



Tax and Economic Contribution Report 2020



Re-imagining mining to improve people's lives

Transforming the very nature of mining for a safer, cleaner, smarter future.

Using more precise technologies, less energy and less water, we are reducing our environmental 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 precious resources in the ground to all of us 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.



Number of employees⁽¹⁾

Australia	3,042
Botswana	1,512
Brazil	3,908
Canada	689
Chile	4,042
Colombia	5,202
Namibia	1,444
Peru	463
Singapore	309
South Africa	45,939
United Kingdom	1,504
Zimbabwe	1,448
Other	1,588
	71,089



Total tax and economic contribution

	\$m
Australia	4,084.3
Botswana	1,219.8
Brazil	1,679.6
Canada	405.9
Chile	3,267.1
Colombia	639.7
Namibia	958.2
Peru	2,109.6
Singapore	582.8
South Africa	8,492.8
United Kingdom	1,830.2
Zimbabwe	249.9
Other	204.3
	25,724.1



Taxes borne⁽²⁾⁽³⁾

	\$m
Australia	525.4
Botswana	438.0
Brazil	148.6
Canada	9.4
Chile	736.5
Colombia	113.8
Namibia	259.9
Peru	9.5
Singapore	13.2
South Africa	1,648.1
United Kingdom	120.6
Zimbabwe	28.9
Other	26.8
	4,078.5

Breakdown of global taxes borne and collected

\$5,270.9 million

Total taxes borne and collected

Payments by Anglo American in respect of taxes either directly incurred or paid on behalf of other parties as a result of the Group's economic activity.

\$2,375.3 million

Corporate income tax

Payments to governments based on taxable profits under legislated income tax rules. This also includes payments made to revenue authorities in respect of disputed claims and withholding taxes on dividends, interest and royalties.

\$1,185.9 million

Royalties and mining taxes

Payments to governments in relation to both revenue or production generated under licence agreements and royalty-related income taxes. This also includes payments to revenue authorities in respect of disputed claims.

\$517.3 million

Other payments borne

Taxes or other payments to governments relating to environmental policy and licensing requirements, including carbon taxes, landfill taxes, aggregate taxes, permits and other entry fees and considerations, as well as non-extractive taxes borne such as employer payroll taxes etc.

\$1,192.4 million

Taxes collected

Payments in respect of taxes by Anglo American which are incurred by other parties (e.g. customers or employees) which directly arise from the economic activity of the Group. Where a company is accounted in the Group's Integrated Annual Report as an associate, taxes collected are included where available at the time of publication.

⁽¹⁾ Average number of employees, excluding contractors and certain associates' and joint ventures' employees, and including employees of our most significant joint operations.

⁽²⁾ Based on 100% of the tax payments of each operation regardless of the exact percentage of ownership by Anglo American.

⁽³⁾ Taxes borne are the sum of Corporate income tax, Royalties and mining taxes and Other payments borne. This figure of \$4,078.5m has been assured by PricewaterhouseCoopers LLP, see page 35.

This report demonstrates the importance to us of responsibility, compliance and transparency as we strive to be a Trusted Corporate Leader.

The purpose and impact of a business cannot be assessed without understanding its tax and economic contributions, and the true value of these contributions cannot truly be assessed in isolation of its broader role in society. Transparency is not a destination that we want to get to, it is a dialogue we want to lead.

We see our Tax and Economic Contribution Report not just as an opportunity to publish detailed breakdowns of our tax and economic contributions for all our major operating jurisdictions, but also as an opportunity to explain the principles and values that underpin our broader approach to tax, how we govern that approach, and how we engage with our stakeholders.

In 2020, development of our Tax Sustainability Plan, and our Covid-19 Tax Concessions Policy demonstrate these values in action and are explained in more detail within the report.

We seek to be an active participant in the public debates on responsible tax, tax transparency, and tax morale, for example:

- We endorse the Responsible Tax Principles set by the B Team (a not-for-profit initiative which aims to catalyse a better way of doing business, for the well-being of people and the planet) and are an active participant in the B-Team's work on tax
- We support the European Business Tax Forum in furthering the public debate on tax in EU and EFTA countries.

Specifically on tax transparency, we comply with the Tax Transparency Code in Australia, support the Extractive Industries Transparency Initiative (both directly and as part of the International Council on Mining and Metals) and seek a dialogue with stakeholders about our approach to tax and the values that drive it.

This, our seventh Tax and Economic Contribution Report, is our first to be explicitly prepared to demonstrate our compliance with GRI 207 in its first year of effect. We will be fully compliant with GRI 207 within 2021 when we publish an appendix to this report detailing country-by-country reporting in line with GRI 207 (although in previous years we have reported substantively the same information as appendices but in line with OECD standards).

References to Anglo American plc

In this document, references to 'Anglo American', the 'Anglo American Group', the 'Group', 'we', 'us', and 'our' are to refer to either Anglo American plc and its subsidiaries and/or those who work for them generally, or where it is not necessary to refer to a particular entity, entities or persons. The use of those generic terms herein is for convenience only, and is in no way indicative of how the Anglo American Group or any entity within it is structured, managed or controlled. Anglo American subsidiaries, and their management, are responsible for their own day-to-day operations, including but not limited to securing and maintaining all relevant licences and permits, operational adaptation and implementation of Group policies, management, training and any applicable local grievance mechanisms. Anglo American produces group-wide policies and procedures to ensure best uniform practices and standardisation across the Anglo American Group but is not responsible for the day-to-day implementation of such policies. Such policies and procedures constitute prescribed minimum standards only. Group operating subsidiaries are responsible for adapting those policies and procedures to reflect local conditions where appropriate, and for implementation, oversight and monitoring within their specific businesses.

↗ Front cover Image:
Anglo American biomedical technologist 'Faith' Mabadzhabadza (left) and laboratory assistant Lebogang Gorekwang analysing patient samples for the Covid-19 virus at our Kolomeia iron ore mine in South Africa.

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Scope of the report

The purpose of this report is to provide an overview of the tax and economic contribution made by the Anglo American Group, as well as further transparency on how tax is managed as part of the Group's overall commercial activities. See page 34 of this report for more details.

Other sources of information

More information about sustainability at Anglo American, including an Excel download of our sustainability data, business unit sustainability reports, and historical reports, can be found in our Integrated Annual Report and online at: www.angloamerican.com.

Anglo American newsfeeds

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Our reporting suite


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, see www.angloamerican.com/investors/annual-reporting



FutureSmart Mining™

In order to deliver on our Purpose we are changing the way we mine through smart innovation across technology, digitalisation and sustainability.

 To discover more about the future of mining, see www.angloamerican.com/futuresmart/futuresmart-mining



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.



Our overview video gives a complete introduction to what we do and our ambitions for the future
See <https://youtu.be/6TKaHzCT4YY>

Canada

689 employees
\$43.0m wages and benefits
\$9.4m taxes borne
\$76.6m in country procurement

Canada 1
See page 24

Colombia

5,202 employees
\$204.4m wages and benefits
\$113.8m taxes borne
\$14.2m in country procurement

Colombia 1
See page 26

Peru

463 employees
\$60.0m wages and benefits
\$9.5m taxes borne
\$1,090.8m in country procurement

Peru 1
See page 28

Chile 3
See page 25

Brazil

3,908 employees
\$137.0m wages and benefits
\$148.6m taxes borne
\$1,021.5m in country procurement

Brazil 2 1
See page 23

Chile

4,042 employees
\$381.0m wages and benefits
\$736.5m taxes borne
\$1,280.6m in country procurement

Product groups

- Diamonds
- Copper
- Platinum Group Metals
- Iron Ore
- Metallurgical Coal
- Thermal Coal
- Nickel and Manganese
- Crop Nutrients

Diamonds

\$417 million

Underlying EBITDA^o

4%

Group underlying EBITDA^o

25.1Mct

Production (100% basis)⁽¹⁾

Copper

\$1,864 million

Underlying EBITDA^o

19%

Group underlying EBITDA^o

2 greenfield projects

Peru (Quellaveco) and Finland (Sakatti)

647 kt

Production

PGMs

\$2,555 million

Underlying EBITDA^o

26%

Group underlying EBITDA^o

3,809 koz

Production: PGMs

Iron Ore

\$4,565 million

Underlying EBITDA^o

47%

Group underlying EBITDA^o

37.0 Mt

Production: Iron ore – Kumba

24.1Mt (wet basis)

Production: Iron ore – Minas-Rio

Metallurgical Coal

\$50 million

Underlying EBITDA^o

1%

Group underlying EBITDA^o

16.8 Mt

Production: Metallurgical

Thermal Coal

\$(15) million

Underlying EBITDA^o

20.6 Mt

Production: Thermal – export

Nickel and Manganese

\$510 million

Underlying EBITDA^o

5%

Group underlying EBITDA^o

43.5 kt

Production: Nickel

3.6Mt

Production: Manganese ore and alloy

Crop Nutrients

\$1 million

Underlying EBITDA^o

Corporate and other

\$(145) million

Underlying EBITDA^o

⁺ More detailed information and maps can be found in the business unit reviews See pages 66-95 of the Integrated Annual Report

United Kingdom ¹
See page 31

United Kingdom

1,504 employees
\$386.0m wages and benefits
\$120.6m taxes borne
\$472.0m in country procurement

Other Africa

4,403 employees
\$193.0m wages and benefits
\$726.7m taxes borne
\$674.1m in country procurement

Australia/Singapore

3,351 employees
\$411.0m wages and benefits
\$538.6m taxes borne
\$2,769.1m in country procurement

² Botswana
See page 22

² Namibia
See page 27

Zimbabwe ¹
See page 32

South Africa ^{1 2 5 5 1}
See page 30

Singapore
See page 29

Australia ^{1 5}
See page 21

South Africa

45,939 employees
\$1,628.0m wages and benefits
\$1,648.1m taxes borne
\$3,114.8m in country procurement



"In 2020, we saw much of the world tested to its limits. In dealing with the pandemic, I am immensely proud of how our team of more than 95,000 people across Anglo American pulled together to do what's right for each other, for our many stakeholders across society and for the business."

Mark Cutifani
Chief Executive

Re-imagining mining to

In 2020 we showed considerable speed, agility and resilience in helping to keep people and communities safe and healthy while supporting business continuity. Our global WeCare response programme is centred around our employees and our host communities – working to protect both physical health and mental health; and to support many aspects of lives and livelihoods in our host communities.

We worked with host governments and communities to build on our already extensive role in the often remote rural areas where we operate. From the supply of energy and water, to schools, healthcare, and the basic economic engine that supports many local businesses, we have stood in partnership and done the right thing with those who need us most. Looking at the full year, never have we felt more committed to our Values, or guided by our Purpose of re-imagining mining to improve people's lives.

We demonstrated more clearly than ever that our contribution to society is about more than just financial metrics, it is about a partnership with stakeholders.

Underlying EBITDA for the year of \$9.8 billion, a 2% decrease, recognised the effects of the early months of the pandemic and some operational disruptions, mitigated by second half production recovery and the increasingly strong price environment for iron ore, copper and PGMs in the last few months of the year.

Despite 10% lower total production volumes, we increased our mining EBITDA margin to 43%, supported by solid cost control, a strong contribution from Marketing and price strength in many of our products. Operating profit decreased by 9% to \$5.6 billion, with profit attributable to equity shareholders amounting to \$2.1 billion, a 41% decrease. Our return on capital employed of 17% was above our targeted 15% through-the-cycle return.

In this environment, our commitments to the countries and communities with which and in which we work have been stronger than ever. Alongside our broader Purpose, our tax strategy and the principles on which it is built mean that we continue to make a very significant tax and economic contribution, reflecting the enduring benefit of our operations to our stakeholders and the countries we operate in through the cycle and the economic and social shock of a pandemic.

I would urge you to read our Integrated Annual Report and our Sustainability Report in full for more detail on the wide range of meaningful initiatives and other societal investments we have made across our footprint.

A sustainable business is purposeful, competitive, resilient and agile – it's a business that thrives through both economic and social cycles. Sustainability – providing for the well-being of future generations while protecting our natural resources – is in our DNA and at the heart of our business strategy, intrinsically bound together with technology. One enables the other. Our FutureSmart Mining™ programme ensures this bond, recognising the inseparability of operational productivity improvements with numerous safety, social and environmental benefits. Our Sustainable Mining Plan's three pillars of Healthy Environment, Thriving Communities and Trusted Corporate Leader are structured to drive environmental, social and governance performance respectively, embedding sustainability into every operation through detailed and stage-gated five-year plans. Crucially, the Sustainable Mining Plan is global in its ambitions and local-context-specific in its implementation.

In the pages that follow we explicitly set out the relationship between our Tax Sustainability plans and Anglo American's overall sustainability ambitions for the first time to show our vision for how they interact as an example of how embedded sustainability considerations are in everything we do.

In this report, we talk about our total tax and economic contribution of \$25.7 billion. While the impact of the global pandemic on production and our overall profitability contributed to a reduction in absolute terms from prior years, we are justifiably proud of this significant sum – and bringing it all together demonstrates that our contribution goes far beyond just paying wages, royalties and taxes. Tax, of course, is the backbone of any government's ability to support its citizens. Our commitment to paying the right amount of tax where the value is created is critical, as is generating local benefit to our operating jurisdictions off the back of our extensive supply chain.

The importance we place on the value of local procurement can be understood more easily this year thanks to the way in which we now report our local sourcing activities to ensure that benefit

“good” really looks like. As well as taking the lead by publishing our own data in our own way for many years, we've also worked with GRI and other stakeholders to develop the GRI 207 tax standard which we are proud to be adhering to in our publications this year – the first year it has come into effect. This standard will ensure that stakeholders receive consistent and credible information about the sustainability of tax contributions and approaches to tax governance from participating groups around the world.

We continue to strive to be a global leader in tax transparency, while also going beyond the requirements of mandatory initiatives through our commitment to:

- Continued publication of our country-by-country data (most recently, for 2019, with the data for 2020 being published during 2021)
- Participation in tax reporting discussion forums with a wide range of stakeholders and industry bodies which aim to expand the participation in best practice tax reporting principles

improve people's lives

to local communities is able to be measured. As set out in the Integrated Annual Report, of particular importance during 2020 (in terms of procurement) was our focus on Covid-19 supply risk mitigation measures, the way in which we increased procurement opportunities for host community suppliers, and the way in which we continue to protect the safety, health, well-being, human rights and dignity of employees of contracting companies and suppliers.

In 2020, our operations spent approximately \$11.5 billion with suppliers, of which \$10.0 billion was with local suppliers. Our expenditure with designated suppliers (Black Economic Empowerment in South Africa, Indigenous communities in Canada and Aboriginal Suppliers in Australia) was \$2.6 billion, representing 23% of total supplier expenditure, including \$0.5 billion with host communities in the direct vicinity of our operations in South Africa. In addition, as a result of our ambition to increase procurement spend with suppliers in the host communities close to our operations, other regions recorded a further \$0.2 billion of procurement spend with communities in the direct vicinity of our operations.

Another example of putting our values into practice (and complying with not just the letter of the tax law but also the spirit of the tax law) is demonstrated by our Covid-19 Tax Concessions policy under which we undertook to not accept tax concessions that we did not need or that were inappropriate given the broader social, economic and business contexts.

This, our seventh annual Tax and Economic Contribution Report, highlights the continuing progress we have made in our journey of transparency in tax reporting, built on already strong foundations, and sets out the enduring and broad-based nature of our economic contribution to society and our commitment to our host countries and communities. When we started this journey, there was no global standard for what tax transparency meant nor what

- Adherence to updated Global Reporting Initiative (GRI) transparency standards from 1 January 2021, a core component of which is publishing a breakdown of revenues, profits and taxes paid by jurisdiction of tax residence
- Compliance with the voluntary Tax Transparency Code in Australia
- Endorsing the Responsible Tax Principles established by The B Team
- Supporting the Extractive Industries Transparency Initiative (EITI), both directly and as part of the International Council on Mining and Metals (ICMM).
- The continued enhancement of our internal tax reporting processes and following best practice in relation to tax governance and risk management, of which our tax control framework is a key part.

We set out on page 8 our Tax Strategy, and the three pillars on which we base our Approach to Tax and explain how we bring this Strategy to life throughout this report.



Mark Cutifani
Chief Executive

Purpose to Value

Guided by our Purpose – *re-imagining mining to improve people's lives* – our strategy is to secure, develop and operate a portfolio of high quality, long life resource assets. We then apply innovative practices and technologies in the hands of our world class people to deliver sustainable value for all our stakeholders.

Our Values

Anglo American's Values and behaviours are at the heart of everything we do. Guided by our Purpose and our Values, we enable high performance and purposeful action. Our Values and the way in which we, as individuals, are expected to behave are the foundation of our Code of Conduct.

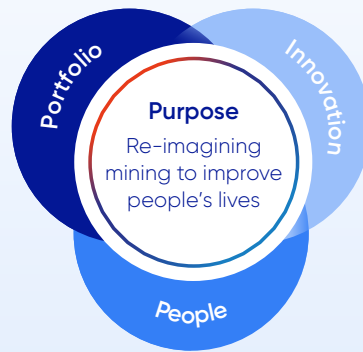


Our strategy

The quality and long life of our mineral assets are the foundations of our global business.

We actively manage our asset portfolio to improve its overall competitive position, providing products that increasingly support a fast-growing population and a cleaner, greener, more sustainable world.

⊕ For more on Portfolio
See pages 20-27 of the Integrated Annual Report



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

⊕ For more on Innovation
See pages 28-41 of the Integrated Annual Report

Our people are critical to all that we do: we create working environments and an inclusive and diverse culture that encourages and supports high performance and innovative thinking. 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.

⊕ For more on People
See pages 42-49 of the Integrated Annual Report

Capital allocation

Underpinning our strategy, we have a value-focused approach to capital allocation, with clear prioritisation.

⊕ For more on Capital allocation
See pages 50-51 of the Integrated Annual Report

Measuring delivery of our strategy

We track our strategic progress holistically – spanning non-financial and financial performance – and throughout the year 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 16-18 of the Group Sustainability Report

Delivering sustainable value for all our stakeholders

⊕ For more on our approach to stakeholder engagement, see page 13 of the Integrated Annual Report

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).

⊕ For more on remuneration, see pages 123-147 of the Integrated Annual Report

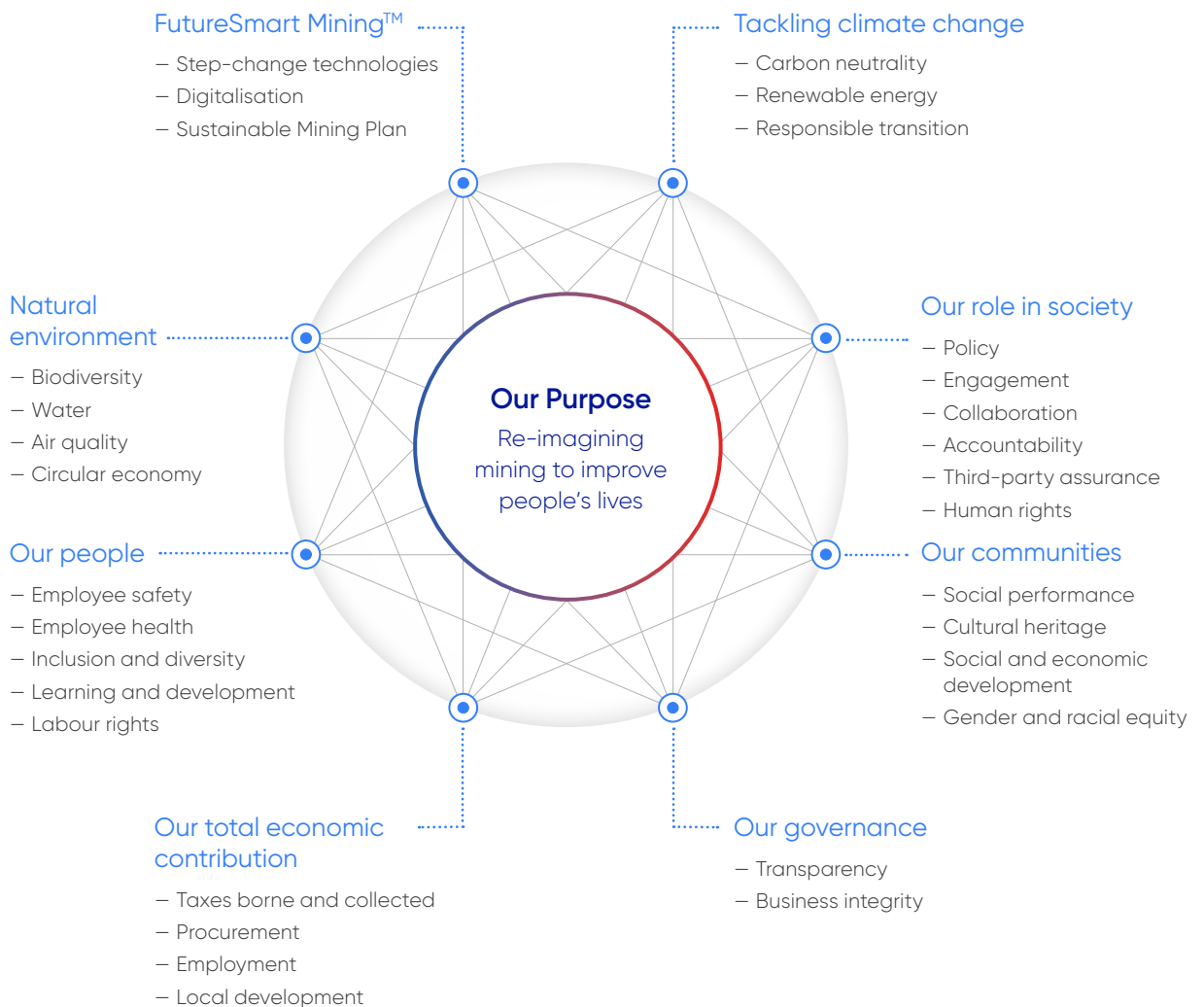
Our holistic approach to sustainability

A sustainable business is purposeful, competitive, resilient and agile. It is a business that thrives throughout economic and social cycles.

Environmental, social, governance and commercial issues are often connected; they are part of a complex dynamic system that is constantly evolving.

At Anglo American, our work has evolved to match this complexity. Sustainability considerations are integrated into how we work and are central to our decision-making as we strive to understand the full impact of each decision we take.

None of the issues explored in this report happen in isolation; so, while we report one topic at a time, our work is multi-disciplinary and dynamic, aligned with the environments in which we operate.



Living our tax strategy in 2020

Tax strategy

During 2020 we were pleased to publish an updated Group Tax Strategy that was approved by the Board and can be found on our website:

www.angloamerican.com/tax-strategy

Responsibility

Our Board sets our tax strategy and is ultimately accountable for our compliance with it. Responsibility for ensuring compliance is delegated to our Group Head of Tax, Zahira Quattrocchi, who is overseen by our Finance Director, Stephen Pearce, and Audit Committee. Our Group Head of Tax is supported by a global team of experienced tax practitioners.

Compliance

We are committed to paying the right tax at the right time. We recognise the importance of respecting the spirit and letter of the law, including aligning tax treatment with commercial reality. We seek certainty on tax matters where possible. In all our dealings with tax authorities, including where we seek certainty, our relationships are centred on transparency. Where tax authorities have adopted cooperative compliance arrangements, we will therefore favourably consider participation.

As set out in our tax strategy, we allocate value by reference to where it is created and managed within the normal course of commercial activity, and we pay tax on that basis. We do not use tax haven jurisdictions to manage taxes and we commit to not transfer value created to low tax jurisdictions.

Transparency

This report demonstrates our commitment to tax transparency to our stakeholders. We see the benefits of this transparency with all our stakeholders, including:

- **Shareholders:** the knowledge that we are deeply committed to good tax governance and responsible tax practices, thereby mitigating tax risk
- **Tax authorities:** the development and maintenance of long term, open and constructive relationships
- **Communities:** understanding how the economic benefits attributable to mining activities in their regions
- **Others:** making a meaningful contribution to ongoing tax and transparency debates. We proactively engage with industry bodies, business forums and civil society.

Tax Mission

To be a respected partner, creating value and leading change

Tax Strategy Summary

Principles

01

Core element of governance overseen by the Board

02

Aligned with Group's values, purpose, and Sustainability Strategy

03

Pay the right amount at the right time in the right place and respect the spirit of the law

04

Only use business structures driven by commercial consideration, aligned with business and substance

05

Seek to engage positively and constructively

2020 developments

Transparency

This year we include a summary of the public documents within which we provide the reporting information required under GRI 207: Tax 2019. This best practice reporting guidance came into effect on 1 January 2021 and many measures are those that we had already adopted. Some elements, such as the country-by-country reporting requirement (set out under GRI 207-4 topic disclosures) was information that we already published in OECD guideline format. We will continue to publish substantively the same information, but will do so in line with GRI requirements and format (as an appendix to be published at a later date in 2021), demonstrating our 2020 revenues, profits, taxes, capital and employees (amongst other data points) on a jurisdiction-by-jurisdiction basis.

External engagements and commitments

The Group is a member of a range of industry associations, and in line with our ambition to be a Trusted Corporate Leader we seek to engage in a broad range of formal and informal consultations on domestic and multilateral issues of relevance to the Group and to broader society.

Industry associations play an important role for Anglo American around the world. Our memberships of, and partnerships with, industry associations allow us to share best practice and be well informed on relevant technical, political and social developments. They also offer a route for Anglo American's voice to be amplified alongside peer companies in policy and other debates. The full list of Industry Associations with which the Group engages can be seen by following the link below.

[⊕ For more information on the Group's broader approach to policy influence](#)
See page 19

In terms of international policy, the key trade groups we engage with are the International Council on Mining and Metals, Business @ OECD, the International Chamber of Commerce, and the Confederation of British Industry. We will also respond directly to consultations where we believe we can offer a unique and valuable perspective.

In addition to Industry Associations, we also seek to work with other groups to promote responsible tax practices and tax transparency, such as the B-Team and the European Business Tax Forum. In addition, members of our tax team also engaged in a range of public speaking engagements in relation to these issues, and on broader tax policy issues such as the future of mining taxation, and the tax challenges of digitalisation.

In 2020, we contributed to, or made direct formal submissions on, the following consultations:

- OECD Secretariat's Proposal for a 'Unified Approach' under Pillar One of the OECD's efforts to address the tax challenges of the digitalised economy
- Global Anti-Base Erosion ('GloBE') Proposal under Pillar Two of the OECD's efforts to address the tax challenges of the digitalisation of the economy
- OECD Questionnaire on the Transfer Pricing Implications of the COVID-19 pandemic
- OECD Public Consultation on The Review of BEPS Action 14
- The Platform for Collaboration on Tax draft Toolkit on Tax Treaty Negotiations
- OECD 2020 Review of Country by Country Reporting
- United Nations updates to the Handbook on Selected Issues for Taxation of the Extractive Industries by Developing Countries
- United Nations consultation on possible changes to the Model Double Taxation Convention Between Developed and Developing Countries Concerning Inclusion of software payments in the definition of royalties.

These submissions reflect the seriousness with which we make our economic commitments to the jurisdictions in which we operate.

During 2020 we also continued to actively participate in the workstreams run by the Vienna University of Economics and Business, in collaboration with the International Chamber of Commerce and the Commonwealth Association of Tax Administrators, on co-operative compliance. The aims of this project include identifying and developing best practice guidelines in the area of co-operative compliance and undertaking and evaluating pilot studies (including in jurisdictions in which we operate). Consistent with our commitments to tax transparency and good governance, we consider this project to be a positive development towards enhancing the relationships between, and improving tax certainty for the benefit of, taxpayers and tax administrations. We are actively involved in this project along with a wide range of taxpayers, tax administrations, advisers and academics.

Anglo American Tax Control Framework

In the last 12 months we have made significant progress on the development and implementation of our Tax Control Framework ('TCF').

The TCF is an instrumental part of our broader approach to tax governance and risk management and exists to manage tax risk through the implementation of stable, effective and documented control systems.

We believe the TCF will help facilitate transparent and co-operative relations with tax authorities (particularly in countries where co-operative compliance-like systems are enacted or in place).

We expect to complete the implementation of the newly improved TCF within our major operating jurisdictions during 2021.

Responding to the pandemic

In line with the Group Tax Strategy, the Group is committed to ensuring that our activities are taxed appropriately. Where we accept tax concessions or incentives, we seek to ensure that they are sustainable, granted only to taxpayers with genuine business activity, and implemented in the manner intended by the relevant statutory, regulatory or administrative framework.

This element of our strategy was especially relevant during 2020 when, in response to the 2020 Covid-19 ('C19') crisis, Governments around the world offered an unprecedented range of business and individual financial support measures and packages to protect businesses, jobs, and individuals. The Group was eligible for C19 support through many such initiatives, and several were legislated in such a way that they applied automatically and we had no choice in whether to utilise them or not. For most concessions, we do have a choice in whether to accept them (either through formal application or tacit acceptance), so we developed a C19 Tax Concessions Policy and process for the Group to ensure that business needs are considered consistently, in line with the Group's principles, other commitments made, and our broader responsibilities to the communities in which we operate before we accept or utilise any concessions.

In summary our policy on C19 tax concessions, which is in line with the Group's Purpose, values, and broader response to the C19 crisis – is:

- We will utilise tax concessions that ease the administrative burden on us or tax administrations only where they do not adversely impact the rights of a country or tax administration
- Financial tax concessions that are immaterial to the business will not be utilised
- We will consider carefully and consult widely on the appropriateness of material tax concessions that result in a temporary or permanent financial advantage to the Group, and in any case, we will only utilise such concessions where there is a genuine business need to do so and a commercial assessment has been approved by the Group CFO.

⊕ **For more information about the Group's wider response to the pandemic**
See pages 19–23 of the Anglo American Sustainability Report 2020



⌘ This COVID 19 diagnostics lab was set up by the mine at the UGM health center in Kathu. The lab analyses samples from the general public as well as mine staff for the COVID 19 virus.



⌘ Volunteer Lishen Mabina assists a community member with the food parcel donations from Anglo American and Care of the Givers.



⌘ Information sharing about the virus and vaccine in Moquegua, Peru.

Tax factors affecting the mining industry

Mining is a long term business and therefore fiscal factors, as well as political and economic factors, impact investment decisions and long term operational strategies.

Jurisdictions with the following tax characteristics assist in the development of strong longer term relationships with tax payers:

Tax policy and administration

- Tax regimes which are stable and with predictable rules, introduced prospectively, with stakeholder consultation.
- Tax legislation that follows internationally agreed principles and therefore fosters certainty.
- Tax administration procedures which give reliability over acceptable reimbursements and timing of any due refunds.

Basis of taxation

- Tax should be levied on a fair and equitable basis, enabling risk and reward to be shared between the investor and government, supporting long term investment and job and wealth creation.
- Tax should generally be levied on profits so that appropriate tax revenues can be raised at the appropriate time.
- Detailed tax rules should take account of the specific characteristics of the mining industry, including relief for exploration, infrastructure expenditure and appropriate reliefs for capital expenditure.
- Any mining-specific taxation should typically be in the form of a mining royalty or mining tax based on profit rather than revenues.

Tax and Economic Contribution Report 2020

Living our tax strategy in 2020 continued

GRI 207: Tax 2019

As part of Anglo American's tax commitment to leadership in tax transparency, key elements of GRI 207: Tax 2019 were already an integral part of our tax reporting suite of information prior to and throughout 2020.

Set out below is a summary of each of the relevant GRI disclosures for Tax and the locations of further publications which include more information:

Management approach disclosures

Disclosure 207-1: Approach to tax

- a. A description of the approach to tax, including
- (i) Whether the organisation has a tax strategy available and, if so a link to this strategy if publicly
 - (ii) the governance body or executive-level position within the organisation that formally reviews and approves the tax strategy, and the frequency of this review
 - (iii) the approach to regulatory compliance
 - (iv) how the approach to tax is linked to the business and sustainable development strategies of the organisation.

Anglo American's best-practice approach to tax is integral to our values and published details can be found on our website within the following:

- [Anglo American Group Tax Strategy](#)
- The Group [Integrated Annual Report](#) and [Sustainability Report](#)
- Tax & Economic Contribution Report
- [Code of Conduct](#).

The governance body responsible for the Group Tax Strategy at Anglo American is the Anglo American plc Board who review and oversee the Group Tax Strategy regularly.

As set out in the above documents our approach to regulatory compliance can be described as 'complying with both the letter and spirit of the law, ensuring payment of the right amount of tax at the right time, in the countries in which we undertake business activity'.

Our approach to tax firmly fits within the wider Anglo American [Our Sustainable Mining Plan](#) that forms the basis of all the Group's decision-making. The Tax Sustainability Plan, see page 17 (under which we have a rolling programme of key workstreams) aligns to the three Global Sustainability pillars of:

- Trusted corporate leader
- Healthy environment
- Thriving communities.

Disclosure 207-2: Tax governance, control and risk management

- a. A description of the tax governance and control framework, including:
- (i) the governance body or executive-level position within the organisation accountable for compliance with the tax strategy
 - (ii) how the approach to tax is embedded within the organisation
 - (iii) the approach to tax risks, including how risks are identified, managed, and monitored
 - (iv) how compliance with the tax governance and control framework is evaluated.

Further details are included within the documents listed above. The Anglo American plc Board remains accountable for compliance with the Tax Strategy.

[For further details please see the Anglo American Group Tax Strategy](#).

On an operational level, accountability for ensuring compliance with the Tax Strategy is delegated to the Group Head of Tax.

In line with our Tax Governance Framework, this accountability is overseen by the Group CFO and Audit Committee. Our Tax Control Framework ('TCF') sets out how tax risks arising from the business activities that we undertake, should be managed across the Group. It is a global framework that establishes a minimum standard of control (based on three lines of defence) across all our Group companies to effectively manage tax risk. The process for evaluation of the control framework is being refined in the current year. Further detail is expected to be published in the 2021 Tax and Economic Contribution Report.

We use our Tax Risk Management policy and its assessment framework, in conjunction with our TCF to identify, manage, and monitor risks. We carry out risk assessments on the tax impacts of significant transactions. Compliance with our TCF and its policies is monitored by our Group Tax Risk team and by periodic reviews by our internal audit team. We report on the performance of the TCF to the Audit Committee.

- b. A description of the mechanisms for reporting concerns about unethical or unlawful behaviour and the organisation's integrity in relation to tax.

Our Code of Conduct applies to everyone in the Anglo American Group, including members of the Board of directors and our affiliate companies. It highlights the importance of our Tax Strategy and Anti-Tax Evasion Policy – and reiterates what is expected of our people and that we are committed to compliance with relevant tax laws in all the jurisdictions in which we operate, paying the right amount of tax at the right time, in the countries where we undertake business activity.

Our 'YourVoice' reporting service is referenced in our Code of Conduct and Group Tax Strategy, and encourages employees to confidentially raise any issues of concern.

- c. A description of the assurance process for disclosures on tax and, if applicable, a reference to the assurance report, statement, or opinion.

The review processes for all tax disclosures encompass input and assurance from relevant internal stakeholders. The tax disclosures in the Group financial statements are audited by PwC, an independent external auditor. Additional assurance work is performed by PwC for the taxes borne disclosure included within the Tax and Economic Contribution Report, see page 35.

Disclosure 207-3: Stakeholder engagement and management concerns related to tax country-by-country reporting requires reporting of financial, economic, and tax-related information for each jurisdiction in which the organisation operates.

- a. A description of the approach to stakeholder engagement and management of stakeholder concerns related to tax, including:
- (i) the approach to engagement with tax authorities;
 - (ii) the approach to public policy advocacy on tax;
 - (iii) the processes for collecting and considering the views and concerns of stakeholders, including external stakeholders.

Further details can be found within pages 13-15 of our [Annual Report](#) and also within our published [Group Tax Strategy](#), however in brief, we seek to maintain a long term, open, transparent, and constructive relationship with relevant key stakeholders and especially tax authorities and governments in relation to tax matters.

Details on our public policy advocacy on tax matters can be found within the annual Tax and Economic Contribution Report.

We maintain a dialogue with a range of stakeholders both directly and through other internal functions, and industry associations to understand all their concerns – this includes peers, other businesses, NGOs, investors and policymakers. We consider this gives us a good view of their concerns but where specific concerns are raised with them we always engage in one-to-one dialogue to seek to resolve those concerns.

Topic Specific Disclosures

Disclosure 207-4: Country-by-country reporting requires reporting of financial, economic, and tax-related information for each jurisdiction in which the organisation operates.

Anglo American already publishes key elements of Country-by-Country reporting data as part of its annual transparency data as an appendix to the Tax and Economic Contribution Report. Data with respect of 2018 and 2019 has already been published as submitted to Her Majesty's Revenue & Customs in line with UK law under the globally recognised OECD format. For 2020 data, we will publish an amended version of our country-by-country report within 2021 to ensure it is aligned with GRI 207-4 requirements, where they differ from the OECD standard.

A list of tax jurisdictions where the entities in the Group audited FS are tax resident also included within note 35 of the 2020 Anglo American Annual Report (pages 212-224).

Transfer pricing

As a multinational group, Anglo American undertakes a significant number of intragroup transactions relating to the processing, logistics and marketing of our products or intragroup services and financing.

These activities are a necessity of managing a global multinational business and we give careful consideration to the transfer pricing approach that we take. As set out in our Tax Strategy we are committed to paying the right tax at the right time in the right place.

The UN, the OECD and the World Bank recommend that where transactions take place between two related parties, transfer prices should be set in accordance with the 'arm's length principle'.

This is the price that would have been charged by an unrelated party for carrying out the same transaction.

As cross-border transactions have the ability to potentially distort taxable income, tax authorities in many countries can adjust the transfer price between two related parties if they believe they do not reflect the arm's length price.

Discover, plan and build

Discover: Our exploration geologists search for and discover new sources of the metals and minerals that make our modern lives possible.

We benefit from developing and using world class expertise and leading technologies, often that we have developed ourselves, to find deposits we can develop and mine in a safe and sustainable way.

Plan and build: Before we put a spade in the ground, our geologists and engineers work together using virtual mine planning systems to design the most effective, cost-efficient and environmentally sound construction and operational mine plans.

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

Mine

Mine: In extracting the products that we all need in our daily lives, we draw on more than 100 years of mining experience. Safety comes first: our whole way of working is focused on zero harm. We plan for the lifecycle of the mine and beyond, and use our own technologies for reducing waste and protecting the natural environment.

Value driver
The application of our Operating Model to the long term value creating assets within our portfolio drives a more stable, predictable and higher level of operating performance, resulting in improved safety and production, and lower costs. We ensure that we have the right people in the right roles performing value-adding work, including within our procurement and technical teams who form strong relationships with major suppliers to deliver tailored equipment and other solutions to enable this best-in-class operating performance and cost-effectiveness.

Processing/blending

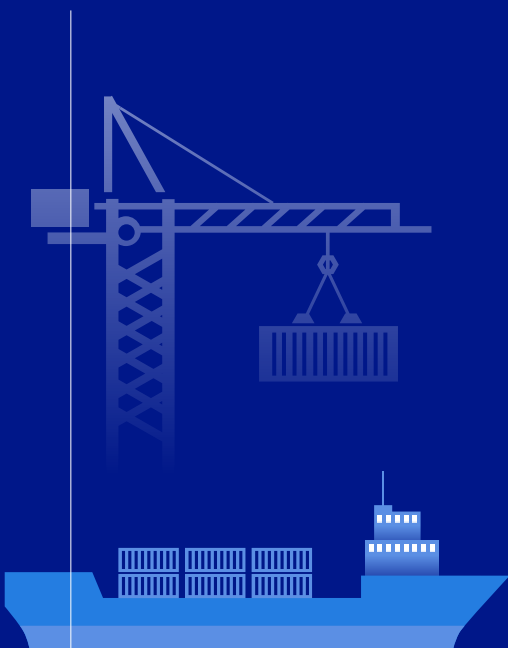
Process: By processing, converting and refining our raw materials, we produce what our customers need. Our processing technologies also enable us to reduce waste, save water, increase efficiency, drive innovation and, by adding value to our products, support economic growth in the areas around where we mine.

Value driver
Our businesses work closely with our Technical & Sustainability function and Marketing business to apply innovative methods and technologies to realise even greater value from our resource base.

At Anglo American, transfer pricing reflects the commercial and economic substance of any related-party transactions, using a consistent approach within the Group. We ensure that taxable profits arise in the jurisdictions where the operations create value, and is compliant with local law and international best practice.

Where possible, we enter into real-time discussions with tax authorities to try and agree this approach upfront and reduce the risk of any possible disputes later.

With respect to the Anglo American value chain, below is an illustrative example of how value can be created, from finding deposits to the marketing of our products.



Move and Market

After processing, we then transport our metals and minerals to where they are needed, to our customers. We use the latest technologies to co-ordinate and optimise our global shipping needs. And we use our scale and detailed knowledge of the markets for our products to offer our customers a stable supply to their exact specifications – adding value for them every step of the way and, ultimately, for the billions of consumers who rely on our products every day.

Value driver

We utilise the latest logistics processes to co-ordinate and optimise global shipping needs, to meet customers' specific technical and logistical requirements.

These activities are designed to contribute value to the Group in a number of ways: improving EBIT; enhancing cash flow through tighter working capital management; better risk- and control management; and stimulating sustainable demand by continuing to build direct customer relationships and to obtain full value for our products.



End of Life Plan

We don't only plan for the lifecycle of the mine – we also take great care to look beyond and determine the rehabilitation of the site and the ongoing real benefits for local communities, long after the mine is closed.

Value driver

We continually invest in people, skills, capabilities and technologies to allow us to develop and adhere to Life of Mine plans to make sure that we are a good neighbour, bringing our purpose to life as a partner of choice and meeting our commitment to communities in the areas in which our operations are based – and therefore a key part of our licence to operate.

Other related party transactions

Throughout our value chain activities, we conduct other material transactions between companies in the Anglo American Group. These transactions are disclosed to tax authorities through the submission of our tax returns and are performed at an arm's length price.

Services

Certain centralised functions (such as legal, tax, accounting, human resources, Technical & Sustainability services, and information technology) are provided from specialist hubs in the Group to ensure the efficient and effective management of the Group. By sharing best practice between our Business Units, and enabling the effective delivery of the Group's strategy our centralised functions provide know-how, technical expertise and governance standards, as well as making investments for technology, tools and processes for the future. Ultimately, the purpose of the intragroup services is to increase efficiency in our operations and thereby increase Group earnings, either through increased turnover, lower costs or both.

Insurance

Anglo American's insurance companies provide essential commercial insurance coverage to Group entities (as well as some joint venture entities) for low frequency/high severity events, such as property damage and business interruption, which would otherwise cause significant local financial and operating implications.

These captive arrangements allow the Anglo American Group to benefit from its natural geographic and product diversification and therefore enable a pooling of risk and also provide access to an established reinsurance market.

Financing

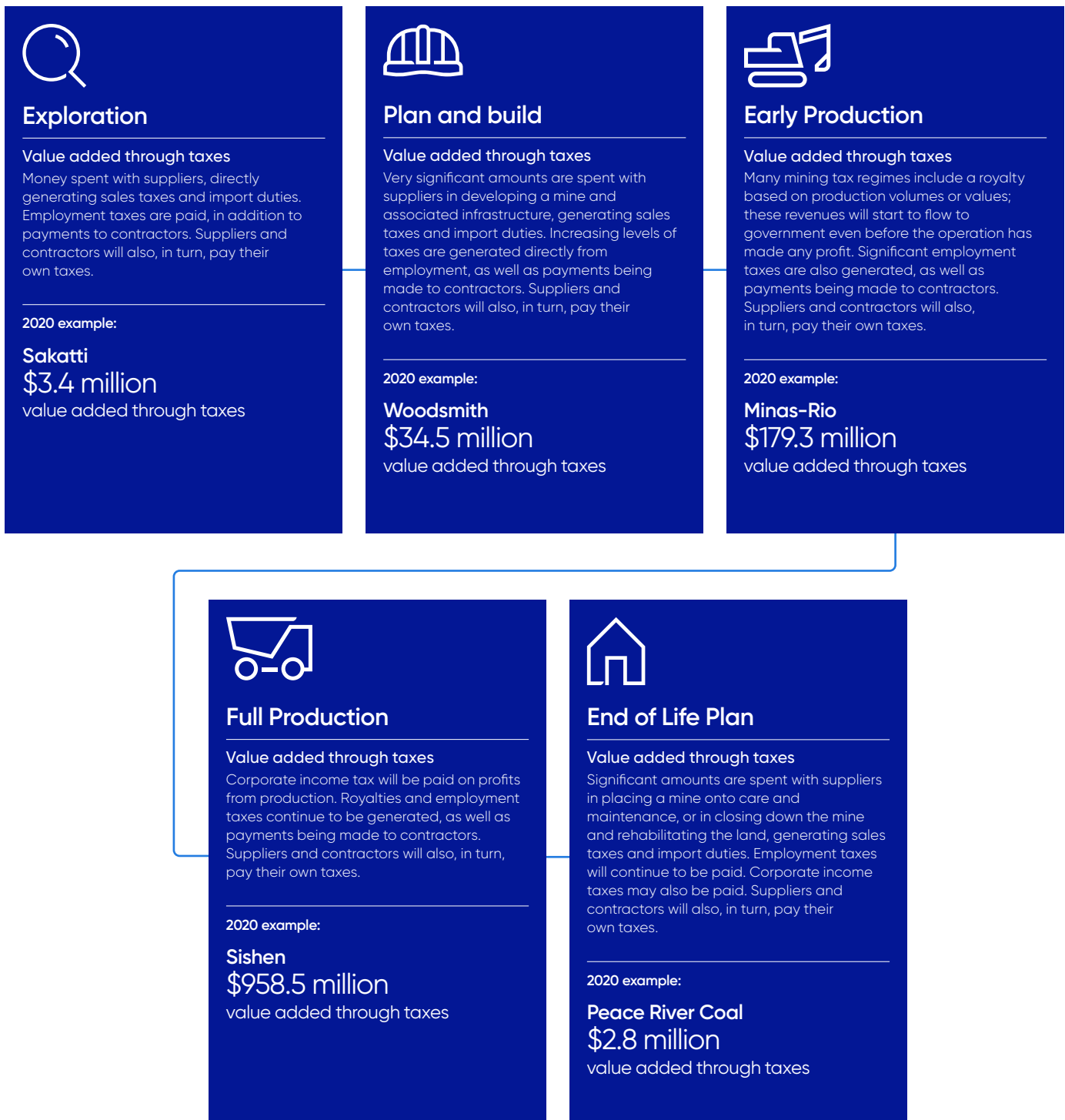
Funding for the Group comes from a range of external sources and instruments. Anglo American plc, the parent company of the Group, manages the overall funding and investment strategy, while the internal allocation of funding, including capital allocation decisions, comes from UK Group finance company Anglo American Capital plc.

Tax contribution through the lifecycle of a mine

We contribute, value add, through the collection and payment of taxes across our full value chain.

Many tax regimes in resource-rich countries offer tax relief for the exploration, development and construction of mines, often available in addition to the regular tax provisions applicable to companies in other sectors.

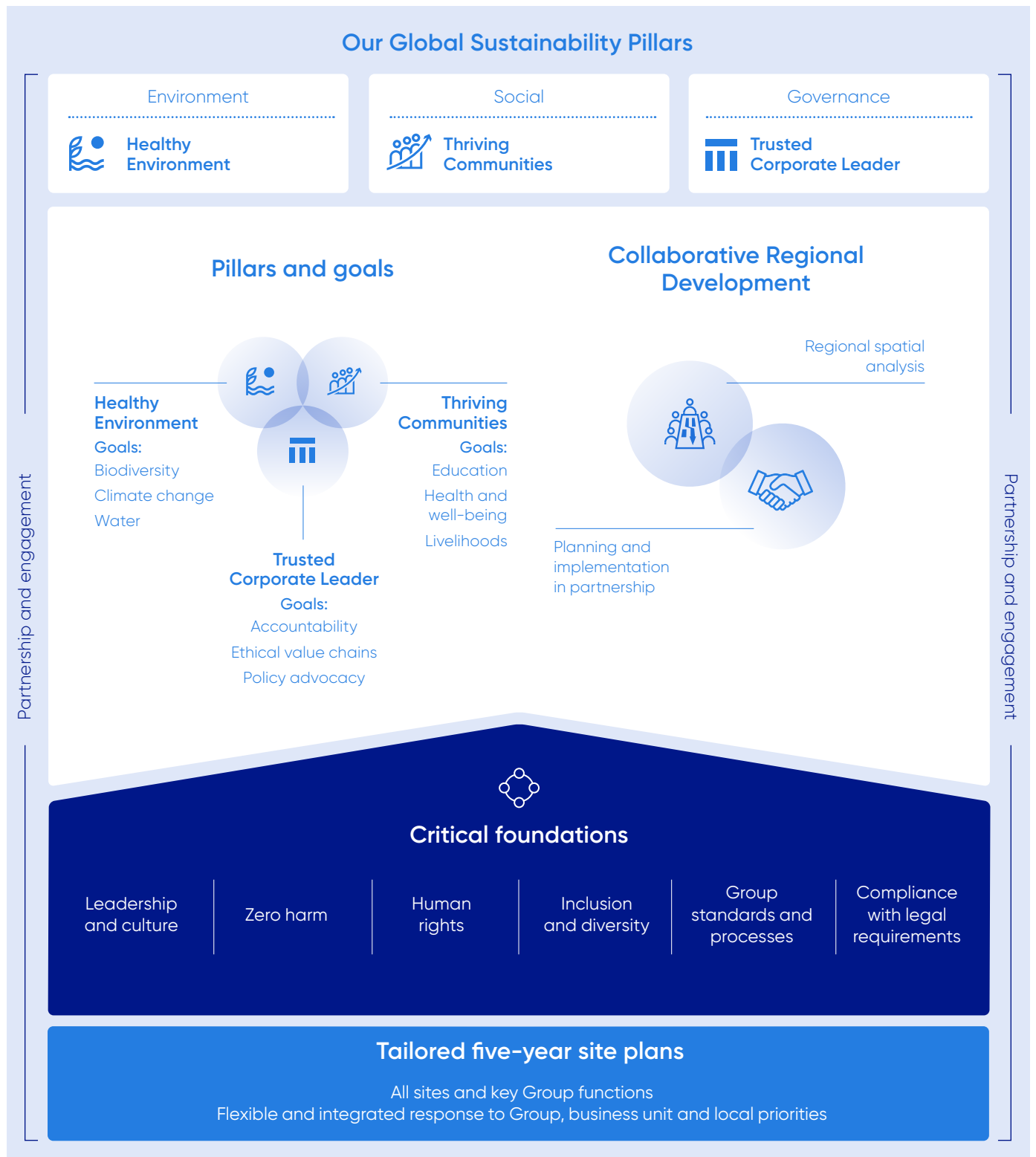
This means that our total tax contribution will fluctuate depending on economic conditions. However, even when profit-based tax payments reduce, a significant portion of our contribution endures through the payment of mining royalties and taxes associated with, for example, employment and procurement. This feature is one indicator of the long term nature of our investments and our business' contribution to our host communities and governments.



Sustainable Mining Plan

Integral to our FutureSmart Mining™ approach is our Sustainable Mining Plan. It is designed to tackle our most pressing environmental and social challenges, while

changing how our employees and stakeholders experience Anglo American – in line with our Purpose.



Collaborative Regional Development

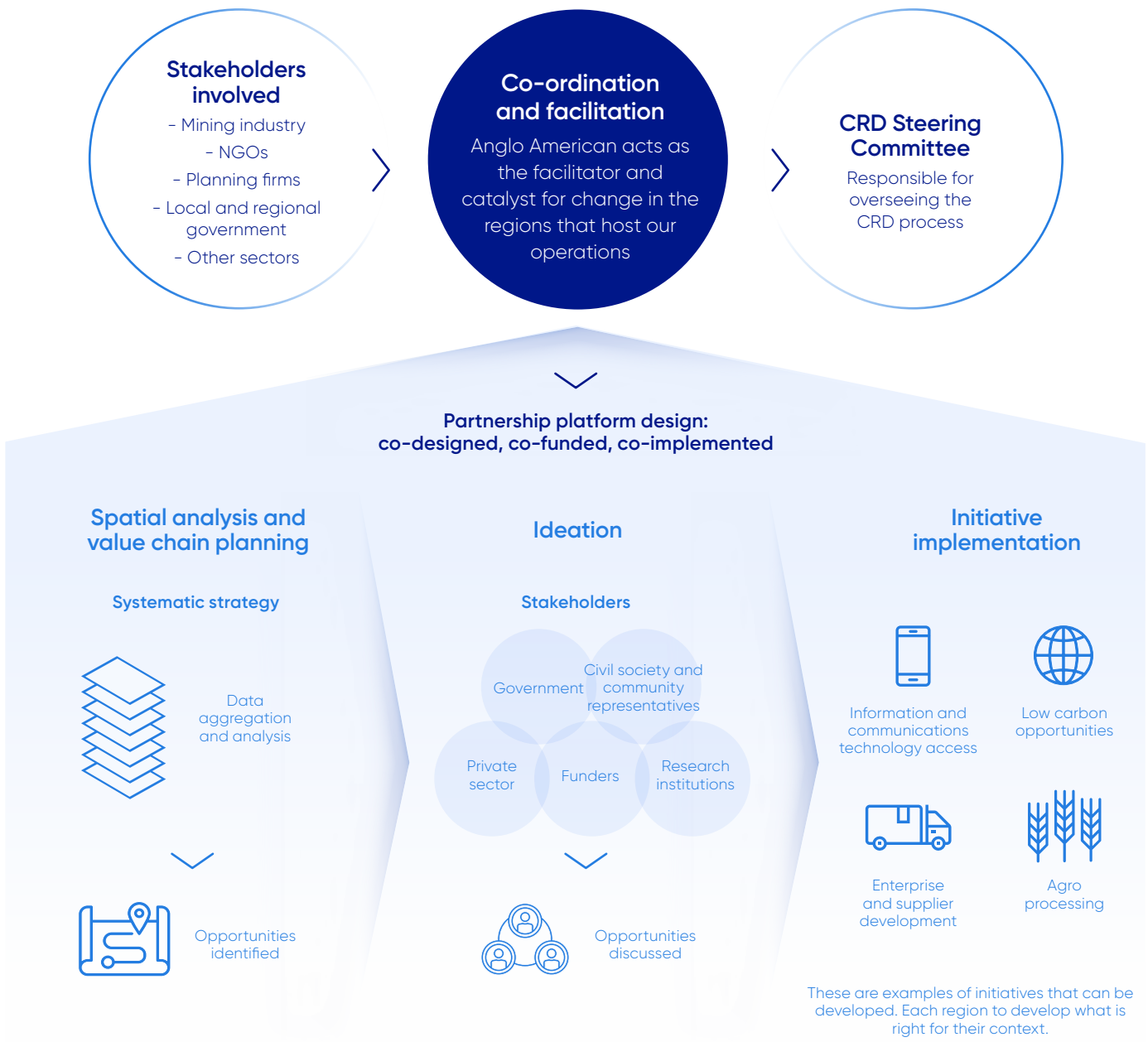
For our mines to be safe, responsible and productive, they need to operate in areas that are thriving. As the way we mine changes, there is a need for longer term sustainable, regional development that can prosper beyond the employment and supply chain opportunities provided by mining.

In many places, addressing the challenges to achieve this are simply too complex and large to be solved by one institution alone; they need to be tackled through collaboration and partnership. We partner with governments, communities and NGOs to help diversify and strengthen the regional economy as a whole and create bespoke, coherent, integrated strategies based on government and private sector collaboration.

This is Collaborative Regional Development (CRD); our approach to being a catalyst for change and bringing long term sustainable economic opportunities to the regions around our operations.

This approach starts with identifying the socio-economic development opportunities with the greatest potential in a host region. We use spatial analysis to look at factors such as demographic data, available infrastructure and climate projections to explore challenges and opportunities in the region and combine these with market studies. This information informs ideation, sparks multi-sectorial partnerships and enables co-development of initiatives. From there, we develop plans, secure funding and implement sustainable development models that realise the opportunities.

[+ Read more about Collaborative Regional Development](#)
See page 76 of the Anglo American Sustainability Report 2020



Tax and the Sustainable Mining Plan

Our Sustainable Mining Plan is integral to the Group's strategy and achieving our Purpose. As part of our commitments, each site and Group function, including the tax function, has developed a five-year sustainability plan.

This ensures we are playing a key role in embedding sustainability in finance, in collaboration with the Sustainability Integration and Impact team and the business units, in order to achieve our Purpose.

In 2020 we developed a formal tax sustainability plan aligned to each pillar of the Sustainable Mining Plan. These have been signed off by the Group CFO.

Our Global Sustainability Pillars

Environment



Sustainable Mining Plan Vision

Maintaining a healthy environment by creating water-less, carbon, neutral mines and delivering positive biodiversity outcomes.

Tax Sustainability Mission

Ensure compliance with all environmental taxes, while delivering operational risk management, maximising value of environment-driven projects managed by all functions and business units, and contributing to the broader societal debate on the role of 'green taxes'.

Social



Sustainable Mining Plan Vision

Building thriving communities with better health, education and levels of employment.

Tax Sustainability Mission

Contribute to broader culture of learning and development through enhanced tax transparency, knowledge sharing, tax education and capacity building.

Governance



Sustainable Mining Plan Vision

Developing trust as a corporate leader, providing ethical value chains and improved accountability to the communities we work with.

Tax Sustainability Mission

Be (and be recognised by key tax stakeholders as) a respected partner that operates best-in-class controls and tax reporting, contributes taxes responsibly and leads a dialogue on how tax can contribute to wider societal goals.

Socio-economic contribution

Covid-19 has adversely affected our communities around the world. While this has significantly impacted our work in the areas of health, livelihoods and education, we have done our best in this challenging context to honour our commitment to enabling Thriving Communities. We have provided immediate response and longer term recovery support to our employees, local communities and the regions and countries that host our operations.

Our approach and policies

Our socio-economic contribution

The socio-economic contribution we make to the communities in which we operate takes various forms:

- The royalties and taxes we pay add economic value to a country
- Business operations that deliver economic value to communities, enhanced by policies on inclusive procurement, local recruitment, and supporting local suppliers
- Long-running socio-economic development interventions, in collaboration with local partners, which address local needs, building sustainable local economies that are less dependent on our mines.

Taking a long term view, we design our operations and community development initiatives so that communities and economies continue to thrive, even after our mines have closed.

For more information on our Collaborative Regional Development, please see page 76 of the 2020 Anglo American Sustainability Report.

The economic value we add

By employing people, paying taxes and spending money with suppliers, we make a significant positive contribution to both our host communities and their regional and national economies. Most of these are in developing countries. Thanks to the multiplier effect, our total economic contribution extends far beyond the direct value we add.

Our national tax contributions

We see public disclosure as key to building people's trust in the mining industry. That is why for the past 14 years we have voluntarily provided information about our tax payments on a country-by-country basis. We have also fully complied with the 2013 EU Accounting Directive since it was introduced.

We are an active supporter of the EITI, and one of four mining companies represented on the EITI board. We take part in the Multi-Stakeholder Groups initiative in Peru, Ecuador and Zambia – the three countries that are members of the EITI and where we have a presence.

We comply with the requirements of the UK Reports on Payments to Government Regulations (SI 2014/3209) and Chapter 10 of the EU Accounting Directive (2013/34/EU), submitting a full analysis of tax and other payments to governments, on a project-by-project basis, to Companies House, the UK registrar of companies.

Economic value distribution⁽¹⁾

	\$ billion	
Suppliers	11.5	48%
Employees	3.4	14%
Reinvested in the Group	4.1	17%
Company taxes	3.8	16%
Dividends	0.9	4%
Providers of capital	0.4	1%
Corporate social investment	0.1	0%
Total	24.1	

⁽¹⁾ Computational discrepancies may occur due to rounding.

Taxes borne and collected: developed vs. developing countries

	\$'000	
Developing	4,255.6	81%
Developed	1,015.4	19%
Total	5,270.9	

Public policy engagement

Policy engagement is critical to ensuring we optimise our contribution to society and ensuring long term business success. Taking a position of leadership and accountability, we engage key stakeholders on issues that matter most to society, from public health to climate change.

Our approach and policies

Our public policy engagement, like all our activities, is aligned with our Code of Conduct and a set of internal guidelines helps us monitor and respond to society's expectations and demands.

Government relations

The parameters for our engagement with governments are covered by our Code of Conduct. Our Government Relations team advises on and monitors our government relations centrally. It is also involved in the annual government relations planning exercises carried out by our teams locally at a country level.

This is the process by which we seek to understand how our business is impacted by the political environment and what our host governments expect of us and our role in society.

Industry associations

We expect the same standards of behaviour from the industry associations of which we are a member as we would from any other organisation with which we partner.

In 2020, we updated the 'Working with Institutional Stakeholders' element of the Business Integrity section of our Code of Conduct to make this clear. Similarly, we updated our Group Business Integrity Policy to clarify that it also applies to our dealings with industry associations.

Being a member of industry associations is a way of ensuring that our voice is heard, while staying informed about relevant developments. We publish details regarding all of our association memberships on our [website](#). In 2019 we [committed](#) to a biennial disclosure outlining an analysis of policy alignment, and how the governance process has been applied during the reporting period. One component of the governance process is designed to respond to potential misalignment between industry associations and Anglo American. Its key elements include:

- Escalating issues of concern to the head of the relevant business unit and then, if necessary, to the Group head of international and government relations and ultimately to the Group Management Committee
- Engaging with the industry association, seeking the necessary policy change. In the event of continued misalignment, we will consider all potential actions, up to and including suspension or termination of our membership.

Political donations

In accordance with our Code of Conduct, we do not make political donations or donations that could be perceived as such, either directly or through third parties.

Partnering against corruption

We are signatories to the World Economic Forum's Partnering Against Corruption Initiative, joining global businesses in a commitment to zero tolerance of corruption in any form. We are also a Board member of the Extractives Industry Transparency Initiative (EITI).

Activities in 2020

Reinforcing our tax strategy

In 2020, our Board approved a new [Group tax strategy](#), which is closely aligned with the Responsible Tax Principles of the B-Team, a not-for-profit initiative that aims to encourage a better way of doing business. A key pillar of our tax strategy is transparency, which includes publishing details of how we seek to engage with stakeholders as Trusted Corporate Leaders.

We also publish an annual [Tax and Economic Contribution Report](#), along with country-by-country corporate tax reports prepared under OECD standards for tax administrations. In the course of 2019 and 2020, we contributed to the development of [Global Reporting Initiative Standard 207](#). Aside from transparency, our priority engagement areas relate to multilateral corporate tax reforms, mining tax reforms for developing countries, co-operative compliance programmes, and tax measures designed to support decarbonisation.

Our approach to annual reporting on tax is best in class and we will fully comply with the new GRI Tax Standard from 2021 – the first year it is effective.

Engaging in response to Covid-19

With the onset of the pandemic, we instituted our WeCare programme. We have worked closely with governments in our countries of operation to ensure that our Covid-19 workplace business continuity programmes align with national policy. In many cases, this has generated a collaborative response to dealing with the pandemic.

Advancing the UN Sustainable Development Goals (SDGs)

In 2020, we continued our series of SDG accountability dialogues in the countries where we operate, consulting with external stakeholders – including governments – about how we measure our footprint against the SDGs and to assess the potential for partnership. South Africa remains at the forefront of our activity in this area, but we are also looking to expand our work in Brazil and Australia, and start SDG dialogues in Peru and Chile.

We have also taken part in the UN Global Compact's SDG Innovators programme. This is a 10-month scheme for a team of under-35s in selected companies to study new options for business activity in line with the SDG targets. We participated in South Africa in 2020.

Supporting the United Nations' mission

In 2020, our chief executive joined other [business leaders in support of multilateralism](#) by signing the UN's [Statement from Business Leaders for Renewed Global Cooperation](#).

This builds on our engagement with international bodies and our [membership of the UN Global Compact](#).



Find out more about UN Global Compact membership
www.unglobalcompact.org/what-is-gc/participants/643-Anglo-American-plc

“Much of our public policy engagement begins with the transition to a low carbon economy and, therefore, climate change.”

Combating climate change

We are a founding sponsor of the World Bank's Climate Smart Mining Initiative, which aims to support the application of a climate-smart approach to mining, especially in resource-rich developing countries.

Much of our public policy engagement begins with the transition to a low carbon economy and, therefore, climate change. This is particularly so in relation to the circular economy and the hydrogen economy, but also in discussions about post-pandemic recovery.

In 2020, we held regular discussions with the [Climate Action 100+](#) group of investors, with whom we work to ensure that our public disclosure on climate change is aligned with the expectations of all our stakeholders.

Supporting a hydrogen economy

Many governments' post-Covid-19 strategies are looking towards a green recovery and include plans, as well as financial resources, for deploying hydrogen technologies as key solutions to address their decarbonisation challenge. Several governments are now developing their own hydrogen economy roadmaps and, given our longstanding work in this field, we are in a key position to help drive innovation through partnerships.

We are engaging with stakeholders in the hydrogen ecosystem in several jurisdictions, including Europe, Asia, Africa, the Americas and Australia. We are also a member of various relevant interest groups promoting the hydrogen economy, as well as a founding and Board member of the global CEO-led initiative, the [Hydrogen Council](#).

In 2020, we continued to explore ways to create mass demand for the hydrogen economy, specifically in the heavy-duty freight sector. We have initiated two projects on aggregating freight demand, in South Africa and the UK. Having convened a stakeholder group of original equipment manufacturers and fuel/infrastructure companies, we are reaching out to fleet operators to explore an economically viable case to run their fleets of trucks on hydrogen in the future.

Engaging with NGOs

Throughout 2020, we continued to actively engage with NGOs, to build trust, gain a better understanding of external perspectives, and have a positive impact on people in the communities where we operate. A key example is our work in South Africa to support victims of domestic violence.

Other examples of our engagement with NGOs include: partnering with Transparency International on a toolkit for Open Business, supporting its associate CorruptionWatch in South Africa on its sustainable mining programme; engaging with the Organisation for Economic Co-operation and Development (OECD) in its Trust in Business Programme; and our extended support for multi-stakeholder group discussions on sustainability issues, including with faith communities.

Ethics and transparency

In 2020, we established an internal Ethics Transparency and Accountability Working Group to cross-reference best practice and assess our approach and performance in all relevant areas of responsible corporate behaviour. We also hosted and took part in global webinars involving the UN Global Compact and SDG 16 regarding the independent rule of law and the promotion of concrete actions that the corporate sector could take in support of good governance and strong institutions.

Next steps

We will continue to pursue and promote our 2020 public policy engagement initiatives into 2021 and beyond. We are working to report publicly in line with Global Reporting Initiative Standard 207 from 2021, and to implement enhanced tax control frameworks across all our major operating jurisdictions. We will participate in the UN Global Compact's SDG Innovators programme in South Africa in 2021, also adding teams in the UK and Brazil.

Our economic contribution in Australia in 2020

As the world's third largest exporter of metallurgical coal, our Metallurgical Coal operations in Australia serve customers throughout Asia and the Indian sub-continent, Europe and South America.



Total tax and economic contribution

\$4,084.3m

Capital investment

\$683.0m

Capital investment is defined as cash expenditure on property, plant and equipment, including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.

Wages and related payments

\$362.0m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

In country procurement

\$2,341.7m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total procurement

\$2,343.4m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

Corporate social investment

\$2.4m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

Total taxes borne and collected

\$693.5m

\$96.5m

Corporate income tax

Calculated based on profits and includes withholding taxes.

\$314.6m

Royalties and mining taxes

Revenue, production and profit based royalties.

\$114.3m

Other payments borne

Other payments directly incurred by Anglo American.

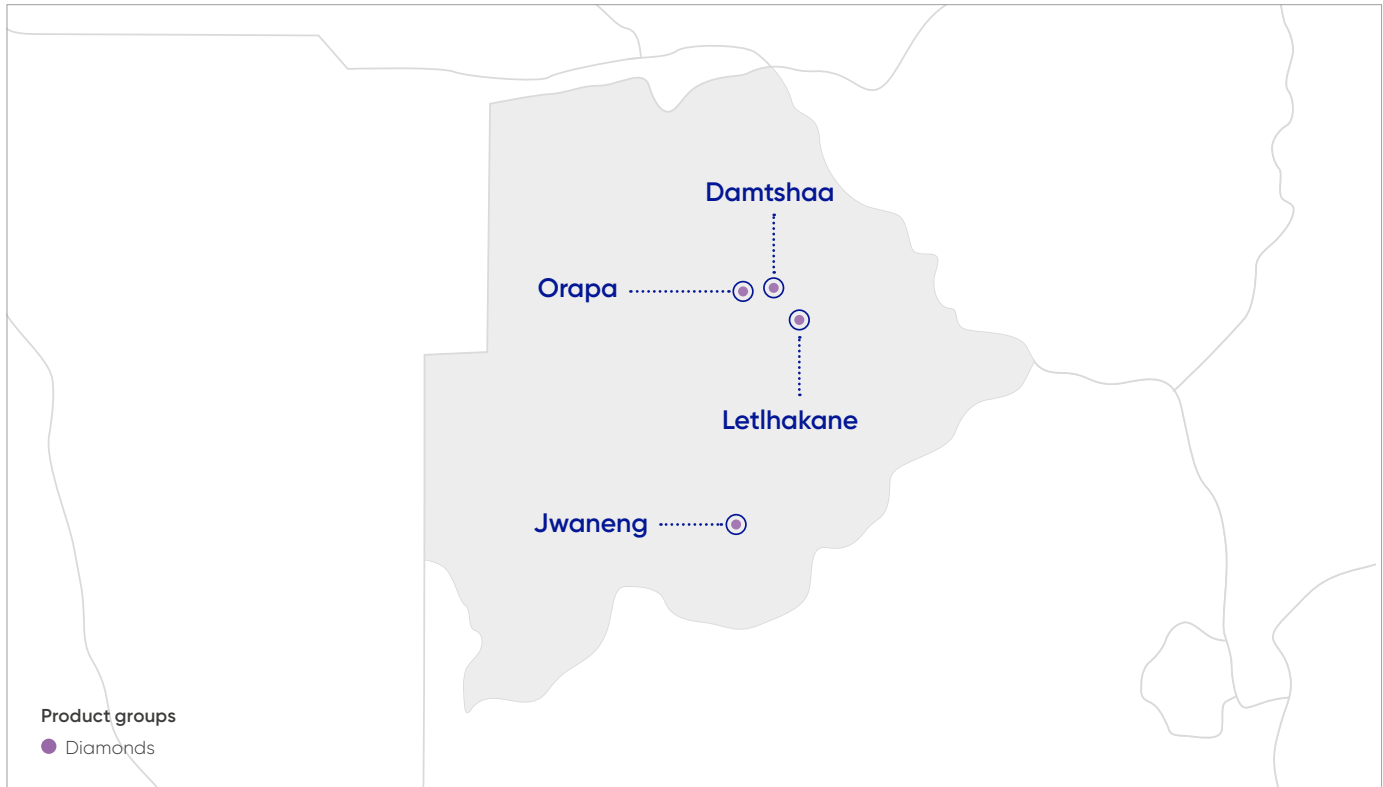
\$168.1m

Taxes collected

Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

Our economic contribution in Botswana in 2020

In a 50:50 partnership with the Government of the Republic of Botswana (GRB), De Beers 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.



Total tax and economic contribution

\$1,219.8m

Capital investment

\$65.0m

Capital investment is defined as cash expenditure on property, plant and equipment, including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.

Wages and related payments

\$81.0m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

In country procurement

\$446.4m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total procurement

\$555.8m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

Corporate social investment

\$6.0m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

Total taxes borne and collected

\$511.9m

\$246.9m

Corporate income tax

Calculated based on profits and includes withholding taxes.

\$190.8m

Royalties and mining taxes

Revenue, production and profit based royalties.

\$0.3m

Other payments borne

Other payments directly incurred by Anglo American.

\$73.9m

Taxes collected

Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

Our economic contribution in Brazil in 2020

In Brazil, we produce iron ore at Minas-Rio, located in the states of Minas Gerais and Rio de Janeiro, and nickel from operations in the municipalities of Barro Alto and Niquelândia, in Goiás.



Total tax and economic contribution

\$1,679.6m

Capital investment

\$196.0m

Capital investment is defined as cash expenditure on property, plant and equipment, including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.

Wages and related payments

\$137.0m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

In country procurement

\$1,021.5m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total procurement

\$1,139.6m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

Corporate social investment

\$6.2m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

Total taxes borne and collected

\$200.8m

\$79.9m

Royalties and mining taxes

Revenue, production and profit based royalties.

\$68.6m

Other payments borne

Other payments directly incurred by Anglo American.

\$52.3m

Taxes collected

Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

Our economic contribution in Canada in 2020

In Canada, De Beers has a 51% interest in, and is the operator of, Gahcho Kué open-pit mine in the Northwest Territories. It began commercial production in 2017.



Total tax and economic contribution

\$405.9m

Capital investment

\$31.1m

Capital investment is defined as cash expenditure on property, plant and equipment, including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.

Wages and related payments

\$43.0m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

In country procurement

\$76.6m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total procurement

\$300.7m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

Corporate social investment

\$0.5m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

Total taxes borne and collected

\$30.6m

\$4.9m

Royalties and mining taxes

Revenue, production and profit based royalties.

\$4.5m

Other payments borne

Other payments directly incurred by Anglo American.

\$21.2m

Taxes collected

Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

Our economic contribution in Chile in 2020

In Chile, our interests in two of the world's largest copper mines – Los Bronces and Collahuasi – are helping us create a world class asset position in this increasingly precious and versatile metal.



Total tax and economic contribution

\$3,267.1m

Capital investment

\$645.0m

Capital investment is defined as cash expenditure on property, plant and equipment, including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.

Wages and related payments

\$381.0m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

In country procurement

\$1,280.6m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total procurement

\$1,309.6m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

Corporate social investment

\$35.9m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

Total taxes borne and collected

\$895.6m

\$569.3m

Corporate income tax

Calculated based on profits and includes withholding taxes.

\$103.3m

Royalties and mining taxes

Revenue, production and profit based royalties.

\$63.9m

Other payments borne

Other payments directly incurred by Anglo American.

\$159.1m

Taxes collected

Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

Our economic contribution in Colombia in 2020

The export thermal coal mine, Cerrejón, in which we have a 33.3% shareholding, represents our sole mining interest in Colombia. An integrated mining and transport complex, it includes an open pit thermal coal mine, a 150km railway and a port.



Total tax and economic contribution

\$639.7m

Wages and related payments

\$204.4m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

Corporate social investment

\$3.3m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

In country procurement

\$14.2m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total taxes borne and collected

\$113.8m

\$28.1m

Corporate income tax

Calculated based on profits and includes withholding taxes.

\$55.6m

Royalties and mining taxes

Revenue, production and profit based royalties.

Total procurement

\$318.2m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

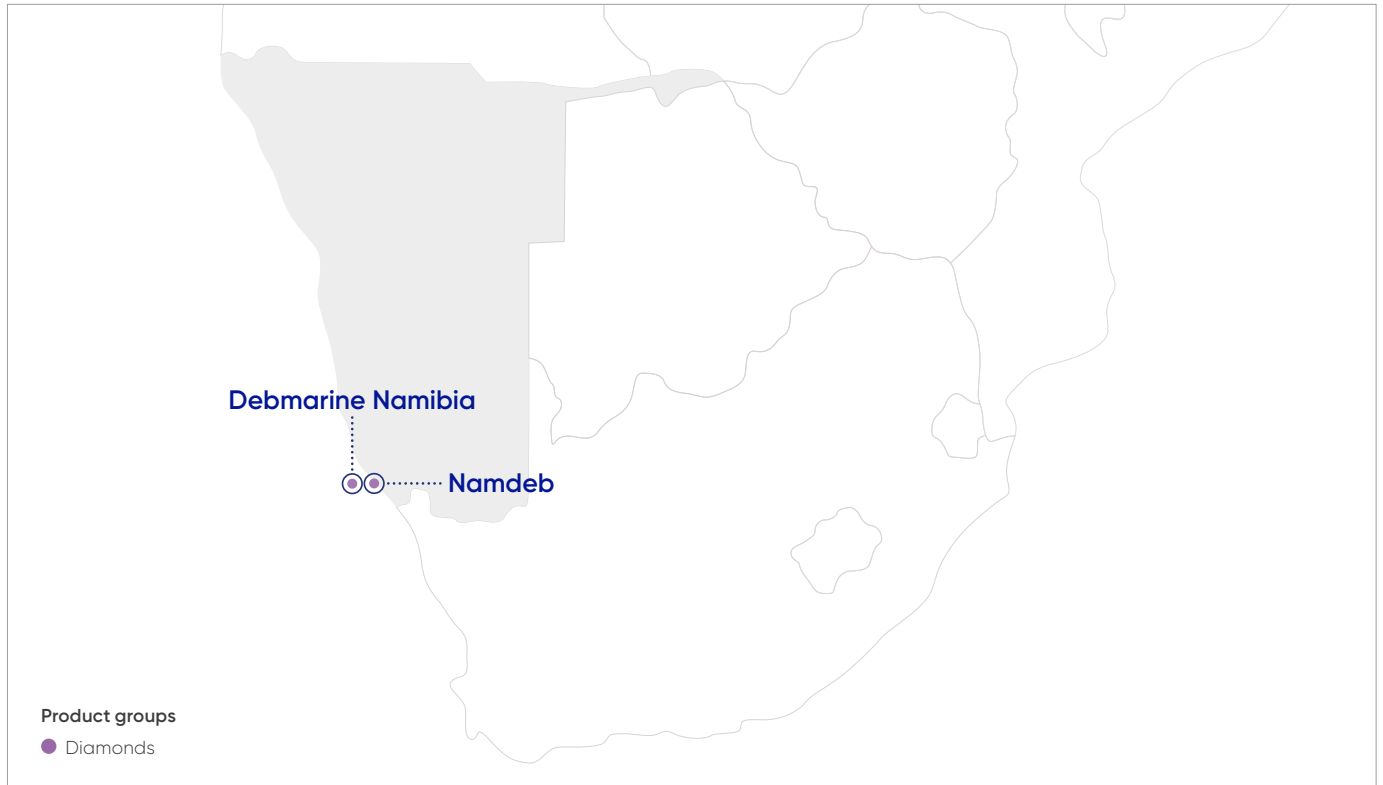
\$30.1m

Other payments borne

Other payments directly incurred by Anglo American.

Our economic contribution in Namibia in 2020

Debmarmine Namibia – a 50:50 joint operation between the Government of the Republic of Namibia and De Beers – is the world's largest marine diamond mining company.



Total tax and economic contribution

\$958.2m

Capital investment

\$78.0m

Capital investment is defined as cash expenditure on property, plant and equipment, including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.

Wages and related payments

\$74.0m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

In country procurement

\$164.2m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total procurement

\$438.4m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

Corporate social investment

\$3.9m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

Total taxes borne and collected

\$363.9m

\$90.6m

Corporate income tax

Calculated based on profits and includes withholding taxes.

\$66.4m

Royalties and mining taxes

Revenue, production and profit based royalties.

\$102.8m

Other payments borne

Other payments directly incurred by Anglo American.

\$104.1m

Taxes collected

Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

Our economic contribution in Peru in 2020

In July 2018, Anglo American approved the development of the Quellaveco copper project in Peru. With Ore Reserves estimated at 1.3 billion tonnes containing approximately 7.5 million tonnes of copper, Quellaveco offers a rare and attractive opportunity for us to add another world class, cost-efficient mining operation to our diversified portfolio.



Total tax and economic contribution

\$2,109.6m

Capital investment

\$798.0m

Capital investment is defined as cash expenditure on property, plant and equipment, including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.

Wages and related payments

\$60.0m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

In country procurement

\$1,090.8m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total procurement

\$1,212.0m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

Corporate social investment

\$9.1m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

Total taxes borne and collected

\$30.5m

\$9.5m

Other payments borne

Other payments directly incurred by Anglo American.

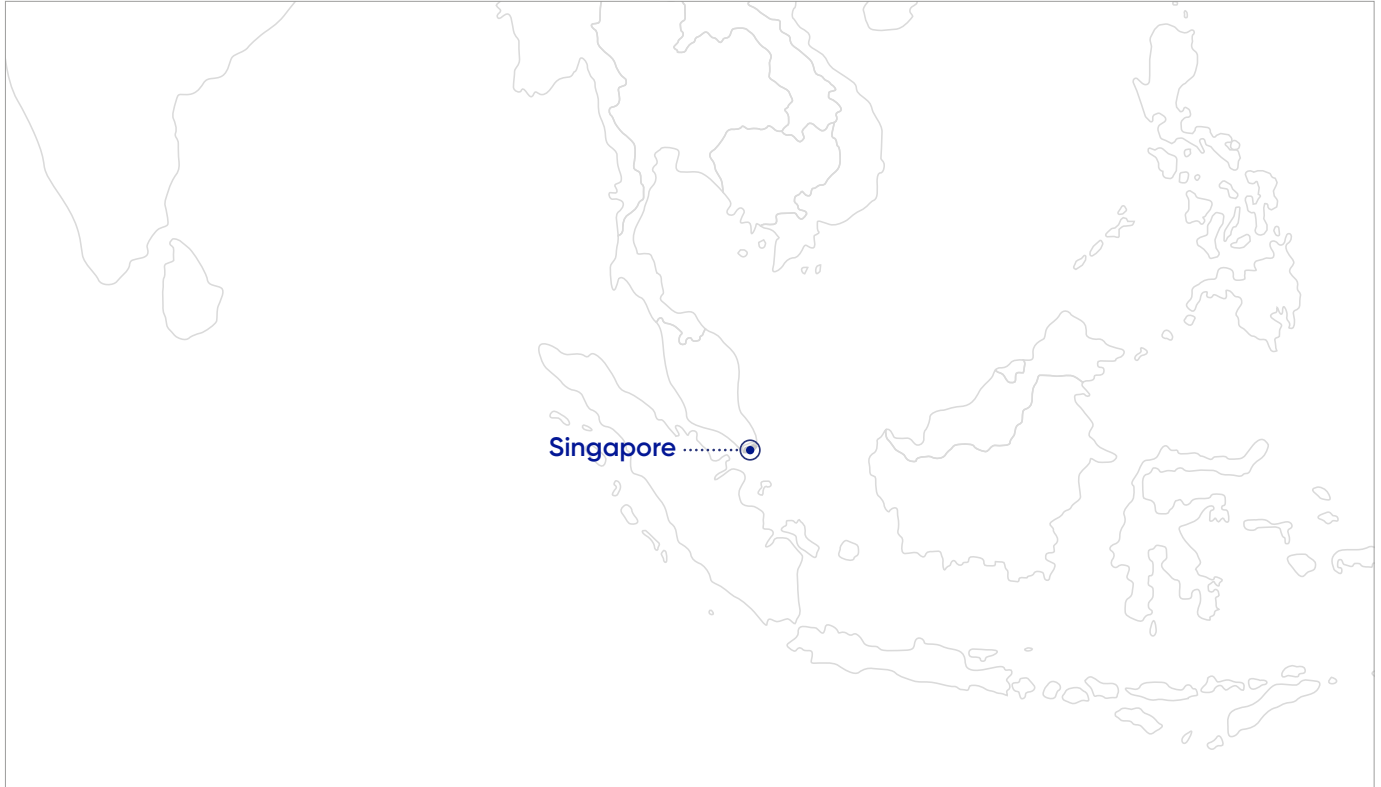
\$21.0m

Taxes collected

Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

Our economic contribution in Singapore in 2020

Our Marketing business's dedicated sales and marketing hub in Singapore aims to optimise the value from our mineral resources and market positions, driving appropriate commercial decisions across the value chain, from mine to market.



Total tax and economic contribution

\$582.8m

Capital investment

\$0.6m

Capital investment is defined as cash expenditure on property, plant and equipment, including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.

Wages and related payments

\$49.0m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

In country procurement

\$427.4m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total procurement

\$518.9m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

Total taxes borne and collected

\$14.3m

\$13.2m

Corporate income tax

Calculated based on profits and includes withholding taxes.

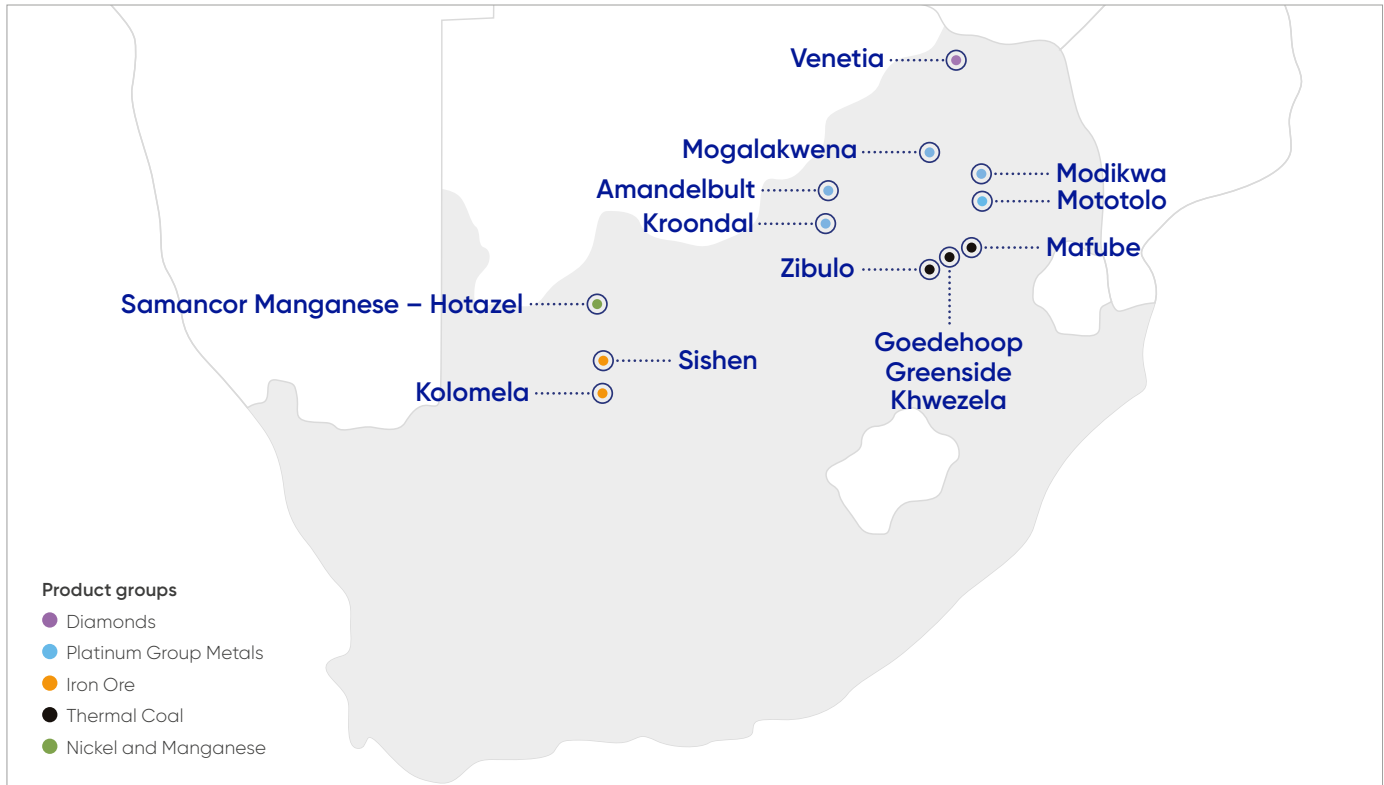
\$1.1m

Taxes collected

Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

Our economic contribution in South Africa in 2020

South Africa is home to a number of our assets, with operations across diamonds, platinum group metals, iron ore, thermal coal and manganese. We are proud of our longstanding transformation progress and continue to work with all stakeholders to ensure all South Africans benefit from the value created by mining.



Total tax and economic contribution

\$8,492.8m

Capital investment

\$1,246.4m

Capital investment is defined as cash expenditure on property, plant and equipment, including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.

Wages and related payments

\$1,628.0m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

In country procurement

\$3,114.8m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total procurement

\$3,531.8m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

Corporate social investment

\$54.5m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

Total taxes borne and collected

\$2,032.0m

\$1,234.8m

Corporate income tax

Calculated based on profits and includes withholding taxes.

\$356.4m

Royalties and mining taxes

Revenue, production and profit based royalties.

\$56.9m

Other payments borne

Other payments directly incurred by Anglo American.

\$383.9m

Taxes collected

Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

Our economic contribution in the United Kingdom in 2020

The UK is home to our global headquarters and our Marketing business's dedicated European sales and marketing hub. During 2020, Anglo American acquired the Woodsmith project in North Yorkshire – the world's largest known high-grade polyhalite deposit. This is an exciting step in our journey to support a cleaner, greener, more sustainable world.



Total tax and economic contribution

\$1,830.2m

Capital investment

\$319.0m

Capital investment is defined as cash expenditure on property, plant and equipment, including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.

Wages and related payments

\$386.0m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

In country procurement

\$472.0m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total procurement

\$830.4m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

Corporate social investment

\$3.5m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

Total taxes borne and collected

\$291.3m

\$79.9m

Corporate income tax

Calculated based on profits and includes withholding taxes.

\$1.0m

Royalties and mining taxes

Revenue, production and profit based royalties.

\$39.7m

Other payments borne

Other payments directly incurred by Anglo American.

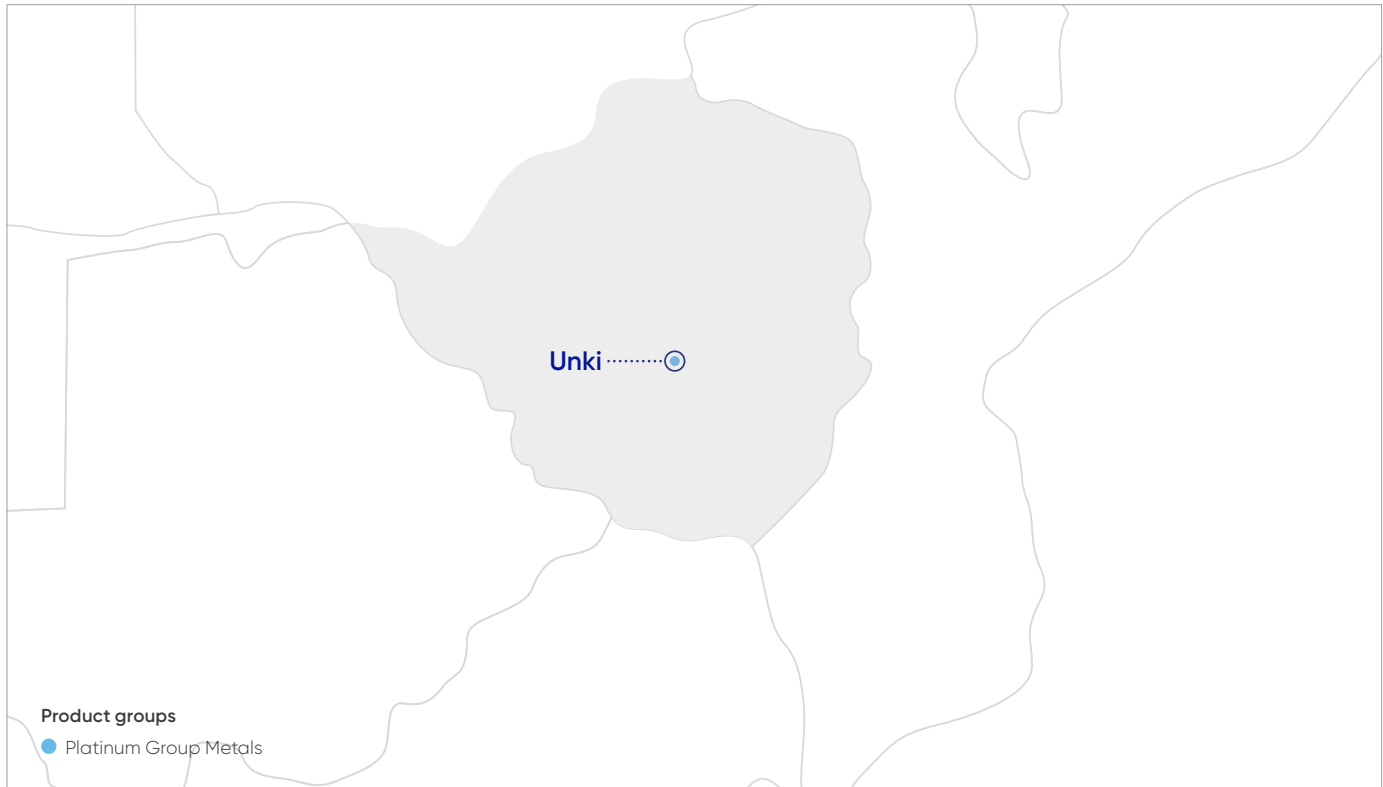
\$170.7m

Taxes collected

Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

Our economic contribution in Zimbabwe in 2020

Unki platinum mine is in the southern half of Zimbabwe's Great Dyke geological formation – widely recognised as the second-largest resource of PGMs in the world. We continue to work with the Zimbabwean government on compliance with the Indigenisation and Economic Empowerment Act.



Total tax and economic contribution

\$249.9m

Capital investment

\$35.0m

Capital investment is defined as cash expenditure on property, plant and equipment, including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.

Wages and related payments

\$38.0m

Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

In country procurement

\$63.9m

Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.

Total procurement

\$131.3m

Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.

Corporate social investment

\$1.1m

Refers to all social investment spend that is not related to impact management, either from allocated budgets or established foundations.

Total taxes borne and collected

\$44.5m

\$7.1m

Corporate income tax

Calculated based on profits and includes withholding taxes.

\$12.8m

Royalties and mining taxes

Revenue, production and profit based royalties.

\$8.9m

Other payments borne

Other payments directly incurred by Anglo American.

\$15.7m

Taxes collected

Taxes paid by Anglo American on behalf of other parties as a result of the Group's economic activity.

Reconciliation of 2020 Corporate Income Tax

In order to enhance transparency surrounding our key financial data, this disclosure provides a link between our key attributes of taxes accrued and paid as well as our effective tax rates in our key operating jurisdictions.

The income tax expense recorded in our Annual Financial Statements will differ from cash tax paid, not least owing to the tax payment instalment regimes in each of our operating jurisdictions.

Tax expense and effective tax rate

The table below represents the statutory and underlying effective tax rates for the Anglo American Group. The purpose of the underlying effective tax rate is to exclude the impact of certain items owing to their nature and also the effect of a different basis of consolidation to aid comparability.

	Group 2020		
	Profit before tax US\$ million	Tax (charge)/credit US\$ million	Effective tax rate ⁽¹⁾
Calculation of effective tax rate (statutory basis)	5,464	(2,136)	39.1%
Adjusted for:			
Special items and remeasurements	628	(346)	
Associates' and joint ventures' tax and non-controlling interests	161	(158)	
Calculation of underlying effective tax rate	6,253	(1,948)	31.2% ⁽²⁾

The effective tax rate in 2020 was mainly impacted by the impact of the relative levels of profits arising in the Group's operating jurisdictions.

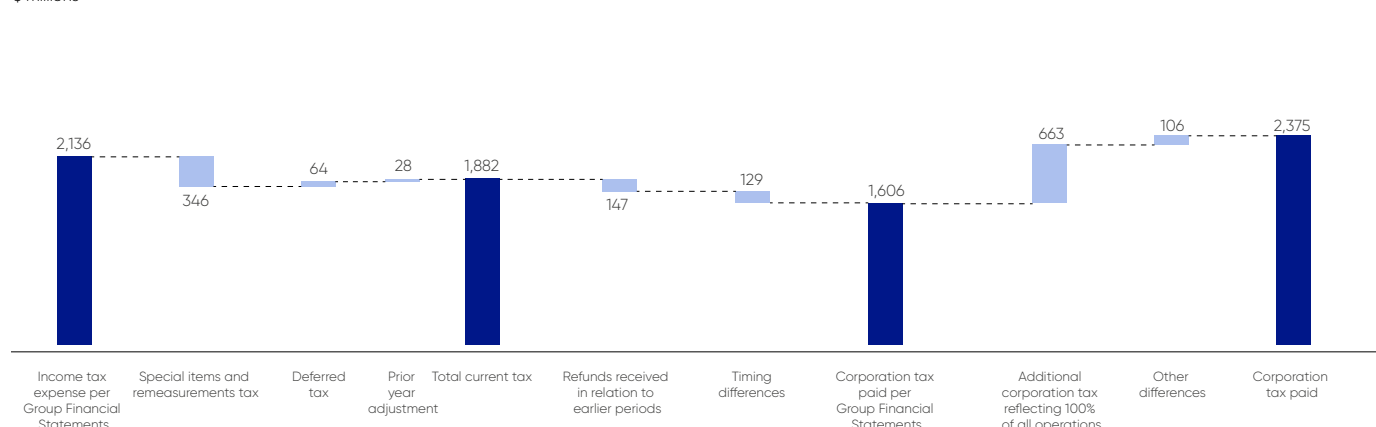
US\$ million	2020
Profit before tax	5,464
Less: Net income from associates and joint ventures	(103)
Profit before tax (excluding associates and joint ventures)	5,361
Tax calculated at United Kingdom corporation tax rate of 19%	1,019
Tax effects of:	
Items non-deductible/taxable for tax purposes	35
Temporary difference adjustments	
Current year losses not recognised	214
Recognition of losses and temporary differences not previously recognised	(4)
Utilisation of losses and temporary differences not previously recognised	(238)
Write-off of losses and temporary differences previously recognised	7
Other temporary differences	22
Special items and remeasurements	451
Other adjustments	
Dividend withholding taxes	187
Effect of differences between local and United Kingdom tax rates	458
Prior year adjustments to current tax charge	(28)
Other adjustments	13
Income tax expense for the Group	2,136

⁽¹⁾ For calculation methodology see the Alternative Performance Measures in the Anglo American plc Integrated Annual Report 2020, page 248.

⁽²⁾ The underlying effective tax rate of our Australian operations was 34%.

Reconciliation of taxes paid to tax expense

\$ millions



Basis of report preparation

The purpose of this report is to provide an overview of the tax and economic contribution made by the Anglo American Group, as well as further transparency on how tax is managed as part of the Group's overall commercial activities.

Unless otherwise stated, the tax data and economic contribution included in this report are based on the cash payments made by entities included in the consolidated accounts of Anglo American as at 31 December 2020. We have included 100% of the taxes and other payments to governments by these entities. The socio-economic contribution is based on the attributable proportion to Anglo American.

In general, tax data have been disclosed in US dollars in line with the Group's functional currency for consolidated accounting purposes. Where relevant, any tax payments have been translated from the applicable local currency to US dollars at the average exchange rate for the applicable period.

As the tax data has been prepared on a cash tax basis, the relevant figures differ to those included in the Group's financial statements prepared on an accruals basis. In general, the tax provision accrued for financial statements purposes represents the best estimate of taxes payable in respect of a period, as well as any adjustments to prior provisions. The cash tax data represents payments made to governments (refunds are excluded) in a specific calendar year, which may also be in respect of a different fiscal year for tax purposes.

Payments to governments

The total payments made to government in 2020 of \$5,270.9 million are made up of the following items:

- Corporation tax \$2,375.3 million
- Royalties and mining taxes \$1,185.9 million
- Other taxes borne \$517.3 million
- Taxes collected \$1,192.4 million.

Details of the types of taxes included in the above can be found in the glossary.

Since 1 January 2015, Anglo American has been subject to the project-by-project reporting requirements of the UK Reports on Payments to Government Regulations (SI 2014/3209) and Chapter 10 of the EU Accounting Directive (2013/34/EU). These rules require that the Group prepares and submits to Companies House, the UK registrar of companies, a full analysis of tax and certain other payments made to governments in respect of extractive projects on a project-by-project basis.

Anglo American's sixth report under this regime is due to be submitted in a specified format to Companies House on 30 June 2021 in respect of the year ended 31 December 2020. Further disclosures will be included on the Group website and will complement our disclosure to Companies House.

Country-by-country reporting

Anglo American first published its country-by-country reporting data (in accordance with the OECD's template) as an appendix to its 2018 Tax and Economic Contribution Report, and took the same approach for 2019 data.

2020 country-by-country data will be compiled and published in 2021, aligned instead to the GRI 207-4 reporting requirements (see page 11).

Assurance report



Independent Limited Assurance Report to the Directors of Anglo American plc

The Board of Directors of Anglo American plc ("Anglo American") engaged us to provide limited assurance on the Anglo American group's reported Total Taxes Borne information described below and set out in the Tax and Economic Contribution Report 2020 for the year ended 31 December 2020 (the "Report").

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Total Taxes Borne for the year ended 31 December 2020 on the inside front cover (IFC) of the Report has not been prepared, in all material respects, in accordance with the Basis of Report Preparation on page 34, and Glossary of Key Terms on page 36 of the Report.

This conclusion is to be read in the context of what we say in the remainder of our report.

Subject matter

The scope of our work was limited to assurance over Anglo American's Total Tax Borne figure (which comprises taxes borne and other payments to government) of \$4,078.5 million as found on the IFC page of the Report. Our assurance engagement does not extend to information in respect of earlier periods or to any other information included in the Report or disclosed on Anglo American's website.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and which is at least as demanding as the applicable provisions of the IESBA Code of Ethics.

We apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Understanding reporting and measurement methodologies

The reported Total Taxes Borne information needs to be read and understood together with the Basis of Report Preparation and Glossary of Key Terms, which Anglo American is solely responsible for selecting and applying. It includes other payments to the government, such as licences and extraction fees. It also includes the value of payments made by joint ventures over which Anglo American group members have a controlling interest.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the reported Total Taxes Borne. Our work included:

- Making enquiries with Anglo American management, and those with operational responsibility for performance in the subject matter
- Performing a walkthrough to obtain an understanding of the key processes and controls relating to the reporting of the reported Total Taxes Borne
- Performed non-statistical sample testing on a selective basis of the reported information back to financial statements and source data (such as tax returns and bank payments)
- Considered the disclosure and presentation of the reported Total Taxes Borne within the Report.

The Directors' responsibilities

The Directors of Anglo American are responsible for:

- Designing, implementing and maintaining internal controls over information relevant to the preparation of taxes borne (including other payments to government) by Anglo American group members that is free from material misstatement, whether due to fraud or error
- Establishing an objective Basis of Report Preparation and Glossary of Key Terms for preparing the reported Total Taxes Paid in respect of the Anglo American group
- Measuring and reporting total taxes borne and other payments to government by the Anglo American group based on the Basis of Report Preparation and Glossary of Key Terms
- The preparation of the Report including Total Taxes Borne for the year ended 31 December 2020.

Our responsibilities

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the reported Total Taxes Borne is free from material misstatement, whether due to fraud or error
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained
- Reporting our conclusion to the Directors of Anglo American.

This report, including our conclusions, has been prepared solely for the Board of Directors of Anglo American in accordance with the agreement between us dated 16 December 2020. Subject to the terms of that agreement, we permit this report to be published on Anglo American's website, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the reporting of Total Taxes Borne in the Report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Anglo American for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
30 April 2021

Glossary of key terms

Term	Definition
Capital investment	Capital investment is defined as cash expenditure on property, plant and equipment including related derivatives, proceeds from disposal of property, plant and equipment and direct funding for capital expenditure from non-controlling interests. Includes capitalised operating cash outflows.
Cash tax	The amount of tax actually paid or received by an entity in the relevant period as opposed to an accrual for accounting purposes.
Controlled	For the purpose of this report, control is achieved where Anglo American's effective holding is greater than 50 percent.
Corporate income tax	Payments to governments based on taxable profits under legislated income tax rules. This also includes payments made to revenue authorities in respect of disputed claims and withholding taxes on dividends, interest and royalties.
Corporate social investment	Refers to all social investment spend that is not related to impact management, either from allocated budgets or established Foundations.
Employment tax	Payments to government arising from payment of remuneration to employees including wages, salaries and bonuses.
Enterprise development	Enterprise development provides small- and medium-size enterprises, both within and outside Anglo American supply chains, with business advisory, mentoring support and access to finance and to markets. For the purposes of this report, we have shown only those jobs supported that are part of official and comparable Anglo American programmes.
Key operating jurisdiction	A jurisdiction in which Anglo American has extractive operations.
In country procurement	Procurement of goods or services from within the same immediate area as the operation, as defined by each operation. A localised supplier is a supplier that meets the business unit criteria for localised procurement, allowing goods or services to be procured from within the same immediate area as the operation. This is defined using the same parameters and definitions as set out in SEAT Tool 2A – Profiling the Local Area.
Other non-extractive taxes borne	Payments made that are not in relation to extractive activity. These include, but are not limited to, corporation tax and payroll taxes borne.
Other payments borne	Taxes or other payments to governments relating to environmental policy and licensing requirements, including carbon taxes, landfill taxes, aggregate taxes, permits and other entry fees and considerations, as well as non-extractive taxes borne such as employer payroll taxes etc.
Project	Consistent with the EU Accounting Directive, a project is defined as the operational activities that are governed by a single contract, licence, lease, concession or similar legal agreements and form the basis for payment liabilities with a government. If multiple such agreements are 'substantially interconnected' they may be considered a project. For these purposes, 'substantially interconnected' means forming a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities.
Royalties and mining taxes	Payments to governments in relation to both revenue or production generated under licence agreements and royalty related income taxes. This also includes payments to revenue authorities in respect of disputed claims.
Taxes borne	Payments in respect of taxes directly incurred by Anglo American as a result of its economic activity. This amount is made up of Corporate income tax, Royalties and mining taxes and Other payments borne.
Taxes collected	Payments in respect of taxes by Anglo American which are incurred by other parties (e.g. customers or employees) which directly arise from the economic activity of the Group. Where a company is accounted in the Group's Annual Report as an associate, taxes collected are included where available at the time of publication.
Taxes paid	Payments in respect of taxes by Anglo American including both taxes borne and taxes collected.
Total addressable procurement	Refers to addressable expenditure only (excludes public sector spend) and includes all supply chain related spend from third party suppliers. It includes opex- and capex-related transactions and inter-business unit procurement.
Wages and related	Payroll costs in respect of employees, excluding contractors and certain associates' and joint ventures' employees, and including a proportionate share of employees within joint operations.

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