INTEGRATED ANNUAL REPORT 2018

UNLOCKING OUR FULL POTENTIAL

DISCIPLINED GROWTH FOR A SUSTAINABLE FUTURE

AngloAmerican

Real Mining. Real People. Real Difference.

UNLOCKING OUR FULL POTENTIAL

DISCIPLINED GROWTH FOR A SUSTAINABLE FUTURE

In 2018, we continued to deliver on our clear commitments. Anglo American today is a fundamentally different business – in terms of enhanced performance, financial resilience and returns – and the unlocking of the Group's full potential is our ultimate objective.

Closely aligned with Anglo American's Purpose of re-imagining mining to improve people's lives, and our longstanding reputation as a leader in sustainable mining, our focus is to continue to enhance the quality and cash flow generation of our business through the disciplined allocation of capital, while staying attuned to the demands and expectations of our changing world, so that we grow our business safely, sustainably and responsibly, for the benefit of all.

GROUP PERFORMANCE

REVENUE

$27.6 bn

UNDERLYING EBITDA◊

$9.2 bn

OPERATING PROFIT

$6.1 bn

UNDERLYING EARNINGS PER SHARE◊

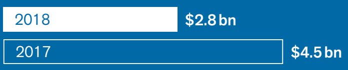
$2.55

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

$3.5 bn

NET DEBT◊

$2.8 bn

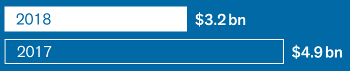


TOTAL DIVIDENDS PER SHARE

$1.00

ATTRIBUTABLE FREE CASH FLOW◊

$3.2 bn



GROUP ATTRIBUTABLE ROCE◊

19%

NUMBER OF FATALITIES

5

TOTAL RECORDABLE CASE FREQUENCY RATE (TRCFR)

2.66

SIGNIFICANT ENVIRONMENTAL INCIDENTS

6

◊ Alternative Performance Measures
Words with this symbol ◊ are defined in the Alternative Performance Measures section of the Integrated Annual Report on pages 208-211.

BASIS OF REPORTING

The Anglo American plc Integrated Annual Report for the year ended 31 December 2018 is produced in compliance with UK regulations. Additionally, we have compiled this report using the Guiding Principles and Content Elements set out in the International Integrated Reporting Council's <IR> Framework.

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

Measuring performance

Throughout the Strategic Report we use a range of financial and non-financial measures to assess our performance. A number of the financial measures are not defined under IFRS so they are termed 'Alternative Performance Measures' (APMs).

We have defined and explained the purpose of each of these measures on pages 208 to 211, 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.

Units

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

Forward-looking statements

This document includes forward-looking statements. For information regarding forward-looking statements please refer to the inside back cover (IBC) of this document.

NON-FINANCIAL INFORMATION STATEMENT

We aim to comply with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The table below is intended to guide stakeholders to where the relevant non-financial information is included within our Strategic Report. Further information on the basis of preparation of our non-financial information can be found in our Sustainability Report 2018.

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IBC Other Anglo American publications and forward-looking statements

Reporting requirement	Policies and standards	Outcomes and additional information	Page reference
Environmental matters	Safety, Health and Environment (SHE) Policy and Way	Managing our environmental impacts	30
	Climate Change Policy	Disclosures related to the recommendations of the TCFD	31
	Energy and GHG Emissions Standard	Climate change	30-32
	Water Policy and Water Management Standard	Water	30
	Mineral Residue Technical Management Standard	Tailings storage facilities	30
Employees	Code of Conduct	Building a Purpose-led culture	39
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	Safety Golden Rules and Fatal Risk Standards	Safety	36
	HIV/AIDS Policy	Health	36 and 38
Human rights	Human Rights Policy	Human rights	33
Social matters	Social Way	Social performance	32-33
	Responsible Sourcing Standard for Suppliers	Supply chain	29
	Supply Chain Local Procurement Policy	Supply chain and Socio-economic development	29 and 33
Anti-corruption and anti-bribery	Code of Conduct and Business Integrity Policy	Building a Purpose-led culture	39
Principal risks and impact of business activity		Our business model	08-09
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Other sources of information

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

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

OUR BUSINESS AT A GLANCE

Anglo American is a leading global mining company with a world class portfolio of mining and processing operations and undeveloped resources. We provide the metals and minerals to meet the growing consumer driven demands of the world's developed and maturing economies. And we do so in a way that not only generates sustainable returns for our shareholders, but that also strives to make a real and lasting positive contribution to society.

DIAMONDS

● **DE BEERS**

$1,245 million
Underlying EBITDA◊

14%
Group underlying EBITDA◊

35.3 Mct
Production (100% basis)[1]

For more information
See page 54

COPPER

● **COPPER**

$1,856 million
Underlying EBITDA◊

20%
Group underlying EBITDA◊

2
Greenfield projects
Peru (Quellaveco)
Finland (Sakatti)

668.3 kt
Production

For more information
See page 57

GLOBAL FOOTPRINT[2]

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[1] With the exception of Gahcho Kué, which is on an attributable 51% basis.

[2] Number of operating mining assets/major projects under development per business unit. More detailed maps can be found in the business unit reviews on pages 54 to 71.

PGMs

● PLATINUM GROUP METALS

$1,062 million
Underlying EBITDA◊

11%
Group underlying EBITDA◊

2,485 koz
Production platinum

1,611 koz
Production palladium

For more information
See page 60

BULK COMMODITIES AND OTHER MINERALS

● IRON ORE

$1,177 million
Underlying EBITDA◊

13%
Group underlying EBITDA◊

43.1 Mt
Production
iron ore – Kumba

3.4 Mt (wet basis)
Production
iron ore – Minas-Rio

For more information
See page 63

● COAL

$3,196 million
Underlying EBITDA◊

35%
Group underlying EBITDA◊

21.8 Mt
Production
metallurgical – export

28.6 Mt
Production
thermal – export

For more information
See page 66

● NICKEL AND MANGANESE

$844 million
Underlying EBITDA◊

9%
Group underlying EBITDA◊

42.3 kt
Production nickel

3.6 Mt
Production manganese ore

For more information
See page 69

CORPORATE AND OTHER

$(219) million
Underlying EBITDA◊

(2)%
Group underlying EBITDA◊

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

For more information
See page 71

GEOGRAPHIC OVERVIEW

NUMBER OF EMPLOYEES[3]

	Thousand
Brazil	3
Chile	4
Other South America	1
North America	1
South Africa	47
Other Africa	4
Australia/Asia	2
Europe	2
	64

WAGES AND BENEFITS PAID[4]

	$m
Brazil	166
Chile	391
Other South America	27
North America	103
South Africa	1,786
Other Africa	211
Australia/Asia	423
Europe	383
	3,490

TAXES BORNE[5]

	$m
Brazil	91
Chile	513
Other South America	4
North America	38
South Africa	761
Other Africa	165
Australia/Asia	847
Europe	96
	2,515

LOCAL PROCUREMENT SPEND[6]

	$m
Brazil	101
Chile	34
Other South America	35
North America	80
South Africa	1,047
Other Africa	715
Australia/Asia	116
Europe	–
	2,128

[3] Average number of employees, excluding contractors and associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

[4] Includes social security costs of $163 million borne by the Group.

[5] Based on numbers disclosed within the Group's income statement and excludes the impact of certain associates and joint ventures.

[6] See page 207 for definition.

MINING WITH PURPOSE

> "Anglo American has long been known as a leader in responsible mining, with numerous examples of progressive and bold business decisions across many decades."
>
> **Stuart Chambers,** Chairman

After my first full year as chairman, I am pleased to report that the realities of how Anglo American does business live up to the promise. This is a company that is not only performing strongly, but that also thinks deeply about its role in society, guided by a clear Purpose.

THE FUTURE OF MINING

As societies in so many different countries and cultures evolve at an ever-quicker pace, and as the demands and expectations of an ever-changing world continue to grow, it is important that Anglo American stays at the forefront of business sustainability. For a global mining business such as ours, this means discovering, mining, processing and marketing many of the essential raw materials that we need to enable and support modern life – and to do so more safely, cleanly and efficiently, with due regard for our host communities and countries, thereby creating sustainable value for our shareholders and our many different stakeholders.

Achieving a smaller physical footprint and making a sustainably relevant contribution to society will require significant change in our ways of extracting and processing mineral-bearing ore. It is this ambition that is the focus of much of our technology and digital work, which in turn will support the clear environmental and social goals we have set ourselves in what I believe to be an industry-leading approach to sustainability.

AN UNCERTAIN MACRO ENVIRONMENT

In 2018, markets were destabilised by a number of factors, the most significant being the trade and political tensions between the USA and China. The resulting trade tariffs between the world's two largest economies introduce numerous uncertainties to the economic prosperity and stability of much of the world, as does the ongoing slowing growth in China itself and other Asian economies. Europe was particularly sluggish, though US growth remained buoyant until the fourth quarter on the back of their administration's fiscal stimulus. Reflecting these developments, the year saw a degree of price volatility for many of our products, albeit with a positive overall effect.

SAFETY

During the year, Anglo American's injury rate continued to trend downwards, reaching a best-ever performance level but, most disappointingly, we experienced five fatal incidents at our managed operations, all in South Africa. Of these, two of our people died underground in our PGM and Coal businesses, reminding us of the urgency of the management team's work to address the underlying issues, including by deploying technologies that will enable us to remove people from the areas of greatest physical risk. Our *Elimination of Fatalities Taskforce* will enable a more thorough understanding of the causes of fatal incidents, in parallel with supporting a focused programme to address the management of fatal risks.

Safety is always No. 1 on the Board's agenda and the Board continues to work closely with management in pursuit of our goal of zero harm. No lesser goal is acceptable.

REAL BUSINESS SUSTAINABILITY

In March 2018, we launched an ambitious approach to sustainability at our annual sustainability performance update to the investment community. Aligned to the UN's 2030 Sustainable Development Goals, this is a key component of our FutureSmart Mining™ programme to transform the physical processes of mining, and the way our Group does business and contributes to society.

> "It is important that Anglo American stays at the forefront of business sustainability."

Our sustainability goals relate to three global pillars: to foster and sustain thriving communities; to create a healthy environment; and to proactively shape policy and ethical standards to drive greater trust and transparency. Its aims are to innovate and deliver step-change results across the entire mining value chain, from mineral discovery to the end customer. As such, we are going far beyond compliance with legal and regulatory requirements by raising the bar on what we believe society rightly expects of us, with clear stretch goals against which to judge our performance, so that we make a comprehensive and lasting impact that will positively transform how all our stakeholders view our business.

FINANCIAL PERFORMANCE

The transformed quality of Anglo American's portfolio under Mark and his management team, and the continuous work at the asset level to further improve our overall competitive position in the industry, are delivering strong operational and financial results.

Most telling is the increase in physical production compared to six years ago, from half the number of operating assets and with substantially fewer people. Production per employee in 2018, on a copper equivalent basis, was double that of 2012. This has been achieved through upgrading the quality of the portfolio and the successful implementation of the Group's Operating Model to drive stability and performance.

The cash generation of the business continues to strengthen the balance sheet and fund our investment in the business and our returns to our shareholders. Revenue increased by 5% to $27.6 billion, with profit attributable to equity shareholders increasing by 12% to $3.5 billion. Underlying EBITDA was 4% higher at $9.2 billion and net debt decreased further to $2.8 billion, a more than $10 billion reduction over the last three years.

As a result of this robust performance during a mixed period for product prices, the Board is recommending a final dividend of 51 cents per share, in line with our policy of 40% of underlying earnings per share, taking the total dividend to $1.00 per share for the year.

> "I am particularly pleased that the shareholder experience was such a positive one in 2018, with a Total Shareholder Return of 18%."

Finally on financial performance, I am particularly pleased that the shareholder experience was such a positive one in 2018, with a Total Shareholder Return (TSR) of 18% set against a FTSE 100 TSR of minus 8.7% and a FTSE 350 mining index TSR of minus 4.1%.

GOVERNANCE

The role of the Board

While we are pleased to report such a strong financial performance, we are also mindful of the widely held view that an excessive focus on shareholder value has led to a widening disconnect between business and the society it is meant to serve. This has been demonstrated in survey after survey, showing that levels of trust in business are now at historical lows.

As chairman of a much respected FTSE 100 company with more than 100 years of history, I believe the Anglo American Board should be at the forefront in looking at how we can take practical steps to effect a shift in corporate culture in our sector in regard to our obligations to society. As an example, we are looking intently at the new UK Corporate Governance Code, which came into effect on 1 January 2019, and against which we will report in 2020. The Code requires that the Board listen to the views of the workforce, for instance, and takes those views into account in its decision making. We are exploring mechanisms for how to do this more effectively, as well as what more we could be doing to engage with our stakeholders beyond the already extensive approach in place today.

Ensuring we have the right mix of skills, experience and overall diversity around the table is so important if we are to set the right tone from the top. An inclusive Board must then support management in creating a more inclusive business that better reflects the footprint of the Group and the diverse workforces in our operating jurisdictions. We must also equip our Board members by exposing them to the full breadth of the business that they govern, and this must include appropriate engagement with our stakeholders and proper familiarisation with the operational and commercial aspects of the business.

Board composition

At the end of the year, Sir Philip Hampton, our senior independent director and chairman of the Remuneration Committee, retired from the Board after nine years. I wish to take this opportunity to pay tribute to Sir Philip for his extensive contribution and we are fortunate to have had the benefit of his financial, strategic and boardroom experience drawn from across a number of industries.

We are also saying farewell to Jack Thompson, chair of our Sustainability Committee, at the end of the AGM in April, after nine years on the Board. I thank Jack for the wealth of mining experience that he has brought to our discussions and for his deep personal commitment to safety and sustainability issues. As a result of these moves, Byron Grote has taken up our senior independent director position in addition to his ongoing chairmanship of the Audit Committee. Anne Stevens now chairs the Remuneration Committee and Ian Ashby will take over as chairman of the Sustainability Committee.

THANKS

Lastly, I would like to thank all of Anglo American's employees, the senior management team and our Board members. Their hard work and determination to continue to drive improvement and to act in accordance with our Purpose and values are central to how this company makes a real and lasting positive difference.

OUR STRATEGIC REPORT

Our 2018 Strategic Report, from pages 2 to 71, was reviewed and approved by the Board on 20 February 2019.

Stuart Chambers
Chairman

UNLOCKING OUR FULL POTENTIAL
DISCIPLINED GROWTH FOR A SUSTAINABLE FUTURE

> "We have materially transformed the scope and quality of our asset portfolio and our operating and financial performance as a whole. Anglo American today is amongst the performance leaders in the industry."
>
> **Mark Cutifani,** Chief Executive

Our consistent delivery of our promises – doing what we said we would do – has translated into a significant enhancement of our competitive position in the mining industry and our sector-leading Total Shareholder Return in 2018.

Our focus is on unlocking the very significant additional potential that we see within the business – from further productivity improvements, volume growth from existing and new operations, and the deployment of FutureSmart Mining™ technologies – and to do so safely and responsibly, maintaining strict capital discipline and creating a sustainable business in every sense.

SAFETY

The safety of our people is always front of mind for me, as it is for our leaders across the business and our stakeholders. The fact that we continue to experience serious safety incidents, in which five of our employees died in 2018, is tragic. Our determination to deliver our commitment to zero harm is our most pressing challenge.

We simply must be unconditional about safety, both at an organisational and a personal level. As a matter of urgency, we launched an *Elimination of Fatalities Taskforce* during 2018 to further interrogate drivers of fatal incidents at a more granular, cultural level, to understand how we can better manage fatal and catastrophic risks.

Across safety as a whole, we recorded an all-time low total recordable safety rate, representing a 51% improvement since 2013. However, we should not be experiencing major safety incidents and we have demonstrated time and again that even our most potentially hazardous businesses can be incident-free for long periods.

FINANCIAL PERFORMANCE

In 2018, operating profit increased by 10% to $6.1 billion, while profit attributable to equity shareholders increased by $0.4 billion to $3.5 billion. Underlying EBITDA increased by 4% to $9.2 billion. While our underlying EBITDA margin dipped from 31% to 30%, our mining EBITDA margin increased from 40% to 42%. We generated attributable free cash flow of $3.2 billion, a 36% decrease, due largely to lower working capital movements, increased capital expenditure and higher cash tax payments.

We continued to strengthen the balance sheet in 2018, through a combination of continued focus on productivity and costs and capital discipline, along with receiving better than expected prices for many of our products. We ended the year showing a 37% reduction in net debt to $2.8 billion.

Our return on capital employed (ROCE) of 19% was well above our targeted 15% through-the-cycle return. While an individual year is too short a period to assess returns, our longstanding focus on ROCE is one of the key measures around which our decisions are made.

Combined with the proposed final dividend payment of 51 cents per share, payable in May 2019, total dividends paid to shareholders in respect of 2018 will amount to $1.00 per share, in line with our policy of paying out 40% of underlying earnings.

In the last three years, we have paid down more than $10 billion of net debt and will have paid $2.6 billion in dividends to our shareholders in respect of the 2017 and 2018 financial years.

Anglo American today is a far more resilient business, with a world class asset portfolio benefiting from considerable organic growth optionality – particularly focused on those products that contribute towards a cleaner and more electrified world and that satisfy the consumer-led demands of a fast growing global middle class.

OPERATING PERFORMANCE

Our focus on efficiency and productivity improvements, including with our Operating Model implementation, is continuing to deliver significant benefits – in terms of safety, the environment and financial returns. In 2018, we produced 10% more product on a copper equivalent basis from half the number of assets we had in 2012. As a result, our productivity per employee has doubled, supporting a 12 percentage point increase in mining margin and placing us with the leaders in the industry.

In dollar terms, we delivered net cost and volume improvements of $0.4 billion, or $0.8 billion excluding the effect of above inflation increases in oil and other energy costs and rail constraints at Kumba. Over six years, we have delivered $4.6 billion of annual underlying EBITDA improvement in terms of costs and volumes. Such improvements have generally been achieved without additional capital, so we have continued to improve our ability to generate free cash flow and increase returns from existing capital employed.

Looking forward, we still believe there is significant further improvement ahead. By 2022, we are targeting an additional $3-4 billion annual underlying EBITDA run-rate improvement, relative to 2017. This will come from meeting or surpassing industry best-practice operational performance across our business; volume growth from existing and new operations, such as Quellaveco; and the deployment of our FutureSmart Mining™ technologies and digitalisation. It is these technologies that will transform how we mine, process and market our products, providing the next step change in our performance.

PORTFOLIO

The quality, long life and growth potential of our mineral assets are the foundation of our global business. We have transformed the scope and quality of Anglo American's portfolio, including by halving the number of assets, contributing to our materially improved financial and operational performance. We have divested less attractive assets and replaced them with assets of a higher quality and cash generation profile, thereby lifting the overall quality of the portfolio, and we will continue that discipline.

Led first by asset quality in all its dimensions, we will also continue to pursue a prudent balance in the portfolio where concentration in a specific geography or end market is scrutinised to ensure we do not overweight capital based on these factors.

New portfolio contributors in recent years include Grosvenor in Metallurgical Coal, Gahcho Kué at De Beers and the Minas-Rio iron ore mine, and we are well under way with the development of our new Quellaveco copper mine in Peru, which the Board approved in 2018.

Beyond the near term, we have a well sequenced range of high returning, quick payback growth options, from life extensions in diamonds and metallurgical coal, to growth across our copper, diamonds and metallurgical coal businesses in particular. Such an attractive organic growth pipeline is a key component of the long term sustainability of our business.

INNOVATION

As a Board, a management team and our 92,000 employees and contractors, we are united behind our Purpose of re-imagining mining to improve people's lives. Anglo American's spirit of innovation and challenging the status quo is part of our culture and reflected in our Purpose.

Whether for our employees, communities who live around our operations, our customers for whom we tailor our products and services, or the billions of people who benefit from mined metals and minerals in their everyday lives, we are setting out a different future for mining – a future that is designed to further improve how our stakeholders experience us and to ensure the safe supply of metals and minerals that the world needs and wants.

Our FutureSmart Mining™ programme brings together step-change innovation in technology and sustainability – working hand in hand towards sustainable mining. This is a different way of thinking that is beginning to transform the nature and experience of mining and how we can make a positive difference to improve people's lives.

In terms of the physical activities of mining and processing ore, our aim is to more precisely target the metal or mineral, with radically less waste rock, lower water and energy intensity and, ultimately, a much reduced physical footprint. These are step-change technologies that we believe hold the key to the future of mining.

Our far-reaching Sustainable Mining Plan, launched in 2018 as part of FutureSmart Mining™, commits us to a series of ambitious medium and longer term goals. These relate to three major areas of sustainability aligned to the UN's Sustainable Development Goals: trusted corporate leader (i.e. advocating for the highest standards of governance to drive transparency and trust in mining and mined products); healthy environment; and thriving communities. While our environmental goals will rely on many of the technologies we are beginning to deploy, we are also thinking innovatively to create regional ecosystems of sustainable economic activity, in partnership with appropriate development experts.

PEOPLE

Our entire business revolves around people, including, of course, our diverse range of stakeholders and shareholders. An obvious statement perhaps, but this basic acknowledgement is at the heart of how we consider our decisions at every level of Anglo American.

We take care to give our employees clarity about their roles and an understanding about the part they play towards our business objectives. We are also committed to creating an inclusive working environment that enables every person to come to work each day and give their very best. By doing so, we are building a high performance and innovative culture that is guided by our Purpose. It is people that deliver our results, who engage with our stakeholders and shareholders, and who are unlocking our full potential. I thank all of you.

MINING WITH PURPOSE

Mining is on the cusp of a new era. Incremental change is no longer sufficient, and we recognise our role in creating a sustainable future for our industry.

I expect the technologies and digital applications that we are deploying will fundamentally change the very nature of how we discover, extract, process and market our precious products to our customers. Only by ensuring security of supply for those products in a way that is aligned with society's rightfully changing expectations can we sustain our business and live up to our commitments to our employees, our many business stakeholders and the millions of ordinary people who ultimately own our business. We are purposeful in what we are doing – re-imagining mining to improve people's lives.

Mark Cutifani
Chief Executive

OUR BUSINESS MODEL

Anglo American draws upon a number of key inputs from both its central expertise and its operating businesses that, through targeted 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 combine to provide advice and hands-on support to our operations to mitigate their water and energy requirements, while also developing new technologies that have the potential to significantly reduce our physical and environmental footprint.

Relationships with our stakeholders
Open and honest engagement with our stakeholders is critical in gaining and maintaining our social and regulatory 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 organic options for delivering value over the long term.

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

HOW WE CREATE SHARED VALUE

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

MATERIALITY AND RISK

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

For our Material matters
See pages 16-17

GOVERNANCE

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

For our Governance Report
See pages 72-126

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.

WORLD CLASS ASSET PORTFOLIO

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

OUR PEOPLE-CENTRIC VALUE CHAIN

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

DISCOVER

PLAN AND BUILD

OUR INNOVATIVE CORE PROCESSES

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

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

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

Project development
Our expertise and robust model for developing capital projects is designed to deliver projects safely, on time and on budget.

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

Relationships with our stakeholders
Working within our social performance framework, it is the goal of our operations to build and sustain constructive relationships with our 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 near-asset and greenfield options.

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

Value creation
Active portfolio management to continuously improve asset quality and competitive position.

Growth
A sequenced range of resource development options provides a number of high return, quick payback growth opportunities to further enhance the asset base.

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

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

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

Marketing
The value from our 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
The corporate centre drives the sustainability agenda and offers expert advice, and hands-on support, to operations facing complex sustainability challenges, while ensuring our sustainable mining approach is embedded in all business and operating practices.

OUTPUTS

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

GROUP PRODUCTION GROWTH(1)
6%
Increase over 2017

ATTRIBUTABLE FREE CASH FLOW◊
$3.2 billion

TOTAL WATER WITHDRAWALS
227 Mm³

CO_2 EQUIVALENT EMISSIONS
16.0 Mt

STAKEHOLDER VALUE

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

INVESTORS
$1.3 billion
Total dividends paid and proposed

SUPPLIERS
$2.1 billion
Local procurement expenditure

GOVERNMENTS
$2.5 billion
Taxes borne(2)

LOCAL COMMUNITIES
125,095
Jobs created and maintained through enterprise development programmes since 2008

EMPLOYEES
$3.5 billion
Wages and benefits paid(3)

HOW WE MEASURE THE VALUE WE CREATE

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

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

For our KPIs
See pages 48-49

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(1) Pro forma growth in copper equivalent production, excluding disposals and the impact of the stoppage at Minas-Rio.

(2) Based on numbers disclosed within the Group's income statement and excludes the impact of certain associates and joint ventures.

(3) Includes social security costs of $163 million borne by the Group.

THE PURPOSE TO REWARD JOURNEY

OUR PURPOSE

Anglo American is re-imagining mining to improve people's lives.

Mining has a smarter, safer future.

Using more precise extraction technologies, less energy and less water, we are reducing our physical footprint for every ounce, carat and kilogram of precious metal or mineral.

We are combining smart innovation with the utmost consideration for our people, their families, local communities, our customers, and the world at large – to better connect the resources in the ground to the people who need and value them.

And we are working together to develop better jobs, better education and better businesses, building brighter and healthier futures around our operations in our host countries and ultimately for billions of people around the world who depend on our products every day.

OUR STRATEGY

1

Portfolio

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

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

For more on Portfolio
See pages 18-23

2

Innovation

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

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

For more on Innovation
See pages 24-33

3

People

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

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

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

For more on People
See pages 34-39

Capital allocation

Underpinning our strategy, we have a value-focused approach to capital allocation, with clear prioritisation: sustaining capital to maintain asset integrity (including Reserve Life); then the base dividends to our shareholders, determined on a 40% underlying earnings-based payout ratio; while ensuring a strong balance sheet. Discretionary capital is then allocated, based on a balanced approach, to growth investments or upgrades to our portfolio, that are subject to a demanding risk framework and that meet our stringent value criteria, or is considered for additional returns to shareholders.

For more on Capital allocation
See pages 40-41

OUR VALUES

We are committed to six values which guide how we conduct ourselves. We are creating an organisation where all people are treated in such a way that they bring the best of who they are to work. Our values and the way in which we, as individuals, are expected to behave are the foundation of our Code of Conduct.

FutureSmart Mining™

FutureSmart Mining™ is our innovation-led pathway to sustainable mining. These are the step-change innovations that will transform the nature of mining – how we mine, process, move and market our products – and how our stakeholders experience our business, in terms of our physical and societal footprint.

For more on FutureSmart Mining™
See www.angloamerican.com/futuresmart

Sustainable mining

Anglo American has applied its FutureSmart Mining™ programme to what we believe is an industry-leading approach to sustainability. This is focused on three global sustainability pillars – trusted corporate leader, thriving communities, and healthy environment – each encompassing three global stretch goals. Deliberately ambitious, these goals will challenge our business to innovate and change, and we are mobilising our people and resources to deliver them by 2030.

For more detail on our approach to sustainability
See www.angloamerican.com/sustainability

MEASURING DELIVERY OF OUR STRATEGY

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

SAFETY AND HEALTH

To do no harm to our workforce

ENVIRONMENT

To minimise our impact on the environment

SOCIO-POLITICAL

To partner in the benefits of mining with local communities and government

PEOPLE

To create a sustainable competitive advantage through capable people and an effective, Purpose-led, high performance culture

PRODUCTION

To sustainably produce valuable product

COST

To be competitive by operating as efficiently as possible

FINANCIAL

To deliver sustainable returns to our shareholders

For our KPIs
See pages 48-49

BALANCED REWARD

Anglo American's directors' remuneration policy is designed to encourage delivery of the Group's strategy and creation of stakeholder value in a responsible and sustainable manner, aligned to our Purpose. The main elements of the remuneration package are basic salary, annual bonus and Long Term Incentive Plan (LTIP).

Basic salary

Basic salary levels are reviewed annually by the Remuneration Committee, taking into account company performance, individual performance, levels of increase for the broader population and inflation. Reference may be made to the market median of FTSE 50 and natural resource companies, or other peer groups, to ensure market alignment.

Annual bonus

Annual bonus performance measures include:

- 50% on underlying earnings per share (EPS). EPS is one of the Group's key financial measures of performance and is set on an annual basis to ensure targets are demanding yet realistic
- The remaining measures include project delivery, business improvement, stakeholder engagement, sustainability and talent management
- A modifier is applied depending on the extent to which safety and sustainability targets are met
- From 2018 onwards, our business leaders are held personally accountable for any failures on our journey to the goal of zero harm with the introduction of a safety deductor
- To help ensure sustainable long term performance, 60% of any annual bonus is deferred into shares for a minimum of three years and is subject to clawback.

Long Term Incentive Plan (LTIP)

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

The LTIP performance measures and weightings are:

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

For our Remuneration Report
See pages 100-125

Safety Care and respect Accountability Collaboration Integrity Innovation

MARKETPLACE REVIEW

UNDERSTANDING THE CONTEXT – UNLOCKING OUR POTENTIAL IN A CHANGING WORLD

GLOBAL TREND	WHAT IS IT?
Moving towards a cleaner world – the transition towards lower emission transport and energy solutions For more information on our Portfolio **See pages 18-23** For more information on Innovation **See pages 24-33**	• In light of society's widespread concerns around the expected impacts of climate change, countries are working collectively to curb greenhouse gas and other noxious emissions, reduce energy intensity and protect the environment. • The global response includes a transition towards lower emission transport and energy generation, likely to result in secular shifts in consumer demand across a number of industry sectors.
Emerging wealth – a fast growing global middle class For more information on our Portfolio **See pages 18-23** For more information on Innovation **See pages 24-33**	• A number of developing countries, particularly China (which accounts for around 50% of demand for mined products and is Anglo American's largest source of revenue), have experienced a period of rapid urbanisation and industrialisation over the last two decades, resulting in an unprecedented number of households entering the wealthier middle class. By 2030, it is forecast there will be approximately 1 billion additional middle class consumers in the world compared with 2018. • In China, although the growth in urbanisation and industrialisation is expected to slow, government policy is widely expected to structurally adjust, resulting in China's economy maturing from industrial/manufacturing to services. • A number of other countries and regions are expected to experience greater economic maturity in the decades ahead, particularly India, south east Asia and South America.
Evolving societal and regulatory expectations For more information on Innovation **See pages 24-33** For more information on capital allocation **See pages 40-41**	• Political uncertainty and protectionist trade policies can adversely affect global and/or regional economic growth and, consequently, the demand for mined products. • An uncertain political and regulatory environment, with resultant uncertainty in economic growth forecasts, has been a major factor in the significant price volatility experienced in the commodity markets in recent years. • Governments in countries where mining is a material source of national revenue are under pressure to strike a balance between delivering more benefit and regulatory reform, while at the same time not deterring much needed private sector investment. • In addition, mining companies are facing greater demands and expectations from increasingly vocal and diverse stakeholder groups, with often competing interests, in the context of greater societal intolerance for poor business and sustainability practices.
A more challenging physical environment for mining For more information on Innovation **See pages 24-33**	• Maintaining long term supply for some metals and minerals is becoming ever more difficult for a number of reasons, including: – Availability of both water and energy – Declining ore grades – Increasing infrastructure costs as mines are built in more remote locations – The shift to underground mining as easy to access near-surface orebodies become depleted.

A number of global trends influence the mining industry and our business decisions. We understand those trends and believe our strategy: our high quality portfolio of assets; relentless approach to innovation; and talented people – combined with our business decisions aligned to our Purpose – positions us well to take advantage of commercial and other opportunities, thereby unlocking our full potential for sustainable value creation.

WHAT DOES IT MEAN FOR OUR INDUSTRY?	HOW ARE WE UNLOCKING POTENTIAL?
• Tightening emissions standards are being applied – not just to cars and other vehicles, but also to the production of raw materials needed to make them and the power generating units that create the energy for those raw materials. • As a result, consumers of mined products are increasingly replacing ageing infrastructure, such as blast furnaces and power plants, with newer, cleaner equipment – potentially negatively impacting demand for some lower quality bulk commodities, while creating a new market for premium quality metallurgical and thermal coal and iron ore. • Increased demand for metals and minerals that are used in alternative energy generation and electric vehicles (EVs); in the longer term, reduced demand for fossil fuels. • Increasing focus on the environmental performance of mining companies.	• We mine the metals and minerals that will help the transition to a cleaner world: – PGMs – critical in catalytic converters in internal combustion engines and, as vehicles transition to electric drive trains, platinum is the catalyst in fuel cell EVs – Copper – a key element in alternative electricity generation – heavily used in wind turbines and solar power units, as well as in all forms of EVs – Nickel – used in batteries within EVs. • We provide niche steelmaking products to our customers, who are increasingly required to meet stricter environmental regulations. These products are in high demand and command a premium to benchmark prices: – Lump and high quality iron ore – Kumba – High quality hard coking coal – Metallurgical Coal – Low impurity iron ore pellet feed – Minas-Rio. • We are working closely with our customers to help them achieve their environmental goals and to ensure we are providing the tailored products for their specific needs, on time and reliably.
• Slowing growth (though still growth, with absolute volumes remaining challenging for the mining industry to supply) in demand for the commodities that are used in the provision of roads, buildings, railways and other infrastructure, e.g. metallurgical coal and iron ore. • As disposable incomes increase, demand for metals that are used in the manufacture of white goods and consumer electronics, such as copper, nickel and manganese, increases. • As purchasing power increases, so too does the appetite for 'luxury' goods and services, including cars, jewellery, advanced technological goods and travelling for leisure. Demand for later-cycle products, such as PGMs and diamonds, is expected to increase.	• As a result of our strategy to focus on world class assets, Anglo American has a diversified product portfolio, mining products that are well placed to serve the needs of the expanding global middle class. We have exposure to some of the largest resource bases in both PGMs and diamonds. We also have world class copper resources in Los Bronces and Collahuasi, as well as the Quellaveco copper project in Peru. We have exposure to nickel through Barro Alto and Codemin, and as a by-product of our PGM mines. • Our diamond business produces high quality rough diamonds for the production of luxury jewellery. Our high quality and low cost assets are able to flex production according to prevailing demand. • Our innovative market development and investment programmes aim to stimulate sustainable demand for our products and, in particular, PGMs.
• The pronounced commodity price downturn experienced in 2015-2016, and the resultant strain on many companies' balance sheets, constrained much of the mining industry from undertaking capital-intensive projects to create future supply. • The uncertain regulatory environment in some mining jurisdictions can lead to higher costs in the form of delays in licensing and permitting, and higher taxes and royalties, all of which can deter investment in those countries.	• The application of FutureSmart Mining™ – and within it our far-reaching approach to sustainability – is designed to help address both society's fears and expectations about the physical impacts of mining, as well as to work with governments to advocate for progressive regulatory frameworks that encourage and support the long term investments required for mines. • Our Operating Model is designed to put us at the forefront of established industry best-in-class performance – offering insulation from price and other volatility by placing us at the low end of the industry cost curves. • The technologies we are deploying will begin to address society's rightful expectations about water and energy intensity, further supporting our licence to operate, and helping us access previously uneconomic orebodies, which we see as a competitive advantage. • Underpinning our strategy, we have a value-focused approach to capital allocation, with clear prioritisation: sustaining capital to maintain asset integrity (including Reserve Life); then the base dividends to our shareholders, determined on a 40% underlying earnings-based payout ratio; while ensuring a strong balance sheet.
• The factors described are contributing to structural upward cost pressure across the mining industry. • Consequently, mining companies face a significant challenge to reduce costs and improve productivity against a background of limited investment appetite and few significant breakthroughs in technological capability. Technological innovation and a focus on operational improvements are likely to be critical to the achievement of sustainable cost and productivity improvements and the ability to supply the market over the long term.	• Over the last few years, Anglo American has upgraded the quality of its portfolio and is now operating a suite of high quality, long life, high margin assets across structurally attractive markets. • Our innovation-led pathway to sustainable mining – FutureSmart Mining™ – uses innovative mining methods and technologies to overcome challenges of water, lower grades and energy constraints and reduce capital intensity and operating costs. • Anglo American's revitalised Discovery strategy is enhancing our position as a discoverer of superior-value deposits that have the potential to enhance the production profile and competitive position of the Group over time, and which play a vital part in delivering a sustainable future.

REVIEW OF 2018

GLOBAL GROWTH CONTINUES

In 2018, global GDP growth, according to the IMF, was 3.7% (2017: 3.6%). Growth slowed in the second half, however, due to the negative effects of US-China trade tensions, country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills.

Commodity prices fared well over the year, with the majority of Anglo American's products performing better than in 2017.

TRADE AND POLITICS

Underpinned by fiscal stimulus, US GDP growth was estimated at 2.9%. However, a sequence of US tariff actions on solar panels, washing machines, steel, aluminium, and a range of Chinese products, followed by retaliation by trading partners, has complicated global trade relations. Higher trade barriers are expected to disrupt global supply chains and reduce efficiencies, ultimately resulting in lower global economic growth and welfare.

Following protracted renegotiations, the US, Canada and Mexico reached a new trade deal, USMCA, to replace NAFTA. Tensions with China, however, continued, resulting in the US announcing a range of import tariffs (from 10% to 25%), amounting to nearly $250 billion. In response, China announced retaliatory tariffs on US imports of a similar scale. The US also suggested that a further $267 billion of Chinese goods (covering nearly all remaining Chinese imports) may attract tariffs, including those in the automotive sector, potentially affecting other countries.

In China, policy stimulus may offset the US trade measures somewhat. Over 2018, the central bank cut the reserve-requirement ratios for banks four times and introduced several stimulatory measures, including tax cuts, infrastructure spending, central bank cash injections and a softening of regulations designed to curb shadow banking.

The country's GDP is estimated to have grown by 6.6% (2017: 6.9%); however it is expected to slow to 6.2% in 2019. Although debt levels continue to raise concerns, reducing the pace of deleveraging has allowed growth to be supported while maintaining economic stability.

The outlook for other emerging markets also weakened, despite India's growth rate increasing to an estimated 7.3% in 2018 (2017: 6.7%). The South African rand depreciated by around 14% on weaker than expected activity in the first half and slow reform progress, partially unwinding earlier gains associated with the change in leadership.

MARKETS REVIEW

Diamonds

Preliminary data for 2018 indicates an improvement in global consumer demand for diamond jewellery, in US dollar terms. This was driven by growth in the US and, to a lesser extent, China, and was further amplified by positive exchange rate movements in China and Japan against the dollar. However, demand is expected to have declined in India, as well as from the Gulf.

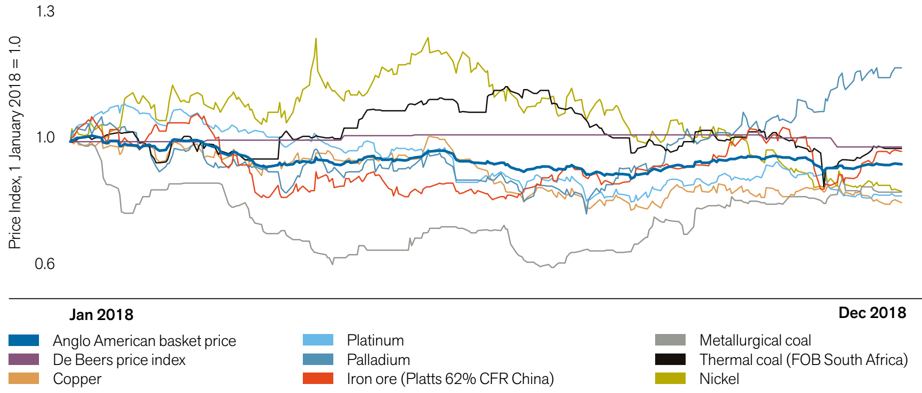
Midstream sentiment started the year on a positive note owing to strong demand from US and Chinese retailers. While conditions were supportive for midstream businesses overall, those specialising in cutting and polishing of the low-priced product segment came under considerable pressure towards the end of 2018, due to the relative lack of demand, as well as the rapid depreciation of the rupee and the reduction in bank financing.

Platinum Group Metals

Markedly diverging trends characterised the precious metals markets in 2018. Although the average platinum price declined, other precious metal prices strengthened significantly; palladium, notably, reached a record high of $1,271/ounce in December. While the pronounced, and widening, discount for platinum relative to palladium presents an opportunity for substitution in petrol-engine catalytic converters, the timing and extent of this remain uncertain given practical and regulatory hurdles.

Platinum was estimated to be in surplus for 2018, as weaker demand in the European light-duty diesel sector and a challenging environment for Chinese jewellery, more than

Indexed 2018 prices



Change in average annual price (2018 vs 2017)

Anglo American	4%
Nickel	26%
Palladium	18%
Thermal coal	17%
Metallurgical coal	10%
Copper	6%
De Beers price index	1%
Iron ore	(3)%
Platinum	(7)%

Source: Anglo American Commodity Research offset increases in the light-duty sector ex-Europe and growth in heavy-duty diesel demand. Global demand decreased by an estimated 6% to 5.6 million ounces (2017: 5.9 million ounces). A significant area of platinum demand – industrial applications – expanded by 14% to 2.4 million ounces (2017: 2.1 million ounces), driven mainly by additional purchases from the chemical and electronics sectors.

On the supply side, global mine supply of platinum was flat at 6.1 million ounces. South African output increased marginally to 4.5 million ounces (2017: 4.4 million ounces), partly offsetting a decline in output from Russia. Meanwhile, secondary supply from end-of-life catalytic converters rose by 8% to 1.4 million ounces, with most of the increase seen in Europe and North America.

Palladium was estimated to be in deficit for the seventh successive year, following tighter emissions regulations for petrol vehicles, especially in China. Palladium automotive demand increased by 3% to 8.6 million ounces (2017: 8.4 million ounces), while industrial demand was 2% higher, driven by increased purchases from the chemical sector.

Global mine supply of palladium increased by 8% to 6.9 million ounces (2017: 6.4 million ounces). South African sales were marginally higher and volumes from Russia also increased, being supported by sales of above-ground stocks. Secondary supply of palladium from end-of-life catalytic converters increased by 13% to 2.7 million ounces (2017: 2.4 million ounces).

Base metals

Refined **copper** consumption grew by around 3% in 2018, with strength in the construction, transportation and engineering sectors underpinning demand. Tighter environmental restrictions affected copper-scrap imports into China, contributing to growth in apparent refined demand.

Copper prices averaged 296 c/lb (2017: 280 c/lb); however, there was a marked difference between the first and second halves, as prices declined from above 325 c/lb at the start of 2018, to below 270 c/lb in August.

Macro-economic indicators pointed to sound demand prospects, boosted by a relatively lean pipeline of new supply. The escalation of US-China trade tensions, however, affected sentiment and there was a sharp sell-off through June and July. Despite a modest rally in the third quarter, prices remained well below first-quarter levels, with uncertainties over growing protectionism on global trade coming to the fore.

Nickel demand grew by around 6% in 2018, driven primarily by a 5% increase in global stainless steel output. On the supply side, nickel mine output also increased by around 6%. Nickel refined production increased by around 5%, but this was insufficient to prevent a deficit for the third consecutive year. The average nickel price increased by 26% to 595 c/lb (2017: 472 c/lb).

Bulk commodities

Global finished steel demand is estimated to have increased by more than 4% in 2018, supported by healthy demand, particularly in China. Throughout much of 2018, the profit margins of China's steel mills were high, driven in part by environmental restrictions encouraging producers to maintain high utilisation rates through using higher quality raw materials and a greater proportion of scrap. Stricter rules, issued by the Chinese authorities in early 2018, that permit new steel capacity only if old capacity is closed, are expected to be supportive of the industry's ongoing profitability.

Crude steel output in China set a new annual record of 928 Mt in 2018, supported by more than 1.07 billion tonnes of iron ore imports. Globally, production increased by approximately 4.4%, or 77 Mt, driven primarily by growth in Asia.

Following a strong start at the beginning of 2018, the **iron ore** price decreased to trade in a narrow price range ($60-70/tonne) for nearly seven months. After a brief rally at the end of 2018, the average CFR China 62% Fe benchmark was marginally lower at $69/tonne (2017: $71/tonne). Iron ore supply was strong through 2018, and the premiums achieved for high grade ores saw substantial gains as steel mills continued to focus on productivity. The lump premium also increased significantly, achieving an average of $21/tonne (2017: $16/tonne), and reaching a record high of $27/tonne, in the year.

Metallurgical coal prices showed continued strength, with the hard coking coal (HCC) benchmark increasing by 10% to average $207/tonne FOB Australia (2017: $188/tonne), the highest annual level in six years. Global consumption of metallurgical coal increased by 1% to 1.15 billion tonnes (2017: 1.14 billion tonnes). However, supply from the world's lowest-cost producer, Australia, increased by only 5 Mt, as the country experienced multiple minor disruptions at mines, rail links and ports. This ensured that more marginal sources of supply, such as in China and the US, remained active to balance demand, resulting in elevated prices.

While imports of HCC into the world's largest market, China, fell, and are not expected to recover significantly in the face of China's import quotas and rising steel scrap availability, India (where consumption rose by 5 Mt in 2018) looks set to be the primary engine of future demand growth, as domestic steel production expands. High volatility continues to characterise the high grade HCC market, given limited supply options, and the lack of flexibility that coke-makers typically have on a short term time horizon.

In contrast, semi-soft coking coal and pulverised coal injection grades were stable over the year, resulting in price discounts relative to HCC varying widely over the course of 2018.

Thermal coal prices showed significantly positive developments, based on solid Korean and Japanese demand in the Pacific and some Australian supply issues, particularly in the higher energy coals. As China reduced imports in the second half, knock-on effects and a supply rebound in Indonesia and South Africa widened the discount to some of those coals. The FOB South Africa price increased to $98/tonne (2017: $84/tonne).

OUTLOOK

Global financial conditions are expected to tighten in 2019 as monetary policy normalises and trade measures already implemented weigh on economic activity. With US fiscal policy expected to reduce momentum from 2020, and China's economy maturing, a moderation of global growth is expected over time. This outlook faces several downside risks, including the intensification of the US-China trade dispute and overshoots on policy or supply.

Despite this, the outlook for 2019 remains cautiously positive for our products on the back of positive consumer sentiment and reasonably supported demand growth.

OUR MATERIAL MATTERS

UNDERSTANDING WHAT IS IMPORTANT TO OUR STAKEHOLDERS AND OUR BUSINESS

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

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

STAKEHOLDER ENGAGEMENT

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

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

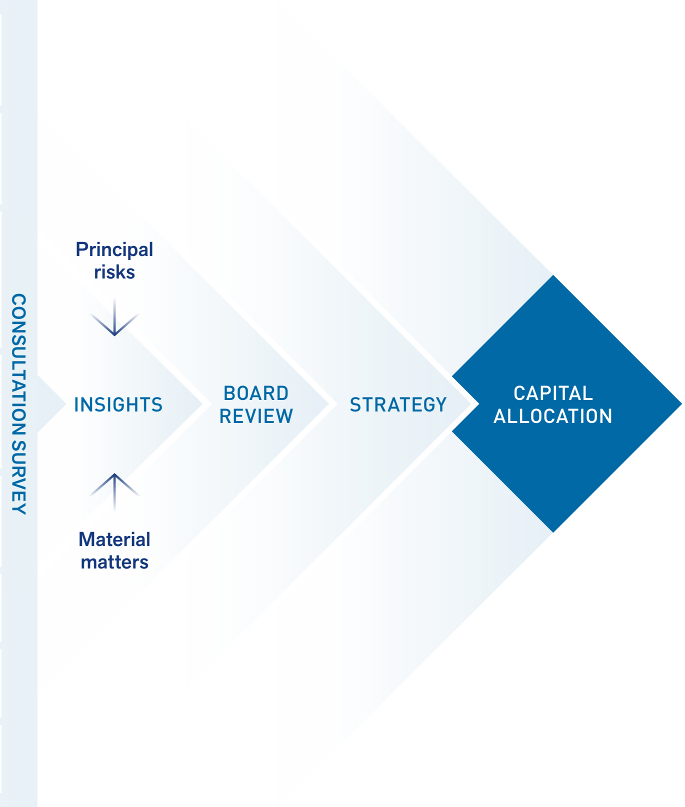
DETERMINING WHAT IS IMPORTANT

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

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

The consultation process in 2018 involved extensive desktop research, including: review of the Group Risk Register; global media coverage and analyst reports on Anglo American and the mining sector; and analysis of minuted Board and executive discussions. We also conducted an external consultation survey with a wide range of stakeholders, including investors, communities, customers, suppliers, governments, civil society and industry groups. We will continue to conduct such engagement on a regular basis.

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



MATERIAL MATTERS IN 2018

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

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

Each material matter covers a number of topics and issues, and some also intersect with specific principal risks facing the Group, as identified in the Group Risk Register. Principal risks are those risks, or combination of risks, that would threaten the business model, future performance, solvency or liquidity of Anglo American and are shown with the following symbol (‡). An analysis of the Group's principal risks, including mitigation strategies, can be found on pages 44-47 of this report.

For our Principal risks
See pages 44-47

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

MATERIAL MATTERS	AREAS OF IMPACT
Safety and health ‡ Protecting the safety and health of employees, contractors and local community and other stakeholders is a fundamental issue facing Anglo American and the mining industry. While protecting people from harm is a moral imperative, our focus on zero harm also constitutes a direct investment in the productivity of the business. A safe and healthy workforce contributes to an engaged, motivated and productive workforce that mitigates operational stoppages and reduces potential legal liabilities.	Strategic elements: 2 3 Pillars of value: ⛑ 👥 ⚙ $ 📊
Environmental impacts and climate change Responsible environmental management, including the management of water consumption and discharge, is not only a major factor in legal compliance and permitting, but also plays a significant role in improving the balance of value from mining for our local stakeholders. Understanding the effects of climate change on our business and how they may impact our value chain is important as we strive to maximise the opportunities associated with the transition to a low-carbon future.	Strategic elements: 1 2 Pillars of value: 🌐 💬 ⚙ $ 📊
Meeting our commitments to business stakeholders and society Local communities and host governments expect mining to bring significant economic benefits; and our ultimate goal is to leave host communities and governments better off than when we arrived. Anglo American aims to bring economic prosperity to national and local economies through employment, our supply chain and the subsequent increase in local business and commerce, and a collaborative approach to regional development. Acting in an ethical, responsible and transparent manner is fundamental to Anglo American realising the significant business benefits gained from building trusted and constructive relationships with all our business stakeholders, and to maintaining our socio-political licence to operate.	Strategic elements: 1 2 3 Pillars of value: 💬 👥 ⚙ $
Workforce culture and capability To deliver on our strategic business objectives, we rely on a capable and engaged workforce that behaves ethically and responsibly, consistent with Anglo American's values and Code of Conduct; these are also essential for us to maintain our social licence to operate. We aim to foster a high performance, inclusive culture, through building an organisational structure that is fit for purpose, resourcing this structure with the appropriate capabilities and empowering leadership to deliver the desired outcomes.	Strategic elements: 3 Pillars of value: ⛑ 💬 👥 ⚙ $
Operational and cost performance ‡ The mining sector continues to face operating cost inflation, including labour costs, energy costs and the impact of ore grade deterioration. In order to deliver our profitable growth strategy and to maintain our competitive position, Anglo American must deliver its financial improvement targets and minimise the number of unplanned operational stoppages that affect production.	Strategic elements: 1 2 3 Pillars of value: ⚙ $ 📊
Political and regulatory ‡ Anglo American operates or has projects in a number of countries where there is political instability and where the regulatory environment for the mining industry is uncertain.	Strategic elements: 1 2 3 Pillars of value: 💬 ⚙ $ 📊 👥
Macro-economic environment ‡ Economic slowdown in those countries that are major consumers of the Group's products could have a negative impact on demand for those products. Demand may also be negatively affected by product substitution and/or fundamental shifts in market forces. The Marketplace review on pages 12-15 gives more detail on the macro-economic environment facing the Group.	Strategic elements: 1 2 Pillars of value: ⚙ $ 📊

PILLARS OF VALUE

- ⛑ **Safety and health**
- 🌐 **Environment**
- 💬 **Socio-political**
- 👥 **People**
- ⚙ **Production**
- $ **Cost**
- 📊 **Financial**

For our pillars of value
See page 11

STRATEGIC ELEMENTS

1. **Portfolio**
2. **Innovation**
3. **People**

For our strategic elements
See pages 10-11

PORTFOLIO

The quality and long life of our mineral assets are the foundation of our global business. With a weighted asset life exceeding 30 years(1), we actively manage our asset portfolio to improve its overall competitive position. We focus on securing and operating assets that offer – either in isolation or in combination – the most attractive long term value-creation potential, as measured by sustainable cash flow and returns.

The use of drone or Unmanned Aerial Vehicle (UAV) technology, across a number of our mining activities, is helping to contribute to the successful delivery of our FutureSmart Mining™ programme. Drones, or UAVs, can be used for a number of activities, such as supporting safety and hazard management, generating images, measuring production performance and to evaluate mining conditions.

The Salveani camp will house 4,000 workers at Quellaveco. The full complement of accommodation required for workers will be available during the first half of 2019.

The team at Quellaveco celebrated Global Safety Day, with more than 4,000 employees and contractors participating in events on the day.

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(1) Asset life is weighted based on 2018 copper equivalent production. Calculated on a straight average, without weighting, the Group's average asset life is 23 years. See page 211 for definition and calculation of copper equivalent production.

QUELLAVECO – UNLOCKING OUR POTENTIAL IN COPPER

Copper is set to continue as one of the most essential industrial metals as society addresses the challenges of climate change, energy efficiency and the raising of living standards for the world's fast-growing population of consumers. The effects of ore reserve depletion across the industry and long delivery times for new mines, however, are likely to result in ongoing constraints on copper supply.

Quellaveco is one of the world's largest and most attractive undeveloped copper deposits. Its approval for development follows in-depth studies conducted during more than 25 years in the Group portfolio, giving us the benefit of considerable understanding of this world class asset.

At our Quellaveco project in Peru, a model of the proposed mine and processing facilities is used as part of our 'dialogue table' with representatives from the local Moquegua community.

Located in the south of Peru, Quellaveco boasts Ore Reserves of 1.3 billion tonnes, containing an estimated 7.5 million tonnes of copper at an average grade of 0.57% total copper (TCu). Project execution began in August 2018 and first production is planned for 2022, ramping up to full output the following year. During the first 10 years, production is expected to average 300,000 tonnes of copper equivalent per year with a first-quartile cash cost of 105 c/lb.

This low cost of production means Quellaveco is expected to deliver an internal rate of return in excess of 15%, an EBITDA margin greater than 50%, and ROCE in excess of 20%. Combined with a payback period of four years, the project comfortably meets the Group's investment hurdles. There are also significant further expansion opportunities to extend the current 30-year reserve life.

Importantly, our existing partner in Quellaveco, Mitsubishi, increased its interest in the project from 18.1% to 40% during the year, further strengthening our partnership and sharing the risks related to project development and capital expenditure.

Quellaveco has all key licences and permits in place for execution and has worked hard on its social credentials. Following a ground-breaking 18-month 'dialogue table' that was initiated in 2011 with our host communities and at the national level, we agreed detailed long term commitments relating to water management, environmental protection and social investment. This dialogue table approach is now widely regarded as an industry benchmark for responsible community engagement. The project will also create around 9,000 jobs during the construction phase.

Sustainability is at the heart of how we do business, and Quellaveco has been designed with this in mind. Water required for the mining operation will be drawn mainly from water unsuitable for human, livestock or agricultural use, while also collecting excess rainfall and sharing it with local communities, ensuring the project delivers a net water benefit to the region. We aim to make Quellaveco as near a waterless operation as possible.

Following approval in mid-2018, project execution is on track, benefiting from early work completed during the feasibility study stage. The first major milestone of the Asana river diversion was successfully completed in early December in line with plan, and the priority for 2019 is to progress earthworks and start concrete work at the plant site.

HIGHLIGHTS

7.5 million

Tonnes of copper(1)

Enough copper for:
- 90 million electric vehicles; or
- Wiring 80 million homes

$5.0-5.3 billion

Capital expenditure (our share $2.5-2.7 billion)

2022

First copper production

1.3 billion tonnes

Ore Reserves at 0.57% TCu

PILLARS OF VALUE

Environment
Socio-political
Financial

For our KPIs
See pages 48-49

MATERIAL MATTERS DISCUSSED IN THIS SECTION

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

(1) Estimates as at 31 December 2018. Please refer to the Anglo American plc Ore Reserves and Mineral Resources Report 2018 for a breakdown of the classification categories.

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

The scale and diversity of our portfolio allow us to leverage our financial resources, technical expertise and supplier relationships towards delivery on our potential, and to the benefit of our customers. The depth and breadth of the portfolio create a measured risk profile and support strong returns by balancing and optimising the concentration of our investments across diverse asset geographies and end markets.

BUILDING STRATEGIC ADVANTAGE

The primary source of competitive advantage in the mining industry is to own high quality, high margin, 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 growth potential
- Our global competitive position within the individual product groups
- The additional value potential generated through our dedicated marketing expertise.

OUR PRODUCT GROUPS

Diamonds

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 richest diamond mines, by value, in the world at Jwaneng and one of the largest Diamond Resources, by volume, at Orapa.

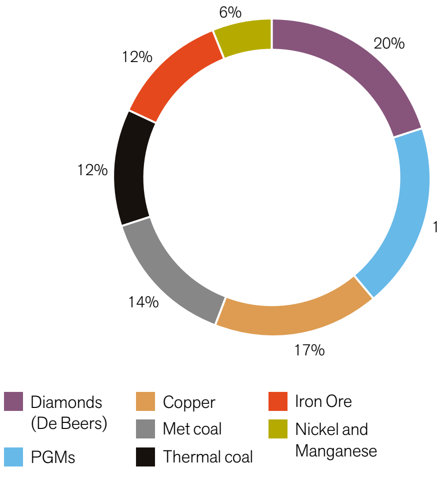
De Beers' major diamond mining assets have large, long life and scalable resources and we are continuing to invest in our existing operations to extend our mining activities. The 'Cut-9' expansion of Jwaneng will increase the depth of the mine to 800 metres to extend the life of the mine; Debmarine Namibia is undergoing a feasibility study for the construction of an additional custom-built diamond mining vessel; and in South Africa, Venetia is being extended underground, extending the life of mine to 2045(1).

The lack of many significant kimberlite discoveries over recent years, combined with the ongoing growth in consumer demand for diamond jewellery in both mature and developing markets, points to good prospects for the diamond business. The addition of the recently acquired Chidliak diamond resource in Canada, and the continued investment in diamond mining support technologies, will enhance De Beers' portfolio of high quality and high margin assets and the ability of the business to flex production to prevailing demand.

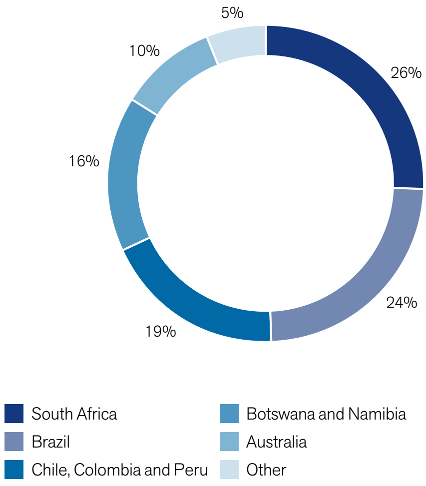
Through its differentiated rough diamond distribution model, which comprises term contract Sightholders, Accredited Buyers and Auction Sales customers, De Beers has a range of insights into its customers' demand patterns. De Beers seeks to stimulate consumer demand for diamonds through its Forevermark™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

Asset quality: differentiated portfolio*

Revenue by product



Capital employed by geography



* Attributable basis. Revenue by product based on business unit.

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(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 the renewal will be granted.

Copper

Anglo American has a world class asset position in copper, built around its interests in two of the world's largest copper mines – Los Bronces (a 50.1% owned operation) and Collahuasi (44% owned joint operation), with Reserve Lives of 30 years and 63 years, respectively. The resource base of these assets underpins our future near-asset growth opportunities, in addition to our tier one Quellaveco project in the south of Peru – one of the world's largest untapped copper orebodies – that we are developing, and the polymetallic Sakatti deposit in Finland.

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

Platinum Group Metals (PGMs)

Our PGMs business (held through an effective 79.4% interest in Anglo American Platinum Limited – 'Platinum') is a leading producer of platinum group metals. It mines, processes and refines the platinum basket of metals from its high quality resource base, located in one of the biggest PGM deposits – the Bushveld Complex in South Africa. It also has a significant stake in one of the world's largest PGM deposits outside of South Africa, on the Great Dyke in Zimbabwe. Our flagship platinum mine, Mogalakwena, is the highest margin PGM 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.

We are continuing to reposition the business around a leaner, best-in-class operating footprint at the Mogalakwena, Amandelbult and Mototolo mines in South Africa, and Unki mine in Zimbabwe, alongside our joint operation interests in the Kroondal and Modikwa mines in South Africa.

PGMs – HELPING PAVE THE WAY TO A DECARBONISED WORLD

As climate change concerns continue to grow, and countries adopt ever-stricter legislation to improve air quality, the internal combustion engine (ICE) is increasingly seen as 'old' technology – and the race is now on to develop, and commercialise, the technologies to replace it.

Until recently, hybrids (which combine a conventional ICE with an electric battery) and battery-driven electric vehicles have been in the ascendant as their commercialisation and deployment do not require building hydrogen-fuelling and -storage infrastructure of scale.

There is a growing realisation, however, that fuel cell electric vehicles (FCEVs) – in which the PGM-containing catalysts in their fuel cells kick-start a process whereby compressed hydrogen reacts with oxygen to generate an electrical current, emitting only water – will also likely play a significant part in the world's future transport energy mix.

During November 2018, PGMs CEO Chris Griffith hosted an investor and analyst visit to China to showcase demand for platinum group metals. The visit focused on the growth of fuel cell vehicle production and adoption in China, as well as the changing dynamics of the platinum jewellery market there.

Crucial to this development is what is happening in China, the world's biggest automotive market, where the government has set a 2020 target of having 2 million new electric vehicles and hydrogen-powered vehicles on its roads, and 1 million FCEVs alone, by 2030. The Chinese government has taken the lead in countering the country's high levels of air pollution – and has decided that it cannot wait for the market on its own to pioneer, let alone commercialise, the expensive technological developments required to pave the way for a hydrogen economy.

The development of a manufacturing base for electric vehicles, and their sale to the domestic market, is a key policy of the Chinese government. Consequently, it is providing substantial subsidies to both manufacturers and users of FCEVs. Commercial FCEV producers qualify for subsidies of up to c.$144,000 per vehicle – well above their sales price – while companies purchasing an FCEV can receive a c.$70,000 subsidy per vehicle if it has driven at least 20,000 kilometres. In 2018, China invested $12 billion on supporting FCEVs – which more than covered their production costs – with the main focus being on larger and longer-range vehicles such as trucks and buses as they benefit most from the range and other practical advantages of fuel cells.

This is positive news for our PGMs business. Between now and 2030, FCEVs are expected to account for an estimated 500,000 ounces of PGMs, mainly platinum – as these 'new' uses for PGMs start to make inroads in the automotive market as the market share of traditional ICE vehicles, which use PGMs in their autocatalyst systems to scrub noxious gases, starts to decline.

Demand for PGMs is forecast to increase over time, given the ongoing trend towards cleaner emission vehicles, driven by more 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.

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

Iron ore

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

In Brazil, we have developed the integrated Minas-Rio operation (100% ownership), consisting of an open pit mine and beneficiation plant, which produces a high grade and pellet feed product, with low levels of contaminants.

The iron ore is transported through a 529 kilometre pipeline to the iron ore handling and shipping facilities at the port of Açu, in which Anglo American has a 50% shareholding.

Coal

Our coal portfolio is geographically diverse, with metallurgical coal assets in Australia, and thermal coal assets in South Africa and Colombia.

Metallurgical coal – Australia

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

Export thermal coal – South Africa

We have refocused our South African coal portfolio to concentrate on export markets, having successfully completed the sale of the majority of the domestic coal mines. We supply around 19 million tonnes of thermal coal a year to export markets.

Coal South Africa's export product is derived from three wholly-owned and -operated mines – Goedehoop, Greenside and Khwezela; Zibulo (73% owned); as well as from Mafube colliery, a 50:50 joint operation.

Our operations route all export coal through the Richards Bay Coal Terminal in which we hold a 23.2% stake. We also retain an effective 37% interest in the double-stage Phola Coal Processing Plant, a 50:50 joint operation with South32.

Export thermal coal – Colombia

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

Nickel and manganese

Nickel

Our Nickel business has capacity to produce around 45,000 tonnes per annum of nickel, whose primary end use is in the global stainless steel industry. Our assets (both 100% owned) are in Brazil, with two ferronickel production sites: Barro Alto and Codemin.

Manganese

We have a 40% minority shareholding in Samancor Holdings (managed by South32, which holds 60%), with operations based in South Africa and Australia.

PORTFOLIO RESTRUCTURING IN THE YEAR

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

Anglo American has transformed the quality and performance of its portfolio over the past five years, halving the number of assets while producing more physical product. This transformation has been achieved through extensive operational self-help and other efficiency work, together with the sale, placing onto care and maintenance, and closure of less attractive assets, resulting in a step change in our operational performance, profitability and cash flow generation.

Portfolio upgrade

In 2018, the Group completed a number of transactions, including the sale of our 88.2% interest in the Drayton thermal coal mine (on care and maintenance since 2016) and the Drayton South project in Australia. In South Africa, we completed the sale of the New Largo thermal coal project and the Eskom-tied domestic thermal coal operations, PGMs' 33% interest in the Bafokeng Rasimone Platinum Mine associate, as well as its 11% listed stake in Royal Bafokeng Platinum, its 85% interest in Union mine and 50.1% interest in Masa Chrome Company.

We also completed the acquisitions of the remaining 50% interest in the Mototolo joint operation in South Africa from Glencore and Kagiso Platinum Ventures; and in Canada, the Chidliak Diamond Resource (through De Beers) through the acquisition of Peregrine Diamonds Limited.

Other transactions

In July 2018, Platinum announced that it had subscribed for interests in two UK-based venture capital funds. Platinum's commitment to the funds is matched by a commitment from South Africa's Government Employees Pension Fund represented by the Public Investment Corporation SOC Limited. Also in July, Anglo American completed a sale and leaseback transaction with M&G Investments with the intention of redeveloping and relocating the Group's London headquarters to Charterhouse Street.

PROJECTS

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

In July 2018, the Board approved the development of the Quellaveco copper project in Peru, and aligned with the Group's disciplined approach to capital allocation, agreement was reached with Mitsubishi to increase its interest in the project from 18.1% to 40% via the issuance of new shares.

Project execution is on track, benefiting from early works completed during the feasibility study stage. All major permits are in place. In line with plan, the diversion of the Asana river was successfully completed in early December, the first major milestone of the project. Engineering, contracting and procurement are well advanced, with earthworks also meaningfully progressed. The full complement of accommodation required for workers will be available during the first half of 2019.

The priority in 2019 is to continue progressing earthworks and start concrete works at the plant site. First production is due in 2022, with the ramp-up complete in 2023. The project will deliver around 300,000 tonnes per annum of copper equivalent production on average in the first 10 years of operation.

DISCOVERY

Our Geosciences team, including our exploration activities, is consolidated across the Group, including near-asset and greenfield discovery, projects and operations. The integrated function is supporting a greater technical understanding of our world class assets, a strategic advantage that is being applied to gain maximum benefit in both near-asset and greenfield discovery work.

Building on the Group's strategy and long track record of discovery success, Anglo American is implementing a fundamentally revitalised discovery strategy that is enhancing our position as a discoverer of superior-value deposits that have the potential to enhance the production profile of the Group over time, and which will play a vital part in delivering a sustainable future for the business and our supply of products to our customers.

Quality discovery portfolio

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

We maintain a robust and diverse discovery portfolio, including:

- Near-asset discovery projects: a focus on the extensive mineral tenure around Anglo American's existing world class operations. These include the Los Bronces and Quellaveco copper districts in Chile and Peru respectively, and the Mogalakwena PGMs district in South Africa.
- Greenfield projects: identifying and securing extensive mineral tenure covering strategic, highly prospective search space in established and frontier settings. The greenfield discovery product focus includes copper, diamonds (through De Beers), nickel and PGMs. The Group has active greenfield programmes in Australia, North America (Canada and the USA), South America (Argentina, Brazil, Chile, Colombia, Ecuador, and Peru), Europe (Finland), and southern Africa (Botswana, Namibia, and Zambia).

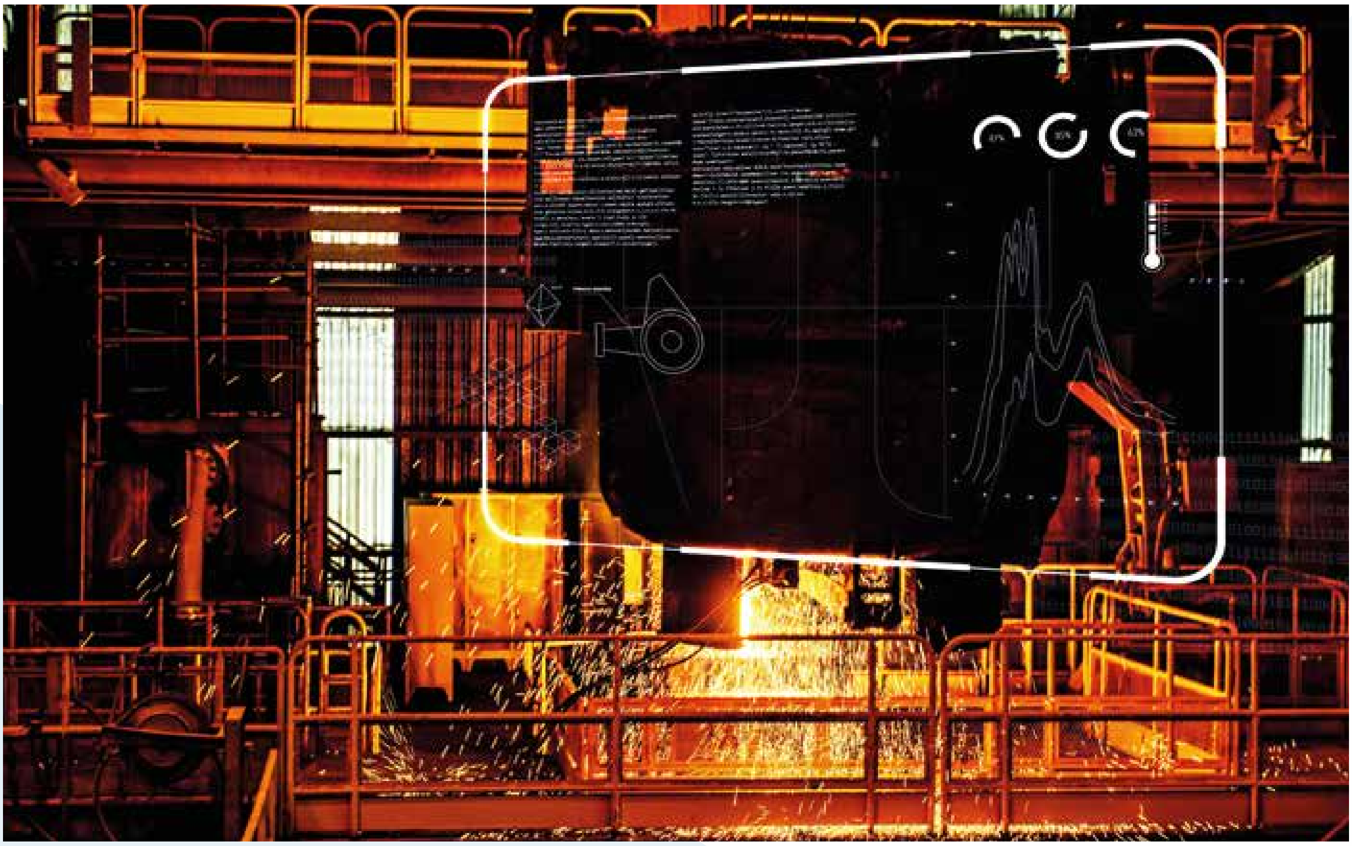
Innovation and technology at the heart of a differentiated discovery strategy

By applying a leading conceptual understanding of how world class mineral systems form at all scales, we aim to identify and create material value through discovery in the earth's most prospective ground.

A combination of established and novel proprietary technologies is crucial to Anglo American's track record of mineral discoveries in new settings and beneath the cover of overlying material such as younger rock sequences or desert sands. Innovative discovery technologies employed by Anglo American include the SPECTREM^{PLUS} airborne geophysical system, and the Low-Temperature Superconducting Quantum Interference Device (LT-SQUID) ground-based geophysical system, both developed through Anglo American-driven collaborations. SPECTREM^{PLUS} collects high-resolution electromagnetic, magnetic, radiometric and gravity information about the sub-surface in a single airborne platform. The LT-SQUID is a highly sensitive magnetometer that is particularly useful for sensing metallic sulphide deposits in complex geological environments that otherwise lack expression at surface.

INNOVATION

We are innovative in how we use technologies and digitalisation to deliver products from our mines to our customers sustainably and in how we engage our full breadth of stakeholders. We are creating a new value proposition for a mining company.



Predictive maintenance technology, which forms part of our FutureSmart Mining™ programme, is deployed at Barro Alto, where two electric furnaces are monitored by data platforms for performance levels and to detect maintenance needs.

Commissioned in 2011, Barro Alto is a nickel-producing mine and processing plant in Goiás, Brazil. Our Nickel business unit produces around 43,000 tonnes of ferronickel annually.

At Kumba's Kolomela iron ore mine in South Africa, a remotely-controlled drill rig's progress is monitored by drill operators Gerald van der Westhuizen (left) and Lesley Hael.

THE INTELLIGENT MINE – USING DATA TO UNLOCK SUSTAINABLE VALUE

FutureSmart Mining™ is focused on delivering step-change innovation in technology and sustainability – enabling safer, more efficient, precise and sustainable mining with a smaller physical footprint. The technologies that we are developing and deploying are focused on the following four areas:

- **The Concentrated Mine**. One of mining's greatest challenges is to maximise output (the ratio of metal to ore) while minimising the environmental footprint, as well as operating and capital costs. Concentrate the Mine™ integrates three enabling technologies – advanced fragmentation, bulk sorting and coarse particle recovery – to precisely target the metal and mineral, with less waste, water and energy.
- **The Waterless Mine**. With more than 70% of our operations located in water-stressed areas, water conservation is critical. As we work towards developing waterless mines in water-scarce regions, we are focused on innovative approaches to the separation and transportation of ore and waste, evaporation measurement, dry-tailings disposal and waterless processing.
- **The Modern Mine**. As mineral resources become ever more difficult to access at depth, we are exploring technologies to transform hard-rock mining. Automated and continuous rock-cutting vehicles safely extract the targeted ore deep underground without the need for explosive blasting. Such innovations make it possible to mine lower grade ores and complex mineralogy, creating a safer environment and lower operating costs, while enhancing the value of the mineral resource.
- **The Intelligent Mine**. Our vision is to create a truly smart, connected mine, transforming vast quantities of data into predictive intelligence – the outcome being a fully integrated, systematised and ultimately self-learning operation that offers entirely new levels of stability and predictability.

As we develop 'the Intelligent Mine', we are creating a digital platform to integrate data from a broad spectrum of sources and apply advanced analytics to find new patterns and trends; turn data into insight about the probability of future events; and to predict and shape operational outcomes through data-driven decision making. This platform has the potential to deliver significant value across our value chain by applying the power of artificial intelligence (AI) to mineral discovery and geosciences, mining and processing operations, and in how we market our products to our customers.

For example, we are developing predictive models so that we can make better informed operational decisions. These models, built by data scientists and often powered by AI and machine learning, contain advanced algorithms that leverage the power of data to generate predictions. At the operational level, we are using customised learning algorithms across a range of different applications. In one such instance, we monitor equipment health at a number of our operating sites, with the aim of improving operational performance through predictive maintenance.

Barro Alto, our nickel mine and processing plant located in Brazil, is a case in point. Barro Alto has two rotary kilns and two electric furnaces that smelt nickel ore, and we are focusing our predictive maintenance efforts on key pieces of high-power equipment.

By building a comprehensive data platform that monitors 38 major elements of the Barro Alto operation, we are increasing our knowledge of the performance of the equipment and we are using data to accurately forecast failures before they happen. Soon, we will be able to dynamically manage maintenance intervals – only replacing parts when required, thereby ensuring greater operational uptime and product throughput. The implementation is expected to improve furnace reliability, as well as realise cost savings for the Nickel business.

The learnings from Barro Alto are also being applied to fixed-plant assets in other operations. This nascent project is on track to deliver considerable value from just one data analytics application.

Data analytics augments the intelligence in our people by helping them make better, confident data-driven decisions. Remote monitoring of assets takes people away from physical equipment and helps avoid high-energy failures, which leads to a safer working environment. Reducing unplanned equipment failures can also bring significant environmental benefits owing to the reduced likelihood of spillages. We plan to extend the reach of data analytics to all aspects of our value chain and extend operational decision support to the mining and processing phases of our assets.

HIGHLIGHTS

$3-4 billion by 2022

Targeted annual Group EBITDA run-rate improvement, relative to 2017. Our data analytics programme will contribute to achieving this target.

PILLARS OF VALUE

Environment
Socio-political
Financial

For our KPIs
See pages 48-49

MATERIAL MATTERS DISCUSSED IN THIS SECTION

- **Environmental impacts and climate change**
- **Operational and cost performance**
- **Meeting our commitments to business stakeholders and society**
- **Political and regulatory**

Across every aspect of our business, we are committed to thinking and behaving differently to ensure we continue to improve how we operate, for the benefit of all, including a safe and healthy workplace; a commitment to environmentally responsible mining and co-operative social development; and a business delivering industry-leading margins and returns.

It is this mindset that drives us towards entirely new levels of performance across all our critical business outcomes. Our first target is to deliver industry best practice, or 'benchmark' performance. To be the best of the best, and then to create new benchmarks beyond what is currently thought to be possible, is what we call P101 – or Full Potential Plus.

Then there is the innovation that delivers step-change improvements across our entire value chain.

FUTURESMART MINING™

It is this step-change innovation that we call FutureSmart Mining™ – our innovation-led pathway to sustainable mining.

FutureSmart Mining™ is our blueprint for the future of our business. A future in which broad innovative thinking, enabling technologies, and collaborative partnerships will shape an industry that is safer, more sustainable and efficient, and better harmonised with the needs of our host communities and society as a whole.

These are the innovations that will transform the nature of mining – how we mine, process, move and market our products – and how our stakeholders experience our business. It is about our physical and societal footprint.

In short, we envisage a much reduced environmental footprint from a number of precision mining technologies and the smart use of data analytics, while our collaborative approach to regional economic development is at the heart of how we plan to create truly sustainable communities that will thrive long after the life of the mine. This is how we are re-imagining mining to improve people's lives.

Through our innovative and collaborative approach, we are becoming a more sustainable business in every sense – creating safe, healthy and productive workplaces, being part of thriving communities and making a broader contribution to the welfare of society. This is how we build trust and secure our long term social licence to operate, for the benefit of all our stakeholders and to deliver sustainable returns to our shareholders.

Step changes through technology

FutureSmart Mining™ seeks to ensure that, through technical expertise and innovation, we deliver net-positive benefits to the environment while continuing to supply society's growing demand for metals and minerals.

We continue to make good progress, unlocking ever-greater potential, as we implement our broad and progressive programme of technology and digital solutions.

As we adopt an integrated and agile approach to innovation, many of our initial ideas are now proven concepts that are being rolled out at pace, allowing us to operate with greater precision, driving value and delivering reductions in energy and water consumption intensity.

We have a strong technology innovation pipeline. Combining bulk sorting, shock break and coarse particle recovery will enable greater operational efficiency and reduce our consumption of water and energy. Bulk sorting increases mineral output and upgrades ores, as well as simplifying the mining process. Our shock break technology uses less than 50% of current energy requirements, while also improving recovery rates. Coarse particle flotation is raising throughput, reducing the water required for processing and delivering dry stackable waste. In 2019, we will further develop our dry-disposal technologies, with a view to recovering more than 80% of the water we use.

We are exploring the use of a number of technologies that have the potential to transform the way we develop underground mines. Using a combination of continuous hard rock cutting, shock break and hydrohoist solutions, we are seeking to remove the need for new shafts, replacing them with a pipe instead. Our hydrohoist technology involves new methods for moving large volumes of ore from underground without the need for traditional hoist systems. This new mining solution provides opportunities to significantly lower ongoing operating and capital costs and unlock previously uneconomic underground mining areas.

The next big step change along the journey towards reaching our full potential is digitalising our mines. Changing the way we instrument our operations and capture and use data will deliver the game-changing measurement component of FutureSmart Mining™.

Sustainable mining

Anglo American has a longstanding reputation as a leader in sustainable mining. In 2018, we launched an innovative and ambitious approach to sustainability, integral to our FutureSmart Mining™ programme.

We developed a Sustainable Mining Plan through extensive internal and external engagement and analysis of critical opportunities and risks, including the UN's Sustainable Development Goals (SDGs).

We are going beyond compliance with mining law or regulatory requirements. We aim to have a more strategic and holistic impact on the ground, comprising mutually reinforcing elements that will positively transform how our stakeholders experience our business, both globally and locally.

Our approach is built around three global sustainability pillars:

- Trusted corporate leader
- Thriving communities
- Healthy environment.

At the core of our plans to bring long term and sustainable development opportunities to the regions around our operations is what we call *Collaborative Regional Development*. This innovative approach starts by identifying socio-economic development opportunities with the greatest potential in a region through spatial planning and analysis.

Collaborative Regional Development creates a catalyst for partnerships with a broad range of stakeholders, including community representatives; faith groups; businesses and entrepreneurs; government; academics; and NGOs.

By working through partnerships, we are delivering on our commitment to building foundations for long term, sustainable development in our host regions, far beyond the life of the mine.

For more detail on our approach to sustainable mining
Please refer to our Sustainability Report 2018

OPERATING AND MARKETING EXCELLENCE – INCREASING LUMP IRON ORE PRODUCTION AT SISHEN

At Kumba's Sishen iron ore mine in South Africa, quality controller Patrick Steenkamp (left) and operator LR Sanderson monitor operations from the Jig plant control room.

Most iron ore is either sold as fines, which is any iron ore below six millimetres in size and with an iron (Fe) content of 56%-66%, or as a lump product, which is 6-30 millimetres in size and has an Fe content of around 63%-67%.

Lump is considered a higher quality product and is often preferred to fines for several reasons, including: its ability to be directly fed into a blast furnace for steelmaking; its very high physical strength; and that many modern steel mills require high Fe content ores to ensure the efficient and cleaner operation of their blast furnaces.

Logically, therefore, lump products can command a significant price premium over fines in the iron ore markets.

Kumba's Sishen iron ore mine, located in South Africa's Northern Cape, produces both high quality lump and fine iron ore for the export market; its dense media separation (DMS) plant produces an average lump:fine ratio of around 70%.

As the market for high quality lump expanded through 2017 and 2018, and the price premium increased to as much as $27/tonne above the price for fines (averaging $21/tonne in 2018 – a 30% increase over the prior year), Sishen assessed all aspects of the DMS plant to find ways to capitalise on the lump-ore premium and thereby generate more revenue for every run-of-mine tonne processed through the plant.

By optimising the crushing and screening circuit at the DMS, Sishen was able to improve its lump:fine ratio to 73.3% in 2018, generating millions of dollars of additional value for no additional cost.

The Kumba team worked closely with our Marketing team to ensure the new lump product was suitable for customers' blast furnaces. This is an example of how we are working together towards attaining, and then exceeding, the industry best practice performance benchmark across all our equipment and processes. This process is ongoing and further improvements are planned for 2019 to deliver even more value from our existing assets.

DELIVERING STABLE OPERATING FOUNDATIONS

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

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

The framework is built around three key components:

- Operational planning ensures that we set targets with an understood confidence level, and develop appropriate operating strategies and tactics to meet business expectations
- Work management focuses on driving the right behaviours and routines for the approval, planning, scheduling, resourcing and execution of work programmes
- Feedback ensures that the measures we use are well-defined and -controlled and that appropriate improvement processes are applied.

The Operating Model follows a structured implementation plan, starting at the project set-up phase and ending with the stabilisation and sustaining phases.

The Operating Model is being used to support realisation of the Group's strategic objectives, including P101 – operating our key assets and equipment at industry best practice and beyond. Moving our operations to P101 levels of performance will be a major factor in embedding a mindset of constant improvement, as well as helping us to reach the cost and volume improvement targets we have set.

Cost and productivity improvements

We have continued to improve the performance of our assets through increased efficiency and productivity, including the implementation of our Operating Model and, as a result, have delivered $0.4 billion of cost and volume improvements in 2018.

Across the Group, production increased by 6% on a copper equivalent basis, excluding the impact of the stoppage at Minas-Rio, primarily driven by continued strong performances at Copper, Metallurgical Coal and De Beers, as well as improved production at our PGMs business. This was partly offset by curtailed production at Kumba Iron Ore as a result of third party rail constraints.

Copper production increased by 15% to 668,300 tonnes (2017: 579,300 tonnes), with increases at all operations. Collahuasi delivered record copper in concentrate production, benefiting from a strong plant performance following the completion of planned plant improvement initiatives and planned higher ore grades. At Los Bronces, production increased by 20%, owing to strong mine and plant performance, as well as planned higher ore grades.

Metallurgical coal production increased by 11% to 21.8 Mt (2017: 19.7 Mt), driven by a record performance from Moranbah and production growth at Grosvenor.

De Beers' rough diamond production increased by 6% to 35.3 million carats (2017: 33.5 million carats). Production increases at Orapa and the contribution from the ramp-up of Gahcho Kué more than offset the effect of the temporary suspension of production at Venetia following a fatal incident and the placing of Voorspoed mine onto care and maintenance.

At our PGMs business, platinum production increased by 4% to 2,484,700 ounces (2017: 2,397,400 ounces) and palladium by 3% to 1,610,800 ounces (2017: 1,557,400 ounces), reflecting continued strong performance at Mogalakwena and ongoing operational improvements at Amandelbult. Refined platinum production decreased by 4% to 2,402,400 ounces (2017: 2,511,900 ounces) and refined palladium by 10% to 1,501,800 ounces (2017: 1,668,500 ounces) as scheduled smelter maintenance delayed refined production into 2019.

At Kumba, iron ore output decreased by 4% to 43.1 Mt (2017: 45.0 Mt) due to Transnet's rail performance constraints throughout 2018. In response, Kumba took the strategic decision to improve product quality to maximise the value of those tonnes railed to the port, which in turn reduced total production.

At Thermal Coal – South Africa, total export production decreased by 1% to 18.4 Mt (2017: 18.6 Mt), as operations continued to transition between mining areas.

Nickel production decreased by 3% to 42,300 tonnes (2017: 43,800 tonnes) owing to a 40-day planned maintenance stoppage at Barro Alto. Manganese ore production increased by 3% to 3.6 Mt (2017: 3.5 Mt), reflecting improved concentrator availability and favourable weather conditions at the Australian operations.

Group copper equivalent unit costs were in line with the prior year in both local currency and US dollar terms as the effect of cost and productivity initiatives offset the impact of inflation across the Group. A 9% decrease in unit costs at Copper, owing to increased production and continued cost savings across all the operations, was offset by Metallurgical Coal, where increased costs were incurred to establish new mining areas to achieve further productivity improvements, and at Kumba following lower production and higher strip ratios.

While we have delivered a material operational turnaround in recent years, we believe there is still significant value to be delivered from the continued implementation of our Operating Model, P101, and the benefits from our technology and data initiatives, as well as the delivery of growth projects. By 2022, we expect to deliver an additional $3-4 billion annual underlying EBITDA run-rate improvement, relative to 2017.

DELIVERING VALUE THROUGH MARKETING

Our Marketing business continues to create commercial value across our entire value chain, from mine to market.

A key element of Marketing's successful strategy is to operate in all the world's major markets and sourcing regions and to use physical and financial trading and third party products to fully leverage our marketing platform and broaden our customer offering. This yields many benefits, including delivering additional value to Anglo American, and providing greater customer-facing exposure and market insight by being more connected across the wider market.

This approach is highlighted by the activities of two of our commodity marketing teams; Thermal Coal and Base Metals.

In 2018, the Thermal Coal trading team exceeded its targeted volumes of third party coal, sourced from Australia, South Africa, Indonesia, Colombia and the USA. This significantly broadens our participation in the global market with traded third party volumes now representing a large portion of our export sales activities. The trusted Anglo American brand is a key asset in developing new relationships and growing our Marketing business.

In Copper, we sold only our own-produced metal until 2015. In recent years, we have focused on developing deeper customer relationships and expanding our customer base. Today, third party and traded metal represents around 30% of Marketing's copper sales volumes. We can better manage our customers' specific copper concentrate requirements as our networks expand. We provide bespoke logistics and freight solutions and price-risk management for customers using the derivatives market, and offer long term origination solutions to suppliers.

By leveraging our systems and processes for both our own products and those of third parties, we can play a broader role in the full value chain. This results in higher margins for Anglo American's products, supporting both EBITDA growth and better risk management.

Head of financial trading, Iron Ore, Andrew Glass, (left) and senior trader, Copper, Gavin Li, consulting data screens at the Singapore marketing office.

MARKETING PRODUCTS FOR FULL VALUE

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

In 2018, our centralised Marketing business, now in its fifth year, continued to make good progress against its strategy. Key achievements included:

- **Sales and marketing excellence** – during the year, we sold all of our own-production volumes, while proactively managing a number of supply challenges, including finding new markets for different grades of material. Close customer relationships are central to our success, as is an ongoing focus on market insight and analytics.
- **Expanding our customer offering through trading and third party sourcing** – we continued to broaden our customer proposition through securing access to a greater range of financial and third party physical markets. Trading capabilities across several commodities have been extended in a measured and controlled way.

  During 2018, we strengthened our presence in China by setting up a wholly foreign-owned entity, along with the establishment of a new office in Shanghai to service China.
- **Value chain optimisation** – integrated sales and operations planning evolved further during 2018, particularly across the bulk commodities, as the adoption of new forms of technology drove ongoing operational improvement. Our integrated shipping desk continues to provide advantageous freight rates and service levels for our own cargo, as well as for a growing volume of third party product.
- **Market development** – good progress is being made with market development and new market investment activities and, in particular, the work to support the commercialisation of fuel cell electric vehicles and related hydrogen technology. In July, the Platinum Group Metals (PGMs) Investment Programme was spun out to independent management with the formation of the AP Ventures fund. Having enjoyed success and a strong track record while being managed by Marketing, we separated the fund in order to attract additional outside investment and allow AP Ventures to increase the scale of its activities to support the growth of PGM technologies and PGM demand.

Operationally, Marketing made a significant reduction in cash-collection cycle times through targeted process improvement in the sales cycle. Our governance, risk management and control processes continue to strongly underpin everything we do.

SUPPLY CHAIN

During 2018, Supply Chain continued its three-year journey to *Innovate Supply, Responsibly* through step changes in safety, people, sustainability, value delivery, supplier partnerships and digitalisation.

Safety performance

Supply Chain's primary focus is on more robust safety-based supplier selection criteria, improved supplier safety performance management and leveraging supplier enabled innovation to strengthen critical controls. Several supplier-innovation initiatives are in progress to improve safety across the Group, including advanced driver-assistance systems, smart personal protective equipment, energy isolation and collision-avoidance solutions.

Inclusive procurement

With most of our operations located in the developing world, an inclusive approach to procurement is critical to deliver benefits that make a real, positive difference to our host communities and countries where we operate.

Our local and inclusive procurement approach provides guidance for operations in designing and implementing procurement initiatives aimed at integrating and increasing expenditure with economically marginalised supplier groups.

Our inclusive procurement strategies support country-specific imperatives such as First Nation citizens (Canada), promotion of Aboriginal procurement (Australia) and black economic empowerment (South Africa). These are complemented by our supplier development approach, which actively targets and provides development support to suppliers based in our host communities.

In 2018, our operations spent approximately $10.2 billion (2017: $9.0 billion) with suppliers. Our inclusive procurement expenditure was $2.8 billion (2017: $2.1 billion), representing 27% of total supplier expenditure (2017: 23%). The amount spent with host community-based suppliers in 2018 was approximately $2.1 billion.

Responsible sourcing

Anglo American's *Responsible Sourcing Standard for Suppliers* articulates performance requirements for current and prospective suppliers across the Group. Our standard specifies expectations from suppliers to protect safety, health and the environment; respect labour and human rights; increase social accountability; and conduct business fairly and with integrity.

Through supplier self-assessments, third party audits and bespoke supplier capacity-building programmes, we support suppliers to flag potential risks and improve their management controls. Where required, corrective actions are agreed and monitored.

Value delivery through supplier partnerships

Supply Chain continues to focus on delivering value for our operations through global and regional framework agreements, supplier enabled innovation and the optimisation of working capital. Through our strategic supplier partnerships, we jointly identify opportunities and deliver on our innovation roadmaps. In collaboration with the Group's Technical and Sustainability teams, several innovation and modernisation initiatives are being implemented in safety, mining, processing and sustainability. Focus areas have included more efficient and sustainable sourcing and utilisation of energy as well as various technology development initiatives.

Supply chain digitalisation

We are digitalising our source-to-pay process with an electronic procurement solution which standardises the way we transact with our suppliers. We aim to simplify the user experience by enabling intuitive interfaces as part of a journey to a touchless, request to pay purchasing process.

ENVIRONMENTAL IMPACTS AND CLIMATE CHANGE

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

By 2030, we aim to:

- Reduce greenhouse gas (GHG) emissions by 30% and improve energy efficiency by 30% against a 2016 baseline
- Achieve a 50% net reduction in freshwater abstraction in water-scarce regions
- Deliver net-positive impact on biodiversity wherever we operate.

For more detail on our approach and performance related to our material sustainability matters
See www.angloamerican.com/sustainability

Managing our environmental impacts

The Anglo American Safety, Health and Environment (SHE) Way details our internal policy requirements and its roll-out and implementation got under way during 2018. To date, 21 operations have developed implementation plans to comply with the SHE Way by the end of 2020. There is ongoing tracking and monitoring of progress against these defined plans.

We have made progress in integrating the management of environmental risk into our operational risk management (ORM) process and Operating Model. ORM implementation, including for our most serious environmental risks, forms part of performance-based remuneration for senior executives, along with a target to reduce significant environmental incidents.

Environmental incidents

Anglo American reports five levels of environmental incident severity. Level 3-5 incidents (ranging from moderate to high impact) are featured in the chief executive's report to the Board and are addressed each quarter by the Board's Sustainability Committee.

In 2018, we recorded one Level 4 (high impact) (2017: nil) and five Level 3 (moderate impact) (2017: two) environmental incidents. The Level 4 incident, and one Level 3 incident, related to two separate pipeline spills that occurred at the Minas-Rio iron ore operation, in Brazil, in March 2018.

In response to the pipeline-spill incidents, we took swift and effective action to assess the integrity of the entire pipeline, as well as reviewing the maintenance strategy, the controls in place and the use of technology to predict pipeline failures. The incidents at Minas-Rio resulted in fines being issued amounting to $50 million, some of which are being challenged, and the loss of 280 production days.

Water

For Anglo American, water shortage is a principal risk as 70% of our sites lie in water-scarce areas. Our catchment-based approach to water management provides a solid foundation as we work towards meeting our ambitious sustainability targets, while our ultimate vision is to develop the waterless mine in water-scarce regions; that is, a mine that uses no external fresh water beyond ramp-up.

Anglo American's Water Management Standard requires all operations to complete a detailed self-assessment and gap analysis of progress against the standard, the results of which are included in each business unit CEO's scorecard. In addition, each site is required to complete a site-wide water balance, providing a more accurate and detailed understanding of water withdrawal, discharge, and use, and which underpins the effective assessment and evaluation of site-specific water risks. At year end, 60% of our sites had completed (or restated) their water balance.

Total water withdrawals amounted to 227.5 million m^3 (2017: 306.3 million m^3). Current data shows that Anglo American is making steady progress towards our 2020 water targets of reducing absolute freshwater abstraction by 20% (as compared to the projected business as usual (BAU) consumption), recycling and/or re-using water for 75% of our global water requirements and recording no Level 3 (or above) incidents in the year.

Tailings storage facilities

Anglo American is implementing leading practices in all aspects of tailings and dam management. Where possible, we place mineral residue into mined-out areas or pits, such as at our coal facilities in Australia. Over the past four years, we have rolled out a new mineral residue facilities technical standard for all tailings dams and water-retaining dams. We have completed self-assessments against the standard and started formal reporting against performance requirements.

The new standard raises the bar in the level of care of our mineral residue facilities, exceeding legislated requirements in most regions, as we seek to move beyond compliance and towards leading practice. Critical controls at facilities are audited internally by our technical specialists, and each of the businesses is addressing identified priority issues.

Climate change

For more than a decade, Anglo American has contributed to the global effort to reduce emissions, while continuing to provide many of the metals and minerals that modern life requires.

Governance and management approach

In implementing Anglo American's approach to sustainability, we are working towards our carbon and energy targets for 2030 and, ultimately, our vision of operating a carbon-neutral mine. The Board's Sustainability Committee continues to monitor progress and our commitment to other multi-stakeholder initiatives, such as the Aiming for A coalition.

Respecting society's increasing expectations for greater transparency around climate change, we support the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), including the disclosure of our progress to date, as well as the development of quantitative scenario analysis, to be presented at a future date.

See TCFD table on page 31 for detailed disclosure.

Anglo American's climate change policy articulates our commitment to five principles:

- Building internal agility and ensuring resilience to climate change
- Driving energy and carbon savings throughout our business
- Understanding and responding to the carbon life-cycle risks and opportunities of our products
- Developing and implementing collaborative solutions with our stakeholders
- Contributing our skills and knowledge to the development of responsible public policy.

A central aspect of our approach is our energy and carbon management (ECO$_2$MAN) programme, which we have been implementing across the Group since 2011.

DISCLOSURES RELATED TO THE RECOMMENDATIONS OF THE TCFD

Anglo American's response to the risks posed by climate change is multi-disciplinary and is covered throughout our reporting suite – from the Integrated Annual Report to our climate-change specific supplement published in 2016. The table below offers guidance on where to find information relating to each of the TCFD's recommendations.

GOVERNANCE

Disclose the organisation's governance around climate-related risks and opportunities.

Recommended disclosures	References
a) Describe the Board's oversight of climate-related risks and opportunities.	Climate change: *Our plans, policies and progress*, pages 6-7. Climate change, *Integrated Annual Report 2018*, pages 83 and 90.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	Climate change: *Our plans, policies and progress*, page 7. Our Material Matters, *Integrated Annual Report 2018*, page 17.

STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning, where such information is material.

Recommended disclosures	References
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	*CDP Climate Response 2018*, question CC2 Risks and opportunities.
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	*Sustainability Report 2018*, pages 49-53.
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We have conducted a qualitative scenario analysis included in: Climate change: *Our plans, policies and progress* (pages 12-15). We are undertaking a quantitative scenario analysis.

RISK MANAGEMENT

Disclose how the organisation identifies, assesses, and manages climate-related risks.

Recommended disclosures	References
a) Describe the organisation's processes for identifying and assessing climate-related risks.	Climate change: *Our plans, policies and progress*, pages 4 and 7. *CDP Climate Response 2018*, question CC2.2b, processes for identifying and assessing climate-related risks.
b) Describe the organisation's processes for managing climate-related risks.	*CDP Climate Response 2018*, questions CC2.1, CC2.2, CC2.5 and CC2.6.
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Climate change: *Our plans, policies and progress* page 7. *CDP Climate Response 2018*, questions CC2.1, CC2.2, CC2.5 and CC2.6.

METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended disclosures	References
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	*CDP Climate Response 2018*, questions CC2.2b, CC2.3a and CC11.3a.
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3, greenhouse gas (GHG) emissions, and the related risks.	*Sustainability Report 2018*, page 50 and data table page 86. *Integrated Annual Report 2018*, pages 32 and 216.
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	*Integrated Annual Report 2018*, pages 32 and 216.

The Anglo American chief executive and business unit CEOs' scorecards include performance on energy and carbon and since 2017, our 2020 energy and carbon targets have been included within the executive Long Term Incentive Plan.

Targets and performance

In 2018, our operations were responsible for 16.0 million tonnes of CO_2-equivalent emissions (Mt CO_2e) (2017: 18.0 Mt CO_2e). This decrease resulted from higher seam gas drainage at our Metallurgical Coal operations, business improvement projects and a marginally lower carbon intensity of the Eskom grid.

Our GHG emission-reduction target for 2020 is 22% against projected emissions in a BAU scenario. GHG emission savings in 2018 amounted to 6.1 Mt CO_2e – a 25% reduction relative to the BAU figure, representing a 4% decrease compared to 2017.

The Group's total energy consumption decreased for a third consecutive year to 85 million GJ (2017: 97 million GJ). Divestments, stalled production at Minas-Rio owing to the pipeline incidents, and ongoing productivity and energy-efficiency projects were the primary cause for the decrease. The energy-efficiency projects we have implemented have a typical payback time of three years.

Our ECO_2MAN energy-reduction target for 2020 is 8% against BAU. In 2018, approximately 486 energy-efficiency and business-improvement projects saved 6.7 million GJ in energy consumption, relative to the projected consumption in a BAU scenario (a 6.5% reduction).

Our energy-efficiency target for 2030 is a 30% reduction in our absolute energy intensity against our 2016 performance, while our long term GHG-emissions target is a net 30% reduction in emissions.

MEETING OUR COMMITMENTS TO GOVERNMENT AND SOCIETY

We are committed to making a positive contribution to the communities in which we operate, through living our values, respecting human rights and demonstrating accountability.

Our first duty is to avoid or minimise any harm that our operations may cause. We do this by respecting human rights, applying robust social performance standards and maintaining constructive relationships with local stakeholders. This provides the foundation for forging collaborative regional development, which is at the heart of our innovative approach to sustainability.

Social performance

Management approach

Anglo American's approach to social performance is informed by our values and Code of Conduct, while our Social Way defines our governing framework for social performance.

The Social Way provides clear requirements for all Anglo American-managed sites to ensure that policies and systems are in place to engage with communities, to avoid, prevent and mitigate adverse social impacts, and to optimise development opportunities.

GEMFAIR™

In Sierra Leone, brothers Tamba E Nyandemoh and Tamba B Nyandemoh using the GemFair™ dedicated tablet and toolkit.

The artisanal and small-scale mining (ASM) sector makes an important contribution to the global diamond industry and is a critical income source for poverty-affected communities in many parts of Africa. However, as some parts of the sector are informal and unregulated, its participants often lack access to established international markets and formal sales channels, making it difficult for them to sell their diamonds for a fair price.

To help enhance prospects and improve livelihoods of those working in the sector, De Beers is piloting a ground-breaking programme, called GemFair™, that aims to create a secure and transparent route to market for ethically sourced ASM diamonds.

GemFair™ uses dedicated technology to record ASM production at mine sites that meet operating standards agreed with industry stakeholders, with the aim of purchasing rough diamonds for a fair price from accredited sites. By providing accredited miners with the opportunity to sell to De Beers, GemFair™ has the potential to help transform the sector by providing a new and secure route to market, and to open up a new source of supply for De Beers.

GemFair™ is piloting with the Diamond Development Initiative (DDI), an NGO that is leading efforts to formalise Africa's diamond ASM sector. Miners wishing to participate in the pilot must be vetted by the DDI and agree to comply with its standards, and those of the GemFair™ business model.

GemFair's™ approach combines a dedicated app, tablet and diamond 'toolkit' that enables ASM production to be tracked from the mine site, while also addressing ASM's key challenges and risks.

By using technology to provide artisanal and small-scale miners access to the global market and offering fair prices, GemFair™ hopes to improve miners' livelihoods and foster the sector's development as a reliable diamond supply source.

If proven successful, GemFair's™ technology will be integrated with De Beers' Tracr™ diamond-industry blockchain, thereby providing an added layer of assurance that the ASM production registered on the platform has been responsibly sourced.

The Social Way is supported by our industry-leading Socio-Economic Assessment Toolbox (SEAT), which provides detailed guidance on how to manage social impacts and deliver socio-economic development. Engagement with local stakeholders is central to the process.

Operations complete a SEAT assessment every three years. Our social performance strategy draws on SEAT assessments and aims to bridge potential gaps between our business objectives, life-of-asset planning and social management plans.

During 2018, we reviewed and revised our Social Way, SEAT and related policies, taking into consideration changes in our business and the external environment, our FutureSmart Mining™ pathway to sustainable mining, evolving stakeholder expectations and international best practice. The updated polices and guidance will be published in 2019.

Governance and performance

Every year, we assess site compliance with the Social Way requirements. In 2018, we externally assured these assessments to gain independent verification as to whether sites are compliant with each requirement. More in-depth reviews of priority issues are undertaken on a rotational basis as part of the operational risk-assurance process.

The 2018 assessment results reflect steady improvement across almost all Social Way requirements. No non-compliance impacted our stakeholders and plans are in place to remedy those non-compliances recorded. Each operation implements an improvement plan to meet requirements that are not met in full. The chief executive's quarterly performance scorecard includes progress in achieving Group-wide compliance with the Social Way.

Human rights

The respect of human rights is a critical foundation of our sustainability approach.

Management approach

Our approach to human rights is aligned with the UN Guiding Principles on Business and Human Rights and we remain committed to implementing the UN Global Compact Principles. We integrate the UN Guiding Principles on Business and Human Rights across our Code of Conduct and embed them in our corporate standards.

Our Human Rights Policy and framework guide our approach to identifying and addressing our salient human rights risks, which are integrated into the Social Way and other internal policy documents as relevant. Our policy requires operation-level due-diligence processes.

Governance and performance

Each operation conducts an annual social risk assessment to identify human rights risks and potentially vulnerable groups. Over the past three years, we have conducted human rights due-diligence exercises across all our sites, with assistance from external experts. Each site has identified its key human rights issues in terms of the potential impact on people or the operation and has developed action plans to address the human rights concerns raised. Common issues identified include perceptions of discrimination associated with employment and the visibility of procurement opportunities, unfulfilled commitments and disrespect among contractors for labour rights.

We are fully committed to an ethical value chain that respects human rights and is free of slavery. In accordance with the UK's Modern Slavery Act 2015, we publish an annual Group statement to demonstrate our approach to preventing modern slavery and human trafficking in our operations and supply chain.

For more information, visit
www.angloamerican.com/approach-and-policies

The number of complaints that related to human rights issues in 2018 accounted for approximately 2% of the total number of complaints (42 in total).

Socio-economic development

To be productive, safe, responsible and sustainable, our mines must operate alongside thriving communities. Aligned with our site-level socio-economic development activities, we are driving an innovative regional partnership approach to identifying and realising opportunities to deliver impact at scale.

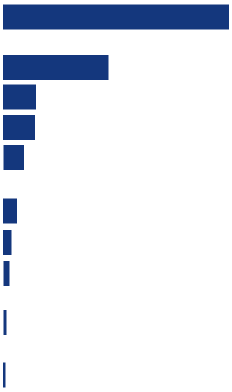
Developing thriving communities is one of three pillars of our sustainability approach. Our targets include creating three indirect jobs for every direct job (at regional level) by 2025, and five indirect jobs for every direct job by 2030.

Social investment

Our corporate social investment (CSI) expenditure predominantly supports vulnerable and marginalised stakeholders who are unable to participate in our value chains. In making investments, we strive to optimise our impact through partnerships and co-funding. In 2018, Anglo American's CSI expenditure in host communities, including from the Anglo American Chairman's Fund, the Anglo American Group Foundation and our enterprise development programmes, totalled $82 million (2017: $88 million). This figure represents 2% of underlying earnings before interest and taxes (EBIT), less underlying EBIT of associates and joint ventures.

Global CSI expenditure by type

	$'000	%
Community development	**41,314**	**50**
Education and training	**19,257**	**24**
Water and sanitation	**5,964**	**7**
Health and welfare	**5,810**	**7**
Sports, art, culture and heritage	**3,715**	**5**
Other	**2,511**	**3**
Environment	**1,481**	**2**
Institutional capacity development	**1,097**	**1**
Energy and climate change	**530**	**1**
Disaster and emergency relief	**371**	**0**
Total	**82,050**	



Global CSI expenditure by region

	$'000	%
Africa	**50,635**	**61**
Americas	**29,547**	**36**
Australia	**462**	**1**
United Kingdom	**950**	**1**
Rest of world	**456**	**1**
Total	**82,050**	

PEOPLE

Our entire business revolves around people. The partnerships we build, both within Anglo American and with our stakeholders – locally and globally – are central to maintaining our regulatory and social licences to operate and our sustained commercial success.

A skilled and diverse mix of employees will be crucial to the Quellaveco project's success – around 9,000 jobs will be created during construction, and around 2,500 jobs will be created during normal operation.

The launch of Metallurgical Coal's landmark Female Only Trainee Underground Miner Programme at Moranbah North had an overwhelming response. Female employees at our Moranbah North operation, Annette King, Belinda Morrison, Megan Holt, Teigan Flynn, Katie Buttery, Alison Drage and Rebecca Blines, were there to support the launch of the programme.

At the Real You LGBT+ network launch event in May 2018, employees at our London headquarters heard about the important role colleague networks play in creating an inclusive and diverse workplace. Members of the Real You network include those who identify as LGBT+ and their allies. Members' events are hosted both on and off site throughout the year.

INCLUSION AND DIVERSITY – UNLOCKING THE FULL POTENTIAL IN ALL OUR PEOPLE

In today's world of work, in our everyday lives and in public discourse, topics relating to inclusion and diversity (I&D) are ever present, almost irrespective of culture. At Anglo American, our work to address I&D imbalances is not the latest initiative to be seen to do the right thing; instead, it's our commitment to change the way we do things, authentically. Why? Simply so that every colleague can bring their whole and best self to work each day, regardless of their gender, sexual orientation, age, race, ethnicity, religion, national origin or physical or mental disability.

Our comprehensive I&D strategy underpins our vision to promote an environment where every one of us is valued and respected for who we are, and has the opportunity to fulfil our potential. It guides us to recognise each individual's unique contribution in an involving, fair and supportive workplace, with inclusive people policies, systems and procedures.

Our I&D strategy supports us towards achieving our strategic objective of embedding a high performance culture guided by our Purpose, creating a safe and healthy workplace in support of a truly sustainable business. I&D is also a critical foundation of our sustainability approach, helping to reinforce the quality of our external stakeholder relationships by clearly articulating the way we expect all our colleagues and business stakeholders to behave.

These are not simple issues and sustainable change takes time and energy. We are, however, well on our way and, as a first step, our senior leadership team completed Unconscious Bias awareness sessions during 2018. We have also now developed a Group-wide Inclusive Leadership training module, which is mandatory for all our people at supervisory level and above.

Checking the pulse

To understand how our employees feel about I&D across Anglo American, we have completed in-depth qualitative research in eight of our global locations, as well as interviewing more than 30 of our most senior leaders.

The research highlighted our male-dominated culture, which is constraining career opportunities for women and other groups. It identified a need to deliver greater gender balance across all levels of the organisation, to engage across generations, and improve opportunities for people with disabilities and for those who have been historically disadvantaged in their countries. Participants also called for an authentic approach to I&D, backed by visible senior leadership involvement, clear principles and a commitment to actions that deliver new ways of working.

Positive progress

For a host of reasons, mining is not an industry that has historically been attractive to women. We know that change will take time, though we are encouraged with the positive progress across Anglo American, in terms of female representation at a senior level, for example. In the 12 months to June 2018, the proportion of women in our senior management roles (as defined by the Hampton-Alexander review) increased from 15% to 21% and we are aiming for 25% by 2020.

Recognising the many complexities of I&D, we established a global Inclusion and Diversity Working Group at the outset. Each member has been working within their respective operating business or global function to develop bottom-up activities to drive change by increasing awareness of I&D and what this means for all our people. We have also built up strategic partnerships alongside charities such as Stonewall, the Business Disability Forum and Working Families to understand best practice and current global trends.

One notable and consistent success factor is our colleague networks, several of which are now established:

- In the UK, we have Women@CHT, Real You (an LGBT+ network); Enabling You (a network for those with physical disabilities, learning difficulties and mental health issues); and You Care (for those with caring responsibilities)
- In Johannesburg, WoMINE (a women's network) and Real You South Africa
- In Singapore and Australia, we have established I&D networks
- In Chile, an Enabling You network is in place, while, in Brazil, a WoMINE network has begun.

Turning aspirations into reality

At our Metallurgical Coal business in Australia, we are turning I&D aspirations into reality. Moranbah North's landmark *Female Only Trainee Underground Miner Programme* has met with an overwhelming public response, receiving more than 750 applications in a week and some 1,300 applications in total. Executive head of underground operations, Glen Britton said: "This pioneering programme is a critical step towards creating a more inclusive environment for women in underground coal mining. We developed it because it was clear that, while there was a real and untapped demand, we needed a new recruitment approach. We now have some excellent new recruits and we are embracing the opportunities for innovation and new ways of thinking that they bring."

HIGHLIGHTS

21%

Proportion of women in senior management roles. We are aiming for 25% by 2020.

PILLARS OF VALUE

- **Safety and health**
- **Socio-political**
- **People**

For our KPIs
See pages 48-49

DISCUSSED IN THIS SECTION

- **Safety and health**
- **Workforce culture and capability**
- **Meeting our commitments to business stakeholders and society**
- **Political and regulatory**

Safety comes foremost in everything we do, and we train, equip and empower our people to work safely every day. We believe, too, that creating an inclusive and diverse working environment and culture that encourages and supports high performance and innovative thinking will serve to give our business a competitive advantage.

SAFETY

As we continue to strive for zero harm, becoming unconditional about safety is vital. Nothing is more important than making sure everyone returns home safely after a day's work. We focus both on eliminating fatalities and on reducing (and ultimately eliminating) injuries from the workplace. Over the past 12 months, our safety performance has improved considerably, but we are not yet where we desire to be in terms of no lives being lost. To this end, we have set up a dedicated taskforce and have reinvigorated our efforts to build a culture of passionate safety leadership at all our operations.

Management approach and governance

Our approach to safety management is built on five key pillars: passionate leadership; resilient management systems; effective risk management systems; rapid organisational learning; and an engaged workforce. To achieve our vision of zero harm, we use our Operating Model, the SHE Way, global policies, standards and guidelines, operational risk management and assurance, as well as our Learning from Incidents investigative process. We have defined what 'good' looks like, have developed tactical plans, and monitor progress and correlated safety improvements on an ongoing basis.

Anglo American's safety, health and environment results affect the performance-based remuneration of all employees in the business, and health and safety targets are included within the annual performance incentives for executive directors and senior management.

Performance

We deeply regret the loss of five of our colleagues in 2018. Any loss of life is unacceptable, and we remain unwavering in our commitment to achieving our vision of zero harm. Each of these tragic incidents has been subject to a rigorous independent investigation, with learnings shared across the Group and management actions taken to improve controls and prevent recurrence. The Group's fatal injury frequency rate (FIFR) decreased to 0.024 (2017: 0.035).

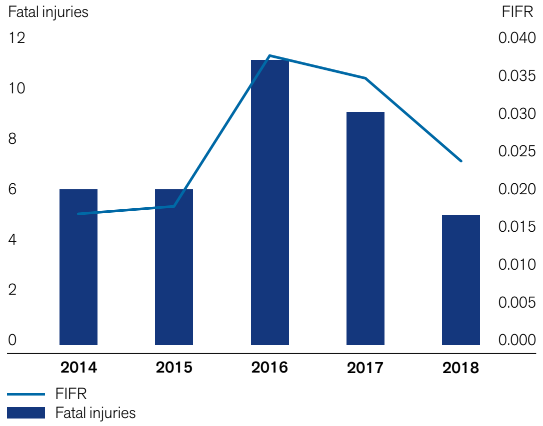
Notwithstanding the tragic loss of life, we achieved significant improvements in our injury performance. Our lost-time injury frequency rate (LTIFR) declined by 3% to 1.63 (2017: 1.68), while our total recordable case frequency rate (TRCFR), which includes any injury that requires more than first-aid treatment, decreased by 16% to 2.66 (2017: 3.17).

HEALTH

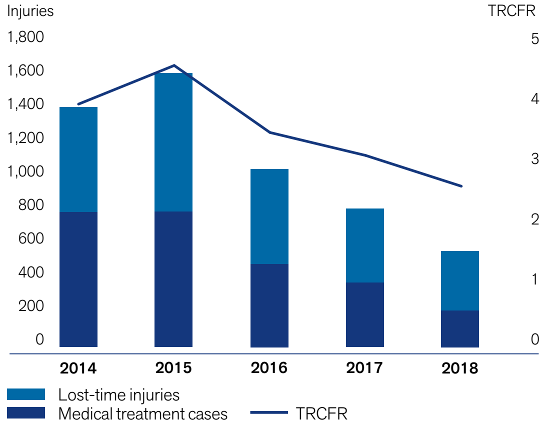
Our main focus is to eliminate occupational health hazards at their source. In supporting employee health and well-being, we recognise the interplay between occupational health and personal health risks and are developing a more integrated approach to health promotion, risk prevention and management.

To promote healthcare in the broader community, we are developing our understanding of locally relevant health priorities. We aim to forge strategic partnerships for the implementation of community health solutions that will realise our vision to achieve the UN's Sustainable Development Goals (SDGs) targets for health in our host communities by 2030.

Total number of fatal injuries and fatal injury frequency rate 2014-2018



Lost-time injuries, medical treatment cases and total recordable case frequency rate 2014-2018



Controlling occupational exposure

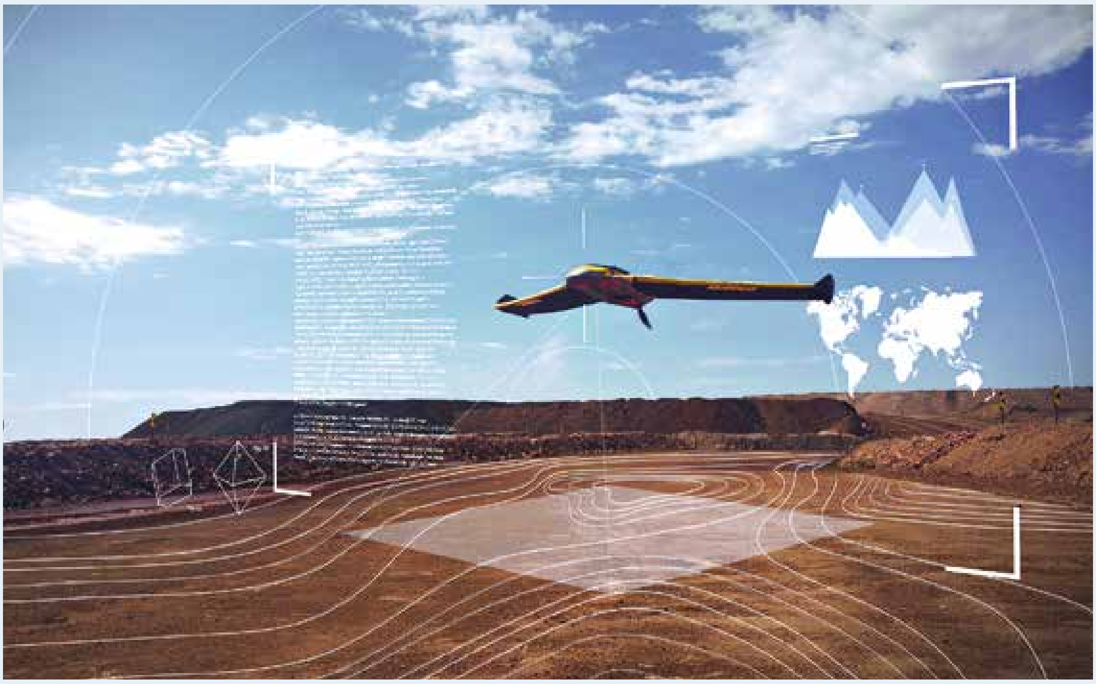
The number of new cases of occupational disease reported in 2018 was 101 (2017: 96).

The implementation of our Operational Intelligence Suite (OiS), a real-time data analytics platform that interrogates data feeds, manual uploads and events, is enabling better control monitoring and management of workplace environmental conditions and associated occupational exposures. OiS uses real-time data to monitor defined parameters and triggers an alert when an over-exposure or critical-control failure is detected. OiS is being implemented at our PGMs business, where it has promoted a significant reduction in worker exposure to potential health hazards. The platform is being introduced at Kumba and Thermal Coal in South Africa, Copper's Chagres and Los Bronces sites in Chile, and across the Group by the end of 2020.

Managing TB and HIV/AIDS

We are recognised leaders for our TB and HIV/AIDS programmes in the workplace across our operations in southern Africa. We provide free anti-retroviral treatment (ART) to all HIV-positive employees and their partners. Over the past five years, we have seen a steady and significant improvement in most indicators related to TB and HIV/AIDS.

PIONEERING DRONE SAFETY AND STANDARDS



Drone technology is an expanding part of our FutureSmart Mining™ programme, which aims to keep Anglo American at the forefront of mining innovation. Drones are becoming increasingly cost-effective as they perform a variety of tasks, from monitoring entire high-risk areas, to gathering data from confined spaces in mines and processing plants – and doing so without putting any people at risk.

Anglo American, which has used drones attached to manned aerial-reconnaissance planes for many years, is today an industry leader in pioneering the use of drones for safety, surveying and security.

We have an expanding fleet of drones, from fixed-wing aircraft to quadcopters, with about 50 skilled operators and another 30 people working in drone maintenance across the Group, including at our PGMs operations in South Africa; Kumba's iron ore mines; and at De Beers' sites in Canada, Namibia and South Africa.

Drones are an important part of our drive to remote-control many of our mining activities while gathering enhanced data and real-time operational performance metrics. They provide rapid visual access and multiple views, with smaller drones being used to inspect confined spaces on mines and in processing plants, while bigger aircraft are able to fly at night and stay aloft for up to eight hours. Drones are being used in such varied tasks as exploration, mine mapping and calculating the volume of stockpiles – and are proving to be cost-effective.

The deployment of drones is assisting in making our activities safer. Crucially, their use avoids the need for people in potentially hazardous areas. Drones are now being used to inspect and monitor high-risk areas, including stockpiles, mine slopes, ore passes, tailings dams and chemical-storage facilities – all without a human presence in areas of risk. They can check for the presence of personnel in a blast area, and measure fragmentation or the direction of dust movement after a blast. Other applications cover traffic management at operations, as well as monitoring rehabilitation activity, including in areas where it can be difficult, and risky, for people on the ground to gain access.

"Drones increase our safety and efficiency, and they let us take human beings out of potentially dangerous environments," says Frans Kruger, Anglo American's global aviation safety principal.

Drone technology is evolving fast and, as a responsible operator, we are working closely with other drone operators and South Africa's Civil Aviation Authority, for example, to develop appropriate standards, while also serving with other mining companies on the technical advisory committee of the Flight Safety Foundation.

In 2018, 88% of employees in southern Africa knew their HIV status. This puts us well on our way to meeting the 90% target by 2020. However, the annual number of new HIV infections increased from 506 in 2017 to 540 in 2018.

The uptake of ART by HIV-positive employees increased marginally to 86% in 2018 (2017: 84%). In line with government and best-practice treatment guidelines, all people diagnosed as HIV-positive start ART immediately.

WORKFORCE CULTURE AND CAPABILITY

We continuously shape our corporate culture so that it supports the achievement of our business goals in the respect of our values and in service of our Purpose. Our efforts in 2018 were informed by the outcomes of a global employee-engagement survey, conducted in 2017, among 6,000 employees from across the organisation, providing us with a better understanding of our cultural strengths and areas requiring attention. The results of the 2017 survey were presented to the Board's Sustainability Committee.

Our high performance culture is shaped by innovative thinking and practices that aim to redefine the way we think of, and manage, superior performance. In 2018, we started streamlining our processes to ensure that leadership teams across the business keep a relentless focus on the outcomes that they are set to deliver. We encourage regular performance conversations within teams at all levels of the organisation and frequent one-on-one performance feedback. Above all, we continuously test our thinking and our behaviours against our values and we never pursue any outcome at the expense of any of these values, in particular safety.

An effective and efficient organisation

Working in support of our Operating Model, our Organisation Model ensures that the right work is done at the right time and in the right way by capable people, in roles that are well designed with clear accountabilities and authorities.

The Anglo American organisation structure is built around strong, product-focused operating units, supported by Group functions that provide value-adding expert leadership and ensure effective governance to continuously improve business performance. This design aims to maximise the effectiveness of our Operating Model, promote the sharing of resources and consistent best-in-class practices across operations, while investing in functional capability in the strategic areas that will best leverage business returns.

Resourcing the organisation with the best capability

Equipping Anglo American with an engaged and productive workforce is essential for our success. We aim to attract the best people in the industry and to drive professional and personal development to enable everyone to fulfil their potential.

To help ensure we have the right people in the right roles for now and the future, every year we conduct a standardised talent-identification process across all our Group functions and business units. This consistent approach to assessing talent enables us to map our capabilities and to better understand our risks and readiness for succession, in particular for assimilating talent into leadership and specialist positions. We allocate talent into different talent pools that are managed consistently for growth and in support of our inclusion and diversity agenda.

We are improving our workforce-planning systems to allow us to better anticipate the impact of the technical innovations that will transform the work that we currently perform. Predicting such changes, in terms of number of roles as well as new skills required by these roles in the future, is essential to the medium- and long term competitiveness of our operations. It will also allow us to prepare our workforce for the changes to come.

Empowering through learning

We are designing a learning 'ecosystem' that is engaging and empowering our culture, using best-in-class practices in the design, creation, delivery and tracking of learning experiences.

Behavioural change is at the heart of our learning objectives. We consider each person's needs to fulfil their role, or prepare for a future role, and tailor a combination of different, innovative learning experiences to shape their development. As we expand the content and reach of this system, we will be able to track the usage and effectiveness of learning modules to assess employee growth and content relevance.

We currently support 2,000 graduates, bursars, apprentices and trainees. Our graduate recruitment programmes include placing tertiary-level graduates on our professionals in training programmes for technical skills development in line with Anglo American standards and objectives.

Anglo American initiatives support education and development, from schools through to tertiary institutions, as well as programmes to build skills and leadership capability. We develop skills in mining as well as non-mining-related sectors, and we provide basic literacy and numeracy to our employees, contractors and community members through adult basic education and training programmes. In 2018, we spent more than $94 million on training, across our range of external and internal development programmes.

Fostering sound employee relations

We consider workforce engagement to be a priority for every leader in Anglo American and run regular surveys to identify areas where dedicated effort is required to ensure that all colleagues feel cared for and respected and willingly perform their work to the best of their abilities.

During 2018, voluntary turnover was 2.4%, while new hires amounted to 10.5% of permanent employees.

Where employees are represented by works councils, trade unions or other similar bodies and covered by collective bargaining agreements (approximately 70% of our current permanent workforce), we continuously seek to improve relations with employee representative bodies, understand their concerns and identify opportunities to promote their broader welfare and well-being. In 2018, there was one incident of industrial action at De Beers' Venetia mine in South Africa relating to contractor concerns around benefits, which was resolved after five weeks.

Supporting labour rights

As expressed in our Human Rights Policy, and as signatories to the United Nations Global Compact, we are committed to the labour rights principles set out in the International Labour Organization core conventions, including the right to freedom of association and collective bargaining, non-discrimination, and the eradication of child and forced labour. All our operations are required to observe these rights and we encourage our non-managed joint arrangements to adopt our policies. No incidents of employing under-age or forced labour were reported in 2018.

Our Responsible Sourcing Standard stipulates that all suppliers shall respect all labour and human rights through their value chain. This includes commitments to not use child labour; combat all forms of modern slavery; oppose unfair or inhumane treatment of the workforce, including all forms of bullying and harassment; allow freedom of association; maintain fair and legal terms of employment; eliminate illegal and unfair discrimination; and promote an inclusive workplace.

BUILDING A PURPOSE-LED CULTURE

At the heart of Anglo American's ethos are the ethical behaviours we expect all our employees, contractors, suppliers and associates to display. Our approach is designed to respond to both society's ever-higher expectations of business and increasingly stringent international legislation and regulations.

Our Code of Conduct

Our expectations for ethical performance are set out in our Code of Conduct, supported by programmes and guidelines that help all our employees make the right decisions when faced with ethical dilemmas.

Anglo American launched a Code of Conduct at the end of 2016, underpinned by our values. The Code focuses on four key areas, providing guidance on how to prioritise safety, health and the environment; treat people with care and respect; conduct business with integrity; and protect our physical assets, information and interests.

In 2017, more than 3,000 senior executives and managers were trained on the Code of Conduct. In 2018, we carried out a number of activities to further embed the Code, including testing of Board members and the 1,000 most senior employees to understand their views about the Code and their approach to ethical decision making, bespoke Code of Conduct online training for more than 4,000 employees, and building in Code-related commitments and awareness activities into the employee lifecycle.

Business integrity

Our Business Integrity Policy states that we will neither give nor accept bribes, nor permit others to do so in our name. The policy is supported by 11 *Prevention of Corruption Procedures* that set out the conduct required in areas where bribery and corruption risk may be present. The procedures also include restrictions that prohibit the company from making donations to any political party or politician. No such donations were made in 2018.

Dedicated central resources support our business units to provide the appropriate training and awareness that is required for implementing the requirements of the Business Integrity Policy and performance standards.

Addressing bribery risk

Bribery risks are considered an essential element of the ethical-risk assessments carried out at business unit and Group levels. The bribery-risk areas include use of agents, and the nature of interactions with government officials, customers, suppliers and communities. When bribery risk is determined to be unacceptably high, an action plan is developed to strengthen the internal controls to manage the risk. The processes and controls to mitigate bribery risks are audited by our internal audit team.

Whistleblowing

Our independently managed Speak Up facility is a confidential and secure means for our employees, contractors, suppliers, business partners and other external stakeholders around the world to report concerns about conduct that is contrary to our values and integrity standards. We do not tolerate any form of retaliation against employees raising concerns in good faith. Any allegation of harassment or intimidation by others as a result of contacting Speak Up is investigated and, if required, appropriate action is taken.

During 2018, 325 alerts were received, covering a broad spectrum of concerns, including ethical, legal, supplier relationship, health and safety and human resources issues. In addition, almost 700 further alerts were received related to allegations of external fraud attempts. All alerts were evaluated, investigated as necessary and the proven alerts were properly addressed by management.

An inclusive and diverse environment

We are committed to promoting an inclusive and diverse environment where every colleague is valued and respected for who they are and can fulfil their potential. While we have a diverse population of people at Anglo American, we recognise that we need to continue to work to create a truly inclusive organisation. Visible leadership commitment is essential, and in 2018, all senior leaders received unconscious bias training and all leaders participated in inclusive leadership training.

Inclusion and diversity (I&D) is a critical foundation of our approach to sustainability. Underpinned by our values and our Code of Conduct, we have developed and started implementing an I&D strategy, and a set of action plans to attain our desired culture. Our approach recognises that a diverse workforce creates opportunity, and inclusion creates the culture to sustain it.

Across our geographies, we have set up networks managed by colleagues, each with a committed executive sponsor. We have also launched a global I&D policy and begun to review a number of policies to make sure they are gender-neutral and have global standards.

Gender equality is a prevalent social issue – and a business imperative. By year end, women made up 20% of our overall workforce (2017: 19%) and 28% of managers (2017: 26%). On 5 April 2018, our Gender Pay Gap reporting date, women represented 43% of the 292 employees at our UK head office, but only 20% of senior management roles. The average hourly pay gap was 52% (2017: 55%) and the median hourly pay gap was 41% (2017: 49%). We are committed to redressing the gender imbalance and to ensuring a minimum of 33% female representation across the total population of our General Management Committee and the people reporting to them.

The proportion of permanent employees under 30 years of age was 12%, those between the ages of 30 and 50 accounted for 70% of the workforce, while the remaining 18% were over 50 years of age. In South Africa, 65% of management positions are held by historically disadvantaged South Africans.

Anglo American reports its UK Gender Pay Gap position in line with legislative requirements under UK law.

For more information on our UK Gender Pay Gap
See page 125 and www.angloamerican.com/gender-pay-gap-report-uk

CAPITAL ALLOCATION

A STRONG FOCUS ON CAPITAL DISCIPLINE

Underpinning our strategy, we have a value-focused approach to capital allocation with clear prioritisation: sustaining capital to maintain asset integrity (including Reserve Life); then the base dividend to our shareholders, determined on a 40% underlying earnings-based payout ratio; while ensuring a strong balance sheet. Discretionary capital is then allocated, based on a balanced approach, to growth investments, or upgrades to our portfolio, that are subject to a demanding risk framework and that meet our stringent value criteria, or is considered for additional returns to shareholders.

Value-disciplined capital allocation throughout the cycle is critical to protecting and enhancing returns for our shareholders' invested capital, given the long term and capital-intensive nature of our business. Our aim is to provide a balanced offering of a strong balance sheet, which reduces risk and creates opportunity for anti-cyclical investment, attractive shareholder returns and value-adding disciplined growth.

Since 2012, we have reduced the number of assets across the Group by half, upgraded the portfolio and improved the performance of the assets we have retained. During 2018, our focus was on further strengthening the balance sheet to provide the foundation for proceeding with the construction of our Quellaveco copper project, as well as a strong base upon which to pursue other growth opportunities that meet our strict capital allocation criteria.

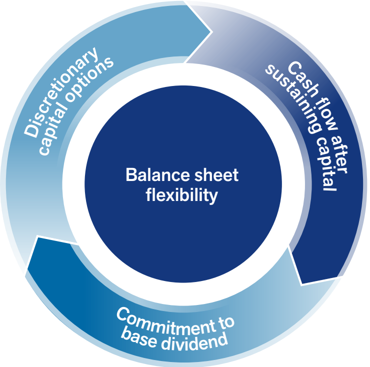
We will continue to allocate the appropriate capital across our portfolio of assets, to both sustain our business and to protect and enhance value.

BALANCE SHEET FLEXIBILITY

Our capital allocation framework is underpinned by our strong balance sheet, which allows us to deliver on our commitment to base dividends and enables value-accretive discretionary capital allocation through the cycle. Our near term objective is to ensure the Group's net debt/EBITDA ratio does not exceed 1.5 times, at the bottom of the cycle, without a clear plan to recover.

Net debt at 31 December 2018 was $2.8 billion (2017: $4.5 billion), resulting in a net debt/EBITDA ratio of 0.3 times, significantly lower than our bottom of the cycle target ratio. The $1.7 billion reduction in net debt since 31 December 2017 has been driven primarily by strong operating cash inflows of $7.8 billion and dividends from associates and joint ventures of $0.7 billion, with a strong performance towards the end of the year mitigating the impact of a working capital build-up experienced in the second half.

In 2018, the average maturity of our bond portfolio was extended by a year to 5.0 years, through a combination of buying back $2.1 billion of bonds with near term maturities, the maturing of $1.3 billion of bonds, and the issuance of a longer-dated $650 million US bond, due in 2028. The Group continued its positive credit ratings momentum with S&P Global Ratings and Moody's Investors Service moving their outlook for Anglo American from stable to positive during 2018. Anglo American plc's current credit ratings are BBB- and Baa3 by S&P Global Ratings and Moody's Investors Service, respectively.



Discretionary capital options

Portfolio upgrade	Future project options	Additional shareholder returns

CASH FLOW AFTER SUSTAINING CAPITAL

Anglo American seeks to improve operating free cash flow through five key levers: driving greater productivity and lowering input costs across all operations; reducing overhead expenditure; timely delivery of new projects; maximising revenue through our Marketing business; and optimising our investment in working capital.

We continue to focus on capital discipline and stay-in-business capital efficiency, while maintaining the operational integrity of all our assets. Our P101 programme of initiatives is focused on reaching and exceeding industry-benchmark productivity levels across all our key equipment.

Sustaining capital comprises stay-in-business, development and stripping, and life extension expenditure, less the proceeds from disposals of property, plant and equipment. In 2019-2021, we expect sustaining capital to increase to approximately $3.2 billion per annum due to one-off increases in stay-in-business capital expenditure and to facilitate attractive life extension projects at our diamonds, thermal coal and metallurgical coal assets. Our longer term expected level of sustaining capital (excluding growth projects) is $2.8-$3.1 billion per annum.

COMMITMENT TO BASE DIVIDENDS

Our clear commitment to a sustainable base dividend remains a critical part of the overall capital allocation approach and is demonstrated through our dividend policy of a 40% payout ratio based on underlying earnings, paid each half-year.

Our dividend policy provides shareholders with increased cash returns upon improvement in product prices, while retaining balance sheet flexibility during periods of weaker pricing. The Group paid dividends of $0.7 billion in April 2018 (in relation to second half 2017 underlying earnings), and $0.6 billion in September 2018 (in relation to first half 2018 underlying earnings). In line with the policy, the Board proposes a final dividend of 40% of second half underlying earnings, equal to 51 cents per share, bringing the total dividends paid and proposed in the year to $1.00 per share.

DISCRETIONARY CAPITAL OPTIONS

Discretionary capital will continue to be considered in a balanced manner, between disciplined growth, upgrades to our portfolio and additional returns to shareholders.

Strict and disciplined value criteria are applied to the assessment of future options. Where appropriate, we will seek partners on major greenfield projects, and will avoid committing to too many such projects at the same time. The Group will also continue to maintain optionality to progress with value-accretive projects, should capital availability permit. We will consider options to upgrade the quality of our portfolio in a measured manner and only where we see value, through inorganic opportunities, and disposing of assets. This approach ensures a high quality portfolio with balanced exposure to diverse asset geographies and end markets. Where growth and upgrades do not meet our strict criteria, any excess cash will be considered for additional returns to shareholders.

In July 2018, the Board approved the development of the Quellaveco copper project in Peru, with an expected capital cost of $5.0-$5.3 billion. At the same time, and aligned with the Group's disciplined approach to capital allocation, agreement was reached with Mitsubishi to increase its interest in Anglo American Quellaveco S.A. (AAQSA) from 18.1% to 40% via the issuance of new shares. Mitsubishi subscribed $500 million in upfront consideration and an additional $351 million to fund its initial share of capital expenditure, resulting in a total cash subscription of $851 million. The Group will receive up to a further $100 million in net payments(1) from AAQSA conditional on the achievement of certain prescribed throughput rates. As a result of the syndication transaction, the Group's share of capital expenditure to develop Quellaveco is $2.5-$2.7 billion.

We also have several smaller scale, high quality, fast payback (3-4 years), organic capital expenditure opportunities to improve the existing business. For example, at Debmarine Namibia, a feasibility study is ongoing for the construction of an additional custom-built diamond mining vessel which is planned to add 0.5 Mct per annum from 2023, and a pre-feasibility study is under way for a debottlenecking and expansion of the Moranbah-Grosvenor coal handling and preparation plant to increase capacity by 4-6 Mtpa from 2021.

In addition, we continue to progress the application of innovative concepts and step-change technologies stemming from our FutureSmart Mining™ programme. The Group is looking to invest $0.1-$0.5 billion per annum of discretionary capital in technology and innovation initiatives to drive improvements across our existing portfolio of assets.

Evaluation expenditure increased by 38% to $172 million in 2018 (2017: $125 million) and expenditure on exploration activities increased 10% to $113 million (2017: $103 million).

In 2018, the Group completed a number of transactions, including the sale of our 88.2% interest in the Drayton thermal coal mine (on care and maintenance since 2016) and the Drayton South project in Australia. In South Africa, we completed the sale of the New Largo thermal coal project and the Eskom-tied domestic thermal coal operations, PGMs' 33% interest in the Bafokeng Rasimone Platinum Mine associate, as well as its 11% listed stake in Royal Bafokeng Platinum, its 85% interest in Union mine and 50.1% interest in Masa Chrome Company.

We also completed the acquisitions of the remaining 50% interest in the Mototolo joint operation in South Africa from Glencore and Kagiso Platinum Ventures; and in Canada, the Chidliak Diamond Resource (through De Beers) through the acquisition of Peregrine Diamonds Limited.

GROUP CAPITAL EXPENDITURE◊

Capital expenditure increased to $2.8 billion (2017: $2.2 billion), with rigorous capital discipline continuing to be applied to all projects. Sustaining capital increased to $2.5 billion (2017: $2.1 billion), driven by stronger average local currencies, planned additional stay-in-business expenditure across the Group, in line with our increased production base, and increased capitalised development and stripping expenditure primarily due to longwall productivity improvements at Metallurgical Coal and an optimisation of the mine plan at Mogalakwena. In 2019, we expect total capital expenditure to increase to $3.8-$4.1 billion after utilising the remaining $0.5 billion of capital expenditure funding for Quellaveco from the Mitsubishi subscription.

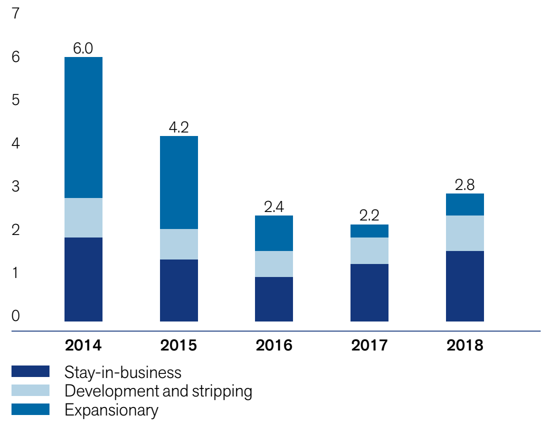
Capital expenditure◊

$ million	2018	2017
Stay-in-business	**1,617**	1,310
Development and stripping	**796**	586
Life extension projects(1)	**245**	216
Proceeds from disposal of property, plant and equipment	**(162)**	(52)
Sustaining capital	**2,496**	2,060
Growth projects(1)	**340**	168
Total	**2,836**	2,228
Capitalised operating cash flows	**(18)**	(78)
Total capital expenditure	**2,818**	2,150

(1) Life extension projects and growth projects are collectively referred to as expansionary capital expenditure.

Group historical capital expenditure◊ 2014–2018

$ billion



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(1) The payment, by way of preference dividend, will be grossed up to take account of the Group shareholding in AAQSA.

MANAGING RISK EFFECTIVELY

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

Byron Grote
Chairman
Audit Committee

HOW DOES RISK RELATE TO OUR STRATEGY?

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

For more on the Group's strategy
See page 10

VIABILITY STATEMENT

Context

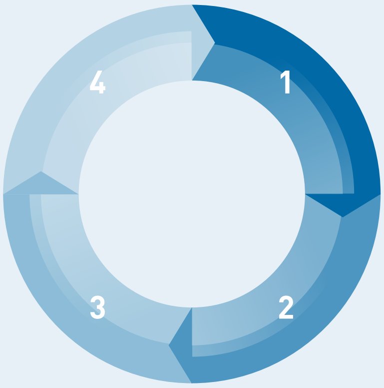
An understanding of our business model and strategy is key to the assessment of our prospects. Our strategy is to:

- Secure, develop and operate a portfolio of high quality and long life assets that deliver sustainable shareholder returns
- Implement an innovation-led approach to sustainable mining from exploration to delivering products to customers
- Create an inclusive and diverse working environment to encourage and support a high performance culture and innovative thinking.

Details of our business model and strategy are provided on pages 8-10.

Prices for the majority of our products fared well in 2018, as the world economy continued its recovery and provided a basis for a more positive outlook. However, the sustainability of product prices remains uncertain, with some downside risk. Supply may either struggle to match demand growth or demand reduction, generating ongoing product price volatility. Against that background, the Board maintains a low appetite for risk in major new projects and investments unless they are world class orebodies with competitive cost positions and long reserve lives. Large greenfield projects are likely to be syndicated with other investors to reduce our risk profile and capital requirements.

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



1. Identifying risks
A robust methodology is used to identify key risks across the Group – at business units, operations and projects. This is being applied consistently through 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. Identification of controls associated with key risks is an important input into assurance planning.

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. In doing so, it is supported through the Group's internal audit programme, which evaluates the design and effectiveness of controls. The risk management process is continuous; key risks are reported to the Audit Committee, with sustainability risks also being reported to the Sustainability Committee.

The assessment process and key assumptions

Assessment of the Group's prospects is based upon the Group's strategy, its financial plan and principal risks.

The Group's focus during 2018 has been to drive efficiencies through the operations and upgrade the quality of our portfolio in order to improve cash flow generation, strengthen the balance sheet and create sustainable value through disciplined allocation of capital.

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 product prices, exchange rates, estimates of production, production costs and future capital expenditure. In addition, the forecast does not assume the renewal of existing debt or the raising of new debt. A key component of the financial forecast and strategic plan is the life of mine plans created for each operation, providing expected annual production volumes over the anticipated economic life of mine.

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

Assessment of viability

The assessment of viability has been made with reference to the Group's current position and expected performance over a three-year period, using budgeted product prices and expected foreign exchange rates.

Financial performance and cash flows have then been subjected to stress and sensitivity analysis over the three-year period using a range of severe, but plausible scenarios. The scenarios tested include:

- Product price reductions of up to 20% from budget prices over three years, with no offsetting foreign exchange rate improvement
- Operational incidents that have a significant impact on production at key sites in the Group
- Technology developments affecting demand for diamonds
- Technology developments in the automobile industry affecting demand for PGMs
- Failure to achieve targeted operational performance improvements.

The Group's liquidity (defined as cash and undrawn committed facilities) was $13.9 billion at 31 December 2018. This is sufficient to absorb the financial impact of each of the risks modelled in the stress and sensitivity analysis. If these scenarios were to materialise, the Group also has a range of additional options that enable us to maintain our financial strength, including reduction in capital expenditure, the sale of assets, raising debt or reducing the dividend.

Viability statement

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

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

PRINCIPAL RISKS

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

For more on principal risks
See pages 44-47

CATASTROPHIC RISKS

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

For more on catastrophic risks
See page 44

RISK APPETITE

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

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

For catastrophic and operational risks, our risk appetite for exceptions or deficiencies in the status of our controls that have safety implications is very low. Our internal audit programme evaluates these controls with technical experts at operations and the results of that audit work will determine the risk appetite evaluation, along with the management response to any issues identified.

Further details on the risk management and internal control systems and the review of their effectiveness are provided on **pages 97-98**

SUMMARY

Our risk profile changed during 2018; as the external environment has evolved, progress has been made in the mitigation of our risks and we have updated our risk profile to include new principal risks based on a revised assessment. We no longer consider 'Competitive position' as a principal risk, given the improved balance sheet. 'Investor activism' is no longer considered a principal risk, although we recognise it is a potential outcome of other risks, should they materialise. 'Water security' is now considered a principal risk; we have also updated definitions and prioritisation of some of our principal risks to reflect the changing external environment or progress with risk mitigation. Our catastrophic risks are the highest priority risks, given the potential consequences.

PRINCIPAL RISKS

1. CATASTROPHIC RISKS

Pillars of value:

No change in risk

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

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

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

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

Risk appetite: Tailings dam failure and slope and underground excavation failure risks are operating within the limits of our appetite. Fire and explosion and mineshaft failure risks are currently operating outside of our risk appetite, but actions being taken are expected to bring these risks back within our risk appetite during 2019.

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

2. POLITICAL AND REGULATORY

Pillars of value:

No change in risk

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

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

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

Mitigation: Anglo American has an active engagement strategy with governments, regulators and other stakeholders within the countries in which we operate, or plan to operate, as well as at an international level. We assess portfolio capital investments against political risks and avoid or minimise exposure to jurisdictions with unacceptable risk levels. We actively monitor regulatory and political developments at a national level, as well as global themes and international policy trends, on a continuous basis. See page 16 for more detail on how we engage with our key stakeholders.

Risk appetite: Operating within the limits of our appetite.

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

PILLARS OF VALUE:

Safety and health
Environment
Socio-political
People
Production
Cost
Financial

3. SAFETY

Pillars of value:

No change in risk

Failure to eliminate fatalities.

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

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

Mitigation: All operations continue to implement safety improvement plans, with a focus on: effective management of critical controls required to manage significant safety risks; learning from high potential incidents and hazards; embedding a safety culture; and leadership engagement and accountability. An elimination of fatalities taskforce is assessing safety risks at all operations to establish further actions necessary to improve safety performance.

Risk appetite: Operating within the limits of our appetite.

Commentary: During 2018, there were five fatalities in our managed operations, compared with nine in 2017. This is still an unacceptable level. Management remains committed to eliminating fatalities and the risk definition has been updated to focus on this.

4. PRODUCT PRICES

Pillars of value:

This risk has decreased since 2017 ↓

Global macro-economic conditions leading to sustained low product 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 product prices.

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

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

Risk appetite: Operating within the limits of our appetite.

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

5. CORRUPTION

Pillars of value:

No change in risk

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

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

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

Mitigation: A comprehensive anti-bribery and corruption policy and programme, including risk assessment, training and awareness, with active monitoring, is in place.

Risk appetite: Operating within the limits of our appetite.

Commentary: During 2018, we commissioned a report from an external law firm to review the Group's policy and programme to manage bribery risk. The review made recommendations to further strengthen our anti-bribery programme which we have shared with the Audit Committee and are in the process of implementing.

6. OPERATIONAL PERFORMANCE

Pillars of value: ⛑ ⚙ $ 📊

No change in risk

Unplanned operational stoppages impacting production.

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

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

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

Risk appetite: Operating within the limits of our appetite.

Commentary: During 2018, this risk materialised in our Minas-Rio operation (see page 64).

7. WATER

Pillars of value: 🌍 💬 ⚙ $ 📊

A new principal risk

Inability to obtain or sustain the level of water security needed to support operations over the current life of mine plan or future growth options.

Root cause: Poor water resource management or inadequate onsite storage, combined with reduced water supply at some operations as weather patterns change, can affect production. Water is a shared resource with local communities and permits to use water in our operations are at risk if we do not manage the resource in a sustainable manner.

Impact: Loss of production and inability to achieve cash flow or volume improvement targets. Damage to stakeholder relationships or reputational damage can result from failure to manage this critical resource.

Mitigation: Various projects have been implemented at operations most exposed to this risk, focused on: water efficiency; water security; water treatment; and discharge management, as well as alternative supplies. New technologies are being developed that will reduce water demand.

Risk appetite: Operating within the limits of our appetite.

Commentary: This is a new principal risk in 2018, as some of our business units are increasingly reporting water availability issues as a risk to their operations, which increases the need to prioritise this risk at Group level.

8. CYBER SECURITY

Pillars of value: $ 📊

This risk has decreased since 2017 ↓

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

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

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

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

Risk appetite: Operating within the limits of our appetite.

Commentary: While the number of attacks continues to increase, the actions taken to mitigate this risk, including physical controls and the programme to improve employee awareness, have reduced the likelihood of successful attack.

PILLARS OF VALUE:

⛑ Safety and health	⚙ Production
🌍 Environment	$ Cost
💬 Socio-political	📊 Financial
👥 People	

9. FUTURE DEMAND FOR PGMS

Pillars of value: ⚙ $ 📊

This risk has decreased since 2017 ↓

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

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

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

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

Risk appetite: Operating within the limits of our appetite.

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

10. FUTURE DEMAND FOR DIAMONDS

Pillars of value: ⚙ $ 📊

This risk has decreased since 2017 ↓

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

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

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

Mitigation: While research underlines consumers' continued desire for natural diamonds owing to their inherent value, emotional connection and rarity, De Beers has a comprehensive strategy to mitigate risk of both the entry of undisclosed synthetics into the pipeline and the potentially misleading marketing of disclosed synthetics.

In addition, measures to emphasise, protect and enhance the inherent value of natural diamonds include: increased marketing investment, including through the Diamond Producers Association, e.g. reasserting the emotional symbolism of diamonds through the Real is Rare campaign; investment in blockchain to give consumers confidence as to the natural provenance of a diamond; investment in bespoke technology to readily detect all synthetics; and the launch of Lightbox™ to reinforce with consumers the inherent difference between synthetic and natural diamonds.

Risk appetite: Operating within the limits of our appetite.

Commentary: We believe that production of, and demand for, disclosed gem synthetics over the natural business has increased owing to the factors described; however, De Beers' mitigation strategies have matured over 2018 to enable us to respond to this development.

KEY PERFORMANCE INDICATORS

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

(1) Data relates to subsidiaries and joint operations over which Anglo American has management control. In 2018, data excludes De Beers' joint operations in Namibia and Botswana. Prior years' data includes De Beers' joint operations in Namibia and Botswana.

(2) The basis of calculation for TRCFR data has been changed. All comparatives have been restated accordingly. See page 206 for calculation methodology.

(3) The 2016 and 2017 Social Way data does not include operations that were divested, closed, or for which sale agreements were concluded during the period. Sites targeted for divestment were granted exemptions on selected requirements; these requirements were not assessed during 2017.

(4) Includes production from AA Norte until the date of disposal (October 2015).

For full description and calculation methodology **see pages 206-207**	2015	2016	2017	**2018**
Number of work-related fatal injuries	6	11	9	**5**
TRCFR	4.66	3.55	3.17	**2.66**
NCOD	159	111	96	**101**
Measured in million gigajoules (GJ)	106	106	97	**85**
Measured in million tonnes of CO_2 equivalent emissions	18.3	17.9	18.0	**16.0**
Measured in million m^3	339	296	306	**227**
Number of level 3-5 environmental incidents	6	4	2	**6**
Serious non-compliance (%)	1	0	1	**0**
Moderate non-compliance (%)	33	16	11	**9**
Compliant (%)	46	51	56	**36**
Good practice (%)	16	26	24	**40**
Best practice (%)	4	7	8	**15**
Voluntary turnover expressed as % of total permanent employees	1.9	2.2	2.3	**2.4**
Women as a percentage of management (%)	25	25	26	**28**
Women as a percentage of total workforce (%)	18	18	19	**20**
Historically disadvantaged South Africans as a percentage of management (%)	60	62	66	**65**
De Beers – million carats	28.7	27.3	33.5	**35.3**
Copper – thousand tonnes(4)	709	577	579	**668**
Platinum – thousand ounces	2,337	2,382	2,397	**2,485**
Iron ore (Kumba) – million tonnes	44.9	41.5	45.0	**43.1**
Iron ore (Minas-Rio) – million tonnes (wet basis)	9.2	16.1	16.8	**3.4**
Metallurgical coal (Export coking and PCI) – million tonnes	21.2	20.9	19.7	**21.8**
Thermal coal (Export) – million tonnes	29.3	29.7	29.2	**28.6**
Nickel – thousand tonnes	30.3	44.5	43.8	**42.3**
De Beers – $/carat	83	67	63	**60**
Copper – C1 unit cost, c/lb	154	137	147	**134**
Platinum – $/ounce	1,508	1,330	1,443	**1,561**
Kumba – $/tonne	31	27	31	**32**
Iron Ore Brazil – $/tonne (wet basis)	60	28	30	**n/a**
Metallurgical Coal – $/tonne	55	51	61	**64**
Coal – South Africa – $/tonne	39	34	44	**44**
Nickel – C1 unit cost, c/lb	431	350	365	**361**
Group attributable ROCE◊ (%)	5	11	19	**19**
Group underlying EPS◊ ($)	0.64	1.72	2.57	**2.55**
Group attributable free cash flow◊ ($ million)	(982)	2.562	4,943	**3,157**

GROUP FINANCIAL REVIEW

Anglo American's profit attributable to equity shareholders increased to $3.5 billion (2017: $3.2 billion). Underlying earnings were $3.2 billion (2017: $3.3 billion), while operating profit was $6.1 billion (2017: $5.5 billion).

Group underlying EBITDA increased by 4% to $9.2 billion (2017: $8.8 billion), benefiting from higher realised product prices across the Group. Cost and volume improvements, excluding the impact of the stoppage at Minas-Rio, benefited underlying EBITDA by $0.4 billion.

The Group delivered a solid operational performance and increased copper equivalent production by 6%, excluding the impact of the stoppage at Minas-Rio. This was driven by increases at: Copper, due to strong mine and plant performance, as well as planned higher ore grades; Metallurgical Coal, due to a record performance at Moranbah and production growth at Grosvenor; De Beers, as production increased in line with anticipated demand; and our PGMs business, as production increases were delivered from both Mogalakwena and Amandelbult. The improved performance was partly offset by the impact of third party rail constraints on iron ore production at Kumba, lower volumes at the thermal coal operations in South Africa, as operations transitioned between mining areas, and a planned 40-day maintenance stoppage at Nickel's Barro Alto plant.

Group copper equivalent unit costs were in line with the prior year in both local currency and US dollar terms, with the impact of the Group's ongoing cost and productivity initiatives outweighing the effects of above CPI inflation.

Excluded from the Group copper equivalent result is the impact of Minas-Rio suspending operations from March 2018, following the two pipeline leaks. The operations resumed after the receipt of the appropriate regulatory approvals on 20 December, following an extensive and detailed technical inspection and the precautionary replacement of certain sections of the pipeline. In addition, on 21 December, a key regulatory approval relating to the Minas-Rio Step 3 licence area was granted, providing greater operational flexibility and access to higher grade iron ore to support the increase of production towards the full design capacity of 26.5 million tonnes per year.

Attributable ROCE was 19%, in line with the prior year.

Net debt (including related derivatives) of $2.8 billion was $1.7 billion lower, driven by $3.2 billion of attributable free cash flow, partly offset by the payment of dividends to Group shareholders in 2018.

In line with the Group's established dividend policy to pay out 40% of underlying earnings, the Board has proposed a dividend of 51 cents per share, bringing total dividends paid and proposed for the year to $1.00 per share.

FINANCIAL PERFORMANCE

Financial performance

	2018	2017
Underlying EBITDA◊ ($ billion)	**9.2**	8.8
Operating profit ($ billion)	**6.1**	5.5
Underlying earnings◊ ($ billion)	**3.2**	3.3
Profit for the financial year attributable to equity shareholders of the Company ($ billion)	**3.5**	3.2
Underlying earnings per share◊ ($)	**2.55**	2.57
Earnings per share ($)	**2.80**	2.48
Dividend per share ($)	**1.00**	1.02
Group attributable ROCE◊	**19%**	19%

UNDERLYING EBITDA◊

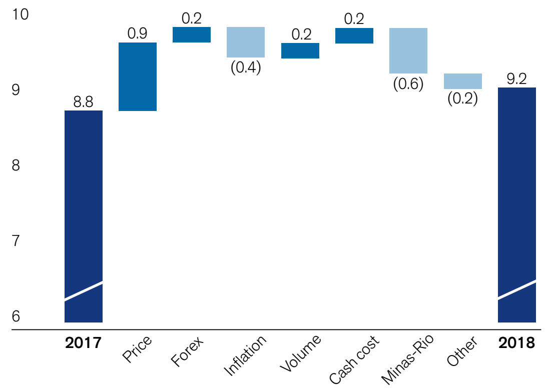
Group underlying EBITDA increased by 4% to $9.2 billion (2017: $8.8 billion). The underlying EBITDA margin was 30% (2017: 31%), with the mining margin(1) increasing to 42% (2017: 40%). This was driven by strong prices across the Group, particularly the PGM basket of metals, thermal and metallurgical coal and nickel, as well as continued productivity improvements and cost control across the portfolio, that more than offset the impact of inflation across the Group. A reconciliation of 'Profit before net finance costs and tax', the closest equivalent IFRS measure to underlying EBITDA, is provided within note 2 to the Consolidated financial statements.

Underlying EBITDA◊ by segment

$ million	**2018**	2017
De Beers	**1,245**	1,435
Copper	**1,856**	1,508
PGMs	**1,062**	866
Iron Ore	**1,177**	1,828
Coal	**3,196**	2,868
Nickel and Manganese	**844**	610
Corporate and other	**(219)**	(292)
Total	**9,161**	8,823

Underlying EBITDA◊ reconciliation 2017–2018

$ billion



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(1) The mining margin represents the Group's underlying EBITDA margin for the mining business. It excludes the impact of PGMs' purchase of concentrate, third party purchases made by De Beers, third party trading activities performed by Marketing, the Eskom-tied South African domestic thermal coal business and reflects Debswana accounting treatment as a 50/50 joint operation.

The reconciliation of underlying EBITDA from $8.8 billion in 2017 to $9.2 billion in 2018 shows the controllable factors (e.g. cost and volume), as well as those largely outside of management control (e.g. price, foreign exchange and inflation), that drive the Group's performance.

Price

Average market prices for the Group's basket of commodities and products increased by 4%, contributing $0.9 billion of improvement to underlying EBITDA. In our Coal business, the realised price for South African thermal export coal increased by 14%, while the realised price for Australian hard coking coal increased by 4%. The price achieved for the PGM basket of metals was 13% higher, largely due to palladium and rhodium, which recorded price increases of 17% and 101% respectively. The nickel realised price increased by 24% compared with 2017.

Foreign exchange

The positive foreign exchange impact on underlying EBITDA of $0.2 billion was largely due to revaluations of monetary items on the balance sheet, resulting from the effect of weaker producer closing currency rates.

Inflation

The Group's weighted average CPI for the period was 4%, in line with 2017. This was principally influenced by South Africa, which saw local CPI of around 5%. The impact of inflation on costs reduced underlying EBITDA by $0.4 billion.

Volume

Increased volumes across the portfolio benefited underlying EBITDA by $0.2 billion, driven by an excellent performance at Metallurgical Coal's longwall operations and strong mine and plant performance, coupled with planned higher ore grades, at Copper. This was partly offset by Kumba, which was affected by third party rail constraints and a scheduled refurbishment of the shiploader at Saldanha Port, and by lower sales volumes at De Beers, reflecting the higher proportion of lower value diamonds sold in 2017.

Cost

The Group's cost improvements benefited underlying EBITDA by $0.2 billion, with cost saving initiatives across the Group and unit cost reductions at Copper outweighing the effects of above CPI inflationary pressure on the mining industry related largely to higher oil and electricity prices.

Minas-Rio

The negative impact on the Group's underlying EBITDA from the suspension of operations at Minas-Rio from March to December was $0.6 billion, compared to 2017. Production decreased to 3.4 Mt (2017: 16.8 Mt).

UNDERLYING EARNINGS◊

Profit for the year increased by 8% to $4.4 billion (2017: $4.1 billion). Group underlying earnings were marginally lower at $3.2 billion (2017: $3.3 billion), as a result of increased depreciation and amortisation charges, offset by the 4% increase in underlying EBITDA.

Reconciliation from underlying EBITDA◊ to underlying earnings◊

$ million	2018	2017
Underlying EBITDA◊	**9,161**	8,823
Depreciation and amortisation	**(2,784)**	(2,576)
Net finance costs and income tax expense	**(2,265)**	(2,223)
Non-controlling interests	**(875)**	(752)
Underlying earnings◊	**3,237**	3,272

Depreciation and amortisation

Depreciation and amortisation increased to $2.8 billion (2017: $2.6 billion), owing to higher sustaining capital expenditure, increased production at Moranbah and Grosvenor and stronger average local currencies.

Net finance costs and income tax expense

Net finance costs, before special items and remeasurements, were $0.4 billion (2017: $0.5 billion). Increases in LIBOR were offset by lower average borrowings during the year resulting from a 24% reduction in gross debt.

The underlying effective tax rate was 31.3% (2017: 29.7%). The effective tax rate in 2018 benefited from the release of a deferred tax liability balance in Chile, partially offset by the impact of the relative levels of profits arising in the Group's operating jurisdictions. In future periods, it is expected that the underlying effective tax rate will remain above the UK statutory tax rate. The tax charge for the year, before special items and remeasurements, was $1.5 billion (2017: $1.3 billion).

Non-controlling interests

The share of underlying earnings attributable to non-controlling interests of $0.9 billion (2017: $0.8 billion) principally relates to minority shareholdings in Kumba, Copper and PGMs.

SPECIAL ITEMS AND REMEASUREMENTS

Special items and remeasurements show a net gain of $0.3 billion (2017: net charge of $0.1 billion) and included impairment reversals of $1.1 billion at Moranbah-Grosvenor and Capcoal (Metallurgical Coal), partially offset by the write-off of assets in De Beers' South African operations of $0.1 billion following the decision to close Voorspoed; the write-down to fair value of PGMs' investment in Bafokeng Rasimone Platinum Mine of $0.1 billion and a loss on disposal of $0.1 billion relating to Union; as well as losses arising on bond buybacks completed in the year (Corporate and other) of $0.1 billion.

Full details of the special items and remeasurements recorded are included in note 8 to the Consolidated financial statements.

Net debt◊

$ million	2018	2017
Opening net debt◊ at 1 January	**(4,501)**	(8,487)
Underlying EBITDA◊ from subsidiaries and joint operations	**7,827**	7,632
Working capital movements	**(30)**	879
Other cash flows from operations	**(15)**	(136)
Cash flows from operations	**7,782**	8,375
Capital expenditure◊	**(2,818)**	(2,150)
Cash tax paid	**(1,393)**	(843)
Dividends from associates, joint ventures and financial asset investments	**738**	517
Net interest(1)	**(315)**	(355)
Dividends paid to non-controlling interests	**(837)**	(601)
Attributable free cash flow◊	**3,157**	4,943
Dividends to Anglo American plc shareholders	**(1,291)**	(618)
Disposals	**193**	52
Foreign exchange and fair value movements	**(248)**	135
Other net debt movements(2)	**(158)**	(526)
Total movement in net debt◊(3)	**1,653**	3,986
Closing net debt◊ at 31 December	**(2,848)**	(4,501)

(1) Includes cash outflows of $41 million (2017: inflows of $22 million), relating to interest payments on derivatives hedging net debt, which are included in cash flows from derivatives related to financing activities.

(2) Principally made up of the purchase of shares for employee share schemes and losses recognised on bond buybacks, offset in 2018 by inflows related to the change in ownership interest in Quellaveco.

(3) Net debt excludes the own credit risk fair value adjustment on derivatives of $15 million (2017: $9 million).

CASH FLOW

Cash flows from operations

Cash flows from operations decreased to $7.8 billion (2017: $8.4 billion). An increase in underlying EBITDA from subsidiaries and joint operations was offset by lower working capital movements. In 2017, working capital movements included operating payable inflows from transactions in PGMs that were not repeated in 2018.

Cash outflows on operating working capital were $30 million (2017: inflows of $879 million), driven mainly by an increase in inventories at PGMs resulting from refining capacity constraints due to maintenance work on the processing assets, and at Kumba owing to third party rail constraints. These were offset by operating payables inflows across the Group.

Attributable free cash flow◊

The Group generated attributable free cash flow of $3.2 billion (2017: $4.9 billion). Cash flows from operations of $7.8 billion were offset by increased sustaining capital expenditure of $2.5 billion (2017: $2.1 billion), driven by stronger local currencies, planned additional stay-in-business capital expenditure and increased capitalised development and stripping expenditure. In addition, there were higher tax payments at Metallurgical Coal and Copper and an increase in dividend payments to minority shareholders.

Dividends

In line with the Group's established dividend policy to pay out 40% of underlying earnings, the Board has proposed a dividend of 51 cents per share, equivalent to $660 million, bringing the total dividends paid and proposed for the year to $1.00 per share (2017: $1.02 per share).

NET DEBT◊

Net debt (including related derivatives) of $2.8 billion decreased by $1.7 billion, representing gearing of 9% (2017: 13%). Net debt at 31 December 2018 comprised cash and cash equivalents of $6.5 billion (2017: $7.8 billion) and gross debt, including related derivatives, of $9.4 billion (2017: $12.3 billion). The reduction in net debt was driven by $3.2 billion of attributable free cash flow, partly offset by the payment of dividends to Group shareholders in 2018 (dividend payments resumed in the second half of 2017). During the year, there were inflows of $0.9 billion related to the change in ownership interest in Quellaveco; this inflow is being used to fund capital expenditure at the project, with $0.5 billion remaining at 31 December 2018.

BALANCE SHEET

Net assets of the Group increased to $29.8 billion (2017: $28.9 billion) as the profit for the year more than offset the effects of foreign exchange on operating assets denominated in local currency, and dividend payments to Company shareholders and non-controlling interests. Sustaining capital expenditure of $2.5 billion was offset by depreciation and amortisation of $2.7 billion.

ATTRIBUTABLE ROCE◊

Attributable ROCE was in line with the prior year at 19%. Attributable underlying EBIT was $5.2 billion (2017: $5.1 billion), reflecting higher prices, improved sales volumes at Metallurgical Coal and Copper and the continued delivery of cost-efficiency programmes across the Group, offset by inflation and the Minas-Rio production stoppage. Average attributable capital employed was constant at $27.4 billion owing to capital expenditure being largely offset by depreciation and amortisation.

LIQUIDITY AND FUNDING

The Group's liquidity remains conservative at $13.9 billion (2017: $16.8 billion), made up of $6.5 billion of cash (2017: $7.8 billion) and $7.3 billion of undrawn committed facilities (2017: $9.0 billion). The reduction in Group liquidity, in line with our strategy of lowering the cost of the overall capital structure, was driven primarily by a continued focus on debt reduction and the refinancing of a number of credit facilities outlined in the transactions below. These were partially offset by strong positive attributable free cash flow.

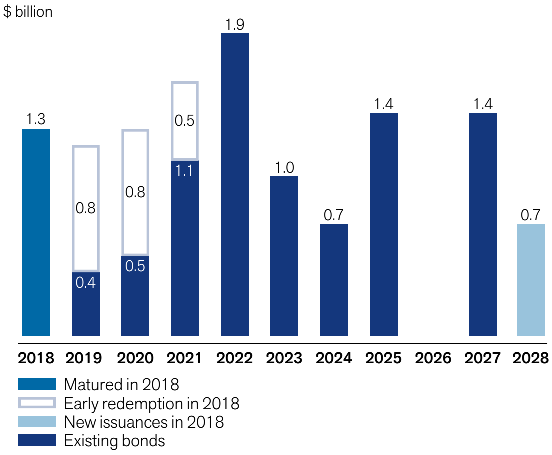
In March 2018, the Group completed the repurchase of $1.5 billion (including the cost of unwinding associated derivatives) of US- and Euro-denominated bonds with maturities from April 2019 to April 2021. The Group also issued a $0.7 billion 10-year bond in the US bond markets.

In May 2018, the Group completed the repurchase of $0.6 billion (including the cost of unwinding associated derivatives) of US-denominated bonds with maturities between May 2020 and September 2020.

These transactions, as well as $1.3 billion of bond maturities during 2018, have reduced short term refinancing requirements, increased the weighted average maturity of outstanding bonds by approximately one year to 5.0 years and reduced gross debt.

In March 2018, the Group replaced a number of credit facilities maturing between March 2019 and March 2020, with a total value of $5.4 billion, with a $4.5 billion credit facility maturing in March 2023.

Bond maturity profile



DE BEERS

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.

Bruce Cleaver
CEO
De Beers

HIGHLIGHTS

$6.1 billion

4% revenue growth

$60/carat

5% reduction in unit costs

>2,400 outlets

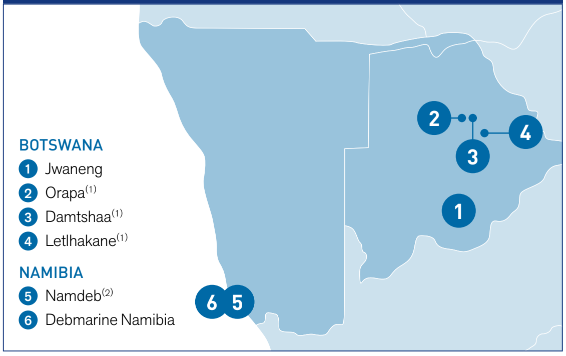
Forevermark™ available globally in more than 2,400 retail outlets

STRATEGIC FOCUS

- Continue to support consumer demand for natural diamonds through:
  - Enhancement of the De Beers consumer-facing brands
  - Leading participant in the Diamond Producers Association's marketing initiatives
  - Work with rough-diamond customers to meet the evolving needs of retailers and consumers
  - Enhance innovation across all areas of the diamond value chain
- Stabilise and optimise existing assets through enhanced use of technology and data
- Secure an industry-wide ethical supply chain, from mine to finger, through investment in artificial intelligence and blockchain technology.

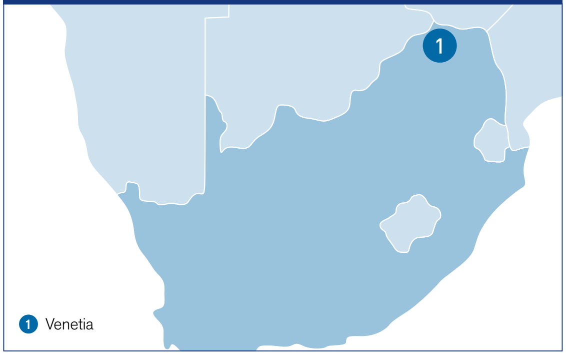
CANADA

BOTSWANA AND NAMIBIA



(1) All managed as one operation, the 'Orapa regime'.
(2) Includes Elizabeth Bay, Midwater, Mining Area 1 and Orange River operations.

SOUTH AFRICA



Financial and operational metrics(1)

	Production volume ('000 cts)	Sales volume ('000 cts)(2)	Price ($/ct)(3)	Unit cost◊ ($/ct)(4)	Group revenue◊ ($m)(5)	Underlying EBITDA◊ ($m)	Underlying EBITDA margin	Underlying EBIT◊ ($m)	Capex◊ ($m)(6)	ROCE◊
De Beers	**35,297**	**31,656**	**171**	**60**	**6,082**	**1,245**	**20%**	**694**	**417**	**8%**
Prior year	33,454	32,455	162	63	5,841	1,435	25%	873	273	9%
Botswana (Debswana)	**24,132**	**–**	**155**	**28**	**–**	**495**	**–**	**441**	**97**	**–**
Prior year	22,684	–	159	28	–	484	–	447	86	–
Namibia (Namdeb Holdings)	**2,008**	**–**	**550**	**274**	**–**	**176**	**–**	**140**	**38**	**–**
Prior year	1,805	–	539	257	–	176	–	146	33	–
South Africa (DBCM)	**4,682**	**–**	**109**	**54**	**–**	**163**	**–**	**58**	**177**	**–**
Prior year	5,208	–	129	62	–	267	–	119	114	–
Canada(7)	**4,475**	**–**	**144**	**52**	**–**	**231**	**–**	**78**	**127**	**–**
Prior year	3,757	–	235	57	–	205	–	58	(5)	–
Trading	**–**	**–**	**–**	**–**	**–**	**413**	**–**	**407**	**2**	**–**
Prior year	–	–	–	–	–	449	–	443	1	–
Other(8)	**–**	**–**	**–**	**–**	**–**	**(233)**	**–**	**(430)**	**(24)**	**–**
Prior year	–	–	–	–	–	(146)	–	(340)	44	–

(1) Prepared on a consolidated accounting basis, except for production, which is stated on a 100% basis except for the Gahcho Kué joint operation in Canada, which is on an attributable 51% basis.

(2) Sales volumes are consolidated sales volumes and exclude pre-commercial production sales volumes from Gahcho Kué in 2017. Total sales volumes (100%), which are comparable to production, were 33.7 million carats (2017: 35.1 million carats). Total sales volumes (100%) include De Beers Group's joint arrangement partners 50% proportionate share of sales to entities outside De Beers Group from Diamond Trading Company Botswana and Namibia Diamond Trading Company and, in 2017, include pre-commercial production sales volumes from Gahcho Kué.

(3) Pricing for the mining business units is based on 100% selling value post-aggregation of goods. The De Beers realised price includes the price impact of the sale of non-equity product and, as a result, is not directly comparable to De Beers unit costs, which relate to equity production only.

(4) Unit cost is based on consolidated production and operating costs, excluding depreciation and operating special items, divided by carats recovered.

(5) Includes rough diamond sales of $5.4 billion (2017: $5.2 billion).

(6) In 2018, includes the acquisition of Peregrine Diamonds Limited for a consideration of $87 million. In 2017, includes pre-commercial production capitalised operating cash inflows from Gahcho Kué.

(7) In 2017, price excludes Gahcho Kué contribution from sales related to pre-commercial production, which were capitalised in the first half of 2017. Unit costs include Gahcho Kué contribution following achievement of commercial production on 2 March 2017.

(8) Other includes Element Six, downstream, acquisition accounting adjustments and corporate.

FINANCIAL AND OPERATIONAL OVERVIEW

Total revenue increased by 4% to $6.1 billion (2017: $5.8 billion), with rough diamond sales increasing by 4% to $5.4 billion (2017: $5.2 billion), driven by improved overall consumer demand for diamond jewellery and a 1% increase in the average rough diamond price index. The average realised price increased by 6% to $171/carat (2017: $162/carat), reflecting the lower proportion of lower value rough diamonds being sold in the second half, which resulted in a 2% decrease in consolidated sales volumes to 31.7 million carats (2017: 32.5 million carats). Other revenue also increased owing to improved 'high end' jewellery sales at De Beers Jewellers (consolidated for a full year in 2018, compared with nine months in 2017), partly offset by a 5% decrease in Element Six revenue due to a reduction in sales to the oil and gas market.

Underlying EBITDA decreased by 13% to $1,245 million (2017: $1,435 million). While unit costs and upstream profit margins were maintained, De Beers undertook incremental expenditure on a number of new initiatives, including the launch of Lightbox Jewelry (Lightbox™), Tracr™ and Gemfair™, as well as increasing expenditure in marketing, exploration and evaluation in Canada and increasing provisions in respect of closure obligations. Margins in the trading business were lower owing to volatile market conditions, and the margin at Element Six decreased as a result of lower sales to the oil and gas market.

MARKETS

Preliminary data for 2018 indicates an improvement in global consumer demand for diamond jewellery, in US dollar terms. Global growth during the first half of the year was driven by solid US and Chinese consumer demand. However, during the second half, while the US maintained its growth rate, increased political and policy uncertainty and stock exchange volatility led to a general slowdown of demand. Chinese demand also slowed following the escalation in US-China trade tensions, slower economic growth and stock market volatility. In India, the significant depreciation of the rupee reduced local demand in US dollar terms.

The midstream started the year on a positive note due to healthy demand for polished diamonds from US and Chinese retailers. However, in the second half, the low-priced product segment came under considerable pressure due to weak demand and surplus availability, the rapid depreciation of the rupee and a reduction in bank financing in the midstream. This resulted in a surplus of low-priced polished diamonds at the end of the year, leading to lower sales at the start of 2019.

For more information, refer to the Marketplace review section
See pages 14-15

OPERATIONAL PERFORMANCE

Mining and manufacturing

Rough diamond production increased by 6% to 35.3 million carats (2017: 33.5 million carats), which was in the lower half of the production guidance range of 35-36 million carats.

In Botswana (Debswana), production increased by 6% to 24.1 million carats (2017: 22.7 million carats). Production at Jwaneng was flat, as the effect of processing planned lower grades was offset by a 12% increase in plant throughput. At Orapa, a 13% increase in output was driven by higher plant utilisation and the full effect of the successful restart of the Damtshaa operation.

In Namibia (Namdeb Holdings), production increased by 11% to 2.0 million carats (2017: 1.8 million carats). Production from the marine operation increased by 4%, driven by fewer in-port days for the Mafuta crawler vessel and the adoption of a technology-led approach for optimising the performance of the drill fleet. Production at the land operations increased by 34% to 0.6 million carats (2017: 0.4 million carats) as a result of access to consistently higher grades, despite placing Elizabeth Bay onto care and maintenance in December.

In South Africa (DBCM), production decreased by 10% to 4.7 million carats (2017: 5.2 million carats), owing to a period of suspended production at Venetia following a fatal incident, as well as lower run-of-mine ore grades experienced as the mine approaches the end of the open pit. Output was also affected by the placing of Voorspoed onto care and maintenance in the fourth quarter in preparation for closure.

In Canada, production increased by 19% to 4.5 million carats (2017: 3.8 million carats) due to the full year contribution from Gahcho Kué, which entered commercial production in March 2017, and higher grades at Victor. Victor is due to cease production in the first half of 2019, when the open pit is expected to have been depleted.

Brands

Significant progress was made across the De Beers Group brands in 2018. De Beers Jewellers opened new stores in Hong Kong and in Xi'an, China, and launched new franchise partnerships in Russia and Saudi Arabia. In May, De Beers Jewellers also launched a new online store in partnership with Farfetch, a global marketplace for the luxury industry with a presence in 100 countries.

Forevermark™ is now available in more than 2,400 retail outlets globally. New launches took place in Indonesia, Nepal, Bangladesh, Germany and France, as well as the opening of its first stand-alone store in Africa, in Botswana. In the year the brand celebrated its 10th anniversary, it launched a new retail concept, Libert'aime™, by Forevermark™.

De Beers Group launched a number of new initiatives in 2018. Lightbox™, a laboratory-grown diamond fashion jewellery brand, was launched in the US and recorded its first sales in September. Tracr™, De Beers Group's blockchain project, was announced in January 2018. GemFair™, an industry-wide pilot programme to create a secure and transparent route to market for ethically sourced artisanal and small-scale mined diamonds, was launched in April, with the first export of diamonds in December.

OPERATIONAL OUTLOOK

Although current economic forecasts remain positive, the outlook for 2019 global diamond jewellery consumer demand faces a number of headwinds, including the risk of a potential intensification of US-China trade tensions, the Chinese government's ability to rebalance economic growth towards consumption, and further exchange rate volatility.

Production in 2019 is expected to be in the range of 31-33 million carats, subject to trading conditions. The lower production is driven by the planned process of exiting from the Venetia open pit, with the underground operation becoming the principal source of ore from 2023. Associated with this, an increased proportion of production in 2019 is expected to come from De Beers Group's joint arrangement partners, a proportion of which generates a trading margin which is lower than the mining margin generated from own-mined production.

COPPER

In Chile, we have interests in two major copper operations: a 50.1% interest in the Los Bronces mine, which we manage and operate, and a 44% share in the Collahuasi mine; we also manage and operate the El Soldado mine and Chagres smelter, where we have a 50.1% interest in each. In Peru, we have a 60% interest in the Quellaveco project (approved for development in 2018).

Hennie Faul
CEO
Copper

Tom McCulley
CEO
Anglo American Peru

Duncan Wanblad
CEO
Base Metals

HIGHLIGHTS

23%
increase in underlying EBITDA

$1.9 billion
underlying EBITDA

15%
increase in production to 668,300 tonnes

CHILE AND PERU

STRATEGIC FOCUS

- Successful development of the Quellaveco copper project. On track for delivery in 2022
- Continued focus on productivity improvements and cost reductions at Los Bronces
- Completion of pre-feasibility study for the Los Bronces Underground project
- Further plant improvements at Collahuasi, including the replacement of the second ball mill stator motor at Line 3 (responsible for around 60% of plant throughput) during the first half of 2019.

Financial and operational metrics

	Production volume (kt)	Sales volume (kt)(1)	Realised price (c/lb)	Unit cost◊ (c/lb)(2)	Group revenue◊ ($m)(3)	Underlying EBITDA◊ ($m)	Underlying EBITDA margin(4)	Underlying EBIT◊ ($m)	Capex◊ ($m)	ROCE◊
Copper	**668**	**672**	**283**	**134**	**5,168**	**1,856**	**48%**	**1,234**	**703**	**22%**
Prior year	579	580	290	147	4,233	1,508	41%	923	665	16%
Los Bronces	**370**	**376**	**–**	**145**	**2,175**	**969**	**45%**	**625**	**217**	**–**
Prior year	308	307	–	169	1,839	737	40%	401	245	–
Collahuasi(5)	**246**	**243**	**–**	**105**	**1,460**	**960**	**66%**	**736**	**295**	**–**
Prior year	231	232	–	113	1,314	806	61%	594	243	–
Quellaveco(6)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**131**	**–**
Prior year	–	–	–	–	–	–	–	–	128	–
Other operations	**53**	**53**	**–**	**–**	**1,533**	**82**	**26%**	**28**	**60**	**–**
Prior year	40	41	–	–	1,080	76	16%	39	49	–
Projects and corporate	**–**	**–**	**–**	**–**	**–**	**(155)**	**–**	**(155)**	**–**	**–**
Prior year	–	–	–	–	–	(111)	–	(111)	–	–

(1) Excludes 178 kt third party sales (2017: 111 kt).
(2) C1 unit cost includes by-product credits.
(3) Revenue is shown after deduction of treatment and refining charges (TC/RCs).
(4) Excludes impact of third party sales.
(5) 44% share of Collahuasi production, sales and financials.
(6) Capex is presented on an attributable basis after deducting direct funding from non-controlling interests. FY 2018 capex, on a 100% basis, was $505 million. $187 million was spent prior to project approval on 26 July, of which the Group funded $131 million and Mitsubishi funded $56 million. A further $318 million was spent post-approval, of which the Group's 60% share was funded from the Mitsubishi syndication transaction and hence is not included in reported capex.

FINANCIAL AND OPERATIONAL OVERVIEW

Underlying EBITDA increased by 23% to $1,856 million (2017: $1,508 million), driven by higher production and lower unit costs across all operations. Unit costs decreased by 9% to 134 c/lb (2017: 147 c/lb), the lowest since 2010, as a result of increased production and continued sustainable cost savings at all operations that fully offset the impact of inflation. Production increased by 15% to 668,300 tonnes (2017: 579,300 tonnes). At 31 December 2018, 179,100 tonnes of copper were provisionally priced at an average price of 271 c/lb.

MARKETS

	2018	2017
Average market price (c/lb)	**296**	280
Average realised price (c/lb)	**283**	290

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

The average LME cash copper price was 6% higher, though spot prices closed the year 17% lower, despite falling exchange inventories. Prices weakened notably from mid-year as trade frictions between the US and China escalated. Furthermore, China's efforts to rein in shadow financing resulted in tighter liquidity, slowing growth across key copper-consuming sectors. Reflecting such developments, funds generally showed a lack of risk appetite through the year.

For more information, refer to the Marketplace review section
See pages 14-15

OPERATIONAL PERFORMANCE

At Los Bronces, production increased by 20% to 369,500 tonnes (2017: 308,300 tonnes) owing to strong mine and plant performance, as well as planned higher grades (0.76% vs. 2017: 0.71%). C1 unit costs decreased by 14% to 145 c/lb (2017: 169 c/lb) reflecting the strong operational performance and higher by-product credits (primarily molybdenum).

At Collahuasi, Anglo American's attributable share of copper production was 246,000 tonnes, an increase of 7% (2017: 230,500 tonnes), representing another record year of copper in concentrate production for the operation. Production benefited from strong plant performance following the successful completion of planned major maintenance of Line 3 (responsible for 60% of plant throughput), the installation of 24 new flotation cells during the first half of the year and planned higher grades (1.29% vs. 2017: 1.25%). C1 unit costs decreased by 7% to 105 c/lb (2017: 113 c/lb), reflecting the strong production performance, additional stripping credits and higher by-product credits.

Production at El Soldado increased by 30% to 52,700 tonnes (2017: 40,500 tonnes), owing largely to the temporary suspension of mine operations during the first half of 2017, which resulted in 6,000 tonnes of lost output, and planned higher ore grade (0.85% vs. 2017: 0.69%). C1 unit costs decreased by 12% to 206 c/lb (2017: 233 c/lb).

QUELLAVECO UPDATE

Project approval and syndication

In July 2018, the Board approved the development of the Quellaveco copper project in Peru, with an expected capital cost of $5.0-$5.3 billion. At the same time, and aligned with the Group's disciplined approach to capital allocation, agreement was reached with Mitsubishi to increase its interest in Anglo American Quellaveco S.A. (AAQSA) from 18.1% to 40% via the issuance of new shares. Mitsubishi subscribed $500 million in upfront consideration and an additional $351 million to fund its initial share of capital expenditure, resulting in a total cash subscription of $851 million. The Group will receive up to a further $100 million in net payments(1) from AAQSA conditional on the achievement of certain prescribed throughput rates. As a result of the syndication transaction, the Group's share of capital expenditure to develop Quellaveco is $2.5-$2.7 billion.

Project update

Project execution is on track, benefiting from early works completed during the feasibility study stage. All major permits are in place. In line with plan, the diversion of the Asana river was successfully completed in early December, the first major milestone of the project. Engineering, contracting and procurement are well advanced, with earthworks also meaningfully progressed. The full complement of accommodation required for workers will be available during the first half of 2019.

The priority in 2019 is to continue progressing earthworks and start concrete works at the plant site. First production is due in 2022, with the ramp-up complete in 2023. The project will deliver around 300,000 tonnes per annum of copper equivalent production on average in the first 10 years of operation.

Total capital expenditure funded by the Group in 2018 was $131 million, representing the Group's attributable share prior to project approval in July. Post-approval, capital expenditure (on a 100% basis) was $318 million, of which the Group's 60% share was funded from the syndication transaction with Mitsubishi described above.

OPERATIONAL OUTLOOK

Production guidance for 2019 is 630,000-660,000 tonnes.

(1) The payment, by way of preference dividend, will be grossed up to take account of the Group shareholding in AAQSA.

PLATINUM GROUP METALS (PGMs)

Anglo American is a leading producer of platinum group metals. The majority of our operations are located in the Bushveld Complex in South Africa; we also own and operate Unki mine on the Great Dyke formation in Zimbabwe.

Chris Griffith
CEO
Platinum Group Metals

HIGHLIGHTS

23%
increase in underlying EBITDA

$1.1 billion
underlying EBITDA

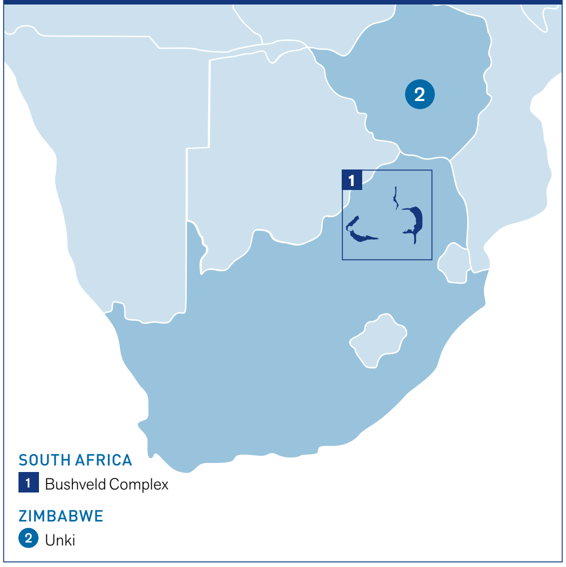
15%
return on capital employed

STRATEGIC FOCUS

- Market development – continue to facilitate the development of the PGM market to increase demand
- Delivering operational excellence – execute a focused programme of initiatives to deliver and exceed on world benchmark performance (P101) across key assets and equipment
- Investing in the portfolio of assets – focused investment in fast payback/high returning projects, and finalise the project studies for Mogalakwena and Der Brochen.

SOUTH AFRICA: BUSHVELD COMPLEX[1]

SOUTH AFRICA AND ZIMBABWE



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[1] Excludes Twickenham and Bokoni, which were placed onto care and maintenance in 2016 and 2017, respectively. Also excludes Bafokeng Rasimone Platinum Mine, reflecting the sale concluded in December 2018.

Financial and operational metrics

	Production volume platinum (koz)(1)	Production volume palladium (koz)(1)	Sales volume platinum (koz)(2)	Basket price ($/Pt oz)(3)	Unit cost◊ ($/Pt oz)(4)	Group revenue◊ ($m)	Underlying EBITDA◊ ($m)	Underlying EBITDA margin(5)	Underlying EBIT◊ ($m)	Capex◊ ($m)	ROCE◊
PGMs	**2,485**	**1,611**	**2,424**	**2,219**	**1,561**	**5,680**	**1,062**	**29%**	**705**	**496**	**15%**
Prior year	2,397	1,557	2,505	1,966	1,443	5,078	866	26%	512	355	10%
Mogalakwena	**495**	**541**	**492**	**2,759**	**1,398**	**1,367**	**623**	**46%**	**478**	**210**	**–**
Prior year	464	509	467	2,590	1,179	1,211	578	48%	448	151	–
Amandelbult	**443**	**205**	**445**	**2,222**	**1,717**	**996**	**153**	**15%**	**96**	**74**	**–**
Prior year	438	202	459	1,868	1,596	858	88	10%	34	34	–
Other operations(6)	**386**	**268**	**367**	**–**	**–**	**1,100**	**132**	**12%**	**9**	**212**	**–**
Prior year	474	297	497	–	–	1,125	83	7%	(59)	170	–
Purchase of concentrate(7)	**1,161**	**597**	**1,120**	**–**	**–**	**2,217**	**218**	**10%**	**186**	**–**	**–**
Prior year	1,021	549	1,082	–	–	1,884	173	9%	145	–	–
Projects and corporate	**–**	**–**	**–**	**–**	**–**	**–**	**(64)**	**–**	**(64)**	**–**	**–**
Prior year	–	–	–	–	–	–	(56)	–	(56)	–	–

(1) Production disclosure reflects own-mined production and purchase of metal in concentrate.

(2) Sales volumes exclude the sale of refined metal purchased from third parties.

(3) Average US$ realised basket price. Excludes the impact of the sale of refined metal purchased from third parties.

(4) Total cash operating costs – includes on-mine, smelting and refining costs only.

(5) Underlying EBITDA margins exclude the impact of the sale of refined metal purchased from third parties. In addition, the total PGMs margin excludes purchase of concentrate.

(6) Includes Unki, Union (prior to disposal), Mototolo (post-acquisition), PGMs' share of joint operations and revenue from trading activities.

(7) Purchase of concentrate from joint operations, associates and third parties for processing into refined metals.

FINANCIAL AND OPERATIONAL OVERVIEW

Underlying EBITDA increased by 23% to $1,062 million (2017: $866 million), largely as a result of a 13% increase in the basket price driven by stronger prices for palladium, rhodium, ruthenium and nickel. Unit costs increased by 8% to $1,561/ounce (2017: $1,443/ounce) due to the impact of inflation and a change in mine plan at Mogalakwena leading to an increase in waste mined and a reduction in ore stockpiled.

MARKETS

	2018	2017
Average platinum market price ($/oz)	**880**	950
Average palladium market price ($/oz)	**1,029**	871
Average rhodium market price ($/oz)	**2,214**	1,097
Average gold market price ($/oz)	**1,269**	1,258
US$ realised basket price ($/Pt oz)	**2,219**	1,966
Rand realised basket price (R/Pt oz)	**29,601**	26,213

Strong prices for palladium, rhodium and the minor platinum group metals outweighed a 7% decline in the platinum price during 2018, with the basket price climbing by 13% in dollar terms as a result. The platinum price was driven lower, primarily by a decline in the share of diesel engines in the European car sector. Despite disappointing global car sales, tighter global emissions regulation supported the prices of palladium and rhodium, with their average price for the year increasing by 18% and 102% respectively.

For more information, refer to the Marketplace review section
See pages 14-15

OPERATIONAL PERFORMANCE

Total platinum production (metal in concentrate) increased by 4% to 2,484,700 ounces (2017: 2,397,400 ounces), while total palladium output was 3% higher at 1,610,800 ounces (2017: 1,557,400 ounces).

Own-mined production

Own-mined production is inclusive of ounces from Mogalakwena, Amandelbult, Unki, Union (prior to its disposal on 1 February 2018), and 50% of joint operation production, with 100% of Mototolo from 1 November 2018, following the completion of the acquisition of the remaining 50% on this date.

Own-mined platinum production decreased by 4% to 1,323,600 ounces (2017: 1,376,200 ounces), while palladium production increased marginally to 1,013,500 ounces (2017: 1,008,700 ounces). Excluding Union, own-mined platinum production increased by 7% to 1,312,000 ounces (2017: 1,221,700 ounces) and palladium production increased by 8% to 1,008,300 ounces (2017: 937,300 ounces) on the back of a strong operational performance across the portfolio.

Mogalakwena's platinum production increased by 7% to 495,100 ounces (2017: 463,800 ounces), and palladium production increased by 6% to 540,900 ounces (2017: 508,900 ounces) through mining a higher grade area as planned, as well as optimisation of the primary mill at the North concentrator plant which led to improved throughput and metal recovery.

At Amandelbult, platinum production increased by 1% to 442,700 ounces (2017: 438,000 ounces), and palladium output by 1% to 205,100 ounces (2017: 202,500 ounces) as increased underground production was delivered to the concentrator, primarily from Dishaba's underground operations. Dishaba mine development work led to a 7% increase in immediately stope-able reserves.

Platinum production from other operations decreased by 19% to 385,800 ounces (2017: 474,400 ounces) and palladium production by 10% to 267,600 ounces (2017: 297,300 ounces), driven by the sale of Union mine to Siyanda Resources (Siyanda) on 1 February 2018, from which date Union production was purchased as concentrate. Excluding Union, platinum production from other operations increased by 17%, driven by PGMs' share of platinum production from joint operations increasing by 10% to 270,800 ounces (2017: 245,300 ounces) and its share of palladium production increasing by 9% to 176,000 ounces (2017: 161,500 ounces), as well as the acquisition of the remaining 50% of Mototolo on 1 November 2018.

Purchase of concentrate

Purchase of concentrate increased by 14% and 9% for platinum and palladium respectively. The inclusion of concentrate from Union following the sale to Siyanda was partly offset by the removal of unprofitable ounces following the closure of Bokoni, which was placed onto care and maintenance in 2017.

Refined production

Refined platinum production decreased by 4% to 2,402,400 ounces (2017: 2,511,900 ounces), while refined palladium output decreased by 10% to 1,501,800 ounces (2017: 1,668,500 ounces). The reduction was primarily attributable to the planned rebuild of Mortimer smelter in the second quarter of 2018; the partial rebuild at Polokwane smelter which was completed during the second half of the year; commissioning of the Unki smelter in the third quarter; and maintenance work on other processing assets, which collectively resulted in a build-up of work-in-progress inventory. Furthermore, 2017 refined production included 130,000 platinum ounces (and associated PGMs) that were toll-refined by a third party following the Waterval Furnace 1 run-out in 2016. It is expected that the build-up of work-in-progress inventory will be processed in full during 2019.

Sales volumes

Platinum sales volumes, excluding refined metals purchased from third parties, decreased by 3% to 2,424,200 ounces (2017: 2,504,600 ounces), while palladium sales decreased by 4% to 1,513,100 ounces (2017: 1,571,700 ounces). The overall decrease resulted from lower refined production, compensated in part by a drawdown in refined platinum inventory levels. In comparison, there were high sales volumes in 2017 owing to the refining of the backlog of material from the Waterval smelter run-out in the fourth quarter of 2016. Trading activities generated further sales volumes of 94,000 platinum ounces and 124,500 palladium ounces.

OPERATIONAL OUTLOOK

From 1 January 2019, Sibanye 4E(1) material is no longer purchased as concentrate, but toll-treated, with the refined metal returned to Sibanye. As a result, platinum production (metal in concentrate) for 2019 is expected to be lower than for 2018 at 2.0-2.1 million ounces. Palladium production (metal in concentrate) for 2019 is expected to be 1.3-1.4 million ounces.

(1) Platinum, palladium, rhodium and gold.

IRON ORE

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

Themba Mkhwanazi
CEO
Kumba Iron Ore

Ruben Fernandes
CEO
Anglo American Brazil

Seamus French
CEO
Bulk Commodities
and Other Minerals

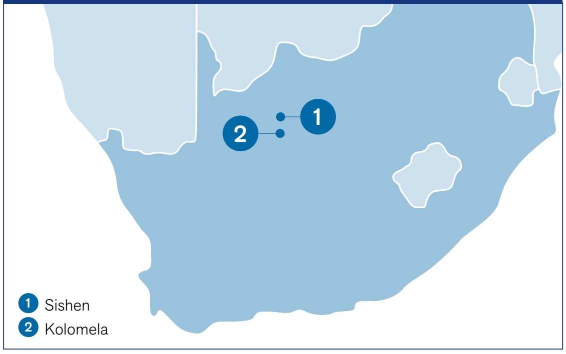
HIGHLIGHTS

5%
increase in underlying EBITDA at Kumba

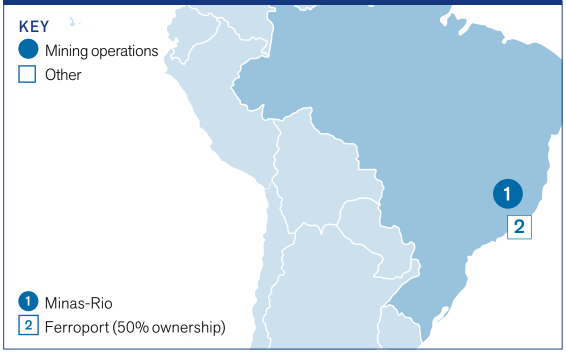
$1.5 billion
underlying EBITDA at Kumba

42%
return on capital employed at Kumba

SOUTH AFRICA



BRAZIL



STRATEGIC FOCUS

- Delivering sustainable stakeholder returns by unlocking the full potential of Kumba's assets through safe, efficient and innovative operational performance
- Kumba is well positioned to drive margin expansion across the value chain through higher price realisation from improved product quality while continuing to deliver cost savings and operational efficiencies
- Creating value by leveraging Kumba's endowment in the Northern Cape for mine life extensions
- Ramp up to consistent production, following the restart of operations at Minas-Rio.

Financial and operational metrics

	Production volume (Mt)(1)	Sales volume (Mt)	Price ($/t)(2)	Unit cost◊ ($/t)(3)	Group revenue◊ ($m)	Underlying EBITDA◊ ($m)	Underlying EBITDA margin	Underlying EBIT◊ ($m)	Capex◊ ($m)	ROCE◊
Iron Ore	**–**	**–**	**–**	**–**	**3,768**	**1,177**	**31%**	**747**	**415**	**3%**
Prior year	–	–	–	–	4,891	1,828	37%	1,500	252	15%
Kumba Iron Ore	**43.1**	**43.3**	**72**	**32**	**3,440**	**1,544**	**45%**	**1,213**	**309**	**42%**
Prior year	45.0	44.9	71	31	3,486	1,474	42%	1,246	229	47%
Iron Ore Brazil (Minas-Rio)	**3.4**	**3.2**	**70**	**-**	**328**	**(272)**	**–**	**(371)**	**106**	**(9)%**
Prior year	16.8	16.5	65	30	1,405	435	31%	335	23	6%
Projects and corporate	**–**	**–**	**–**	**–**	**–**	**(95)**	**–**	**(95)**	**–**	**–**
Prior year	–	–	–	–	–	(81)	–	(81)	–	–

(1) Minas-Rio production is Mt (wet basis).

(2) Prices for Kumba Iron Ore are the average realised export basket price (FOB Saldanha). Prices for Minas-Rio 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 Minas-Rio are not disclosed for 2018, due to the suspension of operations; 2017 unit costs are on an FOB wet basis.

FINANCIAL AND OPERATIONAL OVERVIEW

Kumba

Underlying EBITDA increased by 5% to $1,544 million (2017: $1,474 million), mainly driven by a $1/tonne increase in the average realised iron ore price, partly offset by a 4% decrease in export sales volumes and a 3% increase in FOB unit costs. The increase in unit costs was driven by lower production, higher strip ratios and higher fuel costs, largely offset by operational efficiencies and cost-saving initiatives.

Sales volumes decreased by 4% to 43.3 Mt (2017: 44.9 Mt) owing to the impact of third party rail constraints and single loading of vessels resulting from the scheduled refurbishment of the shiploader by Transnet at Saldanha Port in the second half of 2018. Consequently, total finished stock held at the mines and port increased to 5.3 Mt (2017: 4.3 Mt).

Minas-Rio

Minas-Rio recorded an underlying EBITDA loss of $272 million (2017: $435 million gain), reflecting the suspension of operations from March 2018, following the two leaks in the 529 kilometre iron ore pipeline from the mine to the Port of Açu.

MARKETS

	2018	2017
Average market price (IODEX 62% Fe CFR China – $/tonne)	**69**	71
Average market price (MB 66% Fe Concentrate CFR – $/tonne)	**95**	87
Average realised price (Kumba export – $/tonne) (FOB Saldanha)	**72**	71
Average realised price (Minas-Rio – $/tonne) (FOB wet basis)	**70**	65

Kumba's outperformance over the IODEX (Platts) 62% Fe CFR China index was primarily due to the higher iron (Fe) content and the relatively high proportion (approximately 68%) of lump in the overall product portfolio.

Minas-Rio also produces higher grade products (higher iron content and lower gangue) than the reference product used for the IODEX 62% Fe CFR China index. IODEX 62% is referred to for comparison purposes only.

For more information, refer to the Marketplace review section
See pages 14-15

OPERATIONAL PERFORMANCE

Kumba

Total production decreased by 4% to 43.1 Mt (2017: 45.0 Mt), in response to higher stock levels arising from Transnet's rail constraints. Production volumes were also affected by a small decrease in processing plant yields as Kumba focused on producing high quality products to maximise the value of tonnes railed to port and benefit from the strong demand for premium, high grade ore.

In line with its strategy, production at Sishen reduced by 6% to 29.2 Mt (2017: 31.1 Mt), while output at Kolomela remained constant at 13.9 Mt. Waste stripping at Sishen increased by 13% to 182.1 Mt (2017: 161.7 Mt), with continued improvements in efficiencies through increased primary mining equipment productivity. Consistent production performance at Kolomela led to a 1% increase in waste stripping to 56.0 Mt (2017: 55.6 Mt).

Minas-Rio

Production decreased by 80% to 3.4 Mt (2017: 16.8 Mt) following the suspension of operations since March 2018. The resumption of the operations occurred following the receipt of the appropriate regulatory approvals on 20 December, and an extensive and detailed technical inspection and the precautionary replacement of certain sections of the pipeline.

OPERATIONAL OUTLOOK

Kumba

Kumba's production guidance for 2019 is 43-44 Mt, with waste movement for Sishen and Kolomela expected to be 170-180 Mt and 55-60 Mt, respectively.

Minas-Rio

A key regulatory approval relating to the Minas-Rio Step 3 licence area was granted on 21 December 2018, providing greater operational flexibility and access to higher grade iron ore to support the increase of production towards the full design capacity of 26.5 Mtpa. As a result, 2019 production guidance for Minas-Rio was increased to 18-20 Mt (previously 16-19 Mt). In addition, 2019 unit cost guidance was reduced to $28-$31/tonne (previously $30-$33/tonne). Construction is under way for the next tailings dam lift and we expect to be ready for the normal process of conversion of the installation licence to an operating licence in the second quarter of 2019.

Legal

Sishen consolidated mining right granted
Sishen's application to extend the mining right area to include the Dingleton properties through the inclusion of the adjacent Prospecting Rights was granted on 25 June 2017 and notarially executed on 29 June 2018. The grant allows Sishen mine to expand its current mining operations within the adjacent Dingleton area.

Kolomela consolidated mining right granted
The Section 102 application to amend the Kolomela mining right and the mining work programme to include Heuningkranz and portion 1 of Langverwacht was granted on 14 October 2018. The environmental authorisation was approved on 7 November 2018. The grant allows Kolomela mine to expand its current mining operations within the adjacent Heuningkranz area.

The transfer of Thabazimbi to ArcelorMittal South Africa Limited (ArcelorMittal SA)
Sishen Iron Ore Company Proprietary Limited (SIOC) and ArcelorMittal SA entered into an agreement in 2016 to transfer Thabazimbi mine to ArcelorMittal SA, subject to the fulfilment of certain conditions precedent. On 12 October 2018, Kumba and ArcelorMittal SA announced that all the conditions precedent to the transfer of Thabazimbi mine, together with the mining rights, had either been fulfilled or waived. The employees, assets and liabilities, as well as the mining rights and the assumed liabilities of the mine, were transferred at a nominal purchase consideration from SIOC to Thabazimbi Iron Ore Mine (Pty) Ltd (previously ArcelorMittal South Africa Operations (Pty) Ltd), a wholly-owned subsidiary of ArcelorMittal SA, on 1 November 2018.

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.

Tyler Mitchelson
CEO
Metallurgical Coal

July Ndlovu
CEO
Coal South Africa

Seamus French
CEO
Bulk Commodities
and Other Minerals

HIGHLIGHTS

11%
increase in underlying EBITDA

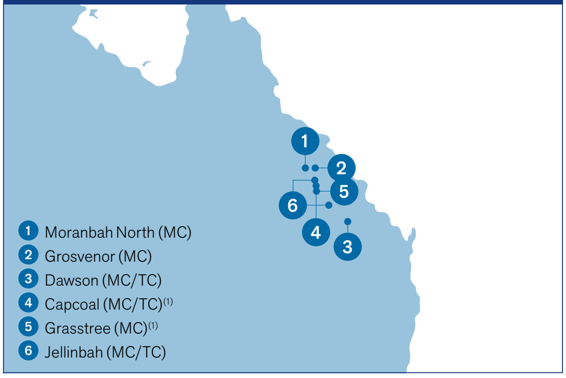
$3.2 billion
underlying EBITDA

67%
return on capital employed

STRATEGIC FOCUS

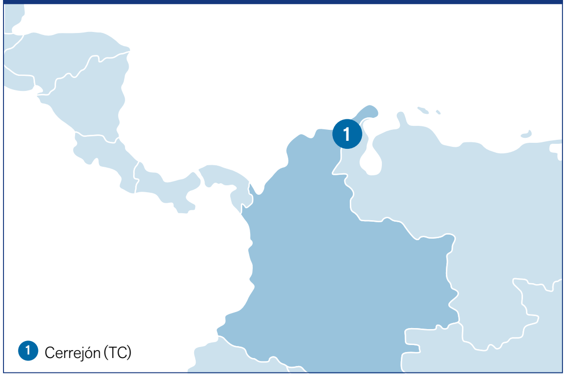
- Prioritising safe production through a focus on the elimination of fatalities programme across Australia and South Africa
- Innovation-led productivity growth from Metallurgical Coal's underground longwall operations, which produce benchmark quality hard coking coal. This includes the Moranbah-Grosvenor plant debottlenecking project
- Refocus the Coal South Africa business to primarily produce export coal and deliver on productivity targets
- Develop a responsible growth pathway to value for the significant metallurgical coal endowments in the portfolio, including Peace River Coal in Canada and Moranbah South in Australia.

AUSTRALIA



SOUTH AFRICA

COLOMBIA



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(1) Part of the Capcoal complex.

Financial and operational metrics

	Production volume (Mt)(1)	Sales volume (Mt)(2)	Price ($/t)(3)	Unit cost◊ ($/t)(4)	Group revenue◊ ($m)	Underlying EBITDA◊ ($m)	Underlying EBITDA margin(5)	Underlying EBIT◊ ($m)	Capex◊ ($m)	ROCE◊
Coal	**50.4**	**50.4**	**–**	**–**	**7,788**	**3,196**	**46%**	**2,538**	**722**	**67%**
Prior year	48.9	49.0	–	–	7,211	2,868	46%	2,274	568	67%
Metallurgical Coal	**21.8**	**22.0**	**190**	**64**	**4,231**	**2,210**	**52%**	**1,774**	**574**	**80%**
Prior year	19.7	19.8	185	61	3,675	1,977	54%	1,594	416	86%
Thermal Coal – South Africa	**18.4**	**18.3**	**87**	**44**	**2,719**	**695**	**37%**	**566**	**148**	**68%**
Prior year	18.6	18.6	76	44	2,746	588	32%	466	152	54%
Thermal Coal – Colombia	**10.2**	**10.1**	**83**	**36**	**838**	**388**	**46%**	**295**	**–**	**35%**
Prior year	10.6	10.6	75	31	790	385	49%	296	–	35%
Projects and corporate	**–**	**–**	**–**	**–**	**–**	**(97)**	**–**	**(97)**	**–**	**–**
Prior year	–	–	–	–	–	(82)	–	(82)	–	–

(1) Production volumes are saleable tonnes. South African production volumes include export primary production, secondary production sold into export markets and production sold domestically at export parity pricing and excludes Eskom-tied operations production of 2.8 Mt (2017: 23.9 Mt) and other domestic production of 10.9 Mt (2017: 7.5 Mt). Metallurgical Coal production volumes exclude thermal coal production of 1.4 Mt (2017: 1.6 Mt).

(2) South African sales volumes include export primary production, secondary production sold into export markets and production sold domestically at export parity pricing and exclude domestic sales of 10.3 Mt (2017: 8.2 Mt), Eskom-tied operations sales of 2.8 Mt (2017: 23.9 Mt) and non-equity traded sales of 9.5 Mt (2017: 7.6 Mt). Metallurgical Coal sales volumes exclude thermal coal sales of 1.6 Mt (2017: 1.8 Mt).

(3) Metallurgical Coal realised price is the weighted average hard coking coal and PCI sales price achieved. Thermal Coal – South Africa realised price is the weighted average export thermal coal price achieved. Excludes third party sales.

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

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

FINANCIAL AND OPERATIONAL OVERVIEW

Metallurgical Coal

Underlying EBITDA increased by 12% to $2,210 million (2017: $1,977 million), owing to an 11% increase in sales volumes and a 3% improvement in the realised price for metallurgical coal. US dollar unit costs increased by 5% to $64/tonne (2017: $61/tonne), as a result of establishing new mining areas to achieve further productivity improvements, the impact of additional longwall moves and cost inflation.

Thermal Coal – South Africa

Underlying EBITDA increased by 18% to $695 million (2017: $588 million), driven by a 14% increase in the realised export thermal coal price. Export sales decreased by 2% to 18.3 Mt (2017: 18.6 Mt), while domestic sales increased by 26% to 10.3 Mt (2017: 8.2 Mt). US dollar unit costs for the export trade were in line with the prior year at $44/tonne as productivity improvements and cost savings offset the 8% inflation impact.

The sale of the Eskom-tied domestic thermal coal operations, comprising New Vaal, New Denmark, and Kriel collieries, as well as four closed collieries, to Seriti Resources was completed on 1 March 2018. Production from these assets, until the date of completion, was 2.8 Mt.

Thermal Coal – Colombia

Underlying EBITDA increased marginally to $388 million (2017: $385 million), with an 11% increase in prices offsetting lower volumes arising from permitting delays and weather impacts in the fourth quarter.

MARKETS

Metallurgical coal

	2018	2017
Average market price for premium low-volatile hard coking coal ($/tonne)(1)	**207**	188
Average market price for premium low-volatile PCI ($/tonne)(1)	**136**	119
Average realised price for premium low-volatile hard coking coal ($/tonne)	**194**	187
Average realised price for PCI ($/tonne)	**128**	125

(1) Represents average spot prices.

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

Market prices in 2018 were supported by strong steelmaking margins globally and a number of supply disruptions in Australia.

Thermal coal

	2018	2017
Average market price – ($/tonne, FOB Australia)	**107**	89
Average market price – ($/tonne, FOB South Africa)	**98**	84
Average market price – ($/tonne, FOB Colombia)	**85**	78
Average realised price – Export Australia ($/tonne, FOB)	**103**	91
Average realised price – Export South Africa ($/tonne, FOB)	**87**	76
Average realised price – Domestic South Africa ($/tonne)	**19**	21
Average realised price – Colombia ($/tonne, FOB)	**83**	75

The average realised price for export thermal coal was 89% of the average market price due to timing and quality differences relative to the industry benchmark. The difference in the realised price compared with the market price, between 2017 and 2018, reflects a changing quality mix owing to a higher proportion of secondary products being sold into the export market.

Solid demand from South Korea and Japan underpinned the prices for higher energy coals in the Pacific region. Various supply issues in Australia also affected the availability of these higher energy coals. Chinese import demand decreased in the second half of the year as domestic stocks were rebuilt and a rebound in supply from Indonesia and South Africa increased the discounts for lower energy material.

For more information, refer to the Marketplace review section
See pages 14-15

OPERATIONAL PERFORMANCE

Metallurgical Coal

Total production increased by 11% to 21.8 Mt, largely driven by higher production from the underground longwall operations which increased by 15% to 14.2 Mt (2017: 12.3 Mt). The increase was driven by sustained strong performance at Moranbah, which improved on its previous record and produced 6.8 Mt; and Grosvenor, which increased output to 3.8 Mt. Grasstree's production decreased by 25% to 3.6 Mt, marginally above planned volumes, as the operation moved into more challenging areas of the mine as it nears its end of life and undertook an additional longwall move in the year.

Thermal Coal – South Africa

Export production decreased by 1% to 18.4 Mt (2017: 18.6 Mt) as operations continued to transition between mining areas. Total production from the Export mines increased by 12% to 24.6 Mt (2017: 22.0 Mt), driven by productivity-led growth from the underground operations. Total output benefited as market prices allowed the processing of mineral residue deposits (MRD), which generates earnings and avoids capital expenditure for the MRD expansions, as well as helping to mitigate future rehabilitation costs. MRD production can be sold either into the domestic or export markets.

Thermal Coal – Colombia

Anglo American's attributable production from its 33.3% ownership of Cerrejón decreased by 4% to 10.2 Mt (2017: 10.6 Mt).

OPERATIONAL OUTLOOK

Metallurgical coal

Full year 2019 production guidance for metallurgical coal is 22-24 Mt.

Export thermal coal

Full year 2019 production guidance for export thermal coal is 26-28 Mt.

NICKEL AND MANGANESE

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 manganese, we have a 40% shareholding in Samancor, with operations in South Africa and Australia.

Ruben Fernandes
CEO
Anglo American Brazil

Seamus French
CEO
Bulk Commodities
and Other Minerals

HIGHLIGHTS

38%

increase in underlying EBITDA

$0.8 billion

underlying EBITDA

28%

return on capital employed

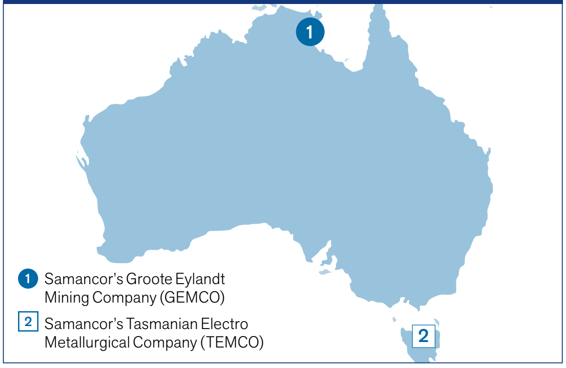
STRATEGIC FOCUS

- Continued focus on improving safety performance across all operations
- Ensure operational stability at Barro Alto after 40-day planned maintenance stoppage in early 2019
- Progress briquetting project studies, which aim to improve charge permeability of electric furnaces at Barro Alto, thereby improving process safety and stability
- At Samancor, maintain market-leading manganese ore position.

BRAZIL – NICKEL

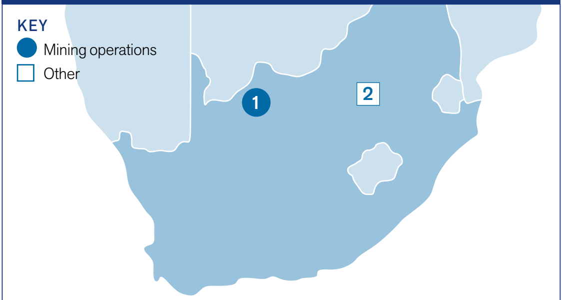
① Barro Alto
② Codemin

AUSTRALIA – MANGANESE



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

SOUTH AFRICA – MANGANESE



KEY
● Mining operations
☐ Other

① Samancor Manganese – Hotazel
2 Samancor Manganese – Metalloys

Financial and operational metrics

	Production volume(1)	Sales volume(1)	Price (c/lb)(2)	Unit cost◊ (c/lb)(3)	Group revenue◊ ($m)	Underlying EBITDA◊ ($m)(4)	Underlying EBITDA margin	Underlying EBIT◊ ($m)(4)	Capex◊ ($m)	ROCE◊
Nickel and Manganese	**–**	**–**	**–**	**–**	**1,707**	**844**	**49%**	**685**	**38**	**28%**
Prior year	–	–	–	–	1,391	610	44%	478	28	20%
Nickel	**42,300**	**43,100**	**588**	**361**	**560**	**181**	**32%**	**75**	**38**	**4%**
Prior year	43,800	43,000	476	365	451	81	18%	0	28	0%
Samancor(5)	**3.8**	**3.7**	**–**	**–**	**1,147**	**663**	**58%**	**610**	**–**	**159%**
Prior year	3.6	3.6	–	–	940	529	56%	478	–	115%

(1) Nickel production and sales are tonnes (t). Samancor production and sales are million tonnes (Mt).

(2) Realised price.

(3) C1 unit cost.

(4) Nickel segment includes $8 million projects and corporate costs (2017: $8 million).

(5) Production, sales and financials include ore and alloy.

FINANCIAL AND OPERATIONAL OVERVIEW

Nickel

Underlying EBITDA increased by 123% to $181 million (2017: $81 million), primarily reflecting the higher nickel price.

Nickel unit costs decreased by 1% to 361 c/lb (2017: 365 c/lb), despite lower production, driven by improved operational stability and the effect of favourable exchange rates, partly offset by higher energy prices.

Samancor

Underlying EBITDA increased by 25% to $663 million (2017: $529 million), driven mainly by the continued improvement in manganese ore prices.

MARKETS

Nickel

	2018	2017
Average market price (c/lb)	**595**	472
Average realised price (c/lb)	**588**	476

The average market price is the LME nickel price, from which ferronickel pricing is derived. Ferronickel is traded based on discounts or premiums to the LME price, depending on market conditions, supplier products and consumer preferences. Differences between market prices and realised prices are largely due to variances between the LME and the ferronickel price.

The nickel price increased by 26% to an average of 595 c/lb in 2018, with strong demand growth maintaining the market deficit. In the second half of the year, however, prices came under pressure from macro-economic worries, including heightening trade war concerns. Stainless steel production (around 70% of nickel demand) increased to record levels in 2018, while nickel consumption in batteries increased by more than 30%, as demand for zero emission vehicles and lithium-ion based energy storage continued to accelerate.

Samancor

The average 2018 benchmark manganese ore price (Metal Bulletin 44% manganese ore CIF China) increased by 23% to $7.24/dmtu (2017: $5.91/dmtu) due to continuing strong demand from China's steel manufacturing sector.

For more information, refer to the Marketplace review section
See pages 14-15

OPERATIONAL PERFORMANCE

Nickel

Nickel output decreased by 3% to 42,300 tonnes (2017: 43,800 tonnes) owing to a 40-day planned maintenance stoppage at Barro Alto in the first half of 2018. Barro Alto produced 33,500 tonnes (2017: 34,900 tonnes), while Codemin produced 8,800 tonnes (2017: 8,900 tonnes).

Samancor

Attributable manganese ore production increased by 3% to 3.6 Mt (2017: 3.5 Mt). Production from the Australian operations increased by 10% due to improved concentrator availability, the effect of more favourable weather conditions and increased premium concentrate ore production. Ore production from the South African operations decreased by 6% as an increase in higher quality premium material was more than offset by a decline in fine grained secondary products.

Attributable production of manganese alloys increased by 5% to 157,000 tonnes (2017: 149,000 tonnes), mainly as a result of improved furnace stability at the Australian operations for the majority of the year. In South Africa, manganese alloy production improved by 6% while continuing to utilise only one of the operation's four furnaces.

OPERATIONAL OUTLOOK

Nickel

Production guidance for 2019 is 42,000-44,000 tonnes.

CORPORATE AND OTHER

Financial metrics

	Group revenue◊ ($m)	Underlying EBITDA◊ ($m)	Underlying EBIT◊ ($m)	Capex◊ ($m)
Segment	**3**	**(219)**	**(226)**	**27**
Prior year	5	(292)	(313)	9
Exploration	**–**	**(113)**	**(113)**	**–**
Prior year	–	(103)	(103)	–
Corporate activities and unallocated costs	**3**	**(106)**	**(113)**	**27**
Prior year	5	(189)	(210)	9

FINANCIAL OVERVIEW

Corporate and other reported an underlying EBITDA loss of $219 million (2017: $292 million loss).

Exploration

Exploration's underlying EBITDA loss increased to $113 million (2017: $103 million loss), reflecting increased exploration activities across most product groups, but predominantly in diamonds.

Corporate activities and unallocated costs

Underlying EBITDA amounted to a $106 million loss (2017: $189 million loss), driven primarily by a year-on-year gain recognised in the Group's self-insurance entity, reflecting lower net claims and settlements during 2018, as well as higher premium income.

GOVERNANCE

> "Strong corporate governance underpins our ability to deliver long-term sustainable success, generate value for our shareholders and contribute to wider society. The Anglo American Board is committed to ensuring that we continue to adhere to high standards of corporate governance."
>
> **Stuart Chambers,** Chairman

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

BOARD COMPOSITION

As described in my statement on pages 4-5, we announced a number of changes to the Board in 2018. Sir Philip Hampton, our senior independent director and chair of the Remuneration Committee, stepped down at the end of December after nine years of service. On behalf of the Board, I would like to thank Sir Philip for his dedication and professionalism during his nine years on the Board, the last four being in the particularly demanding role of senior independent director. On 1 January 2019, Byron Grote took up the role of senior independent director. We are fortunate to have Byron's more than 35 years of experience across the natural resource sector and are delighted that he has agreed to serve as senior independent director in addition to his continued stewardship of the Audit Committee. Anne Stevens has taken up the role of chair of the Remuneration Committee. In addition, we announced that Jack Thompson, our chair of the Sustainability Committee, will step down from the Board at the end of our 2019 Annual General Meeting (AGM) after nine years of service on the Board. Ian Ashby will take over the role of chair of the Sustainability Committee. On behalf of the Board, I thank Jack for the wealth of mining industry experience that he has brought to Board discussions and most particularly the dedication he has brought to his role as chair of the Sustainability Committee. Anne's global executive and board experience and Ian's extensive mining career will further enhance our committee deliberations under their leadership.

The Nomination Committee has considered the composition, structure and size of the Board and believes the number of non-executive directors can be reduced by one whilst maintaining the requisite mix of skills, experience and diversity on the Board. The Committee is at an advanced stage in the process of recruiting a non-executive director with substantial mining experience and experience in South America to fill the vacancies on the Board. The Committee's process to recruit the non-executive director is described on page 86.

Stuart Chambers meets employees in our Marketing business during a visit to Anglo American's Singapore office in January 2018.

DIRECTOR AND BOARD VISITS TO OPERATIONS

I believe that director and Board site visits are invaluable. They provide an opportunity for all directors to learn more about the operations and understand the opportunities and challenges faced by the businesses in their local environments. Site visits are also a key mechanism for the Board to engage with the workforce from a range of backgrounds and seniority and play an important part in ensuring that the interests of the workforce are taken into account in Board decision making. There are also opportunities with site visits to meet with local stakeholders and understand their interests and concerns. The site visits are described on pages 84-85.

WORKFORCE ENGAGEMENT

The Board embraces the greater focus on board-workforce engagement contained in the new UK Corporate Governance Code published in July 2018, and is exploring opportunities for the most effective, practical and sustainable way to meaningfully achieve the level of engagement contemplated by the new Code.

For more on ways in which we currently engage with our workforce
See pages 34-39

BOARD EVALUATION

In 2018, we conducted an external evaluation of the Board, its committees and each of the directors. I am pleased to report that the overall conclusion was that the Board and committees function well. Of course, there is always room for improvement and each committee and the Board itself have developed action plans to ensure that we address the points raised by the evaluations. The findings of the evaluation are described in more detail on pages 88-89.

COMMITTEE GOVERNANCE

Starting on page 90, each of the Board committee chairs presents a report on the activities of their committee during 2018. The effective and efficient operation of the committees and their interaction with the Board are vital to ensure that all matters receive the necessary attention in a timely manner. I am grateful to the members and the chairs of those committees in particular for their commitment and the work that they do throughout the year in this regard.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Board supports the principles and provisions of the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) in April 2016 (the 2016 Code), which is available on the FRC's website (www.frc.org.uk). The principles and provisions of the 2016 Code have applied throughout the financial year ended 31 December 2018. It is the Board's view that the Company has complied in full throughout the year with the 2016 Code. The ways in which the 2016 Code has been applied can be found on the following pages:

Code section and where to find details.

Section A: Leadership
Pages 74-80 give details of the Board and executive management and the Board governance structure

Section B: Effectiveness
Pages 86-124 describe the activities of the Board committees and the induction and evaluation of the directors

Section C: Accountability
The role of the Board in this area is primarily shown on pages 92-99, with further detail on the Group's strategic objectives and the principal risks to the business in the Strategic Report

Section D: Remuneration
The Group's remuneration policy and the report of the Remuneration Committee are found on pages 100-124

Section E: Relations with shareholders
This is shown on page 87.

The Board supports the new UK Corporate Governance Code which is in effect for the reporting period beginning on 1 January 2019 and against which we will report in our next Annual Report.

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

Stuart Chambers
Chairman

DIRECTORS

Stuart Chambers (62) Ⓝ Ⓢ
Chairman

BSc

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

SKILLS AND EXPERIENCE

Stuart contributes to Anglo American significant global executive and boardroom experience across the industrial, logistics and consumer sectors.

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

CURRENT EXTERNAL APPOINTMENTS

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

Mark Cutifani (60) Ⓢ
Chief Executive

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

Appointed to the Board as Chief Executive on 3 April 2013

SKILLS AND EXPERIENCE

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

Mark is chairman of the Group Management Committee (GMC), and a member of the Corporate and Operational committees. He is a non-executive director of Anglo American Platinum, chairman of Anglo American South Africa and chairman of De Beers. Mark was previously CEO of AngloGold Ashanti Limited, a position he held from 2007-2013.

Before joining AngloGold Ashanti, Mark was COO at Vale Inco, where he was responsible for Vale's global nickel business. Prior to this he held senior executive positions with the Normandy Group, Sons of Gwalia, Western Mining Corporation, Kalgoorlie Consolidated Gold Mines and CRA (Rio Tinto).

CURRENT EXTERNAL APPOINTMENTS

Independent director of Total S.A. and a member of the board of trustees of The Power of Nutrition.

Stephen Pearce (54)
Finance Director

BBus (Acc), FCA, GIA, MAICD

Appointed to the Board as Finance Director on 24 April 2017

SKILLS AND EXPERIENCE

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

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

CURRENT EXTERNAL APPOINTMENTS

None

COMMITTEE MEMBER KEY

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

Tony O'Neill (61) Ⓢ
Technical Director
MBA, BASc (Eng)

Appointed to the Board as Technical Director on 22 July 2015

SKILLS AND EXPERIENCE

Tony contributes to Anglo American 38 years' experience in the mining industry across numerous geographies, and commodities spanning iron ore, copper, nickel and gold.

Tony joined Anglo American in 2013 and has responsibility for the Group's Technical and Sustainability function. He is a member of the GMC, chairman of the Operational Committee, and a member of the Corporate and Investment committees. He is also a non-executive director of Anglo American Platinum and De Beers. Tony was previously EVP – Business and Technical Development at AngloGold Ashanti from 2008, where he served as joint acting CEO during 2013.

His extensive career in the mining industry includes roles as Operations Executive at Newcrest Mining and Head of the Gold business at Western Mining Corporation.

CURRENT EXTERNAL APPOINTMENTS

None

Byron Grote (70) Ⓐ Ⓝ Ⓡ
Senior Independent Director
PhD Quantitative Analysis

Appointed to the Board on 19 April 2013 and as Senior Independent Director on 1 January 2019.

SKILLS AND EXPERIENCE

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

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

CURRENT EXTERNAL APPOINTMENTS

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

Ian Ashby (61) Ⓝ Ⓡ Ⓢ
Non-executive director
B Eng (Mining)

Appointed to the Board on 25 July 2017

SKILLS AND EXPERIENCE

Ian contributes to Anglo American substantial knowledge of the minerals industry across a wide range of commodities, combined with global operating, major projects and capital development experience. He will succeed Jack Thompson as chairman of the Sustainability Committee on 30 April 2019.

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

He began his 38-year mining career as an underground miner at the Mount Isa Mines base metals operations in Queensland, Australia. Ian has previously served as chairman of Petropavlovsk PLC, as a non-executive director of Alderon Iron Ore Corp, Nevsun Resources Ltd., New World Resources PLC and Genco Shipping & Trading, and in an advisory capacity with Apollo Global Management and Temasek.

CURRENT EXTERNAL APPOINTMENTS

None

DIRECTORS – CONTINUED

Nolitha Fakude (54) Ⓐ Ⓢ Ⓝ
Non-executive director
BA Hons

Appointed to the Board on 24 April 2017

SKILLS AND EXPERIENCE

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

Until 2016, Nolitha served as an executive director at Sasol Limited and as EVP of strategy and sustainability, following an 11-year career with the company where she held executive roles in human resources and business transformation. Prior to that she held senior management positions in corporate affairs, strategy and operations in the retail and financial sectors.

Nolitha has previously served as deputy chair of South African Airways, deputy chair and lead independent director of Datacentrix Holdings Limited, and as a non-executive director of Harmony Gold and Woolworths Holdings.

CURRENT EXTERNAL APPOINTMENTS

Non-executive director of the JSE Limited and African Oxygen Limited (AFROX), and a Patron of Guild Cottage home for girls.

Dr Mphu Ramatlapeng (66) Ⓢ
Non-executive director
MD, MHSc

Appointed to the Board on 8 July 2013

SKILLS AND EXPERIENCE

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

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

CURRENT EXTERNAL APPOINTMENTS

Executive vice president of HIV/AIDS and Tuberculosis programmes for the Clinton Health Access Initiative, and a member of the board of directors of Living Goods, a non-profit organisation.

Jim Rutherford (59) Ⓐ Ⓡ Ⓢ
Non-executive director
BSc (Econ), MA (Econ)

Appointed to the Board on 4 November 2013

SKILLS AND EXPERIENCE

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

Until September 2018, Jim served as chairman of Dalradian Resources Inc. Between 1997 and 2013, he was a senior vice president of Capital International Investors, a division of Capital Group, and had responsibility for investments in the mining and metals industry. Prior to joining Capital Group, Jim was an investment analyst covering the South American mining and metals industry for HSBC James Capel in New York.

CURRENT EXTERNAL APPOINTMENTS

Independent director of the Tantallon India Fund.

COMMITTEE MEMBER KEY

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

Anne Stevens (70) Ⓐ Ⓝ Ⓡ
Non-executive director

BSc, PhD

Appointed to the Board on 14 May 2012

SKILLS AND EXPERIENCE

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

Anne served as chief executive of GKN plc from November 2017 to April 2018. She was formerly 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. Anne is a former non-executive director of Lockheed Martin Corporation, GKN plc and XL Catlin.

CURRENT EXTERNAL APPOINTMENTS

None

Jack Thompson (68) Ⓝ Ⓡ Ⓢ
Non-executive director

BSc, PhD

Appointed to the Board on 16 November 2009

SKILLS AND EXPERIENCE

Jack contributes to Anglo American a wealth of experience gained at all levels of the mining industry and extensive boardroom experience in both executive and non-executive roles. He will step down from the Board at the AGM on 30 April 2019.

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

CURRENT EXTERNAL APPOINTMENTS

A member of the board of directors of the non-profit John Muir Health System.

In addition, Sir Philip Hampton served as Senior Independent Director and Chairman of the Remuneration Committee, before stepping down from the Board on 31 December 2018

Sir Philip was appointed to the Board on 9 November 2009 and as the Senior Independent Director on 24 April 2014. He brought to Anglo American significant financial, strategic and boardroom experience across a number of industries. He is currently chairman of GlaxoSmithKline (GSK) plc and his previous appointments include being chairman of The Royal Bank of Scotland and J Sainsbury plc, finance director of Lloyds TSB Group plc, BT Group plc, BG Group plc, British Gas plc and British Steel plc, an executive director of Lazards and a non-executive director of RMC Group plc and Belgacom SA.

EXECUTIVE MANAGEMENT

GROUP MANAGEMENT COMMITTEE MEMBERS

Mark Cutifani
Chief Executive

See page 74 for biographical details.

Member since April 2013

Stephen Pearce
Finance Director

See page 74 for biographical details.

Member since January 2017

Tony O'Neill
Technical Director

See page 75 for biographical details.

Member since September 2013

Bruce Cleaver (53)
CEO of De Beers Group

BSc, LLB, LLM

Member since January 2016

SKILLS AND EXPERIENCE

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

Seamus French (56)
CEO of Bulk Commodities and Other Minerals

B Eng (Chemical)

Member since October 2009

SKILLS AND EXPERIENCE

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

Didier Charreton (55)
Group Director – People and Organisation

MSc

Member since December 2015

SKILLS AND EXPERIENCE

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

Chris Griffith (54)
CEO of Anglo American Platinum

B Eng (Mining) Hons, Pr Eng

Member since October 2009

SKILLS AND EXPERIENCE

Chris has served as CEO of Anglo American Platinum since September 2012. He was previously CEO of Kumba Iron Ore from 2008 to 2012 and prior to this, served as Anglo American Platinum's head of joint operations. Chris has been with the Group for 29 years.

Norman Mbazima (60)
Deputy Chairman of
Anglo American South Africa

FCCA, FZICA

Member since October 2009

SKILLS AND EXPERIENCE

Norman has served as Deputy Chairman of Anglo American South Africa since June 2015. He is a non-executive director and chairman designate of Anglo American Platinum. 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. From 2012 to 2016, he was CEO of Kumba Iron Ore.

Duncan Wanblad (52)
CEO of Base Metals* and
Group Director – Strategy
and Business Development

BSc (Eng) Mech, GDE
(Eng Management)

Member since October 2009

SKILLS AND EXPERIENCE

Duncan has served in his current role since July 2016. *From 1 March 2019, he will focus solely on his role as Group Director of Strategy and Business Development. He is a non-executive director of De Beers. Between 2009 and 2013, Duncan held the position of Group Director, Other Mining and Industrial. He was appointed joint acting CEO of Anglo American Platinum in 2007, before taking over as CEO of Anglo American's Copper operations in 2008. Duncan began his career at Johannesburg Consolidated Investment Company Limited in 1990.

Anik Michaud (51)
Group Director – Corporate
Relations

LL.L (Law)

Member since March 2015

SKILLS AND EXPERIENCE

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

Peter Whitcutt (53)
CEO of Marketing

Bcom (Hons), CA (SA), MBA

Member since October 2009

SKILLS AND EXPERIENCE

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

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

Richard Price (55)
Group General Counsel
and Company Secretary

LL.B, BA (Hons)

Member since May 2017

SKILLS AND EXPERIENCE

Richard joined Anglo American as Group General Counsel in May 2017 and was appointed as Company Secretary in April 2018. Prior to joining Anglo American, he was a partner at Shearman & Sterling, the international law firm working across EMEA, Asia and North America. In private practice, he acted for clients across the metals, mining, energy and financial services sectors, amongst others, assisting them with complex financing, corporate and compliance matters.

As announced on 3 January 2019, Ruben Fernandes, currently CEO Anglo American Brazil, joins the GMC as CEO of Base Metals on 1 March 2019.

THE BOARD IN 2018

THE ROLE OF THE BOARD

The Board provides leadership to the Group and is collectively responsible for promoting and safeguarding the long term success of the business. The Board is supported by a number of committees, to which it has delegated certain powers. The role of these committees is summarised below, and their membership, responsibilities and activities during the year are detailed on pages 90-124.

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

EXECUTIVE STRUCTURE

The Board delegates executive responsibilities to the chief executive, who is advised and supported by the Group Management Committee (GMC). The GMC comprises the chief executive, business unit CEOs, Group directors of corporate functions and the Group general counsel and company secretary. The names of the GMC members, their roles and biographical details appear on pages 78-79.

BOARD COMPOSITION

The Board currently comprises the chairman, chief executive, two further executive directors and seven independent non-executive directors. The broad range of skills and experience our Board members contribute to the long-term sustainable success of Anglo American are set out on pages 74-77 and illustrated in the table on page 82. The Board is supported by the Group general counsel and company secretary.

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

THE BOARD

Chairman

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

Senior Independent Director (SID)

The SID is available to shareholders on matters where the usual channels of communication are deemed inappropriate. He acts as an intermediary between the other directors and as a sounding board for the chairman. Sir Philip Hampton served as SID during 2018 and was succeeded by Byron Grote on 1 January 2019.

Independent Non-Executive Directors (NEDs)

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

Chief Executive

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

Audit Committee

Oversight of financial reporting, audit, internal control and risk management.

For more details
See page 92

Nomination Committee

Responsible for Board composition, appointment of directors and senior management and succession planning.

For more details
See page 91

Remuneration Committee

Determines the remuneration of executive directors, the chairman and senior management and oversees remuneration policy for all employees.

For more details
See page 100

Sustainability Committee

Oversees management of sustainability issues, including safety, health, environment, social and government relations.

For more details
See page 90

CHIEF EXECUTIVE

Group Management Committee (GMC)

Principal executive committee. Responsible for formulating strategy, setting targets/budgets and managing the Group's portfolio.

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 on capital investment proposals.

NON-EXECUTIVE DIRECTOR FOCUS

There are many challenges facing businesses across all sectors today, but there are also significant opportunities for those firms who choose to not just produce a product or deliver a service, but to do so while contributing to the betterment of society more generally.

We face demands from many stakeholder groups and, in order to thrive over the long term, a company must endeavour to change itself as the world about it changes at an ever increasing pace. Anglo American is focused on long term sustainability. Being a successful business over the long term requires the agility to respond to changing expectations of our customers and other stakeholders.

At Anglo American we aim to have a clear and positive purpose in the eyes of the communities and governments where we operate, a responsible approach to our impact on the environment, and be the employer of choice for our colleagues, all while making a an enduring economic contribution for our investors and greater society.

> “Companies must contribute to the communities in which they operate and be a force for good for all stakeholders, whether they be national or local government, people living in the community, employees, suppliers or the end-users of the product.”

Byron Grote, Senior Independent Director

SERVING AS A NON-EXECUTIVE DIRECTOR AT ANGLO AMERICAN

I joined the Board as a non-executive director in November 2009 and joined the Sustainability Committee (formerly the Safety & Sustainable Development Committee) in December of that year. I have served as chairman of our Sustainability Committee since 2013, as a member of the Remuneration Committee since 2010 and the Nomination Committee since 2017.

I was originally attracted to Anglo American because of its variety of operations, countries that it operates in, and its diversity of people. In 2009, Anglo American needed additional mining experience on its Board. At the time I'd had nearly 35 years of mining experience in a variety of operations and different commodities and I wanted to be able to pass on my mining experience and knowledge of safety and sustainability issues to the company.

Anglo American was one of the companies that was a leader in the environmental movement and, at the time, there weren't too many others. For me, it's about leaving a proper legacy and making sure that we always do the right thing. The qualities that have enabled the Group to thrive into its second century are high-quality assets, world-class people, innovative technologies and its core values. And just as important is the ability to evolve.

I took over as chairman of the Sustainability Committee in 2013. A lot of things were new then: the level of reporting the committee was receiving, the engagement with NGOs, communities and environmental groups, the site visits. All the work the committee had already started, I aimed to build on. If the committee hears an investigation into a significant incident, we want to know not just what happened, but why, what lessons have been learned and what changes have been implemented to prevent it happening again. I strongly believe, too, that our vision of zero harm is attainable.

During my tenure, I have visited the majority of the Group's operations. I like to get out to site and 'kick the tyres', to increase my knowledge of our operations and, more importantly, to engage with our people. In 2011, I attended one my first presentations on the Quellaveco copper project in Peru. I returned in 2014, and then again in 2017 to check on progress. It was gratifying to see the project through to Board approval in 2018. In 2018, I visited operations in Canada and Australia.

I feel very fortunate to have been able to keep learning throughout my career and, as a non-executive director of Anglo American, being able to use my knowledge and experience to provide leadership, to have overseen the development of our ambitious sustainability goals and to have been part of our Purpose to re-imagine mining to improve people's lives. It's been a great privilege.

Jack Thompson
Non-executive Director and
Sustainability Committee Chairman

BOARD ACTIVITY

The Board is responsible for the overall conduct of the Group's business. It is scheduled to meet at least six times a year, but meets more often when circumstances warrant this. In addition, a full day strategy session is held, during which long-term strategy formulated by management is debated, stress-tested, modified if necessary, and finally approved by the Board. Annually, each of the Group's business unit heads presents to the Board in some depth on key aspects of their business.

BOARD DISCUSSIONS ON QUELLAVECO IN 2018

In July 2018, after several years of extensive preparatory work, the Board approved the development of the Quellaveco project in Peru, one of the world's largest, low cost, greenfield copper deposits. Project execution began in August 2018 and first production of copper is planned for 2022. In approving Quellaveco, the Board considered the business case for the project at length, including the key risks, significant opportunities and the long-term sustainable benefits to our employees, local communities, our business partners, the surrounding region and Peru as a whole.

In February and May 2018, the Board assessed options for syndication, and delegated authority to a committee of the Board to provide guidance on the proposed way forward. The equity syndication was subsequently approved at a special purpose meeting of the Board in June 2018, with our existing partner Mitsubishi increasing its interest in Quellaveco from 18.1% to 40%.

In February and May, management also updated the Board on the readiness of the project. The updates included a discussion of the business case, the advancement of significant early works and the readiness for full construction, stakeholder support, forecast cash costs and capital expenditure, upside potential, the project delivery model, risks and overall governance. In May, the project feasibility study, which was subject to an independent investment assurance review, was presented to the Board by management, together with the independent assessors.

For more information on Quellaveco, and the benefits this world-class asset will bring to the Group's portfolio and a wide range of stakeholders
See page 19

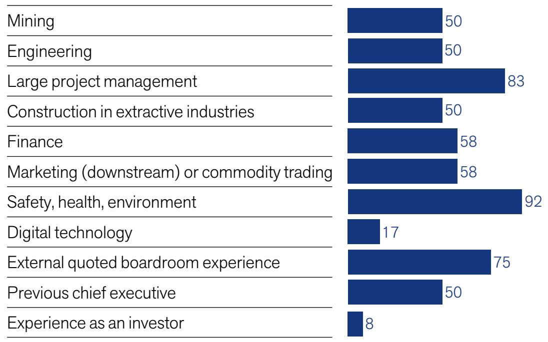
For more information on our Copper portfolio
See pages 57-59

BOARD EXPERIENCE AND DIVERSITY

The broad range of skills and experience and the diversity of our Board members are illustrated below.

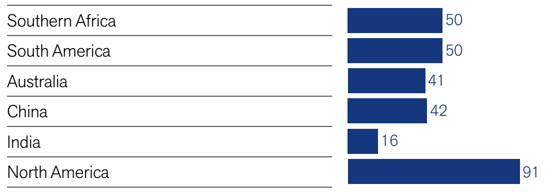
Professional experience

Percentage of Board members[1]



Regional experience[2]

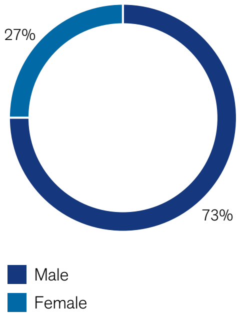
Percentage of Board members[1]



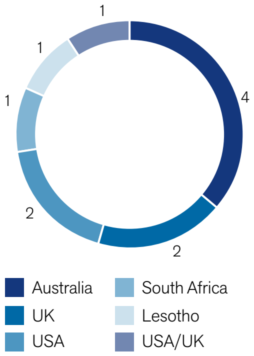
[1] Includes professional and geographical experience of all directors who served on the Board during 2018.

[2] In the regions in which the Group operates or has major markets in.

Gender diversity



Board nationalities



BOARD DISCUSSIONS

The agenda of matters discussed by the Board in 2018 is described and explained below.

TOPIC AND LINK TO PILLARS OF VALUE	AREAS COVERED	COMMENTS
Safety and health ⛑	Fatal incidents, Total Recordable Case Frequency Rate, health and medical incidents	Safety is the most critical area of focus for the Board and is always the first item to be discussed at Board meetings. 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, including operational interventions to manage activity risk to end fatal incidents, and to improve occupational health, is reviewed. Furthermore, the Board continues to monitor the operational and technical innovation initiatives that have the potential to positively affect the Group's safety performance.
Environment 🌍	Environmental incidents, energy and climate change, water availability and rehabilitation	The Board is focused on becoming a global leader in sustainable mining and, as such, approved a new, ambitious approach to sustainability, integral to the Group's FutureSmart Mining™ programme. The Board continues to review material environmental incidents and steps taken by management to reduce energy and natural resource consumption, and to generally reduce the impact of the Group's operations on the environment.
Socio-political 💬	Social incidents and performance, government, media, investor and stakeholder relations	The Board is committed to ensuring collaboration and partnering with a broad range of stakeholders. It reviews local community dialogue regarding environmental matters, and any health and safety issues. Investor and media updates are given. Feedback from external stakeholders such as customers, suppliers, global influencers and governments on their expectations of the Group are presented and discussed.
People 👥	Diversity and inclusion, talent and performance management, gender pay gap, business integrity and Code of Conduct	People are a pillar of the Group's strategy and the Board is focused on creating an inclusive and diverse culture. The talent and succession among senior management was reviewed, with plans and targets produced that seek to address the gender pay gap while delivering sustainable talent pipelines that ensure the right talent is in the right place at the right time. The Board approved changes to the performance management of its employees which are designed to further develop a high-performance team culture. The Board is also updated on compliance with our Code of Conduct and the business integrity policy.
Operations $ ⚙ 🌍 💬 👥	Operational performance by each business unit and progress of key projects	The Board received detailed updates on each business unit's performance, operations, strategy, safety and sustainability performance, technological innovation and key risks.
Financial 📊	Key financial measures, liquidity and balance sheet strength, cost improvements, dividend	The Board monitored and discussed progress against the annual budget and three-year plan. Liquidity, balance sheet strength and debt are reviewed and, if any corrective actions are necessary, these are agreed. The Board considered the Group's dividend policy and approved the final and interim dividend.
Economic outlook and commodity prices 📊	Macro-economic environment and commodity price outlook	The Board received 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 strategic and planning purposes.
Strategy ⛑ 🌍 💬 👥 ⚙ $ 📊	Portfolio changes, three-year plan, progress on critical tasks	The Board reviewed the progress towards the agreed strategy. It approved the new articulation of the Group's Purpose – to re-imagine mining to improve people's lives – which refined the strategic direction agreed by the Board at its annual dedicated strategy meeting, taking into account identified risks and opportunities. The Board also approved the development of the Quellaveco copper project in Peru (see case study on page 82).
Board governance 💬 👥	Reports from committees, legislative and regulatory compliance	Each of the committee chairs reported on their respective meetings and on any developments which required the attention of the Board. Reports were received on the Group's compliance with relevant legislation and regulation (for example, the 2018 UK Corporate Governance Code and the General Data Protection Regulations), and any actions needed to respond to recent developments. The Board received biannual updates on material litigation across the Group. An external evaluation of the performance of the Board and that of its committees was undertaken to ensure their effective functioning. Matters arising from the evaluation were considered and actions agreed (see page 89).

BOARD VISITS TO GROUP OPERATIONS IN 2018

Undertaking regular site visits allows the directors to gain a better understanding of the Group's operations and affords Board members the opportunity to meet and engage with a diverse cross-section of employees. During 2018, the Board met outside the UK on one occasion in Queensland, Australia, and non-executive directors and members of the Sustainability Committee visited Group operations in Canada and South Africa, as described below.

Board visit to Australia

In October 2018, the Anglo American plc Board and Sustainability Committee met at the Group's Metallurgical Coal business headquartered in Brisbane and at the Company's operations in Moranbah, Queensland. During the course of the visit, Board members participated in the following:

- On-site activities with employees and contractors across Metallurgical Coal operations organised as part of the Group's annual Global Safety Day campaign
- Joined a dinner with Metallurgical Coal site and business leadership teams, and recipients of employee awards celebrating individuals and teams who went above and beyond in living Anglo American's values
- Undertook operational site visits to the Moranbah North and Grosvenor underground mines, incorporating longwall mining and development panels, and demonstrations of leading-edge automation technology
- Received detailed presentations from Metallurgical Coal management on their strategy and operations, safety and sustainability performance, asset base and outlook
- Participated in an employee 'town hall' and informal lunch with staff at the Brisbane corporate office
- Held discussions with senior members of the University of Queensland's Sustainable Minerals Institute on global sustainability trends in the mining sector.

Chairman and Non-executive directors' visits

In May 2018, directors and non-executive members of the Sustainability Committee visited the Gahcho Kué diamond mine in the Northwest Territories, Canada, accompanied by Bruce Cleaver, CEO of De Beers Group. The group received briefings from De Beers Canada management on site operations, sustainability issues and community relations, and toured the open pit, site facilities, process plant and sort house.

In September 2018, senior management from our Platinum Group Metals (PGMs) business hosted non-executive directors, Ian Ashby and Nolitha Fakude on visits to the Mototolo, Twickenham, Mogalakwena and Amandelbult operations in South Africa.

During 2018, the chairman travelled to Singapore to spend time in the Group's Marketing business. On two occasions, he travelled to Botswana where he visited De Beers' Jwaneng mine, Debswana corporate centre and Global Sightholder Sales operations. In July, the chairman spent time meeting leaders and employees from the Group's PGMs, Coal and Kumba Iron Ore businesses in South Africa.

> "Visiting operations is a vital part of fulfilling your duties as a director. They are essential in enabling me, as a non-executive director, to develop a much greater understanding of the issues affecting the business. Being able to engage with site general managers and employees on a one-to-one basis at our operations is invaluable and, in turn, helps inform discussions around the board table."
>
> **Ian Ashby,** Non-executive director

Below: Directors and executives from Anglo American with De Beers Canada's senior leadership and site management at Gahcho Kué mine.

Left: (left to right) Grosvenor operations manager Rob Nowell, Anglo American non-executive director (NED) Jack Thompson and Grosvenor's development operations co-ordinator Michael Webber returning from their underground tour.

Right: NEDs Ian Ashby, Mphu Ramatlapeng, Jack Thompson and Nolitha Fakude during a presentation to members of the Board by site management at Moranbah North and Grosvenor operations.

Above left:
NED Byron Grote (wearing emergency breathing apparatus) with Grosvenor general manager Marc Kirsten, before the start of their underground tour.

Above right:
Anglo American chairman Stuart Chambers and De Beers Canada head of technical Leo Fusciardi at Gahcho Kué mine.

Below left: (left to right) Marketing's sales manager, China, Yunlu Gao with NEDs Mphu Ramatlapeng and Anne Stevens during an informal lunch with employees at the Brisbane corporate office.

Right:
At Gahcho Kué mine with (left to right) De Beers Group CEO Bruce Cleaver, Leo Fusciardi, former engineering and site services manager Craig Wessner, De Beers Canada CEO Kim Truter and Byron Grote.

BOARD INFORMATION AND SUPPORT

All directors have full and timely access to the information required to discharge their responsibilities fully and effectively. They have access to the advice and services of the Group general counsel and company secretary, other members of the Group's management and staff, and external advisers. Directors may take independent professional advice in the furtherance of their duties, at the Company's expense.

Where a director is unable to attend a Board or committee meeting, he or she is provided with all relevant papers and information relating to that meeting and encouraged to discuss issues arising with the respective chairs and other Board and committee members.

All non-executive directors are provided with access to papers for each of the Board's committees.

BOARD INDUCTION AND DEVELOPMENT

Following appointment and as required, directors receive training appropriate to their level of experience and knowledge. This includes the provision of a comprehensive, tailored induction programme and individual briefings with GMC members and their teams so as to provide newly appointed directors with information about the Group's businesses and other relevant information to assist them in effectively performing their duties. In addition to scheduled Board operational site visits, non-executive directors are expected to spend time at the Group's operations to meet management and members of the workforce.

Highlights

- In May 2018, directors and non-executive members of the Sustainability Committee visited the Gahcho Kué diamond mine in Canada
- As part of their continuing development, in September 2018, Ian Ashby and Nolitha Fakude visited PGMs operations in South Africa, incorporating Mototolo, Twickenham, Mogalakwena and Amandelbult.

Further information about the Board's visits to operations in 2018 can be found on pages 84-85.

PROCESS USED IN RELATION TO BOARD APPOINTMENTS

The Board is committed to ensuring that it has the right balance of skills, experience and diversity, taking into account the targets of the Davies and Parker Reports. At the date of this report, the Board comprises 11 directors, of whom 27% are female and two of whom are people of colour. In terms of nationality, nine members of the Board have a nationality other than British, with two of them being from southern Africa.

During 2018, the Nomination Committee commenced a search process to recruit a new non-executive director. Spencer Stuart was retained by the committee to assist with the search process. Spencer Stuart was chosen as they had previously worked for the Group in recruiting for senior appointments and accordingly have a good understanding of the Board's requirements, given the markets in which the most suitable candidate are likely to be found. They are also accredited under The Enhanced Code of Conduct for Executive Search Firms.

Prior to the search commencing, the Nomination Committee agreed the skills and experience they considered necessary for the role and provided this to Spencer Stuart. A list of potential candidates was then identified by Spencer Stuart and discussed with the committee members to agree a shorter list to be interviewed. The initial list of potential prospects included ethnically and gender-diverse candidates. Shortlisted candidates were interviewed by members of the committee and, where practical, other directors.

Board and committee meetings 2018 – 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[3]	Board Strategy	Audit	Sustainability	Remuneration	Nomination
Stuart Chambers	n/a	7/7	1/1	–	4/4	–	3/3
Mark Cutifani	No	7/7	1/1	–	4/4	–	–
Stephen Pearce	No	7/7	1/1	–	–	–	–
Tony O'Neill	No	7/7	1/1	–	4/4	–	–
Ian Ashby	Yes	7/7	1/1	–	4/4	–	–
Nolitha Fakude	Yes	7/7	1/1	4/4	4/4	–	–
Byron Grote	Yes	7/7	1/1	4/4	–	3/3	3/3
Sir Philip Hampton(1)	Yes	7/7	1/1	4/4	–	3/3	3/3
Mphu Ramatlapeng	Yes	7/7	1/1	–	4/4	–	–
Jim Rutherford	Yes	7/7	1/1	4/4	4/4	3/3	–
Anne Stevens(2)	Yes	7/7	1/1	4/4	–	2/3	3/3
Jack Thompson	Yes	7/7	1/1	–	4/4	3/3	3/3

(1) Resigned 31 December 2018.

(2) Anne Stevens was unable to attend the February 2018 Remuneration Committee meeting due to an unavoidable diary conflict.

(3) The number of Board meetings included six scheduled meetings, and one special purpose meeting to consider the Quellaveco equity syndication process.

INVESTOR RELATIONS

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

The Group's investor relations department manages the interactions with these audiences and regular presentations take place at the time of the interim and final results, as well as during the rest of the year. An active programme of communication with potential shareholders is also maintained. Any significant concerns raised by a shareholder in relation to the Company and its affairs are communicated to the Board.

The Board receives a briefing at each meeting from the investor relations department and analysts' reports are circulated to the directors when available. Feedback from meetings held between executive management, or the investor relations department, and institutional shareholders, is also communicated to the Board.

During the year there were regular presentations to, and meetings with, institutional investors in the UK, South Africa, North America, Continental Europe and Australia to communicate the strategy and performance of Anglo American. Executive directors and key executives, including business unit heads, host such presentations, which include seminars for investors and analysts and one-to-one meetings. The investor relations department, along with business unit management, also hosted a visit by a group of institutional investors and analysts to the Group's Copper operations in Chile and the Quellaveco copper project in Peru. The visit, which included a series of presentations by management, provided investors and analysts with the opportunity to add to their understanding of the business in a key growth area. Throughout the year, executive management also present at industry conferences that are organised mainly by investment banks for their institutional investor base.

Private shareholders are encouraged to attend the Company's general meetings or to submit questions to the Company via the Group's website. The website also provides the latest news and historical financial information, details about forthcoming events for shareholders and analysts, and other information regarding Anglo American.

Voting levels at the 2018 AGM were, for all but one resolution, around 72%, with no more than 1.05% of that total being votes withheld. Voting levels for the re-appointment of Deloitte LLP as the Company's auditor were 61.73%, with 10.9% of that total being votes withheld. All resolutions submitted to the meeting in 2018 were passed with more than 90% of the shareholders voting in favour, with the exception of the resolution giving the directors the authority to allot shares in the Company, which was passed with 78% of the votes cast. The votes cast against this resolution were overwhelmingly received from our South African investors. As a result, the Company has proactively engaged with these shareholders to better understand their position. The engagement has been positive and, having listened to the views of our concerned shareholders, the Company will be seeking an authority at the 2019 AGM to allot shares up to 5% of the issued share capital, rather than 10% as it has done previously.

BOARD EVALUATION

BOARD, COMMITTEE AND INDIVIDUAL DIRECTORS EVALUATION

Each year, the Board undertakes a rigorous evaluation of its own effectiveness and performance, and that of its committees and individual directors. At least every three years, the evaluation is externally facilitated. In 2018, an external evaluation exercise was undertaken. The process for how the review was conducted and its findings are reported on the facing page. The previous externally facilitated Board review was carried out in 2015, the results of which were reported in the 2016 Annual Report.

In 2016 and 2017, the directors completed online, questionnaire-based, internal evaluations. To allow the Board and its committees to judge progress over the two years, the evaluations explored similar areas on each occasion. The results were collated, summarised and considered by the Nomination Committee before being submitted to the relevant committee and the Board.

Action plans were developed based on the results and progress against these measured throughout the year. The results of the findings and the actions taken in response to the 2016 and 2017 evaluations are summarised below. Action plans based on the 2017 evaluations were approved in February 2018 and were progressed throughout the year. The questionnaires completed by the individual directors were used as part of their performance evaluation by the chairman, with the chairman's performance evaluation being led by the senior independent director.

2016

From the 2016 internal exercise, the following focus areas for the Board in 2017 were identified and changes were made to address these priorities, including to the Board's agendas and the information it received:

- Making Board member appointments to replace the skills and experience lost towards the end of 2016
- Focusing on strategy and growth options
- Succession planning
- Progressing the implementation of new technology.

2017

The 2017 internal evaluation identified the following priorities for 2018. Action plans were monitored by the Nomination Committee during 2018.

- Driving demonstrable and sustainable safety and operating improvements
- Execution against the asset-led strategy
- Identifying additional growth opportunities while targeting credit strength, debt reduction and refinancing
- Ensuring the Group has a suitably diverse workforce with the capability and skills to drive continuous improvement
- Deploying winning technologies (particularly in the areas of water reduction and safety improvements).

COMMITTEE EVALUATIONS IN 2018

The committee evaluations looked at ways in which the committees could improve their overall efficiency, their performance in the current year and the areas they needed to address in the coming year. All the committees were believed to be performing effectively and were appropriately constituted.

Audit Committee

The results confirmed that the committee chair is high performing and well regarded by the Board and senior management. The review suggested that meeting agendas could be streamlined to allow more time to focus on the committee's priorities, including a greater emphasis on risk management.

Nomination Committee

The results confirmed that the chairman is a highly focused and inclusive chair in his approach to the nominations process. Communication between the committee and the Board could be further improved so that directors who do not serve on the committee receive more information on its work. Greater oversight of executive succession planning is being incorporated into the committee's agenda in 2019.

Remuneration Committee

The review highlighted the progress the committee had made in listening and responding to the views of shareholders in ensuring remuneration targets are aligned to the Group's strategic goals and performance and create stakeholder value in a sustainable way. Information flows between the committee and the Board could be improved and greater use of the private non-executive directors' sessions (held after each Board meeting) will be used to share confidential information about the work of the committee.

Sustainability Committee

The review acknowledged that rigorous oversight of safety issues remains the key priority for the committee, in pursuit of Anglo American's zero harm target. During 2019 the committee will continue to scrutinise progress of the Group's *Elimination of Fatalities Taskforce*. The committee's forward-looking calendar cycle has been extended to reduce pressure on meeting agendas and its remit will be reviewed during 2019 to ensure that only the most important items are put before the committee.

2018

The 2018 Board evaluation was externally facilitated by Independent Board Evaluation (IBE), a consultancy with no other connection to the Company, and conducted in accordance with guidance contained in the UK Corporate Governance Code.

PROCESS

In June 2018, the evaluation team initially met with the chairman, chief executive and Group general counsel and company secretary to agree a comprehensive brief and agenda for the review. Detailed interviews were held with each director, according to a set agenda tailored to the Company. In addition, the evaluation team interviewed 10 members of senior management, including the Group general counsel and company secretary, the deputy company secretaries and members of the GMC, as well as the lead external audit and remuneration partners, to gain a broad perspective of the Board's work.

In July, the evaluation team observed Board and committee meetings. Supporting materials for briefing purposes were provided by the Company. Following completion of the exercise, the evaluation team collated the results and draft conclusions were discussed with the chairman and the committee chairs, prior to presenting the results at a meeting of the full Board in September. An action plan addressing the findings was developed and discussed by the Board in December.

A report on the chairman was presented to the senior independent director and the results discussed at a meeting of the non-executive directors without the chairman present. In addition, the chairman received a report with feedback on individual directors' performance. The chairman held one-to-one meetings with each of the directors following the evaluation.

KEY HIGHLIGHTS

The review confirmed that the Board is believed to be effective and well-functioning, and has adjusted to its new leadership under the chairmanship of Stuart Chambers in a positive way.

The most positive feedback was about the following aspects of Board performance:

- The Board's culture
- Governance and compliance; and
- Board support and resources.

Some scope for improvement was identified in the areas of Board composition, Board oversight of risk-management and director development.

Following the 2018 evaluation, the Board identified the effectiveness priority areas below for 2019:

TOPIC	AREAS IDENTIFIED FOR ACTION	PLANNED ACTIONS IN 2019
Strategy	More time to be dedicated to strategy discussions throughout the year	Continue to build on the successful format of the 2018 Board strategy meeting. The Board's forward-looking agenda is being revised to allow more time for strategic discussions leading up to the 2019 Board strategy meeting and a dedicated strategy input session has been scheduled ahead of the Board's strategy meeting.
People	Improve Board level visibility and focus on safety, talent and diversity	Board visibility on safety, diversity and talent will be enhanced by allocating greater Board time to these topics and improving committee reporting to the Board in these areas. The Board will continue to monitor progress of the *Elimination of Fatalities Taskforce.* The Nomination Committee will provide greater oversight of talent and diversity.
Succession planning	More frequent Board discussion of succession planning and review the geographic spread of the Board	The Board will continue to review succession plans for the GMC annually, and the Nomination Committee will review senior management succession annually. The Board's skills and capabilities matrix has been updated to better align with the Group's longer-term strategy (see table on page 82)
Director development	Enhance the director induction and ongoing development programmes	The chairman and Group general counsel and company secretary will work together to prioritise and strengthen the director onboarding and development programme, to better align with the Group's strategic objectives

SUSTAINABILITY COMMITTEE

Jack Thompson
Chairman
Sustainability Committee

COMMITTEE MEMBERS

Jack Thompson – Chairman
Ian Ashby
Stuart Chambers
Mark Cutifani
Nolitha Fakude
Tony O'Neill
Mphu Ramatlapeng
Jim Rutherford

For more on biographies and Board experience details
See pages 74-77

Business unit heads, Group directors of people and organisation, and corporate relations, the Group general counsel and company secretary and the Group head of safety and sustainable development also participate in meetings of the committee.

ROLE AND RESPONSIBILITIES

The committee oversees, on behalf of the Board, material management policies, processes, and strategies designed to manage safety, health, environment and socio-political 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/about-us/governance

During 2018, the committee held one of its four meetings in Brisbane, Australia, and committee members visited the Gahcho Kué diamond mine in Canada. In addition, ommittee members visited the University of Queensland's Sustainable Minerals Institute, one of Anglo American's sustainability partners. Members of the committee participated in the Group's annual Global Safety Day campaign across operations at the Group's Metallurgical Coal business in Queensland, Australia.

COMMITTEE DISCUSSIONS IN 2018

The committee met four times in 2018. At each meeting, the committee reviews detailed reports covering the Group's performance across a range of sustainability areas, including: safety; health and wellness; socio-political trends; human rights; climate change; 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 2018, five members of the workforce lost their lives at the Group's managed operations. Preliminary observations from each of these fatal incidents were reported to the next committee meeting following their occurrence, noting the factors surrounding the incidents, mitigation steps being taken and the process for formal investigation. Following completion of independent investigations, findings are presented to the committee.

In addition to the committee's standing agenda items, the following matters were discussed during 2018:

- Strategy and progress of the Group's *Elimination of Fatalities Taskforce*, designed to achieve a zero fatality business
- Sustainable Mining Plan implementation update
- Business unit reports on safety and sustainability performance: Iron Ore Brazil and Nickel, Kumba Iron Ore, Metallurgical Coal, and Platinum
- The Minas-Rio pipeline leakage and its environmental impact
- Developments in relation to the South African Mining Charter III
- Results of external stakeholder research: corporate purpose, brand and reputation
- The Group's approach to socio-economic development
- 2017 Social Way assessment results – improvements in performance on managing the social impacts of mining
- Sustainability benchmarking – comparing performance and global trends across the industry
- Operational risk management training and capability
- Water management at Moranbah North mine in Queensland, Australia
- Dust management at Kumba Iron Ore's Sishen mine
- Risk/liability of tailings storage facilities at divested operations
- Mine closure liabilities
- Key legislative and regulatory developments in the sustainability area
- Sustainability Committee annual evaluation (externally facilitated in 2018) and action plan.

NOMINATION COMMITTEE

Stuart Chambers
Chairman
Nomination Committee

COMMITTEE MEMBERS

Stuart Chambers – Chairman

Byron Grote

Sir Philip Hampton (resigned 31 December 2018)

Anne Stevens

Jack Thompson

Ian Ashby (appointed on 1 January 2019)

Nolitha Fakude (appointed on 1 January 2019)

For more on biographies and Board experience details
See pages 74-77

The chief executive and the Group head of people and organisation also attend meetings of the committee.

ROLE AND RESPONSIBILITIES

- Agreeing a skills, diversity and experience matrix for all directors (with the approval of the Board) to identify and address any skills gaps when recruiting new directors.
- Making recommendations as to the composition of the Board and its committees and the balance between the executive directors and non-executive directors in order to maintain a diverse Board with the appropriate mix of skills, experience, independence and knowledge.
- With the assistance of external search consultants, identifying and reviewing, in detail, potential candidates available in the market and agreeing a 'longlist' of candidates for each directorship. Following further discussion and research, deciding upon a shortlist of candidates for interview. Committee members interview the shortlisted candidates and make a recommendation to the Board.
- Ensuring that the human resources function of the Group regularly reviews and updates the succession plans for the directors and senior managers. These are presented to the Board by the chief executive (in the absence of other executive directors) and discussed.

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

For more information, visit
www.angloamerican.com/about-us/governance

COMMITTEE DISCUSSIONS AND FOCUS AREAS IN 2018

The committee met three times during 2018. Discussions at the meetings covered the responsibilities outlined above, with a particular focus on non-executive succession planning and committee membership.

The following matters were considered during 2018:

- The composition, structure and size of the Board and its committees, and the leadership needs of the organisation
- Refreshing the skills, diversity and experience matrix, incorporating geographic experience in the regions in which the Group operates and has major markets in, and the future needs of the Board
- Recommending that the Board support the election or re-election of each of the directors standing at the AGM in 2018. The length of tenure of non-executive directors was taken into account when considering supporting their re-election, to ensure they remain independent and recognising the need to progressively refresh the Board
- The time commitment expected from each of the non-executive directors to meet the expectations of their role
- Committee membership changes for recommending to the Board in light of two longstanding non-executive directors, Sir Philip Hampton and Jack Thompson, stepping down from the Board
- Successor chairs for the Remuneration and Sustainability committees
- The appointment of Byron Grote as Sir Philip Hampton's successor to the role of senior independent director
- The results of the 2017 and 2018 Board and committee evaluations and progress of action plans
- Reviewing the committee's terms of reference.

The process used for Board recruitment is described on page 86 of this Report and the results of the externally facilitated evaluation of the committee in 2018 are on page 88.

AUDIT COMMITTEE

Byron Grote
Chairman
Audit Committee

COMMITTEE MEMBERS

Byron Grote* – Chairman
Nolitha Fakude
Sir Philip Hampton* (resigned 31 December 2018)
Jim Rutherford
Anne Stevens

* Audit committee members deemed to have recent and relevant financial experience in accordance with the UK Corporate Governance Code.

The chairman, the chief executive, the finance director, the Group financial controller, the head of financial reporting, the Group head of risk management and business assurance and the Group general counsel and company secretary also participate in meetings of the committee.

For more on biographies and Board experience details
See pages 74-77

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 and commencing the tender process of the external audit services.
- Reviewing and monitoring the effectiveness of the Group's risk management and internal control mechanisms.
- Approving the terms of reference of the internal audit function and assessing its effectiveness.
- Approving the internal audit plan and reviewing regular reports from the head of internal audit on effectiveness of the internal control system.
- Receiving reports from management on the principal risks of the Group. Details of the principal risks are contained on pages 44-47. Overseeing completion of the Viability Statement.
- Overseeing work associated with embedding the Group's Code of Conduct.

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

For more information, visit
www.angloamerican.com/about-us/governance

FAIR, BALANCED AND UNDERSTANDABLE

A key requirement of our financial statements is for the report to be fair, balanced, understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy. 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 reporting requirements are provided to contributors and monitored on an ongoing basis
- 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 2019 to review and approve the draft 2018 Annual Report and Accounts in advance of the final sign-off by the Board. This review included the significant accounting matters explained in the notes to the consolidated financial statements
- The Audit Committee considered the conclusions of the external auditor over the key audit matters that contributed to their audit opinion, specifically impairments, taxation, special items and remeasurements.

COMMITTEE DISCUSSIONS IN 2018

Throughout the course of 2018, the Audit Committee paid particular attention to the valuation of assets, tax matters, the Group's liquidity position and payment of dividends. The committee monitored progress with the implementation of the Code of Conduct and reviewed the system of internal control and risk management.

An external evaluation of the committee was undertaken, the results of which are described on page 88.

The Audit Committee held four meetings in 2018, covering the key topics set out on the following pages.

SIGNIFICANT ISSUES CONSIDERED BY THE AUDIT COMMITTEE IN RELATION TO THE GROUP'S FINANCIAL STATEMENTS	RESPONSE OF THE AUDIT COMMITTEE
Impairment and impairment reversals of assets The value of mining operations is sensitive to a range of characteristics unique to each asset. Management is required to apply judgement in the estimation of Ore Reserves, and price and production forecasts which drive cash flow projections.	The committee exercises oversight over the impairment review process, including the identification of impairment and impairment reversal indicators, the review of changes in the valuation of cash-generating units and associated sensitivity analysis. During 2018, the most significant assets considered were the following: **Minas-Rio** The valuation of Minas-Rio continues to be in line with the carrying value, but is subject to uncertainty in relation to licensing, as well as being highly sensitive to changes in pricing assumptions. The committee considered the impact of the pipeline leak, the status of the licensing process and various valuation scenarios presented by management. It was concluded that no adjustment was required to the carrying value at this time. **Moranbah-Grosvenor** Moranbah-Grosvenor was impaired by $1.25 billion in 2016, because of a reduction in the Group's expected long-term metallurgical coal prices. During 2018, the Grosvenor operation achieved improved operational results and, combined with an improved long-term outlook for metallurgical coal, there was sufficient evidence to support an impairment reversal. After considering the sensitivity analysis presented by management, the committee concluded that a full reversal of the prior impairment should be recognised at the December 2018 year-end. **Capcoal** Capcoal was impaired by $0.6 billion during 2015 because of a reduction in the Group's expected long-term metallurgical coal prices. During 2018, the decision was taken to extend the life of the Grasstree underground operation by three years to the end of 2021 and, when combined with an improved long-term outlook for metallurgical coal, provides sufficient evidence to support an impairment reversal. After considering the sensitivity analysis presented by management, the committee concluded that a full reversal of the prior impairment should be recognised at the December 2018 year-end. **Other** In addition to the assets noted above, an impairment charge of $0.1 billion was recorded following the decision to close the Voorspoed mine and, after careful consideration of the valuation drivers of Barro Alto, Dawson, El Soldado and Samancor, no other impairments or impairment reversals were recorded.

OTHER ISSUES CONSIDERED BY THE AUDIT COMMITTEE IN RELATION TO THE GROUP'S FINANCIAL STATEMENTS	RESPONSE OF THE AUDIT COMMITTEE
Payment of the dividend Reviewing management's recommendation to the Board that the level of dividend to be paid for the 2018 interim results announcement, based on the payout-ratio-driven dividend policy.	The committee reviewed the proposal for payment of the dividend, in accordance with the payout-ratio-driven dividend policy based on 40% of underlying earnings. Following discussion, the committee endorsed the proposal to pay an interim dividend for 2018, for final approval by the Board.
Legal matters A provision is recognised where, based on the Group's legal views and, in some cases, independent advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably. This requires the exercise of judgement. The committee was updated by the Group's general counsel and company secretary on the status of legal matters over the course of the year.	The committee considered the status of these legal matters and concluded that various adjustments to write-off certain assets that had been previously considered recoverable and adjust certain provisions to represent the best estimate of likely outcomes. These adjustments are not material and have been reported within operating special items where they meet the relevant criteria.
Special items and remeasurements The Group's criteria for recognising a special item or remeasurement involves the application of judgement in determining whether an item, owing to its size or nature, should be separately disclosed in the income statement.	The committee reviewed each of the items classified as special items or remeasurements in the financial statements, and the related disclosures, to ensure that the separate disclosure of these items was appropriate.

OTHER ISSUES CONSIDERED BY THE AUDIT COMMITTEE IN RELATION TO THE GROUP'S FINANCIAL STATEMENTS	RESPONSE OF THE AUDIT COMMITTEE
New accounting standards The impact of new accounting standards, and any elections made in their application, involves judgement to ensure their adoption is managed appropriately.	The committee reviewed management's impact assessment of the adoption of IFRS 16 Leases which will become effective in 2019. The committee considered the disclosures in the notes to the financial statements prepared by management to explain the transition impact and concluded that these were appropriate.
Going concern basis of accounting in preparing the financial statements The ability of the Group to continue as a going concern depends upon continued access to sufficient financing facilities. Judgement is required in the estimation of future cash flows and compliance with debt covenants in future years.	The committee assessed the forecast levels of net debt, headroom on existing borrowing facilities and compliance with debt covenants. This analysis covered the period to 31 December 2020 and considered a range of downside sensitivities, including the impact of lower commodity prices and higher costs. The committee concluded it was appropriate to adopt the going-concern basis.
Retirement benefits The ability of the Group to recover surpluses within pension schemes involves judgement. The estimation of retirement benefits requires judgement over the estimation of scheme assets and liabilities. Areas of judgement include assumptions for discount and inflation rates, returns on assets and life expectancy. Changes in the assumptions used would affect the amounts recognised in the financial statements.	The committee reviewed the changes in assumptions behind the calculations of the asset and liability positions of the Group's pension and medical plans and concluded that the amounts recorded as at 31 December 2018 appropriately reflected these updates. In addition, the committee reviewed the adequacy of the level of funding provided to the plans and the overall expense recognised for the year. The committee assessed the appropriateness of the Group's overall risk management approach to retirement benefits, and the Group's ability to recover surpluses within schemes in the UK and South Africa.
Provision for restoration, rehabilitation and environmental costs The estimation of environmental restoration and decommissioning liabilities is inherently uncertain, given the long time periods over which these expenditures will be incurred, and the potential for changes in regulatory frameworks and industry practices over time.	The committee reviewed the update provided by management on estimates of environmental and decommissioning liabilities, which are based on the work of external consultants and internal experts. The committee considered the changes in assumptions and other drivers of movements in the amounts provided on the balance sheet and concluded that the provisions recorded as at 31 December 2018 appropriately reflected these updates.
Taxation The Group's tax affairs are governed by complex domestic tax legislations, international tax treaties between countries and the interpretation of both by tax authorities and courts. Given the many uncertainties that could arise from these factors, judgement is often required in determining the tax that is due.	The Group head of tax provided the committee with updates throughout the year on various tax matters, including the status of tax audits, tax reporting, the current global tax environment and the ongoing entity-simplification programme. In addition, the committee discussed the recoverability of the Group's deferred tax assets, in particular with respect to Minas-Rio, as well as the status of uncertain tax provisions. While these matters are inherently judgemental, no significant issues arose during 2018.

OTHER ISSUES CONSIDERED BY THE AUDIT COMMITTEE	RESPONSE OF THE AUDIT COMMITTEE
Viability Statement The Viability Statement, and the underlying process to analyse various scenarios that support the development of the Viability Statement, are found on pages 42-47.	The committee reviewed the time period over which the assessment is made, along with the scenarios that are analysed, the potential financial consequences and assumptions made in the preparation of the statement. The committee concluded that the scenarios analysed were sufficiently severe but plausible and the time period of the Viability Statement was appropriate, given the alignment with the budgeting and strategy process.
Mineral Resources and Ore Reserves statements The year-on-year changes to Mineral Resources and Ore Reserves for operations and projects across the Group.	The committee reviewed the significant year-on-year changes, satisfying itself that appropriate explanations existed. The committee also discussed issues and improvements in the process to estimate and report Mineral Resources and Ore Reserves including adoption of a new software platform and updated guidelines.

OTHER ISSUES CONSIDERED BY THE AUDIT COMMITTEE	RESPONSE OF THE AUDIT COMMITTEE
Internal audit work Reviewing the results of internal audit work and the 2019 plan.	The committee received reports on the results of internal audit work, satisfying itself that the 2018 plan was on track, and discussed areas where control improvement opportunities were identified. The committee reviewed the progress in completion of agreed management actions. The committee reviewed the proposed 2019 internal audit plan, assessing whether the plan addressed the key areas of risk for the business units and Group. The committee approved the plan, having discussed the scope of work and its relationship to the Group's risks.
Risk management The Group's risk profile and the process by which risks are identified and assessed.	The committee assessed the Group's risk profile, in particular the principal risks (see pages 42-47). The committee discussed the key risks, the mitigation plans in place and the appropriate executive management responsibilities. The committee also considered the process by which the risk profile is generated, the changes in risk definitions and how the risks aligned with the Group's risk appetite. Following discussion and challenge, the risk profile was approved.
Code of Conduct The implementation of the Code of Conduct and specific actions to mitigate risk of bribery and corruption.	The committee reviewed progress with the implementation of the Code of Conduct that was rolled out across the Group in 2017. The committee received updates on governance of the Code, ethical risk assessments performed and training provided. The committee, along with all other Board members, participated in training provided to senior management. The committee also assessed the work being conducted to mitigate the risk of bribery and corruption. Specifically, the committee reviewed work to assess risk from use of intermediaries, approving plans to strengthen risk mitigation in this area. The committee approved work plans associated with the Group's anti-bribery and corruption programme for 2019. The committee received a report from an external law firm which had reviewed the Group's policy and programme to manage bribery risk. The committee discussed the conclusions, recommendations and approved management's response to the recommendations intended to further strengthen the programme.
Various risk matters The committee oversees the implementation of work to mitigate a variety of key risks.	During the course of 2018, the committee reviewed work to mitigate cyber risk, data-protection risk, risks associated with the Quellaveco project, plus marketing and trading risks. The committee evaluated the work being performed, progress made and provided challenge to satisfy itself that these risks were being adequately managed.
External audit Reviewing the results of extended audit work, evaluating the quality of the external audit and consideration of management letter recomendations.	The committee reviewed the preliminary planning report from Deloitte in July 2018 and the final audit plan and fee were approved at the December meeting, having given due consideration to the audit approach, materiality level and audit risks. The committee received updates during the year on the audit process, including how the auditor had challenged the Group's assumptions on the issues noted in this report. In February 2019, the committee reviewed the output of the external audit work that contributed to the auditor's opinion. The effectiveness, performance and integrity of the external audit process was evaluated through separate surveys for committee members and management impacted by the audit, including business unit chief financial officers and heads of functions. The evaluation of the 2017 external audit concluded that the external auditor was independent, objective and effective in the delivery of the audit. Service levels had remained largely constant in key areas compared with the previous year. Results of the annual assessment were discussed with the external auditor who considered the themes for the 2018 audit approach, in particular with respect to greater focus on working with management through the audit planning process and in providing further insights to the Audit Committee during the year as the audit progresses. The next evaluation of the quality of external audit will be performed in April 2019 with key themes incorporated into the 2019 audit planning cycle.

AUDIT COMMITTEE REPORT

ENSURING INDEPENDENCE OF THE EXTERNAL AUDITOR

Anglo American's policy on auditors' independence is consistent with the ethical standards published by the Audit Practices Board.

A key factor that may impair an auditor's independence is a lack of control over non-audit services provided by the external auditor. The external auditor's independence is deemed to be impaired if the auditor provides a service that:

- Results in the auditor acting as a manager or employee of the Group
- Puts the auditor in the role of advocate for the Group
- Creates a mutuality of interest between the auditor and the Group.

Anglo American addresses this issue through three primary measures, namely:

- Disclosure of the extent and nature of non-audit services
- The prohibition of selected services – this includes the undertaking of internal audit services
- Prior approval by the Audit Committee chairman of non-audit services where the cost of the proposed service is likely to exceed $100,000.

Anglo American's policy on the provision of non-audit services is regularly reviewed.

The definition of prohibited non-audit services corresponds with the European Commission's recommendations on the auditor's independence and with the Ethical Standards issued by the Audit Practices Board in the UK.

Non-audit work is only undertaken where there is commercial sense in using the auditor without jeopardising auditor independence; for example, where the service is related to the assurance provided by the auditor or benefits from the knowledge the auditor has of the business.

Non-audit fees represented 27% of the 2018 audit fee of $9.3 million. A more detailed analysis is provided on page 186.

OTHER SAFEGUARDS

- The external auditor is required to adhere to a rotation policy based on best practice and professional standards in the UK. The standard period for rotation of the audit engagement partner is five years and, for any key audit partner, seven years. The audit engagement partner, Kari Hale, was appointed in 2015, and will rotate off at the end of the 2019 audit in accordance with this requirement.
- Any partner designated as a key audit partner of Anglo American shall not be employed by Anglo American in a key management position unless a period of at least two years has elapsed since the conclusion of the last relevant audit.
- The external auditor is required to assess periodically whether, in their professional judgement, they are independent of the Group.
- The Audit Committee ensures that the scope of the auditor's work is sufficient and that the auditor is fairly remunerated.
- The Audit Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditor.
- The Audit Committee has the authority to engage independent counsel and other advisers as they determine necessary to resolve issues on the auditor's independence.
- An annual assessment is undertaken of the auditor's effectiveness through a structured questionnaire and input from all business units and Group functions covering all aspects of the audit process. The Audit Committee members also participate in this assessment, which evaluates audit planning, execution, communications and reporting. The assessment identifies strengths and areas for improvement, which are discussed with the auditor and action plans agreed. The assessment conducted in 2018 for the 2017 audit showed continued improvement from the previous assessment ongoing to actions taken.

Audit tender

As indicated in the 2017 Annual Report, Anglo American has commenced a formal tender process for the appointment of a new external auditor for the 2020 financial year onwards.

During 2018, we have completed several planning steps, including:

- Inviting a number of audit firms to submit pre-qualification questionnaires to confirm their willingness to participate in the audit tender, their global capabilities and their assessment of independence
- Agreeing detailed selection criteria for the evaluation of the audit firms and a tender timetable to enable a smooth transition from our current auditors
- Interviewing and selecting potential lead audit partners
- Approving the Request for Proposal (RFP) that was issued in December 2018 to a shortlist of audit firms that met the pre-qualification criteria.

The tender process will culminate in a written submission and oral presentation to the committee in April 2019 and the committee expects to be able to recommend a new external auditor to the Board shortly afterwards.

Anglo American confirms compliance during the year with the provisions of the UK Competition and Markets Authority Order.

Conclusions of the Audit Committee for 2018

The Audit Committee has satisfied itself that the external auditor's independence was not impaired.

The Audit Committee held meetings with the external auditor, without the presence of management, on two occasions, and the chairman of the Audit Committee held regular meetings with the lead audit engagement partner during the year.

Consideration given to the appointment of the external auditor

The Audit Committee's assessment of the external auditor's performance and independence underpins its recommendation to the Board to propose to shareholders the re-appointment of Deloitte LLP as auditor until the conclusion of the AGM in 2019. Resolutions to authorise the Board to re-appoint and determine the remuneration of Deloitte LLP will be proposed at the AGM on 30 April 2019.

RISK MANAGEMENT

Risk management is the responsibility of the Board and is integral to the achievement of our objectives. The Board establishes the system of risk management, setting risk appetite and maintaining the system of internal control to manage risk within the Group. The Group's system of risk management and internal control is monitored by the Audit Committee under delegation from the Board.

The system of risk management is designed to ensure awareness of risks that threaten the achievement of objectives. The controls that mitigate those risks are identified so that assurance can be provided on the effectiveness of those controls and a determination can be made as to whether the risk is operating within the Group's risk appetite. We seek to embed a culture of risk awareness into the development of our strategic and operational objectives.

The process for identification and assessment of the principal risks combines a top-down and bottom-up approach. At the operations level, a process to identify all risks that prevent the achievement of objectives is undertaken. Detailed analysis of the material risks at each location is performed to ensure management understanding of the risk and controls that reduce likelihood of occurrence and impact should the risk materialise. These operational-risk profiles contribute to the assessment of risks at the business unit level. Executive management at each business unit assesses risks that threaten achievement of the business unit objectives and the status of controls, or actions, that mitigate those risks. At the Group level, risks are identified through assessment of global factors affecting the industry and the Group specifically, as well as the risks arising from the business unit assessments. Materiality of risk is determined through assessment of the various impacts that may arise and likelihood of occurrence. An exception relates to those risks deemed catastrophic in nature, where the focus of assessment is on impact and status of internal controls, given the very low likelihood of occurrence. When considering the impact of any risk, we assess financial, safety, environmental, legal or regulatory, social and reputational consequences.

The robust process of identifying and evaluating the principal risks was in place during 2018 and is ongoing. 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 44-47.

Risk appetite

We define risk appetite as 'the nature and extent of risk that Anglo American is willing to accept in relation to the pursuit of its objectives'. Each principal risk is assessed as to whether it is operating within the limit of appetite for the Group, based on review of the external factors influencing that risk, the status of management actions to mitigate or control the risk and the potential impact should the risk materialise. For risks operating beyond the limit of appetite, a change in strategy may be required. For risks operating within, but approaching the limit of, appetite, specific management actions may be required to ensure the risk remains within the limit of appetite.

Risk management and the system of internal control

Controls either reduce the likelihood or impact of any risk once it has occurred, while the identification of material controls – i.e. those controls that have the most influence in mitigating a risk – is an important input for audit planning.

The system of internal control operates on a traditional 'three lines of defence' approach, with operating management implementing and monitoring controls on a day-to-day basis, and business unit or functional management providing a second line of defence through regular and frequent oversight of operating management's implementation of controls. A centrally managed internal audit department provides the third line of defence by reviewing the design and operating effectiveness of the internal control environment, which includes the work performed by the first and second lines of defence management teams. Internal audit operated in all of the Group's managed businesses in 2018, reporting its work to executive management and the Audit Committee on a regular basis. The internal audit department's mandate and annual audit coverage plans were approved by the Audit Committee.

The scope of internal audit work covers the broad spectrum of risk to which the Group is exposed. The audit of controls associated with major operating/technical risks is undertaken in conjunction with relevant experts from the Technical and Sustainability function, the results of which were shared with the Sustainability Committee and Audit Committee.

In determining its opinion that the internal control environment was effective during 2018, the Audit Committee considered the following factors:

- The results of internal audit work, including the response of management to completion of actions arising from audit work
- The output of risk management work
- The output of external audit work and other assurance providers
- Issues identified by management or reported through whistleblowing arrangements, and the results of investigations into allegations of breaches of our values and business principles.

Reviewing the effectiveness of the system of risk management and internal control

The Board, through the Audit Committee, fulfils its responsibility in reviewing the effectiveness of the system of risk management and internal control through review of reports submitted over the course of the year covering the risk management process, adequacy of the internal control environment, consideration of risk appetite, in-depth reviews of specific risks and the results of external audit work. The Sustainability Committee also reviews technical and safety risks in detail and reports its findings to the Board.

Reviewing the effectiveness of internal audit

The committee assesses the work of internal audit on a regular basis through the receipt of reports on the progress of the internal audit plan and issues arising and through its annual committee evaluation. The committee met with the head of internal audit, in the absence of management on two occasions during 2018, which enables further evaluation of the work performed.

Whistleblowing programme

The Group has an independently managed whistleblowing facility operating in all its managed operations, as well as a Group-wide stakeholder complaints and grievance procedure (see the 2018 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 2018, 325 (2017: 272) reports were received via the global 'Speak Up' facility, covering a broad spectrum of concerns, including:

- Ethical
- Criminal
- Supplier relationships
- Health and safety
- HR issues.

The majority of reports were received on an anonymous basis. Of the cases closed in 2018, 28% were proven to support the allegations received and resulted in some form of management action.

In addition, almost 700 alerts were received in respect of an attempted purchasing fraud committed by third parties against other companies in South Africa using email domain addresses similar to Anglo American Platinum. These alerts are being used as evidence by authorities in an ongoing criminal investigation.

During 2018 we undertook a review of our whistleblowing programme and as a result of a competitive tender process we are moving the service to a new external provider. This will be supported with a comprehensive communications campaign to remind employees and others of the service including the guaranteed anonymity they can expect when they submit a report.

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

Anne Stevens
Chair
Remuneration Committee

COMMITTEE MEMBERS

Anne Stevens – Chair (with effect from 1 January 2019)
Sir Philip Hampton (resigned 31 December 2018)
Ian Ashby (appointed on 1 January 2019)
Byron Grote
Jim Rutherford
Jack Thompson

For more on biographies and Board experience details
See pages 74-77

The chairman, chief executive and Group head of people and organisation also attend meetings of the committee.

ROLE AND RESPONSIBILITIES

- Establishing and developing the Group's general policy on executive and senior management remuneration
- Determining specific remuneration packages for the chairman, executive directors and members of the GMC for review and approval by the Board
- Designing the Group's share incentive schemes
- Input and oversight on the reward policy for the broader workforce
- Consultation with shareholders and other stakeholders regarding executive remuneration.

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

For more information, visit
www.angloamerican.com/about-us/governance

FOCUS IN 2018

- Confirmation of incentive results for the 2017 annual bonus, including executive director personal key performance indicators, and the 50% vesting of the 2015 LTIP
- Setting of incentive targets for 2018, including the 2018 annual bonus and 2018 LTIP
- Following feedback from shareholders, the addition of the safety deductor to the annual bonus for all senior managers across the Group, further aligning reward outcomes with our goal of achieving zero harm
- Implications of changes to the UK Corporate Governance Code ('the Code') and reporting requirements, including the decision to publish the chief executive pay ratio a year early.

LOOKING AHEAD TO 2019

- Implementation of changes to broaden the remit of the committee under the Code, including greater oversight of reward policy across the wider workforce and a more structured approach to engagement with other stakeholders, including employees, on remuneration matters
- Development of a new directors' remuneration policy, and consultation with shareholders to be put forward to shareholders at the 2020 AGM. This will include addressing specific changes required under the Code, including post-exit shareholding requirements and executive pension contribution rates
- Possible selection and appointment of a new adviser to the committee as a result of audit rotation.

1. INTRODUCTORY LETTER

DEAR SHAREHOLDER,

The primary role of the Remuneration Committee is to ensure that the remuneration arrangements for executive directors, and Group Management Committee (GMC) members, offer them sufficient encouragement to deliver our strategy and create stakeholder value in a sustainable and responsible manner. It is also our task to ensure that such remuneration is proportionate to the levels of performance achieved and is appropriate in relation to the remuneration received by the wider workforce, and to shareholder returns.

I am acutely aware that executive pay remains a contentious topic. It is never easy to strike an equitable balance between incentivising and rewarding management and reflecting the interests of shareholders and wider stakeholders. Volatility in remuneration outcomes, and especially regarding long-term incentive plans (LTIPs), continues to be a factor of the mining sector and of product prices. The committee carefully seeks to ensure that each outcome reflects the original intention of the committee when the incentive was set and that it is an appropriate reflection of the performance delivered and the value created for shareholders. Through the application of a cap on LTIP vesting ('Cap'), the committee acted robustly to ensure that executive remuneration for 2018 was appropriate and that the impact on remuneration of the share price rise over the past three years was reduced significantly.

Safety

The Board's priority to achieve zero harm and eliminate the causes of harm in the workplace is reflected in our safety statistics. From, and including, 2018 we have introduced a safety deductor to individual annual bonuses to ensure that all our global leaders are held personally responsible for any failures on our journey to zero harm.

While positive performance based on safety, health and environment (SHE) targets continues to be recognised and rewarded through a 10% bonus weighting, there is no limit on the deduction that can be applied. A set percentage for each fatality above a baseline (initially set at 'best-ever annual safety performance' by business unit and reducing each year) will be deducted from individual bonuses. For 2018, the safety deductor resulted in a 7.5% deduction to executive directors' final bonus values.

Pay for performance

Performance across our key business metrics is reflected in this year's remuneration. Underlying earnings per share (EPS) were $2.55, supported by underlying EBITDA of $9.2 billion, an increase of 4 %, and attributable free cash flow of $3.2 billion. Net debt reduced by a further 37% to $2.8 billion. Return on capital employed was 19% – well above our 16% target.

Annual bonus

Half of the annual bonus result is determined by underlying EPS performance, with 50% measured using 'fixed' prices and foreign exchange (FX) rates and the other half based on actual results. Continued improvements in operational productivity and cost control, and higher realised prices for most of the Group's products, were offset by the suspension of operations at Minas-Rio from March to December. These factors resulted in the vesting of 58% of EPS targets.

The remaining 50% is measured against safety, health and environment targets, weighted 10%, and individual and strategic performance measures, weighted 40%. The Group delivered a best-ever safety performance and made further progress towards our environmental and health goals, resulting in a 55% payment against safety, health and environment targets. The safety deductor, introduced for the 2018 annual bonus, is applied to the final bonus outcomes of all the Group's senior leaders, and reduced overall annual bonus values for the executive directors by 7.5%. Bonus outcomes after the deductor were between 63% and 66%, between 11% and 19% lower than the bonuses paid in respect of 2017. (See page 113).

Long-term incentive

Relative total shareholder return (TSR) over the three years to December 2018 was 285%, significantly above the maximum vesting targets for the FTSE 100 and the sector index. As attributable ROCE was above the maximum vesting target, the LTIP awards granted in 2016 will vest 100%.

To address investor concerns about the potential windfall gains for executive directors arising from the volatility of the Company's share price, a Cap on the value of the 2016 LTIP was introduced in 2017. This Cap limited the maximum combined value that can vest in relation to the 2014, 2015 and 2016 LTIP awards to the sum of the total face value of those awards at grant, with any value above that being forfeited before the start of the two-year holding period. A zero vest on the 2014 LTIP and a partial vest in 2015 resulted in a cap on the 2016 LTIP vest for the chief executive of £10.2 million, compared with an uncapped vesting value of £16.6 million, representing a substantial forfeit of £6.4 million. A similar impact was seen for the technical director and GMC members.

The committee has carefully reviewed this outcome and is satisfied that the Cap has met the desired goal of constraining windfall gains. (A full explanation can be found on page 117.)

Salaries

The committee has decided to increase the executive directors' salaries in 2019 by 2%, in line with the Group's UK based employees.

2019 consultation on the remuneration policy

The remuneration policy will be revised, in consultation with shareholders, during 2019 and put to shareholders for approval at the 2020 AGM. The committee will carefully consider the recent changes to corporate governance, as well as the guidance notes provided by investors and investor bodies. This is an opportunity to further align our approach to remuneration with the Company's strategy and culture, as well as reflecting ongoing thinking about the most effective and appropriate ways to incentivise and reward executives. I look forward to meeting and working with our shareholders to achieve these aims.

Governance

The committee believes in balancing clear regulation with strong delegated authority for the Board to make decisions that are in the best interests of the Company and its shareholders. It has reviewed the implications of the changes to the UK Corporate Governance Code and reporting requirements and will seek to address these within the new directors' remuneration policy to be developed in 2019 and put to shareholders at the 2020 AGM.

The committee understands the views of many investors with regards to the need to align executive pensions with those of other employees. While the new policy to be adopted in 2020 will address this, the committee has determined that any new executive directors appointed before the adoption of the new policy will receive a reduced employer contribution of 15%, instead of the current 25%.

Although the committee's primary purpose is the governance of remuneration for executive directors and senior management, it has always included within its remit oversight of pay policy across the wider workforce. The committee has taken a keen interest in discussions on the disclosure of a chief executive pay ratio and has taken the decision to report early. The 2018 ratio of 191:1 reflects the much greater impact of long-term incentives and share price movements on the pay of the chief executive compared to other employees, and is therefore significantly higher as a result of the 2016 LTIP values. Estimated pay ratios for previous years are more representative of a typical year and, using readily available data, these are 90:1 in 2017, and 55:1 in 2016. (A full explanation can be found on page 123.)

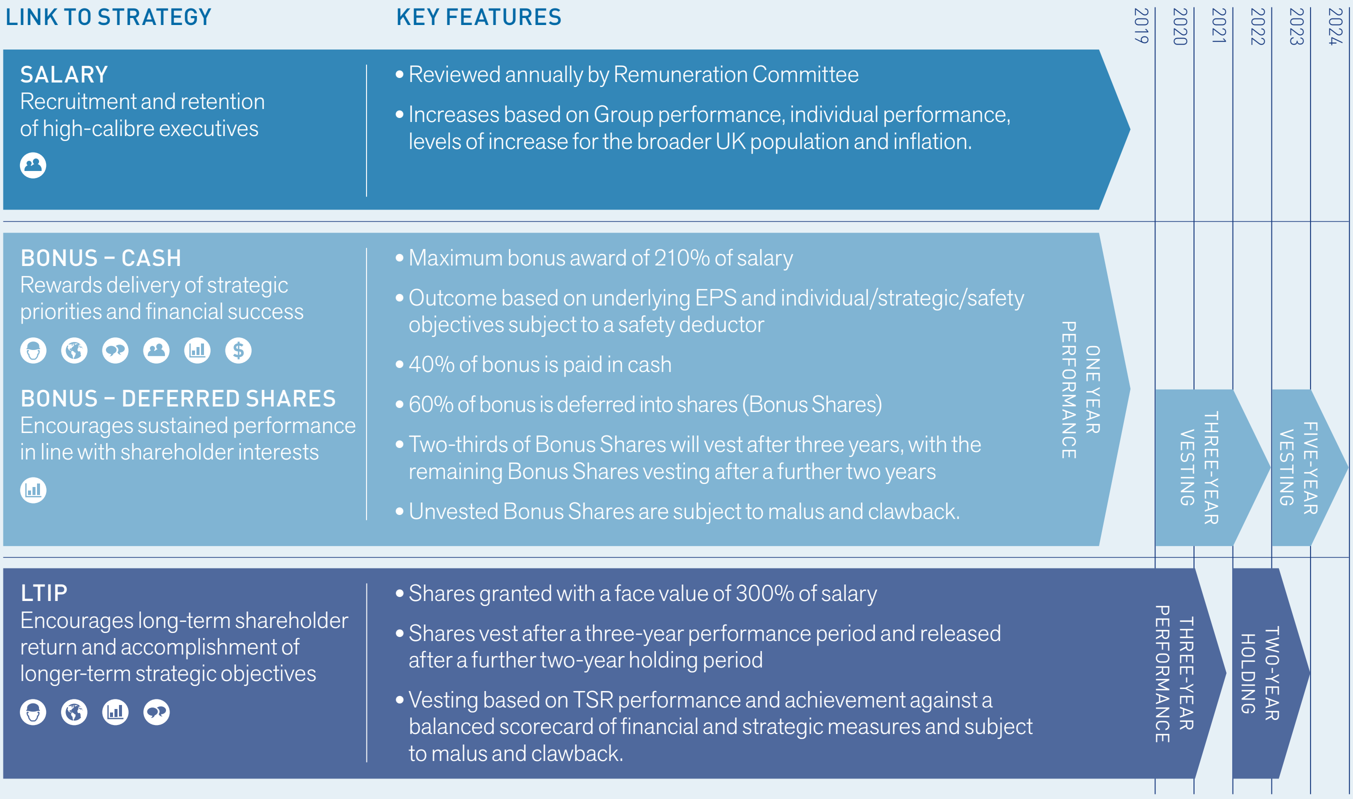
Thanks

Finally, I would like to express sincere thanks to Sir Philip Hampton, who stepped down from the Board on 31 December 2018, having been Chairman of the Remuneration Committee, since April 2010.

Anne Stevens
Chair, Remuneration Committee

REMUNERATION AT A GLANCE

The remuneration policy approved by shareholders at the 2017 AGM is set out below. Each component of remuneration is designed to reward the accomplishment of aspects of the Group's strategy. For more information on the pillars of value, refer to page 11.



LINK TO STRATEGY

KEY FEATURES

SALARY
Recruitment and retention of high-calibre executives

- Reviewed annually by Remuneration Committee
- Increases based on Group performance, individual performance, levels of increase for the broader UK population and inflation.

BONUS – CASH
Rewards delivery of strategic priorities and financial success

BONUS – DEFERRED SHARES
Encourages sustained performance in line with shareholder interests

- Maximum bonus award of 210% of salary
- Outcome based on underlying EPS and individual/strategic/safety objectives subject to a safety deductor
- 40% of bonus is paid in cash
- 60% of bonus is deferred into shares (Bonus Shares)
- Two-thirds of Bonus Shares will vest after three years, with the remaining Bonus Shares vesting after a further two years
- Unvested Bonus Shares are subject to malus and clawback.

LTIP
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.

For more on the Purpose to Reward journey
See page 10-11.

KEY PERFORMANCE METRICS FROM 2019

Metrics	Pillars of value	Rationale
Safety and zero harm (bonus)	Safety and health	• Employee safety is the Group's first and most important value
Underlying EPS (bonus)◊	Financial	• EPS links reward to delivery of in-year underlying equity returns to shareholders
TSR (LTIP)	Financial	• Creates a direct link between executive pay and shareholder value • Measure is split between comparison against sector index (Euromoney Global Mining Index) and comparison against local peers (constituents of FTSE 100 index)
Group attributable ROCE (LTIP)◊	Financial	• ROCE promotes disciplined capital allocation by linking reward to investment return
Attributable free cash flow (LTIP)◊	Financial	• Attributable free cash flow incentivises cash generation for use either as incremental capital investment, for capital returns to shareholders, or debt reduction
Sustainable Mining Plan (LTIP)	Environment	• Water Management Standard implementation by the end of 2021
Employee Well-being (LTIP)	Safety and health Socio-political	• All operations to have Well-being strategy by 2021

Our Values

We are committed to six values which guide how we conduct ourselves. We are creating an organisation where all people are treated in such a way that they bring the best of who they are to work. Our values and the way in which we, as individuals, are expected to behave are the foundation of our Code of Conduct.

UNDERLYING EPS◊

$2.55/share

THREE-YEAR SHAREHOLDER RETURN

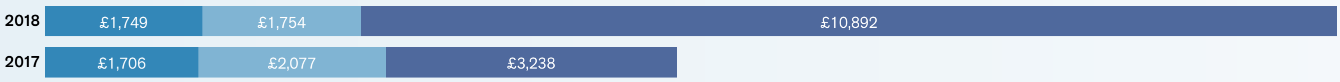
285%

GROUP ATTRIBUTABLE ROCE◊

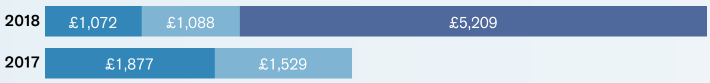
19%

2018 PAY OUTCOMES £'000

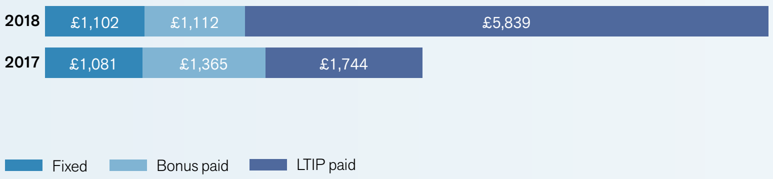
MARK CUTIFANI



STEPHEN PEARCE



TONY O'NEILL



- Fixed pay comprises salary, benefits and pension
- Bonus figures include deferred shares
- LTIP paid includes dividend equivalent amounts

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).

For more information see Annual Report on Remuneration
See page 120.

2018 ANNUAL BONUS OUTCOME

EPS – 50% of overall opportunity

- The Group's actual EPS was $2.55/share
- This is $0.18 below the target for maximum vesting of $2.73/share
- The Group's fixed price and FX rates EPS was $1.52/share
- This is $0.32 below the target for maximum vesting of $1.84/share
- As a result, 58% of the overall EPS component of the annual bonus will pay out (50% of overall opportunity).

Personal KRAs – 40% of overall opportunity

- Each executive director has a set of personal objectives for the year
- The vesting for each executive director is as follows:
  Mark Cutifani: 85% (34% of overall opportunity)
  Stephen Pearce: 90% (36% of overall opportunity)
  Tony O'Neill: 88% (35% of overall opportunity).

Safety, health and environment (SHE) target – 10% of overall opportunity

- SHE target for executive directors has a weighting of 10%
- The outcome for 2018 is 55% of the overall component
- This reflects the good result in reducing total recordable injury rate, but also the environmental impact of the Minas–Rio incident.

Safety deductor

- In 2018, a safety deductor was introduced, aligned to our goal of zero harm
- The deduction for 2018 is 7.5% of overall bonus value.

The overall vesting level for the annual bonus award was 63.4% of maximum for Mark Cutifani and 65.2%, and 64.3% for Stephen Pearce, and Tony O'Neill, respectively.

2016 LTIP VESTING

TSR vesting – 50% of overall opportunity

- The Group's TSR performance for the performance period was 285%
- This is above the maximum vesting threshold for both the sector index and FTSE 100 performance
- As a result, 100% of the TSR component of the 2016 LTIP will vest.

Group attributable ROCE vesting – 50% of overall opportunity

- The Group's attributable ROCE for 2018 was 19%
- This is above the maximum performance for vesting of 16%*
- As a result, 100% of the ROCE component of the 2016 LTIP will vest.

* The ROCE target range was restated from 5-15% to 6-16% as a result of impairments and portfolio changes from the time of target setting.

The overall vesting level for the 2016 LTIP award is 100% but with the application of the LTIP vesting cap these awards were significantly reduced. See page 117 for a full explanation.

Safety Care and respect Accountability Collaboration Integrity Innovation

2. DIRECTORS' REMUNERATION POLICY

2.1 FUTURE POLICY TABLE

The Company's remuneration policy, as set out in the 2016 Annual Report and Accounts, received approval from shareholders at the AGM held on 24 April 2017. The Company intends that this policy should apply until the Company's 2020 AGM.

For ease of reference, the committee has decided to reproduce the remuneration policy in full in the following sections, excluding the paragraphs explaining the changes from the 2014 remuneration policy. The table below, therefore, sets out the key components of executive directors' pay packages, including the rationale for use and practical operation considerations.

Figure 1: Key aspects of the remuneration policy for executive directors

Basic salary

People

Purpose
To recruit and retain high-calibre executives.

Operation
Basic salary levels are reviewed annually by the committee, taking account of Group 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.

Annual bonus

Safety and health
Environment
Socio-political
People
Financial
Cost

Purpose
To encourage and reward delivery of the Group's strategy.

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 Group's strategy regardless of price or other volatility. The individual objectives are based on the Group'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 Group'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 Group.

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 Group's strategic priorities and safety performance.

A modifier to the above is applied depending on the extent to which safety targets are met.

Where relevant, targets will be disclosed retrospectively as they are considered to be commercially sensitive.

Outcome at threshold
EPS: 25% of award portion.

Discretion
Under the BSP Rules, the Company has the standard discretion to take appropriate action in the event of unforeseen events which affect the Bonus Shares (for example, on a variation in share capital) and to settle the Bonus Shares in cash (for example, on a termination).

Should circumstances change such that EPS is no longer considered to be the most appropriate financial measure, the committee retains the discretion to replace EPS with one or more alternative financial measures. Full details of any such change would be given in the relevant remuneration report.

Figure 1: Key aspects of the remuneration policy for executive directors

Long-Term Incentive Plan (LTIP) Safety and health Financial Environment Socio-political	**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 Group'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 Group's financial and/or strategic priorities and will be set out in the statement of implementation in the year of grant to the extent that they are not commercially sensitive. Dividend equivalents are paid on any shares that vest. In order to mitigate potential excessive gains brought about by the volatile nature of the mining industry, the value that can be delivered on an award vesting will be limited to twice the face value of the award on grant. Any gains above this level will be forfeit before the start of the two-year holding period or, in exceptional circumstances and at the committee's discretion, deferred for a further period. **Performance period** Three years. **Additional holding period** Two years. **Malus and clawback** The committee is able to reduce any unvested awards, vested awards subject to a holding period or future grants in the event of a material misstatement in the Company's results, misconduct or a material failing in risk management processes that has given, or is likely to give, rise to significant and lasting value destruction for the Company.	**Maximum opportunity** 300% of salary. The value that can be received in the year of vesting will be limited to twice the face value of the award at grant, with any value above that level being forfeit or, in exceptional circumstances and at the committee's discretion, deferred for a further period. **Performance measures** 70%: TSR relative to sector index and leading UK-listed comparator companies. 30%: Balanced scorecard of key performance indicators, linking to the Company's KPIs. **Vesting at threshold** TSR: 25% of award portion. Balanced scorecard: 25% of award portion. **Discretion** The committee does not intend to make adjustments to the method by which it measures LTIP performance conditions. However, it reserves the discretion to make adjustments to outcomes in very exceptional circumstances, whether related to internal or external factors (for example, on a sequestration of assets). Shareholders would be given details of any exercise of this discretion in the relevant remuneration report. Under the LTIP rules, the Company also has the standard discretion to take appropriate action in the event of unforeseen events during an award cycle (for example, on a variation in share capital) and to settle the awards in cash (for example, on a termination). The committee may, in exceptional circumstances, allow the value delivered in the year of vesting to be above the limit described under 'Operation' and 'Maximum opportunity'. Should this discretion be applied, consideration would be given to deferring any gains above the normal limit for an extended time period. In addition, the committee would take account of the Company's overall financial performance, the magnitude of commodity and share price movements and overall remuneration outcomes in recent years. The exercise of any such discretion would be fully explained in the relevant remuneration report.
Pension	**Purpose** To offer market-competitive levels of pension provision. **Operation** Executive directors participate in defined contribution pension arrangements. Executive directors have the option for contributions which may not be paid to a UK-registered pension scheme as a result of HMRC limits (either annual allowance or lifetime allowance) to be treated as if paid to an unregistered unfunded retirement benefit scheme (a UURBS). Executive directors may request a pension allowance to be paid in place of defined contribution arrangements.	**Maximum opportunity** 30% of basic salary*. * As set out in the letter to shareholders, the policy on pensions will be updated as part of the new directors' remuneration report. Until then, new executive director appointments will be awarded a company contribution of 15%.
SAYE/SIP	**Purpose** As UK employees, UK-based executive directors are eligible to participate in the Company's Save As You Earn (SAYE) scheme and SIP. **Operation** The plans are registered with HMRC and do not have performance conditions.	

Figure 1: Key aspects of the remuneration policy for executive directors

Other benefits

Purpose
To provide market-competitive benefits.

Operation
The Company provides the following ongoing benefits:

- 28 days' leave and encashment of any accumulated leave in excess of 20 days
- Car-related benefits
- Medical insurance
- Death and disability insurance
- Directors' liability insurance
- Limited personal-taxation and financial advice
- Club membership
- Other ancillary benefits, including attendance at relevant public events.

In addition, the Company pays additional benefits when specific business circumstances require it, including costs and allowances related to relocation and international assignments.

The Company reimburses all necessary and reasonable business expenses.

Maximum opportunity
Capped at 10% of salary.

Discretion
The committee reserves the discretion to exceed the ongoing maximum level for certain situation-specific benefits, such as relocation. Full details of the exercise of any such discretion will be provided to shareholders in the following remuneration report.

Figure 2: Recruitment and promotion arrangements

Purpose
To secure the appointment and promotion of high-calibre executives.

Operation
The remuneration arrangements for a newly recruited or promoted executive director will reflect the remuneration policy in place for executive directors at the time of the appointment. The arrangements will therefore comprise basic salary, annual bonus, LTIP awards, benefits, pension and SAYE/SIP on the bases set out above.

The initial basic salary level for a newly recruited or promoted executive director will be set to reflect the individual's experience, salary levels within the Company and market levels. Where basic salary is set below the level that might be expected, given the executive's relative inexperience, and the executive then develops successfully into the role, the committee has the discretion to give a salary increase in the year(s) after appointment above the standard maximum level of 5%.

For external appointments, the committee may also offer additional cash and/or share-based elements (including in-flight LTIPs) to replace any remuneration forfeited, when it considers this to be in the best interests of the Company and its shareholders. The terms of any share-based elements offered will reflect the nature, time horizons and performance requirements of remuneration forfeited and will have equivalent performance conditions attached. Shareholders will be informed of any such payments at the time of appointment. If necessary, the Company can go outside of existing plans as currently permitted under the Listing Rules.

Pensions for new hires will be set at a level commensurate with the wider workforce and will be no greater than 25% of salary.*

For internal appointments, any commitments made before appointment and not relating to appointment are allowed to pay out according to their terms. For external and internal appointments, the committee may agree that the Company will meet certain relocation expenses as appropriate.

* As set out in the letter to shareholders, the policy on pensions will be updated as part of the new directors' remuneration report. Until then, new executive director appointments will be awarded a company contribution of 15%.

2.2 SUPPLEMENTARY INFORMATION

2.2.1 SHAREHOLDING TARGETS

Within five years of appointment, executive directors are expected to hold Anglo American plc shares with a value of three times basic salary in respect of the chief executive and two times basic salary in respect of other executive directors. The committee takes into consideration achievement against these targets when making grants under the Company's various incentive plans.

2.2.2 POLICY IN REST OF COMPANY

The remuneration arrangements for the executive directors outlined in Figure 1 are consistent with those for other executives serving on the GMC, although opportunity levels vary. The majority of our employees are located in South Africa and South America, and the remuneration arrangements of these employees are aligned to local market practices and levels.

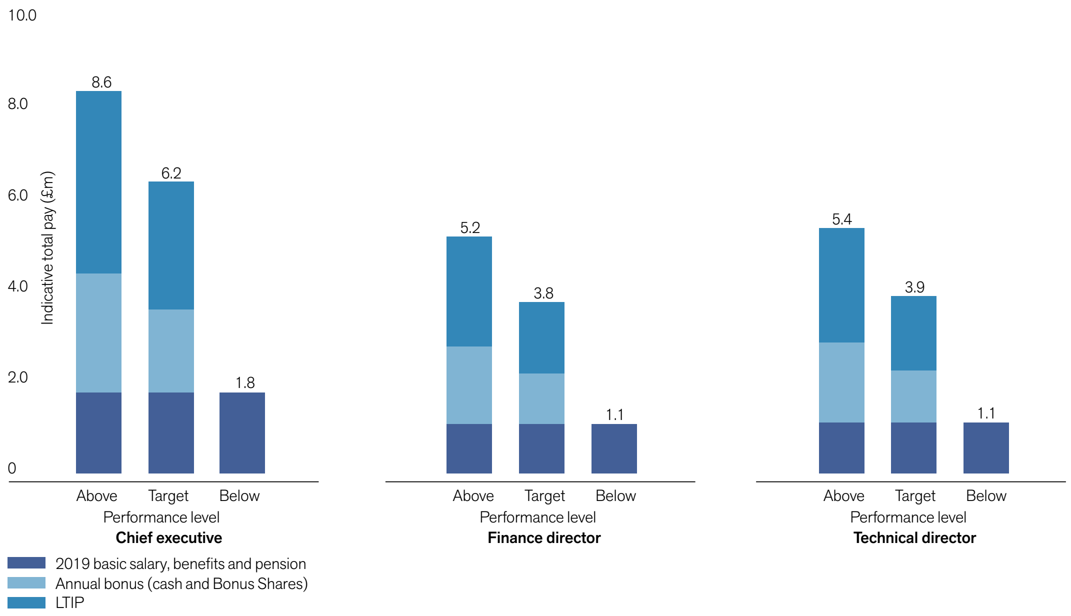
Figure 3: Key aspects of the remuneration policy for non-executive directors

Chairman – Fees	**Purpose** To attract and retain a high-calibre chairman by offering a market-competitive fee level. **Maximum increase** Equivalent to annual increase of 5% of fee level.	**Operation** The chairman is paid a single fee for all of his responsibilities. The level of this fee is reviewed every two to three years by the committee and chief executive, with reference to UK market levels (FTSE 50 companies), and a recommendation is then made to the Board (in the absence of the chairman). Fees are paid in cash, with the flexibility to forgo all or part of the net fees to acquire shares in the Company.
Chairman – Benefits	**Purpose** To provide market-competitive benefits. **Maximum benefits** £35,000.	**Operation** The chairman is entitled to the reasonable use of a car and driver. The chairman has, to date, made use of ad hoc chauffeur services. Reasonable and necessary expenses are reimbursed.
Non-executive directors – Fees	**Purpose** To attract and retain high-calibre non-executive directors by offering market-competitive fees. **Maximum increase for each type of fee** Equivalent to annual increase of 5% of fee level.	**Operation** The non-executives are paid a basic fee. The chairmen of the main Board committees and the senior independent director are paid an additional fee to reflect their extra responsibilities. These fee levels are reviewed every few years by the chairman and executive directors, with reference to UK market levels (FTSE 50 companies), and a recommendation is then made to the Board. Fees are paid in cash, with the flexibility to forgo all or part of the net fees to acquire shares in the Company. Reasonable and necessary expenses are reimbursed. Non-executive directors' fees were reviewed in 2017. The Board decided to increase base fees to make them market-competitive. Prior to this, base fees had not increased since 2010. Committee fees were also introduced. Full details can be found on page 118.
Other fees/ payments	**Purpose** To have the flexibility to provide additional fees/benefits if required. **Maximum additional fee** £30,000.	**Operation** The Company has the discretion to pay an additional fee, up to the equivalent of the committee chairmanship fee (currently £30,000), to a non-executive director should the Company require significant additional time commitment in exceptional or unforeseen circumstances.

2.3 INDICATIVE TOTAL REMUNERATION LEVELS

Figure 4 illustrates how the total pay opportunities for the chief executive, the finance director and the technical director vary under three different performance scenarios:

Figure 4: Indicative executive director total remuneration at different levels of performance



Note:

Pay element	Above	Target	Below
Fixed	2019 basic salary, benefits and pension	2019 basic salary, benefits and pension	2019 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, £40,000 and £33,000 have been used for ongoing non-pension benefits for the chief executive, finance director and technical director, respectively.
- Share price movement and dividend accrual have been excluded from all figures.
- Participation in the SAYE and SIP has been excluded, given the relative size of the opportunity levels.
- Charts have not been included for the non-executive directors as their fees are fixed and do not vary with performance.

2.4 POLICY ON TERMINATION AND CHANGE IN CONTROL

2.4.1 EXECUTIVE DIRECTORS

Figure 5 sets out the Company's policy on termination. This policy is consistent with provisions relating to termination of employment in the executive directors' service agreements and with provisions in the incentive plan rules.

Figure 6 sets out key provisions relating to change of control, where there is no termination. There are no provisions for enhanced payments in the event of a change of control of the Company.

2.4.2 NON-EXECUTIVE DIRECTORS

All non-executive directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. The chairman's appointment may be terminated by the Company with six months' notice. The appointment letters for the chairman and non-executive directors provide that no compensation is payable on termination, other than any accrued fees and expenses.

Figure 5: Principles of determining payments for loss of office

Notice periods	Notice periods do not exceed 12 months. Upon appointment, the committee can agree an extended Company notice period for the first year following appointment.

	'Good leaver'	Voluntary resignation	'Bad leaver'
Circumstances of departure of executive directors	Typical reasons include retirement, redundancy, death, ill health, injury, disability or as defined by the committee. Where departure is on mutually agreed terms, the committee may treat the departing executive as a 'Good leaver' in terms of one or more elements of remuneration. The committee uses this discretion judiciously and shareholders will be notified of any exercise as soon as reasonable.		Typically, termination for cause.
Salary and benefits for notice period	Salary and benefits continue to be paid to the date of termination of employment, including any notice period and/or gardening leave period. The Company may terminate employment with immediate effect and, in lieu of the unexpired portion of any notice period, make a series of monthly payments based on salary and benefits (or make a lump sum payment based on salary only). Any monthly payments will be reduced to take account of any salary received from alternative employment.	Salary and benefits continue to be paid to the date of termination of employment, including any notice period and/or gardening leave period. The Company may terminate employment with immediate effect and, in lieu of the unexpired portion of any notice period, make a series of monthly payments based on salary and benefits (or make a lump sum payment based on salary only). Any monthly payments will be reduced to take account of any amounts received from alternative employment.	Immediate termination with no notice period.
Bonus accrued prior to termination	A time-pro-rated bonus award may be made by the Company, with the committee's approval, and will be paid wholly in cash.	No accrued bonus is payable.	No accrued bonus is payable.
Unvested Bonus Shares	**Normal circumstances** Bonus Shares are released in full on the normal release date (i.e. awards will not be released early). **Exceptional circumstances** (e.g. death or other compassionate grounds). Bonus Shares are released in full, and eligible for immediate release.	Forfeit	Forfeit

Figure 5: Principles of determining payments for loss of office

	'Good leaver'	Voluntary resignation	'Bad leaver'
Five-year Bonus Shares during final two years of vesting period	**Normal circumstances** Released in full to the employee at the end of the five-year period. **Exceptional circumstances** (e.g. death or other compassionate grounds.) Bonus Shares are released in full, and eligible for immediate release.	If an employee resigns to join a competitor (as defined by the committee) during the final two years of the five-year vesting period, then the Bonus Shares will be forfeit. Outside of these circumstances, Bonus Shares are released to the employee at the end of the five-year period.	Forfeit
Unvested LTIP awards	**Normal circumstances** LTIP awards will vest subject to the performance conditions at the end of the normal performance period and, if applicable, released at the end of the holding period. All awards are time-pro-rated. **Exceptional circumstances** (e.g. death or other compassionate grounds.) LTIP awards may be released on departure, subject to assessment of the performance conditions at that time. All awards are time-pro-rated.	Forfeit	Forfeit
Vested LTIP awards subject to a holding period	**Normal circumstances** Vested LTIP awards that are subject only to a holding period are released in full to the employee at the end of the holding period. **Exceptional circumstances** (e.g. death or other compassionate grounds.) Vested LTIP awards subject to a holding period may be released on departure.	If an employee resigns to join a competitor (as defined by the committee), then even those vested LTIP awards that remain subject only to the holding period will be forfeit. Outside of these circumstances, such awards are released to the employee at the end of the holding period.	Forfeit
Unvested Restricted Shares	There is no standard policy in respect of the treatment of any restricted share awards to executive directors. Terms are set on a case-by-case basis.	Generally forfeit.	Forfeit
SAYE and SIP	Outstanding shares and/or options under the Company's SIP and SAYE vest in accordance with the relevant HMRC requirements.	According to HMRC rules.	According to HMRC rules.
Other	Limited disbursements (for example, legal costs, relocation costs, untaken holiday).	None	None
Malus and clawback	Malus and clawback provisions in the relevant incentive plan rules apply.		

Figure 6: Policy on change in control

Incentive plan provisions relating to change of control (without termination)	**Bonus Shares** The Bonus Shares awarded under the BSP will be released. **LTIP awards** The number of shares that vest under the LTIP will be calculated by reference to the extent to which the applicable performance conditions have been met at the time of the change of control. **Vested LTIP awards subject to holding period** LTIP awards will be released.

2.5 DEVELOPMENT OF DIRECTORS' REMUNERATION POLICY

The current directors' remuneration policy was approved by shareholders at the 2017 AGM. It is the intention of the committee to conduct a full review of the policy, in consultation with shareholders and other stakeholders, during 2019. The resulting policy will be put to shareholders for approval at the 2020 AGM.

The committee will address the changes to the Corporate Governance Code and reporting requirements, as well as the latest guidance from investors, as part of the new policy for 2020.

The committee understands the view expressed by shareholders regarding executive pensions and, the committee has determined that any new executive directors (and GMC members) who are appointed before the adoption of the new policy will receive a reduced employer contribution of 15%, instead of 25% set out in the current policy.

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:

- Under a previous policy, in which case the provisions of that policy shall continue to apply until such payments have been made;
- Before the policy or the relevant legislation came into effect; or
- At a time when the relevant individual was not a director of the Company and, in the opinion of the committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes, 'payments' includes the satisfaction of awards of variable remuneration and, in relation to awards of shares, the terms of the payment which are agreed at the time the award is granted.

3. ANNUAL REPORT ON REMUNERATION

The information set out in this section (which constitutes the Implementation Report) has been subject to external audit.

3.1 EXECUTIVE DIRECTOR REMUNERATION IN 2018

Figure 7 sets out the remuneration paid to the executive directors for 2018.

Figure 7: Single total figure of remuneration for executive directors

	Total basic salary £'000	Benefits in kind £'000	Annual bonus – cash and Bonus Shares £'000	LTIP(1) award vesting £'000	Pension £'000	Other(2) £'000	**Total 2018 £'000**	**Total 2017 £'000**
Executive directors	**Section 3.1.1**	**Section 3.1.2**	**Section 3.1.3**	**Section 3.1.4**	**Section 3.1.5**			
Mark Cutifani	**1,318**	**36**	**1,754**	**10,892**	**395**	**274**	14,669	
Mark Cutifani (2017)	1,286	34	2,077	3,238	386	128		7,150
Stephen Pearce(3) (4)	**794**	**40**	**1,088**	**5,209**	**238**	**37**	7,407	
Stephen Pearce (2017)	716	946	1,229	–	215	301		3,408
Tony O'Neill	**824**	**33**	**1,112**	**5,839**	**245**	**173**	8,226	
Tony O'Neill (2017)	804	36	1,365	1,744	241	79		4,270

(1) The LTIP vesting level was confirmed by the Remuneration Committee at its meeting on 19 February 2019. As the awards are due to vest after publication of this report, an average share price between 1 October 2018 and 31 December 2018, £16.716, was used to calculate the value and will be trued up in the 2019 report. The values are capped in line with the vesting cap introduced in 2016, see page 117, with a share price increase of 276% accounting for a 131% increase in the value, since the grant date. The LTIP values shown include dividend equivalent amounts of £692,465 for Mark Cutifani, £110,962 for Stephen Pearce and £371,216 for Tony O'Neill; based on shares received after the cap, where applicable. The values of LTIP awards that vested in 2018 figures have been 'trued up' to reflect the actual share price at vest of £16.93, see page 117 for more details.

(2) Other comprises free and matching shares under the SIP and dividend payments from unvested shares.

(3) For Stephen Pearce, two awards vested. Both were granted on joining under the terms of the LTIP as buy-out awards to compensate for incentives forfeited at Fortescue Metals Group. 203,692 shares vested in July 2018 with a share price at vest of £17.005. 97,770 shares are due to vest in March 2019, and are valued using the average share price from 1 October to 31 December 2018 of £16.716. See 2017 Remuneration report for more details.

(4) The March 2019 vesting will be subject to a two-year holding period starting on the vesting date.

Figure 8: Basic salaries for 2018

MARK CUTIFANI
(2017: £1,286)

£1,318

STEPHEN PEARCE
(2017: £716)

£794

TONY O'NEILL
(2017: £804)

£824

(all amounts in '000)

3.1.1 BASIC SALARIES FOR 2018

Figure 8 sets out the basic salaries for 2018.

3.1.2 BENEFITS IN KIND FOR 2018

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 2018

	Car-related benefits £	Tax advice £
Mark Cutifani	30,760	1,353
Stephen Pearce	29,418	7,416
Tony O'Neill	29,664	936

3.1.3 ANNUAL BONUS OUTCOMES FOR 2018

Figure 10 shows the annual bonus outcomes for 2018.

At the start of 2018, the committee approved performance targets for the EPS element of the bonus outcome. In line with the prior period, 50% of the earnings element of the annual bonus was evaluated against fixed prices and FX rates, with the remaining portion evaluated at actual prices and FX rates. The fixed EPS portion is designed to monitor Group operational performance, excluding the impact of the variations in price and currency fluctuations. Budget prices and FX rates were selected for the fixed prices and FX rates, given the budget's importance as the primary comparative used for measuring performance internally. Both target ranges are illustrated in the table below, with 25% vesting taking place with performance at threshold.

	Threshold	Maximum	Outcome	Vesting
Actual prices and FX rates	$1.68/ share	$2.73/ share	$2.55/ share	87%
Fixed prices and FX rates	$1.50 share	$1.84/ share	$1.52/ share	29%

Higher realised prices across many of the Group's products, particularly in PGMs and thermal and metallurgical coal, and continued productivity improvements and cost control across the portfolio resulted in 87% vesting performance of the actual prices and FX element of the award. While average market prices for the Group's basket of products increased by 4%, EPS performance fell below the maximum vesting due to the $0.4 billion shortfall against the $0.8 billion cost and volume improvement target, primarily driven by the effect of above-inflation increases in oil and other energy costs and the impact of third party rail constraints at Kumba.

Excluding the improvement in prices, the fixed prices and FX element of the award vested at 29%, driven by the suspension of operations at Minas-Rio from March to December, offset by excellent performance at Metallurgical Coal's longwall operations and strong mine and plant performance, coupled with planned higher ore grades, at Copper, as well as the impact of cost-saving initiatives across the Group.

Measurement of both these targets, therefore, resulted in vesting of the overall EPS element (relating to 50% of the annual bonus award) of 58% (equivalent to 29% of overall opportunity).

The executives' individual objectives were set at the start of the year and reflect the Group's strategic priorities for the year. Each category contained between one and four specific objectives, incorporating a combination of quantitative and qualitative metrics. Following the end of the year, the committee made a detailed assessment of performance against each objective, leading to the evaluations shown in Figure 12.

The Board's first priority is zero harm. It is in this context that, from 2018, we introduced a safety deductor to individual annual bonuses for business leaders to ensure that we further align the bonus with our safety culture and our key focus on initiatives towards the elimination of fatalities.

While positive safety, health and environmental performance continues to be recognised and rewarded through a 10% SHE target for executive directors (see Figure 11a), there is no limit on the deduction applied to bonus results through the safety deductor. For 2018, the safety deductor for the executive directors resulted in a 7.5% deduction to final 2018 bonus values.

Figure 10: Annual bonus outcomes for 2018 (cash and Bonus Shares)

MARK CUTIFANI
(2017: £2,077)

£1,754

STEPHEN PEARCE
(2017: £1,229)

£1,088

TONY O'NEILL
(2017: £1,365)

£1,112

(all amounts in '000)

Figure 11a: SHE performance and safety deductor

	Weighting	2018 outcome
Total recordable case frequency rate (TRCFR)	2.0%	2.0%
Level 4/5 environmental incidents	2.0%	0.0%
HIV management	2.0%	0.5%
Elimination of fatalities(1)	4.0%	3.0%
Overall		**5.5%**

(1) Establish an *Elimination of Fatalities Taskforce* and implement control strategies.

Figure 11b: Safety deductor

Safety deductor	**(7.5%)**
A set percentage deduction on overall bonus value for each fatality above a baseline initially set at best ever annual safety performance and reducing each year.	

Figure 12: Annual bonus performance assessment for 2018

50% of each executive director's bonus outcome was dependent on an EPS target, with a result of 58%. 40% of the bonus outcomes related to a set of individual objectives for the year. The achievement and outcomes of these objectives are set out for each executive director below. 10% of the bonus outcomes are dependent on SHE targets with a 55% result. In addition, bonuses are subject to a safety deductor. For executive directors this resulted in a 7.5% deduction on overall values. Refer to page 113 for more detail.

Mark Cutifani

	Percentage weighting	2018 outcome
Financial	50%	29%
SHE targets	10%	5.5%
Personal objectives	40%	34%
Total	100%	68.5%
Safety deductor	A percentage deduction from overall bonus outcomes	(7.5)%
Overall result	–	**63.4%**

Objectives	Achievement	Outcome
Portfolio (20%) • Deliver targeted progress on major projects • Targeted asset sales to be completed by end of 2018 • Identify endowment and Mineral Resource opportunities sufficient to cover Ore Reserve depletion in 2018	• Board approval of Quellaveco copper project, at a capital cost of $5.0-$5.3 billion, first production expected in 2022. • Project partner, Mitsubishi, increased its interest from 18.1% to 40%, realising $500 million in upfront consideration. • Ramping up of recently delivered projects, including Grosvenor (up 82% year-on-year) and Gahcho Kué. Key regulatory approval relating to the Minas-Rio Step 3 licence area achieved in December, as planned. • In the year, completed disposals, including South African domestic coal assets, and interests in Union Mine and the Bafokeng Rasimone Platinum Mine associate. • Identified and secured mineral tenure in established and frontier settings, including Brazil, Ecuador, and Australia. Continued focus on mineral tenure around Anglo American's existing assets, including Los Bronces and Quellaveco copper districts and Mogalakwena PGMs district.	18%
Innovation (10%) • Deliver $0.8 billion EBITDA improvements through cost and volume improvements • Develop improvement plans to support 20% production growth within 5 years. • Innovative technology and digitalisation to develop the Group's value proposition • Develop and launch new approach to sustainable mining	• Generated $3.2 billion in attributable free cashflow, and after payment of $1.3 billion in shareholder dividends, reduced net debt to $2.8 billion. • Delivered 6% increase in Copper Equivalent (CuEq) production (excl Minas Rio) and maintained CuEq unit costs at the same levels as 2017. • Delivered $0.4 billion cost and volume improvement, with above CPI inflation and third-party logistics constraints at Kumba impacting target achievement. • Developed and implemented plans to support future growth, with production anticipated to increase by 20-25% over the next 5 years e.g. Quellaveco ramp-up and improvements in Metallurgical Coal. • Deployment of programmes to operate key assets and equipment at industry best practice and beyond (P101). Progressed technology development and digitalisation strategies to deliver Operating Model and P101. • Progressed development of FutureSmart Mining™ approach with $0.1 to $0.5 billion p.a. allocated to technology and innovation initiatives. • De Beers : pilot launch of first blockchain technology spanning the diamond value chain, and launched Lightbox, a laboratory grown diamond fashion jewellery brand a unique value proposition. • Launched an ambitious approach to sustainability and committed to transformational 2030 stretch goals in respect of (1) thriving communities (e.g. 5 jobs created for every job on-site); (2) a healthy environment (e.g. improve energy efficiency by 30%, reduce freshwater abstraction by 50%), and (3) being a trusted corporate leader (e.g. all operations certified to relevant mine certification standards).	6%
People (10%) • Continue to strengthen the GMC and functional leadership • Develop and deploy the Group's Purpose • Establish and roll out a Group-wide Inclusion and Diversity (I&D) strategy	• Reorganisation of GMC: dedicated Strategy and Business Development capability, South American representation with new CEO of Base Metals. • Launched the Group Purpose and deployed it globally. • Developed and deployed I&D strategy across the Group. • Women in senior management increased to 21% from 15% in 2017, target of 25% by 2020.	10%
Overall individual performance		**34.0%**

Figure 12: Annual bonus performance assessment for 2018

Stephen Pearce

	Percentage weighting	2018 outcome
Financial	50%	29%
SHE targets	10%	5.5%
Personal objectives	40%	36%
Total	100%	70.5%
Safety deductor	A percentage deduction from overall bonus outcomes	(7.5)%
Overall result	–	**65.2%**

Objectives	Achievement	Outcome
Portfolio (10%) • Continue portfolio upgrading, completing announced disposals and acquisitions • Optimise investment and holding structure for the Quellaveco project, subject to decision to proceed • With the Technical Director, develop plans to drive technology and innovation rollout that will support the long-term optionality of key assets	• Concluded several disposals, including interests in Union Mine and the Bafokeng Rasimone Platinum Mine associate and Eskom-tied thermal coal operations, all in South Africa. • Completed acquisition of Chidliak Diamond Resource in Canada and remaining 50% interest in the Mototolo platinum joint operation. • Board approval of development of Quellaveco project at a capital cost of $5.0-$5.3 billion, first production expected in 2022. • Agreement reached with Mitsubishi to increase its stake from 18.1% to 40% in Quellaveco project, realising $500 million in upfront consideration. • Mitsubishi to fund its share of 40% of capital expenditure, meaning AA plc only required to contribute to development capital in mid-2019. • Progressed development of the FutureSmart Mining™ programme with $0.1-$0.5 billion p.a. allocated to technology and innovation initiatives. • Advanced the asset option evaluations through the improved planning and project governance model.	10%
Innovation (15%) • Achieve $0.8 billion EBITDA improvement in 2019 and develop plans to deliver $3-4 billion improvement by 2022 • Take actions to reduce net debt and further improve debt repayment profile • Engage with credit rating agencies to improve Group rating	• Achieved net $0.4 billion cost and volume improvement, with above CPI inflation and external logistics constraints, primarily at Kumba, impacting achievement of the target. • Advanced plans to support the 5-year EBITDA improvement target with resources, capital and initiatives allocated to key programmes to realise the objective. • Generated $3.2 billion in attributable free cashflow, and after payment of $1.3 billion in shareholder dividends, reduced net debt to $2.8 billion. • Reduced near term refinancing requirements by 50% and increased weighted average maturity profile of outstanding bonds by one year to 5.0 years. • Achieved further rating upgrades from the credit rating agencies.	12%
People (10%) • Build finance function to support Group strategic objectives • Implement plans to support Group inclusion and diversity (I&D) strategy	• Developed finance talent population via new appointments, supporting Group's business requirements including new finance team for the Quellaveco project. • Established I&D goals for finance function. • Piloted a reciprocal mentoring programme focused on gender diversity and increased awareness of working with people with disabilities.	10%
Investor relations (5%)	• Active and ongoing engagement with shareholders setting out the Group's financial and operating performance and progress in achieving strategic objectives. • Continued expansion of the shareholder base and increased engagement with various stakeholders.	4%
Overall individual performance		**36.0%**

Figure 12: Annual bonus performance assessment for 2018

Tony O'Neill

	Percentage weighting	2018 outcome
Financial	50%	29%
SHE targets	10%	5.5%
Personal objectives	40%	35%
Total	100%	69.5%
Safety deductor	A percentage deduction from overall bonus outcomes	(7.5)%
Overall result	–	**64.3%**

Objectives	Achievement	Outcome
Portfolio (15%) • Quellaveco ready to proceed by mid-2018. • Optimise the configuration of key assets and deliver key projects. • Identify endowment and mineral resource opportunities to cover Ore Reserve depletion in 2018. • Progress discovery of new greenfield targets.	• All feasibility work and third-party reviews completed enabling the Quellaveco project to proceed. • Progressed options for development of the Los Bronces copper district, the Mogalakwena and Northern Limb PGM district; implementation of mine modernisation strategy at Amandelbult Platinum mine, and the optimisation of the Group's processing assets. • Continued ramping up of Grosvenor, Gahcho Kué and Venetia. • Completed the technical work to repair Minas-Rio pipeline, licence received to restart operations. • Identified and secured extensive mineral tenure including in Brazil, Ecuador, and the US, drilling programmes underway. • Continued brownfield exploration around existing assets.	13%
Innovation (15%) • Deploy Group-wide safety intervention strategy. • Drive operational improvements in the asset portfolio. • Develop and implement a suite of FutureSmart Mining™ technologies. • Formulate a digital strategy and commence implementation. • Identify strategies and actions to ensure the integrity of critical assets.	• Formed dedicated taskforce, which completed detailed safety assessments of 17 sites. • Deployment of critical controls for most prominent fatal risks identified. • Recorded 23% year-on-year improvement in the total recordable injury rate. • Regrettably, five work related fatalities were recorded, representing the Group's lowest fatal injury count on record. • Pathways to achieve P101 performance on critical assets in place, and implementation of bespoke interventions underway, copper equivalent production increased 6% year-on-year. • Deployment plans for coarse particle recovery (CPR), bulk sorting, and other FutureSmart Mining™ technologies in place. Installations of bulk sorting and CPR underway at El Soldado and Mogalakwena. Installation of Shock Break (Vero) technology progressing at Barro Alto. • Digitalisation strategy formulated covering the entire mining value chain. Technology partners selected, teams recruited, initial portfolio of use cases defined, and first pilots being implemented. • Asset integrity tactics developed in full at critical sites, including maintenance strategies to support development plans.	13%
People (10%) • Train and align key Functional and BU technical staff on team 'breakthrough', P101 defined and launched at a Group Technical Conference. • Develop talent process – emphasis on capability and diversity. • Deliver Operating Model roll-out per schedule.	• Successful Technical training for key staff focused on achieving beyond-benchmark performance. P101 supported by leadership and resource deployment. Deployment of mentoring programmes and communities of practice. • Talent processes to identify and develop emerging talent held and accelerated deployment into key roles to support the Group's objectives. • Operating model implemented at a further 10 operations, with significant re-training and upskilling of technical teams.	9%
Overall individual performance		**35.0%**

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 overall executive performance in the relevant category. The assessment for 2018 took place against a backdrop of improved operational and financial performance through a continued focus on greater operational efficiency and upgrading the asset portfolio.

The personal performance outcomes set out in the previous pages, combined with 58% EPS achievement and an overall safety performance of 55%, have generated overall bonus outcomes of 68.5%, 70.5% and 69.5%. When applied to the maximum bonus of 210% of salary, these performance outcomes translate into bonuses of £1,896,061; £1,176,072; and £1,202,339 for Mark Cutifani, Stephen Pearce and Tony O'Neill respectively.

Once the safety deductor of 7.5% for 2018 is applied to this outcome, the resultant bonus values are £1,753,856; £1,087,867; and £1,112,164.

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 2016, Mark Cutifani and Tony O'Neill received LTIP grants of 993,810 and 532,398 conditional shares respectively, with vesting subject to:

(a) the Group's TSR performance relative to:
  (i) the Euromoney Global Mining Index; and
  (ii) FTSE 100 constituents over the three-year period to 31 December 2018; and

(b) Group Attributable ROCE to 31 December 2018.

To limit potential windfall gains for executive directors resulting from share price volatility, as outlined in our 2016 report, a Cap on the value that can be received from the 2014, 2015 and 2016 LTIP awards was introduced. The Cap is equal to the total face value of the 2014, 2015 and 2016 LTIP awards at grant. For Mark Cutifani this limit is £13.1 million and for Tony O'Neill £7 million. If the total market value of the vested LTIP awards exceeds the Cap (based on the value at the date of vesting for each award) then the excess value above the Cap will be forfeited. Stephen Pearce did not participate in the 2016 LTIP, only joining the Group in 2017; the vesting amounts in Figure 13b relate to his awards on joining.

As outlined in Figure 13, the 2016 LTIP performance assessment resulted in an overall achievement of 100% and, as a result of share price growth over the three-year period, the Cap limits were significantly exceeded. As a result of the Cap, the 2016 LTIP vest for Mark Cutifani of £16,612,528 was reduced by 38% to £10,199,085 (based on 2015 LTIP vest of £2,951,938 and a zero vest on the 2014 LTIP). The 2016 LTIP vest for Tony O'Neill of £8,899,565 was reduced by 38% to £5,467,517 (based on 2015 LTIP vest of £1,588,926 million and a zero vest on the 2014 LTIP). The 2015 LTIP vest for these purposes was valued using the share price of £16.2967, the three month average prior to vesting.

The committee has carefully reviewed this outcome, taking into consideration the very strong improvement in the underlying performance of the business over the past three years and believes that the Cap has met the desired goal of ensuring rewards are appropriate to the performance delivered. Taking into consideration the effect of the Cap, no further discretion was applied by the committee during 2018.

The LTIP amounts shown in last year's report in respect of the LTIP's granted in 2015 were calculated on an 'expected' basis, with an assumed share price of £14.42. The actual share price at vesting was £16.93, leading to the following increases in value:

	Estimated value	Actual value	Increase
Mark Cutifani	£2,611,996	£3,067,336	£455,340
Tony O'Neill	£1,405,950	£1,651,045	£245,095

Figure 13a: Performance assessment for 2016 LTIP awards

Measure	Threshold performance (25% vesting)	Stretch performance (100% vesting)	Actual performance	Vesting outcome
Euromoney Global Mining Index TSR (25% of total award)	102% (index TSR)	120% (index TSR + 6% p.a.)	285%	100%
FTSE 100 constituents TSR (25% of total award)	13% (median TSR)	55% (upper quartile TSR)	285%	100%
Group attributable ROCE (50% of total award)	6%	16%	19%	100%

Figure 13b: Total outcome including impact of the Cap

	100%	Capped value[1]	Dividend equivalents on Cap value[4]
Mark Cutifani (maximum opportunity 300% of salary)	£16,612,528	£10,199,085	£692,465
Stephen Pearce	£5,098,189[2] [3]		£110,962
Tony O'Neill (maximum opportunity 300% of salary)	£8,899,565	£5,467,517	£371,216

(1) 2016 LTIP vesting exceeds the Cap. Values based on a share price of £16.716. See note (1) to figure 7 for further information.

(2) For Stephen Pearce, two awards vested. Both were granted on joining under the terms of the LTIP as buy-out awards to compensate for incentives forfeited at Fortescue Metals Group. 203,692 shares vested in July 2018 with a share price at vest of £17.005. 97,770 shares are due to vest in March 2019, and are valued using the average share price from 1 October to 31 December 2018 of £16.716. See 2017 Remuneration report for more details.

(3) The March 2019 vesting will be subject to a two-year holding period starting on the vesting date.

(4) Based on shares received after the Cap, using the average share price for 1 October to 31 December 2018 of £16.716.

3.1.5 PENSION

The pension contribution amounts in Figure 14 should be read in conjunction with the following information:

- During 2018 Stephen Pearce joined the UURBS. The amount of pension contribution treated as having been paid into the scheme was £59,580
- The total amount of pension contributions treated as having been paid into the UURBS for Mark Cutifani and Tony O'Neill is £385,428 and £235,478 respectively
- Contributions treated as being paid into the UURBS earn a return equivalent to the Group's pre-tax sterling nominal cost of debt, capped at a rate determined by the committee. The total return earned in 2018 was £17,484 for Mark Cutifani, £1,451 for Stephen Pearce, and for Tony O'Neill £8,578
- As at 31 December 2018, the total balance due to executive directors in relation to the UURBS was £922,428. Retirement benefits can only be drawn from the UURBS if a member has attained age 55 and has left Group service.

Figure 14: Pension for 2018

	DC contribution (£'000)	Cash allowance (£'000)	UURBS contribution (£'000)	NIC paid by Company (£'000)	Total (£'000)
Mark Cutifani	10		385		395
Stephen Pearce		157	60	22	239
Tony O'Neill	10		235		245

3.1.6 EXTERNAL DIRECTORSHIPS

Executive directors are not permitted to hold external directorships or offices without the prior approval of the Board. If approved, they may each retain the fees payable from only one such appointment.

In the year, Mark Cutifani retained fees for one external directorship, at Total, amounting to €106,522 for 2018.

3.2 OTHER DIRECTOR REMUNERATION IN 2018

3.2.1 NON-EXECUTIVE DIRECTOR REMUNERATION

Figure 15 sets out the remuneration paid to the Company's non-executive directors in 2018. Fees shown include any additional fees paid in respect of chairing or being a member of one of the Board's committees or acting as the senior independent director.

As disclosed in the 2017 remuneration report, the Board approved an increase in base fees and the introduction of committee membership fees, with a phased implementation for both. The current annual fees for non-executive directors are set out below:

- Chairman – £700,000(1)
- Non-executive director base fee – £87,500(2)
- Chair of the Audit, Remuneration or Sustainability Committee – £30,000
- Senior independent director – £30,000
- Committee membership – £10,000 for serving on each of the Audit, Remuneration or Sustainability committees; £5,000 for the Nomination Committee(3)

(1) Includes service on any Board committee

(2) On 1 July 2019, base fee will increase to £90,000

(3) On 1 July 2019, committee membership fees will increase to £15,000 and £10,000 respectively.

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.

The former finance director, René Médori's, 2016 LTIP will vest in 2019. The capped value of the award is £5.1 million and is a pro-rated amount to reflect the months he worked of the performance period. This includes dividend equivalents. Values based on the average share price of £16.716.

Figure 15: Single total figure of remuneration for non-executive directors

	Total fees 2018 £'000	Benefits in kind 2018 £'000(3)	**Total 2018 £'000**	Total fees 2017 £'000	Benefits in kind 2017 £'000	**Total 2017 £'000**
Non-executive directors						
Stuart Chambers(1)	**700**	7	**707**	175		**175**
Ian Ashby(1)	**91**		**91**	37		**37**
Nolitha Fakude(1)	**101**		**101**	63		**63**
Byron Grote	**126**		**126**	115		**115**
Sir Philip Hampton(2)	**156**		**156**	145		**145**
Mphu Ramatlapeng	**91**		**91**	83		**83**
Jim Rutherford	**111**		**111**	93		**93**
Anne Stevens	**106**		**106**	90		**90**
Jack Thompson	**126**		**126**	115		**115**

(1) Stuart Chambers, Ian Ashby and Nolitha Fakude were appointed during 2017; which therefore includes part-year figures.

(2) Sir Philip Hampton resigned from the Board with effect from 31 December 2018.

(3) Relates to travel expenses during 2018.

3.3 SCHEME INTERESTS GRANTED DURING 2018

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 2018. Receipt of these awards is dependent on the Group's performance over 2018-2020 and to the maximum vesting value imposed by the committee, as detailed below.

The value of Bonus Shares awarded to directors in respect of 2018 is included in the annual performance bonus figures, set out in Figure 10. They are also included in Figure 17.

Figure 16: Summary of conditional share awards and options granted in 2018

Type of award	Performance measure	Vesting schedule	Performance period end	Director	Basis of award	Number of shares awarded	Face value at grant[1]
LTIP share awards	**TSR vs. Euromoney Global Mining Index (47%)**	25% for TSR equal to the Index; 100% for the Index 6% pa or above	31/12/2020	Mark Cutifani	300% of salary	222,263	£3,954,237
				Stephen Pearce	300% of salary	133,952	£2,383,113
				Tony O'Neill	300% of salary	138,914	£2,471,391
	TSR vs. FTSE 100 constituents (23%)	25% for TSR equal to median; 100% for 80th percentile or above					
	Balanced Scorecard 30%	**ROCE (10%)** 25% for 13%; 100% for 23% **Cumulative attributable free cash flow (10%)** **Sustainable Mining Plan (7%)** **Concurrent rehabilitation (3%)**					

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[1] The face value of each award has been calculated using the share price at time of grant, £17.7908, 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 is limited for each executive director to 200% of the face value at grant. Any value over this level will be forfeit. Vesting outcomes will be disclosed in the Remuneration Report for 2020.

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 2018. 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 for Stephen Pearce and Tony O'Neill to a value of two times salary. At the date of preparation of this report, Mark Cutifani has net shareholdings (including Bonus Shares) equal to 828% of basic salary, 308% for Stephen Pearce and 682% for Tony O'Neill, calculated using the average share price between 1 October to 31 December 2018 of £16.716.

Figure 17: Shares in Anglo American plc at 31 December 2018

			Conditional (no performance conditions)		Conditional (with performance conditions)		Total
Directors	Beneficial	Within a holding period	BSP Bonus Shares	SAYE/SIP	LTIP	Other	
Mark Cutifani	218,501	96,002	351,283	8,337	1,582,679	–	2,256,802
Stephen Pearce	107,764	–	41,446	3,481	354,896	97,770	605,357
Tony O'Neill	71,095	51,675	220,276	6,102	900,441	–	1,249,589
Stuart Chambers	2,679	–	–	–	–	–	2,679
Ian Ashby	–	–	–	–	–	–	–
Nolitha Fakude	2,035	–	–	–	–	–	2,035
Byron Grote(1)	32,396	–	–	–	–	–	32,396
Mphu Ramatlapeng	6,407	–	–	–	–	–	6,407
Jim Rutherford	30,156	–	–	–	–	–	30,156
Anne Stevens	2,122	–	–	–	–	–	2,122
Jack Thompson(1)	14,950	–	–	–	–	–	14,950
Former directors							
Sir Philip Hampton(2)	24,510	–	–	–	–	–	24,510

(1) Included in the beneficial interests of Messrs Grote and Thompson are shares held via unsponsored ADRs.

(2) Sir Philip Hampton resigned with effect from 31 December 2018, his interests are shown at his resignation date.

Differences from 31 December 2018 to 21 February 2019

Mark Cutifani's, Stephen Pearce's and Tony O'Neill's interests increased by 32 shares each from 31 December 2018 to 21 February 2019, as a result of the acquisition of shares under the SIP. Their total holdings therefore increased to 2,256,834; 605,389; and 1,249,621 respectively.

3.5 STATEMENT OF IMPLEMENTATION OF POLICY IN 2019

The Group's policy on executive director remuneration for 2019 is summarised in the policy statements in Figure 1. Figure 18 summarises how that policy will be implemented in 2019.

The EPS performance range for 2019 is considered by the Board to be commercially sensitive, although it will be disclosed in the 2019 remuneration report. Further details of the individual performance targets for 2019 bonuses will also be included in the 2019 remuneration report.

The financial elements of the balanced scorecard for the 2019 LTIP awards will remain the same as 2018. ROCE (10%) has again been selected to maintain focus on disciplined capital allocation. A cash flow target (10%) has also been included to continue to ensure linkage between management's remuneration outcomes and the Group's goal of reducing net debt through cash generation, thereby maintaining the Group's net debt/EBITDA ratio below 1.5.

The remaining 10% of the balanced scorecard for 2019 will be based on the implementation of the Water Management Standards (7%) and the approval of an Employee Well-being (3%) strategy.

The three-year cumulative attributable free cash flow target within the LTIP is considered by the Board to be commercially sensitive; disclosing it would enable competitors to derive information as to our detailed business plan. The actual targets, along with the outcomes, will be disclosed in the 2021 remuneration report. The definition of attributable free cash flow can be found on page 209.

Figure 18: Summary of key remuneration aspects in 2019

Element	Performance measure 1, weighting and component detail	Performance measure 2, weighting and component detail	Director	Level
Basic salary	–	–	Mark Cutifani	£1,344,444 (2% increase)
			Stephen Pearce	£810,263 (2% increase)
			Tony O'Neill	£840,278 (2% increase)
Annual bonus	**EPS (50%)** Half on performance at outturn prices and FX and half on performance at fixed prices and FX	**Individual objectives and SHE targets (50%)** Personal and strategic objectives supporting the Group's delivery on projects, business improvement, capital allocation, commercial activities, employee development, stakeholder engagement, safety, health and environment	Mark Cutifani	210% of salary
			Stephen Pearce	210% of salary
			Tony O'Neill	210% of salary
	Safety deductor A set percentage deduction on overall bonus for each fatality over a baseline, representing a significant reduction on best ever performance			
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 12% 100% for 20% **Cumulative attributable free cash flow (10%)** **Water Management Standard implementation (7%)** **Employee Well-being (3%)**	Mark Cutifani	300% of salary
			Stephen Pearce	300% of salary
			Tony O'Neill	300% of salary

3.5.1 OUTSTANDING LTIP AWARDS

As explained in the 2016 remuneration report, the value that can be received from awards granted from 2017 onwards is limited to twice the face value at grant.

3.6 REMUNERATION DISCLOSURES

3.6.1 TEN-YEAR REMUNERATION AND RETURNS

Figure 19 shows the Group's TSR performance against the performance of the FTSE 100 Index from 1 January 2008 to 31 December 2018.

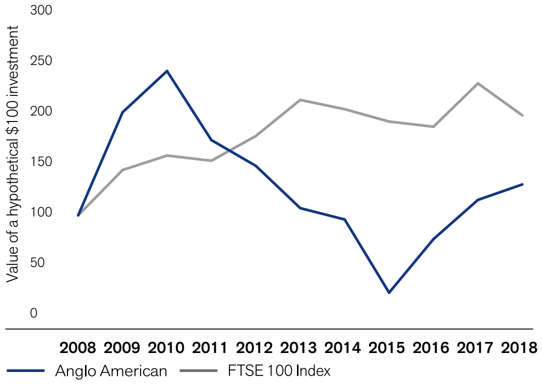
TSR is calculated in US dollars, and assumes all dividends are reinvested. The TSR level shown as at 31 December each year is the average of the closing daily TSR levels for the five-day period up to and including that date.

Figure 20 shows the total remuneration earned by the incumbent chief executive over the same ten-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.

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.

Mark Cutifani's remuneration level for 2018 is higher than usual as a result of significant share price growth in the 2016 LTIP vesting value.

Figure 19: Ten-year TSR performance



Source: Datastream

Figure 20: Chief executive's remuneration

Financial year ending	31 December 2009	31 December 2010	31 December 2011	31 December 2012	31 December 2013	31 December 2014	31 December 2015	31 December 2016	31 December 2017	**31 December 2018**
Cynthia Carroll										
Total remuneration (single figure, £'000)	4,379	4,235	8,113	3,203	1,462	–	–	–	–	–
Annual bonus (% of maximum)	99%	88%	94%	35%	67%	–	–	–	–	–
LTIP (% of maximum)	61%	50%	96%	50%	28%	–	–	–	–	–
BSP Enhancement Shares (% of maximum)	0%	0%	100%	0%	0%	–	–	–	–	–
Mark Cutifani										
Total remuneration (single figure, £'000)	–	–	–	–	5,305	3,725	3,462	3,996	6,693	**14,669**
Annual bonus (% of maximum)	–	–	–	–	65%	60%	36.5%	87.5%	76.9%	**63.4%**
LTIP (% of maximum)	–	–	–	–	–	–	50%	0%	50%	**100%**

3.6.2 CHANGE IN THE CHIEF EXECUTIVE'S REMUNERATION IN 2018 RELATIVE TO UK EMPLOYEES

Figure 21 sets out the chief executive's basic salary, benefits and annual bonus amounts for 2018 and the year-on-year change. We show the average change in each element for London employees below GMC level, which is considered to be the most relevant employee comparator group given the Group-wide nature of roles performed at the corporate head office.

Ahead of the reporting requirements, we have voluntarily disclosed a chief executive pay ratio for 2018. The chief executive's single figure for 2018 is higher than usual as a result of significant share price growth in the 2016 LTIP vesting. Due to the structure of executive pay which is heavily weighted to share-based long-term incentives, share price appreciation has a greater impact on the chief executive's pay level than the wider workforce. Estimated pay ratios for previous years are more representative of a typical year and using readily available data these are approximately 90:1 in 2017 and 55:1 in 2016.

Financial year ending	Method used	50th percentile
2018	Option A	191

3.6.3 DISTRIBUTION STATEMENT FOR 2018

Figure 22 sets out the total expenditure on employee reward over 2018, compared to profit generated by the Company and the dividends received by investors. Underlying earnings are shown, as this is one of the Group's key measures of performance, while employee numbers help put the payroll costs of employees into context.

Figure 21: Change in chief executive's remuneration compared to UK employees

		Salary	Benefits[1]	Bonus
Chief executive	£'000	1,318	36	1,754
	% change	2.5	5.4	(15.5)
London employees[2]	Average % change	6.6	11.2	8.0

[1] Benefits for London employees comprise pension and car allowances (where applicable), these being the most material.

[2] Annual salary increase was 2.5% for London employees, the 6.6% and 11.2% include pay increases resulting from promotions, and the resultant increase in benefit levels.

Figure 22: Distribution statement for 2018

Distribution statement		2018	2017
Underlying earnings[1]	$m	**3,237**	3,272
	% change	**(1)**	48
Dividends payable for year to Company shareholders	$m	**1,291**	618
	% change	**109**	100
Dividends payable for year to non-controlling interests	$m	**873**	672
	% change	**30**	1,580
Payroll costs for all employees	$m	**3,490**	3,370
	% change	**4**	(10)
Employee numbers	'000	**64**	69
	% change	**(7)**	(14)

[1] Please see page 139 for details on how underlying earnings are calculated.

Figure 23: 2018 AGM shareholder voting

	Number of votes		
Vote	For	Against	Abstain
2017 Implementation report	**912,841,691 (90.35%)**	**97,468,881 (9.65%)**	**10,093,338**
2017 Remuneration Policy	**875,719,701 (92.91%)**	**66,854,666 (7.09%)**	**3,153,118**

3.7 REMUNERATION COMMITTEE IN 2018

3.7.1 MEMBERSHIP

The committee comprised the non-executive directors listed on page 100 on 31 December 2018.

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 2018. The fees are charged in accordance with the terms and conditions set out in each relevant engagement letter.

PwC is a signatory, and adheres to, the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). In addition, the committee chairman has regular direct dialogue with advisers. For these reasons, the committee considers that the advice it receives is independent.

Figure 24: External advisers and fees

Advisers		Other services provided to the Company	Fees for committee assistance
Pricewaterhouse Coopers LLP (PwC)	Appointed by the Company, with the agreement of the committee, to support and advise on the Group's incentive arrangements, in addition to the provision of specialist valuation services and market remuneration data.	Investment advice, actuarial and audit work for various pension schemes; advice on internal audit projects; taxation, payroll and executive compensation advice.	£100,251
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.

Anne Stevens
Chair, Remuneration Committee

20 February 2019

GENDER PAY

Summary

The UK Gender Pay Gap reporting requirement is a regulation under The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 that is designed to provide public transparency in relation to the difference between men's and women's earnings, on average, within a company.

This regulation came into effect on 6 April 2017 and all UK registered companies that employ, in the UK, 250 or more people are required to disclose the specifically defined information by 4 April 2019. The source data for the required information must be at the 'snapshot date' of 5 April 2018.

Anglo American is confident that it complies with the UK's Equal Pay legislation, which governs the right to equal pay between men and women for equal work.

Hourly pay gap

The key measure that is required to be reported is the mean UK hourly pay gap. Anglo American Services (UK) Limited's mean hourly pay gap is 52%, which is primarily a function of the representation of men in the most senior management roles in our UK head office.

Anglo American is a globally diversified mining business, headquartered in the UK, and the majority of the senior leadership team is UK-based. The gaps shown below are largely attributable to the fact that more men than women are working in more highly paid, senior roles.

At the snapshot date of 5 April 2018, Anglo American Services (UK) Limited had a UK workforce of 292 employees, of which:

- 57% were men and 43% were women;
- The senior management population was made up of a significantly higher proportion of men (80%) than women (20%);
- Leading to a 52% mean and 41% median UK hourly pay gap

On a global basis, our gender pay gap(1) of approximately 15% reflects the far greater gender balance across the full breadth of our business activities.

Targeted changes

Mining has been an industry that has struggled to attract women and gender imbalance is therefore prevalent. This is particularly the case in many of the most senior roles, where we often require significant operational and engineering experience. We know that change will take time and we are committed to building on the positive progress we have made across Anglo American globally, including in the UK.

Across our global business, we are aligned with the Hampton-Alexander recommendations to achieve at least a 33% female representation across our ExCo and those that report to them, improving from 15% in 2017, to 21% by the end of 2018.

Our targeted changes to areas such as recruitment and talent development, along with changes to our ways of working, including more flexible and family-friendly arrangements, are making a real difference. Our wider work to foster a more inclusive culture and to ensure equality of opportunity for all will enable us to appoint the right person to the right role and for everyone to have the opportunity to fulfil their potential.

Hourly pay quartiles	Percentage males in Quartile	Percentage females in Quartile
Lower	24.66	75.34
Lower Middle	53.42	46.58
Upper Middle	68.49	31.51
Upper	82.19	17.81

Remuneration Committee's commitment

Reducing the gender imbalance, and therefore the gender pay gap, will of course take time, and the gap is unlikely to reduce significantly in the short term. However, we are confident that as we progress our inclusion and diversity work, the more our annual UK gender pay gap will narrow. The Remuneration Committee continues to critically review our pay structures to make sure that they support inclusion and diversity for our whole employee population; we take this responsibility very seriously.

For more information on the UK gender pay gap, visit **www.angloamerican.com/gender-pay-gap-report-uk**

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(1) Weighted average gender pay gap of the guaranteed pay of those employees in Australia, Brazil, Chile, Singapore, South Africa and the UK who are subject to the Anglo American Group-wide reward structures.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and Article 4 of the IAS regulation, and have elected to prepare the parent Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. The directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether Financial Reporting Standard 101 'Reduced Disclosure Framework' has been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, IAS 1 requires that directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

for the year ended 31 December 2018

We confirm that to the best of our knowledge:

(a) The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of Anglo American plc and the undertakings included in the consolidation taken as a whole

(b) The strategic report includes a fair review of the development and performance of the business and the position of Anglo American plc and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

(c) The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Mark Cutifani
Chief Executive

Stephen Pearce
Finance Director

20 February 2019

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANGLO AMERICAN PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- the financial statements of Anglo American plc (the 'Parent Company') and its subsidiaries (together the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated balance sheet;
- the Consolidated cash flow statement;
- the Consolidated statement of changes in equity;
- the accounting policies;
- the related notes 1 to 38; and
- the Balance sheet of the Parent Company and related information.

The financial reporting framework that has been applied in 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, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

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

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 38 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Company, its business model and related risks, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern (including where relevant the impact of Brexit), we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 43-47 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 43 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 43 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

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 assessment of the Group's key audit matters is consistent with 2017 except for Special items and remeasurements, which has been refined to focus on accounting for and presentation of special items and corporate transactions being the key judgement.

Impairment

Refer to the Audit Committee report on pages 92-99 and the disclosures in notes 7 and 8 on pages 144-147.

Key audit matter – description	As a consequence of continued volatility in commodity prices as well as licencing and operational developments during the year, the assessment of the recoverable amount of operating assets and development projects remains a key judgement and a source of estimation uncertainty. Management assessed whether indicators of impairment or impairment reversal exist for assets in accordance with IAS 36 *Impairment of Assets*. During the year, such indicators were identified at Moranbah-Grosvenor and Capcoal in Australia where impairment reversals of $0.9 billion and $0.3 billion have been recorded, primarily due to the improved long-term metallurgical coal price as well as the continued improvements in the operational performance of the mine (at Moranbah-Grosvenor) and increased forecast production in the updated life of mine plan (at Capcoal). Other such indicators have been identified at other specific assets including Minas-Rio in Brazil, which experienced a production stoppage during the year leading to an indicator of impairment, and the manganese operations where there was an increase in the forecast long-term commodity price resulting in an indicator of impairment reversal. Where such indicators were identified management has prepared valuation models used to determine the value in use or fair value less costs of disposal of the relevant asset.
How the scope of our audit responded to the key audit matter	We reviewed management's assessment as to whether indicators of impairment or impairment reversal exist. Where relevant we have obtained copies of the valuation models prepared by management. We challenged the assumptions made by management in relation to these models, including the discount rate used, the commodity prices, capital expenditure and operating cost forecasts, forecast tax cash flows and the expected production profiles, by comparison to recent analyst forecast commodity price and foreign exchange data, reference to third party documentation where available, utilisation of Deloitte valuation and tax specialists, consultation with operational management and consideration of sensitivity analyses. Deloitte specialists were also used to challenge the structural integrity of the models prepared. We reviewed whether the life of mine plans in the impairment assessment are based on the most up-to-date Ore Reserve and Mineral Resource reports prepared by management's experts. We evaluated the consistency of the key assumptions used in the preparation of those reports with the assumptions used in the valuation models and assessed the competence, experience and objectivity of management's experts. We assessed whether the assumptions had been determined and applied on a consistent basis, where relevant, across the Group.
Key observations	We found that the assumptions used were reasonable and had been determined and applied on a consistent basis, where relevant, across the Group. No additional impairments or impairment reversals were identified from the work performed. We found that the impairment reversals recorded at the Moranbah-Grosvenor and Capcoal mines in Australia were appropriate. We also concluded that no impairment or impairment reversal was required at either Minas-Rio or Samancor.

Taxation

Refer to the Audit Committee report on pages 92-99 and the disclosures in notes 5 and 16 on pages 142-143 and 153-154 respectively.

Key audit matter – description	The recognition and measurement of certain of the Group's deferred tax assets and liabilities requires management judgement and is a key area of audit effort due to the complexity of tax regulations across the jurisdictions where the Group operates. At 31 December 2018, the deferred tax assets recognised by the Group totalled $910 million with the most significant asset related to Minas-Rio. Management has performed an assessment of the forecast taxable profits against which the Group's tax losses and other tax attributes can be offset in future periods. The deferred tax liabilities recognised across the Group at 31 December 2018 were $3.7 billion. We note particular focus on the de-recognition of a $285 million liability previously recorded in Chile consequent to the decision to use historical Chilean profits to fund the development of Quellaveco.
How the scope of our audit responded to the key audit matter	Through the close involvement of our tax specialist teams at both a Group and business unit level we assessed the appropriateness and measurement of the deferred tax assets and liabilities recognised by the Group through discussions with the Group's taxation department and review of supporting documentation and calculations. In relation to assessing the recoverability of deferred tax assets, we reviewed and challenged the basis and underlying assumptions in the supporting taxable profit forecasts in order to assess the appropriateness of the assets recognised. In particular, we challenged management's assessment that, in measuring the Minas-Rio deferred tax asset, taxable profit forecasts considered probable should be time limited by reference to the criteria set out in IAS 12 *Income taxes*. In relation to deferred tax liabilities recognised across the Group, we reviewed the relevant deferred tax calculations and challenged management's underlying assumptions.
Key observations	We are satisfied that deferred tax assets and liabilities are properly recognised and measured in accordance with IAS 12.

Accounting for and presentation of special items and corporate asset transactions
Refer to the Audit Committee report on pages 92-99 and the disclosures in note 8 on pages 146-147.

Key audit matter – description	The appropriate accounting treatment of corporate asset transactions 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. In 2018 this includes the sale of the Eskom-tied domestic coal operations in South Africa (gain of $84 million), the Drayton coal mine in Australia (gain of $34 million), the Union platinum mine in South Africa (loss of $71 million) and the sale of the Group's 33% shareholding in Bafokeng Rasimone Platinum Mine (an impairment charge of $85 million was recognised prior to the completion of disposal). The assessment of the appropriateness of items disclosed within 'Special items and remeasurements', which includes profits or losses on disposals as well as impairments, impairment reversals, adjustments related to former operations and financing special items and remeasurements as further defined in note 8 to the financial statements, is a key judgement because of their impact upon the reporting of the underlying financial performance achieved by the Group, and has therefore been identified as an area where potential fraud could occur. As part of this assessment, management considers the guidance from the European Securities and Market Authority (ESMA) in making this assessment.
How the scope of our audit responded to the key audit matter	For each sales transaction that has completed, we reviewed the sale and purchase agreement to verify whether control has been appropriately transferred, and recalculated the profit or loss recorded on disposal. We considered whether any disposal required separate disclosure as a 'discontinued operation'. In the context of our review of the overall income statement we considered and challenged each item disclosed within 'Special items and remeasurements' with reference to the guidance from ESMA. We determined whether such categorisation is appropriate and consistent with the Group's stated policy and past practice for recognition of such items, and whether, taken as a whole, the income statement is fair and balanced in its presentation.
Key observations	We are satisfied that the asset disposals that completed in 2018 have been accounted for correctly in line with IFRS as adopted by the European Union, with appropriate disclosures properly made. We are satisfied that all items included within 'Special items and remeasurements', including any profit or loss on disposals, display no indication of management bias in the categorisation and that where relevant the categorisation was consistent with prior practice. We consider that the related disclosures are also appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	**Group** $200 million (2017: $200 million) **Parent Company** $76 million (2017: $76 million)
Basis for determining materiality	**Group** We have considered both asset and profit bases in the determination of materiality. $200 million equates to 0.7% (2017: 0.7%) of net assets and 4.2% (2017: 5.8%) of normalised three-year pre-tax profit before special items and remeasurements. The use of a combination of bases is consistent with our approach in 2017. **Parent Company** The Parent Company materiality represents below 1% (2017: below 1%) of shareholders' equity. When determining this materiality, we also considered the appropriateness of this materiality for the consolidation of this set of financial statements to the Group's results.
Rationale for the benchmark applied	**Group** Given the continued volatility in commodity prices and the cyclical nature of the mining industry we believe that incorporating balance sheet metrics in our assessment in addition to pre-tax profit before special items and remeasurements is a more appropriate approach as it reflects the capital invested, the changes in production, the volume of commodities sold and the scale of the Group's operations. **Parent Company** Due to the Parent Company's primary role as a holding company, owning investments in other Group entities, shareholders' equity is the key metric driving shareholder value. As such, we considered shareholders' equity the most appropriate benchmark to determine the Parent Company materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $10 million (2017: $10 million) for the Group as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group, the Parent Company and their environment, including internal control, and assessing the risks of material misstatement.

All business units were subject to a full scope audit with the exception of Nickel and Manganese where specific procedures were performed, which is consistent with our 2017 audit approach. Our approach continues to focus on the key audit matters identified within those business units and to perform appropriate procedures on the rest of those business units' financial information, noting their financial significance in the context of the Group as a whole.

The work performed by the component audit teams at each business unit is guided by the Group audit team and is executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from $80 million to $110 million (2017: $90 million to $110 million).

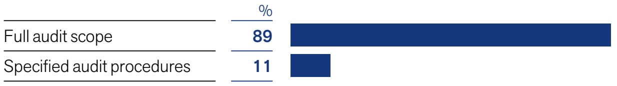
Additionally for all in-scope components, the Group audit team was involved in the audit work performed by component auditors through a combination of global planning issues meetings, the provision of referral instructions, review and challenge of related component inter-office reporting and of findings from their work (which included the audit procedures performed to respond to risks of material misstatement), attendance at component audit closing conference calls and regular interaction on any related audit and accounting matters which arose.

The Senior Statutory Auditor and/or a senior member of the Group audit team visits the principal location of each significant business unit at least once every year and key operational assets on a rotating basis.

The Parent Company is located in the United Kingdom and audited directly by the Group audit team.

Group revenue

Underlying EBIT



Net assets

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements, which forms part of our auditor's report, is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit, legal counsel, technical specialists and the Audit Committee, including obtaining and reviewing relevant documentation, concerning the Group's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions, IT, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in assessing the appropriateness of items disclosed in 'Special items and remeasurements' given their impact upon the financial performance, accounting for and presentation of special items and corporate asset transactions, and the carrying value of operating assets and development projects, impairment and the capitalisation of costs related to capital projects due to management judgements involved. The fraud risk within revenue recognition was identified around cut-off; and
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pension legislation and tax legislation. In addition, compliance with terms of the Group's operating licences and environmental regulations were important to the Group's ability to continue as a going concern.

Audit response to risks identified

As a result of performing the above, we identified the accounting for and presentation of special items and corporate asset transactions and impairment as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with the relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, and reviewing internal audit reports and reviewing correspondence with relevant regulatory authorities;
- reviewing sales transactions recorded close to the year end to supporting documentation to assess whether these were recognised in the appropriate period;
- challenging the appropriateness of judgements around the capitalisation of costs related to capital projects in line with IAS 16 *Property, Plant and Equipment*; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments, assessing whether the judgements made in making accounting estimates are indicative of a potential bias, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of this matter.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, Deloitte and Touche were appointed by the shareholders on 24 May 1999 to audit the financial statements for the year ended 31 December 1999 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 19 years, covering the years ended 31 December 1999 to 31 December 2018.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kari Hale, ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
20 February 2019

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2018

				2018			2017
US$ million	Note	Before special items and remeasurements	Special items and remeasurements (note 8)	Total	Before special items and remeasurements	Special items and remeasurements (note 8)	Total
Revenue	2	27,610	–	27,610	26,243	–	26,243
Operating costs		(22,379)	838	(21,541)	(21,001)	287	(20,714)
Operating profit	1, 2	5,231	838	6,069	5,242	287	5,529
Non-operating special items	8	–	(94)	(94)	–	(5)	(5)
Net income from associates and joint ventures	13	739	(11)	728	577	(10)	567
Profit before net finance costs and tax		5,970	733	6,703	5,819	272	6,091
Investment income		261	–	261	268	–	268
Interest expense		(655)	(102)	(757)	(694)	(99)	(793)
Other net financing losses		14	(32)	(18)	(47)	(14)	(61)
Net finance costs	4	(380)	(134)	(514)	(473)	(113)	(586)
Profit before tax		5,590	599	6,189	5,346	159	5,505
Income tax expense	5	(1,490)	(326)	(1,816)	(1,324)	(122)	(1,446)
Profit for the financial year		4,100	273	4,373	4,022	37	4,059
Attributable to:							
Non-controlling interests	25	863	(39)	824	750	143	893
Equity shareholders of the Company		3,237	312	3,549	3,272	(106)	3,166
Earnings per share (US$)							
Basic	3	2.55	0.25	2.80	2.57	(0.09)	2.48
Diluted	3	2.50	0.24	2.74	2.53	(0.08)	2.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

US$ million	2018	2017
Profit for the financial year	4,373	4,059
Items that will not be reclassified to the income statement (net of tax)⁽¹⁾		
Remeasurement of net retirement benefit obligation	105	204
Net revaluation loss on equity investments	(42)	–
Items that have been or may subsequently be reclassified to the income statement (net of tax)⁽¹⁾		
Net exchange differences:		
Net (loss)/gain (including associates and joint ventures)	(2,211)	1,725
Cumulative loss/(gain) transferred to the income statement on disposal of foreign operations	35	(81)
Revaluation of available for sale investments:		
Net revaluation gain	–	23
Cumulative revaluation gain transferred to the income statement on disposal	–	(43)
Revaluation of cash flow hedges:		
Share of associates' and joint ventures' other comprehensive income	–	(1)
Other comprehensive (loss)/income for the financial year (net of tax)	(2,113)	1,827
Total comprehensive income for the financial year (net of tax)	2,260	5,886
Attributable to:		
Non-controlling interests	422	1,240
Equity shareholders of the Company	1,838	4,646

(1) Tax amounts are shown in note 5C.

CONSOLIDATED BALANCE SHEET

as at 31 December 2018

US$ million	Note	2018	2017
ASSETS			
Non-current assets			
Intangible assets	10	**3,087**	3,323
Property, plant and equipment	11	**30,898**	30,643
Environmental rehabilitation trusts	15	**303**	421
Investments in associates and joint ventures	13	**1,715**	1,956
Financial asset investments	14	**396**	561
Trade and other receivables	18	**708**	937
Deferred tax assets	16	**910**	1,191
Derivative financial assets	22	**209**	309
Other non-current assets		**658**	487
Total non-current assets		**38,884**	39,828
Current assets			
Inventories	17	**4,466**	4,441
Trade and other receivables	18	**2,026**	2,136
Current tax assets		**121**	146
Derivative financial assets	22	**132**	81
Cash and cash equivalents	20	**6,567**	7,800
Total current assets		**13,312**	14,604
Assets classified as held for sale	32	**–**	129
Total assets		**52,196**	54,561
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(4,734)**	(4,501)
Short term borrowings	20, 21	**(600)**	(1,351)
Provisions for liabilities and charges	15	**(581)**	(562)
Current tax liabilities		**(818)**	(601)
Derivative financial liabilities	22	**(103)**	(336)
Total current liabilities		**(6,836)**	(7,351)
Non-current liabilities			
Trade and other payables	19	**(145)**	(89)
Medium and long term borrowings	20, 21	**(8,371)**	(10,620)
Retirement benefit obligations	27	**(609)**	(695)
Deferred tax liabilities	16	**(3,676)**	(4,188)
Derivative financial liabilities	22	**(613)**	(460)
Provisions for liabilities and charges	15	**(2,114)**	(2,235)
Total non-current liabilities		**(15,528)**	(18,287)
Liabilities directly associated with assets classified as held for sale	32	**-**	(41)
Total liabilities		**(22,364)**	(25,679)
Net assets		**29,832**	28,882
EQUITY			
Called-up share capital	24	**772**	772
Share premium account		**4,358**	4,358
Own shares	24	**(6,315)**	(6,191)
Other reserves		**(10,519)**	(8,702)
Retained earnings		**35,302**	32,735
Equity attributable to equity shareholders of the Company		**23,598**	22,972
Non-controlling interests	25	**6,234**	5,910
Total equity		**29,832**	28,882

The financial statements of Anglo American plc, registered number 03564138, were approved by the Board of directors on 20 February 2019 and signed on its behalf by:

Mark Cutifani
Chief Executive

Stephen Pearce
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2018

US$ million	Note	2018	2017
Cash flows from operating activities			
Profit before tax		**6,189**	5,505
Net finance costs including financing special items and remeasurements		**514**	586
Net income from associates and joint ventures		**(728)**	(567)
Non-operating special items	8	**94**	5
Operating profit	1	**6,069**	5,529
Operating special items and remeasurements	8	**(838)**	(287)
Cash element of special items		**(3)**	(102)
Depreciation and amortisation	1	**2,596**	2,390
Share-based payment charges		**183**	180
Increase/(decrease) in provisions and net retirement benefit obligations		**58**	(311)
Increase in inventories		**(526)**	(294)
(Increase)/decrease in operating receivables		**(74)**	23
Increase in operating payables		**570**	1,150
Other adjustments		**(253)**	97
Cash flows from operations		**7,782**	8,375
Dividends from associates and joint ventures	13	**737**	506
Dividends from financial asset investments		**1**	11
Income tax paid		**(1,393)**	(843)
Net cash inflows from operating activities		**7,127**	8,049
Cash flows from investing activities			
Expenditure on property, plant and equipment	12	**(3,400)**	(2,278)
Cash flows from derivatives related to capital expenditure	12	**15**	40
Proceeds from disposal of property, plant and equipment	12	**162**	52
Investments in associates and joint ventures	13	**(99)**	(86)
Purchase of financial asset investments		**(3)**	(6)
Net (issuance)/redemption of financial asset loans and receivables	14	**(22)**	168
Interest received and other investment income		**204**	165
Net cash outflow on acquisitions	33	**(90)**	–
Net cash inflow on disposals	33	**193**	52
Other investing activities		**(58)**	(54)
Net cash used in investing activities		**(3,098)**	(1,947)
Cash flows from financing activities			
Interest paid		**(478)**	(542)
Cash flows from derivatives related to financing activities	20	**(250)**	(419)
Dividends paid to Company shareholders	6	**(1,291)**	(618)
Dividends paid to non-controlling interests	25	**(837)**	(601)
Proceeds from issuance of bonds		**647**	2,998
Proceeds from other borrowings		**117**	35
Repayments of bonds and borrowings		**(3,507)**	(5,189)
Net proceeds from issue of shares to non-controlling interests		**875**	36
Purchase of shares by Group companies for employee share schemes		**(293)**	(242)
Other financing activities		**40**	(11)
Net cash used in financing activities		**(4,977)**	(4,553)
Net (decrease)/increase in cash and cash equivalents		**(948)**	1,549
Cash and cash equivalents at start of year	20	**7,792**	6,044
Cash movements in the year		**(948)**	1,549
Effects of changes in foreign exchange rates		**(296)**	199
Cash and cash equivalents at end of year	20	**6,548**	7,792

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

US$ million	Total share capital(1)	Own shares(2)	Retained earnings	Cumulative translation adjustment reserve	Other reserves (note 24)	Total equity attributable to equity shareholders of the Company	Non-controlling interests	Total equity
At 1 January 2017	5,130	(6,090)	29,976	(10,851)	851	19,016	5,309	24,325
Total comprehensive income/(loss)	–	–	3,351	1,577	(282)	4,646	1,240	5,886
Dividends	–	–	(618)	–	–	(618)	(672)	(1,290)
Issue of shares to non-controlling interests	–	–	–	–	–	–	36	36
Equity settled share-based payment schemes	–	(101)	26	–	6	(69)	(3)	(72)
Other	–	–	–	–	(3)	(3)	–	(3)
At 31 December 2017	5,130	(6,191)	32,735	(9,274)	572	22,972	5,910	28,882
Total comprehensive income/(loss)	–	–	3,657	(1,782)	(37)	1,838	422	2,260
Dividends	–	–	(1,291)	–	–	(1,291)	(873)	(2,164)
Issue of shares to non-controlling interests	–	–	–	–	–	–	38	38
Equity settled share-based payment schemes	–	(124)	43	–	(9)	(90)	(6)	(96)
Change in ownership interest in subsidiaries(3)	–	–	163	–	–	163	674	837
Other	–	–	(5)	–	11	6	69	75
At 31 December 2018	5,130	(6,315)	35,302	(11,056)	537	23,598	6,234	29,832

(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 25 for further details.

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL PERFORMANCE

Profit attributable to equity shareholders increased 12% to $3,549 million and underlying earnings decreased 1% to $3,237 million.

The following disclosures provide further information about the drivers of the Group's financial performance in the year. This includes analysis of the respective contribution of the Group's reportable segments along with information about its operating cost base, net finance costs and tax. In addition, disclosure on earnings per share and the dividend is provided.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS

$3.5 bn

1. OPERATING PROFIT FROM SUBSIDIARIES AND JOINT OPERATIONS

Overview

US$ million	Note	2018	2017
Revenue		**27,610**	26,243
Operating costs:			
Employee costs	26	**(3,407)**	(3,323)
Depreciation of property, plant and equipment		**(2,545)**	(2,342)
Amortisation of intangible assets		**(51)**	(48)
Third party commodity purchases		**(7,242)**	(5,808)
Consumables, maintenance and production input costs		**(5,408)**	(5,569)
Logistics, marketing and selling costs		**(2,159)**	(2,251)
Royalties		**(609)**	(613)
Exploration and evaluation		**(228)**	(184)
Net foreign exchange losses		**–**	(93)
Other net operating expenses		**(730)**	(770)
Operating profit before special items and remeasurements		**5,231**	5,242
Operating special items and remeasurements	8	**838**	287
Operating profit		**6,069**	5,529

Royalties exclude items which meet the definition of income tax on profit and accordingly have been accounted for as taxes.

Exploration and evaluation excludes associated employee costs. The full exploration and evaluation expenditure is presented below.

Operating profit before special items and remeasurements is stated after (charging)/crediting:

US$ million	2018	2017
Exploration expenditure	**(113)**	(103)
Evaluation expenditure	**(172)**	(125)
Rentals under operating leases	**(150)**	(137)
Research and development expenditure	**(90)**	(78)
Provisional pricing adjustment	**(239)**	522

Further information

Included in revenue is a total (realised and unrealised) loss on provisionally priced sales of $184 million (2017: gain of $601 million). This comprises realised gains of $51 million (2017: gains of $156 million) relating to sales that were provisionally priced as at 31 December 2017 with the final price settled in the current year, realised losses of $151 million (2017: gains of $198 million) relating to sales fully priced during the year, and unrealised losses of $84 million (2017: gains of $247 million) relating to sales that were provisionally priced as at 31 December 2018. In addition, operating costs include losses on provisionally priced purchase contracts of $55 million (2017: losses of $79 million).

Revenue of $27,610 million for the year ended 31 December 2018 includes revenue from contracts with customers of $27,814 million and net losses of $204 million on provisionally priced receivables and economic hedges of commodity sales. As the effects of applying IFRS 15 *Revenue from Contracts with Customers* are considered immaterial to the Group, the Group has elected not to restate revenue for the comparative period on adoption of the standard.

Accounting policy

See note 38C for the Group's accounting policy on revenue.

FINANCIAL PERFORMANCE

2. FINANCIAL PERFORMANCE BY SEGMENT

Overview

The Group's operating 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. Operating segments with similar economic characteristics are aggregated into reportable segments.

Following a reassessment of the Group's reportable segments, the Group has presented the results of the Iron Ore businesses as the Iron Ore reportable segment. Manganese, which was previously reported with Iron Ore has been aggregated with Nickel as a single reportable segment. Comparative information has been restated to reflect this change. The 'Corporate and other' segment includes unallocated corporate costs and exploration costs. Exploration costs represent the cost of the Group's exploration activities across all segments.

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 208.

Segment results

							2018
US$ million	Group revenue	Underlying EBITDA	Depreciation and amortisation	Underlying EBIT	Net finance costs and income tax expense	Non-controlling interests	Underlying earnings
De Beers	6,082	1,245	(551)	694	(288)	(57)	349
Copper	5,168	1,856	(622)	1,234	(125)	(192)	917
Platinum Group Metals	5,680	1,062	(357)	705	(153)	(134)	418
Iron Ore	3,768	1,177	(430)	747	(424)	(440)	(117)
Coal	7,788	3,196	(658)	2,538	(736)	(47)	1,755
Nickel and Manganese	1,707	844	(159)	685	(147)	(12)	526
Corporate and other	3	(219)	(7)	(226)	(392)	7	(611)
	30,196	9,161	(2,784)	6,377	(2,265)(1)	(875)	3,237
Less: associates and joint ventures	(2,586)	(1,334)	188	(1,146)	395	12	(739)
Subsidiaries and joint operations	27,610	7,827	(2,596)	5,231	(1,870)	(863)	2,498
Reconciliation:							
Net income from associates and joint ventures				728			728
Special items and remeasurements				744			323
Profit before net finance costs and tax				6,703			
Profit attributable to equity shareholders of the Company							3,549

							2017
US$ million	Group revenue	Underlying EBITDA	Depreciation and amortisation	Underlying EBIT	Net finance costs and income tax expense	Non-controlling interests	Underlying earnings
De Beers	5,841	1,435	(562)	873	(244)	(101)	528
Copper	4,233	1,508	(585)	923	(440)	(113)	370
Platinum Group Metals	5,078	866	(354)	512	(218)	(77)	217
Iron Ore	4,891	1,828	(328)	1,500	(254)	(443)	803
Coal	7,211	2,868	(594)	2,274	(484)	(27)	1,763
Nickel and Manganese	1,391	610	(132)	478	(257)	(2)	219
Corporate and other	5	(292)	(21)	(313)	(326)	11	(628)
	28,650	8,823	(2,576)	6,247	(2,223)(1)	(752)	3,272
Less: associates and joint ventures	(2,407)	(1,191)	186	(1,005)	426	2	(577)
Subsidiaries and joint operations	26,243	7,632	(2,390)	5,242	(1,797)	(750)	2,695
Reconciliation:							
Net income from associates and joint ventures				567			567
Special items and remeasurements				282			(96)
Profit before net finance costs and tax				6,091			
Profit attributable to equity shareholders of the Company							3,166

(1) Comprises net finance costs of $395 million (2017: $526 million) and income tax expense of $1,870 million (2017: $1,697 million).

The segment results are stated after elimination of inter-segment interest and dividends and include an allocation of corporate costs.

2. FINANCIAL PERFORMANCE BY SEGMENT continued

Further information

Segments predominantly derive revenue as follows – De Beers: rough and polished diamonds; Copper: copper; Platinum Group Metals: platinum group metals and nickel; Iron Ore: iron ore; Coal: metallurgical coal and thermal coal; Nickel and Manganese: nickel, manganese ore and alloys. See note 38C for the Group's accounting policy on revenue recognition. The revenue analysis below includes the Group's share of revenue in equity accounted associates and joint ventures. Refer to note 13. Other revenue includes shipping revenue which predominantly relates to the Iron Ore segment.

Group revenue by product

US$ million	2018	2017
Diamonds	**6,082**	5,841
Copper	**4,928**	4,128
Platinum	**2,235**	2,454
Palladium	**1,709**	1,417
Rhodium	**707**	327
Iron ore	**3,336**	4,489
Metallurgical coal	**3,931**	3,357
Thermal coal	**3,853**	3,854
Nickel	**882**	728
Manganese ore and alloys	**1,147**	940
Other	**1,386**	1,115
	30,196	28,650

Group revenue by destination

The Group's geographical analysis of segment revenue is allocated based on the customer's port of destination. Where the port of destination is not known, revenue is allocated based on the customer's country of domicile.

US$ million	2018	2017
China	**6,933**	6,451
India	**3,796**	3,636
Japan	**2,840**	2,625
Other Asia	**5,813**	5,514
South Africa	**1,466**	1,876
Other Africa	**1,816**	1,709
Brazil	**383**	422
Chile	**540**	432
Other South America	**35**	9
North America	**714**	875
Australia	**47**	41
United Kingdom (Anglo American plc's country of domicile)	**1,889**	1,571
Other Europe	**3,924**	3,489
	30,196	28,650

3. EARNINGS PER SHARE

Overview

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 208.

US$	2018	2017
Earnings per share		
Basic	**2.80**	2.48
Diluted	**2.74**	2.45
Underlying earnings per share		
Basic	**2.55**	2.57
Diluted	**2.50**	2.53
Headline earnings per share		
Basic	**2.04**	2.29
Diluted	**2.00**	2.26

Further information

The calculation of basic and diluted earnings per share is based on the following data:

	Profit attributable to equity shareholders of the Company		Underlying earnings		Headline earnings	
	2018	2017	2018	2017	2018	2017
Earnings (US$ million)						
Basic and diluted earnings	**3,549**	3,166	**3,237**	3,272	**2,590**	2,920
Weighted average number of shares (million)						
Basic number of ordinary shares outstanding	**1,269**	1,275	**1,269**	1,275	**1,269**	1,275
Effect of dilutive potential ordinary shares	**27**	18	**27**	18	**27**	18
Diluted number of ordinary shares outstanding	**1,296**	1,293	**1,296**	1,293	**1,296**	1,293

3. EARNINGS PER SHARE continued

The weighted average number of ordinary shares in issue excludes shares held by employee benefit trusts and Anglo American plc shares held by Group companies. The diluted number of ordinary shares outstanding, including share options and awards, is calculated on the assumption of conversion of all potentially dilutive ordinary shares. In the year ended 31 December 2018 there were no (2017: 132,188) share options that were potentially dilutive but not included in the calculation of diluted earnings because they were anti-dilutive.

Headline earnings, a Johannesburg Stock Exchange defined performance measure, is reconciled from underlying earnings as follows:

US$ million	2018	2017
Underlying earnings for the financial year	**3,237**	3,272
Operating special items – restructuring	**–**	31
Other operating special items	**(58)**	(60)
Operating remeasurements	**(113)**	(86)
Non-operating special items – (charges)/credits relating to BEE transactions	**(31)**	14
Financing special items and remeasurements	**(132)**	(114)
Tax special items and remeasurements	**(137)**	(32)
Associates' and joint ventures' special items and remeasurements	**(11)**	(8)
Other reconciling items	**(165)**	(97)
Headline earnings for the financial year	**2,590**	2,920

The reconciling items above are shown net of tax and non-controlling interests.

Other reconciling items include the impact of business combinations and disposals of property, plant and equipment and investments (2017: principally relate to the settlement of class action claims).

4. NET FINANCE COSTS

Overview

US$ million	2018	2017
Investment income		
Interest income from cash and cash equivalents	**188**	154
Interest income from associates and joint ventures	**22**	35
Other interest income	**27**	52
Net interest income on defined benefit arrangements	**23**	16
Dividend income from financial asset investments	**1**	11
Investment income	**261**	268
Interest expense		
Interest and other finance expense	**(561)**	(580)
Net interest cost on defined benefit arrangements	**(45)**	(49)
Unwinding of discount relating to provisions and other liabilities	**(90)**	(100)
	(696)	(729)
Less: interest expense capitalised	**41**	35
Interest expense before special items and remeasurements	**(655)**	(694)
Financing special items	**(102)**	(99)
Interest expense	**(757)**	(793)
Other net financing gains/(losses)		
Net foreign exchange gains/(losses)	**14**	(47)
Other net financing gains/(losses) before special items and remeasurements	**14**	(47)
Financing remeasurements	**(32)**	(14)
Other net financing losses	**(18)**	(61)
Net finance costs	**(514)**	(586)

Further information

Interest income recognised at amortised cost is $129 million (2017: $200 million) and interest expense recognised at amortised cost is $491 million (2017: $506 million).

Following the adoption of IFRS 9 *Financial Instruments* from 1 January 2018, the Group's cash and cash equivalents held in high grade money market funds have been reclassified from amortised cost to fair value through profit and loss. See note 22 for further details.

Accounting policy

See note 38C for the Group's accounting policy on borrowing costs.

5. INCOME TAX EXPENSE

Overview

The effective tax rate for the year of 29.3% (2017: 26.3%) is higher (2017: higher) than the applicable weighted average statutory rate of corporation tax in the United Kingdom of 19.0% (2017: 19.25%).

	2018		
	Profit before tax US$ million	Tax (charge)/ credit US$ million	Effective tax rate
Calculation of effective tax rate (statutory basis)	6,189	(1,816)	29.3%
Adjusted for:			
Special items and remeasurements	(599)	326	
Associates' and joint ventures' tax and non-controlling interests	392	(380)	
Calculation of underlying effective tax rate	5,982	(1,870)	31.3%

The underlying effective tax rate was 31.3% for the year ended 31 December 2018. This is higher than the equivalent underlying effective tax rate of 29.7% for the year ended 31 December 2017. The effective tax rate in 2018 benefited from the release of a deferred tax liability balance in Chile, partially offset by the impact of the relative levels of profits arising in the Group's operating jurisdictions. In future periods, it is expected that the underlying effective tax rate will remain above the United Kingdom statutory tax rate.

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 208.

A. Analysis of charge for the year

US$ million	2018	2017
United Kingdom corporation tax	26	29
South Africa tax	673	649
Other overseas tax	1,030	689
Prior year adjustments	(56)	(162)
Current tax	1,673	1,205
Deferred tax	(183)	119
Income tax expense before special items and remeasurements	1,490	1,324
Special items and remeasurements tax (note 8)	326	122
Income tax expense	1,816	1,446

Current tax includes royalties which meet the definition of income tax and are in addition to royalties recorded in operating costs.

B. Factors affecting tax charge for the year

The reconciling items between the statutory effective tax rate and the income tax expense are:

US$ million	2018	2017
Profit before tax	6,189	5,505
Less: Net income from associates and joint ventures	(728)	(567)
Profit before tax (excluding associates and joint ventures)	5,461	4,938
Tax calculated at United Kingdom corporation tax rate of 19.0% (2017: 19.25%)	1,038	951
Tax effects of:		
Items non-deductible/taxable for tax purposes	55	124
Temporary difference adjustments		
Current year losses not recognised	172	108
Recognition of losses and temporary differences not previously recognised	(161)	(305)
Utilisation of losses and temporary differences not previously recognised	(32)	(32)
Write-off of losses and temporary differences previously recognised	144	52
Adjustment in deferred tax due to change in tax rate	–	(4)
Other temporary differences	47	21
Special items and remeasurements	212	89
Other adjustments		
Dividend withholding taxes	(195)	245
Effect of differences between local and United Kingdom tax rates	556	353
Prior year adjustments to current tax	(56)	(162)
Other adjustments	36	6
Income tax expense	1,816	1,446

The special items and remeasurements reconciling item of $212 million (2017: $89 million) relates to the net tax impact of total special items and remeasurements before tax calculated at the United Kingdom corporation tax rate less the associated tax recorded against these items and tax special items and remeasurements.

Included within dividend withholding taxes for the year ended 31 December 2018 is a credit of $285 million (2017: charge of $99 million) due to a reassessment of future dividend distributions.

Associates' and joint ventures' tax included within Net income from associates and joint ventures for the year ended 31 December 2018 is a charge of $391 million (2017: charge of $371 million). Excluding special items and remeasurements, this becomes a charge of $380 million (2017: charge of $373 million).

5. INCOME TAX EXPENSE continued

C. Tax amounts included in other comprehensive income

The Consolidated statement of comprehensive income includes a tax charge on the remeasurement of net retirement benefit obligations recognised directly in equity that will not be reclassified to the income statement of $30 million (2017: charge of $24 million). In addition, there is a tax credit on the net revaluation loss on equity investments recognised directly in equity that will not subsequently be reclassified to the income statement of $2 million (2017: tax charge of $5 million on the net gain on revaluation of available for sale assets which may subsequently be reclassified to the income statement).

D. Tax amounts recognised directly in equity

In 2018, deferred tax of $12 million (2017: $10 million) was credited to equity in relation to share-based payments.

Accounting judgement

The Group's tax affairs are governed by complex domestic tax legislations, international tax treaties between countries and the interpretation of these by tax authorities and courts. Given the many uncertainties that could arise from these factors, judgement is often required in determining the tax that is due. Where management is aware of potential uncertainties that are judged more likely than not to result in a liability for additional tax, a provision is made for management's best estimate of the liability, determined with reference to similar transactions and, in some cases, reports from independent experts.

Accounting policy

See note 38G for the Group's accounting policy on tax.

6. DIVIDENDS

	2018	2017
Proposed final ordinary dividend per share (US cents)	51	54
Proposed final ordinary dividend (US$ million)	660	695

These financial statements do not reflect the proposed final ordinary dividend as it is still subject to shareholder approval.

Dividends paid during the year are as follows:

US$ million	2018	2017
Final ordinary dividend for 2017 – 54 US cents per ordinary share (2016: Nil per ordinary share)	681	–
Interim ordinary dividend for 2018 – 49 US cents per ordinary share (2017: 48 US cents per ordinary share)	610	618
	1,291	618

SIGNIFICANT ITEMS

Special items and remeasurements are a net gain of $0.3 billion and include impairment reversals of $1.1 billion relating to Moranbah-Grosvenor and Capcoal (Coal), partially offset by the write-off of assets in De Beers' South African operations (De Beers) of $0.1 billion and losses arising on bond buybacks completed in the year (Corporate and other) of $0.1 billion.

During 2018, the significant accounting matters addressed by management included:

- the assessment of impairment and impairment reversal indicators; and
- the estimation of cash flow projections for impairment testing.

SPECIAL ITEMS AND REMEASUREMENTS

$0.3 bn

(2017: $(0.1) bn)

7. SIGNIFICANT ACCOUNTING MATTERS

In the course of preparing financial statements, management necessarily makes judgements and estimates that can have a significant impact on the financial statements. The critical judgements and sources of estimation uncertainty that affect the results for the year ended 31 December 2018 are set out below. In addition to these items, further detail on other significant judgements and estimates determined by management is provided, where applicable, in the relevant note to the financial statements.

Impairment and impairment reversals of assets

i) Critical accounting judgements

The Group assesses at each reporting date whether there are any indicators that its assets and cash generating units (CGUs) may be impaired. Operating and economic assumptions which could affect the valuation of assets using discounted cash flows, including those that could be impacted by the Group's principal risks, 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 (Iron Ore); Moranbah-Grosvenor, Capcoal, Dawson and Isibonelo (Coal); Barro Alto and Samancor (Nickel and Manganese) and El Soldado (Copper). These assets have a combined carrying value of $9.1 billion within property, plant and equipment as at 31 December 2018.

ii) Cash flow projections for impairment testing

Expected future cash flows used in discounted cash flow models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including Ore Reserves and Mineral Resources, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure. Where discounted cash flow models based on management's assumptions are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy, as defined in IFRS 13 *Fair Value Measurement*, as they depend to a significant extent on unobservable valuation inputs.

Cash flow projections are based on financial budgets and Life of Mine Plans or, for non-mine assets, an equivalent appropriate long-term forecast, incorporating key assumptions as detailed below:

- Ore Reserves and Mineral Resources
  Ore Reserves and, where considered appropriate, Mineral Resources are incorporated in projected cash flows, based on Ore Reserves and Mineral Resources statements and exploration and evaluation work undertaken by appropriately qualified persons. Mineral Resources are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the required confidence to convert to Ore Reserves.
- Commodity and product prices
  Commodity and product prices are based on latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts. In estimating the forecast cash flows, management also takes into account the expected realised price from existing contractual arrangements.
- Foreign exchange rates
  Foreign exchange rates are based on latest internal forecasts, benchmarked with external sources of information for relevant countries of operation. Long-term foreign exchange rates are kept constant on a real basis.
- Discount rates
  Cash flow projections used in fair value less costs of disposal impairment models are discounted based on a real post-tax discount rate, assessed annually, of 7.0% (2017: 7.0%). Adjustments to the rate are made for any risks that are not reflected in the underlying cash flows, including the risk profile of the individual asset and country risk.
- Operating costs, capital expenditure and other operating factors
  Operating costs and capital expenditure are based on financial budgets covering a five year period. Cash flow projections beyond five years are based on Life of Mine Plans or non-mine production plans, as applicable, and internal management forecasts. Cost assumptions incorporate management experience and expectations, as well as the nature and location of the operation and the risks associated therewith (for example, the grade of Ore Reserves varying significantly over time and unforeseen operational issues). Underlying input cost assumptions are consistent with related output price assumptions. Other operating factors, such as the timelines of granting licences and permits are based on management's best estimate of the outcome of uncertain future events at the balance sheet date. For further information refer to the unaudited Ore Reserves and Mineral Resources Report 2018.

  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).

7. SIGNIFICANT ACCOUNTING MATTERS continued

iii) Key sources of estimation uncertainty

For assets where indicators of impairment or impairment reversal are identified, the Group performs impairment reviews to assess the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using discounted cash flow models. Mining operations are large, complex assets requiring significant technical and financial resources to operate. Their value may be sensitive to a range of characteristics unique to each asset. Management applies judgement in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants as outlined in note 38D.

Minas-Rio

Following pipeline leaks identified on 12 March 2018 and 29 March 2018, the Group announced the suspension of operations at Minas-Rio, with effect from 29 March, in order to conduct a full inspection of the pipeline. Operations have since resumed in December 2018. The recoverable amount, based on a discounted cash flow model, supports the carrying value of $4.1 billion.

The valuation is inherently sensitive to changes in economic and operational assumptions which could materially increase or reduce the valuation. Key assumptions include the long-term realised iron ore price, and the timing of receipt 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 $0.6 billion.

Moranbah-Grosvenor

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 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.

During 2018, Grosvenor has achieved improved levels of production and operating efficiencies. Additionally, the long-term outlook for metallurgical coal has improved, reflected in an increase in price forecasts by analysts and an increase in the Group's forecast real long-term metallurgical coal price. This follows a forecast tightening of supply, sustained demand for high grade coal and an increased industry cost base. Consequently, the valuation of the Moranbah-Grosvenor operation has been assessed and the previous impairment has been reversed to the carrying value of $2.6 billion that would have been determined had no impairment loss previously been recorded, resulting in a gain of $876 million ($652 million after tax). Of the impairment reversal, $528 million has been recorded against plant and equipment, $278 million against mining properties and leases, $50 million against capital work in progress and $20 million against land and buildings, with an associated tax charge of $224 million.

The valuation, based on discounted cash flows, is sensitive to changes in input assumptions particularly in relation to future metallurgical coal prices and Australian dollar foreign exchange rates. For example, a $5/tonne increase in the long-term price forecast for metallurgical coal equates to a $0.2 billion increase in the valuation. The recoverable amount has been assessed under a range of valuation scenarios, all of which indicated full or significant impairment reversals.

Capcoal

The Capcoal complex located in Queensland, Australia, consists of an open cut operation and the Grasstree underground operation. During 2015, the Group recorded an impairment of $639 million ($537 million after tax) at Capcoal, driven by the impact of weak coal prices on margins, particularly for the open cut operations. This was based on a recoverable amount of $0.2 billion at 31 December 2015. The valuation was based on the fair value less costs of disposal of the CGU, measured using discounted cash flow projections.

During 2018, a decision was taken to extend the life of the Grasstree underground operation by three years to the end of 2021. Furthermore, the Group's forecast real long-term metallurgical coal price has increased. Consequently, the valuation of the Capcoal operation has been assessed and the previous impairment has been reversed by $266 million ($259 million after tax) to the carrying value of $0.6 billion that would have been determined had no impairment loss previously been recorded.

The valuation, based on discounted cash flows, is sensitive to changes in input assumptions particularly in relation to future metallurgical coal prices and Australian dollar foreign exchange rates. For example, a $5/tonne increase in the long-term price forecast for metallurgical coal equates to a $0.1 billion increase in the valuation. The recoverable amount has been assessed under a range of valuation scenarios, all of which indicated full or significant impairment reversals.

SIGNIFICANT ITEMS

8. SPECIAL ITEMS AND REMEASUREMENTS

Overview

				2018	2017
US$ million	**Before tax**	**Tax**	**Non-controlling interests**	**Net**	Net
Impairments and impairment reversals	**1,043**	**(203)**	**11**	**851**	111
Restructuring costs	**–**	**–**	**–**	**–**	31
Other operating special items	**(80)**	**22**	**–**	**(58)**	(60)
Operating remeasurements	**(125)**	**8**	**4**	**(113)**	(86)
Operating special items and remeasurements	**838**	**(173)**	**15**	**680**	(4)
Disposals of businesses and investments	**(47)**	**1**	**21**	**(25)**	71
Adjustments relating to business combinations	**7**	**–**	**–**	**7**	53
Adjustments relating to former operations	**(18)**	**(10)**	**(11)**	**(39)**	(86)
(Charges)/credits relating to BEE transactions	**(36)**	**–**	**5**	**(31)**	14
Non-operating special items	**(94)**	**(9)**	**15**	**(88)**	52
Financing special items and remeasurements	**(134)**	**–**	**2**	**(132)**	(114)
Tax special items and remeasurements	**–**	**(144)**	**7**	**(137)**	(32)
Total	**610**	**(326)**	**39**	**323**	(98)
Associates' and joint ventures' special items and remeasurements				**(11)**	(10)
Non-controlling interests on associates' and joint ventures' special items and remeasurements				**–**	2
Total special items and remeasurements				**312**	(106)

Special items

Special items are those items of financial performance that, due to their size and nature, the Group believes should be separately disclosed on the face of the income statement. These items, along with related tax and non-controlling interests, are excluded from underlying earnings, which is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 208.

- Operating special items are those that relate to the operating performance of the Group and principally include impairment charges and reversals and restructuring costs.
- Non-operating special items are those that relate to changes in the Group's asset portfolio. This category principally includes profits and losses on disposals of businesses and investments or closure of operations, adjustments relating to business combinations, and adjustments relating to former operations of the Group, such as changes in the measurement of deferred consideration receivable or provisions recognised on disposal or closure of operations in prior periods. This category also includes charges relating to Black Economic Empowerment (BEE) transactions.
- Financing special items are those that relate to financing activities and include realised gains and losses on early repayment of borrowings, and the unwinding of the discount on material provisions previously recognised as special items.
- Tax special items are those that relate to tax charges or credits where the associated cash outflow or inflow is anticipated to be significant due to its size and nature, principally including resolution of tax enquiries.

Remeasurements

Remeasurements are items that are excluded from underlying earnings in order to reverse timing differences in the recognition of gains and losses in the income statement in relation to transactions that, whilst economically linked, are subject to different accounting measurement or recognition criteria. Remeasurements include mark-to-market movements on derivatives that are economic hedges of transactions not yet recorded in the financial statements, in order to ensure that the overall economic impact of such transactions is reflected within the Group's underlying earnings in the period in which they occur. When the underlying transaction is recorded in the income statement, the realised gains or losses are reversed from remeasurements and are recorded in underlying earnings within either revenue, operating costs or net finance costs as appropriate. If the underlying transaction is recorded in the balance sheet, for example capital expenditure, the realised amount remains in remeasurements on settlement of the derivative.

- Operating remeasurements include unrealised gains and losses on derivatives relating to revenue, operating costs or capital expenditure transactions. They also include the reversal through depreciation and amortisation of a fair value gain or loss, arising on revaluation of a previously held equity interest in a business combination.
- Financing remeasurements include unrealised gains and losses on financial assets and liabilities that represent economic hedges, including accounting hedges, related to financing arrangements.
- Tax remeasurements include foreign exchange impacts arising in US dollar functional currency entities where tax calculations are generated based on local currency financial information and hence deferred tax is susceptible to currency fluctuations.

Operating special items

Impairments and impairment reversals

Net impairments and impairment reversals of $1,043 million ($851 million after tax and non-controlling interests) for the year ended 31 December 2018 principally comprise the impairment reversals of Moranbah-Grosvenor (Coal) of $876 million ($652 million after tax) and Capcoal (Coal) of $266 million ($259 million after tax) and the impairment of $99 million ($60 million after tax and non-controlling interests) relating to the write-off of assets in De Beers' South African operations that are no longer expected to generate future economic benefit. Further information on significant accounting matters relating to impairments and impairment reversals is provided in note 7.

2017

Net impairments and impairment reversals of $111 million after tax and non-controlling interests for the year ended 31 December 2017 principally consisted of impairment reversals of $216 million for Sishen (Iron Ore) and $65 million for El Soldado (Copper) offset by the impairment of the investment in Bafokeng Rasimone Platinum Mine (Platinum Group Metals) of $116 million and an impairment of $44 million in Coal South Africa (Coal).

Restructuring costs

There were no restructuring costs recorded in the year ended 31 December 2018.

2017

In 2017, following the finalisation of the *Driving Value* programme and the decision to continue metallurgical coal operations in Australia, restructuring provisions recognised in 2016 relating to the closure of the Brisbane Corporate Office were derecognised, resulting in a credit of $31 million ($31 million after tax).

Other operating special items

The loss of $80 million ($58 million after tax) related to the cost to the Group of the transfer of liabilities of a South African pension scheme.

2017

The loss of $91 million ($60 million after tax) relates to the cost to the Group of an arbitration settlement relating to a commercial dispute arising during the construction of the Barro Alto Nickel project.

SIGNIFICANT ITEMS

8. SPECIAL ITEMS AND REMEASUREMENTS continued

Operating remeasurements

Operating remeasurements reflect a net loss of $125 million ($113 million after tax and non-controlling interests) which principally relates to a $114 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. In addition, there were net losses on derivatives of $11 million, principally related to economic hedges of capital expenditure.

2017

Operating remeasurements reflected a net loss of $95 million ($86 million after tax and non-controlling interests) for the year ended 31 December 2017.

Non-operating special items

Disposals of businesses and investments

On 10 December 2018, Anglo American Platinum completed the sale of its 33% interest in the Bafokeng Rasimone Platinum Mine (BRPM), an associate of the Group, to Royal Bafokeng Platinum Limited (RBPlat) for consideration of R2.16 billion ($146 million) of which $107 million is receivable on a deferred basis. On entering into the binding sale and purchase agreement, an impairment charge of $85 million ($52 million after tax and non-controlling interests) was recorded to bring the carrying amount of the Group's investment in BRPM into line with its fair value less costs to sell based on the fair value of the sale consideration.

On 1 March 2018, the Group completed the sale of the Eskom-tied domestic coal operations in South Africa (Coal) to a wholly owned subsidiary of Seriti Resources Holdings Proprietary Limited. The consideration payable for the operations as at 1 January 2017 was R2.3 billion (approximately $164 million). A gain on disposal of $84 million ($59 million after tax and non-controlling interests) was recorded.

In addition, a gain on disposal of $34 million ($34 million after tax) was recorded on the disposal of the Group's 88.17% shareholding in the Drayton mine (Coal) and a loss on disposal of $71 million ($54 million after tax and non-controlling interests) was recorded on the disposal of the Group's interests in the Union platinum mine and Masa Chrome Company Proprietary Limited (Platinum Group Metals).

2017

The net gain of $71 million after tax and non-controlling interests related to the disposals of the Dartbrook mine (Coal), long-dated Mineral Resources in Platinum Group Metals and Dreamvision Investments 15 Proprietary Limited, and the impairment in advance of the sale of the Group's interest in the Union platinum mine and Masa Chrome Company Proprietary Limited (Platinum Group Metals).

Adjustments relating to business combinations

The $7 million gain during the year ended 31 December 2018 relates to adjustments in respect of business combinations in prior periods, including a gain on settlement of a related commercial dispute.

2017

The gain of $53 million after non-controlling interests related to the acquisition of the remaining 50% share in De Beers Jewellers (De Beers) and adjustments in respect of business combinations in prior periods.

Adjustments relating to former operations

The loss of $18 million ($39 million after tax and non-controlling interests) relates to adjustments in respect of disposals completed in prior periods.

2017

The net loss of $86 million after tax and non-controlling interests related principally to the settlement of class action claims.

Charges/credits relating to BEE transactions

The loss of $36 million ($31 million after tax and non-controlling interests) relates to a modification charge under IFRS 2 *Share-based Payment* following the refinancing of Ponahalo Investments (Pty) Ltd.

2017

In 2017 the net gain of $14 million after tax and non-controlling interests related to the revaluation of provisions associated with De Beers BEE transactions recorded in prior years.

Financing special items and remeasurements

Financing special items and remeasurements principally comprise a loss of $98 million (2017: loss of $95 million) arising on bond buybacks completed in the period and a net fair value loss of $33 million (2017: $14 million) on derivatives hedging net debt.

Tax associated with special items and remeasurements

This includes a tax remeasurement charge of $110 million (2017: charge of $34 million) principally arising on Brazilian deferred tax assets.

Of the total charge of $326 million (2017: charge of $122 million), there was a net current tax charge of $16 million (2017: charge of $1 million) and a net deferred tax charge of $310 million (2017: charge of $121 million).

Associates' and joint ventures' special items and remeasurements

Associates' and joint ventures' special items and remeasurements relates to the Coal segment (2017: Coal and Platinum Group Metals segments).

CAPITAL BASE

We have a value-focused approach to capital allocation with clear prioritisation: maintain asset integrity; pay dividends to our shareholders while ensuring a strong balance sheet. Discretionary capital is then allocated based on a balanced approach.

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

The Group uses attributable return on capital employed (ROCE) to monitor how efficiently assets are generating profit on invested capital for the equity shareholders of the Company. Attributable ROCE is an Alternative Performance Measure (APM). For more information on the APMs used by the Group, including definitions, please refer to page 208.

	Attributable ROCE %	
	2018	2017
De Beers	**8**	9
Copper	**22**	16
Platinum Group Metals	**15**	10
Iron Ore	**3**	15
Coal	**67**	67
Nickel and Manganese	**28**	20
Corporate and other	**n/a**	n/a
	19	19

Attributable ROCE remained consistent at 19% during 2018 (2017: 19%).

9. CAPITAL BY SEGMENT

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 208.

Capital employed by segment

Capital employed is the principal measure of segment assets and liabilities reported to the Group Management Committee. Capital employed is defined as net assets excluding net debt and financial asset investments.

	Capital employed	
US$ million	**2018**	2017
De Beers	**8,349**	9,294
Copper	**6,463**	5,899
Platinum Group Metals	**4,058**	4,510
Iron Ore	**6,929**	7,603
Coal	**4,131**	3,384
Nickel and Manganese	**2,390**	2,364
Corporate and other	**(51)**	(241)
Capital employed	**32,269**	32,813
Reconciliation to Consolidated balance sheet:		
Net debt	**(2,848)**	(4,501)
Debit valuation adjustment attributable to derivatives hedging net debt	**15**	9
Financial asset investments	**396**	561
Net assets	**29,832**	28,882

Non-current assets by location

	Intangible assets and Property, plant and equipment		Total non-current assets	
US$ million	**2018**	2017	**2018**	2017
South Africa	**9,687**	10,818	**10,181**	11,638
Botswana	**4,071**	4,536	**4,071**	4,536
Other Africa	**1,033**	1,121	**1,039**	1,127
Brazil	**5,643**	5,589	**5,891**	5,729
Chile	**6,210**	6,281	**6,240**	6,282
Other South America	**1,960**	1,282	**3,019**	2,128
North America	**644**	741	**644**	739
Australia and Asia	**3,374**	2,302	**3,848**	2,798
United Kingdom (Anglo American plc's country of domicile)	**1,279**	1,168	**1,383**	1,247
Other Europe	**84**	128	**84**	128
Non-current assets by location	**33,985**	33,966	**36,400**	36,352
Unallocated assets			**2,484**	3,476
Total non-current assets			**38,884**	39,828

Total non-current assets by location primarily comprise Intangible assets, Property, plant and equipment, Environmental rehabilitation trusts and Investments in associates and joint ventures.

CAPITAL BASE

10. INTANGIBLE ASSETS

Overview

Intangible assets comprise goodwill acquired through business combinations, brands, contracts and other non-mining assets.

	2018			2017		
US$ million	**Brands, contracts and other intangibles**	**Goodwill**	**Total**	Brands, contracts and other intangibles	Goodwill	Total
Net book value						
At 1 January	**1,201**	**2,122**	**3,323**	1,203	2,014	3,217
Additions	**17**	**–**	**17**	22	–	22
Amortisation charge for the year	**(68)**	**–**	**(68)**	(65)	–	(65)
Impairments	**–**	**–**	**–**	–	(8)	(8)
Disposals	**–**	**(17)**	**(17)**	–	–	–
Currency movements	**(39)**	**(129)**	**(168)**	41	116	157
At 31 December	**1,111**	**1,976**	**3,087**	1,201	2,122	3,323
Cost	**1,518**	**1,976**	**3,494**	1,609	2,122	3,731
Accumulated amortisation and impairment	**(407)**	**–**	**(407)**	(408)	–	(408)

Brands, contracts and other intangibles includes $1,082 million (2017: $1,174 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 (2017: $517 million) have indefinite useful lives.

Further information

Goodwill relates to the following cash generating units (CGUs) or groups of CGUs:

US$ million	**2018**	2017
De Beers	**1,592**	1,721
Copper Chile	**124**	124
Platinum Group Metals	**181**	181
Coal South Africa	**71**	88
Other	**8**	8
	1,976	2,122

Accounting judgement

Goodwill is tested at least annually for impairment by assessing the recoverable amount of the related CGU or group of CGUs. The recoverable amounts have been determined based on fair value less costs of disposal using discounted cash flow projections. The key assumptions used in determining the recoverable amounts are set out in note 7. Management believes that any reasonably possible change in a key assumption on which the recoverable amounts are based would not cause the carrying amounts to exceed their recoverable amounts.

Accounting policy

See note 38D for the Group's accounting policies on intangible assets.

11. PROPERTY, PLANT AND EQUIPMENT

Overview

Property, plant and equipment comprises the physical assets that make up the Group's operations. These include acquired mineral rights, capitalised waste stripping and mine development costs, processing plant and infrastructure, vehicles and other equipment.

	2018					2017				
US$ million	**Mining properties and leases**	**Land and buildings**	**Plant and equipment**	**Capital works in progress**	**Total**	Mining properties and leases	Land and buildings	Plant and equipment	Capital works in progress	Total
Net book value										
At 1 January	**11,536**	**2,669**	**12,848**	**3,590**	**30,643**	9,620	2,682	8,814	7,603	28,719
Additions	**438**	**87**	**199**	**3,308**	**4,032**	281	4	78	2,088	2,451
Depreciation charge for the year	**(1,080)**	**(84)**	**(1,495)**	**–**	**(2,659)**	(1,024)	(152)	(1,276)	–	(2,452)
Impairments	**(99)**	**(58)**	**(1)**	**–**	**(158)**	(144)	(9)	(68)	(23)	(244)
Impairments reversed	**344**	**37**	**711**	**50**	**1,142**	212	58	296	85	651
Disposals	**(18)**	**(23)**	**(58)**	**(7)**	**(106)**	(10)	(122)	(3)	(3)	(138)
Reclassifications	**573**	**(683)**	**1,940**	**(1,830)**	**–**	1,673	83	4,607	(6,363)	–
Currency movements	**(1,078)**	**(159)**	**(492)**	**(267)**	**(1,996)**	928	125	400	203	1,656
At 31 December	**10,616**	**1,786**	**13,652**	**4,844**	**30,898**	11,536	2,669	12,848	3,590	30,643
Cost	**24,227**	**2,853**	**31,202**	**4,997**	**63,279**	25,709	4,367	30,516	3,796	64,388
Accumulated depreciation and impairment	**(13,611)**	**(1,067)**	**(17,550)**	**(153)**	**(32,381)**	(14,173)	(1,698)	(17,668)	(206)	(33,745)

Additions include $41 million (2017: $35 million) of net interest expense incurred on borrowings funding the construction of qualifying assets which has been capitalised during the year.

11. PROPERTY, PLANT AND EQUIPMENT continued

Depreciation includes $2,545 million (2017: $2,342 million) of depreciation within operating profit, $97 million (2017: $101 million) of depreciation arising due to the fair value uplift on the pre-existing 45% shareholding in De Beers which has been included within operating remeasurements (see note 8), and $17 million (2017: $9 million) of pre-commercial production depreciation and assets used in capital projects which has been capitalised.

Disposals includes disposals of assets, businesses, and transfers to Assets classified as held for sale.

Accounting judgements

Impairment testing

For the purposes of impairment testing, the recoverable amount of each of the cash generating units (CGUs) or group of CGUs has been determined based on a fair value less costs of disposal basis. The key assumptions used in determining fair value less costs of disposal are set out in note 7.

Deferred stripping

In certain mining operations, rock or soil overlying a mineral deposit, known as overburden, and other waste materials must be removed to access the orebody. The process of removing overburden and other mine waste materials is referred to as stripping.

The Group defers stripping costs onto the balance sheet where they are considered to improve access to ore in future periods. Where the amount to be capitalised cannot be specifically identified it is determined based on the volume of waste extracted compared with expected volume for the identified component of the orebody. This determination is dependent on an individual mine's design and Life of Mine Plan and therefore changes to the design or Life of Mine Plan will result in changes to these estimates. Identification of the components of a mine's orebody is made by reference to the Life of Mine Plan. The assessment depends on a range of factors including each mine's specific operational features and materiality.

Accounting policy

See note 38D for the Group's accounting policies on property, plant and equipment.

12. CAPITAL EXPENDITURE

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 208.

Capital expenditure by segment

US$ million	2018	2017
De Beers	417	273
Copper	703	665
Platinum Group Metals	496	355
Iron Ore	415	252
Coal	722	568
Nickel and Manganese	38	28
Corporate and other	27	9
Capital expenditure	**2,818**	2,150
Reconciliation to Consolidated cash flow statement:		
Cash flows from derivatives related to capital expenditure	15	40
Proceeds from disposal of property, plant and equipment	162	52
Direct funding for capital expenditure received from non-controlling interests	374	36
Reimbursement of capital expenditure	31	–
Expenditure on property, plant and equipment	**3,400**	2,278

Direct funding for capital expenditure received from non-controlling interests represents capital expenditure relating to the Quellaveco project funded by cash subscriptions from Mitsubishi. This is deducted in order to present capital expenditure on an attributable basis. The remaining $515 million of cash subscription, received as part of the Quellaveco syndication transaction, will be offset against capital expenditure on the Quellaveco project in 2019. See note 25 for a full description of the transaction.

Reimbursement of capital expenditure relates to funding provided for the development of the Charterhouse Street office.

Capitalised operating cash flows

Capital expenditure includes net capitalised operating cash inflows of $18 million (2017: net inflows of $78 million) generated by operations prior to reaching commercial production for accounting purposes.

Capital expenditure by category

US$ million	2018	2017
Expansionary	567	306
Stay-in-business	1,617	1,310
Stripping and development	796	586
Proceeds from disposal of property, plant and equipment	(162)	(52)
	2,818	2,150

Expansionary capital expenditure includes the cash flows from derivatives related to capital expenditure and is net of direct funding for capital expenditure received from non-controlling interests. Stay-in-business capital expenditure is net of reimbursement of capital expenditure.

13. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Overview

Investments in associates and joint ventures represent businesses the Group does not control, but instead exercises joint control or significant influence. These include (within the respective business units) the associates Cerrejón and Jellinbah (Coal) and the joint ventures Ferroport (Iron Ore) and Samancor (Nickel and Manganese).

	2018			2017		
US$ million	**Associates**	**Joint ventures**	**Total**	Associates	Joint ventures	Total
At 1 January	**1,350**	**606**	**1,956**	1,371	603	1,974
Net income from associates and joint ventures	**347**	**381**	**728**	296	271	567
Dividends received	**(332)**	**(405)**	**(737)**	(263)	(243)	(506)
Investments in equity and capitalised loans	**72**	**27**	**99**	86	–	86
Impairments	**(85)**	**–**	**(85)**	(164)	–	(164)
Disposals	**(160)**	**–**	**(160)**	(17)	(25)	(42)
Other movements	**–**	**(15)**	**(15)**	(4)	1	(3)
Currency movements	**(56)**	**(15)**	**(71)**	45	(1)	44
At 31 December	**1,136**	**579**	**1,715**	1,350	606	1,956

During the year Anglo American Platinum completed the disposal of its 33% interest in BRPM. Refer to note 8.

Further information

The Group's total investments in associates and joint ventures include long-term loans of $181 million (2017: $330 million), which in substance form part of the Group's net investment. These loans are not repayable in the foreseeable future.

The Group's share of the results of the associates and joint ventures is as follows:

Income statement

US$ million	**2018**	2017
Revenue	**2,586**	2,407
Operating costs (before special items and remeasurements)	**(1,440)**	(1,402)
Associates' and joint ventures' underlying EBIT	**1,146**	1,005
Net finance costs	**(15)**	(53)
Income tax expense	**(380)**	(373)
Non-controlling interests	**(12)**	(2)
Net income from associates and joint ventures (before special items and remeasurements)	**739**	577
Special items and remeasurements	**–**	(12)
Special items and remeasurements tax	**(11)**	2
Net income from associates and joint ventures	**728**	567

Balance sheet

US$ million	**Associates**	**Joint ventures**	**Total**
Non-current assets	**1,235**	**872**	**2,107**
Current assets	**518**	**376**	**894**
Current liabilities	**(229)**	**(217)**	**(446)**
Non-current liabilities	**(388)**	**(452)**	**(840)**
Net assets as at 31 December 2018	**1,136**	**579**	**1,715**
Net assets as at 31 December 2017	1,350	606	1,956

Segmental information

	Revenue		Underlying EBITDA		Underlying EBIT		Share of net income	
US$ million	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
De Beers	**6**	18	**–**	3	**–**	2	**–**	2
Platinum Group Metals	**84**	148	**18**	10	**(3)**	(16)	**(3)**	(27)
Iron Ore	**29**	81	**14**	60	**7**	56	**(2)**	13
Coal	**1,320**[1]	1,220[1]	**634**	590	**527**	486	**348**	321
Nickel and Manganese	**1,147**	940	**663**	529	**610**	478	**380**	259
Corporate and other	**–**	–	**5**	(1)	**5**	(1)	**5**	(1)
	2,586	2,407	**1,334**	1,191	**1,146**	1,005	**728**	567

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[1] Includes $838 million of thermal coal revenue (2017: $791 million) arising in Cerrejón, and $482 million predominantly relating to metallurgical coal revenue (2017: $429 million).

	Aggregate investment	
US$ million	**2018**	2017
De Beers	**23**	23
Platinum Group Metals	**29**	200
Iron Ore	**123**	140
Coal	**1,109**	1,127
Nickel and Manganese	**404**	444
Corporate and other	**27**	22
	1,715	1,956

Accounting judgements

Impairment testing

The Group has previously impaired its investment in Samancor (Nickel and Manganese). For the purposes of impairment testing, the recoverable amount has been determined based on a fair value less costs of disposal basis. The key assumptions used in determining fair value less costs of disposal are set out in note 7.

Accounting policy

See note 38I for the Group's accounting policy on associates and joint arrangements, which includes joint ventures.

CAPITAL BASE

14. FINANCIAL ASSET INVESTMENTS

Overview

Financial asset investments include two categories. Financial assets at amortised cost principally comprise loans to and deposits with third parties including the Group's associates and joint ventures. Assets classified as at fair value through other comprehensive income principally comprise investments in equities of other companies.

	2018			2017		
US$ million	**Financial assets at amortised cost**	**At fair value through other comprehensive income**	**Total**	Loans and receivables	Available for sale investments	Total
At 1 January	**446**	**115**	**561**	701	134	835
Additions	**–**	**25**	**25**	–	6	6
Interest receivable	**19**	**–**	**19**	35	–	35
Net loans advanced/(repaid)	**18**	**4**	**22**	(168)	–	(168)
Disposals	**(21)**	**(63)**	**(84)**	–	(55)	(55)
Impairments	**(31)**	**–**	**(31)**	(77)	–	(77)
Fair value and other movements	**–**	**(44)**	**(44)**	(48)	18	(30)
Currency movements	**(73)**	**1**	**(72)**	3	12	15
At 31 December	**358**	**38**	**396**	446	115	561

During the year Anglo American Platinum disposed of certain investments made under the PGM Investment programme to a venture capital fund managed by AP Ventures LLP, over which the Group has joint control as an equity accounted joint venture.

Accounting policy

See note 38D for the Group's accounting policies on financial asset investments.

15. PROVISIONS FOR LIABILITIES AND CHARGES

Overview

US$ million	**Environmental restoration**	**Decommissioning**	**Employee benefits**	**Onerous contracts**	**Other**	**Total**
At 1 January 2018	**(1,488)**	**(630)**	**(182)**	**(76)**	**(421)**	**(2,797)**
Charged to the income statement	**(250)**	**(9)**	**(51)**	**(1)**	**(191)**	**(502)**
Capitalised	**(4)**	**(69)**	**–**	**–**	**(135)**	**(208)**
Unwinding of discount	**(59)**	**(29)**	**(1)**	**(3)**	**–**	**(92)**
Amounts applied	**71**	**23**	**72**	**8**	**61**	**235**
Unused amounts reversed	**7**	**5**	**5**	**2**	**8**	**27**
Disposals	**340**	**46**	**–**	**–**	**1**	**387**
Other movements	**(3)**	**(2)**	**3**	**(1)**	**–**	**(3)**
Currency movements	**128**	**58**	**21**	**6**	**45**	**258**
At 31 December 2018	**(1,258)**	**(607)**	**(133)**	**(65)**	**(632)**	**(2,695)**
Current	**(48)**	**(41)**	**(118)**	**(20)**	**(354)**	**(581)**
Non-current	**(1,210)**	**(566)**	**(15)**	**(45)**	**(278)**	**(2,114)**

Further information

Environmental restoration

The Group has an obligation to undertake restoration, rehabilitation and environmental work when environmental disturbance is caused by the development or ongoing production of a mining property. A provision is recognised for the present value of such costs, based on management's best estimate of the legal and constructive obligations incurred. Changes in legislation could result in changes in provisions recognised. It is anticipated that the majority of these costs will be incurred over a period in excess of 20 years.

Decommissioning

Provision is made for the present value of costs relating to the decommissioning of plant or other site restoration work. It is anticipated that the majority of these costs will be incurred over a period in excess of 20 years.

The pre-tax, real discount rates that have been used in calculating the environmental restoration and decommissioning liabilities as at 31 December 2018, in the principal currencies in which these liabilities are denominated are as follows: US dollar: 2.1% (2017: 2.1%); South African rand: 4.0% (2017: 4.0%); Australian dollar: 2.0% (2017: 3.0%); Chilean peso: 2.5% (2017: 3.0%); and Brazilian real: 6.0% (2017: 6.0%).

Employee benefits

Provision is made for statutory or contractual employee entitlements where there is significant uncertainty over the timing or amount of settlement. It is anticipated that these costs will be incurred when employees choose to take their benefits.

Onerous contracts

Provision is made for the present value of certain long-term contracts where the unavoidable cost of meeting the Group's obligations is expected to exceed the benefits to be received. It is anticipated that the majority of these costs will be incurred over a period of up to eight years.

Other

Other provisions charged to the income statement primarily relate to restructuring costs, indemnities, legal and other claims and liabilities. Capitalised other provisions primarily relate to social commitments in Quellaveco.

15. PROVISIONS FOR LIABILITIES AND CHARGES continued

Environmental rehabilitation trusts

The Group makes contributions to controlled funds that were established to meet the cost of some of its restoration and environmental rehabilitation liabilities in South Africa. The funds comprise the following investments:

US$ million	2018	2017
Equity	**104**	160
Bonds	**146**	186
Cash	**53**	75
	303	421

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% (2017: 8.0%) for an average period of five years (2017: three years). Equity investments are recorded at fair value through profit and loss and bonds are recorded at amortised cost.

These funds are not available for the general purposes of the Group. All income from these assets is reinvested to meet specific environmental obligations. These obligations are included in provisions stated above.

Accounting policy

See note 38D for the Group's accounting policy on environmental restoration and decommissioning obligations.

16. DEFERRED TAX

Overview

The movement in net deferred tax liabilities during the year is as follows:

US$ million	2018	2017
At 1 January	**(2,997)**	(2,507)
Charged to the income statement	**(127)**	(240)
Charged to the statement of comprehensive income	**(28)**	(19)
Credited directly to equity	**12**	10
Transfers to held for sale	**–**	(4)
Disposal of business	**47**	–
Currency movements	**327**	(237)
At 31 December	**(2,766)**	(2,997)
Comprising:		
Deferred tax assets	**910**	1,191
Deferred tax liabilities	**(3,676)**	(4,188)

Further information

The amount of deferred tax recognised in the Consolidated balance sheet is as follows:

US$ million	2018	2017
Deferred tax assets		
Tax losses	**221**	292
Post employment benefits	**23**	29
Share-based payments	**23**	33
Enhanced tax depreciation	**228**	430
Depreciation in excess of capital allowances	**264**	500
Other temporary differences	**151**	(93)
	910	1,191
Deferred tax liabilities		
Capital allowances in excess of depreciation	**(3,072)**	(3,030)
Fair value adjustments	**(691)**	(853)
Tax losses	**95**	27
Provisions	**413**	385
Withholding tax	**(126)**	(396)
Other temporary differences	**(295)**	(321)
	(3,676)	(4,188)

The deferred tax liability on other temporary differences of $295 million (2017: $321 million) arises primarily in relation to deferred stripping costs, partially offset by an amount related to post employment benefits.

16. DEFERRED TAX continued

The amount of deferred tax charged to the Consolidated income statement is as follows:

US$ million	2018	2017
Capital allowances in excess of depreciation	**(456)**	(182)
Fair value adjustments	**35**	15
Tax losses	**173**	49
Provisions	**14**	164
Withholding tax	**273**	(159)
Other temporary differences	**(166)**	(127)
	(127)	(240)

Deferred tax charged to the income statement includes a charge of $110 million (2017: charge of $34 million) relating to deferred tax remeasurements and a charge of $200 million (2017: charge of $87 million) relating to deferred tax on special items.

The Group has the following temporary differences for which no deferred tax assets have been recognised:

	2018				2017			
US$ million	**Tax losses – revenue**	**Tax losses – capital**	**Other temporary differences**	**Total**	Tax losses – revenue	Tax losses – capital	Other temporary differences	Total
Expiry date								
Greater than one year, less than five years	**17**	**–**	**–**	**17**	17	–	–	17
Greater than five years	**26**	**–**	**2,102**	**2,128**	38	–	2,556	2,594
No expiry date	**3,750**	**1,266**	**6,583**	**11,599**	3,536	715	8,901	13,152
	3,793	**1,266**	**8,685**	**13,744**	3,591	715	11,457	15,763

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 $23,760 million (2017: $18,609 million).

Accounting policy

See note 38G for the Group's accounting policy on tax.

WORKING CAPITAL

This section includes analysis of inventories, receivables and payables. These balances principally relate to current assets and liabilities held to support operating activities.

US$ million	2018	2017
Inventories	**4,466**	4,441
Trade and other receivables	**2,734**	3,073
Trade and other payables	**(4,879)**	(4,590)
	2,321	2,924

Working capital was cash neutral in 2018. The net reduction in the total working capital balance also includes other movements such as foreign exchange.

17. INVENTORIES

Overview

Inventories represent goods held for sale in the ordinary course of business (finished products), ore being processed into a saleable condition (work in progress) and spares, raw materials and consumables to be used in the production process (raw materials and consumables).

US$ million	2018	2017
Raw materials and consumables	**771**	817
Work in progress	**1,911**	1,703
Finished products	**1,784**	1,921
	4,466	4,441

Further information

The cost of inventories recognised as an expense and included in cost of sales amounted to $17,170 million (2017: $16,264 million). The write-down of inventories to net realisable value (net of revaluation of provisionally priced purchases) amounted to $59 million (2017: $105 million).

Accounting judgements

Accounting for inventory involves the use of judgements and estimates, particularly related to the measurement and valuation of work in progress inventory within the production process. Certain estimates, including expected metal recoveries and work in progress volumes, are calculated by engineers using available industry, engineering and scientific data. Estimates used are periodically reassessed by the Group taking into account technical analysis and historical performance.

Accounting policy

See note 38E for the Group's accounting policy on inventories.

18. TRADE AND OTHER RECEIVABLES

Overview

Trade receivables are amounts due from the Group's customers for commodities and services the Group has provided. Many of the Group's sales are provisionally priced, which means that the price is finalised at a date after the sale takes place. When there is uncertainty about the final amount that will be received, the receivable is marked to market based on the forward price.

Trade and other receivables also includes amounts receivable for VAT and other indirect taxes, prepaid expenses and amounts receivable from others for non-sale transactions. Contract assets represent prepaid freight costs for sales contracts where the Group has an outstanding performance obligation to provide freight services.

			2018			2017
US$ million	**Due within one year**	**Due after one year**	**Total**	Due within one year	Due after one year	Total
Trade receivables	**1,188**	**21**	**1,209**	1,355	206	1,561
Tax receivables	**418**	**350**	**768**	407	353	760
Prepayments and accrued income	**178**	**30**	**208**	166	50	216
Contract assets	**9**	**–**	**9**	–	–	–
Other receivables	**233**	**307**	**540**	208	328	536
	2,026	**708**	**2,734**	2,136	937	3,073

Further information

The Group applies the simplified expected credit loss model for its trade receivables measured at amortised cost, as permitted by IFRS 9 *Financial Instruments*. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience and credit rating, adjusted as appropriate for current observable data.

Of the year end trade receivables balance, $27 million (2017: $42 million) were past due, stated after an associated impairment provision of $18 million (2017: $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 there is no current observable data to indicate a material future default. As a result the credit quality of year end trade receivables is considered to be high.

Trade receivables do not incur any interest, are principally short-term in nature and are measured at their nominal value (with the exception of receivables relating to provisionally priced sales, as set out in the revenue recognition accounting policy, see note 38C), net of appropriate provision for estimated irrecoverable amounts.

WORKING CAPITAL

19. TRADE AND OTHER PAYABLES

Overview

Trade and other payables include amounts owed to suppliers, tax authorities and other parties that are typically due to be settled within 12 months. The total also includes contract liabilities, which represents monies received from customers but for which we have not yet delivered the associated service. These amounts are recognised as revenue when the service is provided. Other payables includes deferred consideration in respect of business combinations, dividends payable to non-controlling interests and employee-related payables.

US$ million	2018	2017
Trade payables	**2,378**	2,214
Accruals	**1,481**	1,366
Contract liabilities	**478**	–
Deferred income	**17**	453
Tax and social security	**45**	68
Other payables	**480**	489
	4,879	4,590

Further information

Trade payables are non-interest bearing and are measured at their nominal value (with the exception of payables relating to provisionally priced commodity purchases which are marked to market using the appropriate forward price) until settled. $145 million (2017: $89 million) of other payables is included within non-current liabilities.

Contract liabilities represent $457 million for payments received in advance for metal which is expected to be delivered within six months and $21 million in respect of freight performance obligations which are expected to be completed within one month. On transition to IFRS 15 *Revenue from Contracts with Customers* at 1 January 2018, contract liabilities of $432 million were recognised. All of the revenue associated with these performance obligations was recognised during the year. Prior to the adoption of IFRS 15 at 1 January 2018, payments received in advance of the delivery of metal were presented as deferred income and freight was not identified as a separate performance obligation within the underlying sales contract.

NET DEBT AND FINANCIAL RISK MANAGEMENT

Net debt decreased from $4.5 billion to $2.8 billion during the year, driven by operating cash inflows. Gearing has decreased from 13% at 31 December 2017 to 9% at 31 December 2018.

US$ million	2018	2017
Net assets	29,832	28,882
Net debt including related derivatives (note 20)	2,848	4,501
Total capital	32,680	33,383
Gearing	9%	13%

Net debt is calculated as total borrowings less cash and cash equivalents (including derivatives that provide an economic hedge of net debt and excluding the impact of the debit valuation adjustment). Total capital is calculated as 'Net assets' (as shown in the Consolidated balance sheet) excluding net debt.

20. NET DEBT

Overview

The disclosures in this note include certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 208.

Movement in net debt

US$ million	Cash and cash equivalents	Short term borrowings	Medium and long term borrowings	Net debt excluding derivatives	Derivatives hedging net debt	Net debt including derivatives
At 1 January 2017	6,044	(1,799)	(11,363)	(7,118)	(1,369)	(8,487)
Cash flow	1,549	1,838	318	3,705	419	4,124
Reclassifications	–	(1,077)	1,077	–	–	–
Movement in fair value	–	(7)	210	203	601	804
Other non-cash movements	–	(151)	(144)	(295)	–	(295)
Currency movements	199	(128)	(718)	(647)	–	(647)
At 31 December 2017	7,792	(1,324)	(10,620)	(4,152)	(349)	(4,501)
Cash flow	(948)	1,077	1,666	1,795	250	2,045
Reclassifications	–	(434)	434	–	–	–
Movement in fair value	–	8	116	124	(345)	(221)
Other non-cash movements	–	34	(137)	(103)	–	(103)
Currency movements	(296)	58	170	(68)	–	(68)
At 31 December 2018	6,548	(581)	(8,371)	(2,404)	(444)	(2,848)

Further information

Reconciliation to the Consolidated balance sheet

	Cash and cash equivalents		Short term borrowings		Medium and long term borrowings	
US$ million	2018	2017	2018	2017	2018	2017
Balance sheet	6,567	7,800	(600)	(1,351)	(8,371)	(10,620)
Balance sheet – disposal groups	–	19	–	–	–	–
Bank overdrafts	(19)	(27)	19	27	–	–
Net cash/(debt) classifications	6,548	7,792	(581)	(1,324)	(8,371)	(10,620)

South Africa net cash

The Group operates in South Africa where the existence of exchange controls may restrict the use of certain cash balances. The Group therefore monitors the cash and debt associated with these operations separately. These restrictions are not expected to have a material effect on the Group's ability to meet its ongoing obligations. On an owned basis cash and cash equivalents in South Africa is $5,316 million (31 December 2017: $4,276 million) and net cash is $4,603 million (31 December 2017: $3,446 million).

As part of the Group cash pooling arrangement cash that is legally owned by South African companies is managed outside of South Africa. Below is a breakdown of net cash managed in South Africa.

US$ million	2018	2017
Cash and cash equivalents	1,382	1,651
Short term borrowings	(113)	(34)
Medium and long term borrowings	(601)	(798)
Net cash excluding derivatives	668	819
Derivatives hedging net debt	1	2
Net cash including derivatives	669	821

Debit valuation adjustment

The debit valuation adjustments reduce the valuation of derivative liabilities hedging net debt reflecting the impact of the Group's own credit risk. These adjustments are excluded from the Group's definition of net debt (as detailed on page 209). The movement in the debit valuation adjustments are as follows:

US$ million	2018	2017
At 1 January	9	73
Movement in fair value	6	(64)
At 31 December	15	9

20. NET DEBT continued

Accounting policy

See note 38F for the Group's accounting policy on cash and debt.

New IFRS accounting standards not yet adopted

IFRS 16 *Leases*

IFRS 16 *Leases* is effective for the Group from 1 January 2019. On transition, the present value of liabilities for existing operating leases of $0.5 billion will be included within net debt. Further information is provided in note 38A.

21. BORROWINGS

Overview

The Group accesses borrowings mostly in capital markets through bonds issued under the Euro Medium Term Note (EMTN) programme, the South African Domestic Medium Term Note (DMTN) programme, the Australian Medium Term Note (AMTN) programme and through accessing the US bond markets. The Group uses interest rate and cross currency swaps to ensure that the majority of the Group's borrowings are floating rate US dollar denominated.

Between March and May 2018, the Group completed a number of bond buyback transactions consisting of euro and US dollar denominated bonds with maturities from April 2019 to April 2021. The Group used $2.24 billion of cash to retire $2.14 billion of contractual repayment obligations (including derivatives hedging the bonds).

In March 2018, the Group issued $650 million 4.5% senior notes due 2028 through accessing the US bond markets.

Further information

	2018				2017			
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	**25**	**31**	**56**	**56**	18	39	57	57
Other loans	**12**	**115**	**127**	**127**	13	68	81	81
	37	**146**	**183**	**183**	31	107	138	138
Unsecured								
Bank loans and overdrafts	**13**	**129**	**142**	**142**	24	123	147	147
Bonds issued under EMTN programme								
1.75% €258m bond due April 2018	**–**	**–**	**–**	**–**	309	–	309	355
6.875% £92m bond due May 2018	**–**	**–**	**–**	**–**	125	–	125	181
2.5% €160m bond due September 2018	**–**	**–**	**–**	**–**	194	–	194	204
1.028% JPY10,000m bond due December 2018	**–**	**–**	**–**	**–**	89	–	89	97
2.75% €279m bond due June 2019[1]	**323**	**–**	**323**	**351**	–	439	439	448
1.5% €139m bond due April 2020[1]	**–**	**169**	**169**	**152**	–	264	264	226
2.875% €281m bond due November 2020[1]	**–**	**322**	**322**	**377**	–	426	426	477
2.5% €378m bond due April 2021[1]	**–**	**445**	**445**	**492**	–	930	930	977
3.5% €750m bond due March 2022	**–**	**924**	**924**	**992**	–	979	979	992
3.25% €750m bond due April 2023	**–**	**910**	**910**	**1,033**	–	954	954	1,033
1.625% €600m bond due September 2025	**–**	**689**	**689**	**714**	–	710	710	714
US bonds								
9.375% $750m bond due April 2019	**–**	**–**	**–**	**–**	–	763	763	750
3.625% $352m bond due May 2020	**–**	**–**	**–**	**–**	–	346	346	352
4.45% $281m bond due September 2020	**–**	**–**	**–**	**–**	–	285	285	281
4.125% $500m bond due April 2021	**–**	**494**	**494**	**500**	–	499	499	500
3.75% $300m bond due April 2022	**–**	**292**	**292**	**300**	–	295	295	300
4.125% $600m bond due September 2022	**–**	**579**	**579**	**600**	–	583	583	600
3.625% $650m bond due September 2024	**–**	**624**	**624**	**650**	–	631	631	650
4.875% $650m bond due May 2025	**–**	**628**	**628**	**650**	–	638	638	650
4.75% $700m bond due April 2027	**–**	**678**	**678**	**700**	–	693	693	700
4% $650m bond due September 2027	**–**	**616**	**616**	**650**	–	629	629	650
4.5% $650m bond due March 2028	**–**	**651**	**651**	**650**	–	–	–	–
Bonds issued under AMTN programme								
5.75% AUD500m bond due November 2018	**–**	**–**	**–**	**–**	397	–	397	470
Bonds issued under DMTN programme								
9.27% R1,400m bond due March 2019	**97**	**–**	**97**	**97**	–	114	114	114
9.49% R650m bond due April 2021	**–**	**46**	**46**	**45**	–	54	54	53
JIBAR+1.47% R400m bond due April 2021	**–**	**28**	**28**	**28**	–	31	31	32
Interest payable and other loans	**130**	**1**	**131**	**131**	182	127	309	309
	563	**8,225**	**8,788**	**9,254**	1,320	10,513	11,833	12,262
Total borrowings	**600**	**8,371**	**8,971**	**9,437**	1,351	10,620	11,971	12,400

[1] Outstanding value of bond shown subsequent to bond buyback transactions completed in March 2018.

Accounting policy

See note 38F for the Group's accounting policy on bank borrowings.

22. FINANCIAL INSTRUMENTS AND DERIVATIVES

Financial instruments overview

For financial assets and liabilities which are traded on an active market, such as listed investments or listed debt instruments, fair value is determined by reference to market value. For non-traded financial assets and liabilities, fair value is calculated using discounted cash flows, considered to be reasonable and consistent with those that would be used by a market participant, and based on observable market data where available (for example forward exchange rate, interest rate or commodity price curve), unless carrying value is considered to approximate fair value.

Where discounted cash flow models based on management's assumptions are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy, as defined in IFRS 13 *Fair Value Measurement*, as they depend to a significant extent on unobservable valuation inputs.

All derivatives that have been designated into hedge relationships have been separately disclosed.

						2018
US$ million	At fair value through profit and loss	Financial assets at amortised cost	At fair value through other comprehensive income	Designated into hedges	Financial liabilities at amortised cost	Total
Financial assets						
Trade and other receivables	996	810	–	–	–	1,806
Derivative financial assets	129	–	–	212	–	341
Cash and cash equivalents	4,407	2,160	–	–	–	6,567
Financial asset investments	–	358	38	–	–	396
	5,532	3,328	38	212	–	9,110
Financial liabilities						
Trade and other payables	(909)	–	–	–	(3,430)	(4,339)
Derivative financial liabilities	(607)	–	–	(109)	–	(716)
Borrowings	–	–	–	(8,599)	(372)	(8,971)
	(1,516)	–	–	(8,708)	(3,802)	(14,026)
Net financial assets/(liabilities)	4,016	3,328	38	(8,496)	(3,802)	(4,916)

						2017
US$ million	At fair value through profit and loss	Loans and receivables	Available for sale	Designated into hedges	Financial liabilities at amortised cost	Total
Financial assets						
Trade and other receivables	796	1,356	–	–	–	2,152
Derivative financial assets	83	–	–	307	–	390
Cash and cash equivalents	–	7,800	–	–	–	7,800
Financial asset investments	–	446	115	–	–	561
	879	9,602	115	307	–	10,903
Financial liabilities						
Trade and other payables	(706)	–	–	–	(3,363)	(4,069)
Derivative financial liabilities	(738)	–	–	(58)	–	(796)
Borrowings	–	–	–	(11,496)	(475)	(11,971)
	(1,444)	–	–	(11,554)	(3,838)	(16,836)
Net financial (liabilities)/assets	(565)	9,602	115	(11,247)	(3,838)	(5,933)

Trade and other receivables exclude prepayments and tax receivables. Trade and other payables exclude tax, social security, contract liabilities and deferred income.

The Group's cash and cash equivalents at 31 December 2018 include $4,407 million held in high grade money market funds. These funds are selected to ensure compliance with the minimum credit rating requirements and counterparty exposure limits set out in the Group's Treasury policy. Following the adoption of IFRS 9 *Financial Instruments* from 1 January 2018 these balances have been reclassified as at fair value through profit and loss as they are redeemed through the sale of units in the funds rather than solely through the recovery of principal and interest. The amount held in similar money market funds at 31 December 2017 and classified as loans and receivables in the analysis above was $4,988 million. There is no impact on the carrying value of cash and cash equivalents as a result of this reclassification.

22. FINANCIAL INSTRUMENTS AND DERIVATIVES continued

Fair value hierarchy

An analysis of financial assets and liabilities carried at fair value is set out below:

				2018				2017
US$ million	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
At fair value through profit and loss								
Provisionally priced trade receivables	–	726	–	726	–	558	–	558
Other receivables	–	–	270	270	–	–	238	238
Derivatives hedging net debt	–	7	–	7	–	30	–	30
Other derivatives	9	113	–	122	–	53	–	53
Cash and cash equivalents	4,407	–	–	4,407	–	–	–	–
Designated into hedges								
Derivatives hedging net debt	–	212	–	212	–	307	–	307
At fair value through other comprehensive income								
Financial asset investments	10	–	28	38	69	–	46	115
	4,426	1,058	298	5,782	69	948	284	1,301
Financial liabilities								
At fair value through profit and loss								
Provisionally priced trade payables	–	(751)	–	(751)	–	(594)	–	(594)
Other payables	–	–	(158)	(158)	–	–	(112)	(112)
Derivatives hedging net debt	–	(554)	–	(554)	–	(628)	–	(628)
Other derivatives	(8)	(60)	–	(68)	(2)	(117)	–	(119)
Designated into hedges								
Derivatives hedging net debt	–	(109)	–	(109)	–	(58)	–	(58)
Debit valuation adjustment to derivative liabilities	–	15	–	15	–	9	–	9
	(8)	(1,459)	(158)	(1,625)	(2)	(1,388)	(112)	(1,502)
Net assets/(liabilities) carried at fair value	4,418	(401)	140	4,157	67	(440)	172	(201)

Fair value hierarchy	Valuation technique
Level 1	Valued using unadjusted quoted prices in active markets for identical financial instruments. This category includes cash and cash equivalents held in money market funds, listed equity shares and quoted futures.
Level 2	Instruments in this category are valued using valuation techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. This category includes provisionally priced trade receivables and payables and over-the-counter derivatives.
Level 3	Instruments in this category have been valued using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input. This category includes contingent consideration, receivables relating to disposals and unlisted equity investments.

The movements in the fair value of the level 3 financial assets and liabilities are shown as follows:

		Assets		Liabilities
US$ million	2018	2017	2018	2017
At 1 January	284	270	(112)	(125)
Net (loss)/profit recorded in the income statement	(38)	2	11	17
Net (loss)/profit recorded in the statement of comprehensive income	(32)	34	–	–
Additions	155	19	(70)	–
Settlements and disposals	(37)	(59)	4	–
Currency movements	(34)	18	9	(4)
At 31 December	298	284	(158)	(112)

For the level 3 financial assets and liabilities, changing certain estimated inputs to reasonably possible alternative assumptions does not change the fair value significantly.

Further information on financial instruments

Borrowings designated in fair value hedges represent listed debt which is held at amortised cost, adjusted for the fair value of the hedged interest rate risk. The fair value of these borrowings is $8,519 million (2017: $11,900 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 $372 million (2017: $475 million), principally comprising bank borrowings, is considered to approximate the fair value.

Offsetting of financial assets and liabilities

The Group offsets financial assets and liabilities and presents them on a net basis in the Consolidated balance sheet only where there is a legally enforceable right to offset the recognised amounts, and the Group intends to either settle the recognised amounts on a net basis or to realise the asset and settle the liability simultaneously.

At 31 December 2018, certain over-the-counter derivatives entered into by the Group and recognised at fair value through profit and loss are both subject to enforceable ISDA master netting arrangements and intended to be settled on a net basis. In accordance with the requirements of IAS 32 *Financial Instruments: Presentation*, the positions of these derivatives have been offset; those in a liability position totalling $57 million (2017: $62 million asset position) were offset against those in a net asset position totalling $122 million (2017: $165 million liability position). The net asset position of $65 million (2017: $103 million net liability) is presented within derivative assets (2017: within derivative liabilities) in the Consolidated balance sheet.

22. FINANCIAL INSTRUMENTS AND DERIVATIVES continued

Derivatives overview

The Group utilises derivative instruments to manage certain market risk exposures, however it may choose not to designate certain derivatives as hedges for accounting purposes. Such derivatives are classified as 'Held for trading' and fair value movements are recorded in the Consolidated income statement.

The use of derivative instruments is subject to limits and the positions are regularly monitored and reported to senior management.

Fair value hedges

The majority of interest rate swaps (taken out to swap the Group's fixed rate borrowings to floating rate, in accordance with the Group's policy) have been designated as fair value hedges. The carrying value of the hedged debt is adjusted at each balance sheet date to reflect the impact on its fair value of changes in market interest rates. At 31 December 2018 this adjustment was to increase the carrying value of borrowings by $30 million (2017: $154 million increase). Changes in the fair value of the hedged debt are offset against fair value changes in the interest rate swap and recognised in the Consolidated income statement as financing remeasurements. Recognised in the Consolidated income statement is a gain on fair value hedged items of $124 million (2017: $203 million), offset by a loss on fair value hedging instruments of $118 million (2017: $213 million).

Held for trading

The Group may choose not to designate certain derivatives as hedges. This may occur where the Group is economically hedged but IFRS 9 hedge accounting cannot be achieved or where gains and losses on both the derivative and hedged item naturally offset in the Consolidated income statement, as is the case for certain cross currency swaps of non-US dollar debt. Fair value changes on these derivatives are recognised in the Consolidated income statement as remeasurements or within underlying earnings in accordance with the policy set out in note 8.

Further information on derivatives

Fair value of derivative positions

The fair value of the Group's open derivative positions at 31 December (excluding normal purchase and sale contracts held off balance sheet), recorded within 'Derivative financial assets' and 'Derivative financial liabilities', is as follows:

	Current				Non-current			
	2018		2017		**2018**		2017	
US$ million	**Asset**	**Liability**	Asset	Liability	**Asset**	**Liability**	Asset	Liability
Derivatives hedging net debt								
Fair value hedge								
Interest rate swaps	**7**	**–**	21	–	**205**	**(109)**	286	(58)
Held for trading								
Forward foreign currency contracts	**3**	**(7)**	7	(10)	**–**	**–**	–	–
Cross currency swaps	**–**	**(33)**	–	(209)	**4**	**(514)**	23	(409)
Debit valuation adjustment to derivative liabilities	**–**	**–**	–	–	**–**	**15**	–	9
	10	**(40)**	28	(219)	**209**	**(608)**	309	(458)
Other derivatives	**122**	**(63)**	53	(117)	**–**	**(5)**	–	(2)
Total derivatives	**132**	**(103)**	81	(336)	**209**	**(613)**	309	(460)

Other derivatives primarily relate to forward foreign currency contracts hedging capital expenditure, forward commodity contracts and other commodity contracts that are accounted for as 'Held for trading'. These marked to market valuations are not predictive of the future value of the hedged position, nor of the future impact on the profit of the Group. The valuations represent the cost of closing all hedge contracts at 31 December, at market prices and rates available at the time.

Accounting judgement

Fair value of financial instruments

Certain of the Group's financial instruments, principally derivatives, are required to be measured on the balance sheet at fair value. Where a quoted market price for an identical instrument is not available, a valuation model is used to estimate the fair value based on the net present value of the expected cash flows under the contract. Valuation assumptions are usually based on observable market data (for example forward foreign exchange rate, interest rate or commodity price curves) where available.

Accounting policies

See notes 38D and 38F for the Group's accounting policies on financial asset investments, impairment of financial assets, derivative financial instruments and hedge accounting.

23. FINANCIAL RISK MANAGEMENT

Overview

The Board approves and monitors the risk management processes, including documented treasury policies, counterparty limits and controlling and reporting structures. The risk management processes of the Group's independently listed subsidiaries are in line with the Group's own policy.

The types of risk exposure, the way in which such exposure is managed and quantification of the level of exposure in the Consolidated balance sheet at 31 December is as follows:

- liquidity risk;
- credit risk;
- commodity price risk;
- foreign exchange risk; and
- interest rate risk.

A. Liquidity risk

The Group ensures that there are sufficient committed loan facilities (including refinancing, where necessary) in order to meet short-term business requirements, after taking into account cash flows from operations and its holding of cash and cash equivalents, as well as any Group distribution restrictions that exist. In addition, certain projects may be financed by means of limited recourse project finance, if appropriate.

Certain borrowing facilities within the Group are the subject of financial covenants that vary from facility to facility, but which would be considered normal for such facilities, such as the ratio of net debt to tangible net worth. The respective borrowers remain in compliance with these facilities at 31 December 2018.

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:

					2018
	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	**(462)**	**(337)**	**(134)**	**(4,262)**	**(5,195)**
Greater than one year, less than two years	**(530)**	**(313)**	**(152)**	**(20)**	**(1,015)**
Greater than two years, less than three years	**(1,044)**	**(286)**	**(140)**	**(17)**	**(1,487)**
Greater than three years, less than four years	**(1,787)**	**(254)**	**(169)**	**(19)**	**(2,229)**
Greater than four years, less than five years	**(880)**	**(193)**	**(207)**	**(18)**	**(1,298)**
Greater than five years	**(4,133)**	**(478)**	**(77)**	**(333)**	**(5,021)**
Total due for repayment after more than one year	**(8,374)**	**(1,524)**	**(745)**	**(407)**	**(11,050)**
Total	**(8,836)**	**(1,861)**	**(879)**	**(4,669)**	**(16,245)**

					2017
	Net debt related financial liabilities				
US$ million	Borrowings	Expected future interest payments	Derivatives hedging net debt	Other financial liabilities	Total
Amount due for repayment within one year	(1,174)	(469)	(195)	(3,985)	(5,823)
Greater than one year, less than two years	(1,338)	(382)	(19)	(22)	(1,761)
Greater than two years, less than three years	(1,450)	(321)	(39)	–	(1,810)
Greater than three years, less than four years	(1,592)	(280)	(72)	–	(1,944)
Greater than four years, less than five years	(1,811)	(222)	(65)	–	(2,098)
Greater than five years	(4,313)	(513)	(79)	(228)	(5,133)
Total due for repayment after more than one year	(10,504)	(1,718)	(274)	(250)	(12,746)
Total	(11,678)	(2,187)	(469)	(4,235)	(18,569)

The Group had the following undrawn committed borrowing facilities at 31 December:

US$ million	**2018**	2017
Expiry date		
Within one year	**223**	490
Greater than one year, less than two years	**1,182**	598
Greater than two years, less than three years	**1,035**	7,676
Greater than three years, less than four years	**–**	–
Greater than four years, less than five years	**4,874**	244
	7,314	9,008

In March 2018 the Group replaced a number of credit facilities maturing between March 2019 and March 2020 with a total value of $5.4 billion, with a $4.5 billion credit facility maturing in March 2023. On 8 February 2019, the Group extended the maturity of $4.3 billion of its revolving credit facility by one year from March 2023 to March 2024.

Undrawn committed borrowing facilities expiring within one year include undrawn South African rand facilities equivalent to $0.2 billion (2017: $0.3 billion) in respect of facilities with a 364 day maturity which roll automatically on a daily basis, unless notice is served.

In addition to the amounts above, on 1 January 2019, a committed shareholder loan facility of $1.8 billion from Mitsubishi Corporation became available to Anglo American Quellaveco S.A. to meet Mitsubishi's commitment to fund 40% of remaining capital expenditure on the Quellaveco project (Copper).

23. FINANCIAL RISK MANAGEMENT continued

B. Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a loss to the Group by failing to pay its obligation.

The Group's principal financial assets are cash, trade and other receivables, investments and derivative financial instruments. The Group's maximum exposure to credit risk primarily arises from these financial assets and is as follows:

US$ million	2018	2017
Cash and cash equivalents	6,567	7,800
Trade and other receivables	1,806	2,152
Financial asset investments	358	446
Derivative financial assets	341	390
	9,072	10,788

The Group limits credit risk on liquid funds and derivative financial instruments through diversification of exposures with a range of financial institutions approved by the Board. Counterparty limits are set for each financial institution with reference to credit ratings assigned by Standard & Poor's, Moody's and Fitch Ratings, shareholder equity (in case of relationship banks) and fund size (in case of asset managers).

Given the diverse nature of the Group's operations (both in relation to commodity markets and geographically), and the use of payment security instruments (including letters of credit from financial institutions), it does not have significant concentration of credit risk in respect of trade receivables, with exposure spread over a large number of customers.

The classification of trade and other receivables exclude prepayments and tax receivables and the classification of financial asset investments exclude equity investments held at fair value through other comprehensive income.

C. Commodity price risk

The Group's earnings are exposed to movements in the prices of the commodities it produces.

The Group's policy is to sell its products at prevailing market prices and is generally not to hedge commodity price risk, although some hedging may be undertaken for strategic reasons. In such cases, the Group generally uses forward contracts and other derivative instruments to hedge the price risk.

Certain of the Group's sales and purchases are provisionally priced, meaning that the selling price is determined normally 30 to 180 days after delivery to the customer, based on quoted market prices stipulated in the contract, and as a result are susceptible to future price movements. The exposure of the Group's financial assets and liabilities to commodity price risk is as follows:

	2018				2017			
	Commodity price linked				Commodity price linked			
US$ million	Subject to price movements	Fixed price	Not linked to commodity price	Total	Subject to price movements	Fixed price	Not linked to commodity price	Total
Total net financial instruments (excluding derivatives)	(286)	456	(4,711)	(4,541)	262	378	(6,167)	(5,527)
Derivatives	67	–	(442)	(375)	(86)	–	(320)	(406)
	(219)	456	(5,153)	(4,916)	176	378	(6,487)	(5,933)

Commodity price linked financial instruments subject to price movements include provisionally priced trade receivables and trade payables.

Commodity price linked financial instruments at fixed price include receivables and payables for commodity sales and purchases not subject to price adjustment at the balance sheet date.

D. Foreign exchange risk

As a global business, the Group is exposed to many currencies principally as a result of non-US dollar operating costs and, to a lesser extent, from non-US dollar revenue.

The South African rand, Brazilian real and Australian dollar are the most significant non-US dollar currencies influencing costs. A strengthening of the US dollar against the currencies to which the Group is exposed has a positive effect on the Group's earnings. The Group's policy is generally not to hedge such exposures given the correlation, over the longer term, with commodity prices and the diversified nature of the Group, although exceptions can be approved by the Group Management Committee.

In addition, currency exposures exist in respect of non-US dollar capital expenditure projects and non-US dollar borrowings in US dollar functional currency entities. The Group's policy is to evaluate whether or not to hedge its non-US dollar capital expenditure on a case-by-case basis, taking into account the estimated foreign exchange exposure, liquidity of foreign exchange markets and the cost of executing a hedging strategy.

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 $2,068 million. This includes net assets of $25 million denominated in Brazilian real, and net liabilities of $247 million denominated in US dollars, $399 million denominated in Australian dollars, $349 million denominated in Chilean pesos and $825 million denominated in South African rand.

23. FINANCIAL RISK MANAGEMENT continued

E. Interest rate risk

Interest rate risk arises due to fluctuations in interest rates which impact the value of short-term investments and financing activities. The Group is principally exposed to US and South African interest rates.

The Group's policy is to borrow funds at floating rates of interest given the link with economic output and therefore the correlation, over the longer term, with commodity prices. The Group uses interest rate swap contracts to manage its exposure to interest rate movements on its debt.

In respect of financial assets, the Group's policy is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments (less than one year) in order to maintain liquidity.

Analysis of interest rate risk associated with net debt balances and the impact of derivatives to hedge against this risk is included within the table below. Net other financial liabilities (excluding net debt related balances and cash in disposal groups, but including the debit valuation adjustment attributable to derivatives hedging net debt) of $2,068 million (2017: $1,432 million) are primarily non-interest bearing.

The table below reflects the exposure of the Group's net debt to currency and interest rate risk.

						2018
US$ million	**Cash and cash equivalents**	**Floating rate borrowings**	**Fixed rate borrowings**	**Derivatives hedging net debt**	**Impact of currency derivatives**	**Total**
US dollar	**4,807**	**(134)**	**(4,660)**	**(445)**	**(3,844)**	**(4,276)**
Euro	**20**	**–**	**(3,844)**	**–**	**3,844**	**20**
South African rand	**1,250**	**(76)**	**(154)**	**1**	**–**	**1,021**
Brazilian real	**99**	**–**	**–**	**–**	**–**	**99**
Australian dollar	**165**	**–**	**–**	**–**	**–**	**165**
Sterling	**25**	**(7)**	**(57)**	**–**	**–**	**(39)**
Other	**182**	**(3)**	**(17)**	**–**	**–**	**162**
Impact of interest derivatives	**–**	**(8,599)**	**8,599**	**–**	**–**	**–**
Total	**6,548**	**(8,819)**	**(133)**	**(444)**	**–**	**(2,848)**

						2017
US$ million	Cash and cash equivalents	Floating rate borrowings	Fixed rate borrowings	Derivatives hedging net debt	Impact of currency derivatives	Total
US dollar	5,975	(154)	(5,481)	(351)	(5,904)	(5,915)
Euro	15	–	(5,286)	–	5,286	15
South African rand	1,445	(212)	(178)	2	–	1,057
Brazilian real	99	–	–	–	–	99
Australian dollar	121	–	(399)	–	399	121
Sterling	20	–	(130)	–	130	20
Other	117	–	(104)	–	89	102
Impact of interest derivatives	–	(11,497)	11,497	–	–	–
Total	7,792	(11,863)	(81)	(349)	–	(4,501)

Based on the net foreign currency and interest rate risk exposures detailed above, and taking into account the effects of the hedging arrangements in place, management considers that earnings and equity are not materially sensitive to reasonable foreign exchange or interest rate movements in respect of the financial instruments held as at 31 December 2018 or 2017.

EQUITY

Equity represents the capital of the Group attributable to Company shareholders and non-controlling interests, and includes share capital, share premium and reserves.

Total equity has increased from $28.9 billion to $29.8 billion in the year, principally reflecting the profit for the year, partially offset by net exchange losses on foreign operations and dividends to Company shareholders and non-controlling interests of $2.2 billion.

TOTAL EQUITY

$29.8 bn

24. CALLED-UP SHARE CAPITAL AND CONSOLIDATED EQUITY ANALYSIS

Called-up share capital

	2018		2017	
	Number of shares	**US$ million**	Number of shares	US$ million
Called-up, allotted and fully paid: 5% cumulative preference shares of £1 each	**50,000**	**–**	50,000	–
Ordinary shares of $54\frac{86}{91}$ US cents each: At 1 January and 31 December	**1,405,465,332**	**772**	1,405,465,332	772

Excluding shares held in treasury (but including the shares held by the Group in other structures, as outlined below) the number and carrying value of called-up, allotted and fully paid ordinary shares as at 31 December 2018 was 1,404,916,230 and $772 million (2017: 1,404,613,432 and $772 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

	2018		2017	
	Number of shares	**US$ million**	Number of shares	US$ million
Own shares				
Treasury shares	**549,102**	**42**	851,900	53
Own shares held by subsidiaries and employee benefit trusts	**138,173,090**	**6,273**	134,642,359	6,138
Total	**138,722,192**	**6,315**	135,494,259	6,191

The movement in treasury shares during the year is as follows:

	2018		2017	
	Number of shares	**US$ million**	Number of shares	US$ million
Treasury shares				
At 1 January	**851,900**	**53**	3,222,800	153
Transferred to employees in settlement of share awards	**(302,798)**	**(11)**	(2,370,900)	(100)
At 31 December	**549,102**	**42**	851,900	53

Included in Own shares are 112,300,129 (2017: 112,300,129) Anglo American plc shares held by Epoch Investment Holdings (RF) Proprietary Limited, Epoch Two Investment Holdings (RF) Proprietary Limited and Tarl Investment Holdings (RF) Proprietary Limited, which are consolidated by the Group by virtue of their contractual arrangements with Tenon Investment Holdings Proprietary Limited, a wholly owned subsidiary of Anglo American South Africa Limited. Further details of these arrangements are provided in note 38B.

Included in the calculation of the dividend payable are 15,093,546 ($337 million) shares held in treasury and in the Employee Benefit Trust in respect of forfeitable share awards granted to certain employees. Under the terms of these awards, the shares are beneficially owned by the respective employees, who are entitled to receive dividends in respect of the shares. The shares are released to the employees on vesting of the awards, and any shares that do not vest are returned to the Company or the Employee Benefit Trust. These shares are recognised on the Consolidated balance sheet within Own shares and are excluded from the calculation of basic earnings per share. They are included in the calculation of diluted earnings per share to the extent that the related share awards are dilutive (see note 3).

24. CALLED-UP SHARE CAPITAL AND CONSOLIDATED EQUITY ANALYSIS continued

Consolidated equity analysis

Fair value and other reserves comprise:

US$ million	Share-based payment reserve	Financial asset revaluation reserve	Other reserves	Total fair value and other reserves
At 1 January 2017	436	292	123	851
Total comprehensive expense	–	(281)	(1)	(282)
Equity settled share-based payment schemes	6	–	–	6
Other	–	–	(3)	(3)
At 31 December 2017	**442**	**11**	**119**	**572**
Total comprehensive expense	**–**	**(37)**	**–**	**(37)**
Equity settled share-based payment schemes	**(9)**	**–**	**–**	**(9)**
Other	**–**	**10**	**1**	**11**
At 31 December 2018	**433**	**(16)**	**120**	**537**

Other reserves comprise a capital redemption reserve of $115 million (2017: $115 million), a legal reserve of $5 million (2017: $5 million) and a cash flow hedge reserve of nil (2017: accumulated loss of $1 million).

25. NON-CONTROLLING INTERESTS

Overview

Non-controlling interests that are material to the Group relate to the following subsidiaries:

- Kumba Iron Ore Limited (Kumba Iron Ore), which is a company incorporated in South Africa and listed on the JSE. Its principal mining operations are the Sishen and Kolomela iron ore mines which are located in South Africa. Non-controlling interests hold an effective 46.4% (2017: 46.4%) interest in the operations of Kumba Iron Ore, comprising the 29.7% (2017: 29.7%) interest held by other shareholders in Kumba Iron Ore and the 23.7% (2017: 23.7%) of Kumba Iron Ore's principal operating subsidiary, Sishen Iron Ore Company Proprietary Limited, that is held by shareholders outside the Group.
- Anglo American Sur S.A. (Anglo American Sur), which is a company incorporated in Chile. Its principal operations are the Los Bronces and El Soldado copper mines and the Chagres smelter, which are located in Chile. Non-controlling interests hold a 49.9% (2017: 49.9%) interest in Anglo American Sur.

	2018				2017			
US$ million	**Kumba Iron Ore**	**Anglo American Sur**	**Other**	**Total**	Kumba Iron Ore	Anglo American Sur	Other	Total
Profit attributable to non-controlling interests	**432**	**191**	**201**	**824**	562	178	153	893
Equity attributable to non-controlling interests	**1,474**	**1,573**	**3,187**	**6,234**	1,726	1,735	2,449	5,910
Dividends paid to non-controlling interests	**(460)**	**(310)**	**(67)**	**(837)**	(239)	(317)	(45)	(601)

Other non-controlling interests consist of individually immaterial non-controlling interests.

Further information

Summarised financial information on a 100% basis and before inter-company eliminations for Kumba Iron Ore and Anglo American Sur is as follows:

	2018		2017	
US$ million	**Kumba Iron Ore**	**Anglo American Sur**	Kumba Iron Ore	Anglo American Sur
Non-current assets	**2,782**	**4,104**	3,264	4,266
Current assets	**1,701**	**1,165**	1,952	1,056
Current liabilities	**(405)**	**(891)**	(447)	(635)
Non-current liabilities	**(796)**	**(1,227)**	(973)	(1,210)
Net assets	**3,282**	**3,151**	3,796	3,477
Revenue	**3,440**	**2,544**	3,486	2,152
Profit for the financial year(1)	**922**	**385**	1,288	362
Total comprehensive income	**450**	**381**	1,658	368
Net cash inflow from operating activities	**1,008**	**947**	1,315	895

(1) Stated after special items and remeasurements.

Change in ownership interests in subsidiaries

In July 2018, the Board approved the development of the Quellaveco copper project in Peru. At the same time agreement was reached with Mitsubishi to increase its interest in Anglo American Quellaveco S.A. (AAQSA) from 18.1% to 40% via the issuance of new shares. Mitsubishi subscribed $500 million in upfront consideration and an additional $351 million to fund its initial share of capex, resulting in a total cash subscription of $851 million. The Group will receive up to a further $100 million in net payments from AAQSA conditional on the achievement of certain prescribed throughput rates. The payment, by way of preference dividend, will be grossed up to take account of the Group shareholding in AAQSA. Quellaveco continues to be aggregated within Copper's reportable segment.

The cash subscription of $851 million, together with funding received from Mitsubishi prior to August 2018, are presented net of transaction costs within cash flows from financing activities in the Consolidated cash flow statement.

An amount of $674 million has been transferred to non-controlling interests within equity, which reflects the increase in Mitsubishi's proportionate share of the net assets of AAQSA. The difference of $163 million between the increase in the non-controlling interests and the net consideration received has been credited to retained earnings.

There were no material changes in ownership interests in subsidiaries in 2017.

EMPLOYEES

This section contains information about the Group's current and former employees as well as the associated cost of employment and post employment benefits incurred by the Group.

The Group had on average 64,000 employees during 2018, down 5,000 since the prior year principally as a result of divestments.

EMPLOYEES

64,000

26. EMPLOYEE NUMBERS AND COSTS

Employee numbers

The average number of employees, excluding contractors and associates' and joint ventures' employees and including a proportionate share of employees within joint operations, by segment was:

Thousand	2018	2017
De Beers	**10**	10
Copper	**4**	4
Platinum Group Metals	**33**	36
Iron Ore	**8**	8
Coal	**7**	9
Nickel and Manganese	**1**	1
Corporate and other	**1**	1
	64	69

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	2018	2017
South Africa	**47**	52
Other Africa	**4**	4
South America	**8**	8
North America	**1**	1
Australia and Asia	**2**	2
Europe	**2**	2
	64	69

Employee costs

Payroll costs in respect of the employees included in the tables above were:

US$ million	2018	2017
Wages and salaries	**2,871**	2,807
Social security costs	**163**	141
Post employment benefits	**271**	253
Share-based payments (note 28)	**185**	169
Total payroll costs	**3,490**	3,370
Reconciliation:		
Less: employee costs capitalised	**(83)**	(71)
Less: employee costs included within special items	**–**	24
Employee costs included in operating costs	**3,407**	3,323

Post employment benefits include contributions to defined contribution pension and medical plans, current and past service costs related to defined benefit pension and medical plans and other benefits provided to certain employees during retirement.

Key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (executive and non-executive) of the Group. Key management comprises members of the Board and the Group Management Committee.

Compensation for key management was as follows:

US$ million	2018	2017
Salaries and short-term employee benefits	**21**	23
Social security costs	**5**	3
Post employment benefits	**3**	3
Share-based payments	**24**	23
	53	52

Disclosure of directors' emoluments, pension entitlements, share options and long-term incentive plan awards required by the Companies Act 2006 and those specified for audit by Part 3 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 are included in the Remuneration report.

27. RETIREMENT BENEFITS

Overview

The Group operates a number of defined contribution and defined benefit pension plans with the most significant plans being in South Africa and the United Kingdom. It also operates post employment medical plans, the majority of which are unfunded, principally in South Africa. The post employment medical plans provide health benefits to retired employees and certain dependants.

Defined contribution plans

The charge for the year for defined contribution pension plans (net of amounts capitalised and special items) was $148 million (2017: $158 million) and for defined contribution medical plans (net of amounts capitalised) was $71 million (2017: $74 million).

Defined benefit pension plans and post employment medical plans

Characteristics of plans

The majority of the defined benefit pension plans are funded. The assets of these plans are held separately from those of the Group, in independently administered funds, in accordance with statutory requirements or local practice in the relevant jurisdiction. The responsibility for the governance of the funded retirement benefit plans, including investment and funding decisions, lies with the Trustees of each scheme. The unfunded liabilities are principally in relation to termination indemnity plans in Chile.

South Africa

The pension plans in South Africa are in surplus. All pension plans in South Africa are closed to new members and the majority of plans are closed to future benefit accrual. As the plans are in surplus no employer contributions are currently being made. The Group's provision of anti-retroviral therapy to HIV positive staff does not significantly impact the post employment medical plan liability. The liabilities of a South African pension fund were transferred during the year, giving rise to a loss on curtailment of $80 million. Refer to note 8.

United Kingdom

The Group operates funded pension plans in the United Kingdom. These plans are closed to new members and to the future accrual of benefits. The Group is committed to make payments to certain United Kingdom pension plans under deficit funding plans agreed with the respective Trustees.

Other

Other pension and post employment medical plans primarily comprise obligations in Chile where legislation requires employers to provide for a termination indemnity, entitling employees to a cash payment made on the termination of an employment contract.

Contributions

Employer contributions are made in accordance with the terms of each plan and may vary from year to year. Employer contributions made to funded pension plans in the year ended 31 December 2018 were $191 million (2017: $100 million) including a one-off contribution of $115 million by De Beers from the sale proceeds of the Charterhouse Street disposal. In addition, $12 million (2017: $11 million) of benefits were paid to unfunded pension plans and $25 million (2017: $25 million) of benefits were paid in relation to post employment medical plans. The Group expects to contribute $60 million to its pension plans and $26 million to its post employment medical plans in 2019.

Income statement

The amounts recognised in the Consolidated income statement are as follows:

			2018			2017
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
Charge to operating costs	30	3	33	14	2	16
Net (credit)/charge to net finance costs	(14)	36	22	(3)	36	33
Total net charge to the income statement before special items	16	39	55	11	38	49
Special items (note 8)	80	–	80	–	–	–
Total net charge to the income statement	96	39	135	11	38	49

Net (credit)/charge to net finance costs includes interest expense on surplus restriction of $17 million (2017: $17 million).

Comprehensive income

The pre-tax amounts recognised in the Consolidated statement of comprehensive income are as follows:

			2018			2017
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
Return on plan assets, excluding interest income	(177)	–	(177)	45	–	45
Actuarial gains on plan liabilities	240	5	245	156	19	175
Movement in surplus restriction	67	–	67	8	–	8
Remeasurement of net defined benefit obligation	130	5	135	209	19	228

Actuarial gains on plan liabilities comprise net gains from changes in financial and demographic assumptions as well as experience on plan liabilities. The tax amounts arising on remeasurement of the net defined benefit obligations are disclosed in note 5.

27. RETIREMENT BENEFITS continued

Balance sheet

A summary of the movements in the net pension plan assets and retirement benefit obligations on the Consolidated balance sheet is as follows:

US$ million	2018	2017
Net liability recognised at 1 January	(227)	(508)
Net income statement charge before special items	(55)	(49)
Remeasurement of net defined benefit obligation	135	228
Employer contributions to funded pension plans	191	100
Benefits paid to unfunded plans	37	34
Effects of curtailments/settlements (note 8)	(80)	–
Other	10	1
Currency movements	28	(33)
Net asset/(liability) recognised at 31 December	39	(227)
Amounts recognised as:		
Defined benefit pension plans in surplus	648	468
Retirement benefit obligation – pension plans	(232)	(255)
Retirement benefit obligation – medical plans	(377)	(440)
	39	(227)

Defined benefit pension plans in surplus are included in Other non-current assets on the Consolidated balance sheet.

Further information

Movement analysis

The changes in the fair value of plan assets are as follows:

			2018			2017
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	5,731	14	5,745	5,191	13	5,204
Interest income	212	1	213	229	1	230
Return on plan assets, excluding interest income	(177)	–	(177)	45	–	45
Contributions paid by employer to funded pension plans	191	–	191	100	–	100
Benefits paid	(309)	(1)	(310)	(324)	(1)	(325)
Effects of curtailments/settlements	(479)	–	(479)	–	–	–
Other	2	–	2	–	–	–
Currency movements	(380)	(2)	(382)	490	1	491
At 31 December	4,791	12	4,803	5,731	14	5,745

The changes in the present value of defined benefit obligations are as follows:

			2018			2017
US$ million	Pension plans	Post employment medical plans	Total	Pension plans	Post employment medical plans	Total
At 1 January	(5,331)	(454)	(5,785)	(5,137)	(414)	(5,551)
Current and past service costs	(30)	(3)	(33)	(14)	(2)	(16)
Interest costs	(181)	(37)	(218)	(209)	(37)	(246)
Actuarial gains	240	5	245	156	19	175
Benefits paid	321	26	347	333	26	359
Effects of curtailments/settlements	399	–	399	–	–	–
Other	(5)	13	8	2	(1)	1
Currency movements	328	61	389	(462)	(45)	(507)
At 31 December	(4,259)	(389)	(4,648)	(5,331)	(454)	(5,785)

The most significant actuarial gain arose from changing financial assumptions on pension plans totalling $255 million (2017: gain arose from changing demographic assumptions on pension plans totalling $108 million).

27. RETIREMENT BENEFITS continued

Pension plan assets and liabilities by geography

The split of the present value of funded and unfunded obligations in defined benefit pension plans and the fair value of pension assets at 31 December is as follows:

				2018				2017
US$ million	South Africa	United Kingdom	Other	Total	South Africa	United Kingdom	Other	Total
Corporate bonds	274	2,128	5	2,407	332	2,299	5	2,636
Government bonds	224	1,579	70	1,873	602	1,618	87	2,307
Equity	95	57	5	157	399	119	8	526
Cash	135	41	2	178	49	19	–	68
Other	–	176	–	176	–	194	–	194
Fair value of pension plan assets	728	3,981	82	4,791	1,382	4,249	100	5,731
Active members	(5)	–	(8)	(13)	(6)	(209)	(12)	(227)
Deferred members	(2)	(1,262)	(3)	(1,267)	(8)	(1,526)	(4)	(1,538)
Pensioners	(471)	(2,242)	(76)	(2,789)	(1,004)	(2,281)	(92)	(3,377)
Present value of funded obligations	(478)	(3,504)	(87)	(4,069)	(1,018)	(4,016)	(108)	(5,142)
Present value of unfunded obligations	–	–	(190)	(190)	–	–	(189)	(189)
Net surplus/(deficit) in pension plans	250	477	(195)	532	364	233	(197)	400
Surplus restriction	(116)	–	–	(116)	(187)	–	–	(187)
Recognised retirement benefit assets/(liabilities)	134	477	(195)	416	177	233	(197)	213
Other non-current assets – pension plans	134	513	1	648	177	290	1	468
Retirement benefit obligations – pension plans	–	(36)	(196)	(232)	–	(57)	(198)	(255)

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 118% (2017: 111%) of the benefits that had accrued to members after allowing for expected increases in future earnings and pensions. The present value of unfunded obligations includes $181 million (2017: $178 million) relating to active members. All material investments are quoted.

In South Africa the asset recognised is restricted to the amount in the Employer Surplus Account. The Employer Surplus Account is the amount that the Group is entitled to by way of a refund, taking into consideration any contingency reserves as recommended by the funds' actuaries.

Actuarial assumptions

The principal assumptions used to determine the actuarial present value of benefit obligations and pension charges and credits are detailed below (shown as weighted averages):

			2018			2017
	South Africa	United Kingdom	Other	South Africa	United Kingdom	Other
Defined benefit pension plans						
Average discount rate for plan liabilities	9.8%	2.9%	5.3%	9.6%	2.6%	5.7%
Average rate of inflation	6.3%	3.2%	3.0%	6.7%	3.2%	3.0%
Average rate of increase of pensions in payment	6.3%	3.4%	2.8%	6.7%	3.2%	2.8%
Post employment medical plans						
Average discount rate for plan liabilities	9.8%	n/a	7.7%	9.6%	n/a	8.0%
Average rate of inflation	6.3%	n/a	5.3%	6.7%	n/a	5.6%
Expected average increase in healthcare costs	8.4%	n/a	7.8%	8.4%	n/a	8.0%

The weighted average duration of the South African plans is 11 years (2017: 10 years), United Kingdom plans is 18 years (2017: 19 years) and plans in other regions is 13 years (2017: 13 years). This represents the average period over which future benefit payments are expected to be made.

Mortality assumptions are determined based on standard mortality tables with adjustments, as appropriate, to reflect experience of conditions locally. In South Africa, the PA90 tables are used. The main plans in the United Kingdom use CMI tables or Club Vita models with plan specific adjustments based on mortality investigations. The mortality tables used imply that a male or female aged 60 at the balance sheet date has the following future life expectancy (shown as weighted averages):

		Male		Female
Years	2018	2017	2018	2017
South Africa	18.8	20.0	23.4	24.8
United Kingdom	27.7	27.6	29.2	29.0
Other	24.2	22.7	28.4	26.6

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	2018	2017	2018	2017
South Africa	18.8	20.0	23.4	24.8
United Kingdom	28.8	28.3	30.7	30.2
Other	25.2	24.7	29.3	28.5

27. RETIREMENT BENEFITS continued

Risks of plans

The Group has identified the main risk to its defined benefit pension schemes as being interest rate risk due to the impact on the UK discount rate assumption:

Risk	Description	Mitigation
Interest rate risk	A fall in longer-term real and nominal interest rates expectations causes gilt yields and corporate bond yields to decrease, which results in a lower discount rate being applied to the UK pension liabilities and so, with all else being held equal, the value of the pension scheme liabilities increases. If the pension scheme assets do not increase by the same amount as the increase in the pension scheme liabilities (caused by the fall in interest rates) then, all else being equal, this will result in a worsening of the pension scheme funding position.	The Trustees' investment strategies vary by plan for the UK and include investing, with the intention of counter-balancing the movements in the liabilities, in fully owned (fully funded) physical credit and gilts, and by gaining unfunded exposure to gilts (via gilt repurchase agreements) and other fixed income based derivatives to match the real and nominal interest rate sensitivity of the pension scheme liabilities. Approximately 75-100% (depending on the scheme) of the pension scheme liabilities are currently hedged against movements in real and nominal interest rates. The Trustees' hedging strategies are typically designed to protect the respective schemes' funding plans against volatility in market yields. The discount rate used to calculate any funding requirement for the schemes is linked to gilt yields rather than to corporate bond yields as required under IAS 19. Consequently the valuation of the net retirement benefit obligation for accounting purposes remains susceptible to movements in value due to the difference between corporate bond and gilt yields. In addition, since corporate bond yields are typically higher than gilt yields, this can result in the recognition of accounting surpluses in respect of schemes where cash contributions continue to be made to meet funding shortfalls.

Sensitivity analysis

Significant actuarial assumptions for the determination of pension and medical plan liabilities are the discount rate, inflation rate and mortality. The sensitivity analysis below has been provided by local actuaries on an approximate basis based on changes in the assumptions occurring at the end of the year, assuming that all other assumptions are held constant and the effect of interrelationships is excluded. The effect on plan liabilities is as follows:

	2018			
US$ million	South Africa	United Kingdom	Other	Total
Discount rate – 0.5% decrease	(38)	(328)	(17)	(383)
Inflation rate – pension plans – 0.5% increase	(20)	(115)	(11)	(146)
Inflation rate – medical plans – 0.5% increase	(16)	–	(3)	(19)
Life expectancy – increase by 1 year	(28)	(167)	(4)	(199)

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 2018. Assumptions are set after consultation with the qualified actuaries. While management believes the assumptions used are appropriate, a change in the assumptions used would impact the Group's other comprehensive income.

Accounting policy

See note 38H for the Group's accounting policy on retirement benefits.

EMPLOYEES

28. SHARE-BASED PAYMENTS

Overview

During the year ended 31 December 2018 the Group had share-based payment arrangements with employees relating to shares of the Company, the details of which are described in the Remuneration report. All of these Company schemes, as well as any non-cyclical awards, are equity settled either by award of ordinary shares (BSP, LTIP, SIP and Non-cyclical) or award of options to acquire ordinary shares (SAYE). These awards have a contractual life of three years and are conditional on three years continuous employment. LTIP awards granted prior to 2017 are conditional on a Group ROCE target and market based performance conditions being achieved and LTIPs granted since 2017 are conditional on a Group ROCE target, market based performance conditions, an attributable free cash flow target and environmental and occupational health targets.

The total share-based payment charge relating to Anglo American plc shares for the year is split as follows:

US$ million	2018	2017
BSP	88	73
LTIP	63	57
Other schemes	13	11
Share-based payment charge relating to Anglo American plc shares	**164**	141

In addition, there are equity settled share-based payment charges of $5 million (2017: $10 million) relating to Kumba Iron Ore Limited shares, $13 million (2017: $14 million) relating to Anglo American Platinum Limited shares and no (2017: $2 million) 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 $3 million (2017: $2 million).

Further information

The movements in the number of shares for the more significant share-based payment arrangements are as follows:

Bonus Share Plan

Ordinary shares of 54$^{86}/_{91}$ US cents may be awarded under the terms of this scheme for no consideration.

Number of awards	2018	2017
Outstanding at 1 January	18,051,949	17,382,925
Conditionally awarded in year	3,996,543	5,728,412
Vested in year	(4,467,219)	(4,118,111)
Forfeited or expired in year	(530,044)	(941,277)
Outstanding at 31 December	**17,051,229**	18,051,949

Further information in respect of the BSP, including performance conditions, is shown in the Remuneration report.

Long-Term Incentive Plan

Ordinary shares of 54$^{86}/_{91}$ US cents may be awarded under the terms of this scheme for no consideration.

Number of awards	2018	2017
Outstanding at 1 January	18,446,709	16,811,778
Conditionally awarded in year	3,168,211	4,988,350
Vested in year	(2,934,058)	(1,466,485)
Forfeited or expired in year	(1,266,629)	(1,886,934)
Outstanding at 31 December	**17,414,233**	18,446,709

The early vesting of share awards is permitted at the discretion of the Company upon, *inter alia*, termination of employment, ill health or death. The LTIP awards are contingent on pre-established performance criteria being met. Further information in respect of this scheme is shown in the Remuneration report.

Accounting policy

See note 38H for the Group's accounting policy on share-based payments.

UNRECOGNISED ITEMS AND UNCERTAIN EVENTS

This section includes disclosure of items and transactions that are not reflected in the Group's results because they are uncertain or have been incurred after the end of the year. These disclosures are considered relevant to an understanding of the Group's financial position and the effect of expected or possible future events.

29. EVENTS OCCURRING AFTER END OF YEAR

On 20 February 2019, the Group gave notice to terminate a long-term power supply contract in Copper. The termination could potentially result in a one-off cost of approximately $175 million and is expected to enable improved cost performance in the medium and long term. The termination is a non-adjusting event that has no impact on the Consolidated financial statements for the year ended 31 December 2018.

With the exception of the proposed final dividend for 2018, there have been no other reportable events since 31 December 2018.

30. COMMITMENTS

Overview

A commitment is a contractual obligation to make a payment in the future which is not provided for in the balance sheet. The Group also has purchase obligations relating to take or pay agreements which are legally binding and enforceable.

Capital commitments for subsidiaries and joint operations relating to the acquisition of property, plant and equipment are $2,997 million (2017: $1,444 million), of which 49% (2017: 50%) relate to expenditure to be incurred within the next year.

The Group's outstanding commitments relating to take or pay agreements are $14,217 million (2017: $14,698 million), of which 12% (2017: 11%) 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	2018	2017
Within one year	**164**	168
Greater than one year, less than two years	**97**	101
Greater than two years, less than five years	**136**	129
Greater than five years	**156**	115
	553	513

Operating leases relate principally to corporate offices, diamond jewellery retail outlets and shipping vessels.

Accounting policy

See note 38C for the Group's accounting policy on leases.

New IFRS accounting standards not yet adopted

IFRS 16 *Leases*

IFRS 16 *Leases* became effective for the Group from 1 January 2019. On transition, the present value of liabilities for existing operating leases of $0.5 billion will be included within net debt, along with a corresponding increase in property, plant and equipment right-of-use assets. Further information is provided in note 38A.

31. CONTINGENT LIABILITIES

Overview

The Group is subject to various claims which arise in the ordinary course of business. Additionally, the Group has provided indemnities against certain liabilities as part of agreements for the sale or other disposal of business operations. Having taken appropriate legal advice, the Group believes that a material liability arising from the indemnities provided is remote.

The Group is required to provide guarantees in several jurisdictions in respect of environmental restoration and decommissioning obligations. The Group has provided for the estimated cost of these activities.

Accounting judgement

A provision is recognised where, based on the Group's legal views and, in some cases, independent advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably.

GROUP STRUCTURE

This section includes details about the composition of the Group and how this is reflected in the Consolidated financial statements. It also includes disclosures of significant corporate transactions such as acquisitions and disposals.

32. ASSETS AND LIABILITIES HELD FOR SALE

There were no assets classified as held for sale as at 31 December 2018.

2017

Assets classified as held for sale as at 31 December 2017 of $129 million and associated liabilities of $41 million related to the Union mine (Platinum Group Metals) in South Africa and the former head office of De Beers in the UK. The sale of the Union mine was completed on 1 February 2018, and sale of the former De Beers head office completed on 19 July 2018.

33. ACQUISITIONS AND DISPOSALS

Acquisitions

The Group increased its ownership interest in the Mototolo joint operation (Platinum Group Metals) from 50% to 100% for cash consideration of $90 million and estimated deferred consideration of $64 million. As a result of this transaction the Group acquired control of Mototolo and has fully consolidated this operation from 1 November 2018.

Disposals

The Group received net cash on disposals of $193 million during the year. This principally comprised net cash inflows relating to the sale of the Eskom-tied domestic coal operations in South Africa (Coal), and net cash outflows relating to the sale of the Group's interests in the Union mine and Masa Chrome Company Proprietary Limited (Platinum Group Metals), which included working capital support provided to Union as part of the transaction.

2017

Disposals in 2017 principally related to the Group's 83.3% interest in the Dartbrook coal mine (Coal), long dated Mineral Resources (Platinum Group Metals) and financial asset investments including Dreamvision Investments.

GROUP STRUCTURE

34. BASIS OF CONSOLIDATION

Overview

The principal subsidiaries, joint operations, joint ventures and associates of the Group and the Group percentage of equity capital are set out below. All these interests are held indirectly by the Parent Company and are consolidated within these financial statements.

A complete list of the Group's related undertakings can be found in note 35.

			Percentage of equity owned	
Segment and asset	Location	Accounting treatment	2018	2017
De Beers(1)			**85%**	85%
Debswana(2), comprising:	Botswana	Joint operation	**19.2%**	19.2%
Jwaneng				
Orapa				
Damtshaa				
Letlhakane				
Namdeb Holdings(3), comprising:	Namibia	Joint operation	**50%**	50%
Namdeb Diamond Corporation				
Debmarine Namibia				
De Beers Consolidated Mines(4), comprising:	South Africa	Full consolidation	**100%**	100%
Venetia				
Voorspoed				
De Beers Canada, comprising:				
Snap Lake	Canada	Full consolidation	**100%**	100%
Victor	Canada	Full consolidation	**100%**	100%
Gahcho Kué	Canada	Joint operation	**51%**	51%
Sales, comprising:				
De Beers Global Sightholder Sales	Botswana	Full consolidation	**100%**	100%
De Beers Sightholder Sales South Africa(4)	South Africa	Full consolidation	**100%**	100%
Auction Sales	Singapore	Full consolidation	**100%**	100%
DTC Botswana	Botswana	Joint operation	**50%**	50%
Namibia DTC	Namibia	Joint operation	**50%**	50%
Element Six, comprising:				
Element Six Technologies	Global	Full consolidation	**100%**	100%
Element Six Abrasives	Global	Full consolidation	**60%**	60%
Brands, comprising:				
Forevermark	Global	Full consolidation	**100%**	100%
De Beers Jewellers	Global	Full consolidation	**100%**	100%
Copper				
Copper Chile				
Los Bronces	Chile	Full consolidation	**50.1%**	50.1%
El Soldado	Chile	Full consolidation	**50.1%**	50.1%
Chagres	Chile	Full consolidation	**50.1%**	50.1%
Collahuasi	Chile	Joint operation	**44%**	44%
Copper Peru				
Quellaveco	Peru	Full consolidation	**60%**	81.9%
Platinum Group Metals(5)			**78%**	78%
Mogalakwena mine	South Africa	Full consolidation	**100%**	100%
Amandelbult complex(6)	South Africa	Full consolidation	**100%**	100%
Twickenham mine	South Africa	Full consolidation	**100%**	100%
Unki mine	Zimbabwe	Full consolidation	**100%**	100%
Union mine(7)	South Africa	Full consolidation	**–**	85%
Platinum refining	South Africa	Full consolidation	**100%**	100%
Modikwa Platinum Joint Operation	South Africa	Joint operation	**50%**	50%
Mototolo(8)	South Africa	Full consolidation (2017: Joint operation)	**100%**	50%
Kroondal Pooling and Sharing Agreement	South Africa	Joint operation	**50%**	50%
Bokoni	South Africa	Equity accounted associate	**49%**	49%
Bafokeng Rasimone(9)	South Africa	Equity accounted associate	**–**	33%

See page 176 for footnotes.

34. BASIS OF CONSOLIDATION continued

			Percentage of equity owned	
Segment and asset	Location	Accounting treatment	2018	2017
Iron Ore				
Kumba Iron Ore	South Africa	Full consolidation	**69.7%**	69.7%
Sishen(10)	South Africa	Full consolidation	**76.3%**	76.3%
Kolomela(10)	South Africa	Full consolidation	**76.3%**	76.3%
Minas-Rio	Brazil	Full consolidation	**100%**	100%
Ferroport(11)	Brazil	Equity accounted joint venture	**50%**	50%
Coal				
Coal Australia and Canada, comprising:				
Moranbah North(12)	Australia	Joint operation	**88%**	88%
Grosvenor	Australia	Full consolidation	**100%**	100%
Capcoal(12)	Australia	Joint operation	**70%**	70%
Dawson(12)	Australia	Joint operation	**51%**	51%
Drayton(13)	Australia	Joint operation	**–**	88.2%
Jellinbah(14)(15)	Australia	Equity accounted associate	**33.3%**	33.3%
Dalrymple Bay Coal Terminal	Australia	Equity accounted associate	**25.3%**	25.3%
Newcastle Coal Shippers(16)	Australia	Equity accounted associate	**–**	17.6%
Peace River Coal	Canada	Full consolidation	**100%**	100%
Coal South Africa, comprising:				
Goedehoop	South Africa	Full consolidation	**100%**	100%
Greenside	South Africa	Full consolidation	**100%**	100%
Khwezela	South Africa	Full consolidation	**100%**	100%
Mafube	South Africa	Joint operation	**50%**	50%
Zibulo(17)	South Africa	Full consolidation	**73%**	73%
Kriel (17) (18)	South Africa	Full consolidation	**–**	73%
New Denmark(18)	South Africa	Full consolidation	**–**	100%
New Vaal(18)	South Africa	Full consolidation	**–**	100%
Isibonelo	South Africa	Full consolidation	**100%**	100%
Richards Bay Coal Terminal	South Africa	Equity accounted associate	**23.2%**	23.2%
Carbones del Cerrejón	Colombia	Equity accounted associate	**33.3%**	33.3%
Nickel and Manganese				
Barro Alto	Brazil	Full consolidation	**100%**	100%
Samancor(14)(19)	South Africa and Australia	Equity accounted joint venture	**40%**	40%

(1) 85% should be applied to all holdings within De Beers to determine the Group's attributable share of the asset.

(2) De Beers owns 50% of equity in Debswana, but consolidates 19.2% of Debswana on a proportionate basis, reflecting the economic interest. The Group's effective interest in Debswana is 16.3% (taking into account the Group's 85% interest in De Beers Group).

(3) The 50% interest in Namdeb Holdings is held indirectly through De Beers. The Group's effective interest in Namdeb Holdings is 42.5%.

(4) De Beers' legal ownership of De Beers Consolidated Mines (DBCM) and its subsidiaries is 74%. For accounting purposes De Beers consolidates 100% of DBCM as it is deemed to control the BEE entity, Ponahalo, which holds the remaining 26%. The Group's effective interest in DBCM is 85%.

(5) The Group's effective interest in Anglo American Platinum is 79.4%, which includes shares issued as part of a community empowerment deal.

(6) Amandelbult comprises Tumela mine and Dishaba mine.

(7) The sale of Union mine was completed in February 2018.

(8) The Group acquired full control of Mototolo on 1 November 2018. Prior to that, the Group's ownership share of Mototolo was 50%, accounted for as a joint operation.

(9) The sale of Bafokeng Rasimone was completed in December 2018.

(10) Sishen and Kolomela are fully owned by the Sishen Iron Ore Company (SIOC). Kumba Iron Ore Limited has a 76.3% interest in SIOC (2017: 76.3%). Including shares held by Kumba Iron Ore in relation to its own employee share schemes, the Group's effective interest in Kumba Iron Ore is 70.3%. Consequently, the Group's effective interest in SIOC is 53.6% (2017: 53.6%).

(11) Ferroport owns and operates the iron ore handling and shipping facilities at the port of Açu.

(12) The wholly owned subsidiary Anglo American Metallurgical Coal Holdings Limited holds the proportionately consolidated joint operations. These operations are unincorporated and jointly controlled.

(13) The sale of Drayton was completed in February 2018.

(14) These entities have a 30 June year end.

(15) The Group's effective interest in the Jellinbah operation is 23.3%.

(16) The sale of Newcastle Coal Shippers was completed in February 2018.

(17) Zibulo forms, and prior to its disposal Kriel formed part of the Anglo American Inyosi Coal BEE company of which the Group owns 73%.

(18) The sale of the Kriel, New Denmark and New Vaal operations was completed in March 2018.

(19) 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%.

Accounting judgements

Joint arrangements

Joint arrangements are classified as joint operations or joint ventures according to the rights and obligations of the parties, as described in note 38I. Judgement is required in determining this classification through an evaluation of the facts and circumstances arising from each individual arrangement. When a joint arrangement has been structured through a separate vehicle, consideration has been given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances. When the activities of an arrangement are primarily designed for the provision of output to the parties and, the parties are substantially the only source of cash flows contributing to the continuity of the operations of the arrangement, this indicates that the parties to the arrangement have rights to the assets and obligations for the liabilities. Certain joint arrangements that are structured through separate vehicles including Collahuasi, Debswana and Namdeb are accounted for as joint operations. These arrangements are primarily designed for the provision of output to the parties sharing joint control, indicating that the parties have rights to substantially all the economic benefits of the assets. The liabilities of the arrangements are in substance satisfied by cash flows received from the parties; this dependence indicates that the parties effectively have obligations for the liabilities. It is primarily these facts and circumstances that give rise to the classification as joint operations.

GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP

The Group consists of the Parent Company, Anglo American plc, incorporated in the United Kingdom and its subsidiaries, joint operations, joint ventures and associates. In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings, the country of incorporation and the effective percentage of equity owned as at 31 December 2018 is disclosed below. Unless otherwise disclosed all entities with an indirect equity holding of greater than 51% are considered subsidiary undertakings. See note 34 for the Group's principal subsidiaries, joint operations, joint ventures and associates.

As disclosed in the Group's published tax strategy the Group does not use tax haven jurisdictions to manage taxes. There remain a small number of undertakings in the Group which are registered in tax haven jurisdictions. These are the result of legacy undertakings and are overridden by the Group's policy of having them be either resident in the UK for tax purposes or subject to the UK Controlled Foreign Company Rules. The Group is well advanced in our strategy to remove these legacy undertakings from tax haven jurisdictions. Where the tax residency of a related undertaking is different from its country of incorporation, this is referenced in the notes to the list below.

Country of incorporation(1)(2)	Name of undertaking	Percentage of equity owned(3)	Registered address
Angola	De Beers Angola Holdings SARL	85%	Rua Rainha Ginga 87 9º andar, Luanda, República de Angola, Caixa Postal 4031
Anguilla	Carbones del Cerrejon Limited(4)	33%	Babrow's Commercial Complex, 1341, The Valley
Argentina	Minera Anglo American Argentina S.A.	100%	Olegario V. Andrade 236 Mendoza 5500
Australia	Anglo American Australia Finance Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Australia Holdings Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Australia Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American Exploration (Australia) Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo American 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 (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 (German Creek) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Grasstree Management) Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Grosvenor Management) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Grosvenor) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Jellinbah) Holdings Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Monash Energy) Holdings Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Moranbah North Management) Pty Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Roper Creek) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Coal (Theodore South) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Anglo Operations (Australia) Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Bowen Basin Coal Pty Ltd	23%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Dalrymple Bay Coal Terminal Pty Ltd	25%	Martin Armstrong Drive, Hay Point via Mackay, QLD 4741
Australia	Dawson Coal Processing Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Dawson Highwall Mining Pty Ltd	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Dawson Sales Pty Ltd	51%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Dawson South Sales Pty Ltd	51%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	De Beers Australia Exploration Limited	85%	23 North Street, Mount Lawley, WA 6050
Australia	German Creek Coal Pty Limited	70%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	Groote Eylandt Mining Company Pty Limited	40%	Level 35, 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	Jena Unit Trust	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	JG Land Company Pty Ltd	23%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Lake Vermont Marketing Pty Ltd	33%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Lake Vermont Resources Pty Ltd	33%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Australia	Monash Energy Coal Limited	100%	Level 11, 201 Charlotte Street, Brisbane, QLD 4000
Australia	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 35, 108 St Georges Terrace, Perth, WA 6000

See page 185 for footnotes.

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation(1)(2)	Name of undertaking	Percentage of equity owned(3)	Registered address
Australia	Tremell Pty Ltd	33%	Level 7, Comalco Place, 12 Creek Street, Brisbane, QLD 4000
Belgium	De Beers Auction Sales Belgium NV	85%	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
Bermuda	Holdac Limited	100%	Clarendon House, 2 Church Street, Hamilton
Botswana	Ambase Prospecting (Botswana) (Pty) Ltd	100%	Unit G3, Victoria House, Plot 132 Independence Avenue, Gaborone
Botswana	Anglo American Corporation Botswana (Services) Limited	100%	Plot 67977, Fairground Office Park, Gaborone
Botswana	Anglo Coal Botswana (Pty) Ltd	100%	c/o KPMG, Chartered Accountants, Plot 67977, Off Tlokweng Road, Fairground, P O Box 1519, Gaborone
Botswana	Broadhurst Primary School (Pty) Ltd	29%	First Floor Debswana Corporate Centre, Plot 64288 Airport Road, Block 8, Gaborone
Botswana	De Beers Global Sightholder Sales (Pty) Ltd	85%	3rd Floor, DTCB Building, Plot 63016, Block 8, Airport Road, Gaborone
Botswana	De Beers Holdings Botswana (Pty) Ltd	85%	5th Floor, Debswana House, Main Mall, Gaborone, Botswana
Botswana	Debswana Wellness Fund	43%	First Floor Debswana Corporate Centre, Plot 64288 Airport Road, Block 8, Gaborone
Botswana	Debswana Diamond Company (Pty) Ltd(5)	43%	First Floor Debswana Corporate Centre, Plot 64288 Airport Road, Block 8, Gaborone
Botswana	Diamond Trading Company Botswana (Pty) Ltd	43%	Plot 63016, Airport Road, Block 8, Gaborone
Botswana	Sesiro Insurance Company (Pty) Ltd	43%	First Floor Debswana Corporate Centre, Plot 64288 Airport Road, Block 8, Gaborone
Botswana	The Diamond Trust	21%	Debswana House, The Mall, Gaborone
Botswana	Tokafala (Proprietary) Limited	57%	c/o KPMG, Chartered Accountants, Plot 67977, Off Tlokweng Road, Fairground, P O Box 1519, Gaborone
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 Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Anglo American Niquel Brasil Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 8º andar (parte), Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Anglo American Participações - Minério de Ferro Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar, sala 1602, bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Anglo Ferrous Brazil Participações S.A.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar (parte), bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais, Brazil
Brazil	Câmara de Comércio Brasil República Sul Africana	100%	Av. Paulista, nº. 2.300, 10º andar, Cerqueira César, São Paulo/SP
Brazil	Element Six Ltda.	51%	Rua da Consolação, 368, 15º andar Consolação, São Paulo, Brazil
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	Guaporé Mineração Ltda.	49%	Avenida Paulista, nº. 2.300, 10º andar (parte), CEP 01.310-300, São Paulo/SP
Brazil	Instituto Anglo American Brasil	100%	Avenida Paulista, nº. 2.300, 10º andar (parte), CEP 01.310-300, São Paulo/SP
Brazil	Mineração Itamaracá Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar (parte), bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
Brazil	Mineração Tanagra Ltda.	49%	Rua Maria Luiza Santiago, nº. 200, 20º andar (parte), bairro Santa Lúcia, CEP 30.360-740, Belo Horizonte, Minas Gerais
Brazil	Mineração Tariana Ltda.	100%	Rua Maria Luiza Santiago, nº. 200, 16º andar (parte), bairro Santa Lúcia, CEP 30360-740, Belo Horizonte, Minas Gerais
British Virgin Islands	Anglo American Services (International) Limited	100%	Craigmuir Chambers, Road Town, Tortola, VG1110
British Virgin Islands	De Beers Angola Investments Limited	85%	Craigmuir Chambers, Road Town, Tortola, VG1110
British Virgin Islands	De Beers Angola Prospecting Pty Ltd	85%	Craigmuir Chambers, Road Town, Tortola, VG1110
British Virgin Islands	De Beers Centenary Angola Properties Ltd	85%	Craigmuir Chambers, Road Town, Tortola, VG1110
British Virgin Islands	Delibes Holdings Limited(6)	85%	Craigmuir Chambers, Road Town, Tortola, VG1110
British Virgin Islands	Highbirch Limited(6)	100%	Craigmuir Chambers, Road Town, Tortola, VG1110
British Virgin Islands	Loma de Niquel Holdings Limited(6)	94%	Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, VG1110
British Virgin Islands	Peregrine Botswana Ltd	85%	Craigmuir Chambers, Road Town, Tortola, VG1110
British Virgin Islands	Scallion Limited(6)	85%	Craigmuir Chambers, Road Town, Tortola, VG1110
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, British Columbia, V6C 1G8
Canada	Central Ecuador Holdings Ltd	70%	1200 Waterfront Centre, 200 Burrard Street, Vancouver, British Columbia, V6C 3L6
Canada	De Beers Canada Holdings Inc.	85%	2400-333 Bay St, Toronto, ON M5H2T6

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GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation(1)(2)	Name of undertaking	Percentage of equity owned(3)	Registered address
Canada	De Beers Canada Inc.	85%	2400-333 Bay St, Toronto, ON M5H2T6
Canada	Kaymin Resources Limited	78%	McCarthy Tetrault LLP, Pacific Centre, PO Box 10424, Suite 1300, 777 Dunsmuir Street, Vancouver, BC V7Y 1K2
Canada	Peace River Coal Inc.	100%	Suite 2400,745 Thurlow Street, Vancouver, BC V6E 0C5
Canada	Peregrine Diamonds Ltd	85%	2400-333 Bay St, Toronto, ON M5H2T6
Canada	Peregrine Exploration Ltd	85%	2400-333 Bay St, Toronto, ON M5H2T6
Canada	Peregrine Mining Management Ltd	85%	2400-333 Bay St, Toronto ON M5H2T6
Cayman Islands	Cheviot Holdings Limited(6)	85%	Maples and Calder, P.O. Box 309, George Town, Grand Cayman
Chile	Anglo American Chile Inversiones S.A.	100%	Isidora Goyenechea 2800, piso 46, Las Condes, Santiago
Chile	Anglo American Chile Ltda	100%	Isidora Goyenechea 2800, piso 46, Las Condes, Santiago
Chile	Anglo American Copper Finance SpA	100%	Isidora Goyenechea 2800, piso 46, Las Condes, Santiago
Chile	Anglo American Marketing Chile SpA	100%	Torre Titanium, 2800 Isidora Goyenechea, piso 46, Las Condes, Santiago 7550647
Chile	Anglo American Sur S.A.	50%	Isidora Goyenechea 2800, piso 46, Las Condes, Santiago
Chile	Compañía Minera Dona Ines De Collahuasi SCM	44%	Avda Andres Bello 2687, P 11 Edif. el Pacifico, Las Condes, Santiago, Región Metropolitana
Chile	Compañía Minera Westwall S.C.M	50%	Isidora Goyenechea 2800, piso 46, Las Condes, Santiago
Chile	Inversiones Anglo American Norte SpA	100%	Isidora Goyenechea 2800, piso 46, Las Condes, Santiago
Chile	Inversiones Anglo American Sur SpA	100%	Isidora Goyenechea 2800, piso 46, Las Condes, Santiago
Chile	Inversiones Minorco Chile SpA	100%	Isidora Goyenechea 2800, piso 46, Las Condes, Santiago
China	Anglo American Resources Trading (China) Co. Ltd.	100%	Units 01, 02A, 07, 08, Floor 32, No. 1198 Century Avenue, Pudong New Area, Shanghai
China	De Beers Jewellers Commercial (Shanghai) Co., Ltd	85%	Room 1707B, 17F, Plaza 66, No.1266 West Nanjing Road, Shanghai
China	Element Six Hard Materials (Wuxi) Co., Ltd	51%	No. 578 Xitai Road, Wuxi New District, Wuxi, Jiangsu
China	Element Six Trading (Shanghai) Co., Ltd	51%	2802A, Chong Hing Finance Centre, No. 288 Nanjing Road West, Huang Pu District, Shanghai, 200003
China	Forevermark Marketing (Shanghai) Company Limited	85%	Suite 4601, 4602 and 4608, The Park Place, No.1601 Nanjing West Road, Shanghai, PRC
China	Platinum Guild International (Shanghai) Co., Limited	78%	Room 601, L'avenue, 99 XianXia Road, Shanghai, 200051
Colombia	Anglo American Colombia Exploration S.A.	100%	Avenida Carrera 9a # 115 – 06/30 Oficina 1702, Bogotá
Colombia	Cerrejon Zona Norte S.A.	33%	Calle 100 No. 19-54, Piso 12, Bogotá
Cyprus	Anglo American Amcoll (UK) Ltd(6)	100%	Themistokli Dervi, 3, Julia House, 1066, Nicosia
Cyprus	Anglo American Chile Investments (UK) Ltd(6)	100%	Themistokli Dervi, 3, Julia House, 1066, Nicosia
Cyprus	Anglo American Clarent (UK) Ltd(6)	100%	Themistokli Dervi, 3, Julia House, 1066, Nicosia
Democratic Republic of Congo	Ambase Exploration Africa (DRC) SPRL	100%	No. 510 LP, Avenue Sumahili, Quartier Golf, Commune De Lubumbashi, Lubumbashi
Democratic Republic of Congo	De Beers DRC Exploration SARL	85%	7 Concession Bel Air, Commune Ngaliema, Kinshasa
Ecuador	Anglo American Ecuador S.A.	100%	Av. Patria E4-69 y Av. Amazonas, Cofiec, 16th Floor
Ecuador	Central Ecuador EC-CT S.A.	70%	Av. Patria E4-69 y Av. Amazonas, Edif.COFIEC, piso 18, Quito
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	Element Six GmbH (DECAR)	51%	Staedeweg 18, 36151, Burghaun
Guernsey	Intersea Pension Services Limited	85%	Albert House, South Esplanade, St Peter Port, Guernsey, Channel Islands
Hong Kong	De Beers Auction Sales Holdings Limited	85%	Unit 1001,10/F Unicorn Trade Centre, 127-131 Des Voeux Road, Central
Hong Kong	De Beers Jewellers (Hong Kong) Limited	85%	RM 02B&03-06 26/F, Kinwick Centre, 32 Holly Wood Road Central
Hong Kong	Forevermark Limited	85%	RM 02B&03-06 26/F, Kinwick Centre, 32 Holly Wood Road Central
Hong Kong	Platinum Guild International (Hong Kong) Limited	78%	Suites 2901-2, Global Trade Square, No. 21 Wong Chuk Hang Road
India	Anglo American Exploration (India) Private Limited	100%	A-1/292, Janakpuri, New Delhi - 110058
India	Anglo American Services (India) Private Limited	100%	A-1/292, Janakpuri, New Delhi - 110058
India	De Beers India Private Ltd	85%	Advanced Business Centre, 83 Maker Chambers VI, Nariman Point, Mumbai, 400 021
India	Forevermark Diamonds Private Limited	85%	Advanced Business Centre, 83 Maker Chambers VI, Nariman Point, Mumbai 400 021
India	Hindustan Diamond Company Private Limited	43%	Office No. 12, 14th Floor, Navjivan Society Building, No.3, Lamington Road, Mumbai - 400 008
India	Inglewood Minerals Private Limited	100%	A-1/292, Janakpuri, New Delhi - 110058
India	International Institute of Diamond Grading & Research India Private Limited	85%	Advanced Business Centre, 83 Maker Chambers VI, Nariman Point, Mumbai, 400 021
India	Platinum Guild India Private Limited	78%	Notan Classic, 3rd Floor, 114 Turner Road, Bandra West, Mumbai 400 050
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	CMC-Coal Marketing Designated Activity Company	33%	Fumbally Square, New Street, Dublin 8, 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

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35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation(1)(2)	Name of undertaking	Percentage of equity owned(3)	Registered address
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, P O Box 6, Ballasalla
Isle of Man	Element Six Limited	85%	1st Floor, 18-20 North Quay, Douglas, IM1 4LE
Israel	De Beers Auction Sales Israel Ltd	85%	11th Floor, Yahalom (Diamond) Building, 21 Tuval Street Ramat Gan 5252236
Italy	Anglo American Italy S.R.L.	100%	Via Melchiorre Gioia, 8, 20124 Milano
Italy	Forevermark Italy S.R.L.	85%	Via Burlamacchi Francesco 14, 20135, Milan
Japan	De Beers Jewellers Japan K.K.	85%	New Otani Garden Court 7th Floor, 4-1 Kioi-cho, Chiyoda-ku, Tokyo
Japan	Element Six Ltd	51%	9F PMO Hatchobori, 3-22-13 Hatchobori, Chuo-ku, Tokyo, 104
Japan	Forevermark KK	85%	New Otani Garden Court, 7th Floor, 4-1 Kioi-cho, Chiyoda-ku, Tokyo
Japan	PGI KK	78%	Imperial Hotel Tower 17F, 1-1-1 Uchisaiwai-cho, Chiyoda-ku, Tokyo, 100-8575
Jersey	A.R.H. Investments Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	A.R.H. Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Ambras Holdings Limited(6)(7)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Ammin Coal Holdings Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo African Exploration Holdings Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Buttercup Company Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Capital Overseas Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Exploration Colombia Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Exploration Overseas Holdings Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Ferrous Investments (Overseas) Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Finance Overseas Holdings Limited(6)(8)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Finland Holdings 1 Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Finland Holdings 2 Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Hermitage Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Liberia Holdings Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Michiquillay Peru Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Midway Investment Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Overseas Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo American Venezuela Corporation Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Australia Investments Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Coal International Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Diamond Investments Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Iron Ore Investments Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Loma Investments Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Operations (International) Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Peru Investments Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Quellaveco Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo South American Investments Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Anglo Venezuela Investments Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Aval Holdings Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Cencan plc(6)	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers Centenary Limited(6)	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers Exploration Holdings Limited(6)	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers Holdings Investments Limited(6)	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers India Holdings Limited(6)	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers Investments plc(6)	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	De Beers plc(6)	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	IIDGR Holdings Limited(6)	85%	44 Esplanade, St Helier, JE4 9WG
Jersey	Inglewood Holdings Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Kumba International Trading Limited(6)	53%	3rd Floor, 44 Esplanade, St Helier, JE4 9WG
Jersey	Minorco Overseas Holdings Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Minorco Peru Holdings Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Jersey	Minpress Investments Limited(6)	100%	44 Esplanade, St Helier, JE4 9WG
Lesotho	Amcoal Collieries Recruiting Organisation (Lesotho) (Pty) Ltd	100%	Kingsway, Maseru
Liberia	Anglo American Corporation de Chile Holdings Limited(6)	100%	80 Broad Street, Monrovia
Liberia	Anglo American Kumba Exploration (Liberia) Ltd	85%	21st Street, Coleman Avenue, Sinkor, Monrovia
Luxembourg	KIO Exploration Liberia Sarl	70%	11-13 Boulevard de la Foire, L-1528
Luxembourg	Kumba Iron Ore Holdings Sarl	53%	11-13 Boulevard de la Foire, L-1528
Macau	De Beers Jewellers (Macau) Company Limited	85%	Avenida da Praia Grande No. 409, China Law Building 16/F – B79, Macau
Madagascar	Societe Civille De Prospection De Nickel A Madagascar	32%	44 Main Street, Johannesburg, 2001
Malta	Element Six Technologies Holding Ltd(6)	85%	Leicester Court, Suite 2, Edfar Bernard Street, Gzira, GZR 1702
Mauritius	Anglo American International Limited(6)	100%	C/o AXIS Fiduciary Ltd, 2nd Floor, The AXIS, 26 Bank Street, Cybercity Ebene, 72201
Mexico	Anglo American Mexico S.A. de C.V.	100%	C/o Chavero Y Asociados, S.C, Medanoes No.169 Colonia Las Aquilas Delegacion Alvaro Obrego

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GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation(1)(2)	Name of undertaking	Percentage of equity owned(3)	Registered address
Mexico	Servicios Anglo American Mexico S.A. de C.V.	100%	c/o Sanchez Mejorada, Velasco y Ribe, S.C., Paseo de la Reforma No. 450, Col. Lomas de Chapultepec, 11000, Ciudad de Mexico
Mozambique	Anglo American Corporation Mocambique Servicos Limitada	100%	PricewaterhouseCoopers, Ltda. Avenida Vladimir Lenine, No 174, 4o andar. Edifício Millennium Park Maputo Mozambique
Namibia	Ambase Prospecting (Namibia) (Pty) Ltd	100%	24 Orban Street, Klein Windhoek, Windhoek, P O 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%	24 Orban Street, Klein Windhoek, Windhoek
Namibia	Mamora Mines & Estates Limited	28%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Namdeb Diamond Corporation (Pty) Ltd	43%	10th Floor Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Namdeb Holdings (Pty) Ltd	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Namdeb Hospital Pharmacy (Pty) Ltd	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Namdeb Properties (Pty) Ltd	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Namibia Diamond Trading Company (Pty) Ltd	43%	9th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Oranjemund Private Hospital (Proprietary) Limited	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Namibia	Oranjemund Town Management Company (Pty) Ltd	43%	10th Floor, Namdeb Centre, 10 Dr Frans Indongo Street, Windhoek
Netherlands	Anglo American (TIH) B.V.(6)	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American Exploration B.V.(6)	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American Exploration (Philippines) B.V.(6)	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American International B.V.(6)	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo American Netherlands B.V.(6)	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Anglo Operations (Netherlands) B.V.(6)	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Element Six NV	85%	De Nieuwe Erven 2, 5431 NT, Cuijk
Netherlands	Erabas B.V.(6)	78%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Loma de Niquel Holdings B.V.(6)	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Netherlands	Minorco Exploration (Indonesia) B.V.(6)	100%	20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom
Papua New Guinea	Anglo American (Star Mountain) Limited	100%	C/- Allens, Level 6, Mogoru Moto Building, Champion Parade, Port Moresby, National Capital District
Papua New Guinea	Anglo American Exploration (PNG) Limited	100%	C/- PricewaterhouseCoopers PNG, Pwc Haus, Level 6, Harbour City, Konedobu, Port Moresby, National Capital District, 121
Peru	Anglo American Peru S.A.	100%	Calle Esquilache 371, Piso 10, San Isidro, Lima 27
Peru	Anglo American Quellaveco S.A.	60%	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
Peru	Cobre del Norte S.A.	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 Philex Building, Fairlane Brixton Street, Pasig, Metro Manila
Philippines	Northern Luzon Exploration & Mining Co Inc	40%	27 Philex Building, Fairlane Brixton Street, Pasig, Metro Manila
Sierra Leone	Gemfair (SL) Limited	85%	31 Lightfoot Boston Street, Freetown, Sierra Leone
Singapore	Anglo American Exploration (Singapore) Pte. Ltd	100%	10 Collyer Quey, #38-00 Ocean Financial Centre, 049315
Singapore	Anglo American Mongolia Holdings Pte. Ltd	100%	10 Collyer Quey, #38-00 Ocean Financial Centre, 049315
Singapore	De Beers Auction Sales Singapore Pte. Ltd	85%	10 Collyer Quey, #03-04 Ocean Financial Centre, 049315
Singapore	Kumba Singapore Pte. Ltd	53%	10 Collyer Quey, #38-00 Ocean Financial Centre, 049315
Singapore	MR Iron Ore Marketing Services Pte. Ltd	50%	10 Collyer Quay, Level 38, Ocean Financial Centre, 049315
Singapore	Samancor Marketing Pte. Ltd	40%	138 Market Street, #26-01, Capitagreen, 048946
South Africa	ACRO (Hanise) (Pty) Ltd	100%	44 Main Street, Gauteng, 1627
South Africa	AEF Mining Services (Pty) Ltd	25%	Zommerlust Building, Rietbok Road, Kathu, Northern Cape, 8446
South Africa	African Pipe Industries North (Pty) Ltd	39%	55 Marshall Street, Johannesburg, 2001
South Africa	Almenta 127 (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Amaprop Townships Limited	100%	61 Katherine Street, Sandton, 2196
South Africa	Ambase Investment Africa (Botswana) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Ambase Investment Africa (DRC) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Ambase Investment Africa (Namibia) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Ambase Investment Africa (Tanzania) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Ambase Investment Africa (Zambia) (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Amcoal Collieries Recruiting Organisation (Pty) Ltd	100%	55 Marshall Street, Johannesburg, 2001
South Africa	Ampros (Pty) Ltd	100%	61 Katherine Street, Sandton, 2196
South Africa	Anglo American Corporation of South Africa (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American EMEA Shared Services (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Farms (Pty) Ltd	100%	Vergelegen Wine Farm, Lourensford Road, Somerset West, 7130
South Africa	Anglo American Farms Investment Holdings (Pty) Ltd	100%	Vergelegen Wine Farm, Lourensford Road, Somerset West, 7130
South Africa	Anglo American Group Employee Shareholder Nominees (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001

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GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[1][2]	Name of undertaking	Percentage of equity owned[3]	Registered address
South Africa	Anglo American Inyosi Coal (Pty) Ltd	73%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Platinum Limited	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Anglo American Properties Limited	100%	61 Katherine Street, Sandton, 2196
South Africa	Anglo American Prospecting Services (Pty) Ltd	100%	55 Marshall Street, Johannesburg, 2001
South Africa	Anglo American SA Finance Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Sebenza Fund (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American SEFA Mining Fund (Pty) Ltd	50%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American South Africa Investments Proprietary Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American South Africa Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Zimele (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Zimele Community Fund (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Zimele Green Fund (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo American Zimele Loan 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%	44 Main Street, Johannesburg, 2001
South Africa	Anglo Inyosi Coal Security Company Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo Operations (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo Platinum Management Services (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Anglo South Africa (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anglo South Africa Capital (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Anseld Holdings Proprietary Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Asambeni Mining Proprietary Limited	56%	44 Main Street, Johannesburg, 2001
South Africa	Atomatic Trading (Proprietary) Limited	58%	55 Marshall Street, Johannesburg, 2001
South Africa	Balgo Nominees (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Blinkwater Farms 244KR (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Blue Steam Investments (Pty) Ltd	37%	44 Main Street, Johannesburg, 2001
South Africa	Boikgantsho Platinum Mine (Pty) Ltd	38%	5 Jellicoe Avenue, Rosebank, Johannesburg, 2193
South Africa	Bokoni Platinum Holdings (Pty) Ltd	38%	82 Grayston Drive, Sandton, Johannesburg, 2196
South Africa	Bokoni Platinum Mines (Pty) Ltd	38%	4th Floor Atholl, Johannesburg, Gauteng, 2196
South Africa	Butsanani Energy Investment Holdings (Pty) Ltd	100%	151 Katherine Street, Sandton, 2196
South Africa	Chamfron Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Colliery Training College (Pty) Ltd	56%	5 Hollard Street, Johannesburg, P O Box 61809, Marshalltown, 2107
South Africa	Damelin Emalahleni (Pty) Ltd	20%	Cnr O R Tambo & Beatrix Avenue, Witbank, 1035
South Africa	DBCM Holdings (Pty) Ltd	63%	36 Stockdale Street, Kimberley, 8301
South Africa	De Beers Consolidated Mines (Pty) Ltd[9]	63%	36 Stockdale Street, Kimberley, 8301
South Africa	De Beers Group Services (Pty) Ltd	85%	Cornerstone, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	De Beers Marine (Pty) Ltd	85%	Cornerstone, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	De Beers Matlafalang Business Development (Pty) Ltd	63%	Cornerstone, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	De Beers Sightholder Sales South Africa (Pty) Ltd	63%	Cornerstone, Corner Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	Dido Nominees (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 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	Fermain Nominees (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Ga-Phasha Platinum Mine (Proprietary) Limited	38%	44 Main Street, Johannesburg, 2001
South Africa	High Ground Investments Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Hotazel Manganese Mines (Pty) Ltd	30%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	Ingagane Colliery (Pty) Ltd	98%	44 Main Street, Johannesburg, 2001
South Africa	Ingwekazi Holdings (Proprietary) Limited	20%	368 Sifon Street, Robertville Ext 10, Roodepoort, 1709
South Africa	Invincible Trading 14 (Pty) Ltd	20%	16 Euclid Road, Industria East Ext 13, Germiston, 1400
South Africa	KIO Investments Holdings (Pty) Ltd	70%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion, 0157
South Africa	Kumba BSP Trust	53%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion, 0157
South Africa	Kumba Iron Ore Limited	70%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion, 0157
South Africa	Kwanda Platinum Mine (Pty) Ltd	38%	124 Akkerboom Street, Building 2B, Centurion, 0157
South Africa	Lansan Investment Holdings (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Lebowa Platinum Mines Limited	38%	124 Akkerboom Street, Building 2B, Centurion, 0157
South Africa	Lexshell 49 General Trading (Pty) Ltd	35%	55 Marshall Street, Johannesburg, 2001
South Africa	Longboat (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Mafube Coal Mining (Pty) Ltd	50%	55 Marshall Street, Johannesburg, 2001
South Africa	Main Place Holdings Limited	39%	Suite 801, 76 Regent Road, Sea Point, Western Cape, 8005
South Africa	Main Street 1252 (Pty) Ltd (RF)	63%	Cornerstone, Corner of Diamond Drive and Crownwood Road, Theta, Johannesburg, 2013
South Africa	Manganore Iron Mining Limited	47%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076

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GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation(1)(2)	Name of undertaking	Percentage of equity owned(3)	Registered address
South Africa	Manngwe Mining (Pty) Ltd	20%	Suite 105, Lorgadia Building, Embankment Road, Centurion, 0157
South Africa	Marikana Ferrochrome Limited	100%	55 Marshall Street, Johannesburg, 2001
South Africa	Marikana Minerals (Pty) Ltd	100%	55 Marshall Street, Johannesburg, 2001
South Africa	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	Metalloys Manganese Smelter (Pty) Ltd	40%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	Micawber 146 (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Middelplaats Manganese (Pty) Ltd	30%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	Modikwa Mining Personnel Services (Pty) Ltd	39%	55 Marshall Street, Johannesburg, 2001
South Africa	Modikwa Platinum Mine (Pty) Ltd	39%	16 North Road, Dunkeld Court, Dunkeld West, 2196
South Africa	Mogalakwena Platinum Mines	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Newshelf 1316 (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Newshelf 480 (Pty) Ltd	55%	44 Main Street, Johannesburg, 2001
South Africa	Norsand Holdings (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Peglerae Hospital (Pty) Ltd	31%	44 Main Street, Johannesburg, 2001
South Africa	Peruke (Pty) Ltd	51%	44 Main Street, Johannesburg, 2001
South Africa	Phola Coal Processing Plant (Pty) Ltd	37%	44 Main Street, Johannesburg, 2001
South Africa	Platmed (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Platmed Properties (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Polokwane Iron Ore (Pty) Ltd	27%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion, 0157
South Africa	Ponahalo Investments (Pty) Ltd(10)	0%	De Beers Consolidated Mines Corner, Corner Diamond and Crownwood Road, Theta – Booysens Reserve, Johannesburg, 2000
South Africa	Precious Metals Refiners Proprietary Limited	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Pro Enviro (Pty) Ltd	20%	Greenside Colliery, PTN 0ff 331, Blackhills, 1032
South Africa	R A Gilbert (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Resident Nominees (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Richards Bay Coal Terminal (Pty) Ltd	23%	South Dunes, Richards Bay Harbour, Richards Bay, 3900, KwaZulu Natal
South Africa	Rietvlei Mining Company (Pty) Ltd	60%	151 Katherine Street, Sandton, 2196, P O Box 652419, Benmore, 2010
South Africa	Roodepoortjie Resources (Pty) Ltd	49%	16 North Road, Dunkeld Court, Dunkeld West, 2196
South Africa	Rustenburg Base Metals Refiners Proprietary Limited	78%	55 Marshall Street, Johannesburg, 2001
South Africa	Rustenburg Platinum Mines Limited	78%	55 Marshall Street, Johannesburg, 2001
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%	55 Marshall Street, Johannesburg, 2001
South Africa	Sibelo Resource Development (Pty) Ltd	53%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion, 0157
South Africa	Sishen Iron Ore Company (Pty) Ltd	53%	Centurion Gate Building 2B, 124 Akkerboom Road, Centurion, 0157
South Africa	South Africa Coal Operations Proprietary Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Spectrem Air (Pty) Ltd	96%	44 Main Street, Johannesburg, 2001
South Africa	Springfield Collieries Limited	100%	44 Main Street, Johannesburg, 2001
South Africa	Tenon Investment Holdings (Pty) Ltd	100%	44 Main Street, Johannesburg, 2001
South Africa	Terra Nominees (Pty) Ltd	40%	39 Melrose Boulevard, Melrose Arch, Johannesburg, 2076
South Africa	The Village of Cullinan (Pty) Ltd	63%	36 Stockdale Street, Kimberley, 8301
South Africa	Vergelegen Wine Estate (Pty) Ltd	100%	Vergelegen Wine Farm, Lourensford Road, Somerset West, 7130
South Africa	Vergelegen Wines (Pty) Ltd	100%	Vergelegen Wine Farm, Lourensford Road, Somerset West, 7130
South Africa	Whiskey Creek Management Services (Pty) Ltd	78%	55 Marshall Street, Johannesburg, 2001
South Africa	WPIC Holdings (Pty) Ltd	46%	5 Hollard Street, Johannesburg, 1627
Sweden	Element Six AB	51%	Box 505, S -915 23, Robertsfors
Switzerland	De Beers Centenary AG(6)	85%	c/o Telemarketing, Plus AG, Sonnenplatz 6, 6020, Emmenbrücke
Switzerland	Element Six SA	51%	rue du Tir-au-Canon 2, Carouge, Geneva, Switzerland
Switzerland	PGI SA	78%	Avenue Mon- Repos 24, Case postale 656, CH- 1001 Lausanne
Switzerland	Samancor AG	40%	Industriestrasse 53, 6312, Steinhausen, Zug
Switzerland	Synova S.A.	28%	13 Route de Genolier, 1266 Duillier
Tanzania	Ambase Prospecting (Tanzania) (Pty) Ltd	100%	Pemba House, 369 Toure Drive Oyster Bay, Dar Es Salaam
UAE	De Beers DMCC	85%	Office 4D, Almas Tower, Jumeirah Lakes Towers, Dubai
United Kingdom	Anglo American (London)	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American (London) 2	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American (TIIL) Investments Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American 2005 Limited(11)	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Australia Investments Limited(12)	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(12)	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American CMC Holdings Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Corporate Secretary Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Diamond Holdings Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Farms (UK) Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Ferrous 2	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Ferrous Investments Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN

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35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation(1)(2)	Name of undertaking	Percentage of equity owned(3)	Registered address
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 PNG Holdings Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Prefco Limited(12)	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American REACH Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Representative Offices Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Services (UK) Ltd.(12)	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Services Overseas Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Technical & Sustainability Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo American Technical & Sustainability Services Ltd	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(12)	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo Coal Overseas Services Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo Platinum Marketing Limited	78%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anglo UK Pension Trustee Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anmercosa Finance Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anmercosa Pension Trustees Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Anmercosa Sales Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Birchall Gardens LLP	50%	Bardon Hall, Copt Oak Road, Markfield, LE67 9PJ
United Kingdom	Charterhouse CAP Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Curtis Fitch Limited	21%	Formal House, 60 St George's Place, Cheltenham, Gloucestershire, GL50 3PN
United Kingdom	De Beers Intangibles Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	De Beers Jewellers Limited	85%	45 Old Bond Street, London, W1S 4QT
United Kingdom	De Beers Jewellers Trade Mark Limited	85%	45 Old Bond Street, London, W1S 4QT
United Kingdom	De Beers Jewellers UK Limited	85%	45 Old Bond Street, London, W1S 4QT
United Kingdom	De Beers Trademarks Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	De Beers UK Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Ebbsfleet Property Limited	50%	Bardon Hall, Copt Oak Road, Markfield, LE67 9PJ
United Kingdom	Element Six (Production) Limited	51%	Global Innovation Centre, Fermi Avenue, Harwell, Oxford, Didcot, Oxfordshire, OX11 0QR
United Kingdom	Element Six (UK) Limited	51%	Global Innovation Centre, Fermi Avenue, Harwell, Oxford, Didcot, Oxfordshire, OX11 0QR
United Kingdom	Element Six Abrasives Holdings Limited	51%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Element Six Holdings Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Element Six Limited	85%	Global Innovation Centre, Fermi Avenue, Harwell, Oxford, Didcot, Oxfordshire, OX11 0QR
United Kingdom	Element Six Technologies Limited	85%	Global Innovation Centre, Fermi Avenue, Harwell, Oxford, Didcot, Oxfordshire, OX11 0QR
United Kingdom	Ferro Nickel Marketing Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Firecrest Investments Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Forevermark Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Gemfair Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	IIDGR (UK) Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Lightbox Jewelry Ltd.	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Mallord Properties Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Neville Street Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Northfleet Property LLP	50%	Bardon Hall, Copt Oak Road, Markfield, LE67 9PJ
United Kingdom	Reunion Group Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Reunion Mining Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Rhoanglo Trustees Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Riverbank Investments Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Security Nominees Limited	100%	20 Carlton House Terrace, London, SW1Y 5AN
United Kingdom	Swanscombe Development LLP	50%	Bardon Hall, Copt Oak Road, Markfield, LE67 9PJ
United Kingdom	The Diamond Trading Company Limited	85%	20 Carlton House Terrace, London, SW1Y 5AN
United States	Anglo American Exploration (USA), Inc.	100%	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801
United States	Anglo American US Holdings Inc.	100%	CSC, 251 Little Falls Drive, Wilmington DE 19808
United States	Big Hill, LLC	55%	CSC, 251 Little Falls Drive, Wilmington DE 19808
United States	Coal Marketing Company (USA) Inc.	33%	1180 Peachtree Street, N.E., Suite 2420, Atlanta, GA, 30309
United States	De Beers Jewellers US, Inc.	85%	300 First Stamford place, Stamford, CT 06902
United States	Element Six Technologies (Oregon) Corp.	85%	3500 South Dupont Highway, Dover, Kent County DE 19901

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GROUP STRUCTURE

35. RELATED UNDERTAKINGS OF THE GROUP continued

Country of incorporation[(1)(2)]	Name of undertaking	Percentage of equity owned[(3)]	Registered address
United States	Element Six Technologies (OR) Corp.	85%	3500 South Dupont Highway, Dover, Kent County DE 19901
United States	Element Six Technologies U.S. Corporation	85%	Incorporating Services Limited, 3500 South Dupont Highway, Dover, Kent County 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, New York 10017
Venezuela	Minera Loma de Niquel C.A.	94%	Torre Humboldt, Floor 9, Office 09-07, Rio Caura Street, Prados del Este. Caracas 1080
Zambia	Anglo Exploration (Zambia) (Pty) Ltd	100%	11 Katemo Road, Rhodes Park, Lusaka
Zimbabwe	Amzim Holdings Limited	78%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Anglo American Corporation Zimbabwe Limited	78%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Broadlands Park Limited	78%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Southridge Limited	78%	28 Broadlands Road, Emerald Hill, Harare
Zimbabwe	Unki Mines (Private) Limited	78%	28 Broadlands Road, Emerald Hill, Harare

(1) All the companies with an incorporation in the United Kingdom are registered in England and Wales.

(2) The country of tax residence is disclosed where different from the country of incorporation.

(3) All percentages have been rounded.

(4) Tax resident in Colombia.

(5) The interest in Debswana Diamond Company (Pty) Ltd is held indirectly through De Beers and is consolidated on a 19.2% proportionate basis, reflecting economic interest. The Group's effective interests in Debswana Diamond Company (Pty) Ltd is 16.3%.

(6) Tax resident in the United Kingdom.

(7) 2% direct holding by Anglo American plc.

(8) 5% direct holding by Anglo American plc.

(9) A 74% interest in De Beers Consolidated Mines (Pty) Ltd (DBCM) and its subsidiaries is held indirectly through De Beers. The 74% interest represents De Beers' legal ownership share in DBCM. For accounting purposes De Beers consolidates 100% of DBCM as it is deemed to control the BEE entity, Ponahalo, which holds the remaining 26%. The Group's effective interest in DBCM is 85%.

(10) Ponahalo Investments (Pty) Ltd is deemed to be controlled due to the financing structure in place and is consolidated as a majority owned subsidiary.

(11) 4% direct holding by Anglo American plc.

(12) 100% direct holding by Anglo American plc.

OTHER ITEMS

This section includes disclosures about related party transactions, auditor's remuneration and accounting policies.

36. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its subsidiaries, joint operations, associates and joint ventures (see notes 34 and 35). Members of the Board and the Group Management Committee are considered to be related parties.

The Company and its subsidiaries, in the ordinary course of business, enter into various sale, purchase and service transactions with joint operations, associates, joint ventures and others in which the Group has a material interest. These transactions are under terms that are no more or less favourable to the Group than those arranged with third parties.

	Associates		Joint ventures		Joint operations	
US$ million	**2018**	2017	**2018**	2017	**2018**	2017
Transactions with related parties						
Sales of goods and services	**1**	17	**–**	–	**184**	197
Purchases of goods and services	**(382)**	(430)	**(50)**	(163)	**(3,266)**	(3,108)
Balances with related parties						
Trade and other receivables from related parties	**2**	3	**5**	1	**16**	23
Trade and other payables to related parties	**(44)**	(211)	**(7)**	(29)	**(97)**	(93)
Loans receivable from related parties	**–**	–	**211**	230	**–**	–

Balances and transactions with joint operations or joint operation partners represent the portion that the Group does not have the right to offset against the corresponding amount recorded by the respective joint operations. These amounts primarily relate to purchases by De Beers and Platinum Group Metals from their joint operations in excess of the Group's attributable share of their production.

Loans receivable from related parties are included in Financial asset investments on the Consolidated balance sheet.

Remuneration and benefits received by directors are disclosed in the Remuneration report. Remuneration and benefits of key management personnel, including directors, are disclosed in note 26. Information relating to pension fund arrangements is disclosed in note 27.

37. AUDITOR'S REMUNERATION

	2018				2017			
	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	**1.3**	**3.2**	**4.5**	**–**	1.4	3.1	4.5	–
Paid to the Company's auditor for other services to the Group								
Audit of the Company's subsidiaries	**0.4**	**4.4**	**4.8**	**0.4**	0.9	4.1	5.0	0.3
Total audit fees	**1.7**	**7.6**	**9.3**	**0.4**	2.3	7.2	9.5	0.3
Audit related assurance services	**0.5**	**0.8**	**1.3**	**–**	0.4	0.9	1.3	–
Taxation advisory services	**0.1**	**–**	**0.1**	**–**	–	–	–	–
Other assurance services	**–**	**0.5**	**0.5**	**–**	–	0.3	0.3	–
Other non-audit services	**0.4**	**0.2**	**0.6**	**–**	0.8	0.5	1.3	–
Total non-audit fees	**1.0**	**1.5**	**2.5**	**–**	1.2	1.7	2.9	–

Audit related assurance services include $1.3 million (2017: $1.3 million) for the interim review.

38. ACCOUNTING POLICIES

A. BASIS OF PREPARATION

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted for use by the European Union, with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and with the requirements of the Disclosure and Transparency rules of the Financial Conduct Authority in the United Kingdom as applicable to periodic financial reporting. The financial statements have been prepared under the historical cost convention as modified by the revaluation of pension assets and liabilities and certain financial instruments. A summary of the principal Group accounting policies is set out below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

As permitted by UK company law, the Group's results are presented in US dollars, the currency in which its business is primarily conducted.

Changes in accounting policies and disclosures

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2017, except for changes arising from the adoption of the following new accounting pronouncements which became effective in the current reporting period:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- Annual Improvements to IFRSs: 2014-16 Cycle: *IFRS 1 and IAS 28*
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*
- Amendments to IFRS 2 *Share-based Payment Transactions*

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* became effective for the Group from 1 January 2018, replacing all previous revenue standards and interpretations.

The Group's revenue is primarily derived from commodity sales, for which the point of recognition is dependent on the contract sales terms, known as the International Commercial Terms (Incoterms). As the transfer of risks and rewards generally coincides with the transfer of control at a point in time under the Incoterms, the timing and amount of revenue recognised by the Group for the sale of commodities is not materially affected.

For the Incoterms Cost, Insurance and Freight (CIF) and Cost and Freight (CFR) the seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination. Consequently, the freight service on export commodity contracts with CIF/CFR Incoterms represents a separate performance obligation as defined under the new standard, and a portion of the revenue earned under these contracts, representing the obligation to perform the freight service, is deferred and recognised over time as this obligation is fulfilled, along with the associated costs.

The impact of this transition difference is not considered material to the Group and hence comparative values have not been restated. If comparative values had been restated, the impact would have been to reduce revenue and operating costs respectively for the year ended 31 December 2017 by $29 million with no impact on profit. Current assets and current liabilities as at 31 December 2017 would each have been higher by $39 million.

There was no impact on opening retained earnings as at 1 January 2018 as a result of this transition difference.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* became effective for the Group from 1 January 2018, replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

The impacts of adopting IFRS 9 on the Group results have been as follows:

Impairment: The standard introduces an 'expected credit loss' model for the assessment of impairment of financial assets held at amortised cost. The impact of this transition difference is not considered material to the Group and hence comparative values and opening retained earnings at 1 January 2018 have not been restated. If comparative values had been restated, the impact would have been to reduce the Group's opening retained earnings at 1 January 2017 by $18 million, to decrease the Group's operating costs by $17 million and to increase the Group's profit before tax and underlying earnings by $17 million for the year ended 31 December 2017.

Classification and measurement: The measurement and accounting treatment of the Group's financial assets is materially unchanged on application of the new standard with the exception of equity securities previously categorised as available for sale. These are now held at fair value through other comprehensive income, meaning the recycling of gains and losses on disposal and impairment losses is no longer permitted for this category of asset. There is no material impact to the net assets of the Group at 1 January 2017, 31 December 2017 or 1 January 2018, or to the Group's results for the year ended 31 December 2017 from this change.

Hedge accounting: The Group has elected to adopt the IFRS 9 hedge accounting requirements from 1 January 2018. The adoption of the new standard had no effect on the amounts recognised in relation to hedging arrangements for the year ended 31 December 2017 or the year ended 31 December 2018.

The adoption of these new accounting pronouncements has not had a significant impact on the accounting policies, methods of computation or presentation applied by the Group.

The Group has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting in preparing the financial statements continues to be adopted. Further details are contained in the Directors' report on page 217.

New IFRS accounting standards, amendments and interpretations not yet adopted

The following are the major new IFRS accounting standards in issue but not yet effective:

IFRS 16 *Leases*

IFRS 16 *Leases* became effective for the Group from 1 January 2019, replacing IAS 17 *Leases*. The Group has completed the necessary changes to internal systems and processes to embed the new accounting requirements.

The principal impact of IFRS 16 is 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 a right-of-use asset and a related liability for future lease payments.

The most significant impact on the Group of applying IFRS 16, based on contractual arrangements in place at 31 December 2018, will be the recognition of lease liabilities of $0.5 billion, along with right-of-use assets with a similar aggregate value. This liability corresponds to the minimum lease payments under operating leases disclosed in note 30 to these consolidated financial statements, adjusted for the effect of discounting. The present value of liabilities for existing operating leases of $0.5 billion will be included in net debt on transition to IFRS 16 at 1 January 2019.

The Group will not bring leases of low value assets or short leases with 12 or fewer months remaining on to the Consolidated balance sheet at 1 January 2019. In the Consolidated cash flow statement for the year ended 31 December 2019, the total amount of cash paid will be separated between repayments of principal and repayment of interest, both presented within cash flows from financing activities.

38. ACCOUNTING POLICIES continued

Lease liabilities principally relate to corporate offices, diamond jewellery retail outlets and shipping vessels. The impact of the standard on underlying earnings and profit before tax following adoption is not expected to be significant although the income statement presentation of the cost of leases is changed. Instead of a rental charge recognised within operating costs, the cost of leases will be allocated between the depreciation of right-of-use assets, and a finance charge representing the unwind of the discount on lease liabilities.

The Group has elected to apply the modified retrospective approach on transition. The cumulative effect of transition to IFRS 16 will be recognised in retained earnings at 1 January 2019 and the comparative period will not be restated.

B. BASIS OF CONSOLIDATION

Basis of consolidation

The financial statements incorporate a consolidation of the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the results of subsidiaries, joint arrangements and associates to bring their accounting policies into line with those used by the Group. Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

For non-wholly owned subsidiaries, non-controlling interests are presented in equity separately from the equity attributable to shareholders of the Company. Profit or loss and other comprehensive income are attributed to the shareholders of the Company and to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest in subsidiaries that do not result in a change in control are accounted for in equity. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recorded directly in equity and attributed to the shareholders of the Company.

Foreign currency transactions and translation

Foreign currency transactions by Group companies are recognised in the functional currencies of the companies at the exchange rate ruling on the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the income statement for the period and are classified in the income statement according to the nature of the monetary item giving rise to them.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period where these approximate the rates at the dates of the transactions. Any exchange differences arising are classified within the statement of comprehensive income and transferred to the Group's cumulative translation adjustment reserve. Exchange differences on foreign currency balances with foreign operations for which settlement is neither planned nor likely to occur in the foreseeable future, and therefore form part of the Group's net investment in these foreign operations, are offset in the cumulative translation adjustment reserve.

Cumulative translation differences are recycled from equity and recognised as income or expense on disposal of the operation to which they relate.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets of the foreign entity and translated at the closing rate.

Tenon

Tenon Investment Holdings Proprietary Limited (Tenon), a wholly owned subsidiary of Anglo American South Africa Limited (AASA), has entered into agreements with Epoch Investment Holdings (RF) Proprietary Limited (Epoch), Epoch Two Investment Holdings (RF) Proprietary Limited (Epoch Two) and Tarl Investment Holdings (RF) 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 $3.77 per share to Epoch, $5.87 per share to Epoch Two and $4.87 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 2018 the Investment Companies together held 112,300,129 (2017: 112,300,129) Anglo American plc shares, which represented 8.0% (2017: 8.0%) of the ordinary shares in issue (excluding treasury shares) with a market value of $2,509 million (2017: $2,349 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 *Consolidated Financial Statements*. Accordingly, the Investment Companies are required to be consolidated by the Group.

38. ACCOUNTING POLICIES continued

C. FINANCIAL PERFORMANCE

Revenue recognition

Revenue is recognised in a manner that depicts the pattern of the transfer of goods and services to customers. The amount recognised reflects the amount to which the Group expects to be entitled in exchange for those goods and services. Sales contracts are evaluated to determine the performance obligations, the transaction price and the point at which there is transfer of control. The transactional price is the amount of consideration due in exchange for transferring the promised goods or services to the customer, and is allocated against the performance obligations and recognised in accordance with whether control is recognised over a defined period or at a specific point in time.

Revenue is derived principally from commodity sales, 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 control has been transferred. 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. These sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract. Revenue on provisionally priced sales is recognised at the forward market price when control passes to the customer and is classified as revenue from contracts with customers. Subsequent mark-to-market adjustments are recognised in revenue from other sources.

Revenues from the sale of material by-products are recognised within revenue at the point control passes. Where a by-product is not regarded as significant, revenue may be credited against the cost of sales.

Revenue from services is recognised over time in line with the policy above. For contracts which contain separate performance obligations for the sale of commodities and the provision of freight services, the portion of the revenue representing the obligation to perform the freight service is deferred and recognised over time as the obligation is fulfilled, along with the associated costs. In situations where the Group is acting as an agent, amounts billed to customers are offset against the relevant costs.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Exploration and evaluation expenditure

Exploration and evaluation expenditure is expensed in the year in which it is incurred.

Exploration expenditure is the cost of exploring for Mineral Resources other than that occurring at existing operations and projects and comprises geological and geophysical studies, exploratory drilling and sampling and Mineral Resource development.

Evaluation expenditure includes the cost of conceptual and pre-feasibility studies and evaluation of Mineral Resources at existing operations.

When a decision is taken that a mining project is technically feasible and commercially viable, usually after a pre-feasibility study has been completed, subsequent directly attributable expenditure, including feasibility study costs, are considered development expenditure and are capitalised within property, plant and equipment.

Exploration properties acquired are recognised on the balance sheet when management considers that their value is recoverable. These properties are measured at cost less any accumulated impairment losses.

Leases

In addition to lease contracts, other significant contracts are assessed to determine whether in substance they are, or contain, a lease. This includes assessment of whether the arrangement is dependent on use of a specific asset and the right to use that asset is conveyed through the contract.

Rental costs under operating leases are recognised in the income statement in equal annual amounts over the lease term.

Borrowing costs

Interest on borrowings directly relating to the financing of qualifying assets in the course of construction is added to the capitalised cost of those projects under 'Capital works in progress', until such time as the assets are substantially ready for their intended use or sale. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

D. CAPITAL BASE

Business combinations and goodwill arising thereon

The identifiable assets, liabilities and contingent liabilities of a subsidiary, a joint arrangement or an associate, which can be measured reliably, are recorded at their provisional fair values at the date of acquisition. The estimation of the fair value of identifiable assets and liabilities is subjective and the use of different valuation assumptions could have a significant impact on financial results. Goodwill is the fair value of the consideration transferred (including contingent consideration and previously held non-controlling interests) less the fair value of the Group's share of identifiable net assets on acquisition.

Where a business combination is achieved in stages, the Group's previously held interests in the acquiree are remeasured to fair value at the acquisition date and the resulting gain or loss is recognised in the income statement.

Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the income statement, where such treatment would be appropriate if that interest were disposed of.

Transaction costs incurred in connection with the business combination are expensed. Provisional fair values are finalised within 12 months of the acquisition date.

Goodwill in respect of subsidiaries and joint operations is included within intangible assets. Goodwill relating to associates and joint ventures is included within the carrying value of the investment.

Where the fair value of the identifiable net assets acquired exceeds the cost of the acquisition, the surplus, which represents the discount on the acquisition, is recognised directly in the income statement in the period of acquisition.

For non-wholly owned subsidiaries, non-controlling interests are initially recorded at the non-controlling interests' proportion of the fair values of net assets recognised at acquisition.

Impairment of goodwill, intangible assets and property, plant and equipment

Goodwill arising on business combinations is allocated to the group of cash generating units (CGUs) that is expected to benefit from synergies of the combination, and represents the lowest level at which goodwill is monitored by the Group's Board of directors for internal management purposes. The recoverable amount of the CGU, or group of CGUs, to which goodwill has been allocated is tested for impairment annually, or when events or changes in circumstances indicate that it may be impaired.

Any impairment loss is recognised immediately in the income statement. Impairment of goodwill is not subsequently reversed.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

38. ACCOUNTING POLICIES continued

Recoverable amount is the higher of fair value less costs of disposal and value in use (VIU) assessed using discounted cash flow models, as explained in note 7. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or CGU. A reversal of an impairment loss is recognised in the income statement.

In addition, in making assessments for impairment, management necessarily applies its judgement in allocating assets, including goodwill, that do not generate independent cash flows to appropriate CGUs.

Subsequent changes to the CGU allocation, to the timing of cash flows or to the assumptions used to determine the cash flows could impact the carrying value of the respective assets.

Non-mining licences and other intangible assets

Non-mining licences and other intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition. Intangible assets are amortised over their estimated useful lives, usually between 3 and 20 years, except goodwill and those intangible assets that are considered to have indefinite lives. For intangible assets with a finite life, the amortisation period is determined as the period over which the Group expects to obtain benefits from the asset, taking account of all relevant facts and circumstances including contractual lives and expectations about the renewal of contractual arrangements without significant incremental costs. An intangible asset is deemed to have an indefinite life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash flows for the Group. Amortisation methods, residual values and estimated useful lives are reviewed at least annually.

Deferred stripping

The removal of rock or soil overlying a mineral deposit, overburden, and other waste materials is often necessary during the initial development of an open pit mine site, in order to access the orebody. The process of removing overburden and other mine waste materials is referred to as stripping. The directly attributable cost of this activity is capitalised in full within 'Mining properties and leases', until the point at which the mine is considered to be capable of operating in the manner intended by management. This is classified as expansionary capital expenditure, within investing cash flows.

The removal of waste material after the point at which depreciation commences is referred to as production stripping. When the waste removal activity improves access to ore extracted in the current period, the costs of production stripping are charged to the income statement as operating costs in accordance with the principles of IAS 2 *Inventories*.

Where production stripping activity both produces inventory and improves access to ore in future periods the associated costs of waste removal are allocated between the two elements. The portion that benefits future ore extraction is capitalised within 'Mining properties and leases'. This is classified as stripping and development capital expenditure, within investing cash flows. If the amount to be capitalised cannot be specifically identified it is determined based on the volume of waste extracted compared with expected volume for the identified component of the orebody. This determination is dependent on an individual mine's design and Life of Mine Plan and therefore changes to the design or Life of Mine Plan will result in changes to these estimates. Identification of the components of a mine's orebody is made by reference to the Life of Mine Plan. The assessment depends on a range of factors including each mine's specific operational features and materiality.

In certain instances significant levels of waste removal may occur during the production phase with little or no associated production. This may occur at both open pit and underground mines, for example longwall development.

The cost of this waste removal is capitalised in full to 'Mining properties and leases'.

All amounts capitalised in respect of waste removal are depreciated using the unit of production method for the component of the orebody to which they relate, consistent with depreciation of property, plant and equipment.

The effects of changes to the Life of Mine Plan on the expected cost of waste removal or remaining Ore Reserves for a component are accounted for prospectively as a change in estimate.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Cost is the fair value of consideration required to acquire and develop the asset and includes the purchase price, acquisition of mineral rights, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation and, for assets that take a substantial period of time to get ready for their intended use, borrowing costs.

Gains or losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount. The gain or loss is recognised in the income statement.

Depreciation of property, plant and equipment

Mining properties are depreciated to their residual values using the unit of production method based on Proved and Probable Ore Reserves and, in certain limited circumstances, other Mineral Resources included in the Life of Mine Plan. These other Mineral Resources are included in depreciation calculations where, taking into account historical rates of conversion to Ore Reserves, there is a high degree of confidence that they will be extracted in an economic manner. This is the case principally for diamond operations, where depreciation calculations are based on Diamond Reserves and Diamond Resources included in the Life of Mine Plan. This reflects the unique nature of diamond deposits where, due to the difficulty in estimating grade, Life of Mine Plans frequently include significant amounts of Indicated or Inferred Resources.

Buildings and items of plant and equipment for which the consumption of economic benefit is linked primarily to utilisation or to throughput rather than production, are depreciated to their residual values at varying rates on a straight line basis over their estimated useful lives, or the Reserve Life, whichever is shorter. Estimated useful lives normally vary from up to 20 years for items of plant and equipment to a maximum of 50 years for buildings. Under limited circumstances, items of plant and equipment may be depreciated over a period that exceeds the Reserve Life by taking into account additional Mineral Resources other than Proved and Probable Reserves included in the Life of Mine Plan, after making allowance for expected production losses based on historical rates of Mineral Resource to Ore Reserve conversion.

'Capital works in progress' are measured at cost less any recognised impairment. Depreciation commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset class.

Land is not depreciated.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

Depreciation methods, residual values and estimated useful lives are reviewed at least annually.

Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful lives of the assets.

38. ACCOUNTING POLICIES continued

Financial assets

Investments, other than investments in subsidiaries, joint arrangements and associates, are financial asset investments and are initially recognised at fair value. The Group's financial assets are classified into the following measurement categories: debt instruments at amortised cost, equity instruments and debt instruments designated at fair value through other comprehensive income (OCI), and debt instruments, derivatives and equity instruments at fair value through profit and loss. Financial assets are classified as at amortised cost only if the asset is held within a business model whose objective is to collect the contractual cash flows and the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest.

At subsequent reporting dates, financial assets at amortised cost 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 at fair value through OCI. 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.

The Group has elected to measure equity instruments, which are neither held for trading nor are contingent consideration in a business combination, at fair value through OCI as this better reflects the strategic nature of the Group's equity investments. For equity instruments at fair value through OCI, changes in fair value, including those related to foreign exchange, are recognised in other comprehensive income and there is no subsequent reclassification of fair value gains and losses to profit or loss.

Impairment of financial assets

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. The Group assesses on a forward looking basis the expected credit losses, defined as the difference between the contractual cash flows and the cash flows that are expected to be received, associated with its assets carried at amortised cost and fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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 equity instruments at fair value through other comprehensive income are not reported separately from other changes in fair value.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the associated obligation has been discharged, cancelled or has expired.

Environmental restoration and decommissioning obligations

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development or ongoing production of a mining asset. Costs for restoration of site damage, rehabilitation and environmental costs are estimated using either the work of external consultants or internal experts. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises.

These costs are recognised in the income statement over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and recognised in the income statement as extraction progresses.

The amount recognised as a provision represents management's best estimate of the consideration required to complete the restoration and rehabilitation activity, the application of the relevant regulatory framework and timing of expenditure. These estimates are inherently uncertain and could materially change over time. Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out above.

For some South African operations annual contributions are made to dedicated environmental rehabilitation trusts to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine. The Group exercises full control of these trusts and therefore the trusts are consolidated. The trusts' assets are disclosed separately on the balance sheet as non-current assets.

The trusts' assets are measured based on the nature of the underlying assets in accordance with accounting policies for similar assets.

E. WORKING CAPITAL

Inventories

Inventory and work in progress are measured at the lower of cost and net realisable value, except for inventory held by commodity broker-traders which is measured at fair value less costs to sell. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following basis:

- Raw materials and consumables are measured at cost on a first in, first out (FIFO) basis or a weighted average cost basis.
- Work in progress and finished products are measured at raw material cost, labour cost and a proportion of production overhead expenses.
- Metal and coal stocks are included within finished products and are measured at average cost.

At precious metals operations that produce 'joint products', cost is allocated amongst products according to the ratio of contribution of these metals to gross sales revenues.

Inventory is generally recognised as a current asset as it is consumed within the normal business cycle. Stockpiles are classified as non-current where there is no ability to process the ore or there is no market to sell the product in its current state.

F. NET DEBT AND FINANCIAL RISK MANAGEMENT

Cash and debt

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet. Cash and cash equivalents in the cash flow statement are shown net of overdrafts. Cash and cash equivalents are measured at amortised cost except for money market fund investments which are held at fair value as they are redeemed through the sale of units in the funds and not solely through the recovery of principal and interest.

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.

38. ACCOUNTING POLICIES continued

Derivative financial instruments and hedge accounting

In order to hedge its exposure to foreign exchange, interest rate and commodity price risk, the Group enters into forward, option and swap contracts. Commodity based (own use) contracts that meet the scope exemption in IFRS 9 are recognised in earnings when they are settled by physical delivery.

All derivatives are held at fair value in the balance sheet within 'Derivative financial assets' or 'Derivative financial liabilities' except if they are linked to settlement and delivery of an unquoted equity instrument and the fair value cannot be measured reliably, in which case they are carried at cost. Derivatives are classified as current or non-current depending on the contractual maturity of the derivative. A derivative cannot be measured reliably where the range of reasonable fair value estimates is significant and the probabilities of various estimates cannot be reasonably assessed.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows (cash flow hedges) are recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of a non-financial asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects profit or loss.

For an effective hedge of an exposure to changes in fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged. The corresponding entry and gains or losses arising from remeasuring the associated derivative are recognised in the income statement.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group's material hedging instruments are interest rate swaps that have similar critical terms to the related debt instruments, such as payment dates, maturities and notional amount. As all critical terms matched during the year, there was no material hedge ineffectiveness. The Group also uses cross currency swaps to manage foreign exchange risk associated with borrowings denominated in foreign currencies. These are not designated in an accounting hedge as there is a natural offset against foreign exchange movements on associated borrowings.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, revoked, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is recycled to the income statement for the period.

Changes in the fair value of any derivative instruments that are not designated in a hedge relationship are recognised immediately in the income statement.

Derivatives embedded in other financial instruments or non-financial host contracts (other than financial assets in the scope of IFRS 9) 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.

Derivatives embedded in contracts which are financial assets in the scope of IFRS 9 are not separated and the whole contract is accounted for at either amortised cost or fair value.

G. TAXATION

Tax

The tax expense includes the current tax and deferred tax charge recognised in the income statement.

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Probable taxable profits are based on evidence of historical profitability and taxable profit forecasts limited by reference to the criteria set out in IAS 12 *Income Taxes.* Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction (other than in a business combination) that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, joint arrangements and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis with that taxation authority.

H. EMPLOYEES

Retirement benefits

The Group's accounting policy involves the use of 'best estimate' assumptions in calculating the schemes' valuations in accordance with the accounting standard. This valuation methodology differs from that applied in calculating the funding valuations, which require the use of 'prudent' assumptions, such as lower discount rates, higher assumed rates of future inflation expectations and greater improvements in life expectancy, leading to a higher value placed on the liabilities. The funding valuations are carried out every three years, using the projected unit credit method, by independent qualified actuaries and are used to determine the money that must be put into the funded schemes. The Group operates both defined benefit and defined contribution pension plans for its employees as well as post employment medical plans. For defined contribution plans the amount recognised in the income statement is the contributions paid or payable during the year.

For defined benefit pension and post employment medical plans, full actuarial valuations are carried out at least every three years using the projected unit credit method and updates are performed for each financial year end. The average discount rate for the plans' liabilities is based on AA rated corporate bonds of a suitable duration and currency or, where there is no deep market for such bonds, is based on government bonds. Pension plan assets are measured using year end market values.

38. ACCOUNTING POLICIES continued

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.

Share-based payments

The Group makes equity settled share-based payments to certain employees, which are measured at fair value at the date of grant and expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. For those share schemes with market related vesting conditions, the fair value is determined using the Monte Carlo model at the grant date. The fair value of share options issued with non-market vesting conditions has been calculated using the Black Scholes model.

For all other share awards, the fair value is determined by reference to the market value of the shares at the grant date. For all share schemes with non-market vesting conditions, the likelihood of vesting has been taken into account when determining the relevant charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

I. GROUP STRUCTURE

Associates and joint arrangements

Associates are investments over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but without the ability to exercise control or joint control. Typically the Group owns between 20% and 50% of the voting equity of its associates.

Joint arrangements are arrangements in which the Group shares joint control with one or more parties. Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the activities that significantly affect the arrangement's returns require the unanimous consent of the parties sharing control.

Judgement is required in determining this classification through an evaluation of the facts and circumstances arising from each individual arrangement. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement. In joint operations, the parties have rights to the assets and obligations for the liabilities relating to the arrangement, whereas in joint ventures, the parties have rights to the net assets of the arrangement.

Joint arrangements that are not structured through a separate vehicle are always joint operations. Joint arrangements that are structured through a separate vehicle may be either joint operations or joint ventures depending on the substance of the arrangement. In these cases, consideration is given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances. When the activities of an arrangement are primarily designed for the provision of output to the parties, and the parties are substantially the only source of cash flows contributing to the continuity of the operations of the arrangement, this indicates that the parties to the arrangements have rights to the assets and obligations for the liabilities.

Certain joint arrangements that are structured through separate vehicles including Collahuasi, Debswana and Namdeb are accounted for as joint operations. These arrangements are primarily designed for the provision of output to the parties sharing joint control, indicating that the parties have rights to substantially all the economic benefits of the assets. The liabilities of the arrangements are in substance satisfied by cash flows received from the parties; this dependence indicates that the parties effectively have obligations for the liabilities. It is primarily these facts and circumstances that give rise to the classification as joint operations.

The Group accounts for joint operations by recognising the assets, liabilities, revenue and expenses for which it has rights or obligations, including its share of such items held or incurred jointly.

Investments in associates and joint ventures are accounted for using the equity method of accounting except when classified as held for sale. The Group's share of associates' and joint ventures' net income is based on their most recent audited financial statements or unaudited interim statements drawn up to the Group's balance sheet date.

The total carrying values of investments in associates and joint ventures represent the cost of each investment including the carrying value of goodwill, the share of post acquisition retained earnings, any other movements in reserves and any long-term debt interests which in substance form part of the Group's net investment. The carrying values of associates and joint ventures are reviewed on a regular basis and if there is objective evidence that an impairment in value has occurred as a result of one or more events during the period, the investment is impaired.

The Group's share of an associate's or joint venture's losses in excess of its interest in that associate or joint venture is not recognised unless the Group has an obligation to fund such losses. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is met only when a sale is highly probable within one year from the date of classification, management is committed to the sale and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets and disposal groups are classified as held for sale from the date these conditions are met and are measured at the lower of carrying amount and fair value less costs to sell. Any resulting impairment loss is recognised in the income statement.

On classification as held for sale the assets are no longer depreciated. Comparative amounts are not adjusted.

Black Economic Empowerment (BEE) transactions

Where the Group disposes of a portion of a South African based subsidiary or operation to a BEE company at a discount to fair value, the transaction is considered to be a share-based payment (in line with the principle contained in South Africa interpretation AC 503 *Accounting for Black Economic Empowerment (BEE) Transactions*).

The discount provided or value given is calculated in accordance with IFRS 2 and the cost, representing the fair value of the BEE credentials obtained by the subsidiary, is recorded in the income statement.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

Balance sheet of the Company, Anglo American plc, as at 31 December 2018

US$ million	Note	2018	2017
Fixed assets			
Investment in subsidiaries	1	**30,775**	29,916
Current assets			
Amounts due from Group undertakings		**164**	727
Cash at bank and in hand		**1**	1
		165	728
Creditors due within one year			
Amounts owed to Group undertakings		**(482)**	(275)
		(482)	(275)
Net current assets		**(317)**	453
Total assets less current liabilities		**30,458**	30,369
Net assets		**30,458**	30,369
Capital and reserves			
Called-up share capital	2	**772**	772
Share premium account	2	**4,358**	4,358
Capital redemption reserve	2	**115**	115
Other reserves	2	**1,955**	1,955
Profit and loss account	2	**23,258**	23,169
Total shareholders' funds (equity)		**30,458**	30,369

The profit after tax for the year of the Company amounted to $1,057 million (2017: profit of $1,104 million).

The financial statements of Anglo American plc, registered number 03564138, were approved by the Board of directors on 20 February 2019 and signed on its behalf by:

Mark Cutifani
Chief Executive

Stephen Pearce
Finance Director

1. INVESTMENT IN SUBSIDIARIES

US$ million	2018	2017
Cost		
At 1 January	**29,933**	29,808
Capital contributions(1)	**147**	125
Additions	**712**	–
At 31 December	**30,792**	29,933
Provisions for impairment		
At 1 January	**(17)**	(464)
Credit for the year(2)	**–**	447
At 31 December	**(17)**	(17)
Net book value	**30,775**	29,916

(1) This amount is net of $17 million (2017: $17 million) of intra-group recharges.

(2) In 2017, this related to an impairment reversal with respect to an equity holding in one of the Company's subsidiaries.

Further information about subsidiaries is provided in note 35 to the Consolidated financial statements.

2. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

US$ million	Called-up share capital	Share premium account	Capital redemption reserve	Other reserves(1)	Profit and loss account(2)	Total
At 1 January 2017	772	4,358	115	1,955	22,528	29,728
Profit for the financial year	–	–	–	–	1,104	1,104
Dividends(3)	–	–	–	–	(410)	(410)
Net purchase of treasury shares under employee share schemes	–	–	–	–	(195)	(195)
Capital contribution to Group undertakings	–	–	–	–	142	142
At 31 December 2017	**772**	**4,358**	**115**	**1,955**	**23,169**	**30,369**
Profit for the financial year	**–**	**–**	**–**	**–**	**1,057**	**1,057**
Dividends(3)	**–**	**–**	**–**	**–**	**(900)**	**(900)**
Net purchase of treasury shares under employee share schemes	**–**	**–**	**–**	**–**	**(232)**	**(232)**
Capital contribution to Group undertakings	**–**	**–**	**–**	**–**	**164**	**164**
At 31 December 2018	**772**	**4,358**	**115**	**1,955**	**23,258**	**30,458**

(1) At 31 December 2018 other reserves of $1,955 million (2017: $1,955 million) were not distributable under the Companies Act 2006.

(2) At 31 December 2018 $2,685 million (2017: $2,685 million) of the Company profit and loss account of $23,258 million (2017: $23,169 million) was not distributable under the Companies Act 2006.

(3) Dividends relate only to shareholders on the United Kingdom principal register excluding dividends waived by Wealth Nominees Limited as nominees for Estera Trust (Jersey) Limited, the trustee for the Anglo American employee share scheme. Dividends paid to shareholders on the Johannesburg branch register are distributed by a South African subsidiary in accordance with the terms of the Dividend Access Share Provisions of Anglo American plc's Articles of Association. The directors are proposing a final dividend in respect of the year ended 31 December 2018 of 51 US cents per share (see note 6 of the Consolidated financial statements).

The audit fee in respect of the Company was $7,052 (2017: $6,807). Fees payable to Deloitte for non-audit services to the Company are not required to be disclosed because they are included within the consolidated disclosure in note 37 to the Consolidated financial statements.

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 Standard 100 *Application of Financial Reporting Requirements* (FRS 100) and Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

A summary of the principal accounting policies is set out below.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented as part of these financial statements.

Significant accounting policies

Investments

Investments represent equity holdings in subsidiaries and are measured at cost less accumulated impairment.

Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are derecognised when they are discharged or when the contractual terms expire.

Dividends

Interim equity dividends are recognised when declared. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Share-based payments

The Company has applied the requirements of IFRS 2 *Share-based payment*.

The Company makes equity settled share-based payments to the directors, which are measured at fair value at the date of grant and expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. For those share schemes with market related vesting conditions, the fair value is determined using the Monte Carlo model at the grant date. The fair value of share options issued with non-market vesting conditions has been calculated using the Black Scholes model. For all other share awards, the fair value is determined by reference to the market value of the shares at the grant date. For all share schemes with non-market vesting conditions, the likelihood of vesting has been taken into account when determining the relevant charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

The Company also makes equity settled share-based payments to certain employees of certain subsidiary undertakings. Equity settled share-based payments that are made to employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investments in subsidiaries, based on an estimate of the number of shares that will eventually vest.

Any payments received from subsidiaries are applied to reduce the related increases in Investments in subsidiaries.

SUMMARY BY OPERATION

This section includes certain Alternative Performance Measures (APMs). For more information on the APMs used by the Group, including definitions, please refer to page 208.

Marketing activities are allocated to the underlying operation to which they relate.

								2018
US$ million (unless otherwise stated)	Sales volume	Realised price	Unit cost	Group revenue(1)	Underlying EBITDA	Underlying EBIT	Underlying earnings	Capital expenditure
	'000 cts	$/ct	$/ct					
De Beers	31,656(2)	171(3)	60(4)	6,082(5)	1,245	694	349	417
Mining								
Botswana (Debswana)	n/a	155(3)	28(4)	n/a	495	441	n/a	97
Namibia (Namdeb Holdings)	n/a	550(3)	274(4)	n/a	176	140	n/a	38
South Africa (DBCM)	n/a	109(3)	54(4)	n/a	163	58	n/a	177
Canada	n/a	144(3)	52(4)	n/a	231	78	n/a	127(6)
Trading	n/a	n/a	n/a	n/a	413	407	n/a	2
Other(7)	n/a	n/a	n/a	n/a	(184)	(381)	n/a	(50)
Projects and corporate	n/a	n/a	n/a	n/a	(49)	(49)	n/a	26
	kt	c/lb	c/lb					
Copper	672(8)	283(8)	134(9)	5,168	1,856	1,234	917	703
Los Bronces	376	n/a	145(9)	2,175	969	625	n/a	217
Collahuasi(10)	243	n/a	105(9)	1,460	960	736	642	295
Quellaveco(11)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	131
Other operations	53(8)	n/a	n/a	1,533	82	28	n/a	60
Projects and corporate	n/a	n/a	n/a	–	(155)	(155)	(104)	–
	koz	$/Pt oz	$/Pt oz					
Platinum Group Metals	2,424(12)	2,219(13)	1,561(14)	5,680	1,062	705	418	496
Mogalakwena	492(12)	2,759(13)	1,398(14)	1,367	623	478	n/a	210
Amandelbult	445(12)	2,222(13)	1,717(14)	996	153	96	n/a	74
Other operations(15)	367(12)	n/a	n/a	1,100	132	9	n/a	212
Purchase of concentrate(16)	1,120(12)	n/a	n/a	2,217	218	186	n/a	–
Projects and corporate	n/a	n/a	n/a	–	(64)	(64)	n/a	–
	Mt	$/t	$/t					
Iron Ore	n/a	n/a	n/a	3,768	1,177	747	(117)	415
Kumba Iron Ore	43.3	72(17)	32(18)	3,440	1,544	1,213	465(19)	309
Iron Ore Brazil (Minas-Rio)	3.2	70(20)	n/a(21)	328	(272)	(371)	(492)	106
Projects and corporate	n/a	n/a	n/a	–	(95)	(95)	(90)(19)	–
	Mt	$/t	$/t					
Coal	50.4	n/a	n/a	7,788	3,196	2,538	1,755	722
Metallurgical Coal	22.0(22)	190(23)	64(24)	4,231	2,210	1,774	1,280	574
Thermal Coal – South Africa	18.3(25)	87(26)	44(27)	2,719	695	566	379	148
Thermal Coal – Colombia	10.1	83	36	838	388	295	193	–
Projects and corporate	n/a	n/a	n/a	–	(97)	(97)	(97)	–
Nickel and Manganese	n/a	n/a	n/a	1,707	844	685	526	38
Nickel	43,100 t	588 c/lb	361 c/lb(28)	560	181	75	171	38
Manganese (Samancor)(29)	3.7 Mt	n/a	n/a	1,147	663	610	355	–
Corporate and other	n/a	n/a	n/a	3	(219)	(226)	(611)	27
Exploration	n/a	n/a	n/a	–	(113)	(113)	(105)	–
Corporate activities and unallocated costs	n/a	n/a	n/a	3	(106)	(113)	(506)	27
	n/a	n/a	n/a	30,196	9,161	6,377	3,237	2,818

See page 198 for footnotes.

								2017
US$ million (unless otherwise stated)	Sales volume	Realised price	Unit cost	Group revenue(1)	Underlying EBITDA	Underlying EBIT	Underlying earnings	Capital expenditure
	'000 cts	$/ct	$/ct					
De Beers	32,455(2)	162(3)	63(4)	5,841(5)	1,435	873	528	273
Mining								
Botswana (Debswana)	n/a	159(3)	28(4)	n/a	484	447	n/a	86
Namibia (Namdeb Holdings)	n/a	539(3)	257(4)	n/a	176	146	n/a	33
South Africa (DBCM)	n/a	129(3)	62(4)	n/a	267	119	n/a	114
Canada(30)	n/a	235(3)	57(4)	n/a	205	58	n/a	(5)
Trading	n/a	n/a	n/a	n/a	449	443	n/a	1
Other(7)	n/a	n/a	n/a	n/a	(110)	(304)	n/a	44
Projects and corporate	n/a	n/a	n/a	n/a	(36)	(36)	n/a	–
	kt	c/lb	c/lb					
Copper	580(8)	290(8)	147(9)	4,233	1,508	923	370	665
Los Bronces	307	n/a	169(9)	1,839	737	401	n/a	245
Collahuasi(10)	232	n/a	113(9)	1,314	806	594	356	243
Quellaveco	n/a	n/a	n/a	n/a	n/a	n/a	n/a	128
Other operations	41(8)	n/a	n/a	1,080	76	39	n/a	49
Projects and corporate	n/a	n/a	n/a	–	(111)	(111)	(72)	–
	koz	$/Pt oz	$/Pt oz					
Platinum Group Metals	2,505(12)	1,966(13)	1,443(14)	5,078	866	512	217	355
Mogalakwena	467(12)	2,590(13)	1,179(14)	1,211	578	448	n/a	151
Amandelbult	459(12)	1,868(13)	1,596(14)	858	88	34	n/a	34
Other operations(15)	497(12)	n/a	n/a	1,125	83	(59)	n/a	170
Purchase of concentrate(16)	1,082(12)	n/a	n/a	1,884	173	145	n/a	–
Projects and corporate	n/a	n/a	n/a	–	(56)	(56)	n/a	–
	Mt	$/t	$/t					
Iron Ore	n/a	n/a	n/a	4,891	1,828	1,500	803	252
Kumba Iron Ore	44.9	71(17)	31(18)	3,486	1,474	1,246	467(19)	229
Iron Ore Brazil (Minas-Rio)	16.5	65(20)	30(21)	1,405	435	335	413	23
Projects and corporate	n/a	n/a	n/a	–	(81)	(81)	(77)(19)	–
	Mt	$/t	$/t					
Coal	49.0	n/a	n/a	7,211	2,868	2,274	1,763	568
Metallurgical Coal	19.8(22)	185(23)	61(24)	3,675	1,977	1,594	1,348	416
Thermal Coal – South Africa	18.6(25)	76(26)	44(27)	2,746	588	466	311	152
Thermal Coal – Colombia	10.6	75	31	790	385	296	181	–
Projects and corporate	n/a	n/a	n/a	–	(82)	(82)	(77)	–
Nickel and Manganese	n/a	n/a	n/a	1,391	610	478	219	28
Nickel	43,000 t	476 c/lb	365 c/lb(28)	451	81	–	(4)	28
Manganese (Samancor)(29)	3.6 Mt	n/a	n/a	940	529	478	223	–
Corporate and other	n/a	n/a	n/a	5	(292)	(313)	(628)	9
Exploration	n/a	n/a	n/a	–	(103)	(103)	(91)	–
Corporate activities and unallocated costs	n/a	n/a	n/a	5	(189)	(210)	(537)	9
	n/a	n/a	n/a	28,650	8,823	6,247	3,272	2,150

(1) Group revenue for copper is shown after deduction of treatment and refining charges (TC/RCs).

(2) Consolidated sales volumes exclude pre-commercial production sales volumes from Gahcho Kué in 2017. Total sales volumes (100%), which are comparable to production, were 33.7 million carats (2017: 35.1 million carats). Total sales volumes (100%) include De Beers Group's joint arrangement partners' 50% proportionate share of sales to entities outside De Beers Group from Diamond Trading Company Botswana and Namibia Diamond Trading Company and in 2017, include pre-commercial production sales volumes from Gahcho Kué.

(3) Pricing for the mining business units is based on 100% selling value post-aggregation of goods. The De Beers realised price includes the price impact of the sale of non-equity product and, as a result, is not directly comparable to De Beers unit costs, which relate to equity production only.

(4) Unit cost is based on consolidated production and operating costs, excluding depreciation and operating special items, divided by carats recovered.

(5) Includes rough diamond sales of $5.4 billion (2017: $5.2 billion).

(6) In 2018, includes the acquisition of Peregrine Diamonds Limited for consideration of $87 million.

(7) Other includes Element Six, downstream and acquisition accounting adjustments.

(8) Excludes 178 kt third-party sales (2017: 111 kt).

(9) C1 unit cost includes by-product credits.

(10) 44% share of Collahuasi sales and financials.

(11) Capex is presented on an attributable basis after deducting direct funding from non-controlling interests. FY 2018 capex on a 100% basis was $505 million. $187 million was spent prior to project approval on 26 July, of which the Group funded $131 million and Mitsubishi funded $56 million. A further $318 million was spent post-approval, of which the Group's 60% share was funded from the Mitsubishi syndication transaction and hence is not included in reported capex.

(12) Sales volumes are platinum sales and exclude the sale of refined metal purchased from third parties.

(13) Average US$ basket price. Excludes the impact of the sale of refined metal purchased from third parties.

(14) Total cash operating costs: includes on-mine, smelting and refining costs only.

(15) Includes Unki, Union (prior to disposal), Mototolo (post-acquisition), Platinum Group Metals' share of joint operations and revenue from trading activities.

(16) Purchase of concentrate from joint operations, associates and third parties for processing into refined metals.

(17) Prices for Kumba Iron Ore are the average realised export basket price (FOB Saldanha).

(18) Unit costs for Kumba Iron Ore are on an FOB dry basis.

(19) Of the projects and corporate expense, which includes a corporate cost allocation, $46 million (31 December 2017: $49 million) relates to Kumba Iron Ore. The total contribution from Kumba Iron Ore to the Group's underlying earnings is $414 million (31 December 2017: $418 million).

(20) Prices for Minas-Rio are the average realised export basket price (FOB Açu) (wet basis).

(21) Unit costs for Minas-Rio are not disclosed for 2018 due to the suspension of operations; 2017 unit costs are on an FOB wet basis.

(22) Metallurgical Coal sales volumes exclude thermal coal sales of 1.6 Mt (31 December 2017: 1.8 Mt).

(23) Metallurgical Coal realised price is the weighted average hard coking coal and PCI sales price achieved.

(24) FOB cost per saleable tonne, excluding royalties. Metallurgical Coal excludes study costs.

(25) South African sales volumes includes export primary production, secondary production sold into export markets and production sold domestically at export parity pricing and exclude domestic sales of 10.3 Mt (2017: 8.2 Mt), Eskom-tied operations sales of 2.8 Mt (2017: 23.9 Mt) and non-equity traded sales of 9.5 Mt (2017: 7.6 Mt).

(26) Thermal Coal – South Africa realised price is the weighted average export thermal coal price achieved. Excludes third-party sales.

(27) FOB cost per saleable tonne, excluding royalties. Thermal Coal – South Africa unit cost is for the trade operations.

(28) C1 unit cost.

(29) Sales and financials include ore and alloy.

(30) For Canada, price excludes Gahcho Kué contribution from sales related to pre-commercial production, which were capitalised in the first half of 2017. Unit costs include Gahcho Kué contribution following achievement of commercial production on 2 March 2017. Capital expenditure includes pre-commercial production capitalised operating cash inflows from Gahcho Kué.

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 208.

US$ million (unless otherwise stated)	2018	2017	2016	2015	2014	2013	2012 restated(1)	2011	2010	2009
Income statement measures										
Group revenue	**30,196**	28,650	23,142	23,003	30,988	33,063	32,785	36,548	32,929	24,637
Underlying EBIT	**6,377**	6,247	3,766	2,223	4,933	6,620	6,253	11,095	9,763	4,957
Underlying EBITDA	**9,161**	8,823	6,075	4,854	7,832	9,520	8,860	13,348	11,983	6,930
Revenue	**27,610**	26,243	21,378	20,455	27,073	29,342	28,680	30,580	27,960	20,858
Net finance costs (before special items and remeasurements)	**(380)**	(473)	(209)	(458)	(256)	(276)	(299)	(20)	(244)	(273)
Profit/(loss) before tax	**6,189**	5,505	2,624	(5,454)	(259)	1,700	(171)	10,782	10,928	4,029
Profit/(loss) for the financial year	**4,373**	4,059	1,926	(5,842)	(1,524)	426	(564)	7,922	8,119	2,912
Non-controlling interests	**(824)**	(893)	(332)	218	(989)	(1,387)	(906)	(1,753)	(1,575)	(487)
Profit/(loss) attributable to equity shareholders of the Company	**3,549**	3,166	1,594	(5,624)	(2,513)	(961)	(1,470)	6,169	6,544	2,425
Underlying earnings	**3,237**	3,272	2,210	827	2,217	2,673	2,860	6,120	4,976	2,569
Balance sheet measures										
Capital employed	**32,269**	32,813	31,904	32,842	43,782	46,551	49,757	41,667	42,135	36,623
Net assets	**29,832**	28,882	24,325	21,342	32,177	37,364	43,738	43,189	37,971	28,069
Non-controlling interests	**(6,234)**	(5,910)	(5,309)	(4,773)	(5,760)	(5,693)	(6,127)	(4,097)	(3,732)	(1,948)
Equity attributable to equity shareholders of the Company	**23,598**	22,972	19,016	16,569	26,417	31,671	37,611	39,092	34,239	26,121
Cash flow measures										
Cash flows from operations	**7,782**	8,375	5,838	4,240	6,949	7,729	7,370	11,498	9,924	4,904
Capital expenditure	**(2,818)**	(2,150)	(2,387)	(4,177)	(6,018)	(6,075)	(5,947)	(5,672)	(4,902)	(4,707)
Net debt	**(2,848)**	(4,501)	(8,487)	(12,901)	(12,871)	(10,652)	(8,510)	(1,374)	(7,384)	(11,280)
Metrics and ratios										
Underlying earnings per share (US$)	**2.55**	2.57	1.72	0.64	1.73	2.09	2.28	5.06	4.13	2.14
Earnings per share (US$)	**2.80**	2.48	1.24	(4.36)	(1.96)	(0.75)	(1.17)	5.10	5.43	2.02
Ordinary dividend per share (US cents)	**100**	102	–	32	85	85	85	74	65	–
Ordinary dividend cover (based on underlying earnings per share)	**2.6**	2.5	–	2.0	2.0	2.5	2.7	6.8	6.4	–
Underlying EBIT margin	**21.1%**	21.8%	16.3%	9.7%	15.9%	20.0%	19.1%	30.4%	29.6%	20.1%
Underlying EBIT interest cover(2)	**19.9**	16.5	16.7	10.1	30.1	35.8	36.8	n/a	34.2	19.6
Underlying effective tax rate	**31.3%**	29.7%	24.6%	31.0%	29.8%	32.0%	29.0%	28.3%	31.9%	33.1%
Gearing (net debt to total capital)(3)	**9%**	13%	26%	38%	29%	22%	16%	3%	16%	29%

(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	2018	2017
Year end spot rates		
South African rand	**14.38**	12.31
Brazilian real	**3.88**	3.31
Sterling	**0.78**	0.74
Australian dollar	**1.42**	1.28
Euro	**0.87**	0.83
Chilean peso	**694**	615
Botswana pula	**10.71**	9.85
Average rates for the year		
South African rand	**13.25**	13.31
Brazilian real	**3.65**	3.19
Sterling	**0.75**	0.78
Australian dollar	**1.34**	1.30
Euro	**0.85**	0.89
Chilean peso	**642**	649
Botswana pula	**10.18**	10.34

Commodity prices		2018	2017
Year end spot prices			
Copper(1)	US cents/lb	**270**	325
Platinum(2)	US$/oz	**794**	925
Palladium(2)	US$/oz	**1,263**	1,057
Rhodium(3)	US$/oz	**2,445**	1,700
Iron ore (62% Fe CFR)(4)	US$/tonne	**73**	74
Iron ore (66% Fe Concentrate CFR)(5)	US$/tonne	**91**	96
Hard coking coal (FOB Australia)(4)	US$/tonne	**220**	262
PCI (FOB Australia)(4)	US$/tonne	**122**	147
Thermal coal (FOB South Africa)(6)	US$/tonne	**97**	95
Thermal coal (FOB Australia)(7)	US$/tonne	**103**	104
Thermal coal (FOB Colombia)(6)	US$/tonne	**79**	86
Nickel(1)	US cents/lb	**481**	556
Manganese ore (44% CIF China)(5)	US$/dmtu	**6.85**	6.88
Average market prices for the year			
Copper(1)	US cents/lb	**296**	280
Platinum(2)	US$/oz	**880**	950
Palladium(2)	US$/oz	**1,029**	871
Rhodium(3)	US$/oz	**2,214**	1,097
Iron ore (62% Fe CFR)(4)	US$/tonne	**69**	71
Iron ore (66% Fe Concentrate CFR)(5)	US$/tonne	**95**	87
Hard coking coal (FOB Australia)(4)	US$/tonne	**207**	188
PCI (FOB Australia)(4)	US$/tonne	**136**	119
Thermal coal (FOB South Africa)(6)	US$/tonne	**98**	84
Thermal coal (FOB Australia)(7)	US$/tonne	**107**	89
Thermal coal (FOB Colombia)(6)	US$/tonne	**85**	78
Nickel(1)	US cents/lb	**595**	472
Manganese ore (44% CIF China)(5)	US$/dmtu	**7.24**	5.91

(1) Source: London Metal Exchange (LME).
(2) Source: London Platinum and Palladium Market (LPPM).
(3) Source: Comdaq.
(4) Source: Platts.
(5) Source: Metal Bulletin.
(6) Source: Argus/McCloskey.
(7) Source: globalCOAL.

ORE RESERVES AND MINERAL RESOURCES

The Ore Reserve and Mineral Resource estimates presented in this report are prepared in accordance with the Anglo American plc (AA plc) Group Ore Reserves and Mineral Resources Reporting Policy. This policy requires that the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition (the JORC Code) be used as a minimum standard. Some Anglo American plc subsidiaries have a primary listing in South Africa where public reporting is carried out in accordance with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (the SAMREC Code). The SAMREC Code is similar to the JORC Code and the Ore Reserve and Mineral Resource terminology appearing in this section follows the definitions in both the JORC (2012) and SAMREC (2016) Codes. Ore Reserves in the context of this 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 2018.

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 elapsed since an independent third-party review are 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 of 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.

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 2018. 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 2018 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 and is the Group's effective ownership interest. Operations and projects which fall below the internal threshold for reporting (25% attributable interest) are excluded from the Ore Reserves and Mineral Resources estimates. Operations or projects which were disposed of during 2018 and hence not reported are: Union (Platinum), Kriel, New Denmark, New Vaal Collieries and the Drayton South, Elders UG Extension, Kriel East, New Largo, Nooitgedacht and Vaal Basin Projects (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).

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 2018 which is available in the Annual Reporting Centre on the Anglo American website.

ESTIMATED ORE RESERVES(1)

as at 31 December 2018

Detailed Proved and Probable estimates appear on the referenced pages in the Ore Reserves and Mineral Resources Report 2018.

					Proved + Probable		
DIAMOND(3) OPERATIONS – DBCi (See page 10 in R&R Report for details)		Ownership %	Mining Method	LOM(2) (years)	Saleable Carats (Mct)	Treated Tonnes (Mt)	Recovered Grade (cpht)
Gahcho Kué	Kimberlite	43.4	OP	11	46.0	30.1	152.8
Victor	Kimberlite	85.0	OP	1	0.0	0.0	22.2
DIAMOND(3) OPERATIONS – DBCM (See page 11 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	27	13.8	11.0	125.2
Venetia (UG)	Kimberlite		UG		78.6	98.6	79.7
DIAMOND(3) OPERATIONS – Debswana (See pages 12 & 13 in R&R Report for details)		Ownership %	Mining Method	LOM(2) (years)	Saleable Carats (Mct)	Treated Tonnes (Mt)	Recovered Grade (cpht)
Damtshaa	Kimberlite	42.5	OP	17	4.7	24.4	19.2
Jwaneng	Kimberlite	42.5	OP	17	166.6	131.7	126.5
Letlhakane	TMR	42.5	n/a	25	7.6	31.9	23.8
Orapa	Kimberlite	42.5	OP	12	131.2	130.3	100.7
DIAMOND(3) OPERATIONS – Namdeb (See page 14 in R&R Report for details)		Ownership %	Mining Method	LOM(2) (years)	Saleable Carats (kct)	Treated Tonnes (kt)	Recovered Grade (cpht)
Mining Area 1	Beaches	42.5	OC	3	22	447	4.92
Orange River	Fluvial Placers	42.5	OC	3	117	11,873	0.99
					Saleable Carats (kct)	Area k (m^2)	Recovered Grade (cpm^2)
Atlantic 1	Marine Placers	42.5	MM	32	4,922	74,611	0.07
COPPER OPERATIONS (See page 16 in R&R Report for details)		Ownership %	Mining Method	Reserve Life(2) (years)	Contained Copper (kt)	ROM Tonnes (Mt)	Grade (%TCu)
Collahuasi	Sulphide (direct feed)	44.0	OP	63	26,901	2,735.5	0.98
	Low Grade Sulphide (incl. ROM stockpile)				2,239	395.6	0.57
El Soldado	Sulphide	50.1	OP	9	538	67.1	0.80
Los Bronces	Sulphide – Flotation	50.1	OP	30	7,440	1,278.5	0.58
	Sulphide – Dump Leach				2,049	775.4	0.26
PLATINUM(4) OPERATIONS (See page 21 & 22 in R&R Report for details)		Ownership %	Mining Method	Reserve Life(2) (years)	Contained Metal (4E Moz)	ROM Tonnes (Mt)	Grade (4E g/t)
Amandelbult Complex	MR + UG2 Reefs	78.0	UG	>22	15.1	103.5	4.54
Mogalakwena	Platreef (incl. stockpiles)	78.0	OP	>22	118.0	1,200.3	3.06
Unki	Main Sulphide Zone	78.0	UG	24	5.6	52.5	3.30
Non-Managed	MR + UG2 Reefs	35.5	UG	n/a	28.5	221.7	3.99
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 (incl. ROM stockpile)	53.2	OP	14		179	64.6
Sishen	Hematite (incl. ROM stockpile)	53.2	OP	14		416	64.4
IRON ORE BRAZIL OPERATIONS (See page 27 in R&R Report for details)		Ownership %	Mining Method	Reserve Life(2) (years)		Saleable Product(5) (Mt)	Grade(5) (%Fe)
Serra do Sapo	Friable Itabirite and Hematite	100	OP	48		668	67.5
	Itabirite					717	67.5

Operations = Mines in steady-state or projects in ramp-up phase. TMR = Tailings Mineral Resource. Mining method: OP = Open Pit, UG = Underground, OC = Open Cast/Cut, MM = Marine Mining.
Mct = Million carats. Mt = Million tonnes. kct = thousand carats. kt = thousand tonnes. k (m^2) = thousand square metres.
Diamond Recovered Grade is quoted as carats per hundred metric tonnes (cpht) or as carats per square metre (cpm^2)
Estimates of 0.0 represent numbers less than 0.05.
TCu = Total Copper. 4E is the sum of Platinum, Palladium, Rhodium and Gold.
Moz = Million troy ounces. g/t = grams per tonne.
ROM = Run of Mine.
MR = Merensky Reef.
Non-Managed = Bafokeng-Rasimone, Kroondal, Modikwa, Mototolo mines and Siphumelele 3 shaft.

Estimated Ore Reserves continued

COAL OPERATIONS – Australia (See page 28 in R&R Report for details)		Ownership %	Mining Method	Reserve Life(2) (years)	Proved + Probable Saleable Tonnes(6) (Mt)	Saleable Quality
Capcoal (OC) *	Metallurgical – Coking	77.9	OC	20	34.6	5.5 CSN
	Metallurgical – Other				50.9	6,850 kcal/kg
	Thermal – Export				10.2	5,990 kcal/kg
Capcoal (UG) *	Metallurgical – Coking	70.0	UG	3	15.7	8.5 CSN
Dawson	Metallurgical – Coking	51.0	OC	13	57.5	7.0 CSN
	Thermal – Export				53.2	6,510 kcal/kg
Grosvenor	Metallurgical – Coking	100	UG	29	103.9	8.5 CSN
Moranbah North	Metallurgical – Coking	88.0	UG	10	74.2	8.0 CSN

COAL OPERATIONS – Colombia (See page 28 in R&R Report for details)		Ownership %	Mining Method	Reserve Life(2) (years)	Saleable Tonnes(6) (Mt)	Saleable Quality
Cerrejón	Thermal – Export	33.3	OC	15	375.8	6,080 kcal/kg

COAL OPERATIONS – South Africa (See page 29 & 32 in R&R Report for details)		Ownership %	Mining Method	Reserve Life(2) (years)	Saleable Tonnes(6) (Mt)	Saleable Quality
Goedehoop	Thermal – Export	100	UG	7	22.3	5,920 kcal/kg
Goedehoop – MRD	Thermal – Export		n/a	1	0.5	5,070 kcal/kg
Greenside	Thermal – Export	100	UG	9	27.2	5,870 kcal/kg
Greenside – MRD	Thermal – Export		n/a	1	0.4	5,590 kcal/kg
Isibonelo	Synfuel	100	OC	8	39.8	4,640 kcal/kg
Kleinkopje +	Thermal – Export	100	OC	9	18.6	6,250 kcal/kg
Kleinkopje – MRD +	Thermal – Export		n/a	2	1.9	5,140 kcal/kg
Landau +	Thermal – Export	100	OC	8	22.5	5,860 kcal/kg
	Thermal – Domestic				1.9	4,250 kcal/kg
Mafube	Thermal – Export	50.0	OC	12	40.4	5,690 kcal/kg
Zibulo	Thermal – Export	73.0	UG&OC	15	49.5	5,980 kcal/kg
	Thermal – Domestic				8.6	4,940 kcal/kg

NICKEL OPERATIONS (See page 35 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	21	682	52.0	1.31
Niquelândia	Saprolite	100	OP	15	105	8.3	1.26

SAMANCOR MANGANESE OPERATIONS (See page 36 in R&R Report for details)		Ownership %	Mining Method	Reserve Life(2) (years)	ROM Tonnes (Mt)	Grade (%Mn)
GEMCO(7)	ROM	40.0	OP	7	60	44.0
	Sands				6.8	40.0
Mamatwan		29.6	OP	16	51	36.7
Wessels		29.6	UG	57	78	42.4

Operations = Mines in steady-state or projects in ramp-up phase. MRD = Mineral Residue Deposit. Mining method: OP = Open Pit, UG = Underground, OC = Open Cast/Cut.

* Capcoal comprises opencast operations at Lake Lindsay and Oak Park, with an underground longwall operation at Grasstree.

\+ Kleinkopje and Landau operate under an integrated management structure, forming Khwezela Colliery.

(1) Estimated Ore Reserves are the sum of Proved and Probable Ore Reserves (on an exclusive basis, i.e. Mineral Resources are reported as additional to Ore Reserves unless otherwise stated). Please refer to the detailed Ore Reserve estimates tables in the AA plc R&R Report for the individual Proved and Probable Reserve estimates. The Ore Reserve estimates are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012) as a minimum standard. Ore Reserve estimates for operations in South Africa are reported in accordance with The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code, 2016). The figures reported represent 100% of the Ore Reserves. Anglo American plc ownership is stated separately. Rounding of figures may cause computational discrepancies.

(2) Reserve Life = The scheduled extraction period in years for the total Ore Reserves in the approved Life of Mine Plan.
LOM = Life of Mine (years) is based on scheduled Probable Reserves including some Inferred Resources considered for Life of Mine planning.

(3) DBCi = De Beers Canada, DBCM = De Beers Consolidated Mines, Debswana = Debswana Diamond Company, Namdeb = Namdeb Holdings.
Reported Diamond Reserves are based on a Bottom Cut-off (BCO) which refers to the bottom screen size aperture and varies between 1.00mm and 3.00mm (nominal square mesh). Specific BCO's applied to derive estimates are included in the detailed Diamond Reserve tables in the AA plc R&R Report.

(4) Details of the individual Anglo American Platinum Limited managed and Non-Managed operations appear in the AA plc R&R Report.
Ownership percentage for Non-Managed is weighted by Contained Metal (4E Moz) contributions from each operation.

(5) Iron Ore Brazil Saleable Product tonnes are reported on a wet basis (average moisture content is 9.2 wt% of the wet mass) with grade stated on a dry basis.

(6) Total Saleable Tonnes represents the product tonnes quoted as metric tonnes on a Product moisture basis. The coal quality for Coal Reserves is quoted as either kilocalories per kilogram (kcal/kg) or Crucible Swell Number (CSN). Kilocalories per kilogram represent Calorific Value (CV) on a Gross As Received (GAR) basis. CV is rounded to the nearest 10 kcal/kg and CSN to the nearest 0.5 index.
Metallurgical – Coking: High-, medium- or low-volatile semi-soft, soft or hard coking coal primarily for blending and use in the steel industry.
Metallurgical – Other: Semi-soft, soft, hard, semi-hard or anthracite coal, other than Coking Coal, such as pulverized coal injection (PCI) or other general metallurgical coal for the export or domestic market with a wider range of properties than Coking Coal.
Thermal – Export: Low- to high-volatile thermal coal primarily for export in the use of power generation; quality measured by calorific value (CV).
Thermal – Domestic: Low- to high-volatile thermal coal primarily for domestic consumption for power generation.
Synfuel: Coal specifically for the domestic production of synthetic fuel and chemicals.
Peace River Coal (Trend and Roman Mountain) is now considered a project and no longer included in the summary of operations.

(7) GEMCO Manganese grades are reported as per washed ore samples and should be read together with their respective mass yields, ROM: 59%, Sands: 22%.

ESTIMATED MINERAL RESOURCES(1)

as at 31 December 2018

Detailed Measured, Indicated and Inferred estimates appear on the referenced pages in the Ore Reserves and Mineral Resources Report 2018.

				Measured + Indicated			Total Inferred(2)		
DIAMOND(3) OPERATIONS – DBCi (See page 10 in R&R Report for details)		Ownership %	Mining Method	Carats (Mct)	Tonnes (Mt)	Grade (cpht)	Carats (Mct)	Tonnes (Mt)	Grade (cpht)
Gahcho Kué	Kimberlite	43.4	OP	2.5	1.8	140.5	17.0	12.1	140.0
Victor	Kimberlite	85.0	OP	0.1	0.5	24.1	0.1	0.4	28.7
DIAMOND(3) OPERATIONS – DBCM (See page 11 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	–	–	–	1.3	5.6	24.0
Venetia (UG)	Kimberlite		UG	–	–	–	59.6	69.9	85.3
Voorspoed	Kimberlite	62.9	OP	0.5	1.9	26.9	3.5	18.5	19.0
DIAMOND(3) OPERATIONS – Debswana (See pages 12 & 13 in R&R Report for details)		Ownership %	Mining Method	Carats (Mct)	Tonnes (Mt)	Grade (cpht)	Carats (Mct)	Tonnes (Mt)	Grade (cpht)
Damtshaa	Kimberlite	42.5	OP	0.9	3.7	22.9	4.6	18.8	24.6
Jwaneng	Kimberlite	42.5	OP	57.8	70.4	82.1	62.3	72.7	85.7
	TMR & ORT		n/a	–	–	–	23.6	32.0	73.8
Letlhakane	TMR & ORT	42.5	n/a	1.3	0.0	5,320.0	14.1	54.8	25.8
Orapa	Kimberlite	42.5	OP	297.0	292.0	101.7	66.2	77.6	85.3
DIAMOND(3) OPERATIONS – Namdeb (See pages 14 & 15 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	148	2,165	6.84	2,151	28,469	7.56
Mining Area 1	Beaches	42.5	OC	344	38,043	0.90	3,070	192,213	1.60
Orange River	Fluvial Placers	42.5	OC	170	40,527	0.42	160	53,010	0.30
				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	11,171	143,701	0.08	74,620	1,071,431	0.07
Midwater	Marine	42.5	MM	1,192	7,396	0.16	1,031	11,334	0.09
COPPER OPERATIONS (See page 17 in R&R Report for details)		Ownership %	Mining Method	Contained Copper (kt)	Tonnes (Mt)	Grade (%TCu)	Contained Copper (kt)	Tonnes (Mt)	Grade (%TCu)
Collahuasi	Oxide and Mixed	44.0	OP	469	67.3	0.70	253	45.2	0.56
	Sulphide (direct feed)			8,469	892.6	0.95	30,055	3,404.0	0.88
	Low Grade Sulphide (*in situ* + stockpile)			5,539	1,237.0	0.45	7,309	1,602.7	0.46
El Soldado	Sulphide	50.1	OP	726	127.7	0.57	27	7.0	0.39
Los Bronces	Sulphide – Flotation	50.1	OP	10,340	2,363.5	0.44	5,858	1,285.4	0.46
	Sulphide – Dump Leach			–	–	–	13	5.3	0.25
PLATINUM(4) OPERATIONS (See page 23 & 24 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)
Amandelbult Complex	MR & UG2 Reefs + Tailings	78.0	UG	57.6	363.4	4.93	23.2	115.4	6.25
Mogalakwena	Platreef	78.0	OP	110.8	1,607.8	2.14	58.1	826.6	2.19
Twickenham	MR & UG2 Reefs	78.0	UG	60.7	335.7	5.62	56.0	313.9	5.55
Unki	Main Sulphide Zone	78.0	UG	16.8	122.4	4.26	6.4	47.4	4.23
Non-Managed	MR & UG2 Reefs	36.5	UG	154.0	872.3	5.49	109.9	656.8	5.20
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 (*in situ* + stockpile)	53.2	OP		132.5	62.2		39.1	62.8
Sishen	Hematite (*in situ* + stockpile)	53.2	OP		438.9	54.2		31.4	51.4
IRON ORE BRAZIL OPERATIONS (See page 27 in R&R Report for details)		Ownership %	Mining Method		Tonnes(5) (Mt)	Grade(5) (%Fe)		Tonnes(5) (Mt)	Grade(5) (%Fe)
Serra do Sapo	Friable Itabirite and Hematite	100	OP		289.6	31.2		87.6	37.1
	Itabirite				1,285.5	30.3		611.5	31.1

Operations = Mines in steady-state or projects in ramp-up phase. TMR = Tailings Mineral Resource. ORT = Old Recovery Tailings.
Mining method: OP = Open Pit, UG = Underground, OC = Open Cast/Cut, MM = Marine Mining.
Mct = Million carats. Mt = Million tonnes. kct = thousand carats. kt = thousand tonnes. k (m^2) = thousand square metres.
Diamond Grade is quoted as carats per hundred metric tonnes (cpht) or as carats per square metre (cpm^2)
Estimates of 0.0 represent numbers less than 0.05.
TCu = Total Copper. 4E is the sum of Platinum, Palladium, Rhodium and Gold.
Moz = Million troy ounces. g/t = grams per tonne.
MR = Merensky Reef.
Non-Managed = Bafokeng-Rasimone, Bokoni, Kroondal, Marikana, Modikwa, Mototolo mines and Siphumelele 3 shaft.

Estimated Mineral Resources continued

				Measured + Indicated			Total Inferred(2)		
COAL OPERATIONS – Australia (See page 30 in R&R Report for details)		Ownership %	Mining Method		MTIS(6) (Mt)	Coal Quality (kcal/kg)		MTIS(6) (Mt)	Coal Quality (kcal/kg)
Capcoal (OC) *		77.9	OC		144.8	6,940		175.7	6,810
Capcoal (UG) *		70.0	UG		81.1	6,810		5.6	6,550
Dawson		51.0	OC		663.3	6,700		351.2	6,680
Grosvenor		100	UG		214.5	6,370		44.5	6,360
Moranbah North		88.0	UG		82.9	6,630		4.4	6,420
COAL OPERATIONS – Colombia (See pages 30 in R&R Report for details)		Ownership %	Mining Method		MTIS(6) (Mt)	Coal Quality (kcal/kg)		MTIS(6) (Mt)	Coal Quality (kcal/kg)
Cerrejón		33.3	OC		3,886.9	6,570		672.0	6,430
COAL OPERATIONS – South Africa (See pages 31 & 32 in R&R Report for details)		Ownership %	Mining Method		MTIS(6) (Mt)	Coal Quality (kcal/kg)		MTIS(6) (Mt)	Coal Quality (kcal/kg)
Goedehoop		100	UG		210.6	5,360		6.0	4,750
Greenside		100	UG		22.8	5,720		0.2	5,950
Greenside – MRD			n/a		8.8	3,860		–	–
Isibonelo		100	UG		23.6	5,250		–	–
Kleinkopje +		100	OC		2.1	6,250		3.1	5,740
Kleinkopje – MRD +			n/a		9.7	2,700		–	–
Landau +		100	OC		50.1	5,020		5.9	6,320
Landau – MRD +			n/a		22.4	2,580		–	–
Mafube		50.0	OC		73.0	5,070		–	–
Zibulo		73.0	UG&OC		326.0	4,920		248.9	4,760
NICKEL OPERATIONS (See page 35 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	89	8.0	1.11	222	17.5	1.27
	Ferruginous Laterite			49	4.0	1.21	64	5.3	1.21
Niquelândia	Saprolite	100	OP	21	1.6	1.27	–	–	–
SAMANCOR MANGANESE OPERATIONS (See page 36 in R&R Report for details)		Ownership %	Mining Method		Tonnes (Mt)	Grade (%Mn)		Tonnes (Mt)	Grade (%Mn)
GEMCO(7)(8)	ROM	40.0	OP		128	44.3		27	40.5
	Sands				9.4	20.8		2.3	20.0
Mamatwan(7)		29.6	OP		78	35.0		0.5	37.5
Wessels(7)		29.6	UG		136	42.5		7.6	44.1

Operations = Mines in steady-state or projects in ramp-up phase. MRD = Mineral Residue Deposit. Mining method: OP = Open Pit, UG = Underground, OC = Open Cast/Cut.

* Capcoal comprises opencast operations at Lake Lindsay and Oak Park, with an underground longwall operation at Grasstree.

\+ Kleinkopje and Landau operate under an integrated management structure, forming Khwezela Colliery.

(1) Estimated Mineral Resources are presented on an exclusive basis, i.e. Mineral Resources are reported as additional to Ore Reserves unless otherwise stated. Please refer to the detailed Mineral Resource estimates tables in the AA plc R&R Report for the detailed Measured, Indicated and Inferred Resource estimates. The Mineral Resource estimates are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2012) as a minimum standard. The Mineral Resource estimates for operations in South Africa are reported in accordance with The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code, 2016). The figures reported represent 100% of the Mineral Resources. Anglo American plc ownership is stated separately. Rounding of figures may cause computational discrepancies.

(2) Total Inferred is the sum of 'Inferred (in LOM Plan)', the Inferred Resources within the scheduled Life of Mine Plan (LOM Plan) and 'Inferred (ex. LOM Plan)', the portion of Inferred Resources with reasonable prospects for eventual economic extraction not considered in the Life of Mine Plan (LOM Plan) as relevant. Due to the uncertainty that may be attached to some Inferred Resources, it cannot be assumed that all or part of an Inferred Resource will necessarily be upgraded to an Indicated or Measured Resource after continued exploration.

(3) DBCi = De Beers Canada, DBCM = De Beers Consolidated Mines, Debswana = Debswana Diamond Company, Namdeb = Namdeb Holdings. Estimated Diamond Resources are presented on an exclusive basis, i.e. Diamond Resources are quoted as additional to Diamond Reserves. Reported Diamond Resources are based on a Bottom Cut-off (BCO) which refers to the bottom screen size aperture and varies between 1.00mm and 3.00mm (nominal square mesh). Specific BCO's applied to derive estimates are included in the detailed Diamond Resource tables in the AA plc R&R Report.

(4) Details of the individual Anglo American Platinum Limited managed and Non-Managed operations appear in the AA plc R&R Report. Ownership percentage for Non-Managed is weighted by Contained Metal (4E Moz) contributions from each operation. Merensky Reef, UG2 Reef and Main Sulphide Zone Mineral Resources are estimated over a 'Resource Cut' which takes cognisance of the mining method, potential economic viability and geotechnical aspects in the hangingwall or footwall of the reef.

(5) Iron Ore Brazil Mineral Resource tonnes and grade are reported on a dry basis.

(6) 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

(7) Manganese Mineral Resources are quoted on an inclusive basis and must not be added to the Ore Reserves.

(8) GEMCO ROM Mineral Resource tonnes are stated as *in situ*, manganese grades are given as per washed ore samples and should be read together with their respective mass yields, ROM: 48%.

GLOSSARY OF TERMS

Ore Reserves

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. 'Modifying Factors' are (realistically assumed) considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

A 'Proved Ore Reserve' is the economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors.

A 'Probable Ore Reserve' is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.

Mineral Resources

A 'Mineral Resource' is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade (or quality), and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade (or quality), continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered.

A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered.

An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

Life of Mine Plan (LOM Plan)

A design and costing study of an existing operation in which appropriate assessments have been made of realistically assumed geological, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social, governmental, engineering, operational and all other Modifying Factors, which are considered in sufficient detail to demonstrate at the time of reporting that extraction is reasonably justified.

Reserve Life

The scheduled extraction period in years for the total Ore Reserves in the approved LOM Plan.

Inferred (in LOM Plan)

Inferred Resources within the scheduled LOM Plan.

Inferred (ex. LOM Plan)

The portion of Inferred Resources with reasonable prospects for eventual economic extraction not considered in the LOM Plan.

Fatal-injury frequency rate (FIFR)(1)

FIFR is the number of employee or contractor fatal injuries due to all causes per 1,000,000 hours worked.

Lost time injury frequency rate (LTIFR)(1)

LTIFR is the number of lost time injuries (LTIs) for both employees and contractors per 1,000,000 hours worked. An LTI is a work related injury resulting in the person being unable to attend work or perform the routine functions of his/her job, on the next calendar day after the day of the injury, whether a scheduled workday or not. Restricted work cases are therefore counted as LTIs.

Total recordable case frequency rate (TRCFR)(1)

TRCFR is the number of fatal injuries, lost time injuries and medical treatment cases for both employees and contractors per 1,000,000 hours worked.

New cases of occupational disease (NCOD)(1)

NCOD is the sum of occupational diseases due to asbestosis, noise-induced hearing loss, silicosis, coal-workers' pneumoconiosis, chronic obstructive airways disease, occupational tuberculosis, occupational asthma, hand/arm vibration syndrome, musculoskeletal disorders, dermatitis, occupational cancers and other occupational diseases.

Total energy consumed(1)

Total amount of energy consumed is the sum of total energy from electricity purchased, total energy from fossil fuels and total energy from renewable fuels and is measured in million gigajoules (GJ).

Total water withdrawals(1)

Total water withdrawals by source, reported in line with International Council on Metals and Mining (ICMM) guidance, includes: surface water; groundwater; seawater; third-party potable water; and third-party non-potable water, and is measured in million m^3.

Greenhouse gases (GHGs)(1)

The Intergovernmental Panel on Climate Change 2006 report (as updated in 2011) factors are applied as defaults for all carbon dioxide-equivalent (CO_2e) and energy calculations. Where emission factors are available for specific countries or sub-regions from government and regulatory authorities, these are applied. Australian operations apply conversion factors required by the government for regulatory reporting and operations in Brazil apply local factors for biomass and biofuel. Factors for CO_2e from electricity are based on local grid factors.

Based on a self-assessment, Anglo American believes it reports in accordance with the WRI/WBCSD GHG Protocol, as issued prior to the 2015 revision on Scope 2 emissions reporting. In line with the GHG Protocol's 'management control' boundary, 100% of the direct and indirect emissions for managed operations are accounted for while zero emissions for joint ventures and other investments are included in the reporting scope.

Level 3, 4 and 5 environmental incidents(1)

Environmental incidents are unplanned or unwanted events resulting from our operations that adversely impact the environment or contravene local regulations/permit conditions. They are classified from minor (Level 1) to significant (Level 5) depending on the duration and extent of impact, as well as the sensitivity and/or biodiversity value of the receiving environment. Level 3-5 incidents are those which we consider to have prolonged impacts on the local environments, lasting in excess of one month and affecting areas greater than several hundred metres on site, or extending beyond the boundaries of our immediate operations.

Total amount spent on corporate social investment (CSI)

Categories for corporate social investment expenditure include charitable donations, community investment and commercial initiatives. CSI is reported in US dollars and converted from the currency of the operations at the average foreign exchange rate applied by Anglo American for financial reporting purposes.

Charitable donations include cash donations, contributions in kind, employees' working hours spent on charity projects during work hours, and the cost of initiatives designed to inform communities about community-benefit initiatives (e.g. the production of reports that are issued to communities for the purpose of reporting progress). Not included is expenditure that is necessary for the development of an operation (e.g. resettlement of families) or receiving a licence. Training expenditure for individuals who will be employed by the company following completion of training is not included.

Community investment includes the funding of community partnerships which address social issues, the costs of providing public facilities to community members who are not employees or dependants, the marginal value of land or other assets transferred to community ownership, and income creation schemes or mentoring/volunteering initiatives that do not have a principally commercial justification.

Commercial initiatives include enterprise development and other community initiatives/partnerships that also directly support the success of the Company (such as supplier development). There must, however be a clear and primary element of public benefit.

We prohibit the making of donations for political purposes to any politician, political party or related organisation, an official of a political party or candidate for political office in any circumstances either directly or through third parties.

Jobs created/sustained through enterprise development initiatives in Chile

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.

Local procurement measurement

Launched in 2010, our Local Procurement Policy provides a framework for supporting development outcomes through targeted procurement initiatives. Local procurement strategies articulate the value to Anglo American and local communities.

The measurement of local procurement varies between operations, and is informed by a combination of development outcomes and legal requirements. Local procurement occurs on multiple levels, and often as a combination of factors, including procurement from host, indigenous and previously disadvantaged communities.

- **Host communities:** includes suppliers who have their main place of business in the direct vicinity of the operation.
- **Indigenous communities:** includes First Nation-owned companies, (De Beers Canada), Aboriginal owned supplier businesses (Australia) who meet commercial terms, as well as providing local employment and training opportunities.
- **Previously disadvantaged and marginalised groups:** includes targeted preferential procurement expenditure from identified beneficiary groups e.g. Black Economic Empowerment (BEE) owned businesses (South Africa).

In most instances, our local procurement initiatives also take into account communities that may be affected by our operations. Through our Socio-Economic Assessment Toolbox (SEAT) process, we identify communities located in our 'Zone of influence' – this may include, but is not limited to, instances where there is potential for social, physical or environmental impact e.g. power transmission corridors, pipelines, access roads, etc.

(1) Data relates to subsidiaries and joint operations over which Anglo American has management control. In 2018, data excludes results from De Beers' joint operations in Namibia and Botswana. Prior years' data includes results from De Beers' joint operations in Namibia and Botswana. See page 84 of the Anglo American plc Sustainability Report 2018 for the full list of entities within the reporting scope.

ALTERNATIVE PERFORMANCE MEASURES

Introduction

When assessing and discussing the Group's reported financial performance, financial position and cash flows, management makes reference to Alternative Performance Measures (APMs) of historical or future financial performance, financial position or cash flows that are not defined or specified under International Financial Reporting Standards (IFRS).

The APMs used by the Group fall into two categories:

- Financial APMs: These financial measures are usually derived from the financial statements, prepared in accordance with IFRS. Certain financial measures cannot be directly derived from the financial statements as they contain additional information, such as financial information from earlier periods or profit estimates or projections. The accounting policies applied when calculating APMs are, where relevant and unless otherwise stated, substantially the same as those disclosed in the Group's Consolidated financial statements for the year ended 31 December 2017 with the exception of the new accounting pronouncements disclosed in note 38.
- Non-financial APMs: These measures incorporate certain non-financial information that management believes is useful when assessing the performance of the Group.

APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, the APMs used by the Group may not be comparable with similarly titled measures and disclosures made by other companies.

APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRS.

Purpose

The Group uses APMs to improve the comparability of information between reporting periods and business units, either by adjusting for uncontrollable factors or special items which impact upon IFRS measures or, by aggregating measures, to aid the user of the Annual Report in understanding the activity taking place across the Group's portfolio.

Their use is driven by characteristics particularly visible in the mining sector:

1. Earnings volatility: The Group mines and markets commodities and precious metals and minerals. The sector is characterised by significant volatility in earnings driven by movements in macroeconomic factors, primarily price and foreign exchange. This volatility is outside the control of management and can mask underlying changes in performance. As such, when comparing year-on-year performance, management excludes certain items (such as those classed as 'special items') to aid comparability and then quantifies and isolates uncontrollable factors in order to improve understanding of the controllable portion of variances.
2. Nature of investment: Investments in the sector typically occur over several years and are large, requiring significant funding before generating cash. These investments are often made with partners and the nature of the Group's ownership interest affects how the financial results of these operations are reflected in the Group's results e.g. whether full consolidation (subsidiaries), consolidation of the Group's attributable assets and liabilities (joint operations) or equity accounted (associates and joint ventures). Attributable metrics are therefore presented to help demonstrate the financial performance and returns available to the Group, for investment and financing activities, excluding the effect of different accounting treatments for different ownership interests.
3. Portfolio complexity: The Group operates in a number of different, but complementary commodities, precious metals and minerals. The cost, value of and return from each saleable unit (e.g. tonne, pound, carat, ounce) can differ materially between each business. This makes understanding both the overall portfolio performance, and the relative performance of its constituent parts on a like-for-like basis, more challenging. The Group therefore uses composite APMs to provide a consistent metric to assess performance at the portfolio level.

Consequently, APMs are used by the Board and management for planning and reporting. A subset is also used by management in setting director and management remuneration. The measures are also used in discussions with the investment analyst community and credit rating agencies.

Financial APMs

Group APM	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Rationale for adjustments
Income statement			
Group revenue	Revenue	• Revenue from associates and joint ventures	• Exclude the effect of different basis of consolidation to aid comparability
Underlying EBIT	Profit/(loss) before net finance income/ (costs) and tax	• Operating and non-operating special items and remeasurements • Underlying EBIT from associates and joint ventures	• Exclude the impact of certain items due to their size and nature to aid comparability • Exclude the effect of different basis of consolidation to aid comparability
Underlying EBITDA	Profit/(loss) before net finance income/ (costs) and tax	• Operating and non-operating special items and remeasurements • Depreciation and amortisation • Underlying EBITDA from associates and joint ventures	• Exclude the impact of certain items due to their size and nature to aid comparability • Exclude the effect of different basis of consolidation to aid comparability
Underlying earnings	Profit/(loss) for the financial year attributable to equity shareholders of the Company	• Special items and remeasurements	• Exclude the impact of certain items due to their size and nature to aid comparability
Underlying effective tax rate	Income tax expense	• Tax related to special items and remeasurements • The Group's share of associates' and joint ventures' profit before tax, before special items and remeasurements, and tax expense, before special items and remeasurements	• Exclude the impact of certain items due to their size and nature to aid comparability • Exclude the effect of different basis of consolidation to aid comparability
Underlying earnings per share	Earnings per share	• Special items and remeasurements	• Exclude the impact of certain items due to their size and nature to aid comparability
Balance sheet			
Net debt	Borrowings less cash and related hedges	• Debit valuation adjustment	• Exclude the impact of accounting adjustments from the net debt obligation of the Group
Attributable ROCE	No direct equivalent	• Non-controlling interests' share of capital employed and underlying EBIT • Average of opening and closing attributable capital employed	• Exclude the effect of different basis of consolidation to aid comparability

Group APM	Closest equivalent IFRS measure	Adjustments to reconcile to primary statements	Rationale for adjustments
Cash flow			
Capital expenditure (capex)	Expenditure on property, plant and equipment	• Cash flows from derivatives related to capital expenditure • Proceeds from disposal of property, plant and equipment • Direct funding for capital expenditure from non-controlling interests • Reimbursement of capital expenditure	• To reflect the net attributable cost of capital expenditure taking into account economic hedges
Attributable free cash flow	Cash flows from operations	• Capital expenditure • Cash tax paid • Dividends from associates, joint ventures and financial asset investments • Net interest paid • Dividends to non-controlling interests	• To measure the amount of cash available to finance returns to shareholders or growth after servicing debt, providing a return to minority shareholders and meeting existing capex commitments

Group revenue

Group revenue includes the Group's attributable share of associates' and joint ventures' revenue.

A reconciliation to 'Revenue', the closest equivalent IFRS measure to Group revenue, is provided within note 2 to the Consolidated financial statements.

Underlying EBIT

Underlying EBIT is 'Operating profit/(loss)' presented before special items and remeasurements(1) and includes the Group's attributable share of associates' and joint ventures' underlying EBIT. Underlying EBIT of associates and joint ventures is the Group's attributable share of associates' and joint ventures' revenue less operating costs before special items and remeasurements(1) of associates and joint ventures.

A reconciliation to 'Profit/(loss) before net finance income/(costs) and tax', the closest equivalent IFRS measure to underlying EBIT, is provided within note 2 to the Consolidated financial statements.

Underlying EBITDA

Underlying EBITDA is underlying EBIT before depreciation and amortisation and includes the Group's attributable share of associates' and joint ventures' underlying EBIT before depreciation and amortisation.

A reconciliation to 'Profit/(loss) before net finance income/(costs) and tax', the closest equivalent IFRS measure to underlying EBITDA, is provided within note 2 to the Consolidated financial statements.

Underlying earnings

Underlying earnings is 'Profit/(loss) for the financial year attributable to equity shareholders of the Company' before special items and remeasurements(1) and is therefore presented after net finance costs, income tax expense and non-controlling interests.

A reconciliation to 'Profit/(loss) for the financial year attributable to equity shareholders of the Company', the closest equivalent IFRS measure to underlying earnings, is provided within note 2 to the Consolidated financial statements.

Underlying effective tax rate

The underlying effective tax rate equates to the income tax expense, before special items and remeasurements(1) and including the Group's share of associates' and joint ventures' tax before special items and remeasurements(1), divided by profit before tax before special items and remeasurements(1) and including the Group's share of associates' and joint ventures' profit before tax before special items and remeasurements(1).

A reconciliation to 'Income tax expense', the closest equivalent IFRS measure to underlying effective tax rate, is provided within note 5 to the Consolidated financial statements.

Underlying earnings per share

Basic and diluted underlying earnings per share are calculated as underlying earnings divided by the basic or diluted shares in issue. The calculation of underlying earnings per share is disclosed within note 3 to the Consolidated financial statements.

Net debt

Net debt is calculated as total borrowings less cash and cash equivalents (including derivatives which provide an economic hedge of net debt, see note 22, before taking into account the effect of debit valuation adjustments explained in note 20). A reconciliation to the Consolidated balance sheet is provided within note 20 to the Consolidated financial statements.

Capital expenditure (capex)

Capital expenditure is defined as cash expenditure on property, plant and equipment, including related derivatives, and is presented net of proceeds from disposal of property, plant and equipment and includes direct funding for capital expenditure from non-controlling interests and reimbursement of capital expenditure in order to match more closely the way in which it is managed. A reconciliation to 'Expenditure on property, plant and equipment', the closest equivalent IFRS measure to capital expenditure, is provided within note 12 to the Consolidated financial statements.

Operating cash flows generated by operations that have not yet reached commercial production are also included in capital expenditure. However, capital expenditure is also periodically shown on an underlying basis i.e. before inclusion of capitalised operating cash flows. Where this occurs, the measure is footnoted as such.

Sustaining capital

Sustaining capital is calculated as capital expenditure excluding capitalised operating cash flows and growth projects. Expenditure on growth projects in 2018 principally related to Quellaveco and the acquisition of Peregrine Diamonds (2017: principally Quellaveco). The Group uses sustaining capital as a measure to provide additional information to understand the capital needed to sustain the current production base of existing assets.

(1) Special items and remeasurements are defined in note 8 to the Consolidated financial statements.

Attributable return on capital employed (ROCE)

ROCE is a ratio that measures the efficiency and profitability of a company's capital investments. Attributable ROCE displays how effectively assets are generating profit on invested capital for the equity shareholders of the Company. It is calculated as attributable underlying EBIT divided by average attributable capital employed.

Attributable underlying EBIT excludes the underlying EBIT of non-controlling interests.

Capital employed is defined as net assets excluding net debt and financial asset investments. Attributable capital employed excludes capital employed of non-controlling interests. Average attributable capital employed is calculated by adding the opening and closing attributable capital employed for the relevant period and dividing by two.

Attributable ROCE is also used as an incentive measure in executives' remuneration and is predicated upon the achievement of ROCE targets in the final year of a three year performance period. It is one of the performance measures used in LTIP 17 and LTIP 18 and is proposed to be used in LTIP 19.

A reconciliation to 'Profit/(loss) before net finance income/(costs) and tax', the closest equivalent IFRS measure to underlying EBIT, is provided within note 2 to the Consolidated financial statements. A reconciliation to 'Net assets', the closest equivalent IFRS measure to capital employed, is provided within note 9 to the Consolidated financial statements. The table below reconciles underlying EBIT and capital employed to attributable underlying EBIT and average attributable capital employed by segment.

	Attributable ROCE %	
	2018	2017
De Beers	**8**	9
Copper	**22**	16
Platinum Group Metals	**15**	10
Iron Ore	**3**	15
Coal	**67**	67
Nickel and Manganese	**28**	20
Corporate and other	**n/a**	n/a
	19	19

2018

US$ million	**Underlying EBIT**	**Less: Non-controlling interests' share of underlying EBIT**	**Attributable underlying EBIT**	**Opening attributable capital employed**	**Closing capital employed**	**Less: Non-controlling interests' share of closing capital employed**	**Closing attributable capital employed**	**Average attributable capital employed**
De Beers	**694**	**(104)**	**590**	**7,970**	**8,349**	**(1,185)**	**7,164**	**7,567**
Copper	**1,234**	**(303)**	**931**	**4,159**	**6,463**	**(2,129)**	**4,334**	**4,247**
Platinum Group Metals	**705**	**(176)**	**529**	**3,841**	**4,058**	**(642)**	**3,416**	**3,628**
Iron Ore	**747**	**(568)**	**179**	**6,345**	**6,929**	**(1,130)**	**5,799**	**6,072**
Coal	**2,538**	**(60)**	**2,478**	**3,287**	**4,131**	**(65)**	**4,066**	**3,677**
Nickel and Manganese	**685**	**(11)**	**674**	**2,364**	**2,390**	**–**	**2,390**	**2,377**
Corporate and other	**(226)**	**–**	**(226)**	**(241)**	**(51)**	**–**	**(51)**	**(146)**
	6,377	**(1,222)**	**5,155**	**27,725**	**32,269**	**(5,151)**	**27,118**	**27,422**

2017

US$ million	Underlying EBIT	Less: Non-controlling interests' share of underlying EBIT	Attributable underlying EBIT	Opening attributable capital employed	Closing capital employed	Less: Non-controlling interests' share of closing capital employed	Closing attributable capital employed	Average attributable capital employed
De Beers	873	(140)	733	7,481	9,294	(1,324)	7,970	7,725
Copper	923	(236)	687	4,189	5,899	(1,740)	4,159	4,174
Platinum Group Metals	512	(121)	391	3,796	4,510	(669)	3,841	3,818
Iron Ore	1,500	(573)	927	6,006	7,603	(1,258)	6,345	6,176
Coal	2,274	(37)	2,237	3,420	3,384	(97)	3,287	3,354
Nickel and Manganese	478	–	478	2,432	2,364	–	2,364	2,398
Corporate and other	(313)	–	(313)	(335)	(241)	–	(241)	(288)
	6,247	(1,107)	5,140	26,989	32,813	(5,088)	27,725	27,357

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 52 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 underlying 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 sales from non-mining activities. Volume from projects in pre-commercial production are included.

Unit cost

Unit cost is the direct cash cost including direct cash support costs incurred in producing one unit of saleable production.

For bulk products (coal, iron ore), unit costs shown are FOB i.e. cost on board at port. For base metals (copper, nickel), they are shown at C1 i.e. after inclusion of by-product credits and logistics costs. For platinum and diamonds, unit costs include all direct expensed cash costs incurred i.e. excluding, amongst other things, market development activity, corporate overhead etc. Platinum Group Metals 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 2018 with 2017, the sales volume and cash cost variances exclude the impact of price, foreign exchange and CPI and are hence in real 2017 terms. This allows the user of the waterfall to understand the underlying real movement in sales volumes and cash costs on a consistent basis.

PRODUCTION STATISTICS

The figures below include the entire output of consolidated entities and the Group's attributable share of joint operations, associates and joint ventures where applicable, except for De Beers' joint operations which are quoted on a 100% basis.(1)

	2018	2017
De Beers		
Carats recovered ('000 carats) 100% basis (unless otherwise stated)		
Jwaneng	11,896	11,857
Orapa(2)	12,236	10,827
Botswana (Debswana)	24,132	22,684
Debmarine Namibia	1,436	1,378
Namdeb (land operations)	572	427
Namibia (Namdeb Holdings)	2,008	1,805
Venetia	4,249	4,602
Voorspoed	433	606
South Africa (DBCM)	4,682	5,208
Gahcho Kué (51% basis)	3,539	3,033
Victor	936	724
Canada	4,475	3,757
Total carats recovered	35,297	33,454
Sales volumes		
Total sales volume (100%) (Mct)(3)	33.7	35.1
Consolidated sales volume (Mct)(3)	31.7	33.1
Number of Sights (sales cycles)	10	10
Copper (tonnes) on a contained metal basis unless stated otherwise(4)		
Collahuasi 100% basis (Anglo American share 44%)		
Ore mined	51,886,400	64,733,500
Ore processed – Sulphide	49,470,500	49,886,800
Ore grade processed – Sulphide (% TCu)(5)	1.29	1.25
Production – Copper cathode	–	100
Production – Copper in concentrate	559,100	523,900
Total copper production for Collahuasi	559,100	524,000
Anglo American's share of copper production for Collahuasi(6)	246,000	230,500
Anglo American Sur(7)	422,200	348,800
Los Bronces mine(7)	369,500	308,300
Ore mined	59,207,400	49,339,600
Ore processed – Sulphide	50,583,000	46,040,000
Ore grade processed – Sulphide (% TCu)(5)	0.76	0.71
Production – Copper cathode	39,000	38,300
Production – Copper in concentrate	330,500	270,000
El Soldado mine(7)	52,700	40,500
Ore mined	11,613,200	5,338,400
Ore processed – Sulphide	7,598,200	7,395,100
Ore grade processed – Sulphide (% TCu)(5)	0.85	0.69
Production – Copper in concentrate	52,700	40,500
Chagres Smelter(7)		
Ore smelted	142,600	133,800
Production	139,200	130,000
Total copper production(8)	668,300	579,300
Total payable copper production	644,500	558,300
Total sales volumes	671,600	579,700
Total payable sales volumes	647,700	558,700
Third party sales(9)	178,400	111,400

See page 214 for footnotes.

	2018	2017
Platinum		
Produced platinum ('000 troy oz)	**2,484.7**	2,397.4
Own-mined	**1,323.6**	1,376.2
Mogalakwena	**495.1**	463.8
Amandelbult	**442.7**	438.0
Unki	**85.9**	74.6
Mototolo(10)	**17.5**	–
Joint operations(10)	**270.8**	245.3
Union and other	**11.6**	154.5
Purchase of concentrate	**1,161.1**	1,021.2
Joint operations(10)	**270.8**	245.3
Associates(11)	**220.2**	265.5
Third party purchase of concentrate	**670.1**	510.4
Palladium		
Produced palladium ('000 troy oz)	**1,610.8**	1,557.4
Own-mined	**1,013.5**	1,008.7
Mogalakwena	**540.9**	508.9
Amandelbult	**205.1**	202.5
Unki	**75.5**	64.4
Mototolo(10)	**10.9**	–
Joint operations(10)	**176.0**	161.5
Union and other	**5.2**	71.4
Purchase of concentrate	**597.3**	548.6
Joint operations(10)	**175.9**	161.5
Associates(11)	**90.2**	127.9
Third party purchase of concentrate	**331.2**	259.2
Refined production		
Platinum ('000 troy oz)	**2,402.4**	2,511.9
Palladium ('000 troy oz)	**1,501.8**	1,668.5
Rhodium ('000 troy oz)	**292.8**	323.2
Gold ('000 troy oz)	**105.5**	115.3
Nickel (tonnes)	**23,100**	26,000
Copper (tonnes)	**14,300**	15,700
4E Head grade (g/tonne milled)(12)	**3.48**	3.46
Platinum sales volumes – own-mined and purchase of concentrate(13)	**2,424.2**	2,504.6
Palladium sales volumes – own-mined and purchase of concentrate(13)	**1,513.1**	1,571.7
Iron Ore production by product (tonnes)		
Kumba Iron Ore	**43,105,700**	44,982,500
Lump	**29,171,500**	29,811,300
Fines	**13,934,200**	15,171,200
Iron Ore production by mine (tonnes)		
Sishen	**29,246,000**	31,119,200
Kolomela	**13,859,700**	13,863,300
Kumba sales volumes		
Export iron ore	**39,965,700**	41,614,600
Domestic iron ore	**3,291,100**	3,277,100
Minas-Rio production		
Pellet feed (wet basis)	**3,382,000**	16,787,200
Minas-Rio sales volumes		
Export – pellet feed (wet basis)	**3,216,800**	16,508,000
Coal production by product (tonnes)		
Metallurgical Coal(14)	**23,211,700**	21,275,000
Metallurgical – Export Coking	**18,798,400**	16,980,800
Metallurgical – Export PCI	**3,032,000**	2,680,500
Thermal – Export	**1,381,300**	1,613,700
South Africa	**32,050,900**	49,905,000
Thermal – Export(15)	**18,358,600**	18,592,500
Thermal – Domestic (Other)(16)	**6,268,900**	3,394,100
Thermal – Domestic (Eskom)(17)	**2,825,600**	23,858,900
Thermal – Domestic (Isibonelo)	**4,597,800**	4,059,500
Cerrejón		
Thermal – Export	**10,219,900**	10,641,600
Total coal production	**65,482,500**	81,821,600

See page 214 for footnotes.

	2018	2017
Coal production by mine (tonnes)		
Metallurgical Coal(14)	**23,211,700**	21,275,000
Capcoal (incl. Grasstree)	**5,926,800**	6,768,700
Dawson	**3,379,500**	3,782,200
Grosvenor	**3,763,500**	2,067,200
Jellinbah	**3,379,900**	3,255,600
Moranbah North	**6,762,000**	5,401,300
South Africa	**32,050,900**	49,905,000
Goedehoop	**5,441,600**	4,652,600
Greenside	**4,451,700**	3,830,400
Zibulo	**6,376,800**	6,234,800
Khwezela	**5,532,100**	5,707,700
Mafube	**1,144,600**	1,561,100
Other(16)	**1,680,700**	–
New Vaal	**1,560,500**	15,109,000
New Denmark	**560,200**	3,361,000
Kriel	**704,900**	5,388,900
Isibonelo	**4,597,800**	4,059,500
Cerrejón	**10,219,900**	10,641,600
Carbones del Cerrejón	**10,219,900**	10,641,600
Total coal production	**65,482,500**	81,821,600
Coal sales volumes (tonnes)		
Metallurgical Coal		
Metallurgical – Export(18)	**21,982,800**	19,767,700
Thermal – Export	**1,565,300**	1,831,400
South Africa		
Thermal – Export(15)	**18,306,600**	18,608,800
Thermal – Domestic (Other)(16)(19)	**5,698,600**	4,092,600
Thermal – Domestic (Eskom)(17)(19)	**2,825,600**	23,859,000
Thermal – Domestic (Isibonelo)	**4,586,600**	4,071,500
Third party sales	**9,503,500**	7,618,700
Cerrejón		
Thermal – Export	**10,129,400**	10,553,700
Nickel and Manganese (tonnes) unless stated otherwise(20)		
Barro Alto		
Ore mined	**4,667,200**	6,272,800
Ore processed	**2,264,200**	2,309,300
Ore grade processed – %Ni	**1.71**	1.71
Production	**33,500**	34,900
Codemin		
Ore mined	**8,400**	7,500
Ore processed	**581,400**	587,000
Ore grade processed – %Ni	**1.66**	1.69
Production	**8,800**	8,900
Total Nickel segment nickel production	**42,300**	43,800
Sales volumes	**43,100**	43,000
Samancor		
Manganese ore(21)	**3,606,500**	3,485,500
Manganese alloys(21)(22)	**156,800**	149,200
Samancor sales volumes		
Manganese ore	**3,534,500**	3,445,400
Manganese alloys	**161,100**	142,400
Total Manganese production(23)	**3,763,300**	3,634,700
Sales volumes(23)	**3,695,600**	3,587,800

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

(2) Orapa constitutes the Orapa regime which includes Orapa, Letlhakane and Damtshaa.

(3) Consolidated sales volumes exclude De Beers Group's joint arrangement partners' 50% proportionate share of sales to entities outside De Beers Group from Diamond Trading Company Botswana and the Namibia Diamond Trading Company, which are included in total sales volume (100% basis). 2017 includes pre-commercial production sales volumes from Gahcho Kué.

(4) Excludes Anglo American Platinum's copper production.

(5) TCu = total copper.

(6) Anglo American's share of Collahuasi production is 44%.

(7) Anglo American ownership interest of Anglo American Sur is 50.1%. Production is stated at 100% as Anglo American consolidates Anglo American Sur.

(8) Total copper production includes Anglo American's 44% interest in Collahuasi.

(9) Relates to sales of copper not produced by Anglo American operations.

(10) The joint operations are Modikwa and Kroondal. Platinum owns 50% of these operations, which is presented under 'Own-mined' production, and purchases the remaining 50% of production, which is presented under 'Purchase of concentrate'. Mototolo is 100% owned from November 2018.

(11) Associates are PGM's 33% interest in BRPM until its sale effective 11 December 2018 and, also in 2017, its 49% interest in Bokoni, which was placed on care and maintenance in Q3 2017.

(12) 4E: the grade measured as the combined content of: platinum, palladium, rhodium and gold.

(13) Sales from own mined and purchased concentrate, excludes refined metal purchase from third parties.

(14) Includes Thermal – Export production from Australia.

(15) Includes export primary production, secondary production sold into export markets and production sold domestically at export parity pricing.

(16) Thermal domestic – Other is product sold domestically excluding Eskom-tied and Isibonelo production.

(17) The sale of the Eskom-tied operations was completed on 1 March 2018.

(18) Includes both hard coking coal and PCI sales volumes.

(19) 2.2 Mt reclassed from Thermal Domestic (Eskom) to Thermal Domestic (Other) in 2017 to align with 2018 disclosure.

(20) Excludes Anglo American Platinum's nickel production.

(21) Saleable production.

(22) Production includes medium carbon ferro-manganese.

(23) Production and sales includes ore and alloy.

QUARTERLY PRODUCTION STATISTICS

					Quarter ended	% Change (Quarter ended)	
	31 December 2018	**30 September 2018**	**30 June 2018**	**31 March 2018**	31 December 2017	31 December 2018 v 30 September 2018	31 December 2018 v 31 December 2017
De Beers							
Carats recovered ('000 carats)							
100% basis(1)							
Diamonds	**9,128**	**8,674**	**8,997**	**8,498**	8,134	5%	12%
Copper (tonnes)(2)(3)	**183,500**	**171,800**	**158,000**	**154,900**	148,600	7%	23%
Produced ounces platinum ('000 troy oz)	**602.3**	**649.0**	**619.6**	**613.8**	587.0	(7)%	3%
Produced ounces palladium ('000 troy oz)	**386.6**	**410.8**	**406.0**	**407.4**	374.9	(6)%	3%
Platinum refined production							
Platinum ('000 troy oz)	**770.9**	**556.2**	**572.7**	**502.6**	722.2	39%	7%
Palladium ('000 troy oz)	**493.8**	**321.5**	**366.7**	**319.8**	491.4	54%	0%
Rhodium ('000 troy oz)	**91.3**	**65.2**	**73.8**	**62.5**	87.4	40%	4%
Gold ('000 troy oz)	**27.9**	**27.4**	**27.3**	**22.9**	30.3	2%	(8)%
Nickel refined (tonnes)	**6,700**	**5,600**	**5,700**	**5,100**	7,800	20%	(14)%
Copper refined (tonnes)	**4,200**	**2,900**	**4,000**	**3,200**	4,700	45%	(11)%
Iron Ore (tonnes)							
Iron ore – Kumba	**10,170,200**	**10,508,400**	**11,572,000**	**10,855,100**	11,642,600	(3)%	(13)%
Iron ore – Minas-Rio	**226,700**	**–**	**105,800**	**3,049,400**	3,949,900	–	(94)%
Coal (tonnes)							
Australia							
Metallurgical – Export	**5,647,100**	**5,382,300**	**5,261,900**	**5,539,100**	4,923,900	5%	15%
Thermal – Export	**427,600**	**455,100**	**289,900**	**208,700**	408,600	(6)%	5%
South Africa							
Thermal export(4)	**4,537,100**	**5,054,400**	**4,439,600**	**4,327,500**	4,647,800	(10)%	(2)%
Thermal domestic – Other(5)	**1,923,600**	**1,681,200**	**1,787,300**	**876,800**	817,800	14%	135%
Thermal domestic – Eskom(6)	**–**	**–**	**–**	**2,825,500**	5,419,200	–	(100)%
Thermal domestic – Isibonelo	**1,368,900**	**968,500**	**993,000**	**1,267,500**	965,700	41%	42%
Cerrejón							
Thermal – Export	**2,356,500**	**2,657,600**	**2,761,500**	**2,444,300**	2,913,600	(11)%	(19)%
Nickel and Manganese (tonnes)							
Nickel(7)	**11,400**	**11,500**	**10,800**	**8,600**	11,400	(1)%	0%
Manganese ore(8)	**971,900**	**887,600**	**866,200**	**880,800**	979,600	9%	(1)%
Manganese alloys(8)(9)	**38,000**	**34,800**	**42,800**	**41,200**	41,100	9%	(8)%

(1) De Beers Group production is on a 100% basis, except for the 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) Thermal export – Includes export primary production, secondary production sold into export markets and production sold domestically at export parity pricing.

(5) Thermal domestic – Other is product sold domestically excluding Eskom-tied and Isibonelo production.

(6) The sale of the Eskom-tied operations was completed on 1 March 2018.

(7) Excludes Anglo American Platinum's nickel production.

(8) Saleable production.

(9) Production includes medium carbon ferro-manganese.

NON-FINANCIAL DATA

	2018	2017	2016	2015	2014
Safety[1]					
Work-related fatalities	**5**	9	11	6	6
Fatal-injury frequency rate (FIFR)[2]	**0.024**	0.035	0.038	0.018	0.017
Total recordable case frequency rate (TRCFR)[2]	**2.66**	3.17	3.55	4.66	4.02
Lost-time injury frequency rate (LTIFR)[2]	**1.63**	1.68	1.87	2.35	1.76
Occupational health[1]					
New cases of occupational disease (NCOD)[2]	**101**	96	111	159	175
Environment[1]					
Total CO_2 emissions (Mt CO_2e)	**16.0**	18.0	17.9	18.3	17.3
Total energy consumed (million GJ)[2]	**85**	97	106	106	108
Total water withdrawals (million m^3)[2]	**227**	306	296	339	276
Human Resources[3]					
Women in management (%)[4]	**28**	26	25	25	24
Historically Disadvantaged South Africans in management (%)[5]	**65**	66	62	60	60
Resignations (%)[6]	**2.4**	2.3	2.2	1.9	2.0
Redundancies (%)[7]	**0.7**	0.7	7.1	3.5	0.9
Dismissals (%)[8]	**1.2**	1.4	1.8	1.4	1.0
Other reasons for leaving (%)[9]	**5.8**	4.0	3.5	4.2	1.9
Social					
CSI spend (total in US$ million)[10]	**82**	88	84	124	136
CSI spend (% of underlying EBIT)[10]	**2**	2	3	6	3
Businesses supported through enterprise development initiatives[11]	**64,830**	64,291	62,447	62,394	58,257
Jobs created/maintained through enterprise development programmes[11]	**125,095**	120,812	116,298	110,780	96,873

[1] Data relates to subsidiaries and joint operations over which Anglo American has management control. In 2018, data excludes De Beers' joint operations in Namibia and Botswana. Prior years' data includes De Beers' joint operations in Namibia and Botswana. See page 84 of the Anglo American plc Sustainability Report 2018 for the full list of entities within the reporting scope. Divested businesses are included up until the point of divestment.

[2] See pages 206-207 for definitions and change in basis of calculation.

[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 African employees within bands seven and above divided by the total number of South African employees in bands seven and above.

[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 2018 is expenditure relating to Zimele of $2.3 million (2017: $2.7 million).

[11] Figures are presented on a cumulative basis since 2008.

DIRECTORS' REPORT

This section includes certain disclosures which are required by law to be included in the Directors' Report.

In accordance with the Companies Act 2006 (Companies Act), the following items have been reported in other sections of the Annual Report and are included in this Directors' Report by reference:

- Details of the directors of the Company can be found on pages 74-77
- Directors' interests in shares at 31 December 2018 and any changes thereafter, can be found on page 120 of the directors' Remuneration Report
- Events occurring after the end of the year are set out in note 29 to the financial statements on page 173
- The Strategic Report on pages 2-71 gives a fair review of the business and an indication of likely future developments and fulfils the requirements set out in section 414C of the Companies Act
- Details of the Group's governance arrangements and its compliance with the 2016 UK Corporate Governance Code (the Code) can be found on pages 72-124
- Comprehensive details of the Group's approach to financial risk management are given in note 23 to the financial statements on pages 162-164
- The Group's disclosure of its greenhouse gas emissions can be found on page 32
- Details of employee engagement can be found on pages 34-39.

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 50-53. Further details of our policy on financial risk management are set out in note 23 to the financial statements on pages 162-164. The Group's net debt at 31 December 2018 was $2.8 billion (2017: $4.5 billion), representing a gearing level of 9% (2017: 13%). Details of borrowings and facilities are set out in note 21 on page 158 and net debt is set out in note 20 on pages 157-158.

The directors have considered the Group's cash flow forecasts for the period to the end of March 2020. The Board is satisfied that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the period assessed. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

Dividends

An interim dividend of 49 US cents per ordinary share was paid on 21 September 2018. The directors are recommending that a final dividend of 51 cents per ordinary share be paid on 3 May 2019 to ordinary shareholders on the register at the close of business on 15 March 2019, subject to shareholder approval at the AGM to be held on 30 April 2019. This would bring the total dividend in respect of 2018 to $1.00 per ordinary share. In accordance with the International Financial Reporting Standards (IFRS), the final dividend will be accounted for in the financial statements for the year ended 31 December 2019.

The Anglo American Employee Benefit Trust (EBT) holds shares to facilitate the operation of certain of the Group's share option and share incentive schemes (share plans). The EBT has waived the right to receive dividends on shares held on behalf of share plans participants employed by the Group in countries other than the UK and South Africa.

Share capital

The Company's issued share capital as at 31 December 2018, together with details of share allotments and issue of treasury shares during the year, is set out in note 24 on page 165.

On 15 June 2018, and in accordance with the Preference Share Purchase Agreement approved by shareholders at the Company's AGM held on 8 May 2018, the Company purchased and cancelled 50,000 5% cumulative preference shares of £1.00 each, being all the 5% cumulative preference shares in issue.

Significant shareholdings

The Company has been notified of the following significant shareholdings:

Company	Number of shares	Percentage of voting rights
Volcan (Volcan Holdings PLC and Volcan Holdings II PLC)	271,802,858	19.35
Public Investment Corporation	181,834,825	12.94
BlackRock Inc	81,814,750	5.83
Silchester International Investors LLP	70,110,363	4.99
Genesis Asset Managers LLP	55,426,734	3.95
Tarl Investment Holdings (RF) Proprietary Limited(1)	47,275,613	3.37
Coronation Asset Management (Pty) Ltd	42,295,188	3.01
Epoch Two Investment Holdings (RF) Proprietary Limited(1)	42,166,686	3.01

(1) Epoch Two Investment Holdings (RF) Proprietary Limited (Epoch 2) and Tarl Investment Holdings (RF) Proprietary Limited (Tarl) are two of the independent companies that have purchased shares as part of Anglo American's share buyback programme. Epoch 2 and Tarl have waived their right to vote all the shares they hold, or will hold, in Anglo American plc.

Disclosure table pursuant to Listing Rule 9.8.4C

Listing Rule	Information to be included	Disclosure
9.8.4(1)	Interest capitalised by the Group	See note 4, page 141
9.8.4(2)	Unaudited financial information (LR 9.2.18)	None
9.8.4(4)	Long-term incentive scheme only involving a director (LR 9.4.3)	None
9.8.4(5)	Directors' waivers of emoluments	None
9.8.4(6)	Directors' waivers of future emoluments	None
9.8.4(7)	Non pro rata allotments for cash (issuer)	Treasury shares have been issued pursuant to the exercise of options awarded under shareholder approved schemes
9.8.4(8)	Non pro rata allotments for cash (major subsidiaries)	None
9.8.4(9)	Listed company is a subsidiary of another company	Not applicable
9.8.4(10)	Contracts of significance involving a director	None
9.8.4(11)	Contracts of significance involving a controlling shareholder	Not applicable
9.8.4(12)	Waivers of dividends	See 'Dividends' paragraph on this page
9.8.4(13)	Waivers of future dividends	See 'Dividends' paragraph on this page
9.8.4(14)	Agreement with a controlling shareholding LR 9.2.2AR(2)(a)	Not applicable

Sustainable development

The Sustainability Report 2018 is published online on 4 March 2019.

This report focuses on the safety, health, sustainable development and environmental performance of the Group's managed operations, its performance with regard to the Company's Code of Conduct, and the operational dimensions of its social programmes.

Audit information

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditor is unaware, that all directors have taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Employment and other policies

The Group's key operating businesses are empowered to manage within the context of the different legislative and social demands of the diverse countries in which those businesses operate, subject to the standards embodied in Anglo American's Code of Conduct. Within all the Group's businesses, the safe and effective performance of employees and the maintenance of positive employee relations are of fundamental importance. Managers are charged with ensuring that the following key principles are upheld:

- Adherence to national legal standards on employment and workplace rights at all times

- Adherence to the International Labour Organisation's core labour rights, including: prohibition of child labour; prohibition of inhumane treatment of employees and any form of forced labour, physical punishment or other abuse; recognition of the right of our employees to freedom of association and the promotion of workplace equality; and the elimination of all forms of unfair discrimination
- Continual promotion of safe and healthy working practices
- Provision of opportunities for employees to enhance their work related skills and capabilities
- Adoption of fair and appropriate procedures for determining terms and conditions of employment.

It is our policy that people with disabilities should have full and fair consideration for all vacancies. Employment of disabled people is considered on merit and with regard only to the ability of any applicant to carry out the role. We endeavour to retain the employment of, and arrange suitable retraining, for any employees in the workforce who become disabled during their employment. Where possible we will adjust a person's working environment to enable them to stay in our employment.

Further, the Group is committed to treating employees at all levels with respect and consideration, to investing in their development and to ensuring that their careers are not constrained by discrimination or arbitrary barriers.

The Company's Code of Conduct is supported by an underlying framework of policies and procedures which provide specific guidance to employees on the behaviour required to reinforce the Company's values and uphold the Company's specific commitments to prioritise safety, health and the environment; treat people with care and respect, conduct business with integrity and protect its physical assets and information. The Code of Conduct and accompanying policies can be accessed via 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 Prevention of Corruption Procedures 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 Prevention of Corruption Procedures have been translated into all the main languages that we use at our operations. A dedicated team that operates within a broader risk management and business assurance team, oversee implementation of the Code of Conduct and Business Integrity 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 in 2018 we had an external review performed on the effectiveness of our programme. 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 2018. Anglo American has an established policy of not making donations to, or incurring expenses for the benefit of any political party in any part of the world, including any political party or political organisation as defined in the Political Parties, Elections and Referendums Act 2000.

Additional information for shareholders

Set out below is a summary of certain provisions of the Company's current Articles and applicable English law concerning companies (the Companies Act) required as a result of the implementation of the Takeover Directive in English law. This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

Dividends and distributions

Subject to the provisions of the Companies Act, the Company may, by ordinary resolution, from time to time declare final dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of the Company, in the opinion of the Board, justifies such payment.

The Board may withhold payment of all, or any part of any dividends or other monies payable in respect of the Company's shares, from a person with a 0.25% interest or more (as defined in the Articles) if such a person has been served with a notice after failing to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Rights and obligations attaching to shares

The rights and obligations attaching to the shares are set out in the Articles. The Articles may only be changed by a special resolution passed by the shareholders.

Voting

Subject to the Articles generally and to any special rights or restrictions as to voting attached by or in accordance with the Articles to any class of shares, on a show of hands every member who is present in person at a general meeting shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every share of which he/she is the holder. It is, and has been for some years, the Company's practice to hold a poll on every resolution at shareholder meetings.

Where shares are held by trustees/nominees in respect of the Group's employee share plans and the voting rights attached to such shares are not directly exercisable by the employees, it is the Company's practice that such rights are not exercised by the relevant trustee/nominee.

Under the Companies Act, members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meeting as a corporate representative. Where a shareholder appoints more than one corporate representative in respect of its shareholding, but in respect of different shares, those corporate representatives can act independently of each other, and validly vote in different ways.

Restrictions on voting

No member shall, unless the directors otherwise determine, be entitled in respect of any share held by him/her to vote either personally or by proxy at a shareholders' meeting, or to exercise any other right conferred by membership in relation to shareholders' meetings, if any call or other sum presently payable by him/her to the Company in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he/she has been served with a notice after failing to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Issue of shares

Subject to the provisions of the Companies Act relating to authority and pre-emption rights and of any resolution of the Company in a UK general meeting, all unissued shares of the Company shall be at the disposal of the directors and they may allot, 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

Any share or class of shares of the Company may be issued or held (including any shares of class of shares held on the South African Branch Register or any other overseas branch register of the members of the Company) on such terms, or in such a way, that: title to it or them is not, or must not be, evidenced by a certificate; or it or they may or must be transferred wholly or partly without a certificate. The directors have power to take such steps as they think fit in relation to: the evidencing of and transfer of title to uncertificated shares (including in connection with the issue of such shares); any records relating to the holding of uncertificated shares; the conversion of certificated shares into uncertificated shares; or the conversion of uncertificated shares into certificated shares. The Company may by notice to the holder of a share require that share: if it is uncertificated, to be converted into certificated form; and if it is certificated, to be converted into uncertificated form, to enable it to be dealt with in accordance with the Articles.

If: the Articles give the directors power to take action, or require other persons to take action, in order to sell, transfer or otherwise dispose of shares; and uncertificated shares are subject to that power, but the power is expressed in terms which assume the use of a certificate or other written instrument, the directors may take such action as is necessary or expedient to achieve the same results when exercising that power in relation to uncertificated shares. The directors may take such action as they consider appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of an uncertificated share or otherwise to enforce a lien in respect of it. This may include converting such share to certificated form. Unless the directors resolve otherwise, shares which a member holds in uncertificated form must be treated as separate holdings from any shares which that member holds in certificated form. A class of shares must not be treated as two classes simply because some shares of that class are held in certificated form and others are held in uncertificated form.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representative. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to statute, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding, or representing by proxy, at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

Transfer of shares

All transfers of shares that are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors and may be under hand only. The instrument of transfer shall be signed by, or on behalf of, the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of shareholders. All transfers of shares registered on the main register of members that are in uncertificated form may be effected by means of the CREST system. All Transfers of uncertified shares registered on the branch register of members in South Africa may be effected via the Transfer Secretary.

The directors may decline to recognise any instrument of transfer relating to shares in certificated form unless it:

(a) is in respect of only one class of share

(b) is lodged at the transfer office (duly stamped if required) accompanied by the relevant share certificate(s) and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his/her behalf, the authority of that person so to do).

The directors may decline to register any transfer of shares in certificated form unless: the instrument of transfer is in respect of only one class of share; the instrument of transfer is lodged (duly stamped if required) at the Transfer Office accompanied by the relevant share certificate(s) or such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer or, if the instrument of transfer is executed by some other person on the transferor's behalf, the authority of that person to do so; and it is fully paid. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly.

If the directors refuse to register an allotment or transfer, they shall send the refusal to the allottee or the transferee within two months after the date on which the letter of allotment or transfer was lodged with the Company.

A shareholder does not need to obtain the approval of the Company, or of other shareholders of shares in the Company, for a transfer of shares to take place.

Directors

Directors shall not be fewer than 5 nor more than 18 in number. A director is not required to hold any shares of the Company by way of qualification. The Company may by ordinary resolution increase or reduce the maximum or minimum number of directors.

Powers of directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company.

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

The Company may by ordinary resolution declare dividends, but no dividend shall be payable in excess of the amount recommended by the directors.

Subject to the provisions of the Articles and to the rights attaching to any shares, any dividends or other monies payable on or in respect of a share may be paid in such currency as the directors may determine. The directors may deduct from any dividend payable to any member all sums of money (if any) presently payable by him/her to the Company on account of calls or otherwise in relation to shares of the Company. The directors may retain any dividends payable on shares on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Appointment and replacement of directors

The directors may from time to time appoint one or more directors. The Board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next AGM and shall then be eligible for election.

The Articles provide that at each AGM all those directors who have been in office for three years or more since their election, or last re-election, shall retire from office. In addition, a director may at any AGM retire from office and stand for re-election. However, in accordance with the Code, all directors will be subject to annual re-election.

Stock Exchange Listings

The Company's ordinary shares are listed on the London Stock Exchange (the primary listing), the JSE Limited, the SIX Swiss Exchange, the Botswana Stock Exchange and the Namibian Stock Exchange.

Significant agreements: change of control

At 31 December 2018, Anglo American had committed bilateral and syndicated borrowing facilities totalling $7.5 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 8 May 2018, authority was given for the Company to purchase, in the market, up to 201.6 million ordinary shares of $54^{86}/_{91}$ US cents each. The Company did not purchase any of its own shares under this authority during 2018. This authority will expire at the 2019 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

Richard Price
Group General Counsel and Company Secretary
20 February 2019

SHAREHOLDER INFORMATION

Annual General Meeting

This will be held at 14:30 on Tuesday, 30 April 2019, at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE.

Shareholding enquiries

Enquiries relating to shareholdings should be made to the Company's UK Registrars, Equiniti, or the South African Transfer Secretaries, Computershare Investor Services Pty Limited, at the relevant address below:

UK Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
England

Telephone:
In the UK: 0371 384 2026
From overseas: +44 121 415 7558

Transfer Secretaries in South Africa
Computershare Investor Services (Pty) Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, Johannesburg, 2196
PO Box 61051, Marshalltown, 2107
South Africa

Telephone: +27 (0) 11 370 5000
Fax: +27 (0) 11 688 5248

Enquiries on other matters should be addressed to the Company Secretary at the following address:

Registered and Head Office

Anglo American plc
20 Carlton House Terrace
London SW1Y 5AN
England

Telephone: +44 (0) 20 7968 8888
Fax: +44 (0) 20 7968 8500
Registered number: 03564138
www.angloamerican.com
CoSec.Admin@angloamerican.com

On the Investors section of the Group website a whole range of useful information for shareholders can be found, including:

- investor calendar
- share price and tools
- dividend information
- AGM information
- FAQs.

Electronic communication

Shareholders may elect to receive, electronically, notification of the availability on the Company's website of future shareholder correspondence, e.g. Annual Reports and Notices of AGMs.

By registering for this service, UK shareholders can also vote online in respect of future AGMs and access information on their shareholding including, for example, dividend payment history, sales and purchases and indicative share prices. In order to register for these services, UK shareholders should contact the UK Registrars or log on to **www.shareview.co.uk** and follow the on-screen instructions. It will be necessary to have a shareholder reference number when registering, which is shown on share certificates, dividend tax vouchers and proxy cards.

Dividends

Dividends are declared and paid in US dollars to shareholders with registered addresses in all countries except the UK, eurozone countries and South Africa where they are paid in sterling, euros and South African rand respectively. Shareholders outside South Africa may elect to receive their dividends in US dollars.

Shareholders with bank accounts in the UK or South Africa can have their cash dividends credited directly to their own accounts. Shareholders should contact the relevant Registrar or Transfer Secretary to make use of this facility. South African branch register shareholders would need South African exchange control approval to mandate their dividends to an account outside South Africa.

The Company operates a dividend reinvestment plan (DRIP), which enables shareholders to reinvest their cash dividends into purchasing Anglo American shares. Details of the DRIP and how to join are available from Anglo American's UK Registrars and South African Transfer Secretaries and on the Company's website.

ShareGift

The Company supports ShareGift, the charity share donation scheme administered by The Orr Mackintosh Foundation (registered charity number 1052686). Through ShareGift, shareholders with very small numbers of shares which might be considered uneconomic to sell are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of charities. For those shareholders who wish to use ShareGift, transfer forms are available from the Registrars and further details of the scheme can be found on the website **www.sharegift.org**.

Share dealing service

Telephone, internet and postal share dealing services have been arranged through Equiniti, providing a simple way for European residents to buy or sell Anglo American shares. For telephone transactions call 0345 603 7037 during normal office hours and for internet dealing log on to **www.shareview.co.uk/dealing**. You will need your shareholder reference number, found on share certificates, dividend tax vouchers and proxy cards. For further details on the postal dealing service call 0371 384 2026 (or +44 121 415 7558 from overseas).

Unsolicited mail

Under the Companies Act, the Company is obliged to make the share register available upon request on payment of the appropriate fee. Because of this, some shareholders may receive unsolicited mail. If you wish to limit the receipt of addressed marketing mail you can register with the Mailing Preference Service (MPS). The quickest way to register with the MPS is via the website: **www.mpsonline.org.uk**. Alternatively you can register by telephone on: 020 7291 3310, or by email to: mps@dma.org.uk, or by writing to MPS Freepost LON20771, London W1E 0ZT.

OTHER ANGLO AMERICAN PUBLICATIONS

- Sustainability Report
- Ore Reserves and Mineral Resources Report
- Tax and Economic Contribution Report
- Transformation Report
- Our Code of Conduct
- The Safety, Health and Environment (SHE) Way
- The Social Way
- The Socio-Economic Assessment Toolbox (SEAT)
- Notice of 2019 AGM
- www.facebook.com/angloamerican
- www.twitter.com/angloamerican
- www.linkedin.com/company/anglo-american
- www.youtube.com/angloamerican
- www.flickr.com/angloamerican
- www.slideshare.com/angloamerican

Financial and other reports may be found at:
www.angloamerican.com/reporting

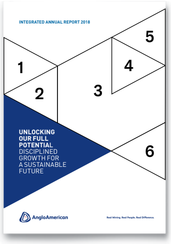
A printed copy of the Anglo American Annual Report can be ordered online at:
www.angloamerican.com/site-services/contact

Strategic partners

Anglo American works in partnership with a wide range of organisations; these important relationships form part of the Group's commitments to a wide range of key sustainability and other societal objectives. A selection of the organisations we work with can be found on our website: www.angloamerican.com/approach-and-policies.

Forward-looking statements

This document includes forward-looking statements. All statements other than statements of historical facts included in this document, including, without limitation, those regarding Anglo American's financial position, business, acquisition and divestment strategy, dividend policy, plans and objectives of management for future operations (including development plans and objectives relating to Anglo American's products, production forecasts and Ore Reserve and mineral resource estimates), are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Anglo American, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Anglo American's present and future business strategies and the environment in which Anglo American will operate in the future. Important factors that could cause Anglo American's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, levels of actual production during any period, levels of global demand and commodity market prices, mineral resource exploration and development capabilities, recovery rates and other operational capabilities, the availability of mining and processing equipment, the ability to produce and transport products profitably, the availability of transportation infrastructure, the impact of foreign currency exchange rates on market prices and operating costs, the availability of sufficient credit, the effects of inflation, political uncertainty and economic conditions in relevant areas of the world, the actions of competitors, activities by governmental authorities such as permitting and changes in taxation or safety, health, environmental or other types of regulation in the countries where Anglo American operates, conflicts over land and resource ownership rights and such other risk factors identified in the section of this document titled 'Managing Risk Effectively'. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this document. Anglo American expressly disclaims any obligation or undertaking (except as required by applicable law, the City Code on Takeovers and Mergers (the "Takeover Code"), the UK Listing Rules, the Disclosure and Transparency Rules of the Financial Conduct Authority, the Listings Requirements of the securities exchange of the JSE Limited in South Africa, the SIX Swiss Exchange, the Botswana Stock Exchange and the Namibian Stock Exchange and any other applicable regulations) to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Anglo American's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Certain statistical and other information about Anglo American included in this document is sourced from publicly available third-party sources. As such, it has not been independently verified and presents the views of those third parties, though these may not necessarily correspond to the views held by Anglo American and Anglo American expressly disclaims any responsibility for, or liability in respect of, such third party information.



Cover Images

1. A laser device being used underground for precision markup of centre lines and panel marking at Unki mine, Zimbabwe.
2. Copper is a core component in the construction of wind turbines.
3. A dual loading system is being used at Kolomela mine, South Africa where two haul trucks are lined up on either side of an excavator.
4. Schoolchildren at the Ivory Park Secondary School near Midrand during the launch of the Anglo American South African Education Programme.
5. Head of financial trading, Iron Ore, Andrew Glass, (left) and senior trader, Copper, Gavin Li, consulting data screens at the Singapore marketing office.
6. Families in Cuchumbaya and San Cristóbal have benefited from the Quellaveco Fund, which has helped improve their living standards and personal nutrition.

Designed and produced by
SALTERBAXTER MSL

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