape, to consider the implications for the Group's tax reporting requirements
- the press release for the 2015 financial results and the 2015 Annual Report content
- the Ore Reserves and Mineral Resources report, focusing on areas of material change and satisfying itself that the procedures for estimating and reporting Ore Reserves and Mineral Resources remain effective
- review of non-audit services provided by the auditor during 2015
- report on completion of the 2015 internal audit plan, the results of internal audit work and the Group's whistleblowing arrangements.

April
- an update on tax audit in South Africa
- management's assessment of the auditor independence and effectiveness in delivery of the 2015 audit
- reviewed and approved the plan to roll-out the new Code of Conduct. The discussion included governance structures over implementation of the Code
- an update on implementation of the programme that mitigates risk of bribery and corruption including assessment of risks associated with the disposal programme
- a report on compliance activities associated with the Marketing business, including trading activities, following an external assessment of the compliance programme in Marketing
- a report on the management of cyber risk, including emerging cyber threats and developments in the priorities to mitigate this risk
- a report analysing the Group's pension assets and liabilities, including the impact of the Group's restructuring programme
- a review of executive management expenses for 2015 and the control environment associated with executive travel and expenses.

July
- the significant accounting issues for the half-year report, including a review of impairment indicators
- the going concern assessment, including the underlying assumptions, risks and mitigating actions to support the assessment
- a report on tax matters, including an update on tax audits in South Africa and tax strategy to address the changing global tax environment and challenges due to the Group's transformation programme
- a report from Deloitte on their interim review and a preliminary planning paper on the 2016 audit
- the interim financial statements and draft press release
- the schedule of approved non-audit services provided by the auditor for the half year
- an update on implementation of the new Code of Conduct
- the interim internal audit report, reviewing progress with the 2016 plan and relevant issues associated with the disposal programme
- the principal risks following a reassessment of the Group's risk profile
- a report on the Group's insurance arrangements, including results of the renewal negotiations.

November
- the significant accounting and financial reporting matters for the 2016 year end, including impairment and impairment reversal reviews in addition to the accounting treatment for assets disposed during the second half of 2016
- an update on tax matters
- approved the external audit plan and fee for 2016
- an update on the Marketing business compliance programme
- reviewed and approved changes to the policy on external auditor independence to reflect changes in regulations and the plan for the process to select a new auditor in 2020
- reviewed an update on the Group's principal risks and the preparation work for completing the viability statement to be included in the 2016 Annual Report
- reviewed and approved the internal audit plan for 2017, noting the alignment of audit work to key risks in the Group
- received a report from Deloitte on the effectiveness of risk management and internal audit work, noting the recommendations and management response
- reviewed the terms of reference of the Audit Committee, noting no changes were required.

The Audit Committee report is set out over the page.

AUDIT COMMITTEE REPORT

ENSURING INDEPENDENCE OF THE EXTERNAL AUDITOR

Anglo American's policy on auditor's 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 $50,000.

Anglo American's policy on the provision of non-audit services is regularly reviewed and has been updated to reflect new regulations that became effective on 1 January 2017. 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 audit independence. Non-audit fees represented 49% of the 2016 audit fee.

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 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.

Audit tender

Anglo American will undertake, at the latest, a tender and rotation of the audit appointment 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.

Conclusions of the Audit Committee for 2016

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 2018. Resolutions to authorise the Board to re-appoint and determine the remuneration of Deloitte LLP will be proposed at the AGM on 24 April 2017.

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 are 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 assess 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 2016. 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 and 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 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 2016, 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 that the Group is exposed to. 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 2016, 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.

Whistleblowing programme

The Group has a whistleblowing facility operating in all its managed operations and a Group-wide stakeholder complaints and grievance procedure (see the 2016 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 2016, 413 (2015: 388) 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.

Reports received were anonymous to Anglo American. All received the appropriate attention and, where necessary, action was taken to address issues. A governance process is in place to ensure all reports are acted upon in a timely manner and actions completed where necessary.

DIRECTORS' REMUNERATION REPORT

Sir Philip Hampton
Chairman, Remuneration Committee

The role of the Company'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.

1. INTRODUCTORY LETTER

Dear Shareholder,

The role of the Company'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 the executive directors is proportionate to the levels of performance achieved and the returns received by you as shareholders. As a Committee, we therefore have to give full consideration to the Company's strategy, its performance, your interests and the interests of the wider communities we affect. This is particularly pertinent in light of the volatility faced by the Company and by the mining industry more generally in recent years.

Pay for performance

As reported by the chief executive in his introduction to this year's Annual Report, the actions taken across the business to drive free cash flow and further refine the portfolio enabled the Company to strengthen its financial position and foundations for the future. With the continued sharp focus on operational costs and volume growth, the business delivered $1.5 billion of in-year incremental cost and volume improvements, driving a 25% increase in underlying EBITDA and an increase in EBITDA margin of five percentage points to 26%. Underlying earnings per share (EPS) was $1.72/share. Net debt has been reduced to $8.5 billion from $12.9 billion at the end of 2015, primarily driven by a $3.5 billion increase in attributable free cash flow. ROCE was 11%.

The performance of the business, up to and during 2016, is reflected in the long and short term remuneration received by the executive directors. Specifically:

- The executive directors' salaries were frozen in 2016, to recognise the challenges faced by the Company at the beginning of the year. The Committee has decided to increase the executive directors' salaries in 2017 by 2%. This increase is felt to be appropriate in the light of the directors' contribution to the Company's improved financial position over 2016, and is consistent with the increase awarded to the general UK employee population.
- Strong operational improvements, supported by favourable bulks prices and foreign exchange (FX) rates and a recovery in De Beers' sales volumes have supported the material outperformance on EPS targets. However, without the tailwind from changes in prices and FX rates, EPS would have still been above the maximum vesting target, reflecting management's strong delivery in the year. Combined with strong personal performance, this resulted in higher annual bonus outcomes than in 2015. Safety performance during the year led to an overall modifier of (0.5)%, which incorporates the maximum deduction in respect of the very disappointing increase in fatalities in 2016. This led to overall bonus outcomes of between 84.7% and 87.5% 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 99.
- The Long Term Incentive Plan (LTIP) awards granted in 2014 will not vest, as neither the three-year Total Shareholder Return (TSR) nor the ROCE targets were met.

2017 remuneration policy

The remuneration policy disclosed in section 2 of this report has been revised during the year and will be put to shareholders for approval at the 2017 AGM, in line with normal timescales. In preparing the policy, the Committee was mindful of the complexities of setting remuneration against the backdrop of volatility in the mining sector. The Committee also took into consideration the feedback received from some shareholders in advance of the 2016 AGM, as well as the relatively low level of support received for the 2015 remuneration report in comparison to previous years. In particular, we were determined to address investors' concerns about the potential windfall gains for executive directors arising as a result of the volatility of the Company's share price and the mining industry more generally.

While we believe that the fundamental structure of the remuneration package is appropriate, we have made a number of changes to the previous remuneration policy which are primarily designed to address the issue of volatility, while also directly addressing the concerns raised by shareholders in relation to the 2016 grant levels:

- Continue the use of EPS as a KPI for short term incentives, as the Committee considers it to be appropriate in measuring annual business performance. However, the measure will be split into two; half of the award will be measured on actual results versus the original budget, and the other half will be measured excluding the impact of quoted commodity price and exchange rate fluctuations. The Committee considers that this change will help smooth volatility and result in outcomes which provide a better balance between items within management's control and those outside it. This is explained further on page 90
- The performance conditions to be applied to LTIP awards from 2017 onwards will incorporate a greater emphasis (70%) on TSR, recognising two challenges of identifying financial targets. First, the mining sector is subject to significant earnings volatility driven by uncontrollable factors. Secondly, while driving controllable performance, there is a need to continue to align management rewards with shareholder returns to a greater extent. The remaining 30% of LTIP awards from 2017 will be subject to a balanced scorecard of financial and strategic measures. Further details can be found on page 106
- Reduce the maximum annual LTIP opportunity for the chief executive from 350% to 300% of basic salary, bringing it into line with the other executive directors and moderating the value that may be received from future LTIP awards
- Introduce a cap on the value that can be received from LTIP awards, both past and future. The maximum combined value that can vest in relation to the 2014, 2015 and 2016 LTIP awards is limited to the sum of the total face value of the 2014-2016 awards at grant, with any value above that level being forfeit before the start of the two-year holding period. For the chief executive, this limit is £13.1 million. From 2017 onwards, the value of LTIP awards at the time of vesting, using the share price at the time, will be limited to twice the face value of the award at grant; in exceptional circumstances amounts earned above twice the face value of the award may be deferred at the discretion of the Committee. Further details can be found on pages 91 and 107.

The Committee undertook a thorough and detailed consultation with our major shareholders in relation to these changes. Views as to specific remuneration items are inevitably diverse, particularly given the global spread of our shareholder base and the sometimes different perspectives of, for example, UK and South African shareholders. However, we are confident that we have created a remuneration policy that balances the needs and expectations of management and shareholders, is fair and robust, links directly to the Company's strategy and gives the Committee greater ability to deal with volatility.

Executive director changes

Stephen Pearce joined the Company in January 2017, and will be proposed for election to the Board as finance director at the 2017 AGM.

As previously disclosed, his remuneration package comprises:

- Annual base salary of £775,000
- Annual bonus and LTIP participation consistent with the Company's remuneration policy
- Compensation for incentives forfeited from his previous employer, including a performance-related cash bonus of up to £300,000 payable in 2017, and 382,235 performance-related share awards granted in three tranches vesting over 2017, 2018 and 2019
- Other benefits including pension, medical insurance and relocation from Australia to the UK.

Full details will be included in the 2017 remuneration report. René Médori will step down from his current position as finance director at the 2017 AGM, and will continue to work for the Company until the end of 2017, when he will retire, to provide continuation in the transition and focus on specific projects.

Report layout

Finally, the Committee has taken the opportunity to make some changes to the layout and design of both the policy and the implementation reports, including adding an 'At a Glance' section directly after this letter. We hope these changes make the Company's remuneration strategy and outcomes more easily digestible.

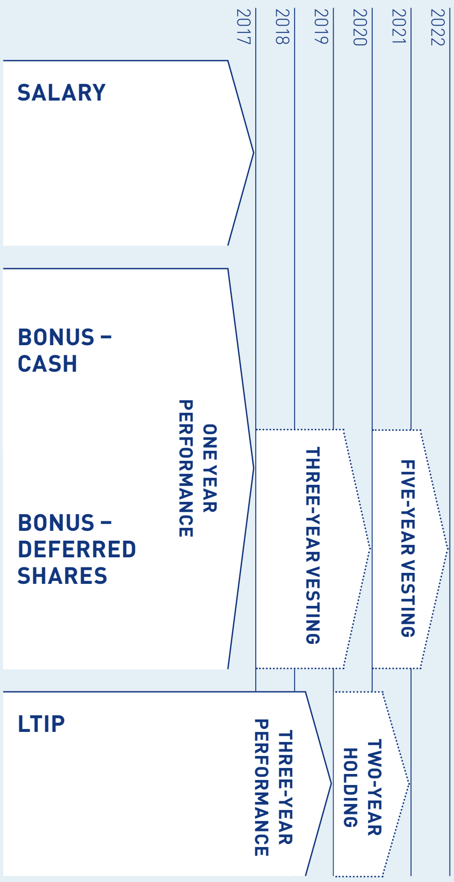
I very much hope you will support our proposed remuneration policy at the 2017 AGM.

Sir Philip Hampton
Chairman, Remuneration Committee

REMUNERATION AT A GLANCE
POLICY

The remuneration policy as described in the Chairman's letter is set out below. Each component of remuneration is designed to reward the accomplishment of aspects of the Company's strategy. For more information on the pillars of value, refer to page 34.

OUR REMUNERATION POLICY



	LINK TO STRATEGY	KEY FEATURES
SALARY	Recruitment and retention of high-calibre executives	• Reviewed annually by the Committee • Increases based on Company performance, individual performance, levels of increase for the broader UK population and inflation
BONUS – CASH	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 • 60% of bonus is deferred into shares
BONUS – DEFERRED SHARES	Encourages sustained performance in line with shareholder interests	• Two-thirds of shares deferred will vest after three years, with the remaining deferred shares vesting after a further two years • Unvested deferred shares are subject to malus and clawback
LTIP	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).

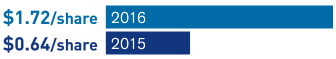
KEY PERFORMANCE METRICS FROM 2017

Metrics	Pillars of value	Rationale
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)
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
CO_2 emissions (LTIP)	Environment	• The Company is committed to reducing CO_2 emissions by 22% by 2020
Inhalable hazards (LTIP)	Safety and Health	• Prevention of occupational disease is an ongoing commitment for the Company

REMUNERATION AT A GLANCE
2016 PAY OUTCOMES

UNDERLYING EPS◊

$1.72/share



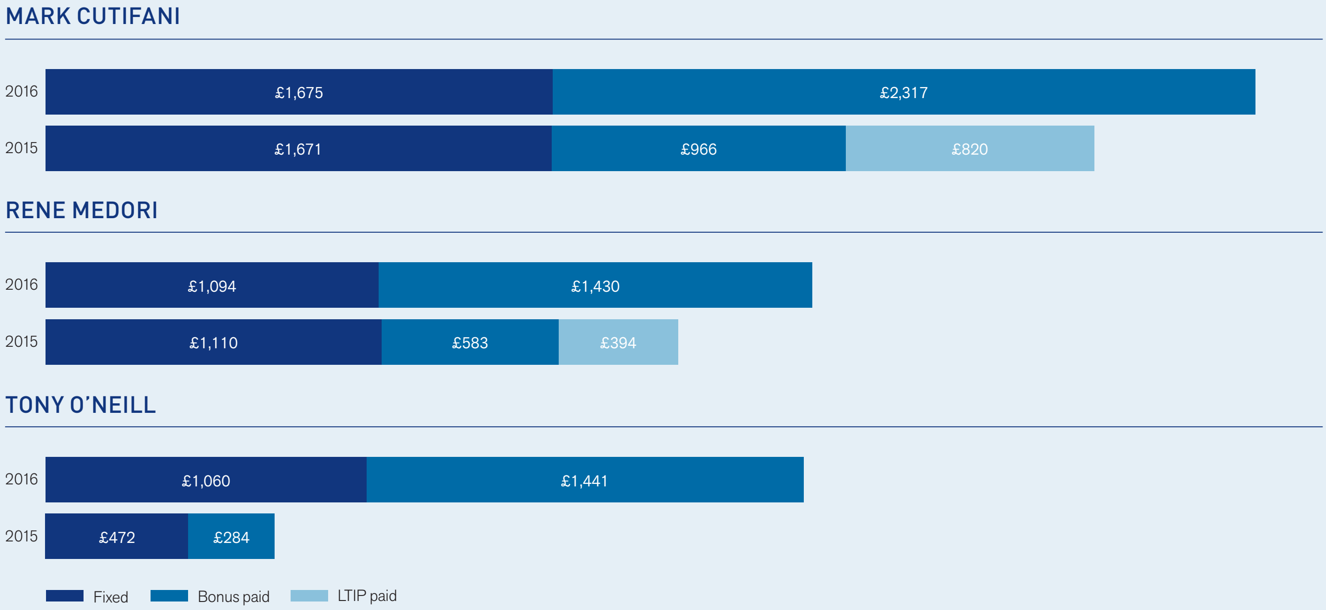
THREE-YEAR SHAREHOLDER RETURN

(12)%

DRIVING VALUE ROCE◊

7%

2016 PAY OUTCOMES £'000



- Fixed pay comprises salary, benefits and pension
- Bonus figures include deferred shares
- Tony O'Neill's 2015 figures reflect the period between his appointment to the Board and 31 December 2015

2016 ANNUAL BONUS OUTCOME

EPS – 50% of overall opportunity

- The Company's underlying EPS for the year was $1.72/share.
- This is above the target for maximum vesting of $0.50/share.
- As a result, 100% of the EPS component of the annual bonus will pay out (50% of overall opportunity).

Personal KRAs – 40% of overall opportunity

- Each executive director had a set of personal objectives for the year.
- The vesting for each executive director is as follows:
  Mark Cutifani: 95% (38.0% of overall opportunity)
  René Médori: 88% (35.2% of overall opportunity)
  Tony O'Neill: 94% (37.6% of overall opportunity)

A modifier of (0.5)% of overall opportunity is applied to reflect safety target outcomes in 2016 (out of a possible range of (10)% to +10%). The overall vesting level for the annual bonus award is 87.5% of maximum for Mark Cutifani (84.7% and 87.1% for René Médori and Tony O'Neill, respectively).

2014 LTIP VESTING

TSR vesting – 50% of overall opportunity

- The Company's TSR performance for the performance period was (12)%.
- This is below both the sector index and FTSE 100 median performance.
- As a result, 0% of the TSR component of the 2014 LTIP will vest.

Driving Value ROCE vesting – 50% of overall opportunity

- The Company's Driving Value ROCE for 2016 was 7%.
- This is below the threshold performance for vesting of 12%.
- As a result, 0% of the Driving Value ROCE component of the 2014 LTIP will vest.

The overall vesting level for the 2014 LTIP award is 0%.

REMUNERATION COMMITTEE

COMPOSITION

- Sir Philip Hampton – Chairman
- Judy Dlamini (resigned 30 August 2016)
- Byron Grote
- Ray O'Rourke (resigned 25 July 2016)
- Anne Stevens (appointed 21 October 2016)
- 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 Company's share incentive schemes.

The Committee's terms of reference are available to view online.

For more information, visit
www.angloamerican.com/aboutus/ourapproach

COMMITTEE DISCUSSIONS IN 2016

The Committee held four meetings in 2016:

February

- reviewed executive director personal key performance indicators for 2016, and Group financial and safety targets to ensure alignment with Group strategy
- discussed the executive directors' performance in 2015 to adjudicate on bonus outcomes
- reviewed executive directors' shareholdings in the Company prior to 2016 share awards being made
- reviewed the forecast vesting of 2013 Bonus Share Plan (BSP) and LTIP awards
- reviewed the proposed performance targets for the 2016 LTIP award
- reviewed the 2015 Directors' remuneration report ahead of publication
- reviewed corporate governance issues arising in the previous quarter.

April

- confirmed the vesting of 2013 BSP and LTIP awards and the granting of 2016 BSP and LTIP awards
- agreed to a high-level timetable for the design and consultation of the 2017 remuneration policy
- discussed investor feedback on executive remuneration prior to the vote on the Directors' remuneration report
- reviewed corporate governance issues arising since the previous meeting.

June

- agreed initial proposals and timelines relating to the 2017 policy
- reviewed corporate governance issues arising since the previous meeting.

December

- reviewed directors' salaries, taking into account the general salary review for the broader employee population
- discussed the progress of the consultation of shareholders on the 2017 remuneration policy
- approved the operation of the Share Incentive Plan (SIP) free shares for 2017
- approved changing the timing of the 2017 LTIP awards to after the 2017 AGM
- reviewed and updated its terms of reference
- reviewed corporate governance issues arising since the previous meeting.

The Directors' remuneration report is set out opposite.

2. DIRECTORS' REMUNERATION POLICY

2.1 Future policy table

The Company's remuneration policy, as set out in the 2013 Annual Report and Accounts, received approval from shareholders at the AGM held on 24 April 2014. The Company intended that this policy should apply until the Company's 2017 AGM.

As required, the Company will put the new remuneration policy, as set out on the following pages, to shareholders for a binding vote at the AGM on 24 April 2017. The intention is that the revised policy, if approved, will apply until the Company's 2020 AGM.

The table below 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.

Changes from policy agreed at the 2014 AGM
A change to the measurement of targets is proposed. Currently, assessment of performance against financial targets set as part of the annual bonus is at actual prices and FX rates only. It is proposed that, from 2017 onwards, 50% of the payout be based on performance at actual prices and FX rates, and 50% on performance adjusted to fixed prices and FX rates. The Committee believes that this approach will help smooth potential volatility and also make annual bonus payouts a fairer reflection of underlying performance.

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 (see page 106). 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.

Changes from policy agreed at the 2014 AGM
Reduction in maximum opportunity for the chief executive officer from 350% to 300% of salary.

Changes to the performance measures and a limit on the value that can be delivered from future awards are proposed. The performance measures set out above will replace the previous measures (50% TSR and 50% ROCE).

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.

Figure 1: Key aspects of the remuneration policy for executive directors

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.

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.

Changes from policy agreed at 2014 AGM
Clarification that directors' liability insurance is included in the list of benefits.

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.

Changes from policy agreed at 2014 AGM
Limit introduced on pension levels for new hires.

2.2 Supplementary information

2.2.1 Shareholding targets

Within five years of appointment, executive directors are expected to hold Company 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.

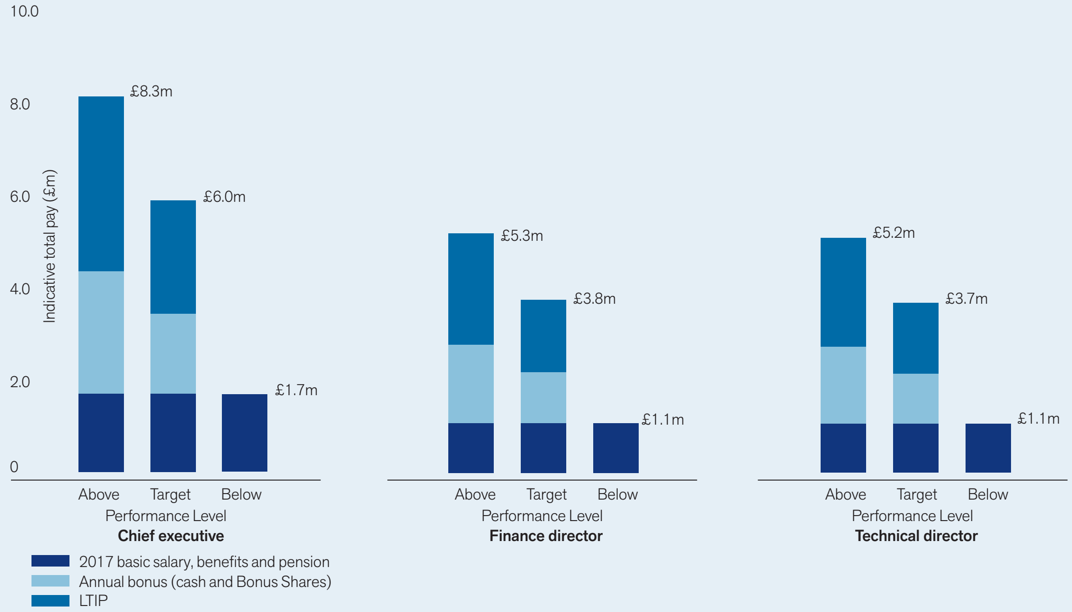
Figure 3: Key aspects of the remuneration policy for non-executive directors

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 medical insurance and reasonable use of a car and driver. Reasonable and necessary expenses are reimbursed. **Changes from policy agreed at the 2014 AGM** Maximum benefits increased from £30,000 to £35,000 to allow for expected changes to UK tax rates on car and fuel benefits through to 2020.
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.
Other fees/ payments	**Purpose** To have the flexibility to provide additional fees/benefits if required. This may include the introduction of committee membership fees. **Maximum additional/ committee 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. Base fees have not been increased since 2010. It is therefore the Board's intention to review fee levels and structures during 2017 with a view to determining any necessary changes. Such changes may include, for example, the introduction of committee membership fees. **Changes from policy agreed at the 2014 AGM** Additional flexibility is proposed to be incorporated to allow for the possible introduction of committee membership fees.

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	2017 basic salary, benefits and pension	2017 basic salary, benefits and pension	2017 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 £36,000, £49,000 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.
- Finance director figures relate to René Médori, who will step down as finance director at the 2017 AGM. Full year figures are shown for illustrative purposes.

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 garden 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 garden 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 condition 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 Company'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:

- in 2016-17, in developing the revised remuneration policy, the Committee chairman undertook a consultation with major shareholders, incorporating feedback as appropriate. In particular, the Committee has responded to concerns raised in relation to the possibility of windfall gains from the 2016 LTIP awards by introducing a cap on the value that can be received from these awards on vesting. The Committee also listens to and takes into consideration investor views and comments throughout the year
- 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.

Given the geographic spread of the Company's workforce, the Committee does not consider that consulting with employees on the remuneration policy for directors is a sensible use of resources. Many of the Company's UK-based employees are shareholders, through the SAYE and SIP schemes, and they, like other shareholders, are able to express their views on directors' remuneration at each general meeting.

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.

2.7 Changes from previous policy

The chairman's letter, beginning on page 84, describes the main changes that the Committee has made to the remuneration policy that was approved at the 2014 AGM. These changes are also described in the relevant section of the policy table.

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 2016

Figure 7 sets out the remuneration paid to the executive directors during 2016.

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 award vesting £'000 (Section 3.1.4)	Pension £'000 (Section 3.1.5)	Other[1] £'000	**Total 2016 £'000**	**Total 2015 £'000**
Mark Cutifani	**1,261**	**36**	**2,317**	**–**	**378**	**5**	**3,996**	
Mark Cutifani (2015)	1,261	32	966	820	378	5		3,462
René Médori	**804**	**49**	**1,430**	**–**	**241**	**5**	**2,529**	
René Médori (2015)	804	65	583	394	241	5		2,092
Tony O'Neill	**788**	**36**	**1,441**	**–**	**236**	**3**	**2,504**	
Tony O'Neill (2015)[2]	352	14	284	–	106	3		759

(1) 'Other' comprises free and matching shares awarded under the SIP. 2015 figures have been updated to include free and matching shares awarded in 2015.
(2) In Tony O'Neill's case, 2015 figures reflect the period between his appointment to the Board, on 23 July 2015, and 31 December 2015.

Figure 8: Basic salaries for 2016
(all amounts in '000)

MARK CUTIFANI
(2015: £1,261)

£1,261

RENE MEDORI
(2015: £804)

£804

TONY O'NEILL
(2015: £352)[1]

£788

(1) For the period between appointment and year-end.

3.1.1 Basic salaries for 2016

Figure 8 sets out the basic salaries for 2016, which were frozen at 2015 levels.

3.1.2 Benefits in kind for 2016

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 2016

	Car-related benefits	Tax advice
Mark Cutifani	29,420	250
René Médori	28,700	13,545
Tony O'Neill	28,370	585

Figure 10: Annual bonus outcomes for 2016 (cash and Bonus Shares)
(all amounts in '000)

MARK CUTIFANI
(2015: £966)

£2,317

RENE MEDORI
(2015: £583)

£1,430

TONY O'NEILL
(2015: £284)[(1)]

£1,441

(1) For the period between appointment and year-end.

Figure 11: Safety performance modifier

Safety target	Modifier range	2016 modifier
Fatal injury frequency rate (FIFR)	Up to 7.5% deduction	(7.5)%
Total recordable case frequency rate (TRCFR)	Up to 5.0% uplift	5.0%
Level 4/5 environmental incidents	Up to 2.5% deduction	(0.0)%
Operational Risk Management (ORM) implementation	Up to 5.0% uplift	2.0%
Net modifier		**(0.5)%**

3.1.3 Annual bonus outcomes for 2016

Figure 10 shows the annual bonus outcomes for 2016. Figure 12 summarises the individual objectives for the 2016 annual bonus for Mark Cutifani, René Médori and Tony O'Neill, performance achieved and the resulting outcomes.

The Committee reviewed the annual EPS targets set at the beginning of 2016 and, in light of the severity of the falls in commodity prices, the negative price outlook at the start of 2016 and the launch of the Company's cash improvement programme, decided to set threshold performance expectations at $0.00/share with maximum vesting at $0.50/share. 25% vesting would take place with performance at threshold. While stretching at the time, a progressive recovery in commodity prices since the middle of the year, coupled with strong delivery on cost and volume improvements and cash generation from management actions, meant that the earnings element of the annual bonus has been fully achieved.

If performance had been measured excluding FX and price movements in line with the methodology introduced for 2017 bonuses, and normalising for one-off tax adjustments, EPS would have been above the maximum vesting target at $0.53/share, reflecting the strong delivery of management in the year.

The executives' individual objectives were set at the start of the year and reflect the Company's strategic priorities for the year. Each category contained between one and five specific objectives, incorporating a combination of quantitative and qualitative metrics. At the end of the year, the Committee made a detailed assessment of performance against each objective, leading to the evaluations shown in Figure 12.

Assessment of Group safety performance in 2016 operated through both additive and deductive component measures. Figure 11 sets out the outcome in each category, resulting in a net modifier of (0.5)%. The very disappointing increase in fatalities in 2016 led to the maximum possible FIFR deduction being applied.

Figure 12: Annual bonus performance assessment for 2016

50% of each executive director's bonus outcome was dependent on an EPS target, which has been met in full, and a safety modifier of between (10)% and 10%, which has resulted in a deduction of (0.5)%. Refer to page 99 for more detail on these outcomes. 40% of the executive directors' bonus outcomes related to a set of individual objectives for the year. The achievement and outcomes of these objectives are set out below.

Mark Cutifani

Objectives	Achievement	Outcome
Strategic development (12%) • Actions to reduce net debt below $10.0 billion • Progress asset disposal programme and portfolio upgrade	• Completed disposal of the niobium and phosphates business in Brazil, Rustenburg platinum operations and 9.7% interest in Exxaro Resources Ltd, realising $1.8 billion in proceeds. • Maintained strict value thresholds on disposals, leading to retention of Moranbah and Grosvenor coal assets in Australia and nickel assets in Brazil. • Continued to upgrade portfolio.	12.0%
Business improvement (12%) • Deliver operational improvements and cost savings: – $1.0 billion cash improvement versus budget – Projects ramp-up – Identify a further $1.0 billion to be delivered in 2017	• Exceeded $1.0 billion cash improvement plan primarily through the delivery of $1.5 billion cost and volume improvements. • Increased Cu equivalent production by 2% compared with 2015, driven by project ramp-ups and improving productivity. • Identified 75% of 2017 $1.0 billion cost and volume improvement target with implementation under way. • Continued roll-out of Anglo American's Operating Model at various operations in 2016.	12.0%
People (8%) • Continue to build expertise of GMC and within functional teams • Implement next phase of the Organisational Model	• Continued strengthening of GMC. • Implemented next phase of the Organisational Model. • Progressed skills development and retention in critical roles.	6.8%
Endowment and stewardship (8%) • Continue effective engagement with stakeholders • Progress options on project portfolio	• Continued positive constructive relationships with host country governments. • Increased stakeholder engagement, articulating strategy and delivery of Company's targets. • Developed strategy for future project opportunities including Quellaveco.	7.2%
Overall individual performance		**38.0%**

René Médori

Objectives	Achievement	Outcome
Strategic development (20%) • Actions to reduce net debt below $10.0 billion • Progress asset disposal programme and portfolio upgrade • Maintain liquidity and optimise debt levels	• Reduced net debt by $4.4 billion from $12.9 billion, driven by $2.6 billion of cashflow and $1.8 billion in disposal proceeds. • Decreased gross debt by 27%, including successful $1.8 billion bond buyback programme realising $0.2 billion in net debt and interest savings, 85% of which realised in 2016. • Liquidity levels maintained (31 December 2016: $15.8 billion). • Managed divestments, including sale of the niobium and phosphates business in Brazil, Rustenburg platinum operations, 9.7% interest in Exxaro Resources Ltd, Callide and Foxleigh operations. • Maintained strict value threshold on disposals, leading to retention of Moranbah and Grosvenor coal assets in Australia and nickel assets in Brazil.	18.8%
Business improvement (8%) • Implement capital allocation strategy • Progress critical legal matters to resolution • Define and implement suitable corporate structure	• Increased discipline in capital management and project prioritisation with total capital expenditure (excludes capitalised operating cash flow) reducing by $1.5 billion. • Litigation proceedings between Kumba Iron Ore and South African Revenue Service resolved. Agreement reached on other legal matters. • Continued to optimise corporate structures, reducing the number of operating jurisdictions.	6.8%
People (8%) • Implement new structures per Functional Model • Build finance team to support business	• Appointed key finance leaders. • Continued progress on implementation of the Functional Model in finance.	5.6%
Investor Relations (4%)	• Increased investor engagement with focus on strategy and disposal programme.	4.0%
Overall individual performance		**35.2%**

Figure 12: Annual bonus performance assessment for 2016

Tony O'Neill

Objectives	Achievement	Outcome
Safety and Environment (6%) • Design and implement critical controls intervention • Review Group's tailings dam emplacement strategies and operating integrity	• Continued strengthening of critical controls delivering a 24% decrease in the TRCFR compared with 2015. • Reduction in Level 3-5 environmental incidents, down 33% versus 2015, as well as focusing on tailings dam emplacement controls. • Reduced Group's impact on the environment with decreases in energy and water consumption and GHG emissions.	5.2%
Business improvement (24%) • Drive operational improvements and cost savings: – $1.0 billion cash improvement versus budget – Optimise capital expenditure and working capital	• Exceeded $1.0 billion cash improvement plan primarily through the delivery of $1.5 billion cost and volume improvements. • Increased discipline in capital expenditure and project prioritisation, delivering $600 million reduction versus original plan. • Renegotiated a number of supplier contracts, improving commercial terms.	24%
People (4%) • Design and implement functional model in the Technical and Sustainability function • Continue to attract and retain necessary skills and expertise	• Progressed implementation of the Functional Model in the Technical and Sustainability function. • Appointed key leaders within the function.	3.2%
Endowment projects and R&D (6%) • Develop future project strategies • Progress technology and innovation initiatives across portfolio	• Progressed options and alternative approaches for the development of new projects including Quellaveco. • Continued focus on innovation and technology to extract value from endowments through Open Forums, the FutureSmart™ and SmartPath processes to enable rapid development and implementation of innovative projects. • Advanced Concentrate the Mine™ approach across Platinum and Copper with phase 1 trials of Coarse Particle Flotation under way at Los Bronces copper mine in Chile.	5.2%
Overall individual performance		**37.6%**

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 2016 took place against a backdrop of significant and successful restructuring and transformation, cost saving, production growth, efficiency improvements and improved stakeholder relationships.

The personal performance outcomes set out above, combined with maximum EPS achievement and the safety modifier of (0.5)%, have generated overall bonus outcomes of 87.5%, 84.7% and 87.1%. When applied to the maximum bonus of 210% of salary, these performance outcomes translate into bonuses of £2,316,573, £1,430,383 and £1,441,239 for the chief executive, finance director and technical 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.

3.1.4 LTIP award vesting

In 2014, Mark Cutifani, René Médori and Tony O'Neill received LTIP grants of 285,733, 156,222 and 153,071 conditional shares respectively, with vesting subject to:

(a) the Company's TSR performance relative to:
   (i) the Euromoney Global Mining Index; and
   (ii) FTSE 100 constituents over the three-year period to 31 December 2016; and

(b) Driving Value ROCE to 31 December 2016.

Figure 13 sets out further details of the measures and the Company's performance against each, resulting in an overall vesting level of zero.

The LTIP amounts shown in last year's report in respect of the LTIPs granted in 2013 were calculated on an 'expected' basis with an assumed share price of £4.73. The actual share price at vesting was £5.08, leading to the following increases in value:

Mark Cutifani – estimated value £778,000; actual value £820,000 (increase of £42,000).

René Médori – estimated value £373,000; actual value £394,000 (increase of £21,000).

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 and Tony O'Neill for 2016 include a cash allowance of £317,000 (2015: £297,000) and £208,000 (2015: £93,000), respectively
- The total amount of pension contributions treated as having been paid into the UURBS for 2016 were £241,000 for René Médori (2015: £241,000)
- Contributions treated as being paid into the UURBS earn a return equivalent to the Company's pre-tax sterling nominal cost of debt, capped at a rate determined by the Remuneration Committee. The total return earned in 2016 was £90,000 for René Médori (2015: £73,000)
- As at 31 December 2016, the total balance due to executive directors in relation to the UURBS was £1,976,000 for René Médori (2015: £1,644,000). Retirement benefits can only be drawn from the UURBS if a member has attained age 55 and has left Group service.

Figure 13: LTIP performance assessment for 2016

Measure	Threshold performance (25% vesting)	Stretch performance (100% vesting)	Actual performance	Vesting outcome
Euromoney Global Mining Index TSR (25% of total award)	3% (index TSR)	21% (index TSR + 6% p.a.)	(12%)	0%
FTSE 100 constituents TSR (25% of total award)	13% (median TSR)	50% (upper quartile TSR)	(12%)	0%
Driving Value ROCE (50% of total award)	12%	16%	7%	0%
Total outcome (% of total award)				**0%**
Mark Cutifani (£'000) (maximum opportunity: 350% of salary)				**0**
René Médori (£'000) (maximum opportunity: 300% of salary)				**0**
Tony O'Neill (£'000) (maximum opportunity: 300% of salary)				**0**

Figure 14: Pension for 2016

	DC contribution (£'000)	Cash allowance (£'000)	UURBS contribution (£'000)	NIC paid by Company (£'000)	Total (£'000)
Mark Cutifani	17	317	0	44	378
René Médori	0	0	241	0	241
Tony O'Neill	0	208	0	28	236

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, in addition to his basic salary, René Médori retained fees amounting to £82,000 in respect of one external directorship.

3.2 Other director remuneration in 2016
3.2.1 Non-executive director remuneration
Figure 15 sets out the remuneration paid to the non-executive directors of the Company in 2016. Fees shown include any additional fees paid in respect of chairmanships of committees or other roles such as senior independent director.

Figure 15: Single total figure of remuneration for non-executive directors

	Total fees 2016 £'000	Benefits in kind 2016 £'000	**Total 2016 £'000**	Total fees 2015 £'000	Benefits in kind 2015 £'000	**Total 2015 £'000**
Non-executive directors						
Sir John Parker[1]	700	29	**729**	700	24	**724**
Judy Dlamini [2]	53	–	**53**	80	–	**80**
Byron Grote[3]	110	–	**110**	110	–	**110**
Sir Philip Hampton	140	–	**140**	140	–	**140**
Ray O'Rourke[4]	45	–	**45**	80	–	**80**
Mphu Ramatlapeng	80	–	**80**	80	–	**80**
Jim Rutherford	80	–	**80**	80	–	**80**
Anne Stevens[5]	80	–	**80**	80	–	**80**
Jack Thompson	110	–	**110**	110	–	**110**

(1) Sir John Parker has elected to waive his Nomination Committee chairman fees. Benefits with a value over £5,000 comprise car-related benefits and medical insurance.
(2) Judy Dlamini resigned from the Board with effect from 30 August 2016.
(3) Byron Grote became a member of the Nomination Committee on 21 October 2016.
(4) Ray O'Rourke resigned from the Board with effect from 25 July 2016.
(5) Anne Stevens became a member of the Remuneration Committee on 21 October 2016.

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 2016.

3.3 Scheme interests granted during 2016

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 2016. Receipt of these awards is dependent on the Company's performance over 2016-18 and to the maximum vesting value imposed by the Committee, as detailed below.

The value of Bonus Shares awarded to directors in respect of 2016 is included in the annual performance bonus figures, set out in Figure 10. They are also included in Figure 17.

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 2016. 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) and René Médori and Tony O'Neill to a value of two times salary. At the date of preparation of this report, Mark Cutifani, René Médori and Tony O'Neill have net shareholdings (including Bonus Shares) equal to 430%, 587%, and 310% of basic salary, respectively.

Figure 16: Summary of conditional share awards and options granted in 2016

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. Sector Index (25%)	25% for TSR equal to the Index; 100% for the Index +6% pa or above	31/12/2018	Mark Cutifani	350% of salary	993,810	£4,412,516
				René Médori	300% of salary	543,360	£2,412,518
				Tony O'Neill	300% of salary	532,398	£2,363,847
	TSR vs. FTSE 100 constituents (25%)	25% for TSR equal to median; 100% for 80th percentile or above					
	ROCE (50%)	25% for 5%; 100% for 15%					

(1) The face value of each award has been calculated using the share price at time of grant (£4.44 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 in 2014, 2015 and 2016 is limited for each executive director to the combined face value of the 2014, 2015 and 2016 awards. Any value over this level will be forfeit. Vesting outcomes will be disclosed in the 2018 remuneration report.

Figure 17: Shares in Anglo American plc at 31 December 2016

	Beneficial	Conditional (no performance conditions)	Conditional (with performance conditions)	Conditional (no performance conditions)		Total
Directors		BSP Bonus Shares	LTIP	SAYE/SIP	Other	
Mark Cutifani	174,814	257,550	1,641,818	7,385	–	2,081,567
René Médori[(1)]	210,498	165,779	897,654	9,410	–	1,283,341
Tony O'Neill	46,708	148,053	880,469	4,155	–	1,079,385
Sir John Parker	62,696	–	–	–	–	62,696
Byron Grote[(2)]	26,000	–	–	–	–	26,000
Sir Philip Hampton	19,258	–	–	–	–	19,258
Mphu Ramatlapeng	4,738	–	–	–	–	4,738
Jim Rutherford	21,335	–	–	–	–	21,335
Anne Stevens	2,122	–	–	–	–	2,122
Jack Thompson[(2)]	14,950	–	–	–	–	14,950
Former directors[(3)]						
Judy Dlamini	6,712	–	–	–	–	6,712
Ray O'Rourke[(2)]	76,965	–	–	–	–	76,965

(1) René Médori's beneficial interests in 138,990 shares held at the date of this report arise as a result of his wife's interests in shares.
(2) Included in the interests of Messrs Grote, O'Rourke and Thompson are unsponsored ADRs representing 0.5 ordinary shares of $0.54945 each.
(3) Interests are shown as at date of resignation.

Differences from 31 December 2016 to 20 February 2017

Mark Cutifani's and René Médori's interests increased by 44 shares each from 31 December 2016 to 20 February 2017, as a result of the acquisition of shares under the SIP. Their total holdings therefore increased to 2,081,611 and 1,283,385 respectively.

3.5 Statement of implementation of policy in 2017

The Company's policy on executive director remuneration for 2017 is summarised in the policy statements in Figure 1. Figure 18 summarises how that policy will be implemented in 2017. It is the Company's intention that the fees for non-executive directors will remain at their 2016 levels for the first half of 2017, following which they will be reviewed.

The EPS performance range for 2017 is considered by the Board to be commercially sensitive, although it will be disclosed in the 2017 remuneration report.

As set out on page 91, changes to the previous LTIP performance targets are proposed to apply from 2017; vesting of 70% of the 2017 award will be subject to the achievement of TSR conditions, and the remaining 30% to a balanced scorecard of financial and strategic measures.

For the 2017 balanced scorecard, ROCE (10%) has been selected to maintain focus on disciplined capital allocation. An attributable free cash flow target (10%) is being introduced as a new measure. This links management's remuneration outcomes directly to the Company'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 2017 will be based on emissions reduction (5%) and occupational disease prevention (5%), directly reflecting two pillars of value. Following the overwhelming shareholder support for the 'Aiming for A' resolution at the 2016 AGM, the Committee strongly believes that management's incentives should be linked to achievement of the Company's public commitment to reducing CO_2 emissions by 22% by 2020, as measured against the business as usual case. Linking the remaining 5% of the 2017 LTIP award to a 10% reduction in inhalable hazards by the end of 2019 (as measured against a certified industrial hygienist approved baseline) reflects the Group's ongoing commitment to the prevention of occupational disease.

The three-year cumulative attributable free cash flow target within the LTIP is also 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 2019 remuneration report. The definition of attributable free cash flow can be found on page 189. Further details of the individual performance targets for 2017 will be included in the 2017 remuneration report.

Figure 18: Summary of key remuneration aspects in 2017

Element	Performance measure 1, weighting and component detail	Performance measure 2, weighting and component detail	Director	Level
Basic salary	–	–	Mark Cutifani	£1,285,934 (2% increase)
			René Médori	£820,256 (2% increase)
			Tony O'Neill	£803,709 (2% increase)
			Stephen Pearce	£775,000 (full year)
Annual bonus	**EPS (50%)** Half on performance at outturn prices and FX and half on performance at budgeted prices and FX	**Individual objectives and safety modifier (50%)** Personal and strategic objectives supporting the Company'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
			René Médori	210% of salary
			Tony O'Neill	210% of salary
			Stephen Pearce	210% of salary (full year)
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 10% 100% for 20% **Cumulative attributable free cash flow (10%)** **CO_2 emissions (5%)** 25% for 20% reduction by end of 2019 100% for 22% reduction by end of 2019 **Inhalable hazards (5%)** 25% for 6% reduction by end of 2019 100% for 10% reduction by end of 2019	Mark Cutifani	300% of salary
			René Médori	nil
			Stephen Pearce	300% of salary
			Tony O'Neill	300% of salary

3.5.1 Outstanding LTIP awards

The previous LTIP structure, in the context of the volatile nature of the mining industry, brought with it the potential for windfall gains where awards were granted at a relatively low share price.

The Committee has therefore imposed a limit on the value that can be delivered on vesting for recent awards. The delivered value for the awards granted in 2014, 2015 and 2016 will be limited to 100% of the total face value (number of shares granted multiplied by share price on grant) of the awards granted over these three years. Any value over and above this limit will be forfeit.

3.6 Remuneration disclosures

3.6.1 Eight-year remuneration and returns

Figure 19 shows the Company's TSR performance against the performance of the FTSE 100 Index from 1 January 2009 to 31 December 2016. 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 eight-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.

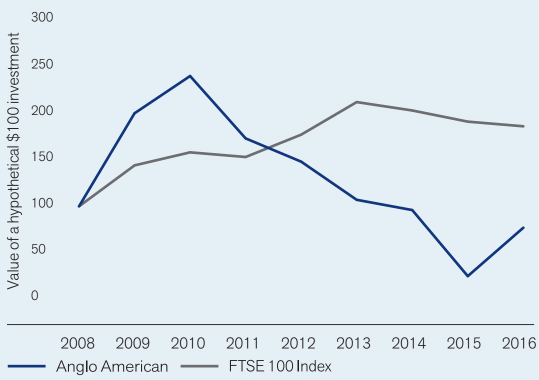
Cynthia Carroll's remuneration levels in 2011 also reflect record profits and strong EPS performance for the year in addition to the increase in value of the LTIP awards that vested at the end of 2011 – when granted, the Company's share price was £12.61; the share price at vesting was £26.00.

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.

Governance

Figure 19: Eight-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**
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**
Annual bonus (% of maximum)	–	–	–	–	65%	60%	36.5%	**87.5%**
LTIP (% of maximum)	–	–	–	–	–	–	50%	**–**

3.6.2 Change in the chief executive's remuneration in 2016 relative to London employees

Figure 21 sets out the chief executive's basic salary, benefits and annual bonus amounts for 2016 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 Head Office.

3.6.3 Distribution statement for 2016

Figure 22 sets out the total expenditure on employee reward over 2016, compared to profit generated by the Company and the dividends received by investors. Underlying earnings are shown, as this is one of the Company'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	1,261	36	2,317
	% change	0	12	140
London employees[1]	Average % change	2.3	3.0	42.5

[1] Benefits for London employees comprise pension and car allowances (where applicable), these being the most material.

Figure 22: Distribution statement for 2016

Distribution statement		2016	2015
Underlying earnings[1] (Total Group)	$m	**2,210**	827
	% change	**167**	(62.7)
Dividends payable for year (total)	$m	**0**	398
	% change	**(100)**	(63.2)
Payroll costs for all employees	$m	**3,738**	4,474
	% change	**(16)**	(11.8)
Employee numbers	'000	**80**	91
	% change	**(12)**	(4.2)

[1] Please see page 188 for details on how underlying earnings are calculated.

Figure 23: Response to 2016 AGM shareholder voting

	Number of votes			
Vote	For	Against	Abstain	Company response to issues raised
Advisory vote on 2015 implementation report	**504,101,574 (58%)**	**358,945,876 (42%)**	**102,126,177**	The Committee is mindful of the concerns expressed by a number of shareholders in relation to executive remuneration in 2015, particularly around LTIP awards granted in March 2016. Setting executive remuneration in a volatile industry, such as mining, can be challenging and the Committee has actively engaged with shareholders in order to refine the revised policy to ensure that it is both appropriate and motivational.

3.7 Remuneration committee in 2016

3.7.1 Membership

The Committee comprised the non-executive directors shown on the right on 31 December 2016.

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 2016. The fees are charged in accordance with the terms and conditions set out in each relevant engagement letter.

PwC is a signatory to, 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.

3.7.3 Remuneration report voting results

The Committee considered the results of the shareholders' vote on the 2015 remuneration report (Figure 23). Feedback from investors at the time of the 2016 AGM, and more generally, has helped shape revisions to the remuneration policy for 2017 onwards.

Sir Philip Hampton

Byron Grote

Anne Stevens

Jack Thompson

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 Company'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.	£108,000
Perelamon	Appointed by the Company, with the agreement of the Committee, to support and advise on the Company's incentive arrangements.	Executive compensation and reward advice.	£7,000
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

20 February 2017

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 Company'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 Company'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 Company'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 2016

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 Company's performance, business model and strategy.

By order of the Board

Mark Cutifani
Chief Executive

René Médori
Finance Director

20 February 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO AMERICAN PLC

Opinion on financial statements of Anglo American plc

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 2016 and of the Group's profit and the Parent Company's loss 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 FRS 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.

The financial statements that we have audited 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 40; and
- the Balance Sheet of the Parent Company and related information.

The financial reporting framework that has been applied in the preparation of the Group financial statements 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 39 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report on page 40.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 40 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;
- the disclosures on pages 41 to 45 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in note 39 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 ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 40 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 confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These risks are consistent with those identified last year.

Risk description	How the scope of our audit responded to the risk	Key observations
Impairment (notes 1 and 6)		
As a consequence of 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. This includes the coal operations in Australia (where a pre-tax impairment of $1.2 billion has been recorded) as well as other specific assets including the Sishen mine operations and the Minas-Rio project where impairments had previously been recorded.	We challenged management's assessment as to whether indicators of impairment or impairment reversal exist for assets including the coal operations in Australia, the Sishen mine operations and the Minas-Rio project. 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 short-term and long-term 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 Reserves and Mineral Resources 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.	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 impairments recorded at the coal operations in Australia were primarily due to reduced forecast long-term commodity prices, but this effect was partially offset by forecast exchange rate movements and targeted reductions in forecast operating costs. In the second half of the year, the impact of encountering challenging geological conditions has been offset by increased spot prices.
Corporate asset transactions (notes 29 and 30)		
The appropriate accounting treatment of corporate asset disposals which have completed during 2016 is a key area of audit focus specifically in respect of assessing the point at which control is transferred from the seller to the buyer and the calculation of any profit or loss on disposal and assessing the potential accounting implications of ongoing transactions. In 2016 this includes specifically the sale of the Niobium and Phosphates businesses (pre-tax gain on disposal of $460 million), the Rustenburg operation (pre-tax loss on disposal of $121 million) and certain coal assets in Australia (combined net gain on disposal of $606 million).	For the sales completed in the year, we reviewed the sales and purchase agreements to assess whether control had passed to the buyer prior to 31 December 2016 and to recalculate any profit or loss on disposal. For those assets where sales agreements are underway but not completed, we considered whether the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* had been met and in particular whether the sale could be considered highly probable.	We are satisfied that the asset disposals that completed in 2016 have been accounted for correctly, with appropriate disclosures properly made. For all other planned asset sales we are satisfied that the criteria have not been met for them to be disclosed as held for sale in accordance with IFRS 5.
Taxation (notes 1, 8 and 21)		
The assessment of the Group's taxation exposures across all jurisdictions is a key area of judgement particularly with respect to transfer pricing arrangements and the appropriateness of the recognition of tax provisions and deferred taxation assets.	We reviewed all potential taxation exposures within the Group and, through discussions with the Group's taxation department, the tax specialists within the audit team and review of relevant documentation, we assessed the appropriateness of the provisions raised. We considered, in the context of our tax specialists' prior experience of similar issues and the legal advice received by the Group, the Group's transfer pricing arrangements to confirm that they are reasonable and the Group's deferred taxation assets and liabilities to confirm they are appropriate.	We are satisfied that the provisions raised in respect of the Group's potential taxation exposures are appropriate and that deferred tax assets are properly recognised.
Special items and remeasurements (note 6)		
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.	In the context of our review of the overall income statement and with reference to the recently published guidance from the European Securities and Market Authority (ESMA) we considered and challenged each item disclosed within 'special items and remeasurements' as defined in note 6 to the financial statements. 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.	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.

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.

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:

Group materiality	$200 million (2015: $200 million)
Basis for determining materiality	We have considered both asset and profit bases in the determination of materiality. $200 million equates to 0.8% (2015: 0.9 %) of net assets and 6.3% (2015: 4.7%) of normalised three year pre-tax profit before special items and remeasurements. The use of a combination of bases is a change to our approach in 2015 when materiality was based solely on the normalised three-year pre-tax profit before special items and remeasurements.
Rationale for the benchmark applied	Given the current volatility in commodity prices and the cyclical nature of the mining industry, we believe that widening our assessment to incorporate balance sheet metrics in addition to normalised 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.

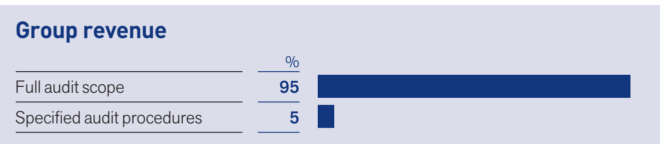
We agreed with the Audit Committee that we would report to the Committee all known profit impacting audit differences in excess of $10 million (2015: $10 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

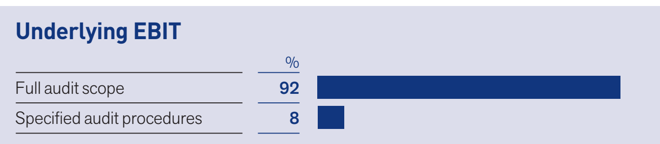
An overview of the scope of our audit

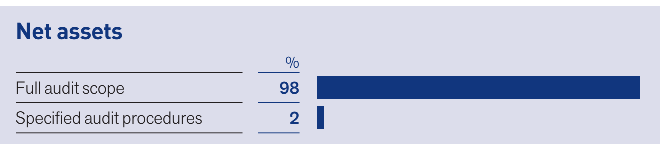
Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, and assessing the risks of material misstatement.

All business units were subject to a full scope audit with the exception of Niobium and Phosphates (which was disposed of in 2016) and Manganese where specific audit procedures were performed. 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 (2015: $80 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.







Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and 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 arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code.

We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor
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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Kari Hale (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
20 February 2017

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

US$ million	Note	2016 Before special items and remeasurements	2016 Special items and remeasurements (note 6)	2016 Total	2015 Before special items and remeasurements	2015 Special items and remeasurements (note 6)	2015 Total
Revenue	3	21,378	–	21,378	20,455	–	20,455
Operating costs		(18,047)	(1,665)	(19,712)	(18,417)	(6,150)	(24,567)
Operating profit/(loss)	3, 4	3,331	(1,665)	1,666	2,038	(6,150)	(4,112)
Non-operating special items	6	–	1,203	1,203	–	(1,278)	(1,278)
Share of net income/(loss)from associates and joint ventures	3, 13	271	7	278	48	(269)	(221)
Profit/(loss) before net finance (costs)/income and tax		3,602	(455)	3,147	2,086	(7,697)	(5,611)
Investment income		186	120	306	172	–	172
Interest expense		(490)	(45)	(535)	(489)	(54)	(543)
Other net financing (losses)/gains		95	(389)	(294)	(141)	669	528
Net finance (costs)/income	7	(209)	(314)	(523)	(458)	615	157
Profit/(loss) before tax		3,393	(769)	2,624	1,628	(7,082)	(5,454)
Income tax expense	8	(742)	44	(698)	(435)	47	(388)
Profit/(loss) for the financial year		2,651	(725)	1,926	1,193	(7,035)	(5,842)
Attributable to:							
Non-controlling interests	31	441	(109)	332	366	(584)	(218)
Equity shareholders of the Company		2,210	(616)	1,594	827	(6,451)	(5,624)
Earnings per share (US$)							
Basic	9	1.72	(0.48)	1.24	0.64	(5.00)	(4.36)
Diluted	9	1.70	(0.47)	1.23	0.64	(5.00)	(4.36)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

US$ million	2016	2015
Profit/(loss) for the financial year	1,926	(5,842)
Other comprehensive (expense)/income		
Items that will not be reclassified to the income statement (net of tax)[(1)]		
Remeasurement of net retirement benefit obligation	(179)	260
Net items that will not be reclassified to the income statement	(179)	260
Items that have been or may subsequently be reclassified to the income statement (net of tax)[(1)]		
Net exchange differences:		
Net gain/(loss) (including associates and joint ventures)	1,150	(4,185)
Cumulative (gain)/loss transferred to the income statement on disposal of foreign operations	(50)	101
Revaluation of available for sale investments:		
Net revaluation gain/(loss)	122	(203)
Cumulative revaluation gain transferred to the income statement on disposal	(151)	–
Impairment losses transferred to the income statement	–	52
Revaluation of cash flow hedges:		
Net gain	–	9
Transferred to the income statement	(11)	–
Net items that have been or may subsequently be reclassified to the income statement	1,060	(4,226)
Other comprehensive income/(expense) for the financial year (net of tax)	881	(3,966)
Total comprehensive income/(expense) for the financial year (net of tax)	2,807	(9,808)
Attributable to:		
Non-controlling interests	514	(877)
Equity shareholders of the Company	2,293	(8,931)

(1) Tax amounts are shown in note 8c.

CONSOLIDATED BALANCE SHEET
as at 31 December 2016

US$ million	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets	11	**3,217**	3,394
Property, plant and equipment	12	**28,719**	29,621
Environmental rehabilitation trusts	20	**353**	290
Investments in associates and joint ventures	13	**1,974**	1,817
Financial asset investments	14	**835**	846
Trade and other receivables	16	**812**	539
Deferred tax assets	21	**1,013**	914
Derivative financial assets	19	**484**	460
Other non-current assets		**293**	335
Total non-current assets		**37,700**	38,216
Current assets			
Inventories	15	**3,727**	4,051
Trade and other receivables	16	**2,232**	1,983
Current tax assets		**330**	152
Derivative financial assets	19	**109**	689
Cash and cash equivalents	23a	**6,051**	6,895
Total current assets		**12,449**	13,770
Assets classified as held for sale	29	**–**	27
Total assets		**50,149**	52,013
LIABILITIES			
Current liabilities			
Trade and other payables	17	**(3,384)**	(2,753)
Short term borrowings	23a, 24	**(1,806)**	(1,649)
Provisions for liabilities and charges	20	**(621)**	(620)
Current tax liabilities		**(442)**	(340)
Derivative financial liabilities	19	**(272)**	(477)
Total current liabilities		**(6,525)**	(5,839)
Non-current liabilities			
Trade and other payables	17	**(116)**	(26)
Medium and long term borrowings	23a, 24	**(11,363)**	(16,318)
Retirement benefit obligations	27	**(778)**	(667)
Deferred tax liabilities	21	**(3,520)**	(3,253)
Derivative financial liabilities	19	**(1,603)**	(1,986)
Provisions for liabilities and charges	20	**(1,919)**	(2,565)
Total non-current liabilities		**(19,299)**	(24,815)
Liabilities directly associated with assets classified as held for sale	29	**–**	(17)
Total liabilities		**(25,824)**	(30,671)
Net assets		**24,325**	21,342
EQUITY			
Called-up share capital	32	**772**	772
Share premium account		**4,358**	4,358
Own shares		**(6,090)**	(6,051)
Other reserves		**(10,000)**	(10,811)
Retained earnings		**29,976**	28,301
Equity attributable to equity shareholders of the Company		**19,016**	16,569
Non-controlling interests	31	**5,309**	4,773
Total equity		**24,325**	21,342

The financial statements of Anglo American plc, registered number 03564138, were approved by the Board of directors on 20 February 2017 and signed on its behalf by:

Mark Cutifani
Chief Executive

René Médori
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2016

US$ million	Note	2016	2015
Cash flows from operating activities			
Profit/(loss) before tax		**2,624**	(5,454)
Net finance costs/(income) including financing special items and remeasurements		**523**	(157)
Share of net (income)/loss from associates and joint ventures		**(278)**	221
Non-operating special items	6	**(1,203)**	1,278
Operating profit/(loss)	4	**1,666**	(4,112)
Operating special items and remeasurements	6	**1,665**	6,150
Cash element of special items		**(144)**	(118)
Depreciation and amortisation	3	**2,138**	2,381
Share-based payment charges		**174**	151
Decrease in provisions		**(139)**	(239)
Decrease/(increase) in inventories		**301**	(84)
(Increase)/decrease in operating receivables		**(365)**	187
Increase/(decrease) in operating payables		**455**	(78)
Other adjustments		**87**	2
Cash flows from operations		**5,838**	4,240
Dividends from associates and joint ventures	13	**167**	324
Dividends from financial asset investments		**5**	9
Income tax paid		**(611)**	(596)
Net cash inflows from operating activities		**5,399**	3,977
Cash flows from investing activities			
Expenditure on property, plant and equipment	22	**(2,418)**	(4,053)
Cash flows from derivatives related to capital expenditure	22	**(22)**	(200)
Proceeds from disposal of property, plant and equipment	22	**23**	30
Investments in associates and joint ventures	13	**(51)**	(80)
Purchase of financial asset investments	14	**(3)**	(1)
Net redemption of/(investment in) financial asset investment loans and receivables	14	**61**	(216)
Interest received and other investment income		**77**	101
Proceeds from disposal of subsidiaries and joint operations, net of cash and cash equivalents disposed	30	**1,535**	189
Proceeds from disposal of joint ventures		**–**	1,556
Proceeds from disposal of interests in available for sale investments		**230**	–
Return of capital and repayments of capitalised loans by associates and joint ventures	13	**62**	67
Other investing activities		**(19)**	(7)
Net cash used in investing activities		**(525)**	(2,614)
Cash flows from financing activities			
Interest paid		**(747)**	(810)
Cash flows from derivatives related to financing activities	23b	**(414)**	(170)
Dividends paid to Company shareholders	10	**–**	(1,078)
Dividends paid to non-controlling interests	31	**(15)**	(242)
Proceeds from issuance of bonds		**–**	2,159
Proceeds from other borrowings		**694**	1,160
Repayments of bonds and borrowings		**(5,213)**	(1,987)
Proceeds from issue of shares to non-controlling interests		**38**	46
Proceeds from sale of shares under employee share schemes		**8**	11
Purchase of shares by Group companies for employee share schemes		**(117)**	(42)
Other financing activities		**(14)**	6
Net cash used in financing activities		**(5,780)**	(947)
Net (decrease)/increase in cash and cash equivalents		**(906)**	416
Cash and cash equivalents at start of year	23b	**6,889**	6,747
Cash movements in the year		**(906)**	416
Effects of changes in foreign exchange rates		**61**	(274)
Cash and cash equivalents at end of year	23b	**6,044**	6,889

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

US$ million	Total share capital[1]	Own shares[2]	Retained earnings	Cumulative translation adjustment reserve	Fair value and other reserves (note 32)	Total equity attributable to equity shareholders of the Company	Non-controlling interests	Total equity
At 1 January 2015	5,130	(6,359)	34,851	(8,343)	1,138	26,417	5,760	32,177
Total comprehensive expense	–	–	(5,383)	(3,404)	(144)	(8,931)	(877)	(9,808)
Dividends payable	–	–	(1,078)	–	–	(1,078)	(189)	(1,267)
Issue of shares to non-controlling interests	–	–	–	–	–	–	46	46
Equity settled share-based payment schemes	–	308	(112)	–	(41)	155	33	188
Other	–	–	23	–	(17)	6	–	6
At 31 December 2015	**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**

(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 8d for further details.

Dividends

	Note	2016	2015
Proposed ordinary dividend per share (US cents)	10	**–**	–
Proposed ordinary dividend (US$ million)	10	**–**	–
Ordinary dividends payable during the year per share (US cents)	10	**–**	85
Ordinary dividends payable during the year (US$ million)	10	**–**	1,078

Financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the course of preparing financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. The most critical of these relate to impairment and impairment reversals of assets, taxation, contingent liabilities, joint arrangements, estimation of Ore Reserves, assessment of fair value, restoration, rehabilitation and environmental costs, retirement benefits and deferred stripping. The use of inaccurate assumptions in assessments made for any of these judgements and estimates could result in a significant impact on financial results.

Critical accounting judgements

Impairment and impairment reversals of assets

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 and key sources of estimation uncertainty include Ore Reserve estimates and cash flow projections.

In performing the impairment reviews, the Group assesses the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using discounted cash flow models. These models are subject to estimation uncertainty and there is judgement in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants as outlined below.

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 $9.0 billion within property, plant and equipment as at 31 December 2016.

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.

See note 6 for the Group's impairment and impairment reversals disclosures.

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. 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. See note 8 for the Group's income tax expense disclosures.

In addition, the recognition and measurement of deferred tax requires the application of judgement in assessing the amount, timing and probability of future taxable profits and repatriation of retained earnings. These factors affect the determination of the appropriate rates of tax to apply and the recoverability of deferred tax assets. These judgements are influenced, *inter alia*, by factors such as estimates of future production, commodity lines, operating costs, future capital expenditure and dividend policies. See note 21 for the Group's deferred tax disclosures. Further details of the Group's tax accounting policy are described in note 39c.

Contingent liabilities

On an ongoing basis the Group is a party to various legal disputes, the outcomes of which cannot be assessed with a high degree of certainty.

Management applies its judgement in determining whether or not to record a provision or contingent liability. 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. A contingent liability is a potential future outflow of cash, or other resources, where the likelihood of payment is less than probable but more than remote. Disclosure of contingent liabilities is made in note 34, including quantification of the potential future outflow of resources, unless the amount cannot be reliably estimated.

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 39k. 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.

Key sources of estimation uncertainty

Ore Reserves

When determining Ore Reserves, which may be used to calculate useful economic lives of assets and depreciation on the Group's mining properties, assumptions that were valid at the time of estimation may change when new information becomes available. In addition, the calculation of the unit of production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production.

Any changes in estimate could affect prospective depreciation rates and asset carrying values and, as a result, the determination of Ore Reserves is considered a key source of estimation uncertainty.

Factors which could impact useful economic lives of assets and Ore Reserve estimates include:

- the grade of Ore Reserves varying significantly from time to time
- differences between actual commodity prices and commodity price assumptions used in the estimation of Ore Reserves
- renewal of mining licences
- unforeseen operational issues at mine sites
- adverse changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates used to determine Ore Reserves.

For further information refer to the unaudited Ore Reserves and Mineral Resources Report 2016.

1. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

Assessment of fair value

The assessment of fair value is principally used in accounting for business combinations, impairment testing and the valuation of certain financial assets and liabilities.

The fair value of an asset or liability is the price that would be received to sell the asset, or paid to transfer a liability in an orderly transaction between market participants. Fair value is determined based on observable market data, discounted cash flow models (and other valuation techniques), contractual agreements and other assumptions considered to be reasonable and consistent with those that would be applied by a market participant.

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.

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.

Cash flow projections for business combinations and 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.

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 Resource 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. Foreign exchange rates are kept constant (on a real basis) from 2022 onwards.
- 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 6.5% (2015: 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. 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.

  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).

Restoration, rehabilitation and environmental costs

Costs for restoration of site damage, rehabilitation and environmental costs are estimated using either the work of external consultants or internal experts. 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. To the extent that the actual future costs differ from these estimates, adjustments will be recorded and the amount provided could be impacted.

See note 20 for the Group's environmental restoration and decommissioning provisions disclosures.

Retirement benefits

The expected costs of providing pensions and post employment benefits under defined benefit arrangements relating to employee service during the period are determined based on financial and actuarial assumptions.

Assumptions in respect of the expected costs are set after consultation with qualified actuaries. While management believes the assumptions used are appropriate, a change in the assumptions used would affect the amounts recognised in the financial statements.

See note 27 for the Group's retirement benefits disclosures.

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.

Further details of the Group's deferred stripping accounting policy are described in note 39h and the amounts capitalised are presented within 'Mining properties and leases' in note 12.

Changes in estimates

Due to the nature of Platinum in-process inventories being contained in weirs, pipes and other vessels, physical counts only take place annually, except in the Precious Metal Refinery which take place once every five years (the latest being in 2016). Consequently, the Platinum business runs a theoretical metal inventory system based on inputs, the results of previous physical counts and outputs. Once the results of the physical count are finalised, the variance between the theoretical count and actual count is investigated and recorded as a change in estimate. During 2016, the change in estimate following the annual physical count has had the effect of increasing the value of inventory by $38 million (2015: increase of $181 million), resulting in the recognition of a post-tax gain of $27 million (2015: gain of $130 million).

2. 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 2015, except for changes arising from the adoption of the following new accounting pronouncements which became effective in the current reporting period:

- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations.*
- Amendments to IAS 1 *Presentation of Financial Statements: Disclosure Initiative*.
- *Annual Improvements to IFRSs 2012-2014 cycle*.

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.

New IFRS accounting standards, amendments and interpretations not yet adopted

The following new IFRS accounting standards in issue but not yet effective are expected to have a significant impact on the Group:

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and subsequent amendments, Clarifications to IFRS 15, were issued in April 2016. IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018, although the April 2016 amendments have not yet been endorsed by the EU. For the Group, transition to IFRS 15 will take place on 1 January 2018.

The core principle of IFRS 15 is that revenue should be recognised in a manner that depicts the pattern of the transfer of goods and services to customers. The amount recognised should reflect the amount to which the entity expects to be entitled in exchange for those goods and services. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a relative standalone selling price basis, based on a five-step model.

During 2016 the Group has undertaken an accounting impact analysis based on a review of the contractual terms of its principal revenue streams, and internal accounting guidance has been developed. Work is underway to collect the information required to calculate the impact of restating the 31 December 2016 balance sheet and 2017 income statement on adoption of the new standard, and to embed the collection of such new data into existing systems and processes.

The indicative impacts of implementing IFRS 15 on the Group results are as follows:

- Under IFRS 15 the revenue recognition model will change from one based on the transfer of risk and reward of ownership to the transfer of control of ownership. The Group's revenue is predominantly derived from commodity sales, where 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 for the Incoterms as part of the Group's commodity sales arrangements, the timing and amount of revenue recognised for the sale of commodities is unlikely to be materially affected for the majority of sales.
- IFRS 15 introduces the concept of performance obligations that are defined as a 'distinct' promised good or service. 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. This means that, where material, a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, will be deferred and recognised over time as this obligation is fulfilled, along with the associated costs. Based upon the preliminary assessment performed, the impact of this change on the amount of revenue and profit recorded in a year is not expected to be material.

IFRS 9 *Financial Instruments*

IFRS 9 was issued in July 2014 and becomes effective for accounting periods beginning on or after 1 January 2018, which will be the date the Group transitions to IFRS 9. The new standard is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and derecognition of financial assets and financial liabilities together with a new hedge accounting model.

During the year the Group has undertaken an accounting impact analysis of the new standard based on the nature of the financial instruments it holds and the way in which they are used. The indicative impacts of adopting IFRS 9 on the Group are as follows:

- *Classification and measurement:* IFRS 9 establishes a principles-based approach to determining whether a financial asset should be measured at amortised cost or fair value, based on the cash flow characteristics of the asset and the business model in which the asset is held. The Group anticipates that the classification and measurement basis for its financial assets will be largely unchanged under this model.
- *Impairment:* Based on the Group's initial assessment, the introduction of an 'expected credit loss' model for the assessment of impairment of financial assets held at amortised cost is not expected to have a material impact on the Group's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.
- *Hedge accounting:* The adoption of the new standard would not materially change the amounts recognised in relation to existing hedging arrangements but could provide scope to apply hedge accounting to a broader range of transactions in the future. The Group is currently assessing whether to take the accounting policy choice, permitted under the IFRS 9 transition requirements, to continue to account for all hedges under IAS 39 *Financial Instruments: Recognition and Measurement*.

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* subject to EU endorsement.

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. Certain exemptions from recognising leases on the balance sheet are available for leases with terms of 12 months or less or where the underlying asset is of low value.

The Group has begun its impact assessment on the new standard. The most significant impact on the Group financial statements is expected to be on the balance sheet, as a consequence of the recognition of right-of-use assets and lease liabilities in relation to arrangements currently accounted for as operating leases.

Other issued standards and amendments that are not yet effective are not expected to have a significant impact on the financial statements.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

3. SEGMENTAL INFORMATION

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 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 Other Mining and Industrial business unit, the majority of whose remaining operations were disposed of in the year ended 31 December 2015. Exploration costs represent the cost of the Group's exploration activities across all segments.

Segments predominantly derive revenue as follows – De Beers: rough and polished diamonds; Platinum: platinum group metals; Copper: copper; Nickel: nickel; Niobium and Phosphates: niobium and phosphates; Iron Ore and Manganese: iron ore, manganese ore and alloys; Coal: metallurgical coal and thermal coal. See note 39a for the Group's accounting policy on revenue recognition.

Niobium and Phosphates was sold on 30 September 2016 (see note 30).

During the year, Anglo American Platinum Limited has identified certain computational errors affecting its results reported in prior periods, the impact of which is considered material to Anglo American Platinum Limited but is not material to the Group. Consequently, the affected prior period results have been restated in the individual financial statements of Anglo American Platinum Limited but have been corrected in the current year in the Group financial statements. Had the Group results been restated, underlying EBIT and underlying EBITDA for the year ended 31 December 2016 would be higher by $77 million (2015: underlying EBIT lower by $21 million and underlying EBITDA lower by $10 million).

The segment results are stated after elimination of inter-segment transactions and include an allocation of corporate costs.

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 188.

Segment results

	Revenue		Underlying EBIT	
US$ million	**2016**	2015	**2016**	2015
De Beers	**6,068**	4,671	**1,019**	571
Platinum	**4,394**	4,900	**185**	263
Copper	**3,066**	3,539	**261**	228
Nickel	**426**	146	**(15)**	(22)
Niobium and Phosphates	**495**	544	**79**	119
Iron Ore and Manganese	**3,426**	3,390	**1,275**	671
Coal	**5,263**	4,888	**1,112**	457
Corporate and other	**4**	925	**(150)**	(64)
	23,142	23,003	**3,766**	2,223
Reconciliation to Consolidated income statement:				
Less: associates and joint ventures	**(1,764)**	(2,548)	**(435)**	(185)
Include: operating special items and remeasurements	**–**	–	**(1,665)**	(6,150)
Revenue/Operating profit/(loss)	**21,378**	20,455	**1,666**	(4,112)

	Depreciation and amortisation		Underlying EBITDA	
US$ million	**2016**	2015	**2016**	2015
De Beers	**387**	419	**1,406**	990
Platinum	**347**	455	**532**	718
Copper	**642**	714	**903**	942
Nickel	**72**	19	**57**	(3)
Niobium and Phosphates	**39**	27	**118**	146
Iron Ore and Manganese	**261**	355	**1,536**	1,026
Coal	**534**	589	**1,646**	1,046
Corporate and other	**27**	53	**(123)**	(11)
	2,309	2,631	**6,075**	4,854
Less: associates and joint ventures	**(171)**	(250)	**(606)**	(435)
Depreciation and amortisation/underlying EBITDA from subsidiaries and joint operations	**2,138**	2,381	**5,469**	4,419

Underlying EBITDA is reconciled to underlying EBIT and to 'Profit/(loss) before net finance (costs)/income and tax':

US$ million	**2016**	2015
Underlying EBITDA	**6,075**	4,854
Depreciation and amortisation: subsidiaries and joint operations	**(2,138)**	(2,381)
Depreciation and amortisation: associates and joint ventures	**(171)**	(250)
Underlying EBIT	**3,766**	2,223
Operating special items and remeasurements	**(1,665)**	(6,150)
Non-operating special items	**1,203**	(1,278)
Associates' and joint ventures' net special items and remeasurements	**7**	(269)
Share of associates' and joint ventures' net finance costs, tax and non-controlling interests	**(164)**	(137)
Profit/(loss) before net finance (costs)/income and tax	**3,147**	(5,611)

NOTES TO THE CONSOLIDATED INCOME STATEMENT

3. SEGMENTAL INFORMATION continued

Associates' and joint ventures' results by segment

	Share of net income/(loss)	
US$ million	2016	2015
De Beers	2	(6)
Platinum	(9)	(42)
Iron Ore and Manganese	133	(264)
Coal	157	40
Corporate and other	(5)	51
Share of net income/(loss) from associates and joint ventures	278	(221)

	Revenue		Underlying EBIT		Depreciation and amortisation		Underlying EBITDA	
US$ million	2016	2015	2016	2015	2016	2015	2016	2015
De Beers	73	89	3	(9)	3	3	6	(6)
Platinum	156	187	(8)	(33)	16	28	8	(5)
Iron Ore and Manganese	625	514	209	22	49	82	258	104
Coal	910	877	236	142	103	91	339	233
Corporate and other	–	881	(5)	63	–	46	(5)	109
	1,764	2,548	435	185	171	250	606	435

The reconciliation of associates' and joint ventures' underlying EBIT to 'Share of net income/(loss) from associates and joint ventures' is as follows:

US$ million	2016	2015
Associates' and joint ventures' underlying EBIT	435	185
Net finance costs	(44)	(40)
Income tax expense	(123)	(100)
Non-controlling interests	3	3
Share of net income from associates and joint ventures (before special items and remeasurements)	271	48
Special items and remeasurements	1	(226)
Special items and remeasurements tax	6	(43)
Share of net income/(loss) from associates and joint ventures	278	(221)

Other non-cash expenses/(income)

In addition to depreciation and amortisation, other non-cash expenses/(income) include equity settled share-based payment charges and amounts in respect of provisions, excluding amounts recorded within special items. Significant other non-cash expenses/(income) included within underlying EBIT are as follows:

US$ million	2016	2015
De Beers	83	(1)
Platinum	70	30
Copper	82	69
Nickel	15	(10)
Niobium and Phosphates	3	24
Iron Ore and Manganese	65	62
Coal	113	125
Corporate and other	77	72
	508	371

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		Attributable capital employed[1]	
US$ million	2016	2015	2016	2015
De Beers	8,725	8,642	7,481	7,402
Platinum	4,457	4,392	3,796	3,726
Copper	6,073	6,332	4,189	4,176
Nickel	2,003	1,968	2,003	1,968
Niobium and Phosphates	–	834	–	834
Iron Ore and Manganese	7,472	6,666	6,435	5,756
Coal	3,509	4,079	3,420	3,978
Corporate and other	(335)	(71)	(335)	(71)
Capital employed	31,904	32,842	26,989	27,769
Reconciliation to Consolidated balance sheet:				
Net debt	(8,487)	(12,901)		
Debit valuation adjustment attributable to derivatives hedging net debt[2]	73	555		
Financial asset investments	835	846		
Net assets	24,325	21,342		

[1] Attributable capital employed is capital employed attributable to equity shareholders of the Company, and therefore excludes the portion of capital employed attributable to non-controlling interests in operations where the Group has control but does not hold 100% of the equity. Joint operations, associates and joint ventures are included in their proportionate interest and in line with appropriate accounting treatment.

[2] See note 18 for details of the debit valuation adjustment.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

3. SEGMENTAL INFORMATION continued

Product analysis

Group revenue by product

US$ million	2016	2015
Diamonds	**6,064**	4,660
Platinum	**2,498**	2,720
Palladium	**967**	1,159
Rhodium	**215**	309
Copper	**2,946**	3,495
Nickel	**694**	450
Niobium	**137**	111
Phosphates	**358**	433
Iron ore	**2,611**	2,610
Manganese ore and alloys	**625**	514
Metallurgical coal	**2,243**	1,832
Thermal coal	**3,024**	3,068
Heavy building materials	**–**	921
Other	**760**	721
	23,142	23,003

Geographical analysis

Group revenue by destination

The Group's geographical analysis of segment revenue, allocated based on the country in which the customer is located, is as follows:

US$ million	2016	2015
South Africa	**1,630**	1,764
Other Africa	**1,604**	982
Brazil	**679**	745
Chile	**481**	500
Other South America	**12**	12
North America	**572**	855
Australia	**164**	214
China	**4,784**	4,662
India	**2,756**	2,421
Japan	**2,131**	2,325
Other Asia	**3,813**	3,199
United Kingdom (Anglo American plc's country of domicile)	**1,341**	2,220
Other Europe	**3,175**	3,104
	23,142	23,003

Non-current assets by location

	Intangible assets and property, plant and equipment		Total non-current assets[(1)]	
US$ million	2016	2015	2016	2015
South Africa	**9,554**	8,714	**10,488**	9,449
Botswana	**4,266**	4,247	**4,266**	4,247
Other Africa	**1,019**	938	**1,025**	943
Brazil	**5,674**	6,361	**5,804**	6,455
Chile	**6,089**	6,481	**6,089**	6,481
Other South America	**1,106**	955	**1,915**	1,846
North America	**784**	688	**787**	690
Australia and Asia	**2,078**	3,237	**2,451**	3,568
United Kingdom (Anglo American plc's country of domicile)	**1,263**	1,278	**1,321**	1,320
Other Europe	**103**	116	**125**	137
Non-current assets by location	**31,936**	33,015	**34,271**	35,136
Unallocated assets			**3,429**	3,080
Total non-current assets			**37,700**	38,216

(1) Total non-current assets by location primarily comprise Intangible assets, Property, plant and equipment, Environmental rehabilitation trusts and Investments in associates and joint ventures.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

4. OPERATING PROFIT/(LOSS) FROM SUBSIDIARIES AND JOINT OPERATIONS

US$ million	2016	2015
Revenue	21,378	20,455
Cost of sales	(15,400)	(15,507)
Operating special items (note 6)	(1,632)	(5,972)
Gross profit/(loss)	4,346	(1,024)
Selling and distribution costs	(1,249)	(1,464)
Administrative expenses	(1,220)	(1,476)[1]
Net other operating costs	(211)	(148)[1]
Operating profit/(loss)	1,666	(4,112)
Operating profit/(loss) is stated after charging:		
Depreciation of property, plant and equipment	(2,096)	(2,337)
Amortisation of intangible assets	(42)	(44)
Rentals under operating leases	(67)	(123)
Research and development expenditure	(63)	(83)
Employee costs (note 26)	(3,336)	(3,955)
Provisional pricing adjustment[2]	893	(578)
Royalties[3]	(377)	(264)
Exploration expenditure	(107)	(154)
Evaluation expenditure	(105)	(145)

(1) Certain balances have been reclassified between administrative expenses and net other operating costs better to reflect the nature of the expense.
(2) Provisionally priced adjustments to sales contracts resulted in a total (realised and unrealised) gain in revenue of $904 million (2015: $610 million loss in revenue). Of this, $21 million relates to realised gains (2015: $79 million realised losses) for sales outstanding at 31 December 2015 that were settled in 2016, $584 million relates to realised gains (2015: $390 million realised losses) for sales entered into and settled in 2016, and $299 million relates to unrealised gains (2015: $141 million unrealised losses) for sales outstanding at 31 December 2016. In addition, provisionally priced purchase contracts resulted in operating losses of $11 million (2015: gains of $32 million).
(3) Excludes those royalties which meet the definition of income tax on profit and accordingly have been accounted for as taxes.

Exploration and evaluation expenditure

See note 39j for the Group's accounting policy on exploration and evaluation expenditure.

The Group's analysis of exploration and evaluation expenditure recognised in the Consolidated income statement is as follows:

	Exploration expenditure[1]		Evaluation expenditure[2]	
US$ million	2016	2015	2016	2015
By commodity/product				
Diamonds	29	34	19	29
Platinum group metals	6	7	2	6
Copper	32	41	45	69
Nickel	7	9	3	4
Niobium	–	–	–	1
Phosphates	–	4	1	1
Iron ore	10	13	13	11
Metallurgical coal	1	7	11	14
Thermal coal	1	4	11	10
Central exploration activities	21	35	–	–
	107	154	105	145

(1) Exploration for Mineral Resources other than that occurring at existing operations and projects.
(2) Evaluation of Mineral Resources relating to projects in the conceptual or pre-feasibility stage or further evaluation of Mineral Resources at existing operations.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5. UNDERLYING EBIT AND UNDERLYING EARNINGS 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 188.

The following table analyses underlying EBIT (including the Group's attributable share of associates' and joint ventures' underlying EBIT) by segment and reconciles it to underlying earnings by segment.

						2016
US$ million	**Underlying EBIT**	**Operating special items and remeasurements**	**EBIT after special items and remeasurements**	**Net finance costs and income tax expense**	**Non-controlling interests**	**Underlying earnings**
De Beers	**1,019**	**111**	**908**	**(242)**	**(110)**	**667**
Platinum[1]	**185**	**20**	**165**	**(101)**	**(19)**	**65**
Copper	**261**	**200**	**61**	**(9)**	**102**	**354**
Nickel	**(15)**	**(2)**	**(13)**	**(42)**	**–**	**(57)**
Niobium and Phosphates[2]	**79**	**–**	**79**	**(1)**	**–**	**78**
Iron Ore and Manganese	**1,275**	**(40)**	**1,315**	**(304)**	**(405)**	**566**
Coal	**1,112**	**1,370**	**(258)**	**(183)**	**(16)**	**913**
Corporate and other	**(150)**	**5**	**(155)**	**(236)**	**10**	**(376)**
	3,766	**1,664**	**2,102**	**(1,118)**	**(438)**	**2,210**

						2015
US$ million	Underlying EBIT	Operating special items and remeasurements	EBIT after special items and remeasurements	Net finance costs and income tax expense	Non-controlling interests	Underlying earnings
De Beers	571	709	(138)	(274)	(39)	258
Platinum[1]	263	788	(525)	(56)	(39)	168
Copper	228	282	(54)	(120)	(41)	67
Nickel	(22)	2	(24)	3	–	(19)
Niobium and Phosphates[2]	119	(1)	120	(71)	–	48
Iron Ore and Manganese	671	3,314	(2,643)	(323)	(250)	98
Coal	457	1,235	(778)	(158)	(7)	292
Corporate and other	(64)	47	(111)	(34)	13	(85)
	2,223	6,376	(4,153)	(1,033)	(363)	827

(1) Anglo American Platinum Limited has restated its results to correct certain computational errors affecting results reported in prior periods. These errors are not considered material to the Group and consequently they have been corrected in the current year in the Group financial statements. See note 3 for further details.
(2) Niobium and Phosphates was sold on 30 September 2016 (see note 30).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

6. SPECIAL ITEMS AND REMEASUREMENTS

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 interest, 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 188.

- Operating special items are those that relate to the operating performance of the Group and principally include impairment charges 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.

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. 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 profit or capital expenditure transactions. They also include the fair value gain or loss, and its subsequent reversal through depreciation and amortisation, 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.

				2016	2015
US$ million	Before tax	Tax	Non-controlling interests	Net	Net
Impairments	(1,512)	98	60	(1,354)	(4,894)
Restructuring costs	(120)	17	13	(90)	(106)
Operating special items	(1,632)	115	73	(1,444)	(5,000)
Operating remeasurements	(33)	17	(9)	(25)	(125)
Operating special items and remeasurements	(1,665)	132	64	(1,469)	(5,125)
Disposals of businesses and investments	1,157	(84)	9	1,082	(997)
Adjustments relating to business combinations	121	(24)	(15)	82	–
Charges relating to BEE transactions	(63)	11	16	(36)	(15)
Adjustments relating to former operations	(12)	15	–	3	(51)
Non-operating special items	1,203	(82)	10	1,131	(1,063)
Financing special items and remeasurements	(314)	(4)	–	(318)	668
Special items and remeasurements before tax and non-controlling interests	(776)	46	74	(656)	(5,520)
One-off tax charges	–	(76)	35	(41)	(770)
Tax remeasurements	–	74	–	74	108
Total special items and remeasurements excluding associates and joint ventures	(776)	44	109	(623)	(6,182)
Share of associates' and joint ventures' special items and remeasurements[1]				7	(269)
Total special items and remeasurements				(616)	(6,451)

[1] Relates to the Coal and Iron Ore and Manganese segments (2015: Iron Ore and Manganese, Coal and Platinum segments).

Operating special items

Impairments

Coal

Moranbah North and Grosvenor are adjacent longwall metallurgical coal operations in Queensland, Australia, sharing infrastructure and processing facilities. The two operations are assessed for impairment as a single cash generating unit (CGU).

In the first half of 2016 the Group's expectations for long-term metallurgical coal prices were revised downward. Consequently, an impairment of $1,248 million ($1,248 million after tax) against the value of the operations was reported in the Group's 2016 interim results, based on a recoverable amount of $1.6 billion at 30 June 2016. The valuation was based on the fair value less costs of disposal of the CGU, measured using discounted cash flow projections (see note 1).

The valuation is sensitive to changes in assumptions about future metallurgical coal prices, which are subject to a high level of estimation uncertainty. For example, a $5/tonne change in the long-term price forecast for hard coking coal, with all other valuation assumptions remaining the same, would change the valuation by $0.2 billion. The valuation also incorporates assumptions about future production at Grosvenor, which is still ramping up and has encountered challenging geological conditions in the latter part of 2016. Changes in these assumptions could result in further impairments or impairment reversals.

Other coal impairments of $64 million ($46 million after tax) relate to assets in Coal South Africa that are no longer expected to provide future economic benefits due to changes in the Life of Mine Plans across the export portfolio during the year.

El Soldado

An impairment charge of $200 million ($120 million after tax) has been recorded in relation to El Soldado (Copper) which is no longer expected to provide future economic benefits as a result of licensing uncertainty following changes made to sequencing in response to low prices during 2016.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

6. SPECIAL ITEMS AND REMEASUREMENTS continued

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 2016 and the recoverable amount was considered to be in line with the carrying value of $4.3 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.

Sishen

The Sishen iron ore mine is located in the Northern Cape Province in South Africa. In the year ended 31 December 2015 the operation was impaired by $514 million based on a recoverable amount of $1.3 billion. The valuation was reassessed as at 31 December 2016 and the recoverable amount was considered to be in line with the carrying value of $1.4 billion. The valuation remains sensitive to economic and operational assumptions, particularly price. 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 $0.3 billion.

Restructuring costs

Restructuring costs of $120 million (before tax) relate to organisational changes as part of the *Driving Value* programme. The programme has incurred costs between 2014 and 2016 and constitutes a single strategic restructuring to effect permanent change to the Group's organisational structure. Restructuring costs in 2015 were $148 million ($106 million after tax and non-controlling interests).

2015

In 2015 operating special items principally related to impairments of Minas-Rio, Coal assets, Platinum assets, Snap Lake, Sishen and El Soldado. Total pre-tax impairments were $5,824 million ($4,894 million after tax and non-controlling interests).

Operating remeasurements

Operating remeasurements reflect a net loss of $33 million ($25 million after tax and non-controlling interests) which principally relates to a $101 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, and gains on derivatives of $68 million mostly related to economic hedges of capital expenditure in Iron Ore Brazil.

In 2015 operating remeasurements reflected a net loss before tax of $178 million ($125 million after tax and non-controlling interests).

Non-operating special items

Disposals of businesses and investments

The gain on disposal of $1,157 million principally comprises net gains on disposal of subsidiaries and joint operations of $977 million, which relate to the disposals of Callide (gain of $564 million), Niobium and Phosphates (gain of $460 million), Rustenburg (loss of $121 million), Foxleigh (gain of $42 million) and Morupule (gain of $32 million). Further details of disposals are provided in note 30.

In addition, a net gain of $180 million ($145 million after tax) realised on disposal of the Group's 9.7% interest in Exxaro Resources Limited (Exxaro) on 1 December 2016 for net proceeds of $215 million.

Adjustments relating to business combinations

Contingent liabilities that were required to be recognised at fair value on acquisition of De Beers in 2012, have been derecognised as the legal proceedings in respect of these matters have been closed. This has resulted in a pre-tax gain of $121 million ($82 million after tax and non-controlling interests).

Charges relating to BEE transactions

Charges relating to BEE transactions of $63 million ($36 million after tax and non-controlling interests) include a charge of $24 million relating to the repurchase by De Beers of shares in Ponahalo Holdings Limited awarded to certain employees and their dependants as part of DBCM's 2006 empowerment transaction, and a charge of $39 million relating to the Kumba Envision Trust, which was Kumba's broad based employee share scheme provided solely for the benefit of non-managerial Historically Disadvantaged South African employees who did not participate in other Kumba share schemes.

Adjustments relating to former operations

The net loss of $12 million includes amounts contributed to the Q(h)ubeka Trust pursuant to the agreement reached in March 2016 by Anglo American South Africa (AASA) and AngloGold Ashanti which resolved fully and finally 4,400 stand-alone silicosis claims. The settlement was reached without admission of liability by AASA or AngloGold Ashanti.

2015

Non-operating special items in 2015 principally relate to the write-down to fair value of Rustenburg, the loss on disposal of Anglo American Norte S.A. and the loss on disposal of interests in Tarmac businesses. The total charge was $1,278 million ($1,063 million after tax and non-controlling interests).

Financing special items and remeasurements

Financing special items and remeasurements reflect a net loss of $314 million (2015: net gain of $615 million) and $318 million after tax and non-controlling interests (2015: net gain of $668 million after tax and non-controlling interests).

Financing special items and remeasurements principally comprise a net fair value loss of $389 million on derivatives hedging net debt and a net gain of $120 million resulting from the bond buybacks completed in the year. Of the fair value losses on derivatives, a loss of $482 million relates to the reduction in the debit valuation adjustment on derivatives hedging net debt. This adjustment is incorporated into the valuation of these derivatives to reflect the impact on the fair value of Anglo American's own credit quality. The loss principally reflects the reduction in Anglo American's observed credit spreads since 31 December 2015.

Tax associated with special items and remeasurements

Total tax relating to subsidiaries and joint operations amounts to a credit of $44 million (2015: credit of $47 million).

This includes one-off tax charges of $76 million (2015: charges of $829 million), tax credits on special items and remeasurements of $46 million (2015: credits of $769 million) and tax remeasurement credits of $74 million (2015: credits of $107 million).

Of the total tax credit of $44 million, $129 million relates to a current tax charge (2015: charge of $55 million) and $173 million relates to a deferred tax credit (2015: credit of $102 million).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

7. NET FINANCE (COSTS)/INCOME

See note 39b for the Group's accounting policy on borrowing costs.

Net finance (costs)/income are presented net of hedges for respective interest bearing and foreign currency borrowings. The weighted average capitalisation rate applied to qualifying capital expenditure was 3.20% (2015: 2.90%).

US$ million	2016	2015
Investment income		
Interest income from cash and cash equivalents	78	92
Interest income from associates and joint ventures	50	39
Other interest income	43	30
Net interest income on defined benefit arrangements	20	12
Dividend income from financial asset investments	5	9
	196	182
Less: interest income capitalised	(10)	(10)
Total investment income(1)	186	172
Interest expense		
Interest and other finance expense	(711)	(706)
Net interest cost on defined benefit arrangements	(44)	(54)
Unwinding of discount relating to provisions and other liabilities	(111)	(96)
	(866)	(856)
Less: interest expense capitalised	376	367
Total interest expense(1)	(490)	(489)
Other net financing gains/(losses)		
Net foreign exchange gains/(losses)	84	(180)
Other net fair value gains	11	39
Total other net financing gains/(losses)	95	(141)
Net finance costs before special items and remeasurements	(209)	(458)
Special items and remeasurements (note 6)	(314)	615
Net finance (costs)/income	(523)	157

(1) Interest income recognised at amortised cost is $131 million (2015: $136 million) and interest expense recognised at amortised cost is $237 million (2015: $247 million).

NOTES TO THE CONSOLIDATED INCOME STATEMENT

8. INCOME TAX EXPENSE

See note 39c for the Group's accounting policy on tax.

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 188.

a) Analysis of charge for the year

US$ million	2016	2015
United Kingdom tax	26	(11)
South Africa tax	433	214
Other overseas tax	101	338
Prior year adjustments	(176)	(58)
Current tax[1]	384	483
Deferred tax	358	(48)
Income tax expense before special items and remeasurements	742	435
Special items and remeasurements tax (note 6)	(44)	(47)
Income tax expense	698	388

[1] 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 effective tax rate for the year of 26.6% (2015: (7.1%)) is higher (2015: lower) than the applicable weighted average statutory rate of corporation tax in the United Kingdom of 20% (2015: 20.25%). The reconciling items, excluding the impact of associates and joint ventures, are:

US$ million	2016	2015
Profit/(loss) before tax	2,624	(5,454)
Less: share of net (income)/loss from associates and joint ventures	(278)	221
Profit/(loss) before tax (excluding associates and joint ventures)	2,346	(5,233)
Tax on profit/(loss) (excluding associates and joint ventures) calculated at United Kingdom corporation tax rate of 20% (2015: 20.25%)	469	(1,060)
Tax effects of:		
Items non-taxable/deductible for tax purposes		
Exploration expenditure	9	15
Non-(taxable)/deductible net foreign exchange (gains)/losses	(17)	15
Non-taxable net interest income	(13)	(29)
Other non-deductible expenses	38	144
Other non-taxable income	(11)	(92)
Temporary difference adjustments		
Current year losses not recognised	91	12
Recognition of losses not previously recognised	(15)	(18)
Utilisation of losses not previously recognised	(70)	(13)
Write-off of losses previously recognised	1	29
Adjustment in deferred tax due to change in tax rate	(9)	(2)
Other temporary differences	345[1]	13
Special items and remeasurements[2]	111	1,333
Other adjustments		
Dividend withholding taxes	(118)	52
Effect of differences between local and United Kingdom tax rates	56	46
Prior year adjustments to current tax[1]	(176)	(58)
Other adjustments	7	1
Income tax expense	698	388

[1] Included within other temporary differences is an amount of $306 million in respect of enhanced tax depreciation in Chile. This is partially offset by an amount included within prior year adjustments of $200 million.

[2] The special items and remeasurements reconciling item of $111 million (2015: $1,333 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, one-off tax charges and tax remeasurements. See note 6 for further details of the tax amounts included within special items and remeasurements.

IAS 1 requires income from associates and joint ventures to be presented net of tax on the face of the income statement. Associates' and joint ventures' tax is therefore excluded from the Group's income tax expense. Associates' and joint ventures' tax included within 'Share of net income/(loss) from associates and joint ventures' for the year ended 31 December 2016 is a charge of $117 million (2015: charge of $143 million). Excluding special items and remeasurements this becomes a charge of $123 million (2015: charge of $100 million).

The underlying effective tax rate was 24.6% for the year ended 31 December 2016. This is lower than the equivalent underlying effective tax rate of 31.0% for the year ended 31 December 2015. The decreased rate in 2016 was due to a benefit received in relation to the reassessment of withholding tax provisions, and the utilisation of losses and other tax attributes not previously recognised, partially offset by the impact of enhanced tax depreciation and other prior year adjustments. In future periods it is expected that the underlying effective tax rate will remain above the United Kingdom statutory tax rate.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

8. INCOME TAX EXPENSE continued

	Profit before tax US$ million	Tax (charge)/ credit US$ million	Effective tax rate
			2016
Calculation of effective tax rate (statutory basis)	2,624	(698)	26.6%
Adjusted for:			
Operating special items	1,632	(115)	
Operating remeasurements	33	(17)	
Non-operating special items	(1,203)	82	
Financing special items and remeasurements	314	4	
One-off tax charges	–	76	
Tax remeasurements	–	(74)	
Share of associates' and joint ventures' special items and remeasurements	(7)	–	
Associates' and joint ventures' tax and non-controlling interests	120	(123)	
Calculation of underlying effective tax rate	3,513	(865)	24.6%
The underlying effective tax rate is favourably/(unfavourably) affected by the following significant items:			
Reassessment of withholding tax provisions primarily in respect of Chile			4.7%
Enhanced tax depreciation in Chile			(2.5)%
Utilisation of tax losses and similar tax attributes not previously recognised primarily in Australia			3.9%
Other items including prior year adjustments			(0.7)%
Underlying effective tax rate excluding the above significant items			30.0%

c) Tax amounts included in other comprehensive income

An analysis of tax by individual item presented in the Consolidated statement of comprehensive income is presented below:

US$ million	2016	2015
Tax credit/(charge) on items recognised directly in equity that will not be reclassified to the income statement		
Remeasurement of net retirement benefit obligation	35	(30)
Tax (charge)/credit on items recognised directly in equity that may subsequently be reclassified to the income statement		
Net exchange differences on translation of foreign operations	–	35
Net (gain)/loss on revaluation of available for sale investments	(25)	33
Net gain on cash flow hedges	–	(5)
	10	33
Tax credit/(charge) on items transferred from equity		
Transferred to income statement: disposal of available for sale investments	35	–
Transferred to income statement: cash flow hedges	(2)	–
	33	–

d) Tax amounts recognised directly in equity

Deferred tax of $110 million has been credited directly to equity in 2016 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 (2015: nil).

9. EARNINGS PER SHARE

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 188.

US$	2016	2015
Earnings per share		
Basic	1.24	(4.36)
Diluted	1.23	(4.36)
Headline earnings per share		
Basic	1.47	0.29
Diluted	1.46	0.29
Underlying earnings per share		
Basic	1.72	0.64
Diluted	1.70	0.64

Basic and diluted earnings per share are shown based on headline earnings, a Johannesburg Stock Exchange (JSE) defined performance measure, and underlying earnings.

Basic and diluted number of ordinary shares outstanding represent the weighted average for the year. The average number of ordinary shares in issue excludes shares held by employee benefit trusts and Anglo American plc shares held by Group companies.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

9. EARNINGS PER SHARE continued

The calculation of basic and diluted earnings per share is based on the following data:

	Profit/(loss) attributable to equity shareholders of the Company		Headline earnings		Underlying earnings	
	2016	2015	**2016**	2015	**2016**	2015
Earnings/(loss) (US$ million)						
Basic and diluted earnings/(loss)	**1,594**	(5,624)	**1,896**	369	**2,210**	827
Number of shares (million)						
Basic number of ordinary shares outstanding	**1,288**	1,289	**1,288**	1,289	**1,288**	1,289
Effect of dilutive potential ordinary shares:						
Share options and awards	**12**	–	**12**	3	**12**	3
Diluted number of ordinary shares outstanding	**1,300**	1,289	**1,300**	1,292	**1,300**	1,292

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares.

In the year ended 31 December 2016, there were 274,815 share options which were potentially dilutive but not included in the calculation of diluted earnings because they were anti-dilutive.

In the year ended 31 December 2015, the Group disclosed a basic loss per share and consequently all 12,855,264 potential ordinary shares were anti-dilutive and excluded from the calculation of diluted earnings per share. 8,996,586 potential shares were excluded from the calculation of diluted headline earnings per share and diluted underlying earnings per share as they were anti-dilutive.

The calculation of basic and diluted earnings per share, based on headline and underlying earnings, uses the following earnings data:

US$ million	**2016**	2015
Profit/(loss) for the financial year attributable to equity shareholders of the Company	**1,594**	(5,624)
Operating special items net of tax and non-controlling interests	**1,378**	4,997
Non-operating special items net of tax and non-controlling interests	**(1,076)**	996
Headline earnings for the financial year	**1,896**	369
Operating special items[(1)]	**102**	299
Operating remeasurements	**33**	178
Non-operating special items[(2)]	**(77)**	97
Financing special items and remeasurements	**314**	(615)
One-off tax charges	**76**	829
Special items and remeasurements tax	**(96)**	(217)
Non-controlling interests on special items and remeasurements	**(38)**	(113)
Underlying earnings for the financial year	**2,210**	827

(1) Includes restructuring costs.
(2) Principally relates to BEE transactions (De Beers and Kumba Envision Trust) (2015: Kumba Envision Trust) and adjustments related to a previous business combination (De Beers).

10. DIVIDENDS

No dividends were paid during the year (2015: $1,078 million).

No final dividend is proposed in respect of the financial year ended 31 December 2016 (2015: nil).

Dividends payable are as follows:

US$ million	**2016**	2015
Final ordinary dividend for 2015 – Nil per ordinary share (2014: 53 US cents per ordinary share)	**–**	680
Interim ordinary dividend for 2016 – Nil per ordinary share (2015: 32 US cents per ordinary share)	**–**	398
	–	1,078

The employee benefit trust has waived the right to receive dividends on the shares it holds (see note 32).

NOTES TO THE CONSOLIDATED BALANCE SHEET

11. INTANGIBLE ASSETS

See notes 39d, 39e and 39i for the Group's accounting policies on intangible assets.

US$ million	2016 Brands, contracts and other intangibles[1]	2016 Goodwill	2016 Total	2015 Brands, contracts and other intangibles[1]	2015 Goodwill	2015 Total
Net book value						
At 1 January	1,224	2,170	3,394	1,359	2,553	3,912
Additions	12	–	12	10	–	10
Amortisation charge for the year	(61)	–	(61)	(64)	–	(64)
Impairments[2]	–	–	–	–	(93)	(93)
Disposals[3]	(2)	(224)	(226)	–	–	–
Remeasurements	–	17	17	–	–	–
Currency movements	30	51	81	(81)	(290)	(371)
At 31 December	1,203	2,014	3,217	1,224	2,170	3,394
Cost	1,521	2,014	3,535	1,481	2,170	3,651
Accumulated amortisation	(318)	–	(318)	(257)	–	(257)

(1) Includes brands, contracts and other intangibles of $1,172 million (2015: $1,185 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 (2015: $517 million) have indefinite useful lives.
(2) 2015 includes goodwill impairment of $52 million allocated to Snap Lake (De Beers) and $41 million allocated to Rustenburg (Platinum).
(3) Relates to the disposal of the Niobium business (see note 30).

Impairment tests for goodwill

See note 39f for the Group's accounting policy on impairment of goodwill.

Goodwill is allocated for impairment testing purposes to cash generating units (CGUs) or groups of CGUs which reflect how it is monitored for internal management purposes. This allocation largely represents the Group's segments. The allocation of goodwill to CGUs or groups of CGUs is as follows:

US$ million	2016	2015
De Beers	1,604	1,553
Platinum	189	189
Copper	124	124
Coal South Africa	88	88
Other	9	216
	2,014	2,170

For the purposes of goodwill 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 1. 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.

12. PROPERTY, PLANT AND EQUIPMENT

See notes 39g to 39j for the Group's accounting policies on property, plant and equipment.

US$ million	2016 Mining properties and leases	2016 Land and buildings[1]	2016 Plant and equipment	2016 Capital works in progress	2016 Total	2015 Mining properties and leases	2015 Land and buildings[1]	2015 Plant and equipment	2015 Capital works in progress	2015 Total
Net book value										
At 1 January	8,973	2,771	8,930	8,947	29,621	13,018	3,067	11,115	11,275	38,475
Additions	285	6	27	2,350	2,668	568	25	160	3,846	4,599
Depreciation charge for the year[2]	(829)	(166)	(1,233)	–	(2,228)	(921)	(150)	(1,421)	–	(2,492)
Net impairments and losses on assets transferred to held for sale	(444)	(251)	(740)	(62)	(1,497)	(2,104)	(166)	(1,018)	(2,699)	(5,987)[3]
Disposal of assets	(2)	(5)	(33)	(6)	(46)	–	(5)	(18)	(5)	(28)
Disposal of businesses and transferred to held for sale[4]	(62)	(278)	(562)	(155)	(1,057)	(63)	(9)	(294)	(60)	(426)
Reclassifications	1,094	463	2,072	(3,629)	–	714	380	1,602	(2,696)	–
Currency movements	605	142	353	158	1,258	(2,239)	(371)	(1,196)	(714)	(4,520)
At 31 December	9,620	2,682	8,814	7,603	28,719	8,973	2,771	8,930	8,947	29,621
Cost	22,655	4,395	20,153	13,297	60,500	21,859	4,199	19,321	14,520	59,899
Accumulated depreciation	(13,035)	(1,713)	(11,339)	(5,694)	(31,781)	(12,886)	(1,428)	(10,391)	(5,573)	(30,278)

(1) Net book value principally comprises freehold land and buildings.
(2) Includes $2,096 million (2015: $2,337 million) of depreciation within operating profit, $85 million (2015: $82 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 6), and $47 million (2015: $73 million) of pre-commercial production depreciation which has been capitalised.
(3) 2015 includes $684 million for the write-down of Rustenburg, which was recorded in non-operating special items. For information on the significant impairments recorded in the year see note 6.
(4) 2016 includes $79 million for the disposal of Callide, $782 million for the disposal of Niobium and Phosphates businesses and $173 million for the disposal of Rustenburg (see note 30). 2015 includes $412 million for the transfer and subsequent disposal of Anglo American Norte (see note 30).

Included in additions is $366 million (2015: $357 million) of net interest expense incurred on borrowings funding the construction of qualifying assets which has been capitalised during the year.

NOTES TO THE CONSOLIDATED BALANCE SHEET

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

See note 39k for the Group's accounting policy on associates and joint arrangements, which includes joint ventures.

Details of principal associates and joint ventures are set out in note 37.

			2016			2015
US$ million	**Associates**	**Joint ventures**	**Total**	Associates	Joint ventures	Total
At 1 January	**1,374**	**443**	**1,817**	2,681	1,695	4,376
Share of net income/(loss) from associates and joint ventures	**148**	**130**	**278**	14	(235)	(221)
Dividends received	**(139)**	**(28)**	**(167)**	(81)	(243)	(324)
Investment in equity and capitalised loans	**34**	**17**	**51**	77	3	80
Return of capital and repayment of loans	**(58)**	**(4)**	**(62)**	(67)	–	(67)
Reclassification	**–**	**–**	**–**	(812)[1]	812[1]	–
Impairments and losses on assets transferred to held for sale	**(19)**	**–**	**(19)**	(271)[2]	(71)	(342)
Transferred to assets held for sale	**–**	**–**	**–**	–	(1,547)	(1,547)
Other movements	**–**	**36**	**36**	–	45	45
Currency movements	**31**	**9**	**40**	(167)	(16)	(183)
At 31 December	**1,371**	**603**	**1,974**	1,374	443	1,817

(1) 2015 reclassification relates to the Group's interest in Samancor (Iron Ore and Manganese). Samancor has been accounted for as a joint venture since March 2015, following amendments to the agreement that governs the Group's interests in Samancor which resulted in the Group acquiring joint control over the business (previously accounted for as an associate).
(2) 2015 includes $93 million relating to the impairment of the Group's interest in Bokoni and $178 million for the Group's interest in Bafokeng-Rasimone Platinum Mine.

The Group's total investments in associates and joint ventures comprise:

			2016			2015
US$ million	**Associates**	**Joint ventures**	**Total**	Associates	Joint ventures	Total
Equity	**1,266**	**435**	**1,701**	1,233	294	1,527
Loans[1]	**105**	**168**	**273**	141	149	290
	1,371	**603**	**1,974**	1,374	443	1,817

(1) The Group's total investments in associates and joint ventures include long-term loans which in substance form part of the Group's net investment. These loans are not repayable in the foreseeable future.

None of the Group's associates or joint ventures are considered to be individually material to the Group, and therefore the Group's share of the financial information of associates and joint ventures is disclosed on an aggregated basis.

US$ million	**Associates**	**Joint ventures**	**Total**
Non-current assets	**1,474**	**925**	**2,399**
Current assets	**422**	**528**	**950**
Current liabilities	**(221)**	**(388)**	**(609)**
Non-current liabilities	**(304)**	**(462)**	**(766)**
Net assets as at 31 December 2016	**1,371**	**603**	**1,974**
Net assets as at 31 December 2015	1,374	443	1,817

			2016			2015
US$ million	**Associates**	**Joint ventures**	**Total**	Associates	Joint ventures	Total
Revenue	**1,070**	**694**	**1,764**	1,208	1,340	2,548
Share of net income/(loss) from associates and joint ventures	**148**	**130**	**278**	14	(235)	(221)
Total comprehensive income/(expense)	**148**	**130**	**278**	14	(235)	(221)

Segmental information is provided in aggregate for associates and joint ventures in the table below.

	Aggregate investment	
US$ million	**2016**	2015
De Beers	**50**	44
Platinum	**289**	251
Iron Ore and Manganese	**559**	391
Coal	**1,055**	1,096
Corporate and other	**21**	35
	1,974	1,817

NOTES TO THE CONSOLIDATED BALANCE SHEET

14. FINANCIAL ASSET INVESTMENTS

See notes 39l and 39m for the Group's accounting policies on financial asset investments.

	2016			2015		
US$ million	Loans and receivables	Available for sale investments	Total	Loans and receivables	Available for sale investments	Total
At 1 January	662	184	846	761	505	1,266
Additions	–	3	3	–	1	1
Interest receivable	47	–	47	43	–	43
Net loans (repaid)/granted	(61)	–	(61)	216	–	216
Impairments	(16)	–	(16)	(130)[1]	–	(130)
Movements in fair value	–	147	147	(7)	(236)	(243)
Disposals	(27)	(233)[2]	(260)	–	–	–
Currency movements	96	33	129	(221)	(86)	(307)
At 31 December	701	134	835	662	184	846

[1] Includes $119 million relating to the impairment of loans to Atlatsa and Atlatsa Holdings.
[2] Includes $218 million relating to the disposal of Exxaro (see note 6).

15. INVENTORIES

See note 39q for the Group's accounting policy on inventories.

US$ million	2016	2015
Raw materials and consumables	882	952
Work in progress	1,220	1,076
Finished products	1,625	2,023
	3,727	4,051

The cost of inventories recognised as an expense and included in cost of sales amounted to $14,006 million (2015: $13,945 million).

Inventories held at net realisable value amounted to $641 million (2015: $1,048 million).

The write-down of inventories (net of revaluation of provisionally priced purchases) amounted to $96 million (2015: $121 million).

16. TRADE AND OTHER RECEIVABLES

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 39a), 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.

	2016			2015		
US$ million	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Trade receivables	1,570	158	1,728	1,355	135	1,490
Tax receivables	316	294	610	271	238	509
Prepayments and accrued income	154	37	191	105	23	128
Other receivables	192	323	515	252	143	395
	2,232	812	3,044	1,983	539	2,522

Of the year end trade receivables balance, $29 million (2015: $55 million) were past due at 31 December, stated after an associated impairment provision of $13 million (2015: $18 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.

17. TRADE AND OTHER PAYABLES

Trade payables are not 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.

US$ million	2016	2015
Trade payables	1,700	1,610
Accruals	815	741
Deferred income[1]	166	46
Tax and social security	54	71
Other payables[2]	765	311
	3,500	2,779

[1] Includes nil (2015: $26 million) deferred income recorded within non-current liabilities.
[2] Includes $116 million (2015: nil) other payables within non-current liabilities.

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. FINANCIAL INSTRUMENTS

See notes 39l, 39m and 39n for the Group's accounting policies on financial asset investments, impairment of financial assets, derivative financial instruments and hedge accounting.

The carrying amounts of financial assets and liabilities are as shown below. Where the carrying amount of a financial asset or liability does not approximate its fair value, this is also disclosed.

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, unless carrying value is considered to approximate fair value.

All derivatives that have been designated into hedge relationships have been separately disclosed.

						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]	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[1]	(591)	–	–	–	(2,689)	(3,280)
Derivative financial liabilities	(1,865)	–	–	(10)	–	(1,875)
Borrowings[2]	–	–	–	(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)

						2015
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]	632	1,253	–	–	–	1,885
Derivative financial assets	672	–	–	477	–	1,149
Cash and cash equivalents	–	6,895	–	–	–	6,895
Financial asset investments	–	662	184	–	–	846
	1,304	8,810	184	477	–	10,775
Financial liabilities						
Trade and other payables[1]	(225)	–	–	–	(2,437)	(2,662)
Derivative financial liabilities	(2,439)	–	–	(24)	–	(2,463)
Borrowings[2]	–	–	–	(14,800)	(3,167)	(17,967)
	(2,664)	–	–	(14,824)	(5,604)	(23,092)
Net financial (liabilities)/assets	(1,360)	8,810	184	(14,347)	(5,604)	(12,317)

(1) Trade and other receivables exclude prepayments and tax receivables. Trade and other payables exclude tax and social security and deferred income.

(2) 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 $12,405 million (2015: $10,898 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 $832 million, principally comprising bank borrowings, is considered to approximate the fair value. At 31 December 2015 the fair value of borrowings at amortised cost of $3,167 million, principally comprising bank borrowings, was $2,463 million. The difference between the carrying value and the fair value primarily reflected the debit valuation adjustment of Anglo American's own credit quality based on observed credit spreads at 31 December 2015.

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. FINANCIAL INSTRUMENTS continued

Fair value hierarchy

An analysis of financial assets and liabilities carried at fair value is set out below:

				2016				2015
US$ million	Level 1[1]	Level 2[2]	Level 3[3]	Total	Level 1[1]	Level 2[2]	Level 3[3]	Total
Financial assets								
At fair value through profit and loss								
Provisionally priced trade receivables	–	877	–	877	–	562	–	562
Other receivables	–	–	213	213	–	–	70	70
Derivatives hedging net debt	–	10	–	10	–	628	17	645
Other derivatives	6	94	–	100	9	18	–	27
Designated into hedges								
Derivatives hedging net debt	–	483	–	483	–	477	–	477
Available for sale investments								
Financial asset investments	77	–	57	134	162	–	22	184
	83	1,464	270	1,817	171	1,685	109	1,965
Financial liabilities								
At fair value through profit and loss								
Provisionally priced trade payables	–	(466)	–	(466)	–	(225)	–	(225)
Other payables	–	–	(125)	(125)	–	–	–	–
Derivatives hedging net debt	–	(1,852)	–	(1,852)	–	(2,207)	(736)	(2,943)
Other derivatives	(21)	(65)	–	(86)	–	(63)	–	(63)
Designated into hedges								
Derivatives hedging net debt	–	(10)	–	(10)	–	(17)	–	(17)
Other derivatives	–	–	–	–	–	(7)	–	(7)
Debit valuation adjustment to derivative liabilities[4]	–	73	–	73	–	386	181	567
	(21)	(2,320)	(125)	(2,466)	–	(2,133)	(555)	(2,688)
Net assets/(liabilities) carried at fair value	62	(856)	145	(649)	171	(448)	(446)	(723)

(1) Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes listed equity shares.
(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.
(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 deferred contingent consideration.
(4) The debit valuation adjustment is recorded to reflect in the fair value of financial liabilities the effect of Anglo American's own credit quality based on observed credit spreads. This adjustment is calculated in total for each counterparty based on the net expected exposure. In many cases this includes exposures on a number of different types of derivative instruments. Consequently the impact of this adjustment has been presented as a separate item within the analysis of derivatives above. Based on an allocation weighted by exposure to each category of instrument, $73 million (2015: $555 million) is attributable to derivatives hedging net debt and nil (2015: $12 million) relates to other derivatives.

Financial assets and liabilities included within level 3 primarily consist of contingent proceeds and 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	2016	2015	2016	2015
At 1 January	109	207	(555)	(499)
Net (loss)/profit recorded in the income statement[1]	(3)	(75)	39	(90)
Net profit/(loss) recorded in the statement of comprehensive income	31	(15)	–	–
Additions	131	–	(136)	–
Settlement	–	–	526	34
Currency movements	2	(8)	1	–
At 31 December	270	109	(125)	(555)

(1) This is principally recorded in special items and remeasurements.

For the level 3 financial assets and liabilities, changing certain estimated inputs to reasonably possible alternative assumptions does not change the fair value significantly.

NOTES TO THE CONSOLIDATED BALANCE SHEET

19. DERIVATIVES

See note 39n for the Group's accounting policy on derivatives.

The fair values of derivatives are separately recorded on the Consolidated balance sheet within 'Derivative financial assets' and 'Derivative financial liabilities'. Derivatives are classified as current or non-current depending on the contracted maturity of the derivative.

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.

Cash flow hedges
In certain cases the Group classifies its forward foreign currency contracts, which hedge highly probable forecast transactions, as cash flow hedges. Where this designation is documented, changes in fair value are recognised in equity until the hedged transactions occur, at which time the respective gains or losses are transferred to the Consolidated income statement (or hedged balance sheet item).

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.

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 6.

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			
	2016		2015		2016		2015	
US$ million	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
Derivatives hedging net debt								
Fair value hedge[1]								
Interest rate swaps	9	–	23	–	474	(10)	454	(18)
Held for trading								
Forward foreign currency contracts	10	(9)	628	(10)	–	–	–	–
Cross currency swaps	–	(178)	14	(430)	–	(1,665)	3	(2,502)
Debit valuation adjustment to derivative liabilities[2]	–	1	–	19	–	72	–	536
	19	(186)	665	(421)	474	(1,603)	457	(1,984)
Other derivatives[3]	90	(86)	24	(56)	10	–	3	(2)
Total derivatives	109	(272)	689	(477)	484	(1,603)	460	(1,986)

(1) Recognised in the Consolidated income statement is a loss on fair value hedged items of $98 million (2015: $143 million), offset by a gain on fair value hedging instruments of $106 million (2015: $146 million).
(2) Relates to cross currency swaps (see note 18).
(3) 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.

The Group is exposed in varying degrees to a variety of financial instrument related risks. For more information about these risks and the ways in which the Group manages them see notes 24 and 38.

NOTES TO THE CONSOLIDATED BALANCE SHEET

20. PROVISIONS FOR LIABILITIES AND CHARGES

See note 39r for the Group's accounting policy on environmental restoration and decommissioning obligations.

US$ million	Environmental restoration	Decommissioning	Employee benefits	Onerous contracts	Other	Total
At 1 January 2016	(1,049)	(543)	(325)	(572)	(696)	(3,185)
Charged to the income statement	(147)	–	(209)	(49)	(223)	(628)
Capitalised	(10)	(22)	(3)	–	(38)	(73)
Unwinding of discount	(63)	(33)	(2)	(45)	(10)	(153)
Amounts applied	43	1	163	54	210	471
Unused amounts reversed	16	41	10	17	173	257
Disposal of business	94	56	34	525	255	964
Currency movements	(92)	(38)	(18)	(17)	(28)	(193)
At 31 December 2016	(1,208)	(538)	(350)	(87)	(357)	(2,540)
Current	(114)	(10)	(316)	(18)	(163)	(621)
Non-current	(1,094)	(528)	(34)	(69)	(194)	(1,919)

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 2016 and 31 December 2015, 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 including long service leave, annual leave, sickness pay and similar obligations. 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 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. It is anticipated that the majority of these costs will be incurred over a period of up to five years.

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, primarily in South Africa. The funds comprise the following investments:

US$ million	2016	2015
Equity	135	115
Bonds	153	121
Cash	65	54
	353	290

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% (2015: 8.1%) for an average period of three years (2015: four 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

21. DEFERRED TAX

See note 39c for the Group's accounting policy on tax.

The movement in net deferred tax liabilities during the year is as follows:

US$ million	2016	2015
At 1 January	(2,339)	(3,147)
(Charged)/credited to the income statement[(1)]	(185)	150
Credited to the statement of comprehensive income	43	33
Credited directly to equity	110	–
Disposal of business	38	(72)
Currency movements	(174)	697
At 31 December	**(2,507)**	(2,339)
Comprising:		
Deferred tax assets	1,013	914
Deferred tax liabilities	(3,520)	(3,253)

(1) This includes one-off tax charges of nil (2015: charge of $788 million relating to the write-off of deferred tax), a credit of $74 million (2015: credit of $107 million) relating to deferred tax remeasurements and a credit of $99 million (2015: credit of $783 million) relating to deferred tax on special items (see note 6).

The amount of deferred tax recognised in the Consolidated balance sheet is as follows:

US$ million	2016	2015
Deferred tax assets		
Tax losses	596	534
Post employment benefits	31	31
Share-based payments	15	10
Enhanced tax depreciation	128	121
Other temporary differences[(1)]	243	218
	1,013	914
Deferred tax liabilities		
Capital allowances in excess of depreciation	(2,642)	(2,080)
Fair value adjustments	(775)	(689)
Tax losses	27	24
Derivatives	–	2
Provisions	324	278
Withholding tax	(237)	(510)
Other temporary differences[(2)]	(217)	(278)
	(3,520)	(3,253)

(1) The deferred tax asset on other temporary differences of $243 million arises primarily as a result of currency movements in deferred tax in US dollar functional currency entities whose tax computations are generated based on local currency financial information. This is partially offset by an amount related to capital allowances in excess of depreciation.
(2) The deferred tax liability on other temporary differences of $217 million arises primarily in relation to deferred stripping costs, partially offset by an amount related to post-employment benefits.

The amount of deferred tax (charged)/credited to the Consolidated income statement is as follows:

US$ million	2016	2015
Capital allowances in excess of depreciation	(384)	123
Fair value adjustments	(25)	(243)
Tax losses	(48)	(54)
Derivatives	(24)	87
Provisions	22	(163)
Withholding tax	163	58
Other temporary differences	111	342
	(185)	150

The Group has the following balances in respect of which no deferred tax asset has been recognised:

				2016				2015
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	575	–	–	575	334	–	–	334
Greater than five years	–	–	3,186	3,186	239	–	3,398	3,637
No expiry date	2,784	1,051	3,363	7,198	5,580	806	1,547	7,933
	3,359	1,051	6,549	10,959	6,153	806	4,945	11,904

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 $17,804 million (2015: $15,103 million).

CASH FLOW STATEMENT, NET DEBT AND RELATED NOTES

22. 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 188.

Capital expenditure by segment

US$ million	2016	2015
De Beers	526	697
Platinum	314	366
Copper	563	659
Nickel	62	26
Niobium and Phosphates[1]	26	50
Iron Ore and Manganese	269	1,422
Coal	613	941
Corporate and other	14	16
Capital expenditure[2]	**2,387**	4,177
Reconciliation to Consolidated cash flow statement:		
Cash flows from derivatives related to capital expenditure	(22)	(200)
Proceeds from disposal of property, plant and equipment	23	30
Direct funding for capital expenditure received from non-controlling interests	30	46
Expenditure on property, plant and equipment	**2,418**	4,053

(1) Niobium and Phosphates was sold on 30 September 2016 (see note 30).

(2) Capital expenditure includes capitalised operating cash flows generated by operations that have not yet reached commercial production. Nickel includes net capitalised operating cash inflows of nil (2015: net inflows of $180 million) relating to Barro Alto, which reached commercial production in October 2015. Niobium and Phosphates includes net capitalised operating cash inflows of $32 million (2015: net inflows of $10 million) relating to Boa Vista Fresh Rock, which reached commercial production in March 2016. Iron Ore and Manganese includes net capitalised operating cash inflows of $108 million (2015: net outflows of $338 million) relating to Minas-Rio.

Capital expenditure by category

US$ million	2016	2015
Expansionary[1]	817	2,083
Stay-in-business	1,042	1,384
Stripping and development	551	740
Proceeds from disposal of property, plant and equipment	(23)	(30)
	2,387	4,177

(1) The expansionary category includes the cash flows from derivatives related to capital expenditure and is net of direct funding for capital expenditure received from non-controlling interests.

CASH FLOW STATEMENT, NET DEBT AND RELATED NOTES

23. NET DEBT

See note 39o for the Group's accounting policy on cash and debt.

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 188.

a) Reconciliation to the Consolidated balance sheet

	Cash and cash equivalents		Short term borrowings		Medium and long term borrowings	
US$ million	2016	2015	2016	2015	2016	2015
Balance sheet	6,051	6,895	(1,806)	(1,649)	(11,363)	(16,318)
Balance sheet – disposal groups	–	9	–	–	–	–
Bank overdrafts	(7)	(15)	7	15	–	–
Net cash/(debt) classifications	**6,044**	**6,889**	**(1,799)**	**(1,634)**	**(11,363)**	**(16,318)**

b) 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[1]	Net debt including derivatives
At 1 January 2015	6,747	(1,617)	(16,917)	(11,787)	(1,084)	(12,871)
Cash flow	416	1,404	(2,736)	(916)	170	(746)
Reclassifications	–	(1,616)	1,616	–	–	–
Movement in fair value	–	(9)	151	142	(924)	(782)
Other non-cash movements	–	(2)	(45)	(47)	–	(47)
Currency movements	(274)	206	1,613	1,545	–	1,545
At 31 December 2015	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)**

[1] Derivatives hedging net debt represents the mark-to-market valuation of such derivatives before taking into account the effect of debit valuation adjustments which reduce the valuation of derivative liabilities hedging net debt by $73 million (2015: $555 million). Further details on this adjustment are provided in note 18.

c) Net (debt)/cash by segment

The Group's policy is to hold the majority of its cash and borrowings at the corporate centre. Business units may from time to time raise borrowings in connection with specific capital projects, and subsidiaries with non-controlling interests have borrowings which are without recourse to the Group. Other than the impact of South African exchange controls (see 23d below), there are no significant restrictions over the Group's ability to access these cash balances or repay these borrowings. Net (debt)/cash by segment is stated after elimination of inter-segment balances.

US$ million	2016	2015
De Beers	(112)	(109)
Platinum	83	(176)
Copper	1,354	820
Nickel	63	(138)
Niobium and Phosphates[1]	–	123
Iron Ore and Manganese	(83)	(2,370)
Coal	572	260
Corporate and other	(10,364)	(11,311)
Net debt including derivatives	**(8,487)**	**(12,901)**

[1] Niobium and Phosphates was sold on 30 September 2016 (see note 30).

d) South Africa net cash/(debt)

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/(debt) in South Africa.

US$ million	2016	2015
Cash and cash equivalents	2,749	1,419
Short term borrowings	(61)	(49)
Medium and long term borrowings	(1,130)	(1,471)
Net cash/(debt) excluding derivatives	**1,558**	**(101)**
Derivatives hedging net debt	–	(4)
Net cash/(debt) including derivatives	**1,558**	**(105)**

CASH FLOW STATEMENT, NET DEBT AND RELATED NOTES

24. BORROWINGS

See note 39o for the Group's accounting policy on bank borrowings.

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 2016, the Group completed a bond buyback transaction consisting of Euro, Sterling and US dollar denominated bonds with maturities from December 2016 to September 2018. The Group used $1.7 billion of cash to retire $1.83 billion of contractual repayment obligations (including derivatives hedging the bonds).

An analysis of borrowings, as presented on the Consolidated balance sheet, is set out below:

				2016				2015
US$ million	Short term borrowings	Medium and long term borrowings	Total borrowings	Contractual repayment at hedged rates	Short term borrowings	Medium and long term borrowings	Total borrowings	Contractual repayment at hedged rates
Secured								
Bank loans and overdrafts(1)	13	48	61	61	9	10	19	19
Obligations under finance leases	8	53	61	61	7	53	60	60
	21	101	122	122	16	63	79	79
Unsecured								
Bank loans and overdrafts	12	457	469	469	270	1,961	2,231	2,979
Bonds issued under EMTN programme								
4.375% €581m bond due December 2016(2)	–	–	–	–	839	–	839	1,122
1.75% €594m bond due November 2017(3)	633	–	633	799	–	995	995	1,211
1.75% €538m bond due April 2018(3)	–	574	574	741	–	829	829	1,033
6.875% £267m bond due May 2018(3)	–	348	348	529	–	644	644	793
2.5% €482m bond due September 2018(3)	–	521	521	616	–	841	841	959
1.028% JPY10,000m bond due December 2018	–	86	86	97	–	83	83	97
2.75% €750m bond due June 2019	–	823	823	941	–	854	854	941
1.5% €600m bond due April 2020	–	638	638	659	–	651	651	659
2.875% €600m bond due November 2020	–	669	669	807	–	688	688	807
2.5% €750m bond due April 2021	–	830	830	977	–	849	849	977
3.5% €750m bond due March 2022	–	884	884	992	–	908	908	992
3.25% €750m bond due April 2023	–	857	857	1,033	–	868	868	1,033
US bonds								
LIBOR+0.95% $500m bond due April 2016	–	–	–	–	500	–	500	500
2.625% $452m bond due April 2017(3)	453	–	453	452	–	602	602	600
2.625% $635m bond due September 2017(3)	633	–	633	635	–	744	744	750
9.375% $750m bond due April 2019	–	781	781	750	–	795	795	750
3.625% $850m bond due May 2020	–	841	841	850	–	842	842	850
4.45% $500m bond due September 2020	–	515	515	500	–	522	522	500
4.125% $500m bond due April 2021	–	504	504	500	–	508	508	500
4.125% $600m bond due September 2022	–	586	586	600	–	588	588	600
4.875% $650m bond due May 2025	–	640	640	650	–	644	644	650
Bonds issued under AMTN programme								
5.75% AUD500m bond due November 2018	–	371	371	470	–	379	379	470
Bonds issued under DMTN programme								
JIBAR+0.5% R200m bond due March 2016	–	–	–	–	13	–	13	13
JIBAR+1.38% R600m bond due March 2017	44	–	44	44	–	39	39	39
9.27% R1,400m bond due March 2019	–	102	102	102	–	87	87	91
9.49% R650m bond due April 2021	–	48	48	47	–	40	40	42
JIBAR+1.47% R400m bond due April 2021	–	29	29	29	–	26	26	26
Other loans	10	158	168	168	11	268	279	279
	1,785	11,262	13,047	14,457	1,633	16,255	17,888	20,263
Total borrowings	1,806	11,363	13,169	14,579	1,649	16,318	17,967	20,342

(1) Assets with a book value of $123 million (2015: $91 million) have been pledged as security, of which $92 million (2015: $40 million) are property, plant and equipment, $31 million (2015: $49 million) are financial assets and nil (2015: $2 million) are inventories. Related to these assets are borrowings of $61 million (2015: $19 million).

(2) In March 2016, €169 million of outstanding value was repaid as part of the bond buyback transaction, the remaining €581 million was repaid on maturity.

(3) Outstanding value of bond shown subsequent to bond buyback transaction completed in March 2016.

CASH FLOW STATEMENT, NET DEBT AND RELATED NOTES

24. BORROWINGS continued

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.

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:

					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)

					2015
	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	(1,631)	(702)	(232)	(2,662)	(5,227)
Greater than one year, less than two years	(2,617)	(657)	(113)	–	(3,387)
Greater than two years, less than three years	(3,067)	(587)	(544)	–	(4,198)
Greater than three years, less than four years	(1,871)	(424)	(43)	–	(2,338)
Greater than four years, less than five years	(3,508)	(286)	(101)	–	(3,895)
Greater than five years	(4,853)	(459)	(420)	–	(5,732)
Total due for repayment after more than one year	(15,916)	(2,413)	(1,221)	–	(19,550)
Total	(17,547)	(3,115)	(1,453)	(2,662)	(24,777)

The Group had the following undrawn committed borrowing facilities at 31 December:

US$ million	2016	2015
Expiry date		
Within one year[(1)]	660	683
Greater than one year, less than two years	1,446	32
Greater than two years, less than three years	1,175	1,110
Greater than three years, less than four years	6,203	192
Greater than four years, less than five years	223	5,862
	9,707	7,879

(1) Includes undrawn South African rand facilities equivalent to $0.5 billion (2015: $0.5 billion) in respect of facilities with a 364 day maturity which roll automatically on a daily basis, unless notice is served.

In January 2017, the Group retired the $1.05 billion Club facility which was entered into in 2016 in the context of the bond buyback transaction. This facility was undrawn at 31 December 2016 and is included in the table above within 'greater than one year, less than two years'.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and, with cognisance of forecast future market conditions and structuring, to maintain an optimal capital structure to enable the business to operate effectively.

In order to manage the short and long term capital structure, the Group has a number of options including raising and refinancing debt, adjusting returns to equity shareholders, managing the allocation of capital and divesting non-core assets to reduce debt.

The Group monitors capital using various financial metrics including the ratio of net debt to total capital (gearing). Net debt is calculated as total borrowings less cash and cash equivalents (including derivatives which provide an economic hedge of net debt). Total capital is calculated as 'Net assets' (as shown in the Consolidated balance sheet) excluding net debt. Total capital and gearing are as follows:

US$ million	2016	2015
Net assets	24,325	21,342
Net debt including related derivatives (note 23)	8,487	12,901
Total capital	32,812	34,243
Gearing	25.9%	37.7%

Gearing has decreased from 37.7% at 31 December 2015 to 25.9% at 31 December 2016 as net debt has decreased, offset by a decrease in total capital. Net debt decreased from $12.9 billion to $8.5 billion during the year, driven by operating cash inflows and proceeds from asset disposals.

CASH FLOW STATEMENT, NET DEBT AND RELATED NOTES

24. BORROWINGS continued

Market risk

Market risk is the risk that financial instrument fair values and related cash flows will fluctuate due to changes in market prices. The Group manages interest rate risks and foreign exchange risks on borrowings and cash with the use of cross currency swaps and interest rate swaps in order to ensure that the majority of borrowings are floating rate US dollar denominated. The Group does not hedge foreign exchange exposures on rand denominated borrowings in South Africa. For more information regarding the Group's financial risk management see note 38.

The table below reflects the exposure of the Group's net debt to currency and interest rate risk.

	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)

	2015					
US$ million	Cash and cash equivalents	Floating rate borrowings	Fixed rate borrowings	Derivatives hedging net debt	Impact of currency derivatives	Total
US dollar	6,239	(1,197)	(5,400)	(1,835)	(10,221)	(12,414)
Euro	6	–	(8,322)	–	8,322	6
South African rand	116	(966)	(136)	(3)	–	(989)
Brazilian real	238	(793)	–	–	793	238
Australian dollar	148	–	(379)	–	379	148
Sterling	18	–	(644)	–	644	18
Other	124	(17)	(98)	–	83	92
Impact of interest derivatives	–	(14,800)	14,800	–	–	–
Total	6,889	(17,773)	(179)	(1,838)	–	(12,901)

25. COMMITMENTS

See note 39x for the Group's accounting policy on leases.

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 $1,317 million (2015: $1,168 million), of which 45% (2015: 82%) relate to expenditure to be incurred within the next year.

The Group's outstanding commitments relating to take or pay agreements are $14,398 million (2015: $14,928 million), of which 9% (2015: 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	2016	2015
Within one year	92	92
Greater than one year, less than two years	50	75
Greater than two years, less than five years	48	72
Greater than five years	22	24
	212	263

Operating leases relate principally to land and buildings, vehicles and mining equipment.

EMPLOYEE REMUNERATION

26. EMPLOYEE NUMBERS AND COSTS

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	2016	2015
De Beers	9	11
Platinum	45	48
Copper	4	5
Nickel	2	2
Niobium and Phosphates[1]	2	2
Iron Ore and Manganese	7	10
Coal	10	11
Corporate and other	1	2
	80	91

[1] Niobium and Phosphates was sold on 30 September 2016 (see note 30).

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	2016	2015
South Africa	61	69
Other Africa	4	4
South America	9	10
North America	1	2
Australia and Asia	3	4
Europe	2	2
	80	91

Payroll costs in respect of the employees included in the tables above were:

US$ million	2016	2015
Wages and salaries	3,107	3,798
Social security costs	110	135
Post employment benefits[1]	285	332
Share-based payments (note 28)	236	209
Total payroll costs	3,738	4,474
Reconciliation:		
Less: employee costs capitalised	(258)	(319)
Less: employee costs included within special items	(144)	(200)
Employee costs included in operating costs	3,336	3,955

[1] Includes 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 (see note 27).

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	2016	2015
Salaries and short term employee benefits	19	22
Social security costs	3	4
Termination benefits	5	2
Post employment benefits	3	3
Share-based payments	17	13
	47	44

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 Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 are included in the Remuneration report.

EMPLOYEE REMUNERATION

27. RETIREMENT BENEFITS

See note 39t for the Group's accounting policy on retirement benefits.

The Group operates a number of defined contribution and defined benefit pension plans. It also operates post employment medical plans, principally in South Africa.

Defined contribution plans

The defined contribution pension and medical cost represents the actual contributions payable by the Group to the various plans.

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans is calculated on the basis of the contribution payable by the Group in the financial year. The charge for the year for defined contribution pension plans (net of amounts capitalised and special items) was $180 million (2015: $221 million) and for defined contribution medical plans (net of amounts capitalised) was $64 million (2015: $73 million).

Defined benefit pension plans and post employment medical plans

The Group operates defined benefit pension and medical plans across a number of regions. The most significant plans are in South Africa and the United Kingdom.

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	2016	2015
Net liability recognised at 1 January	(361)	(889)
Net income statement charge	(42)	(60)
Remeasurement of net defined benefit obligation	(214)	290
Employer contributions to funded pension plans	105	118
Benefits paid to unfunded plans	39	24
Disposal of business	(2)	41
Other	(3)	12
Currency movements	(30)	103
Net liability recognised at 31 December	**(508)**	(361)
Amounts recognised as:		
Defined benefit pension plans in surplus[(1)]	270	306
Retirement benefit obligation – pension plans	(377)	(330)
Retirement benefit obligation – medical plans	(401)	(337)
	(508)	(361)

[(1)] Included in 'Other non-current assets' on the Consolidated balance sheet.

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 unfunded liabilities are principally in relation to termination indemnity plans in Chile.

The post employment medical plans provide health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. The majority of these plans are unfunded and are principally in South Africa.

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 2016. 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.

Characteristics and risks of plans

The defined benefit plans are exposed to risks such as longevity, investment risk, inflation risk, interest rate risk and foreign exchange risk.

The weighted average duration of the South African plans is 11 years (2015: 11 years), United Kingdom plans is 19 years (2015: 18 years) and plans in other regions is 14 years (2015: 14 years). This represents the average period over which future benefit payments are expected to be made.

Employer contributions are made in accordance with the terms of each plan and may vary from year to year. Employer contributions made to funded plans in the year ended 31 December 2016 were $105 million (2015: $118 million). In addition $39 million (2015: $24 million) of benefits were paid to unfunded plans and $21 million (2015: $23 million) of benefits were paid in relation to post employment medical plans. The Group expects to contribute $108 million to its pension plans and $25 million to its post employment medical plans in 2017.

The responsibility for the governance of the funded retirement benefit plans, including investment and funding decisions, lies with the Trustees of each scheme.

South Africa

The pension plans in South Africa are in surplus, with the asset recognised on the Consolidated balance sheet restricted to the amount in the Employer Surplus Account, being plan assets less plan liabilities less any contingency reserves as recommended by the funds' actuaries.

The Employer Surplus Account is the amount that the Group is entitled to by way of refund. 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.

Certain assets held by the main plans in the United Kingdom are structured to closely match the characteristics of the liabilities through a variety of investment strategies, including the use of interest rate hedging and inflation hedging to manage interest rate risk and inflation rate risk, respectively.

The Group is committed to make payments to certain United Kingdom pension plans under deficit funding plans agreed with the respective Trustees. Where the present value of the agreed funding payments exceeds the liability in respect of the plans as measured under IFRS, and would therefore, when paid, give rise to a surplus as measured under IFRS, a provision is recognised for any part of that surplus that would not be recoverable. Any resulting surplus has been assessed to be fully recoverable and as such no provision has been recognised.

EMPLOYEE REMUNERATION

27. RETIREMENT BENEFITS continued

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. The features of this provision meet the definition of a post employment benefit obligation and consequently an unfunded liability is recognised on the Consolidated balance sheet. Other plans are in Brazil, Canada and mainland Europe and consist of funded and unfunded pension plans and unfunded medical aid plans. These plans are not considered to be significant to the Group.

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):

			2016			2015
	South Africa	United Kingdom	Other	South Africa	United Kingdom	Other
Defined benefit pension plans						
Average discount rate for plan liabilities	9.5%	2.6%	5.5%	10.3%	3.9%	6.8%
Average rate of inflation	7.0%	3.3%	3.3%	7.9%	3.1%	3.6%
Average rate of increase of pensions in payment	7.0%	3.3%	3.0%	7.9%	3.1%	3.2%
Post employment medical plans						
Average discount rate for plan liabilities	9.4%	2.6%	6.9%	10.3%	3.9%	9.1%
Average rate of inflation	7.0%	3.3%	5.2%	7.9%	3.1%	6.9%
Expected average increase in healthcare costs	8.8%	7.8%	8.0%	9.6%	7.8%	9.1%

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 either 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	2016	2015	2016	2015
South Africa	19.9	19.8	24.7	24.5
United Kingdom	28.1	28.2	29.8	30.0
Other	21.9	22.8	26.0	27.2

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	2016	2015	2016	2015
South Africa	19.9	19.8	24.7	24.5
United Kingdom	29.9	29.6	32.2	32.0
Other	23.9	25.1	27.9	29.3

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:

				2016
US$ million	South Africa	United Kingdom	Other	Total
Discount rate – 0.5% decrease	(62)	(403)	(17)	(482)
Inflation rate – pension plans – 0.5% increase	(41)	(166)	(11)	(218)
Inflation rate – medical plans – 0.5% increase	(19)	–	(4)	(23)
Life expectancy – increase by 1 year	(58)	(163)	(3)	(224)

Income statement

The amounts recognised in the Consolidated income statement are as follows:

			2016			2015
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
Charge to operating costs	14	4	18	14	4	18
Net (credit)/charge to net finance costs[(1)]	(8)	32	24	9	33	42
Total net charge to the income statement	6	36	42	23	37	60

(1) Includes interest expense on surplus restriction of $16 million (2015: $13 million).

Financial statements

EMPLOYEE REMUNERATION

27. RETIREMENT BENEFITS continued

Comprehensive income

The pre-tax amounts recognised in the Consolidated statement of comprehensive income are as follows:

	2016			2015		
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
Return on plan assets, excluding interest income	627	–	627	(125)	–	(125)
Actuarial (losses)/gains on plan liabilities[1]	(858)	(10)	(868)	401	23	424
Movement in surplus restriction	27	–	27	(9)	–	(9)
Remeasurement of net defined benefit obligation[2]	(204)	(10)	(214)	267	23	290

[1] Comprises (losses)/gains from changes in financial and demographic assumptions as well as experience on plan liabilities.

[2] The tax amounts arising on remeasurement of net defined benefit obligations are disclosed in note 8c.

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:

	2016				2015			
US$ million	South Africa	United Kingdom	Other	Total	South Africa	United Kingdom	Other	Total
Equity	400	402	6	808	354	857	9	1,220
Corporate bonds	267	1,561	31	1,859	247	1,356	33	1,636
Government bonds	510	1,699	33	2,242	459	1,378	35	1,872
Cash	54	15	2	71	66	51	1	118
Other	–	207	4	211	–	199	6	205
Fair value of pension plan assets[1]	1,231	3,884	76	5,191	1,126	3,841	84	5,051
Active members	(6)	(198)	(16)	(220)	(7)	(179)	(17)	(203)
Deferred members	(11)	(1,550)	(6)	(1,567)	(12)	(1,401)	(5)	(1,418)
Pensioners	(929)	(2,179)	(66)	(3,174)	(827)	(2,242)	(67)	(3,136)
Present value of funded obligations	(946)	(3,927)	(88)	(4,961)	(846)	(3,822)	(89)	(4,757)
Present value of unfunded obligations[2]	–	–	(176)	(176)	–	–	(161)	(161)
Net surplus/(deficit) in pension plans	285	(43)	(188)	54	280	19	(166)	133
Surplus restriction	(161)	–	–	(161)	(156)	–	(1)	(157)
Recognised retirement benefit assets/(liabilities)	124	(43)	(188)	(107)	124	19	(167)	(24)
Amounts in the Consolidated balance sheet								
Defined benefit pension plans in surplus	124	146	–	270	124	182	–	306
Retirement benefit obligation – pension plans	–	(189)	(188)	(377)	–	(163)	(167)	(330)
	124	(43)	(188)	(107)	124	19	(167)	(24)

[1] 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 105% (2015: 106%) of the benefits that had accrued to members after allowing for expected increases in future earnings and pensions.

[2] Includes $166 million (2015: $151 million) relating to active members.

All investments have been fair valued based on quoted market prices.

Movement analysis

The changes in the fair value of plan assets are as follows:

	2016			2015		
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	5,051	13	5,064	5,627	14	5,641
Effects of settlements	(25)	–	(25)	(6)	–	(6)
Interest income[1]	257	1	258	260	1	261
Return on plan assets, excluding interest income[1]	627	–	627	(125)	–	(125)
Contributions paid by employer to funded pension plans	105	–	105	118	–	118
Benefits paid[2]	(230)	(1)	(231)	(243)	(1)	(244)
Disposal of business	(2)	–	(2)	–	–	–
Other	4	–	4	5	–	5
Currency movements	(596)	–	(596)	(585)	(1)	(586)
At 31 December	5,191	13	5,204	5,051	13	5,064

[1] The actual return on assets in respect of pension plans was $884 million (2015: $135 million).

[2] Includes $6 million (2015: $10 million) of benefits paid to defined contribution plans.

EMPLOYEE REMUNERATION

27. RETIREMENT BENEFITS continued

The changes in the present value of defined benefit obligations are as follows:

	2016			2015		
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	(4,918)	(350)	(5,268)	(5,876)	(472)	(6,348)
Current service costs	(14)	(4)	(18)	(21)	(4)	(25)
Effects of settlements	25	–	25	6	–	6
Interest costs	(233)	(33)	(266)	(256)	(34)	(290)
Actuarial (losses)/gains arising from changing financial assumptions	(917)	(8)	(925)	221	18	239
Actuarial gains arising from changing demographic assumptions	49	1	50	40	–	40
Actuarial gains/(losses) arising from experience adjustment	10	(3)	7	140	5	145
Benefits paid	248	22	270	257	23	280
Disposal of business	–	–	–	41	–	41
Other	(4)	(3)	(7)	(5)	–	(5)
Currency movements	617	(36)	581	535	114	649
At 31 December	(5,137)	(414)	(5,551)	(4,918)	(350)	(5,268)

28. SHARE-BASED PAYMENTS

See note 39u for the Group's accounting policy on share-based payments.

During the year ended 31 December 2016 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).

The total share-based payment charge relating to Anglo American plc shares for the year is split as follows:

US$ million	2016	2015
BSP	100	88
LTIP	49	42
Other schemes	12	5
Share-based payment charge relating to Anglo American plc shares[1]	161	135

[1] In addition, there are equity settled share-based payment charges of $43 million (2015: $47 million) relating to Kumba Iron Ore Limited shares, $28 million (2015: $26 million) relating to Anglo American Platinum Limited shares and $2 million (2015: nil) 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 (2015: $1 million).

Schemes settled by award of ordinary shares

The fair value of ordinary shares under the BSP, LTIP and LTIP-ROCE, being the more material schemes, was calculated using the Black Scholes model. The fair value of shares awarded under the LTIP-TSR scheme was calculated using the Monte Carlo model.

The awards were granted on 04/03/16 (2015: 03/03/15) with a share price of £5.92 (2015: £12.05). These awards have a contractual life of three years and are conditional on three years continuous employment. The LTIP-ROCE and LTIP-TSR awards are conditional on a Group ROCE target and market based performance conditions, respectively, being achieved. The following assumptions were used in the valuation of the awards: expected volatility of 50% (2015: 35%) based on historic volatility over the last five years; risk free interest rate of 0.5% (2015: 0.9%) based on the yield on zero-coupon UK government bonds with a term similar to the expected life of the award; expected departures rate of 5% pa (2015: 5% pa); and a dividend yield of nil (2015: 2.1%).

The awards granted during the year under these assumptions are summarised below:

	2016		2015	
	Number of instruments[1]	Fair value at date of grant (weighted average)(£)	Number of instruments[1]	Fair value at date of grant (weighted average)(£)
BSP	11,369,105	5.92	5,560,276	12.05
LTIP	6,997,155	5.92	2,792,470	12.05
LTIP-ROCE	2,213,836	5.92	827,674	12.05
LTIP-TSR	2,213,836	4.12	827,674	5.30

[1] The number of instruments used in the fair value models may differ from the total number of instruments awarded in the year due to awards made subsequent to the fair value calculations. The fair value calculated per the assumptions above has been applied to the total number of awards. The difference in income statement charge is not considered significant.

The charges arising in respect of the other Anglo American plc employee share schemes that the Group operated during the year are not considered material.

GROUP STRUCTURE AND TRANSACTIONS

28. SHARE-BASED PAYMENTS continued

The movements in the number of shares for the more significant share-based payment arrangements are as follows:

Bonus Share Plan[1]

Ordinary shares of 54 86/91 US cents may be awarded under the terms of this scheme for no consideration.

Number of awards	2016	2015
Outstanding at 1 January	12,623,762	12,104,010
Conditionally awarded in year	11,369,105	5,560,276
Vested in year	(4,413,116)	(2,937,812)
Forfeited or expired in year	(2,196,826)	(2,102,712)
Outstanding at 31 December	17,382,925	12,623,762

[1] Further information in respect of the BSP, including performance conditions, is shown in the Remuneration report.

Long Term Incentive Plan[1]

Ordinary shares of 54 86/91 US cents may be awarded under the terms of this scheme for no consideration.

Number of awards	2016	2015
Outstanding at 1 January	8,558,889	6,131,998
Conditionally awarded in year	11,424,827	4,447,817
Vested in year	(1,800,261)	(1,313,835)
Forfeited or expired in year	(1,371,677)	(707,091)
Outstanding at 31 December	16,811,778	8,558,889

[1] 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.

29. ASSETS AND LIABILITIES HELD FOR SALE

Assets classified as held for sale as at 31 December 2015 of $27 million and associated liabilities of $17 million principally relate to the Kimberley Mines (De Beers) in South Africa. The sale transaction was announced on 1 December 2015 and subsequently completed on 18 January 2016.

GROUP STRUCTURE AND TRANSACTIONS

30. DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND MINING OPERATIONS

US$ million	2016 Callide mine	2016 Niobium and Phosphates businesses	2016 Rustenburg mine	2016 Foxleigh mine	2015 Total
Intangible assets	–	226	–	–	–
Property, plant and equipment	79	782	173	–	412
Investments in joint ventures	–	–	–	–	1,539
Other non-current assets	2	54	–	–	73
Current assets	91	358	10	54	316
Current liabilities	(98)	(91)	(93)	(18)	(119)
Non-current liabilities	(545)	(283)	(53)	(24)	(114)
Net (liabilities)/assets disposed	(471)	1,046	37	12	2,107
Consideration	–	1,675	160	46	1,824
Cash and cash equivalents disposed	(8)	(144)	–	(19)	(82)
Retained liabilities and net costs of disposal	(29)	–	(230)	(43)	–
Transaction costs and other adjustments	–	(46)	(14)	–	25
Adjustments for non-cash items	16	12	79	23	(12)
Net cash (outflow)/inflow	(21)	1,497	(5)	7	1,755
Loss on transfer to held for sale	–	–	–	–	(100)
Cumulative translation gain/(loss) recycled from reserves	122	(123)	–	51	(101)
Net gain/(loss) on disposal[1]	564	460	(121)	42	(459)

[1] Included in non-operating special items (see note 6).

2016

Callide mine

On 31 October 2016, the Group completed the sale of Callide thermal coal mine in Queensland, Australia (Coal) resulting in a net cash outflow of $21 million. As a consequence of the disposal, the Group has derecognised a provision for onerous coal supply contracts of $525 million. A pre-tax gain on disposal of $564 million (post-tax $564 million) has been recorded within non-operating special items (see note 6).

Niobium and Phosphates businesses

On 30 September 2016, the Group completed the sale of the Niobium and Phosphates businesses. The Phosphates business consists of a mine, beneficiation plant, two chemical complexes and two further mineral deposits. The Niobium business consists of one mine and three processing facilities, two non-operating mines, two further mineral deposits and sales and marketing operations in the United Kingdom and Singapore.

The total consideration comprised $1,500 million plus working capital and other adjustments of $175 million. A pre-tax gain on disposal of $460 million (post-tax $356 million) has been recorded within non-operating special items (see note 6).

Rustenburg mine

On 1 November 2016, Anglo American Platinum completed the sale of the Rustenburg mine (Platinum) which comprises the Bathopele, Siphumelele (including Khomanani), and Thembelani (including Khuseleka) mining operations, two concentrating plants, an on-site chrome recovery plant, the Western Limb Tailings Retreatment Plant, associated surface infrastructure and related assets and liabilities.

The consideration comprises cash of R1.5 billion ($110 million) and deferred contingent consideration amounting to 35% of the business's distributable free cash flow for six to eight years subject to a minimum nominal amount of R3.0 billion ($220 million). In addition, Anglo American Platinum must provide shortfall funding of up to R267 million ($20 million) per annum from the closing of the transaction to 31 December 2018 if Rustenburg generates negative free cash flows during this period. As part of the transaction, Platinum also assumed a liability to pay $210 million for in-process inventories from Rustenburg held at the date of disposal over a four-month period from completion. A pre-tax loss on disposal of $121 million (post-tax $66 million) has been recorded within non-operating special items (see note 6).

Foxleigh mine

On 29 August 2016, the Group completed the sale of its 70% interest in the Foxleigh metallurgical coal mine in Queensland, Australia (Coal) resulting in a net cash inflow of $7 million.

A pre-tax gain on disposal of $42 million (post-tax $42 million) has been recorded within non-operating special items (see note 6).

Other

In addition, the Group received deferred consideration of $39 million in respect of disposals recognised in previous periods (Corporate and other), net cash inflows of $21 million on disposal of the Morupule mine in Botswana (De Beers) and net cash outflows of $3 million on other transactions, resulting in proceeds from disposal of subsidiaries and joint operations, net of cash disposed, of $1,535 million.

2015

Disposals in 2015 principally comprised the sale of the Group's 50% ownership interest in Lafarge Tarmac (Corporate and other) and the sale of Anglo American Norte S.A. (AA Norte) (Copper).

GROUP STRUCTURE AND TRANSACTIONS

31. NON-CONTROLLING INTERESTS

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 46.8% (2015: 46.3%) interest in the operations of Kumba Iron Ore, comprising the 30.3% interest held by other shareholders in Kumba Iron Ore and the 23.7% (2015: 23.0%) 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 smelting plant, which are located in Chile. Non-controlling interests hold a 49.9% interest in Anglo American Sur.

	2016				2015			
US$ million	Kumba Iron Ore	Anglo American Sur	Other[(1)]	Total	Kumba Iron Ore	Anglo American Sur	Other[(1)]	Total
Profit/(loss) attributable to non-controlling interests	351	(162)	143	332	52	(55)	(215)	(218)
Equity attributable to non-controlling interests	1,214	1,946	2,149	5,309	731	2,130	1,912	4,773
Dividends paid to non-controlling interests	–	–	(15)	(15)	(131)	(62)	(49)	(242)

(1) Other consists of individually immaterial non-controlling interests.

Summarised financial information on a 100% basis and before inter-company eliminations for Kumba Iron Ore and Anglo American Sur is as follows:

	2016		2015	
US$ million	Kumba Iron Ore	Anglo American Sur	Kumba Iron Ore	Anglo American Sur
Non-current assets	2,473	4,122	2,205	4,419
Current assets	1,709	1,188	931	751
Current liabilities	(432)	(379)	(320)	(271)
Non-current liabilities	(1,079)	(1,035)	(1,189)	(627)
Net assets	2,671	3,896	1,627	4,272
Revenue	2,801	1,676	2,876	2,080
Profit/(loss) for the financial year[(1)]	775	(324)	43	(102)
Total comprehensive income/(expense)	1,024	(336)	(566)	(108)
Net cash inflow from operating activities	933	529	1,119	599

(1) Stated after special items (see note 6).

There were no material changes in ownership interests in subsidiaries in 2016 or 2015.

ADDITIONAL DISCLOSURES

32. CALLED-UP SHARE CAPITAL AND CONSOLIDATED EQUITY ANALYSIS

Called-up share capital

	2016		2015	
	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 $54^{86}/_{91}$ US cents each:				
At 1 January and 31 December	1,405,465,332	772	1,405,465,332	772

No ordinary shares were allotted to non-executive directors in 2016 or 2015.

Excluding shares held in treasury (but including the shares held by the Group in other structures, as outlined in the Tenon and Employee benefit trust sections below) the number and carrying value of called-up, allotted and fully paid ordinary shares as at 31 December 2016 was 1,402,242,532 and $770 million (2015: 1,401,861,508 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

	2016		2015	
	Number of shares	US$ million	Number of shares	US$ million
Own shares				
Treasury shares	3,222,800	153	3,603,824	173
Own shares held by subsidiaries and employee benefit trusts	123,743,483	5,937	117,334,305	5,878
Total	126,966,283	6,090	120,938,129	6,051

The movement in treasury shares during the year is as follows:

	2016		2015	
	Number of shares	US$ million	Number of shares	US$ million
Treasury shares				
At 1 January	3,603,824	173	8,794,085	481
Transferred to employees in settlement of share awards	(381,024)	(20)	(5,190,261)	(308)
At 31 December	3,222,800	153	3,603,824	173

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 $3.95 per share to Epoch, $6.15 per share to Epoch Two and $5.10 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 2016 the Investment Companies together held 112,300,129 (2015: 112,300,129) Anglo American plc shares, which represented 8.0% (2015: 8.0%) of the ordinary shares in issue (excluding treasury shares) with a market value of $1,603 million (2015: $498 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.

ADDITIONAL DISCLOSURES

32. CALLED-UP SHARE CAPITAL AND CONSOLIDATED EQUITY ANALYSIS continued

Employee benefit trust

The provision of shares to certain of the Company's share option and share incentive schemes may be facilitated by an employee benefit trust or settled by the issue of treasury shares. During 2016, 263,281 shares (2015: nil) from the trust were transferred to employees in settlement of share awards. Shares held by the trust are recorded as own shares, and the carrying value is shown as a reduction within shareholders' equity. The employee benefit trust has waived the right to receive dividends on these shares. The costs of operating the trust are borne by the Group but are not material.

The market value of the 4,736,720 shares (2015: 1 share) held by the trust at 31 December 2016 was $67,609,894 (2015: $4).

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[1]	Total fair value and other reserves
At 1 January 2015	540	456	2	140	1,138
Total comprehensive (expense)/income	–	(153)	9	–	(144)
Equity settled share-based payment schemes	(41)	–	–	–	(41)
Other	–	–	–	(17)	(17)
At 31 December 2015	**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**

[1] Other reserves comprise a capital redemption reserve of $115 million (2015: $115 million) and a legal reserve of $8 million (2015: $8 million).

33. AUDITOR'S REMUNERATION

	2016				2015			
	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	**1.5**	**2.6**	**4.1**	**–**	1.5	2.1	3.6	–
Paid to the Company's auditor for other services to the Group								
Audit of the Company's subsidiaries	**0.9**	**3.9**	**4.8**	**0.2**	0.5	5.9	6.4	0.2
Total audit fees	**2.4**	**6.5**	**8.9**	**0.2**	2.0	8.0	10.0	0.2
Audit related assurance services[1]	**0.5**	**1.3**	**1.8**	**0.1**	0.6	1.3	1.9	–
Taxation compliance services	**–**	**0.2**	**0.2**	**–**	–	0.2	0.2	0.1
Taxation advisory services	**0.3**	**0.5**	**0.8**	**–**	0.1	0.4	0.5	0.1
Other assurance services	**0.1**	**0.6**	**0.7**	**–**	0.3	0.4	0.7	–
Other non-audit services	**0.4**	**0.6**	**1.0**	**–**	0.4	0.7	1.1	0.1
Total non-audit fees	**1.3**	**3.2**	**4.5**	**0.1**	1.4	3.0	4.4	0.3

[1] Includes $1.4 million (2015: $1.5 million) for the interim review.

ADDITIONAL DISCLOSURES

34. CONTINGENT LIABILITIES

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.

No contingent liabilities were secured on the assets of the Group at 31 December 2016 or 31 December 2015.

Anglo American South Africa Limited (AASA)

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 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.

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 companies are in the process of 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 legal proceedings are being defended. The industry working group is seeking 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.

AASA was also a defendant in approximately 4,400 separate lawsuits filed in the North Gauteng High Court (Pretoria), which were referred to arbitration. These 4,400 claims (approximately 1,200 of which were separately instituted against AngloGold Ashanti) were settled by AASA and AngloGold Ashanti in 2016, without admission of liability, for an amount which is not material to the Group.

35. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its subsidiaries, joint operations, associates and joint ventures (see notes 37 and 40). 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[1]	
US$ million	**2016**	2015	**2016**	2015	**2016**	2015
Transactions with related parties						
Sale of goods and services	**19**	28	**1**	3	**171**	123
Purchase of goods and services	**(399)**	(425)	**(137)**	(183)	**(3,390)**	(2,606)
Balances with related parties						
Trade and other receivables from related parties	**5**	7	**1**	–	**17**	15
Trade and other payables to related parties	**(126)**	(135)	**(30)**	(15)	**(79)**	(68)
Loans receivable from related parties[2]	**–**	–	**401**	431	**–**	21

[1] Represents the portion of balances and transactions with joint operations or joint operation partners 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.

[2] Included in 'Financial asset investments' on the Consolidated balance sheet.

At 31 December 2016 the directors of the Company and their immediate relatives controlled 0.33% (2015: 0.2%) of the voting shares of the Company.

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.

ADDITIONAL DISCLOSURES

36. EVENTS OCCURRING AFTER END OF YEAR

On 3 February 2017, the South African Revenue Services and Sishen Iron Ore Company Proprietary Limited (a subsidiary of Kumba Iron Ore Limited) agreed on a R2.5 billion (approximately $185 million) settlement of a tax matter relating to the period covering 2006 to 2015 inclusive. The Group had previously provided for R1.5 billion and an additional R1.0 billion was provided in 2016.

On 14 February 2017, the Group announced that it had agreed the sale of its interest in the Union platinum mine to Siyanda Resources Proprietary Limited ('Siyanda') for consideration comprising upfront cash of R400 million (approximately $29 million) and deferred consideration based on the operation's free cash flow generation over a ten year period.

37. GROUP COMPANIES

The Group consists of the parent company, Anglo American plc, incorporated in the United Kingdom and its subsidiaries, joint operations, joint ventures and associates. For information on the Group's policies and the nature of any significant judgements in relation to the basis of accounting for interests in other entities, see note 1. Further information on interests in associates and joint ventures is provided in note 13.

The Group holds certain interests in both consolidated and unconsolidated structured entities. Further details on consolidated structured entities can be found in note 32. Unconsolidated structured entities consist of employee benefit trusts and community investment vehicles, principally in South Africa. Financial support provided to these entities by the Group is not material.

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 40.

			Percentage of equity owned[2]	
Subsidiary undertakings	Country of incorporation[1]	Business	2016	2015
De Beers				
De Beers Consolidated Mines Proprietary Limited[3]	South Africa	Diamonds	74%	74%
De Beers plc[4]	Jersey[5]	Diamonds	85%	85%
Platinum				
Anglo American Platinum Limited[6]	South Africa	Platinum	78%	78%
Copper				
Anglo American Sur S.A.	Chile	Copper	50.1%	50.1%
Anglo American Quellaveco S.A.	Peru	Copper project	81.9%	81.9%
Nickel				
Anglo American Níquel Brasil Limitada	Brazil	Nickel	100%	100%
Niobium and Phosphates[7]				
Anglo American Nióbio Brasil Limitada	Brazil	Niobium	–	100%
Anglo American Fosfatos Brasil Limitada	Brazil	Phosphates	–	100%
Iron Ore and Manganese				
Anglo American Minério de Ferro Brasil S.A.	Brazil	Iron ore project	100%	100%
Kumba Iron Ore Limited	South Africa	Iron ore	69.7%	69.7%
Sishen Iron Ore Company Proprietary Limited[8]	South Africa	Iron ore	76.3%	73.9%
Coal				
Anglo American Metallurgical Coal Holdings Limited	Australia	Coal	100%	100%
Anglo Coal[9]	South Africa	Coal	100%	100%
Peace River Coal Inc.	Canada	Coal	100%	100%

			Percentage of equity owned[10]	
Proportionately consolidated joint operations	Country of incorporation[1]	Business	2016	2015
Debswana Diamond Company (Proprietary) Limited[11]	Botswana	Diamonds	50%	50%
Namdeb Holdings (Proprietary) Limited[12]	Namibia	Diamonds	50%	50%
Compañía Minera Doña Inés de Collahuasi SCM	Chile	Copper	44%	44%
Capcoal[13]	Australia	Coal	70%	70%
Dawson[13]	Australia	Coal	51%	51%
Drayton[13]	Australia	Coal	88.2%	88.2%
Foxleigh[13] [14]	Australia	Coal	–	70%
Moranbah North[13]	Australia	Coal	88%	88%

See page 159 for footnotes.

ADDITIONAL DISCLOSURES

37. GROUP COMPANIES continued

Joint ventures	Country of incorporation[1]	Business	Percentage of equity owned[10] 2016	2015
Ferroport Logística Comercial Exportadora S.A.	Brazil	Port	**50%**	50%
Samancor Holdings Proprietary Limited[15][16][17]	South Africa	Manganese	**40%**	40%
Groote Eylandt Mining Company Pty Limited (GEMCO)[15][16]	Australia	Manganese	**40%**	40%
Tasmanian Electro Metallurgical Company Pty Limited (TEMCO)[15][16]	Australia	Manganese	**40%**	40%

Associates	Country of incorporation[1]	Business	Percentage of equity owned[10] 2016	2015
Carbones del Cerrejón Limited	Anguilla[18]	Coal	**33.3%**	33.3%
Cerrejón Zona Norte S.A.	Colombia	Coal	**33.3%**	33.3%
Jellinbah Group Pty Limited[19]	Australia	Coal	**33.3%**	33.3%

(1) The principal country of operation is the same as the country of incorporation for all entities with the exception of De Beers plc (De Beers), which has worldwide operations.
(2) The proportion of voting rights of subsidiaries held by the Group is the same as the proportion of equity owned.
(3) The 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%.
(4) This entity was previously known as De Beers Société Anonyme and incorporated in Luxembourg.
(5) Tax resident in the United Kingdom.
(6) The Group's effective interest in Anglo American Platinum Limited is 79.6% which includes shares issued as part of a community empowerment deal.
(7) Niobium and Phosphates was sold on 30 September 2016 (see note 30).
(8) The 76.3% (2015: 73.9%) interest in Sishen Iron Ore Company Proprietary Limited (SIOC) is held indirectly through Kumba Iron Ore Limited, in which the Group has a 69.7% interest. A 3.1% interest in SIOC was previously held by the Kumba Envision Trust for the benefit of participants in Kumba's broad based employee share scheme for non-managerial Historically Disadvantaged South African employees. The Trust met the definition of a subsidiary under IFRS, and was therefore consolidated by Kumba Iron Ore Limited. The earlier mentioned interest in the Kumba Envision Trust is no longer held at year end due to the wind up of the Envision Trust in November 2016. Consequently the effective interest in SIOC included in the Group's results is 53.2% (2015: 53.7%).
(9) A division of Anglo Operations Proprietary Limited, a wholly owned subsidiary.
(10) All equity interests shown are ordinary shares.
(11) 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%.
(12) The 50% interest in Namdeb Holdings (Proprietary) Limited is held indirectly through De Beers. The Group's effective interest in Namdeb Holdings (Proprietary) Limited is 42.5%.
(13) The wholly owned subsidiary Anglo American Metallurgical Coal Holdings Limited holds the proportionately consolidated joint operations. These operations are unincorporated and jointly controlled.
(14) The Group disposed of its interest in Foxleigh on 29 August 2016.
(15) Samancor has been accounted for as a joint venture since March 2015, following amendments to the agreement that governs the Group's interests in Samancor which resulted in the Group acquiring joint control over the business (previously accounted for as an associate).
(16) These entities have a 30 June year end.
(17) Samancor Holdings Proprietary Limited is the parent company of Hotazel Manganese Mines (HMM) and the Metalloys Smelter. BEE shareholders hold a 26% interest in HMM and therefore the Group's effective ownership interest in HMM is 29.6%.
(18) Tax resident in Colombia.
(19) The Group's effective interest in the Jellinbah operation is 23.3%. The entity has a 30 June year end.

38. FINANCIAL RISK MANAGEMENT

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 (subcategorised into credit risk, commodity price risk, foreign exchange risk and interest rate risk). See note 24 for liquidity risk.

Market risks

a) 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 for 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	2016	2015
Cash and cash equivalents	**6,051**	6,895
Trade and other receivables[1]	**2,289**	1,885
Financial asset investments[2]	**701**	662
Derivative financial assets	**593**	1,149
	9,634	10,591

(1) Trade and other receivables exclude prepayments and tax receivables.
(2) Financial asset investments exclude available for sale investments.

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.

A provision for impairment of trade receivables is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Details of the credit quality of trade receivables and the associated provision for impairment are disclosed in note 16.

ADDITIONAL DISCLOSURES

38. FINANCIAL RISK MANAGEMENT continued

b) 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 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:

	2016				2015			
	Commodity price linked				Commodity price linked			
US$ million	Subject to price movements[1]	Fixed price[2]	Not linked to commodity price	Total	Subject to price movements[1]	Fixed price[2]	Not linked to commodity price	Total
Total net financial instruments (excluding derivatives)	421	464	(8,159)	(7,274)	337	334	(11,674)	(11,003)
Derivatives	(28)	–	(1,254)	(1,282)	16	–	(1,330)	(1,314)
	393	464	(9,413)	(8,556)	353	334	(13,004)	(12,317)

[1] Includes provisionally priced trade receivables and trade payables.
[2] Includes receivables and payables for commodity sales and purchases not subject to price adjustment at the balance sheet date.

Commodity based contracts that are classified as part of normal sales and purchases and settled through physical delivery of the Group's production are not marked to market.

c) 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 Brazilian real, South African rand 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 underlying 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, though 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.

Analysis of foreign exchange risk associated with net debt balances and the impact of derivatives to hedge against this risk is included within note 24. 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 $72 million. This includes net assets of $503 million denominated in US dollars and $215 million denominated in Brazilian real, and net liabilities of $212 million denominated in Australian dollars, $207 million denominated in Chilean pesos and $234 million denominated in South African rand.

d) 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. Strategic hedging using fixed rate debt may also be undertaken from time to time if approved by the Group Management Committee.

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, while achieving a satisfactory return for shareholders.

Analysis of interest rate risk associated with net debt balances and the impact of derivatives to hedge against this risk is included within note 24. 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 $72 million, are primarily non-interest bearing.

ADDITIONAL DISCLOSURES

38. FINANCIAL RISK MANAGEMENT continued

e) Financial instrument sensitivities

Financial instruments affected by market risk include borrowings, deposits, derivative financial instruments, trade receivables and trade payables. The following analysis is intended to illustrate the sensitivity of the Group's financial instruments at 31 December to changes in foreign currencies, commodity prices and interest rates.

The sensitivity analysis has been prepared on the basis that the components of net debt, the ratio of fixed to floating interest rates of the debt and derivatives portfolio and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December. In addition, the commodity price impact for provisionally priced contracts is based on the related trade receivables and trade payables at 31 December. As a consequence, this sensitivity analysis relates to the position at 31 December.

The following assumptions were made in calculating the sensitivity analysis:

- all income statement sensitivities also impact equity
- for debt and other deposits carried at amortised cost, carrying value does not change as interest rates move
- no sensitivity is provided for interest accruals as these are based on pre-agreed interest rates and therefore are not susceptible to further rate changes
- no sensitivity has been calculated on derivatives and related underlying instruments designated into fair value hedge relationships as these are assumed materially to offset one another
- all hedge relationships are assumed to be fully effective
- debt with a maturity of less than one year is floating rate, unless it is a long term fixed rate debt in its final year
- translation of foreign subsidiaries and operations into the Group's presentation currency has been excluded from the sensitivity.

Using the above assumptions, the following table shows the illustrative effect on the income statement and equity that would result from reasonably possible changes in the relevant foreign currency, commodity price and interest rate.

	2016		2015	
US$ million	Income	Equity	Income	Equity
Foreign currency sensitivities[1]				
+10% US dollar to rand	(74)	(74)	(19)	(19)
–10% US dollar to rand	74	74	19	19
+10% US dollar to Brazilian real[2]	1	1	(46)	(46)
–10% US dollar to Brazilian real[2]	(1)	(1)	46	46
+10% US dollar to Australian dollar	10	10	9	9
–10% US dollar to Australian dollar	(10)	(10)	(9)	(9)
+10% US dollar to Chilean peso	24	24	21	21
–10% US dollar to Chilean peso	(24)	(24)	(24)	(24)
Commodity price sensitivities				
10% increase in the copper price	50	50	117	117
10% decrease in the copper price	(50)	(50)	(117)	(117)
10% increase in the platinum group metals price	(30)	(30)	(13)	(13)
10% decrease in the platinum group metals price	30	30	13	13
Interest rate sensitivity				
50bps increase in LIBOR[3]	(30)	(30)	(32)	(32)
50bps decrease in LIBOR[3]	30	30	32	32

(1) + represents strengthening of US dollar against the respective currency.
(2) Includes sensitivities for derivatives related to capital expenditure.
(3) Without the impact of capitalised interest, the Group's sensitivity to a 50bps increase and decrease in LIBOR would be $57 million (2015: $61 million) loss and gain respectively.

The above sensitivities are calculated with reference to a single moment in time and are subject to change due to a number of factors including:

- fluctuating trade receivable and trade payable balances
- derivative instruments and borrowings settled throughout the year
- fluctuating cash balances
- changes in currency mix.

As the sensitivities are limited to year end financial instrument balances, they do not take account of the Group's sales and operating costs, which are highly sensitive to changes in commodity prices and exchange rates. In addition, each of the sensitivities is calculated in isolation whilst, in reality, commodity prices, interest rates and foreign currencies do not move independently.

ADDITIONAL DISCLOSURES

39. ACCOUNTING POLICIES

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.

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 198.

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.

39a. 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 4 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.

39b. 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.

39c. 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.

ADDITIONAL DISCLOSURES

39. ACCOUNTING POLICIES continued

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.

39d. 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. 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.

39e. Non-mining licences and other intangibles

Non-mining licences and other intangibles 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.

39f. Impairment of goodwill

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.

39g. 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 resource 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.

39h. 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*.

ADDITIONAL DISCLOSURES

39. ACCOUNTING POLICIES continued

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. Components are specific volumes of a mine's orebody that are determined by reference to the Life of Mine Plan.

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 based on Proved and Probable Ore Reserves of the component of the orebody to which they relate.

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.

39i. Impairment of property, plant and equipment and intangible assets excluding goodwill

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.

Recoverable amount is the higher of fair value less costs of disposal and value in use (VIU). 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.

39j. 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 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 in the balance sheet when management considers that their value is recoverable. These properties are measured at cost less any accumulated impairment losses.

39k. 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.

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.

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.

39l. Financial asset investments

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.

ADDITIONAL DISCLOSURES

39. ACCOUNTING POLICIES continued

39m. Impairment of financial assets (including receivables)

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.

39n. 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. 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 and are classified within other gains and losses (operating costs) or net finance costs depending on the type of risk to which the derivative relates.

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.

39o. 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.

39p. 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.

39q. Inventories

Inventory and work in progress are measured at the lower of cost and net realisable value. 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 manufacturing 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.

39r. 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. 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.

ADDITIONAL DISCLOSURES

39. ACCOUNTING POLICIES continued

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.

39s. 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.

39t. Retirement benefits

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.

39u. 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 method 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.

39v. 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.

39w. 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 as either operating or financing depending on 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.

39x. 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.

ADDITIONAL DISCLOSURES

40. 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 2016 is disclosed below. Unless otherwise disclosed all entities with an indirect equity holding of greater than 51% are considered subsidiary undertakings. See note 37 for the Group's principal subsidiaries, joint operations, joint ventures and associates.

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of equity owned	Registered address
Angola	De Beers Angola Holdings S.A.	85%	Rua Rainha Ginga 87 9º andar, Luanda, Caixa Postal 4031
Anguilla[(3)]	Carbones del Cerrejón Limited	33%	Calle 100 No. 19-54 Piso 12. Bogota, Colombia
Argentina	Minera Anglo American Argentina S.A.	100%	San Martin 1167 Piso 2° Mendoza
Australia	A.C.N. 127 881 510 Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Australia Finance Limited	100%[(4)]	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 Ltd	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 (Dartbrook Management) Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Dartbrook) 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	Dartbrook Coal (Sales) Pty Ltd	84%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
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 Ltd	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 11, 201 Charlotte 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%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Tasmanian Electro Metallurgical Company Pty Limited	40%	Level 235, 108 St Georges Terrace, Perth, WA 6000
Australia	Tremell Pty Ltd	33%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Belgium	De Beers Auction Sales Belgium NV	85%	8th Floor, 21 Schupstraat, 2018 Antwerp
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

See page 174 for footnotes.

Financial statements

ADDITIONAL DISCLOSURES

40. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of equity owned	Registered address
Bermuda	Holdac Limited	100%	Clarendon House, 2 Church Street, Hamilton
Botswana	Ambase Exploration (Botswana) (Pty) Ltd	100%	1st Floor, Mokolwane House, Plot 67978, Fairground, Gaborone
Botswana	Ambase Prospecting (Botswana) (Pty) Ltd	100%	1st Floor, Mokolwane House, Plot 67978, Fairground, Gaborone
Botswana	Anglo American Bokamoso (Pty) Ltd	100%	c/o KPMG, Chartered Accountants, Plot 67977, Off Tlokweng Road, Fairground, PO Box 1519, Gaborone
Botswana	Anglo American Corporation Botswana (Services) Limited	100%	Plot 67977, Fairground Office Park, Gaborone
Botswana	Anglo Coal Botswana (Pty) Ltd	100%	Plot 67977, Fairground Office Park, Gaborone
Botswana	Broadhurst Primary School (Pty) Ltd	29%	Plot 64288 Airport Road, Block 8, Gaborone
Botswana	De Beers Botswana (Pty) Ltd	85%	3rd Floor, DTCB Building, Plot 63016, Block 8, Airport Road, 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%	Plot 64288, Airport Road, Block 8, Gaborone
Botswana	Debswana Diamond Company (Pty) Ltd	43%[(5)]	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
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 Níquel Brasil Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 20º 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 30360-740, Belo Horizonte, Minas Gerais
Brazil	Anglo Ferrous Brazil Participações S.A.	100%	Rua Maria Luiza Santiago, nº. 200, 20º andar (parte), bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
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, 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 30360-740, 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
Brazil	Câmara De Comércio Brasil República Sul Africana	100%	Avenida Paulista, nº. 2.300, 10º andar, Cerqueira César, São Paulo/SP
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[(6)]	Delibes Holdings Limited	85%	9 Columbus Centre, Pelican Drive, P.O. Box 805, Road Town, Tortola, VG1110
British Virgin Islands[(6)]	Highbirch Ltd	100%	9 Columbus Centre, Pelican Drive, P.O. Box 805, Road Town, Tortola, VG1110
British Virgin Islands[(6)]	Loma de Niquel Holdings Limited	94%	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola
British Virgin Islands[(6)]	Scallion Limited	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	50%	1600-925 West Georgia Street, Vancouver, BC V6C 3L2
Canada	Belcourt Saxon Coal Limited Partnership	50%	1600-925 West Georgia Street, Vancouver, BC V6C 3L2
Canada	De Beers Canada Holdings Inc.	85%	2400-333 Bay Street, Toronto, ON M5H2T6
Canada	De Beers Canada Inc.	85%	2400-333 Bay Street, 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[(6)]	Cheviot Holdings Limited	85%	Maples and Calder, P.O. Box 309, George Town, Grand Cayman
Chile	Anglo American Chile Inversiones S.A.	100%	Av. Pedro de Valdivia 291, Santiago
Chile	Anglo American Chile Ltda	100%	Av. Pedro de Valdivia 291, Santiago
Chile	Anglo American Sur S.A.	50%	Av. Pedro de Valdivia 291, Santiago
Chile	Compañía Minera Doña Inés de Collahuasi SCM	44%	Avenida Andres Bello 2687, Piso 11 Edif. el Pacifico, Las Condes, Santiago, Región Metropolitana
Chile	Compañía Minera Westwall S.C.M.	50%	Av. Pedro de Valdivia 291, Santiago

See page 174 for footnotes.

ADDITIONAL DISCLOSURES

40. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of equity owned	Registered address
Chile	Inversiones Anglo American Norte S.A.	100%	Av. Pedro de Valdivia 291, Santiago
Chile	Inversiones Anglo American Sur S.A.	100%	Av. Pedro de Valdivia 291, Santiago
Chile	Inversiones Minorco Chile S.A.	100%	Av. Pedro de Valdivia 291, Santiago
China	De Beers Jewellers Commercial (Shanghai) Co., Ltd	43%	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 40F, Park Place No 1601, Nan Jing Road (W), Shanghai
China	Platinum Guild International (Shanghai) Co., Ltd	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	Carbones del Cerrejón Limited	33%	Calle 100 19-54, 12th Floor, Bogotá
Colombia	Cerrejón Zona Norte S.A.	33%	Calle 100 19-54, 12th Floor, Bogotá
Cyprus[(6)]	Anglo American Amcoll (UK) Limited	100%	Themistokli Dervi, 3, Julia House, 1066, Nicosia
Cyprus[(6)]	Anglo American Chile Investments (UK) Limited	100%	Themistokli Dervi, 3, Julia House, 1066, Nicosia
Cyprus[(6)]	Anglo American Clarent (UK) Limited	100%	Themistokli Dervi, 3, Julia House, 1066, Nicosia
Democratic Republic of Congo	Ambase Exploration Africa (RDC) SPRL	100%	No. 510 LP, Avenue Sumahili, Quartier Golf, Commune De Lubumbashi, Lubumbashi
Democratic Republic of Congo	De Beers DRC Exploration SARL	85%	14, Avenue Sergent Moke, Commune de Ngaliema, Kinshasa
Finland	AA Sakatti Mining Oy	100%	AA Sakatti Mining Oy, Tuohiaavantie 2, 99600 Sodankylä
Gabon	Samancor Gabon SA	40%	Immeuble 2 AG, Libreville, 4660
Germany	Anglo Exploration GmbH	100%	D 12163, Berlin
Germany	Element Six GmbH (DECAR)	51%	Staedeweg 18, 36151, Burghaun
Germany	Hydrogenious Technologies GmbH	27%	Weidenweg 13, 91058 Erlangen
Guernsey	Intersea Pension Services Ltd	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	43%	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	Element Six Ltd	51%	15/F Chung Hing Commercial Building, 62-63 Connaught 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 (India) Private Limited	100%	A-1/292, Janak Puri, New Delhi, 110058
India	Anglo American Exploration (India) Private Limited	100%	A-1/292, Janak Puri, New Delhi, 110058
India	Anglo American Services (India) Private Limited	100%	A-1/292, Janak Puri, New Delhi, 110058
India	De Beers India Private Limited	85%	Advanced Business Centre, 83 Maker Chambers VI, Nariman Point, Mumbai, 400 021
India	DTC Marketing India Private Limited	85%	Peninsula Chambers, Ganpatrao Kadam Marg, Mumbai, Maharashtra, 400 013
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, 400051
India	Inglewood Minerals Private Limited	100%	A-1/292, Janak Puri, 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
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 Limited	100%	Shannon Airport, Shannon, Co. Clare
Ireland	CMC-Coal Marketing Designated Activity Company	33%	Fumbally Square, New Street, Dublin D08 XYA5
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 (Isle of Man) Corporate Trustee Limited	85%	Isle of Man Freeport, PO Box 6, Ballasalla
Isle of Man	Element Six 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	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 Ltd (Japan)	43%	1-1, Hirakawacho 2-chome, Chiyoda-ku, Tokyo, Japan K.K.
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[(6)]	A.R.H. Investments Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey[(6)]	A.R.H. Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey[(6)]	Anglo African Exploration Holdings Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey[(6)]	Anglo American Exploration Colombia Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey[(6)]	Anglo American Exploration Overseas Holdings Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey[(6)]	Anglo American Ferrous Investments (Overseas) Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey[(6)]	Anglo American Finance Overseas Holdings Limited	100%[(7)]	44 Esplanade, St Helier, JE4 9WG
Jersey[(6)]	Anglo American Finland Holdings 1 Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey[(6)]	Anglo American Finland Holdings 2 Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey[(6)]	Anglo American Liberia Holdings Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey[(6)]	Anglo American Michiquillay Peru Limited	100%	44 Esplanade, St Helier, JE4 9WG

See page 174 for footnotes.

ADDITIONAL DISCLOSURES

40. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation(1)(2)	Name of undertaking	Percentage of equity owned	Registered address
Jersey(6)	Anglo Australia Investments Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo Coal International Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo Diamond Investments Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo Iron Ore Investments Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo Loma Investments Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo Operations (International) Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo Peru Investments Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo Quellaveco Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo Venezuela Investments Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Aval Holdings Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo American Buttercup Company Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Cencan plc	85%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	De Beers Investments plc	85%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	De Beers Exploration Holdings Limited	85%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	De Beers Holdings Investments Limited	85%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	De Beers plc	85%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo American Hermitage Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	IIDGR Holdings Limited	85%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo American Midway Investment Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Minorco Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Minorco Peru Holdings Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Minpress Investments Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo American Venezuela Corporation Limited	100%	44 Esplanade, St Helier, JE4 9WG
Jersey(6)	Anglo South American Investments Limited	100%	44 Esplanade, St Helier, JE4 9WG
Liberia	Anglo American Kumba Exploration Liberia Ltd	35%	The David A. B. Jallah Law Firm, P.O. Box 4069, Broad and Johnson Streets, Monrovia
Liberia(6)	Anglo American Corporation de Chile Holdings Limited	100%	80 Broad Street, Monrovia
Luxembourg	Ambras Holdings Sarl	100%(8)	48, rue de Bragance, Luxembourg, L-1255
Luxembourg	Ammin Coal Holdings	100%	48, rue de Bragance, Luxembourg, L-1255
Luxembourg	Anglo American Capital Luxembourg	100%	48, rue de Bragance, Luxembourg, L-1255
Luxembourg	Anglo American Luxembourg	100%	48, rue de Bragance, Luxembourg, L-1255
Luxembourg	Element Six Abrasives S.A.	51%	48, rue de Bragance, Luxembourg, L-1255
Luxembourg	Element Six S.A.	85%	48, rue de Bragance, Luxembourg, L-1255
Luxembourg	Element Six Ventures Sarl	85%	48, rue de Bragance, Luxembourg, L-1255
Luxembourg	KIO Exploration Liberia Sarl	70%	11-13 Boulevard de la Foire, L-1528
Luxembourg	Kumba International Trading Sarl	53%	11-13 Boulevard de la Foire, L-1528
Luxembourg	Kumba Iron Ore Holdings Sarl	53%	48, rue de Bragance, Luxembourg, L-1255
Macau	De Beers Diamond Jewellers (Macau) Company Limited	43%	Avenida da Praia Grande, no 409, China Law Building 16/F - B79
Madagascar	Societe Civille De Prospection De Nickel A Madagascar	32%	44 Main Street, Johannesburg, 2001
Malta(6)	Element Six Technologies Holding Ltd	85%	Leicester Court, Suite 2, Edgar Bernard Street, Gzira, GZR 1702
Malta	Element Six Technologies Ltd	85%	Leicester Court, Suite 2, Edgar Bernard Street, Gzira, GZR 1702
Mauritius	Anglo American International Limited	100%	2nd Floor, The AXIS26 Bank Street, Cybercity Ebene, 72201
Mauritius	De Beers Centenary Mauritius Limited	85%	C/o Cim Corporate Services Ltd, Les Cascades Building, 33, Edith Cavell Street, Port Louis
Mauritius	De Beers Mauritius Holdings Private Ltd	85%	C/o Cim Corporate Services Ltd, Les Cascades Building, 33, Edith Cavell Street, Port Louis
Mauritius	De Beers Mauritius Private Ltd	85%	C/o Cim Corporate Services Ltd, Les Cascades Building, 33, Edith Cavell Street, Port Louis
Mauritius	Inglewood Holdings Limited	100%	St Louis Business Centre, Cnr Desroches & St Louis Streets, Port Louis
Mexico	Anglo American Mexico S.A. de C.V.	100%	C/o Chavero Y Asociados, S.C., Medanos No. 169 Colonia Las Aquilas Delegacion Alvaro Obrego
Mexico	Servicios Anglo American Mexico S.A. de C.V.	100%	Sanchez Mejorada, Velasco y Ribe, S.C., Paseo de la Reforma No. 450 Col. Lomas de Chaptultepec 11000, D.F.
Mongolia	Anglo American Development LLC	100%	Blue Sky Tower, Peace Avenue-17, Ulaanbaatar, 14240
Mozambique	Anglo American Corporation Moçambique Servicos Limitada	100%	7th Flr Predio 33 Andares 25 De Setembro, 1230
Mozambique	Anglo American Corporation Mozambique Ltd	100%	7th, 25 Setembro Ave, Maputo
Mozambique	Anglo American Moçambique Limitada	90%	Pestana Rovuma Hotel Office Centre, 5th Floor / 5º Andar, Rua da Sé 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%	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%	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
Namibia	Oranjemund Private Hospital (Pty) Ltd	43%	10th Floor Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Netherlands(6)	AA Holdings Argentina B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands(6)	Anglo American (NA) 1 B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands(6)	Anglo American (NA) 3 B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands(6)	Anglo American Exploration B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands(6)	Anglo American Exploration (India) B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands(6)	Anglo American Exploration (Philippines) B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands(6)	Anglo American India Holdings B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands(6)	Anglo American International B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom

See page 174 for footnotes.

ADDITIONAL DISCLOSURES

40. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of equity owned	Registered address
Netherlands[(6)]	Anglo American Netherlands B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands[(6)]	Anglo Operations (Netherlands) B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Element Six N.V.	85%	De Nieuwe Erven 2, 5431 NT, Cuijk
Netherlands[(6)]	Erabas B.V.	78%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Indiapro B.V.	51%	Beversestraat 20, 5431 SH, Cuijk
Netherlands	Kumba International B.V.	70%	Stationsplein 8K, Maastricht, 6221 BT
Netherlands[(6)]	Loma de Niquel Holdings B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands[(6)]	Minorco Exploration (Indonesia) B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands[(6)]	Tarmac International Holdings B.V.	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Papua New Guinea	Anglo American Exploration PNG Limited	100%	Allens, Level 6, Mogoru Moto Building, Champion Parade, Port Moresby, National Capital District
Peru	Anglo American Michiquillay 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%	Calle Esquilache 371, Piso 10, San Isidro, Lima 27
Peru	Anglo American Servicios Perú S.A.	100%	Calle Esquilache 371, Piso 10, San Isidro, Lima 27
Peru	Asociación Michiquillay	100%	Calle Esquilache 371, Piso 10, San Isidro, Lima 27
Peru	Asociación Quellaveco	100%	Calle 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 Phitex Building, Brixton Street, Pasig, Metro Manila
Philippines	Northern Luzon Exploration & Mining Co Inc.	40%	27 Phitex Building, Brixton Street, Pasig, Metro Manila
Portugal	Anglo American Corporation De Portugal SARL	95%	244 Avenida Da Liberdade, Lisbon
Singapore	Anglo American Exploration (Singapore) Pte. Ltd.	100%	10 Collyer Quay, #38-00 Ocean Financial Centre, 049315
Singapore	Anglo American Mongolia Holdings Pte. Ltd.	100%	10 Collyer Quay, #38-00 Ocean Financial Centre, 049315
Singapore	De Beers Auction Sales Singapore Pte. Ltd.	85%	10 Collyer Quay, #03-04 Ocean Financial Centre, 049315
Singapore	Kumba Singapore Pte. Ltd.	53%	10 Collyer Quay, #38- 00 Ocean Financial Centre, 049315
Singapore	MR Iron Ore Marketing Services Singapore Pte. Ltd.	50%	10 Collyer Quay, #38- 00 Ocean Financial Centre, 049315
South Africa	ACRO (Hanise) (Pty) Ltd	100%	44 Main Street, Gauteng, 1627
South Africa	A E F Mining Services (Pty) Ltd	25%	Zommerlust Building, Rietbok Road, Kathu, 8446
South Africa	Africa 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%	2nd Floor, Genesis House, 27 Fricker Road, Illovo, 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 (Mozambique) (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%	2nd Floor, Genesis House, 27 Fricker Road, Illovo, 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 Estate, Lourensford Road, Somerset West, 7130
South Africa	Anglo American Farms Investment Holdings (Pty) Ltd	100%	Vergelegen Wine Estate, 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%	2nd Floor, Genesis House, 27 Fricker Road, Illovo, 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	50%	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 Coal Investment Africa (Botswana) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo Corporate Enterprises (Pty) Ltd	100%	55 Marshall 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	Anglo Ventures (SA) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Zimele Business Support Services (Pty) Ltd	100%	55 Marshall 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) Ltd	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%	5 Jellicoe Avenue, Rosebank, Johannesburg, 2196
South Africa	Boikgantsho Platinum Mine (Pty) Ltd	38%	82 Grayston Drive, Sandton, Johannesburg, 2196
South Africa	Bokoni Platinum Holdings (Pty) Ltd	38%	4th Floor Atholl, Johannesburg, 2916
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) Ltd	56%	Cnr OR Tambo & Stevenson Str, Klipfontein, Emalahleni, 1034
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

See page 174 for footnotes.

ADDITIONAL DISCLOSURES

40. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of equity owned	Registered address
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 OR Tambo and Beatrix Avenue, Witbank, 1035
South Africa	Danjan (Pty) Ltd	51%	210 Cumberland Avenue, Bryanston, Gauteng, 2021
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%	De Beers House, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	De Beers Marine (Pty) Ltd	85%	De Beers House, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	De Beers Matlafalang Business Development (Pty) Ltd	63%	De Beers House, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	De Beers Sightholder Sales South Africa (Pty) Ltd	63%	De Beers House, 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	DMS Powders (Pty) Ltd	21%	12th Floor Nedbank Building, 81 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	30%	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) Ltd	38%	4th Floor 82 Grayston Drive, Sandton, Johannesburg, 2196
South Africa	Godisa Supplier Development Fund (Pty) Ltd	50%	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
South Africa	Hoddle Investment Holdings 6 (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Hotazel Manganese Mines (Pty) Ltd	30%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	Identity Development Fund Managers (Pty) Ltd	20%	1st Floor, Etana House, 22 Oxford Road, Parktown, 2193
South Africa	Ingagane Colliery (Pty) Ltd	98%	55 Marshall Street, Johannesburg, 2001
South Africa	Invincible Trading 14 (Pty) Ltd	20%	16 Euclid Road, Industria East, Ext 3, Germiston, 1400
South Africa	KIO Investments Holdings (Pty) Ltd	70%	124 Akkerboom Street, Building 2B, Centurion, 0157
South Africa	Kumba BSP Trust	53%	124 Akkerboom Street, Building 2B, Centurion, 0157
South Africa	Kumba Iron Ore Limited	70%	124 Akkerboom Street, Building 2B, Centurion, 0157
South Africa	Kwanda Platinum Mine (Pty) Ltd	38%	82 Grayston Drive, Sandton, 2146
South Africa	Lansan Investment Holdings (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Lebowa Platinum Mines Limited	38%	4th Floor Atholl, Johannesburg, 2916
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%	44 Main Street, Johannesburg, 2001
South Africa	Main Place Holdings Limited	39%	4 Stirling Street, Zonnebloem, Western Cape, 7295
South Africa	Main Street 1252 (Pty) Ltd	63%	De Beers House, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	Manganore Iron Mining Limited	46%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	Manngwe Mining (Pty) Ltd	25%	Suite 105D, Lorgadia Building, Embankment Road, Centurion, 0157
South Africa	Maotsi Stone Crushers (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
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	29%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	Mindset Coal Consultancy Services CC	36%	298 Stokkiesdraai Street, Erasmusrand, Pretoria, 0181
South Africa	Modikwa Mining Personnel Services (Pty) Ltd	39%	29 Impala Road, Chislehurston, Sandton, Gauteng, 2196
South Africa	Modikwa Platinum Mine (Pty) Ltd	39%	29 Impala Road, Chislehurston, Sandton, Gauteng, 2196
South Africa	Mogalakwena Platinum Mines	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Mototolo Holdings (Pty) Ltd	39%	55 Marshall Street, Johannesburg, 2001
South Africa	Muvhuso Minerals (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Ndowana Exploration (Pty) Ltd	42%	36 Stockdale Street, Kimberley, 8301
South Africa	Newshelf 480 (Pty) Ltd	55%	44 Main Street, Johannesburg, 2001
South Africa	Newshelf 1316 (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Nkangala Bucket Repair Services (Pty) Ltd	19%	9 Milli Street, Middelburg, Mpumalanga, 1055
South Africa	Norsand Holdings (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Peglerae Hospital (Pty) Ltd	31%	21 Oxford Manor, Rudd & Chaplin Roads, Illovo, Johannesburg, 2196
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%	55 Marshall Street, Johannesburg, 2001
South Africa	Platmed Properties (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Platmed(Pty)Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Polokwane Iron Ore (Pty) Ltd	27%	124 Akkerboom Street, Building 2B, Centurion, 0157
South Africa	Ponahalo Investments (Pty) Ltd	0%[(10)]	De Beers House, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	Pro Enviro (Pty) Ltd	20%	Greenside Colliery, PTN off 331, Groenfontein, Black Hills, 1032
South Africa	R A Gilbert (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001

See page 174 for footnotes.

ADDITIONAL DISCLOSURES

40. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation(1)(2)	Name of undertaking	Percentage of equity owned	Registered address
South Africa	Ravenswood House (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Reitpoort Mining (Pty) Ltd	100%	44 Main 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, Kwa Zulu Natal, 3900
South Africa	Richtrau No. 123 (Pty) Ltd	20%	55 Marshall Street, Johannesburg, 2001
South Africa	Rietvlei Mining Company (Pty) Ltd	20%	Vunani House, Athol Ridge Office Park, 151 Katherine Street, Sandton, 2196
South Africa	Roodepoortjie Resources (Pty) Ltd	49%	16 North Road, Dunkeld Court, Dunkeld West, 2196
South Africa	Rustenburg Platinum Mines Limited	78%	55 Marshall Street, Johannesburg, 2001
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	Sheba's Ridge Platinum (Pty) Ltd	27%	Libanon Business Park, Hospital Street Off Cedar Avenue, Westonaria, Gauteng, 1779
South Africa	Sibelo Resource Development (Pty) Ltd	53%	124 Akkerboom Street, Building 2B, Centurion, 0157
South Africa	SIOC International Finance (Pty) Ltd	53%	124 Akkerboom Street, Building 2B, Centurion, 0157
South Africa	Sishen Iron Ore Company (Pty) Ltd	53%	124 Akkerboom Street, Building 2B, Centurion, 0157
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	Sunbali Flowers (Pty) Ltd	20%	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	Tshipi Kwena Steel (Pty) Ltd	100%	12 Piketberg Street, Helderkruin Ext. 7, Roodepoort, 1724
South Africa	Vergelegen Wine Estate (Pty) Ltd	100%	Vergelegen Wine Estate, Lourensford Road, Somerset West, 7130
South Africa	Vergelegen Wines (Pty) Ltd	100%	Vergelegen Wine Estate, Lourensford Road, Somerset West, 7130
South Africa	Vika Investments Holdings (Pty) Ltd	49%	44 Main Street, Johannesburg, 2001
South Africa	Vumo MRF (Pty) Ltd	100%	55 Marshall Street, Johannesburg, 2001
South Africa	Whiskey Creek Management Services (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Zimshelf Four Investment Holdings (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Zimshelf One Investment Holdings (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Zimshelf Three Investment Holdings (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Zimshelf Two Investment Holdings (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
Sweden	Element Six AB	51%	Box 505, S-915 23, Robertsfors
Switzerland	De Beers Centenary AG	85%	Hertensteinstrasse 66, CH-6000, Lucerne 6
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%	Jöchlerweg 2, Baar, CH-6340
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
United Kingdom	AP Ventures LLP	50%	C/O Hackwood Secretaries Limited, One Silk Street, London, EC2Y 8HQ
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	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	100%(4)	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	100%(4)	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	100%(4)	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	100%(4)	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	100%	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	Aurumar Alaska Holdings Ltd (UK)	85%	17 Charterhouse Street, London, EC1N 6RA

See page 174 for footnotes.

ADDITIONAL DISCLOSURES

40. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of equity owned	Registered address
United Kingdom	Birchall Gardens LLP	50%	Grant Thornton UK LLP, 300 Pavilion Drive, Northampton, Northamptonshire, NN4 7YE
United Kingdom	Charterhouse CAP Ltd	85%	17 Charterhouse Street, London, EC1N 6RA
United Kingdom	Curtis Fitch Limited	21%	6th Floor, Eagle Tower, Montpellier Drive, Cheltenham, Gloucestershire, GL50 1TA
United Kingdom	De Beers Diamond Jewellers Ltd	43%	45 Old Bond Street, London, W1S 4QT
United Kingdom	De Beers Diamond Jewellers Trade Mark Limited	43%	45 Old Bond Street, London, W1S 4QT
United Kingdom	De Beers Diamond Jewellers UK Ltd	43%	45 Old Bond Street, London, W1S 4QT
United Kingdom	De Beers Intangibles Ltd	85%	17 Charterhouse Street, London, EC1N 6RA
United Kingdom	De Beers Trademarks Ltd	85%	17 Charterhouse Street, London, EC1N 6RA
United Kingdom	De Beers UK Ltd	85%	17 Charterhouse Street, London, EC1N 6RA
United Kingdom	Ebbsfleet Property Limited	50%	Grant Thornton UK LLP, 300 Pavilion Drive, Northampton, Northamptonshire, NN4 7YE
United Kingdom	Element Six (Production) Ltd	51%	Global Innovation Centre, Fermi Avenue, Harwell, Didcot, Oxfordshire, OX11 0QR
United Kingdom	Element Six (UK) Ltd	51%	Global Innovation Centre, Fermi Avenue, Harwell, Didcot, Oxfordshire, OX11 0QR
United Kingdom	Element Six Holdings Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Element Six Ltd	85%	Global Innovation Centre, Fermi Avenue, Harwell, Didcot, Oxfordshire, OX11 0QR
United Kingdom	Element Six Technologies Ltd	85%	Global Innovation Centre, Fermi Avenue, Harwell, 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%	17 Charterhouse Street, London, EC1N 6RA
United Kingdom	IIDGR (UK) Limited	85%	17 Charterhouse Street, London, EC1N 6RA
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%	Grant Thornton UK LLP, 300 Pavilion Drive, Northampton, Northamptonshire, NN4 7YE
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 Ltd	85%	17 Charterhouse Street, London, EC1N 6RA
United Kingdom	Security Nominees Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Swanscombe Development LLP	50%	Grant Thornton UK LLP, 300 Pavilion Drive, Northampton, Northamptonshire, NN4 7YE
United Kingdom	The Diamond Trading Company Limited	85%	17 Charterhouse Street, London, EC1N 6RA
United States	Anglo American Exploration (USA), Inc.	100%	Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801
United States	Anglo American US (Pebble) LLC	100%	2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, DE 19808
United States	Anglo American US (Utah) Inc.	100%	2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, DE 19808
United States	Big Hill, LLC	55%	2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, DE 19808
United States	Coal Marketing Company (U.S.A.) Inc.	33%	1180 Peachtree Street, Suite 2420, Atlanta, GA 30309
United States	De Beers Diamond Jewellers US, Inc.	43%	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 US Corporation	51%	24900 Pitkin Road, Suite 250, Spring, TX 77386
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, NY 10017
United States	Primus Power Corporation	28%	3967 Trust Way, Hayward, CA 94545
United States	Anglo American US Holdings Inc.	100%	2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, DE 19808
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 Níquel C.A.	98%	Torre Humboldt, floor 9, office 09-07, Rio Caura Street, Prados del Este. Caracas 1080
Zambia	Ambase Exploration (Zambia) (Pty) Ltd	100%	Building 3, Acacia Park, Stand No 22768, Thabo Mbeki Road, Lusaka
Zambia	Anglo Exploration (Zambia) Limited	100%	Plot 2386, Longolongo Road, Lusaka
Zambia	Zamanglo Prospecting Limited	100%	Building 3, Acacia Park, Stand No 22768, Thabo Mbeki Road, Lusaka
Zimbabwe	Addon Investments (Private) Limited	100%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Amzim Holdings Limited	78%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Anglo American Corporation Zimbabwe Limited	100%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Broadlands Park Limited	100%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Southridge Limited	100%	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) Tax resident in Colombia.
(4) 100% direct holding by Anglo American plc.
(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) 5% direct holding by Anglo American plc.
(8) 2% 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.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

Balance sheet of the Company, Anglo American plc, as at 31 December 2016

US$ million	Note	2016	2015
Fixed assets			
Investment in subsidiaries	1	**29,344**	15,125
Current assets			
Amounts due from subsidiaries		**576**	15,067
Cash at bank and in hand		**8**	15
		584	15,082
Creditors due within one year			
Amounts owed to group undertakings		**(200)**	(231)
		(200)	(231)
Net current assets		**384**	14,851
Total assets less current liabilities		**29,728**	29,976
Net assets		**29,728**	29,976
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	**22,528**	22,776
Total shareholders' funds (equity)		**29,728**	29,976

The loss after tax for the year of the Company amounted to $343 million (2015: profit of $1,850 million).

The financial statements of Anglo American plc, registered number 03564138, were approved by the Board of directors on 20 February 2017 and signed on its behalf by:

Mark Cutifani
Chief Executive

René Médori
Finance Director

Financial statements

1) Investment in subsidiaries

US$ million	2016	2015
Cost		
At 1 January	15,142	15,088
Capital contributions[1]	146	54
Additions	14,520	–
At 31 December	29,808	15,142
Provisions for impairment		
At 1 January	(17)	(17)
Charge for the year[2]	(447)	–
At 31 December	(464)	(17)
Net book value	29,344	15,125

[1] This amount is net of $13 million (2015: $78 million) of intra-group recharges.
[2] This relates to an impairment charge of $447 million that was recorded in the year with respect to an equity holding in one of the Company's subsidiaries.

Further information about subsidiaries is provided in note 40 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 2015	772	4,358	115	1,955	21,472	28,672
Profit for the financial year	–	–	–	–	1,850	1,850
Dividends payable to Company shareholders[3]	–	–	–	–	(684)	(684)
Capital contribution to Group undertakings	–	–	–	–	132	132
Other	–	–	–	–	6	6
At 31 December 2015	772	4,358	115	1,955	22,776	29,976
Loss for the financial year	–	–	–	–	(343)	(343)
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

[1] At 31 December 2016 other reserves of $1,955 million (2015: $1,955 million) were not distributable under the Companies Act 2006.
[2] At 31 December 2016 $2,685 million (2015: $2,685 million) of the Company profit and loss account of $22,528 million (2015: $22,776 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 no final dividend in respect of the year ended 31 December 2016 (see note 10 of the Consolidated financial statements).

The audit fee in respect of the Company was $6,323 (2015: $10,613). 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 33.

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 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 judgment 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 de-recognised 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.

Details on the schemes and option pricing models relevant to the charge included in the Company financial statements are set out in note 28 to the Consolidated financial statements of the Group for the year ended 31 December 2016.

SUMMARY BY BUSINESS 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 188.

Marketing activities are allocated to the underlying operation to which they relate.

	Group revenue[1]		Underlying EBITDA		Underlying EBIT		Underlying earnings	
US$ million	2016	2015	2016	2015	2016	2015	2016	2015
De Beers	6,068	4,671	1,406	990	1,019	571	667	258
Mining								
Debswana	n/a	n/a	571	379	543	352	n/a	n/a
Namdeb Holdings	n/a	n/a	184	147	163	120	n/a	n/a
South Africa	n/a	n/a	268	282	172	174	n/a	n/a
Canada	n/a	n/a	79	154	13	65	n/a	n/a
Trading	n/a	n/a	378	107	371	100	n/a	n/a
Other[2]	n/a	n/a	(35)	(30)	(204)	(191)	n/a	n/a
Projects and corporate	–	–	(39)	(49)	(39)	(49)	n/a	n/a
Platinum[3]	4,394	4,900	532	718	185	263	65	168
Mogalakwena	968	1,092	393	496	269	368	n/a	n/a
Amandelbult	739	712	102	97	46	36	n/a	n/a
Other operations	2,687	3,096	77	177	(90)	(89)	n/a	n/a
Projects and corporate	–	–	(40)	(52)	(40)	(52)	n/a	n/a
Copper	3,066	3,539	903	942	261	228	354	67
Los Bronces	1,386	1,852	326	622	(49)	240	n/a	n/a
Collahuasi	1,068	971	569	381	342	167	221	77
Other operations	612	716	83	55	43	(63)	n/a	n/a
Projects and corporate	–	–	(75)	(116)	(75)	(116)	(75)	(89)
Nickel	426	146	57	(3)	(15)	(22)	(57)	(19)
Codemin	82	100	9	20	3	12	(1)	10
Loma de Níquel	–	–	4	3	3	3	2	3
Barro Alto	344	46	54	(14)	(11)	(25)	(48)	(21)
Projects and corporate	–	–	(10)	(12)	(10)	(12)	(10)	(11)
Niobium and Phosphates[4]	495	544	118	146	79	119	78	48
Niobium	137	111	41	40	21	33	22	7
Phosphates	358	433	80	111	61	91	59	45
Projects and corporate	–	–	(3)	(5)	(3)	(5)	(3)	(4)
Iron Ore and Manganese	3,426	3,390	1,536	1,026	1,275	671	566	98
Kumba Iron Ore	2,801	2,876	1,347	1,011	1,135	739	475[5]	280[5]
Iron Ore Brazil	–	–	(6)	(20)	(6)	(21)	4	(61)
Samancor	625	514	258	104	209	22	146	(54)
Projects and corporate	–	–	(63)	(69)	(63)	(69)	(59)[5]	(67)[5]
Coal	5,263	4,888	1,646	1,046	1,112	457	913	292
Australia and Canada	2,547	2,374	996	586	661	190	625	123
South Africa	2,109	1,893	473	345	366	230	258	174
Colombia	607	621	235	168	143	90	85	44
Projects and corporate	–	–	(58)	(53)	(58)	(53)	(55)	(49)
Corporate and other	4	925	(123)	(11)	(150)	(64)	(376)	(85)
Other Mining and Industrial	–	921	(2)	110	(2)	64	3	52
Exploration	–	–	(107)	(152)	(107)	(154)	(99)	(142)
Corporate activities and unallocated costs	4	4	(14)	31	(41)	26	(280)	5
	23,142	23,003	6,075	4,854	3,766	2,223	2,210	827

(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) Anglo American Platinum Limited has restated its results to correct certain computational errors affecting results reported in prior periods. These errors are not considered material to the Group and consequently they have been corrected in the current year in the Group financial statements. See note 3 for further details.
(4) Niobium and Phosphates was sold on 30 September 2016, see note 30.
(5) Of the projects and corporate expense, which includes a corporate cost allocation, $37 million (2015: $42 million) relates to Kumba Iron Ore. The total contribution from Kumba Iron Ore to the Group's underlying earnings is $438 million (2015: $238 million).

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 188.

US$ million (unless otherwise stated)	2016	2015	2014	2013	2012 restated[1]	2011	2010	2009	2008	2007
Income statement measures										
Group revenue	**23,142**	23,003	30,988	33,063	32,785	36,548	32,929	24,637	32,964	30,559
Underlying EBIT	**3,766**	2,223	4,933	6,620	6,253	11,095	9,763	4,957	10,085	9,590
Underlying EBITDA	**6,075**	4,854	7,832	9,520	8,860	13,348	11,983	6,930	11,847	12,132
Revenue	**21,378**	20,455	27,073	29,342	28,680	30,580	27,960	20,858	26,311	25,470
Net finance costs (before special items and remeasurements)	**(209)**	(458)	(256)	(276)	(299)	(20)	(244)	(273)	(452)	(137)
Profit/(loss) before tax	**2,624**	(5,454)	(259)	1,700	(171)	10,782	10,928	4,029	8,571	8,821
Profit/(loss) for the financial year	**1,926**	(5,842)	(1,524)	426	(564)	7,922	8,119	2,912	6,120	8,172
Non-controlling interests	**(332)**	218	(989)	(1,387)	(906)	(1,753)	(1,575)	(487)	(905)	(868)
Profit/(loss) attributable to equity shareholders of the Company	**1,594**	(5,624)	(2,513)	(961)	(1,470)	6,169	6,544	2,425	5,215	7,304
Underlying earnings	**2,210**	827	2,217	2,673	2,860	6,120	4,976	2,569	5,237	5,761
Balance sheet measures										
Capital employed	**31,904**	32,842	43,782	46,551	49,757	41,667	42,135	36,623	29,808	24,401
Net assets	**24,325**	21,342	32,177	37,364	43,738	43,189	37,971	28,069	21,756	24,330
Non-controlling interests	**(5,309)**	(4,773)	(5,760)	(5,693)	(6,127)	(4,097)	(3,732)	(1,948)	(1,535)	(1,869)
Equity attributable to equity shareholders of the Company	**19,016**	16,569	26,417	31,671	37,611	39,092	34,239	26,121	20,221	22,461
Cash flow measures										
Cash flows from operations	**5,838**	4,240	6,949	7,729	7,370	11,498	9,924	4,904	9,579	9,845
Capital expenditure	**(2,387)**	(4,177)	(6,018)	(6,075)	(5,947)	(5,672)	(4,902)	(4,707)	(5,282)	(4,002)
Net debt	**(8,487)**	(12,901)	(12,871)	(10,652)	(8,510)	(1,374)	(7,384)	(11,280)	(11,340)	(4,851)
Metrics and ratios										
Underlying earnings per share (US$)	**1.72**	0.64	1.73	2.09	2.28	5.06	4.13	2.14	4.36	4.40
Earnings per share (US$)	**1.24**	(4.36)	(1.96)	(0.75)	(1.17)	5.10	5.43	2.02	4.34	5.58
Ordinary dividend per share (US cents)	**–**	32	85	85	85	74	65	–	44	124
Ordinary dividend cover (based on underlying earnings per share)	**–**	2.0	2.0	2.5	2.7	6.8	6.4	–	9.9	3.5
Underlying EBIT margin	**16.3%**	9.7%	15.9%	20.0%	19.1%	30.4%	29.6%	20.1%	30.6%	28.4%
Underlying EBIT interest cover[2]	**16.7**	10.1	30.1	35.8	36.8	n/a	34.2	19.6	24.1	33.2
Underlying effective tax rate	**24.6%**	31.0%	29.8%	32.0%	29.0%	28.3%	31.9%	33.1%	33.4%	31.8%
Gearing (net debt to total capital)[3]	**25.9%**	37.7%	28.6%	22.2%	16.3%	3.1%	16.3%	28.7%	34.3%	16.6%

[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	2016	2015
Year end spot rates		
South African rand	13.73	15.47
Brazilian real	3.25	3.96
Sterling	0.81	0.68
Australian dollar	1.38	1.37
Euro	0.95	0.92
Chilean peso	667	709
Botswana pula	10.69	11.25
Average rates for the year		
South African rand	14.70	12.78
Brazilian real	3.48	3.34
Sterling	0.74	0.65
Australian dollar	1.34	1.33
Euro	0.90	0.90
Chilean peso	676	655
Botswana pula	10.89	10.12

Commodity prices		2016	2015
Year end spot prices			
Platinum[1]	US$/oz	898	868
Palladium[1]	US$/oz	670	555
Rhodium[2]	US$/oz	758	644
Copper[3]	US cents/lb	250	213
Nickel[3]	US cents/lb	454	393
Iron ore (62% Fe CFR)[4]	US$/tonne	80	43
Iron ore (66% Fe Concentrate CFR)[5]	US$/tonne	101	46
Thermal coal (FOB South Africa)[6]	US$/tonne	86	49
Thermal coal (FOB Australia)[7]	US$/tonne	94	50
Thermal coal (FOB Colombia)[6]	US$/tonne	94	45
Hard coking coal (FOB Australia)[8]	US$/tonne	200	89
PCI (FOB Australia)[8]	US$/tonne	133	71
Average market prices for the year			
Platinum[1]	US$/oz	989	1,051
Palladium[1]	US$/oz	615	691
Rhodium[2]	US$/oz	681	932
Copper[3]	US cents/lb	221	249
Nickel[3]	US cents/lb	436	536
Iron ore (62% Fe CFR)[4]	US$/tonne	58	56
Iron ore (66% Fe Concentrate CFR)[5]	US$/tonne	69	67
Thermal coal (FOB South Africa)[6]	US$/tonne	64	57
Thermal coal (FOB Australia)[7]	US$/tonne	66	59
Thermal coal (FOB Colombia)[6]	US$/tonne	58	52
Hard coking coal (FOB Australia)[9]	US$/tonne	114	102
PCI (FOB Australia)[9]	US$/tonne	88	84

(1) Source: London Platinum and Palladium Market (LPPM).
(2) Source: Comdaq.
(3) Source: London Metal Exchange (LME).
(4) Source: Platts.
(5) Source: Metal Bulletin.
(6) Source: McCloskey.
(7) Source: globalCOAL.
(8) Source: Represents the quarter four benchmark.
(9) Source: Represents the average quarterly benchmark.

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 (2007 Edition as amended July 2009) 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 2016.

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 2016 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 2016. 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 2016 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 which were disposed of during 2016 and hence not reported are: Kimberley Mines (Diamonds), Rustenburg Mines (Platinum), Boa Vista (Niobium), Chapadão (Phosphates), Callide and Foxleigh (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 2016

Detailed Proved and Probable estimates appear on the referenced pages in the Ore Reserves and Mineral Resources Report 2016.

					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	12	51.1	33.3	153.4
Snap Lake	Kimberlite	85.0	UG	14	7.4	5.9	126.0
Victor	Kimberlite	85.0	OP	3	0.3	1.9	15.8
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	30	24.8	20.2	122.4
Venetia (UG)	Kimberlite		UG		71.3	92.4	77.2
Voorspoed	Kimberlite	62.9	OP	4	0.3	2.0	15.4
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	18	4.7	25.0	18.7
Jwaneng	Kimberlite	42.5	OP	18	138.8	106.4	130.4
Letlhakane	Kimberlite	42.5	OP	1	–	–	–
	TMR			25	8.5	34.9	24.2
Orapa	Kimberlite	42.5	OP	14	144.9	157.3	92.2
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	3	186	2,288	8.13
Mining Area 1	Beaches	42.5	OC	22	49	2,858	1.71
Orange River	Fluvial Placers	42.5	OC	4	139	13,952	1.00
					Saleable Carats (kct)	Area (k m^2)	Recovered Grade (cpm^2)
Atlantic 1	Marine Placers	42.5	MM	20	4,326	46,486	0.09
Midwater	Marine	42.5	MM	2	94	423	0.22
PLATINUM[4] OPERATIONS (See page 18 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		78.0	UG	n/a	8.0	56.4	4.38
UG2 Reef			UG		33.2	248.8	4.15
Platreef	*In situ* + stockpile		OP		124.1	1,413.9	2.73
Main Sulphide Zone			UG		4.9	45.5	3.37
COPPER OPERATIONS (See page 22 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)	Contained Copper (kt)	ROM Tonnes (Mt)	Grade (%TCu)[5]
Collahuasi	Flotation – direct feed	44.0	OP	69	24,809	2,537.1	0.98
	Flotation – low grade stockpile				2,969	550.6	0.54
El Soldado	Flotation	50.1	OP	11	656	82.2	0.80
Los Bronces	Flotation	50.1	OP	24	6,707	1,141.2	0.59
	Dump Leach				1,311	428.6	0.31
NICKEL OPERATIONS (See page 25 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	26	561	40.4	1.39
Niquelândia	Saprolite	100	OP	14	97	7.7	1.26
KUMBA IRON ORE OPERATIONS (See page 26 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)		Saleable Product (Mt)	Grade (%Fe)
Kolomela	Hematite	53.2	OP	18		187	65.0
Sishen	Hematite	53.2	OP	17		412	64.9
IRON ORE BRAZIL OPERATIONS (See page 28 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)		Saleable Product[6] (Mt)	Grade[6] (%Fe)
Serra do Sapo	Friable Itabirite and Hematite	100	OP	45		663	67.5
	Itabirite		OP			565	67.5
SAMANCOR MANGANESE OPERATIONS (See page 29 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)		ROM Tonnes (Mt)	Grade (%Mn)
GEMCO[7]	ROM + Sand Tailings	40.0	OP	8		74.0	44.2
Mamatwan		29.6	OP	17		59.9	37.0
Wessels		29.6	UG	67		93.6	42.2

Estimated Ore Reserves continued

					Proved + Probable	
COAL OPERATIONS – Australia (See page 30 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)	Saleable Tonnes[8] (Mt)	Saleable Quality
Capcoal (OC)*	Metallurgical – Coking	78.3	OC	16	29.7	5.5 CSN
	Metallurgical – Other				45.3	6,830 kcal/kg
	Thermal – Export				7.5	6,190 kcal/kg
Capcoal (UG)*	Metallurgical – Coking	70.0	UG	2	11.2	8.5 CSN
Dawson	Metallurgical – Coking	51.0	OC	12	41.9	7.5 CSN
	Thermal – Export				33.8	6,540 kcal/kg
Grosvenor	Metallurgical – Coking	100	UG	27	128.0	8.5 CSN
Moranbah North	Metallurgical – Coking	88.0	UG	15	89.4	8.0 CSN
COAL OPERATIONS– Canada (See page 30 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)	Saleable Tonnes[8] (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 31 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)	Saleable Tonnes[8] (Mt)	Saleable Quality
Cerrejón	Thermal – Export	33.3	OC	17	545.1	6,080 kcal/kg
COAL OPERATIONS – South Africa (See page 31 in R&R Report for details)		Ownership %	Mining Method	Reserve Life[2] (years)	Saleable Tonnes[8] (Mt)	Saleable Quality
Goedehoop	Thermal – Export	100	UG	10	25.8	6,000 kcal/kg
Greenside	Thermal – Export	100	UG	11	32.5	5,920 kcal/kg
Isibonelo	Synfuel	100	OC	11	49.9	4,750 kcal/kg
Kleinkopje	Thermal – Export	100	OC	9	21.5	6,260 kcal/kg
Kriel	Thermal – Domestic	73.0	UG&OC	4	14.7	4,850 kcal/kg
Landau	Thermal – Export	100	OC	4	8.8	6,190 kcal/kg
	Thermal – Domestic				4.9	4,520 kcal/kg
Mafube	Thermal – Export	50.0	OC	14	29.8	6,050 kcal/kg
	Thermal – Domestic				15.3	5,010 kcal/kg
New Denmark	Thermal – Domestic	100	UG	23	102.5	5,100 kcal/kg
New Vaal	Thermal – Domestic	100	OC	14	226.9	3,660 kcal/kg
Zibulo	Thermal – Export	73.0	UG&OC	17	60.6	5,990 kcal/kg
	Thermal – Domestic				10.2	4,950 kcal/kg

Mining method: OP = Open Pit, UG = Underground, OC = Open Cast/Cut, MM = Marine Mining. TMR = Tailings Mineral Resource. Operations = Mines in steady-state or in ramp-up phase.

* 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, 2007 Edition as amended July 2009). 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.
k¢ = thousand carats. M¢ = million carats. k m^2 = thousand square metres.
Grade is quoted as carats per hundred metric tonnes (cpht) or as carats per square metre (cpm^2).
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.
Snap Lake has been placed on Care & Maintenance. Damtshaa will resume production in H2 2017.
No Diamond Reserves reported for Letlhakane Kimberlite as mining is now scheduled exclusively from Inferred Resources hence one year LOM.

(4) Estimates reported represent 100% of the Ore Reserves attributable to Anglo American Platinum Limited unless otherwise noted.
Details of the individual operations appear in the Anglo American Platinum Limited Ore Reserves and Mineral Resources Report.
4E is the sum of Platinum, Palladium, Rhodium and Gold.

(5) TCu = Total Copper.

(6) Saleable Product tonnes are reported on a wet basis (average moisture content is 9.0 wt% of the wet mass) with quality stated on a dry basis.

(7) GEMCO Manganese grades are reported as per washed ore samples and should be read together with their respective yields, see page 29 in the AA plc R&R Report.

(8) Total Saleable Tonnes represents the product tonnes produced 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 Mines) has been placed on Care & Maintenance.

ESTIMATED MINERAL RESOURCES[1]

as at 31 December 2016

Detailed Measured, Indicated and Inferred estimates appear on the referenced pages in the Ore Reserves and Mineral Resources Report 2016.

				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	3.2	2.3	135.9	17.9	12.9	139.3
Snap Lake	Kimberlite	85.0	UG	7.3	4.1	177.9	29.4	16.6	176.7
Victor	Kimberlite	85.0	OP	0.1	0.5	24.0	0.4	1.6	27.5
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	–	–	–	3.8	22.9	16.5
Venetia (UG)	Kimberlite		UG	–	–	–	59.6	69.9	85.3
Voorspoed	Kimberlite	62.9	OP	0.6	2.1	27.2	3.8	21.8	17.3
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	1.1	4.4	25.0	4.9	19.0	25.8
Jwaneng	Kimberlite	42.5	OP	106.1	114.2	92.9	63.5	77.0	82.5
	TMR			–	–	–	15.9	34.5	46.1
Letlhakane	Kimberlite	42.5	OP	7.0	22.2	31.7	5.2	18.9	27.7
	TMR			–	–	–	14.1	54.8	25.8
Orapa	Kimberlite	42.5	OP	299.3	295.4	101.3	58.6	68.2	85.8
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	204	3,176	6.43	2,819	37,959	7.43
Mining Area 1	Beaches	42.5	OC	324	20,897	1.55	3,027	193,336	1.57
Orange River	Fluvial Placers	42.5	OC	292	78,790	0.37	173	47,543	0.36
				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	9,074	128,675	0.07	86,054	1,073,288	0.08
Midwater	Marine	42.5	MM	502	1,970	0.25	481	2,249	0.21
PLATINUM[4] OPERATIONS (See page 19 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		78.0	UG	83.3	488.5	5.31	86.1	540.6	4.95
UG2 Reef			UG	185.8	1,096.8	5.27	94.6	536.4	5.49
Platreef			OP	94.8	1,304.3	2.26	72.2	1,134.8	1.98
Main Sulphide Zone			UG	18.1	134.8	4.18	6.3	46.0	4.25
COPPER OPERATIONS (See page 23 in R&R Report for details)		Ownership %	Mining Method	Contained Copper (kt)	Tonnes (Mt)	Grade (%TCu)[5]	Contained Copper (kt)	Tonnes (Mt)	Grade (%TCu)[5]
Collahuasi	Heap Leach	44.0	OP	559	83.3	0.67	277	52.2	0.53
	Flotation – direct feed			7,450	783.8	0.95	29,371	3,204.1	0.92
	Flotation – low grade stockpile			5,015	1,166.4	0.43	7,269	1,597.2	0.46
El Soldado	Flotation	50.1	OP	790	138.7	0.57	65	14.7	0.44
Los Bronces	Flotation	50.1	OP	13,414	3,126.4	0.43	7,025	1,621.8	0.43
	Dump Leach			–	–	–	27	8.6	0.31
NICKEL OPERATIONS (See page 25 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	87	7.4	1.19	400	29.3	1.36
	Ferruginous Laterite			87	7.2	1.21	22	1.8	1.23
Niquelândia	Saprolite	100	OP	41	3.2	1.30	–	–	–
KUMBA IRON ORE OPERATIONS (See page 26 in R&R Report for details)		Ownership %	Mining Method		Tonnes (Mt)	Grade (%Fe)		Tonnes (Mt)	Grade (%Fe)
Kolomela	Hematite	53.2	OP		94.9	62.9		109.3	64.0
Sishen	Hematite	53.2	OP		341.1	51.9		92.9	51.3
IRON ORE BRAZIL OPERATIONS (See page 28 in R&R Report for details)		Ownership %	Mining Method		Tonnes[6] (Mt)	Grade[6] (%Fe)		Tonnes[6] (Mt)	Grade[6] (%Fe)
Serra do Sapo	Friable Itabirite and Hematite	100	OP		409.4	32.5		96.0	35.7
	Itabirite				1,441.6	30.8		556.6	31.1
SAMANCOR MANGANESE OPERATIONS (See page 29 in R&R Report for details)		Ownership %	Mining Method		Tonnes (Mt)	Grade (%Mn)		Tonnes (Mt)	Grade (%Mn)
GEMCO[7][8]	ROM + Sand Tailings	40.0	OP		131.9	42.4		36.8	41.2
Mamatwan[7]		29.6	OP		91.4	35.0		0.3	34.3
Wessels[7]		29.6	UG		143.5	42.3		3.2	46.0

Estimated Mineral Resources continued

COAL OPERATIONS – Australia (See page 32 in R&R Report for details)	Ownership %	Mining Method	Measured + Indicated MTIS[9] (Mt)	Measured + Indicated Coal Quality (kcal/kg)	Total Inferred[2] MTIS[9] (Mt)	Total Inferred[2] Coal Quality (kcal/kg)
Capcoal (OC)*	78.3	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	353.9	6,770	207.9	6,730
Grosvenor	100	UG	194.4	6,580	37.3	6,650
Moranbah North	88.0	UG	72.0	6,670	2.2	6,710
COAL OPERATIONS – Canada (See page 32 in R&R Report for details)	Ownership %	Mining Method	MTIS[9] (Mt)	Coal Quality (kcal/kg)	MTIS[9] (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 33 in R&R Report for details)	Ownership %	Mining Method	MTIS[9] (Mt)	Coal Quality (kcal/kg)	MTIS[9] (Mt)	Coal Quality (kcal/kg)
Cerrejón	33.3	OC	3,674.9	6,570	644.7	6,470
COAL OPERATIONS – South Africa (See pages 33 in R&R Report for details)	Ownership %	Mining Method	MTIS[9] (Mt)	Coal Quality (kcal/kg)	MTIS[9] (Mt)	Coal Quality (kcal/kg)
Goedehoop	100	UG	197.1	5,340	7.9	4,770
Greenside	100	UG	23.8	5,720	0.2	5,590
Isibonelo	100	UG	16.8	5,400	–	–
Kleinkopje	100	OC	–	–	3.7	6,070
Kriel	73.0	UG&OC	99.4	4,850	–	–
Landau	100	OC	82.9	5,190	18.1	5,500
Mafube	50.0	OC	75.1	5,090	–	–
New Denmark	100	UG	70.3	5,790	–	–
Zibulo	73.0	UG&OC	327.1	4,920	249.0	4,760

Mining method: OP = Open Pit, UG = Underground, OC = Open Cast/Cut, MM = Marine Mining. TMR = Tailings Mineral Resource. Operations = Mines in steady-state or in ramp-up phase.

* 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, 2007 Edition as amended July 2009). 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.

(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.
k¢ = thousand carats. M¢ = million carats. k m^2 = thousand square metres.
Grade is quoted as carats per hundred metric tonnes (cpht) or as carats per square metre (cpm^2).
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) The figures reported represent 100% of the Mineral Resources attributable to Anglo American Platinum Limited unless otherwise noted.
Details of the individual operations appear in the Anglo American Platinum Limited Ore Reserves and Mineral Resources Report.
Merensky Reef and UG2 Reef 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.
4E is the sum of Platinum, Palladium, Rhodium and Gold.

(5) TCu = Total Copper.

(6) Tonnes and grades are reported on a dry basis.

(7) Mineral Resources are quoted as inclusive of those used to calculate Ore Reserves and must not be added to the Ore Reserves.

(8) GEMCO Manganese grades are reported as per washed ore samples and should be read together with their respective yields, see page 29 in the AA plc R&R Report.

(9) 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)
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)
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)
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)
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
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 new water consumed
Total amount of water used is the total new or make-up water entering the operation and used for the operation's primary operational activities and is measured in million m^3.

Greenhouse gases (GHGs)

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

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)

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 which 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

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

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.

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 2016.
- Non-financial APMs: These measures incorporate certain non-financial information which 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 or one-off factors 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 non-recurring 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 (costs)/ income and tax	• Operating and non-operating special items and remeasurements • Underlying EBIT from associates and joint ventures	• Exclude the impact of non-recurring items or certain accounting adjustments that can mask underlying changes in performance • Exclude the effect of different basis of consolidation to aid comparability
Underlying EBITDA	Profit/(loss) before net finance (costs)/ income and tax	• Operating and non-operating special items and remeasurements • Depreciation and amortisation • Underlying EBITDA from associates and joint ventures	• Exclude the impact of non-recurring items or certain accounting adjustments that can mask underlying changes in performance • 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 non-recurring items or certain accounting adjustments that can mask underlying changes in performance
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 non-recurring items or certain accounting adjustments that can mask underlying changes in performance • 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 non-recurring items or certain accounting adjustments that can mask underlying changes in performance
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	• Not applicable	• Not applicable
Driving Value ROCE	No direct equivalent	• Not applicable	• Not applicable

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 3 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 (costs)/income and tax', the closest equivalent IFRS measure to underlying EBIT is provided within note 3 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 (costs)/income and tax', the closest equivalent IFRS measure to underlying EBITDA, is provided within note 3 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 9 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 8 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 9 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 19, before taking into account the effect of debit valuation adjustments explained in note 18). A reconciliation to the Consolidated balance sheet is provided within note 23 to the Consolidated financial statements.

(1) Special items and remeasurements are defined in note 6 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 22 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.

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 15 and LTIP 16 and is proposed to be used in LTIP 17. Capital employed by segment is disclosed in note 3 to the Consolidated financial statements.

Driving Value ROCE
Driving Value ROCE is used for the measurement of LTIP 14 only. It is calculated using Attributable ROCE adjusted for non-recurring items that do not impact cash performance:

- Impairments announced after 10 December 2013 are added back to total capital employed (unless the impairment resulted from the asset being taken out of service).
- Earnings and return impacts from impairments (due to reduced depreciation or amortisation expense) are excluded from earnings.
- The De Beers fair value uplift which resulted from the revaluing upward of the Group's 45% share in De Beers, owned at the time of acquisition of a further 40% in 2012, is removed from 2012 capital employed onwards.

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 (e.g. Minas-Rio, Gahcho Kué) 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)
- 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 2016 with 2015, the sales volume and cash cost variances exclude the impact of price, foreign exchange and CPI and are hence in real 2015 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 Collahuasi in the Copper segment and De Beers' joint operations which are quoted on a 100% basis.[1]

	2016	2015
De Beers		
Carats recovered 100% basis (unless otherwise stated)		
Orapa	7,931,000	9,877,000
Letlhakane	595,000	506,000
Damtshaa	–	221,000
Jwaneng	11,975,000	9,764,000
Debswana	20,501,000	20,368,000
Namdeb	404,000	494,000
Debmarine Namibia	1,169,000	1,270,000
Namdeb Holdings	1,573,000	1,764,000
Kimberley	68,000	837,000
Venetia	3,517,000	3,132,000
Voorspoed	649,000	704,000
DBCM	4,234,000	4,673,000
Snap Lake	3,000	1,243,000
Victor	596,000	644,000
Gahcho Kué (51% basis)	432,000	–
De Beers Canada	1,031,000	1,887,000
Total carats recovered	27,339,000	28,692,000
Sales volumes		
Total sales volume (100%) (Mct)	32.0	20.6
Consolidated sales volume (Mct)[2]	30.0	19.9
Number of Sights (sales cycles)	10	10
Platinum		
Refined production		
Platinum (troy oz)	2,334,700	2,458,800
Palladium (troy oz)	1,464,200	1,594,900
Rhodium (troy oz)	317,400	305,200
Copper refined (tonnes)[3]	14,100	16,800
Copper matte (tonnes)[3]	–	300
Nickel refined (tonnes)[3]	25,400	25,400
Nickel matte (tonnes)[3]	–	400
Gold (troy oz)	108,200	113,000
Produced ounces Platinum (troy oz)	2,381,900	2,337,300
Mogalakwena (troy oz)	411,900	392,500
Amandelbult (troy oz)	466,500	437,500
Unki (troy oz)	74,500	66,500
Independently managed (troy oz)[4]	784,900	768,500
Rustenburg (troy oz)[5]	377,400	478,100
Union (troy oz)	151,300	141,100
Other (troy oz)[6]	115,400	53,100
4E built-up head grade (g/tonne milled)[7]	3.16	3.23
Platinum sales volumes	2,415,700	2,471,400
Copper (tonnes) on a contained metal basis unless stated otherwise[8]		
Collahuasi 100% basis (Anglo American share 44%)		
Ore mined	67,602,600	79,573,500
Ore processed – Oxide	–	4,653,900
Ore processed – Sulphide	49,406,800	43,790,600
Ore grade processed – Oxide (% ASCu)[9]	–	0.63
Ore grade processed – Sulphide (% TCu)[10]	1.22	1.15
Production – Copper cathode	4,800	22,200
Production – Copper in concentrate	501,800	433,100
Total copper production for Collahuasi	506,600	455,300
Anglo American's share of copper production for Collahuasi[11]	222,900	200,300
Anglo American Sur		
Los Bronces mine[12]		
Ore mined	51,109,700	50,258,500
Marginal ore mined	34,189,300	39,252,600
Ore processed – Sulphide	47,697,000	45,396,900
Ore grade processed – Sulphide (% TCu)	0.67	0.92
Production – Copper cathode	36,000	35,000
Production – Copper in concentrate	271,200	366,700
Production total	307,200	401,700
El Soldado mine[12]		
Ore mined	7,339,100	5,208,100
Ore processed – Sulphide	6,964,400	5,965,400
Ore grade processed – Sulphide (% TCu)	0.85	0.77
Production – Copper cathode	–	200
Production – Copper in concentrate	47,000	35,800
Production total	47,000	36,000
Chagres Smelter[12]		
Ore smelted	133,800	149,100
Production	130,800	145,100
Total copper production for Anglo American Sur	354,200	437,700

See page 193 for footnotes.

	2016	2015
Copper (tonnes) (continued)		
Anglo American Norte		
Mantos Blancos mine		
Ore processed – Sulphide	–	2,835,500
Ore grade processed – Sulphide (% TCu)	–	0.76
Production – Copper cathode	–	20,400
Production – Copper in concentrate	–	18,100
Production total	–	38,500
Mantoverde mine		
Ore processed – Oxide	–	6,605,300
Ore processed – Marginal ore	–	5,944,800
Ore grade processed – Oxide (% ASCu)	–	0.52
Ore grade processed – Marginal ore (% ASCu)	–	0.21
Production – Copper cathode	–	32,300
Total copper production for Anglo American Norte	–	70,800
Total Copper segment copper production	860,800	963,800
Total attributable copper production(13)	577,100	708,800
Total attributable payable copper production	557,100	686,900
Attributable sales volumes	577,800	705,600
Total attributable payable sales volumes	557,900	683,500
Third party sales(14)	62,000	41,400
Nickel (tonnes) unless stated otherwise(15)		
Barro Alto		
Ore mined	2,630,700	2,943,600
Ore processed	2,357,100	1,472,800
Ore grade processed – %Ni	1.76	1.78
Production	35,500	21,300
Codemin		
Ore mined	6,800	8,600
Ore processed	589,600	591,100
Ore grade processed – %Ni	1.71	1.69
Production	9,000	9,000
Total Nickel segment nickel production	44,500	30,300
Sales volumes	44,900	32,000
Niobium and Phosphates(16)		
Niobium (tonnes) unless otherwise stated		
Ore mined	2,229,100	2,131,700
Ore processed	1,680,600	2,231,300
Ore grade processed – %Nb	0.98	0.96
Production	4,700	6,300
Sales volumes	4,600	5,100
Phosphates (tonnes) unless otherwise stated		
Concentrate	1,033,400	1,341,400
Concentrate grade – $\%P_2O_5$	36.9	36.8
Phosphoric acid	233,600	265,100
Fertiliser	864,300	1,110,800
High analysis fertiliser	157,600	172,700
Low analysis fertiliser	706,700	938,100
Dicalcium phosphate (DCP)	113,900	147,300
Fertiliser sales volumes	972,700	1,060,100
Iron Ore and Manganese (tonnes)		
Kumba Iron Ore		
Lump	26,801,500	29,003,100
Fines	14,674,400	15,875,100
Total Kumba production	41,475,900	44,878,200
Sishen	28,380,000	31,392,800
Kolomela	12,726,300	12,054,400
Thabazimbi	369,600	1,431,000
Total Kumba production	41,475,900	44,878,200
Kumba sales volumes		
RSA export iron ore	39,060,400	43,560,000
RSA domestic iron ore	3,423,300	4,276,800
Minas-Rio		
Pellet feed (wet basis)	16,140,900	9,174,200
Minas-Rio sales volumes		
Export – pellet feed (wet basis)	16,210,500	8,467,600
Samancor		
Manganese ore(17)	3,133,100	3,111,600
Manganese alloys(17)(18)	137,800	213,600
Samancor sales volumes		
Manganese ore	3,279,200	3,084,700
Manganese alloys	170,000	203,300

See page 193 for footnotes.

	2016	2015
Coal (tonnes)		
Australia		
Metallurgical – Export Coking	16,199,900	15,907,900
Metallurgical – Export PCI	4,675,800	5,300,300
Production total	20,875,700	21,208,200
Thermal – Export	3,957,500	5,280,500
Thermal – Domestic	5,553,400	7,051,600
Production total	9,510,900	12,332,100
South Africa		
Thermal – Export	17,872,400	17,403,600
Thermal – Domestic (Eskom)	28,699,300	26,021,200
Thermal – Domestic (Non-Eskom)	7,188,200	6,843,900
Production total	53,759,900	50,268,700
Colombia		
Thermal – Export	10,667,900	11,074,300
Total Metallurgical coal production	20,875,700	21,208,200
Total Export Thermal coal production	32,497,800	33,758,400
Total Domestic Thermal coal production	41,440,900	39,916,700
Total Coal production	94,814,400	94,883,300
Weighted average achieved US$/t FOB prices		
Australia and Canada		
Metallurgical – Export HCC	119	94
Metallurgical – Export PCI	77	77
Thermal – Export	55	55
Thermal – Domestic	24	28
South Africa		
Thermal – Export	60	55
Thermal – Domestic	17	19
Colombia		
Thermal – Export	56	55
Sales volumes (own mined)		
Australia and Canada		
Metallurgical – Export[19]	20,658,600	21,093,400
Thermal – Export	4,255,300	5,904,200
Thermal – Domestic	5,375,400	7,049,300
South Africa		
Thermal – Export	19,071,700	19,919,800
Thermal – Domestic	34,480,600	31,691,600
Colombia		
Thermal – Export	10,810,200	11,189,300
Coal by mine (tonnes)		
Australia		
Callide	6,230,800	7,930,400
Capcoal (incl. Grasstree)	6,832,900	8,689,700
Dawson	4,608,700	4,314,500
Drayton	1,167,500	2,122,000
Foxleigh	1,439,400	1,860,600
Grosvenor	1,759,000	499,800
Jellinbah	3,282,300	3,201,500
Moranbah North	5,066,100	4,921,800
Production total	30,386,700	33,540,300
South Africa		
Goedehoop	4,688,600	4,287,200
Greenside	3,945,300	3,876,600
Isibonelo	4,395,000	4,531,800
Kleinkopje	3,867,900	3,152,300
Kriel	6,336,500	6,158,200
Landau	4,317,800	4,268,700
Mafube	1,759,000	1,442,500
New Denmark	2,547,400	2,838,300
New Vaal	15,894,800	14,148,100
Zibulo	6,007,600	5,565,000
Production total	53,759,900	50,268,700
Colombia		
Carbones del Cerrejón	10,667,900	11,074,300
Total Coal production	94,814,400	94,883,300

(1) With the exception of Gahcho Kué, which is on an attributable 51% basis.
(2) Consolidated sales volumes exclude De Beers' JV partners' 50% proportionate share of sales to entities outside the De Beers Group of Companies from the Diamond Trading Company Botswana (DTCB) and the Namibia Diamond Trading Company (NDTC).
(3) Copper and nickel refined through third parties is shown as production of copper matte and nickel matte.
(4) Independently managed operations include: BRPM, Bokoni, Kroondal, Mototolo and Modikwa.
(5) Restated to exclude third party production from Platinum Mile which was not sold as part of the Rustenburg transaction.
(6) Other includes Twickenham and third party purchases including purchased ounces from Rustenburg from 1 November 2016.
(7) 4E: the grade measured as the combined content of the four most valuable precious metals: platinum, palladium, rhodium and gold.
(8) Excludes Anglo American Platinum's copper production.
(9) ASCu = acid soluble copper.
(10) TCu = total copper.
(11) Anglo American's share of Collahuasi production is 44%.
(12) Anglo American ownership interest of Anglo American Sur is 50.1%. Production is stated at 100% as Anglo American consolidates Anglo American Sur.
(13) Difference between total copper production and attributable copper production arises from Anglo American's 44% interest in Collahuasi.
(14) Relates to sales of copper not produced by Anglo American operations.
(15) Excludes Anglo American Platinum's nickel production.
(16) Niobium and Phosphates was sold on 30 September 2016 (see note 30).
(17) Saleable production.
(18) Production includes medium carbon ferro-manganese.
(19) Includes both hard coking coal and PCI sales volumes.

QUARTERLY PRODUCTION STATISTICS

					Quarter ended	% Change (Quarter ended)	
	31 December 2016	30 September 2016	30 June 2016	31 March 2016	31 December 2015	31 December 2016 v 30 September 2016	31 December 2016 v 31 December 2015
De Beers (diamonds recovered – carats)							
100% basis[1]							
Diamonds	7,752,000	6,273,000	6,448,000	6,866,000	7,052,000	24%	10%
Platinum refined production							
Platinum (troy oz)	631,600	694,600	747,600	260,800	744,900	(9)%	(15)%
Palladium (troy oz)	397,400	412,900	472,300	181,600	468,400	(4)%	(15)%
Rhodium (troy oz)	92,200	86,800	90,700	47,700	85,700	6%	8%
Copper refined (tonnes)	3,300	3,800	3,700	3,300	4,700	(13)%	(30)%
Nickel refined (tonnes)	6,200	7,100	6,400	5,700	7,300	(13)%	(15)%
Gold (troy oz)	33,900	24,100	22,300	27,900	29,500	41%	15%
Produced ounces platinum (troy oz)	610,100	619,100	585,700	567,000	598,000	(1)%	2%
Copper (tonnes)[2][3]	146,600	139,800	144,200	146,500	181,400	5%	(19)%
Nickel (tonnes)[4]	10,900	11,300	11,100	11,200	10,500	(4)%	4%
Niobium and Phosphates							
Niobium (tonnes)	–	2,100	1,200	1,400	1,600	–	–
Phosphates (tonnes)							
Concentrate	–	342,400	358,000	333,100	355,700	–	–
Phosphoric Acid	–	80,900	73,600	79,100	63,900	–	–
Fertiliser	–	303,500	285,900	274,900	303,400	–	–
Dicalcium phosphate (DCP)	–	40,900	41,500	31,500	38,700	–	–
Iron Ore and Manganese (tonnes)							
Iron ore – Kumba	11,927,900	11,759,900	8,863,600	8,924,500	10,935,200	1%	9%
Iron ore – Minas-Rio	4,855,300	4,452,400	3,483,800	3,349,400	3,252,500	9%	49%
Manganese ore[5]	804,200	761,700	791,300	775,900	596,000	6%	35%
Manganese alloys[5][6]	37,100	38,900	29,700	32,100	43,500	(5)%	(15)%
Coal (tonnes)							
Australia							
Metallurgical – Export	5,359,700	5,506,600	5,483,300	4,526,100	5,484,300	(3)%	(2)%
Thermal – Export	671,900	1,112,700	1,107,000	1,065,900	1,154,300	(40)%	(42)%
Thermal – Domestic	661,800	1,682,000	1,716,700	1,492,900	1,978,800	(61)%	(67)%
South Africa							
Thermal – Export	4,489,700	4,750,900	4,655,800	3,976,000	3,878,000	(5)%	16%
Thermal – Domestic (Eskom)	7,514,700	8,083,900	6,708,700	6,392,000	5,533,500	(7)%	36%
Thermal – Domestic (Non-Eskom)	1,704,200	1,855,900	1,824,300	1,803,800	1,821,500	(8)%	(6)%
Colombia							
Thermal – Export	2,800,600	2,927,800	2,329,500	2,610,000	2,628,100	(4)%	7%

(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) Excludes Anglo American Platinum's nickel production.
(5) Saleable production.
(6) Production includes medium carbon ferro-manganese.

NON-FINANCIAL DATA

	2016	2015	2014	2013	2012
Safety(1)					
Work-related fatalities	**11**	6	6	15	13
Fatal-injury frequency rate (FIFR)(2)	**0.007**	0.004	0.003	0.008	0.007
Total recordable case frequency rate (TRCFR)(2)	**0.71**	0.93	0.80	1.08	1.29
Lost time injury frequency rate (LTIFR)(2)	**0.37**	0.47	0.35	0.49	0.58
Occupational health(1)					
New cases of occupational disease (NCOD)(2)	**111**	163	175	209	174
Environment(1)					
Total CO_2 emissions (Mt CO_2e)	**17.8**	18.3	17.3	17.1	18.5
Total energy consumed (million GJ)(2)	**105**	106	108	106	113
Total new water consumed (million m^3)(2)	**191**	222	196	201	156
Human Resources(1)(3)					
Women in management (%)(4)	**25**	25	24	23	23
Historically Disadvantaged South Africans in management (%)(5)	**62**	60	60	64	62
Resignations (%)(6)	**2.2**	1.9	2.0	2.0	2.4
Redundancies (%)(7)	**7.1**	3.5	0.9	4.1	0.6
Dismissals (%)(8)	**1.8**	1.4	1.0	1.5	1.4
Other reasons for leaving (%)(9)	**3.5**	4.2	1.9	2.7	2.4
Social(1)					
CSI spend (total in US$ million)(10)	**84**	124	136	127	146
CSI spend (% of underlying EBIT)(10)	**3**	6	3	2	3
Businesses supported through enterprise development initiatives	**62,447**	62,661	58,257	48,111	40,217
Jobs created/maintained through enterprise development programmes	**116,298**	108,423	96,873	76,543	64,927

(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. De Beers data included from September 2012. Divested businesses are included up until the point of divestment.
(2) See pages 186–187 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) Historically Disadvantaged South Africans in management is the percentage of managers at Anglo American in South Africa who are 'Historically Disadvantaged South Africans'.
(6) The number of people who resigned as a percentage of the total workforce excluding contractors.
(7) The number of people who have been retrenched as a percentage of total workforce excluding contractors.
(8) The number of people who have been dismissed or have resigned to avoid dismissal, as a percentage of total workforce excluding contractors.
(9) 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.
(10) 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 2016 is expenditure relating to Zimele ($2.3 million, 2015: $15.9 million).

THE BUSINESS – AN OVERVIEW

as at 31 December 2016

De Beers

Overall ownership: **85%**

100% owned

South Africa
- De Beers Group Services (Exploration and Services)
- De Beers Marine

Synthetic Diamond Supermaterials
- Element Six Technologies

Canada
- De Beers Canada
  - Snap Lake
  - Victor

Sales
- De Beers Global Sightholder Sales
- Auction Sales

Brands
- Forevermark

Other interests

South Africa

De Beers Consolidated Mines[1]	74%
Venetia	
Voorspoed	
De Beers Sightholder Sales South Africa	

Botswana

Debswana[3]	50%
Damtshaa	
Jwaneng	
Orapa	
Letlhakane	

Canada

De Beers Canada	
Gahcho Kué	51%

Namibia

Namdeb Holdings[2]	50%
Namdeb Diamond Corporation	
Mining Area 1	
Orange River	
Elizabeth Bay	
Alluvial Contractors	
Debmarine Namibia	
Atlantic 1	

Sales

DTC Botswana	50%
Namibia DTC	50%

Synthetic Diamond Supermaterials

Element Six Abrasives	60%

Brands

De Beers Diamond Jewellers	50%

Platinum

Overall ownership: **78%[4]**

100% owned

South Africa
- Amandelbult Mine
- Mogalakwena Mine
- Waterval Smelter (including converting process)
- Mortimer Smelter
- Polokwane Smelter
- Rustenburg Base Metals Refinery
- Precious Metals Refinery
- Twickenham Mine

Zimbabwe
- Unki Mine

Other interests

South Africa

Union Mine	85%
Atomatic Trading Proprietary Limited	74%
Masa Chrome Company	50.1%

Joint operations or sharing agreements

Modikwa Platinum Joint Operation	50%
Kroondal Pooling and Sharing Agreement	50%
Mototolo Joint Operation	50%

Associates

Bokoni	49%
Pandora	42.5%
Bafokeng-Rasimone	33%
Atlatsa Resources Corporation	23%
Johnson Matthey Fuel Cells	17.5%

South Africa – other

Wesizwe Platinum Limited	13%
Royal Bafokeng Platinum Limited	11.6%

Copper

Chile

Chagres	50.1%
El Soldado	50.1%
Los Bronces	50.1%
Collahuasi	44%

Peru

Quellaveco	81.9%

Nickel

Overall ownership: **100%**

100% owned

Brazil
- Barro Alto
- Codemin

(1) The 74% interest in De Beers Consolidated Mines (DBCM) is held indirectly through De Beers plc (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%.
(2) The 50% interest in Namdeb Holdings is held indirectly through De Beers. The Group's effective interest in Namdeb Holdings is 42.5%.
(3) The 50% interest in Debswana is held indirectly through De Beers. The Group's effective interest in Debswana is 16.3%.
(4) The Group's effective interest in Anglo American Platinum is 79.6%, which includes shares issued as part of a community empowerment deal.

Iron Ore and Manganese

Kumba Iron Ore (South Africa)	69.7%
Sishen Iron Ore Company[1] (South Africa)	76.3%
Minas-Rio (Brazil)	100%
Ferroport (Brazil)[2]	50%
Samancor (South Africa and Australia)	40%

Coal

100% owned

Australia	
Grosvenor	
Monash Energy Holdings Ltd	
Canada	
Peace River Coal	
South Africa	
Goedehoop	
Greenside	
Isibonelo	
Kleinkopje	
Landau	
New Denmark	
New Vaal	

Other interests

Australia	
Capcoal	70%
Dartbrook	83.3%
Dawson	51%
Drayton	88.2%
Moranbah North	88%
Jellinbah	23.3%
Australia – other	
Dalrymple Bay Coal Terminal Pty Ltd	25.3%
Newcastle Coal Shippers Pty Ltd	17.6%
MBD Energy Ltd	14.8%
South Africa	
Mafube	50%
Phola plant	50%
Kriel[3]	73%
Zibulo[3]	73%
South Africa – other	
Richards Bay Coal Terminal	23.2%
Colombia	
Carbones del Cerrejón	33.3%

Corporate and other

100% owned

Vergelegen (South Africa)

(1) The 76.3% interest in Sishen Iron Ore Company (SIOC) is held indirectly through Kumba Iron Ore, in which the Group has a 69.7% interest. A 3.1% interest in SIOC was previously held by the Kumba Envision Trust for the benefit of participants in Kumba's broad based employee share scheme for non-managerial Historically Disadvantaged South African employees. The Trust met the definition of a subsidiary under IFRS, and was therefore consolidated by Kumba Iron Ore. The earlier mentioned interest in the Kumba Envision Trust is no longer held at year end due to the wind up of the Envision Trust in November 2016. Consequently the effective interest in SIOC included in the Group's results is 53.2%.

(2) Ferroport owns and operates the iron ore handling and shipping facilities at the port of Açu which is currently under construction.

(3) Kriel and Zibulo form part of the Anglo American Inyosi Coal Black Economic Empowerment (BEE) company of which Anglo American owns 73%.

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, 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 66-68
- Directors' interests in shares at 31 December 2016 and any changes thereafter can be found on page 105 of the directors' remuneration report
- Post-balance sheet events are set out in note 36 to the financial statements on page 158
- The Strategic Report on pages 2-64 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 2006
- Details of the Group's governance arrangements and its compliance with the UK Corporate Governance Code (the Code) can be found on pages 65-110
- Comprehensive details of the Group's approach to financial risk management are given in note 38 to the financial statements on page 159
- The Group's disclosure of its greenhouse gas emissions can be found on pages 27-28.

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 38 to the financial statements. The Group's net debt at 31 December 2016 was $8.5 billion (2015: $12.9 billion), representing a gearing level of 25.9% (2015: 37.7%). Details of borrowings and facilities are set out in note 24 and net debt is set out in note 23.

The directors have considered the Group's cash flow forecasts for the period to the end of March 2018. 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

No dividends were paid in respect of the Company's ordinary shares during 2016 and the directors are not recommending a final dividend. 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.

Share capital

The Company's issued share capital as at 31 December 2016, together with details of share allotments and issue of treasury shares during the year, is set out in note 32 on page 155.

Significant shareholdings

The Company has been notified of the following significant shareholdings:

Company	Number of shares	Percentage of voting rights
Public Investment Corporation	186,786,134	13.29%
BlackRock Inc.	78,605,710	5.60%
Silchester International Investors LLP	70,110,363	4.99%
Coronation Asset Management (Pty) Ltd	56,038,671	3.99%
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 7, page 130
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	See page 103
9.8.4(6)	Directors' waivers of future emoluments	See page 103
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 note 32, page 156
9.8.4(13)	Waivers of future dividends	See note 32, page 156
9.8.4(14)	Agreement with a controlling shareholder LR 9.2.2AR(2)(a)	Not applicable

Sustainable development

The Sustainability Report 2016 will be published online on 13 March 2017. 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 are unaware, and 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 2016. 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 2006 (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 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 ordinary and preference 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 that are in uncertificated form may be effected by means of the CREST system.

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; and

(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 10 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. At the 2017 AGM, shareholders will be asked to vote on an ordinary resolution reducing the minimum number of directors from 10 to five.

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 2016, Anglo American had committed bilateral and syndicated borrowing facilities totalling $10.3 billion with a number of relationship banks which contain change of control clauses. $5.4 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 21 April 2016, 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 2016. This authority will expire at the 2017 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
20 February 2017

SHAREHOLDER INFORMATION

Annual General Meeting
Will be held at 14:30 on Monday 24 April 2017, 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, Link Market Services South Africa (Pty) Limited or 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
Before 25 April 2017:

Link Market Services South Africa (Pty) Limited
13th Floor, Rennie House
19 Ameshoff Street, Braamfontein 2001
(PO Box 4844, Johannesburg 2000)
South Africa

Telephone: +27 (0) 11 713 0800
Fax: +27 (0) 86 674 2450

After 25 April 2017:

Computershare Investor Services Pty Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank
PO Box 61051, Marshalltown, 2107
South Africa

Telephone: +27 (0) 11 370 5000
Fax: +27 (0) 11 688 5200

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: 3564138
www.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. New UK shareholders also have the option to elect via their proxy card.

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 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 UK 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 2016
- Notice of 2017 AGM
- Business Unit Sustainability Reports (2016)
- Our Code of Conduct
- The Environment Way
- The Occupational Health Way
- The Projects Way
- The Safety Way
- The Social Way
- 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 sustainable development reports may be found at:
www.angloamerican.com/reportingcentre

If you would like to receive paper copies of Anglo American's publications, please write to:

Investor Relations
Anglo American plc
20 Carlton House Terrace
London SW1Y 5AN
England

Alternatively, publications 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 strategic relationships form an important part of the Group's commitment to a wide range of key sustainability and other objectives.

Designed and produced by
SALTERBAXTER MSLGROUP

This document is printed on Vision Superior which has been independently certified according to the rules of the Forest Stewardship Council® (FSC).

Printed in the UK by Pureprint using its alcofree® and pureprint® environmental printing technology, and vegetable inks were used throughout. Pureprint is a CarbonNeutral® company.

Both manufacturing paper mill and the printer are registered to the Environmental Management System ISO 14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified.

MIX
Paper from responsible sources
FSC® C022913
www.fsc.org

Anglo American plc
20 Carlton House Terrace
London
SW1Y 5AN
England

Tel +44 (0)20 7968 8888
Fax +44 (0)20 7968 8500
Registered number 3564138

www.angloamerican.com

Find us on Facebook
Follow us on Twitter