

UK MODERN SLAVERY ACT

Statement for the financial year
ending 31 December 2017





“Anglo American is committed to respecting human rights as well as to improving our own, and the industry’s, human rights performance. Our supply chains are long and complex and we recognise our responsibility in how we commit our annual expenditure, as well as the role we can play in supporting our suppliers to raise their own standards to ensure our and their businesses are free of modern slavery.”

Mark Cutifani, Chief Executive, Anglo American plc.

Introduction

In July 2017, we published our first Modern Slavery Act statement. This second statement provides an update on our progress during 2017 and our plans for further enhancements in 2018 and beyond.

This statement is made by Anglo American plc, the holding company of the Anglo American group of companies (Anglo American) in accordance with the requirements of the UK Modern Slavery Act 2015 (the Act). De Beers plc (De Beers), of which Anglo American owns 85%, will publish its own statement pursuant to section 54 of the Act.

In publishing this statement, we are adding our voice to a global challenge and commitment. We prohibit, and take a zero-tolerance position in respect of all forms of modern slavery in our organisation and in our supply chains, and are pleased to take this opportunity to outline our ongoing work in this important area of human rights.

Summary of actions taken during financial year ending 31 December 2017

We have:

- commenced a review of our approach to responsible sourcing in order to update, strengthen and simplify requirements and considerations for current and prospective suppliers – changes include added emphasis on combatting modern slavery and human trafficking. Areas covered by responsible sourcing are labour and human rights, safety and health, wellness, business integrity and ethics, corporate citizenship, and environmental stewardship;
- incorporated human rights, and in particular modern slavery, related requirements and considerations into our responsible sourcing training programme and have commenced its roll-out across our global category management teams;
- continued engagement with suppliers to build awareness and capacity to support responsible sourcing requirements; an example is the conclusion of a pilot project dealing with responsible sourcing capacity building of small and medium suppliers (SMME); which provided customised responsible sourcing training for host community SMMEs (key training areas included modern slavery and labour regulations);
- improved our approach to incident management by enhancing our ability and the speed at which we are able to mobilise third party response teams to conduct further investigations, as well as escalate with the suppliers where potential risks have been flagged (see case study on page 11);
- launched a new supplier on-boarding process and platform which mandates acknowledgement of, and compliance with, the Responsible Sourcing Standard for Suppliers (platform rolled out to business units in South Africa and Brazil); this process incorporates high level security checks for adverse media reports on a number of areas, including child labour and slavery;
- continued dialogue within our cross-functional and business unit-wide human rights working group and joined peer mining companies and organisations from other industry sectors to form part of the United Nations Global Compact Local Network's Modern Slavery working group and peer review;
- appointed a third-party service provider, Europe Conflict and Security Consulting Ltd (ECAS), to conduct group-level human rights due diligence (to be concluded in 2018 and therefore reported on in Anglo American's statement in respect of the financial year ending 31 December 2018).

In addition, in 2017 our CEO joined the UK Prime Minister's Business Against Slavery Forum and we remain active members of the working group.



Our business at a glance



WE PRODUCE



WHERE WE ARE



Anglo American, headquartered in the UK, is one of the world's largest mining companies. The portfolio of world-class competitive mining operations and undeveloped resources provide the raw materials to help the growing consumer-driven demands of the world's developed and maturing economies.

Anglo American is a globally diversified mining business with mining operations¹ in Africa (South Africa and Zimbabwe), North America (Canada), South America (Brazil, Chile, Peru) and Australia, as well as exploration, sales and other business activities and joint ventures across Africa, Asia, Europe and the Americas.

People are at the heart of our business. They use the latest technologies to find new resources, plan and build our operations, and mine, process, move and market our products to customers around the world. As a responsible miner, we are the custodians of precious natural resources. We work together with our key partners and stakeholders to unlock the sustainable value that those resources represent for our host countries, communities, our shareholders and for society at large.

Further details can be found on **our company website**.

¹De Beers has mining operations in Botswana and Namibia, in addition to Canada and South Africa; insofar as these concern De Beers' rough diamond business, they are covered by De Beers' Modern Slavery Act statement.

Our Supply Chain

Supply chain activities at Anglo American include the provision of goods, labour and services to support the exploration, mining, transportation, aggregation, processing and technology development required for our business. In 2017, we worked with more than 20,000 suppliers of which 320 represented approximately 70% of Anglo American's total procurement expenditure.

As a values-driven organisation, we understand our obligation to our partners, employees, customers, shareholders and other stakeholders to ensure that our supplier relationship practices are transparent, fair and meet the ever evolving needs of a wider group of stakeholders while being able to mitigate emerging areas of risk. Within our supply chain, this requires us to consider how the purchasing of goods and services can be undertaken without causing harm to people or the environment.

Increasing the visibility and transparency of our large and complex global supply chain is a priority for Anglo American. Responsible sourcing is a key component for delivering our sustainability ambition and supports our Supply Chain function to prioritise ethical decision-making when procuring goods and services. Sustainability risks and opportunities, including human rights and modern slavery, are key considerations in the development of our category strategies and subsequent supplier selection.

In 2017, we launched a new supplier registration process and platform which integrate a number of high risk compliance checks when on-boarding suppliers including money laundering and terrorism financing, together with media monitoring (which includes incidents related to organised crime, slavery, child labour and environmental harm).



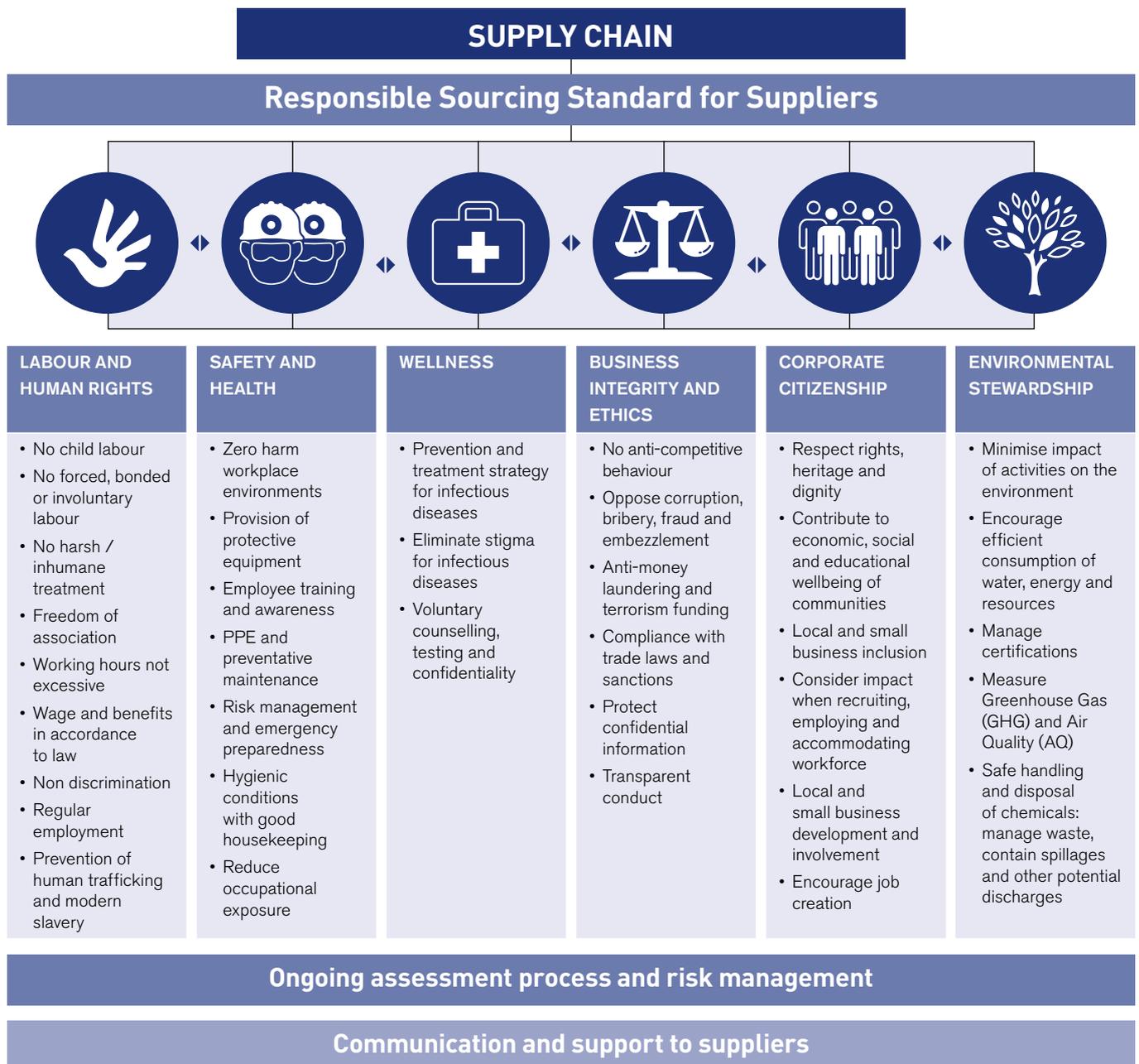
Our governance structure for modern slavery

The Anglo American plc Board of Directors oversees our strategic sustainability approach and the Board Sustainability Committee has dedicated standing agenda items across sustainability-related issues, including safety, health, environment and human rights.

The management of ethical sourcing within our Supply Chain function is supported by our Responsible Sourcing Standard for Suppliers. The current standard outlines our overarching vision for our entire supply chain to embrace and share our commitment to sustainable development through requirements across six pillars, including 1) labour and human rights (including modern slavery), 2) safety and health, 3) wellness, 4) business integrity and ethics, 5) corporate citizenship and 6) environmental stewardship. The standard seeks to provide clear guidance of expected performance by suppliers by referencing various legal requirements and Anglo American policies.

In 2018, we will review the standard to increase emphasis on certain areas, including the combatting of modern slavery as well as diversity and inclusion.

To ensure a more integrated approach to managing modern slavery risk in our own business and our supply chains, since our first statement we have established an internal modern slavery working group that meets on a bi-monthly basis, as well as a human rights working group that meets on a quarterly basis. Our human rights working group consists of cross-functional representatives from both corporate and business unit levels, as well as external subject-matter experts.



Human rights due diligence

In 2017, we appointed Europe Conflict and Security Consulting Ltd (ECAS) to conduct an independent group-level human rights due diligence study. The project includes a review of our relevant policies, procedures and site-level due-diligence reports to inform updates to our human rights framework, including salient human rights risk areas, and to provide recommendations, including

improving training and monitoring procedures. An outline of the key categories of human rights risk that will be further prioritized as part of the review include (but are not limited to) labour rights, community rights, supply risks, public and private security forces, as well as risks around safety, health and environmental issues.

Our standards and policies related to modern slavery

As stated in our first Modern Slavery Act statement, we have a number of policies and standards in place that are illustrative of our approach to conducting business with integrity and our commitment to prevent modern slavery in our business and across our supply chain:

- Code of Conduct
- Human Rights Policy
- Business Integrity Policy
- Responsible Sourcing Standard for Suppliers
- Anglo American Social Way

Our due diligence and risk management efforts

Our responsible sourcing approach



Anglo American has consistently led efforts to increase the sustainability of its suppliers through the management of emerging risk, including human rights and labour conditions. In October 2010, Anglo American launched its Supply Chain Sustainable Development (SCSD) policy, which created a basis for the evaluation of supplier sustainability risk. In November 2016, the Responsible

Sourcing Standard for Suppliers was launched, providing several updates to the SCSD approach – examples include improved specificity of requirements, an update to reflect changes in the external environment, including the addition of modern slavery as a subject area, and a simplified due diligence approach.



Supply chain training and capacity building

In 2017, training focused on our internal global category management teams and host community supplier capacity building:

- Training for our global category management teams focused on awareness of responsible sourcing risk and requirements for suppliers. Key items emphasised included 1) the identification of key responsible sourcing risks (including human rights and modern slavery), 2) the due diligence approach and how to integrate responsible sourcing requirements into supplier selection. In 2018, we plan to scale the training approach to include all global category management teams and relevant business unit sourcing teams.
- Acknowledging the challenges that SMME host community suppliers may experience in demonstrating responsible sourcing practices, a customised capacity building pilot for host-community suppliers was kicked-off in late 2016 and concluded during 2017. The pilot included 19 suppliers and aimed at increasing the awareness of responsible sourcing risks while building host-community supplier management capacity to mitigate those risks. The programme format included detailed, interactive classroom sessions focused on explaining core legal requirements and associating these with responsible sourcing considerations. All 19 participants were required to complete a responsible sourcing self-assessment questionnaire and a sample of 6 suppliers were selected for onsite audits by a third-party social audit NGO, Partner Africa. Where issues were identified, corrective action plans were drawn up which were then monitored by a combination of internal Anglo American teams and third-party auditors to ensure that they were adequately addressed. Importantly, this process allowed us to objectively compare responses to the self-assessment against the actual conditions at supplier sites. Outcomes from the pilot included gaining further insight into day-to-day issues faced by host-community suppliers, the generation of appropriate support material and the development of a scalable approach to building capacity. The pilot was mobilised into a full programme during 2017, covering 34 new suppliers across our De Beers and Anglo American Platinum operations. In 2018, we will broaden the scope of the programme to include other geographies and update training material to address some of the prevalent supplier risk areas identified during the pilot and subsequent sessions.

Supplier selection and self-assessment process

In 2016, we updated our supplier self-assessment questionnaire to align closer with requirements set out in the Responsible Sourcing Standard for Suppliers. The self-assessment questionnaires are designed to gauge compliance with the standard, identify potential responsible sourcing risks (which include human rights and modern slavery risks) and flag where further intervention is required, including the possibility of site-based audits.

During 2017, 30 supplier self-assessments were received (in addition to 66 suppliers in 2016) which corresponds to a coverage of 23% of the total spend. While in 2016, the selected suppliers included multi-nationals and on-site contractors, the 2017 sample was focused on host community suppliers.

These supplier self-assessments confirmed that most of our large spend multi-national suppliers understand responsible sourcing risk areas and have typically established practices to manage the key risks, including

those related to human rights and modern slavery. Host community suppliers often have difficulty in demonstrating procedures and practice linked to core legal requirements which we are addressing through our capacity building efforts. Contractors based on Anglo American sites typically demonstrate high compliance with all legal and site requirements. This can be attributed in part to the contractor management processes across our operations.

Going forward, we aim to incorporate between 20% and 30% of total supplier spend per annum in the self-assessment process with increased focus on suppliers that pose high potential for responsible sourcing risk. This will be aided by a responsible sourcing heatmap which will integrate numerous risk factors, including which categories of supply pose heightened responsible sourcing risk (including human rights violations), the degree of regulation within supplier industries, and the extent to which the goods and services are reliant on manual labour.

Independent third-party verification audits

On a sample basis, which includes possible high-risk suppliers identified through the self-assessments, we select suppliers to undergo site-based audits. These audits are conducted by independent, third party audit firms. We acknowledge that participation in the audits can have a material cost implication for our host community suppliers and in these cases Anglo American typically subsidises the costs related to the audit.

In 2017, a total of 17 third party audits (6 audits in 2016) were conducted by independent auditors, using an enhanced version of the Ethical Trading Initiative Base Code and associated Sedex Members Ethical Trade Audit (SMETA) methodology. These audits exclude business

partners that may have participated in the De Beers Best Practice Principles Assurance Programme (which is independently verified by a third party). As such, the actual number of audits is in fact higher.

We have enhanced our ability and the speed at which we are able to respond to responsible sourcing incidents. This is a result of improved responsible sourcing risk awareness, quick mobilisation of third party audit and response teams to conduct investigations, and clarity in supplier engagement and escalation processes. Refinement of this process will remain a focus for 2018.

Measuring our effectiveness

- During 2017, we hosted more than 65 workshops in seven jurisdictions, in which 1,200 individuals received business integrity training. Furthermore, approximately 1,250 employees and contractors participated in online business integrity training.
- 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. Complaints can be submitted anonymously and are handled by a third party. We do not tolerate any form of retaliation against employees raising concerns in good faith. During 2017, we received 225 alerts plus another 660 alerts related to a scam committed by a gang of fraudsters against suppliers and other companies – overall, no alerts were categorised as being related to modern slavery or human trafficking.
- Since 2016, suppliers across our various global procurement categories, which collectively account for more than 22% of our total supplier expenditure, have been requested to complete self-assessments. In 2016, 90 suppliers were sent requests and 66 self-assessments were completed; in 2017, a further 30 suppliers were sent requests and 30 self-assessments were completed. We have commissioned third party audits in cases where high potential for risk has been identified.



Case study: supporting labour rights in the supply chain through implementation of the anglo american responsible sourcing standard

Anglo American's Responsible Sourcing Standard for Suppliers provides guidance to existing and prospective suppliers on our expectations of them in several areas, including labour practices and human rights. The standard is based on International Labour Organization (ILO) and legal requirements. The ILO requirements include the following: the prohibition of child labour; trafficked, forced, bonded or involuntary prison labour; prohibit the lodging of "security deposits"; ensure fair and humane treatment of employees; freedom of association; working hours which meet legal requirements and operate shifts under 12 hours; overtime is voluntary, within legal limits and appropriately compensated; fair and legal terms of employment; not permit unauthorised or illegal salary deductions; eliminate workplace discrimination; and irregular employment.

Anglo American Platinum recently conducted a market scan for suppliers of construction materials. A prospective supplier was able to demonstrate logistical and cost efficiencies by manufacturing materials close to the Anglo American operation. Subsequent testing confirmed that the product met high quality benchmarks and complied with our safety and technical requirements. The prospective supplier also employs a large labour force from our mining host community. The Anglo American Supply Chain team started the supplier on-boarding process, including commercial checks of the prospective supplier. The supplier is a joint venture between a foreign government agency and private and public investors. Owing to the technical nature of its work, which had included the commissioning and establishment of the plant, 26% of the supplier's workforce are expatriates. Skills transfer plans are in place to increase the proportion of local employees. Prior to concluding a supply agreement, Anglo American commissioned a third-party audit of the supplier against the Responsible Sourcing Standard requirements. While the supplier demonstrated several manufacturing best practices, some potential human rights issues were identified. Concerns included: the retention of original passports of the expatriate workers; time and attendance records were not provided for all employees (indicating potential violations of maximum working hours); inadequate rest days; and potential errors in remuneration.

Through an intervention by Anglo American, the supplier agreed on a corrective action plan which detailed actions, timelines and responsibilities to address the issues identified, including the immediate return of original passports. A month later, an independent follow-up audit confirmed that the critical issues had been resolved and a supply agreement has been signed. Anglo American will continue working with the supplier and the independent auditors to ensure that appropriate management practices are embedded to avoid a recurrence of similar issues.



Partnerships and external engagements

We recognise the importance of taking a collaborative approach in tackling modern slavery. In addition to our abovementioned efforts, Anglo American participated in various external engagements in 2017.

- Anglo American is a member of the United Nations Global Compact UK Local Network Modern Slavery Working Group and we participated in the annual peer review of Modern Slavery Act statements.
- We commenced collaboration with The South African Chamber of Mines to deliver a South African industry-aligned responsible sourcing approach. This includes supporting the industry in the development of a common Responsible Sourcing Standard, agreement on principles of “mutual recognition”, and identification of non-competitive opportunities for collaboration between mining companies e.g. supplier awareness programmes.
- Our CEO is one of the founding members of the UK Prime Minister's Business Against Slavery Forum, hosted by the Home Secretary, and we are active members of the working group.
- We recently established a three year core funding partnership with the Institute for Human Rights and Business via the Anglo American Foundation where one of their key programme areas is responsible recruitment.



Our plans for 2018/2019

In addition to continuing our current efforts, we plan to undertake the following activities in 2018:

1. Employee training:

- Incorporate business-relevant modern slavery scenarios into the online Code-of-Conduct employee training material that will be rolled out in 2018.
- Train all members of our global category management team and relevant business unit sourcing teams on responsible sourcing; taking a phased training approach for the remainder of Supply Chain population through 2018-2020.

2. Our suppliers:

- Update and rollout our Responsible Sourcing Standard for Suppliers.
- Utilise a risk-based approach to prioritise supplier engagement.
- Increase awareness of the Responsible Sourcing Standard and its requirements.
- Update processes and systems to enable online completion of self-assessments.
- Target between 20% and 30% of global supplier spend per annum for completion of self-assessments.
- Work with our Business Units to identify smaller spend suppliers who may pose responsible sourcing related risk.

- Focus on standardisation of host community training materials based on the capacity building pilot and making these available to a broader set of suppliers (aligned to supplier development approach).
- Run SMME Responsible Sourcing Capacity Building Programme for 60 host community suppliers.
- Subsidise the costs of independent third-party audits for 15 of our suppliers.
- Integration of responsible sourcing related materials into the Our Iron Ore Brazil Supplier Evaluation programme.

3. Implementation and follow-up of the outcomes and recommended actions from the group-level human rights due diligence process.

4. Anglo American will launch its new Sustainability Strategy in 2018; this will include a dedicated goal on “Ethical Value Chains”, which has two sub-targets:

- Development of commodity certification schemes, including demonstration of environmental, social and governance requirements to be fulfilled; this includes modern slavery-related criteria.
- Continued development of industry-wide supplier standards and alignment of audit requirements.

We recognise this process as a positive initiative to enable us to receive feedback and learn from others' good practice and innovations, so our work with partners and suppliers will collectively improve transparency and diligence, and will support this global effort against modern slavery and trafficking.



Mark Cutifani

CHIEF EXECUTIVE,
Anglo American

July 2017

This statement has been approved
by the Board of Anglo American plc.

ANGLO AMERICAN PLC

20 Carlton House Terrace
London
SW1Y 5AN
United Kingdom

T +44 (0) 207 968 8888

www.angloamerican.com

Find us on Facebook
Follow us on Twitter