

DIRECTORS' REPORT

The directors have pleasure in submitting the statutory financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Anglo American is one of the world's largest mining companies, is headquartered in the UK and listed on the London and Johannesburg stock exchanges. Anglo American's portfolio of mining businesses spans bulk commodities – iron ore and manganese, metallurgical coal and thermal coal; base metals – copper and nickel; and precious metals and minerals – in which it is a global leader in both platinum and diamonds. Anglo American is committed to the highest standards of safety and responsibility across all its businesses and geographies and to making a sustainable difference in the development of the communities around its operations. The Company's mining operations, extensive pipeline of growth projects and exploration activities span southern Africa, South America, Australia, North America, Asia and Europe.

More detailed information about the Group's businesses, activities and financial performance is incorporated in this report by reference and can be found in the Chairman's and Chief Executive's statements on pages 4 to 5 and 12 to 13 respectively and the Operating and financial review on pages 14 to 87. The Corporate governance statement is on pages 88 to 122 and is incorporated in this Directors' report by reference.

GOING CONCERN

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Group financial performance review on pages 42 to 47. In addition detail is given on the Group's policy on managing credit and liquidity risk in the Principal Risks and Uncertainties section on pages 48 to 53, with details of our policy on capital risk management being set out in note 25 to the financial statements. The Group's net debt at 31 December 2011 was \$1.4 billion (2010: \$7.4 billion), representing a gearing level of 3.1% (2010: 16.3%). Details of borrowings and facilities are set out in notes 24 and 25 and net debt is set out in note 31.

The directors have considered the Group's cash flow forecasts for the period to the end of March 2013. The Board is satisfied that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Group will be able to operate within the level of its current facilities for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing its financial statements.

DIVIDENDS

An interim dividend of 28 US cents per ordinary share was paid on 15 September 2011. The directors are recommending that a final dividend of 46 US cents per ordinary share be paid on 26 April 2012 to ordinary shareholders on the register on 30 March 2012, subject to shareholder approval at the Annual General Meeting (AGM) to be held on 19 April 2012. This would bring the total dividend in respect of 2011 to 74 US cents per ordinary share. In accordance with International Financial Reporting Standards (IFRS), the final dividend will be accounted for in the financial statements for the year ended 31 December 2012.

Two shareholders have waived their rights to receive dividends. In both cases, these shareholders act as trustees/nominees holding shares for use solely in relation to the Group's employee share plans. These shareholders and the value of dividends waived during the year were:

- Greenwood Nominees Limited \$669.80
- Security Nominees Limited \$1,263,111.36

SHARE CAPITAL

The Company's issued share capital as at 31 December 2011, together with details of share allotments during the year, is set out in note 29 on pages 164 to 167.

The Company was authorised by shareholders at the AGM held on 21 April 2011 to purchase its own shares in the market up to a maximum of 14.99% of the issued share capital. No shares were purchased under this authority during 2011. This authority will expire at the 2012 AGM and in accordance with usual practice a resolution to renew it for another year will be proposed.

MATERIAL SHAREHOLDINGS

As at 16 February 2012, the Company was aware of the following interests in 3% or more of the Company's ordinary share capital:

Company	Number of shares	Percentage of common stocks
BlackRock, Inc.	78,986,629	5.97%
Epoch Two Investment Holdings Limited ⁽¹⁾	42,166,686	3.19%
Legal & General plc	53,328,155	4.03%
Public Investment Corporation (PIC)	77,592,603	5.86%
Tarl Investment Holdings Limited ⁽¹⁾	47,275,613	3.57%

⁽¹⁾ Epoch Two Investment Holdings Ltd (Epoch 2) and Tarl Investment Holdings Limited (Tarl) are two of the independent companies which have purchased shares as part of Anglo American's share buy back programme. Epoch 2 and Tarl have waived their right to vote all the shares they hold or will hold in Anglo American plc.

DIRECTORS

Biographical details of the directors currently serving on the Board are given on pages 90 and 91. Details of directors' interests in shares and share options of the Company can be found in the Remuneration report on pages 104 to 116.

Phuthuma Nhleko joined the Board on 9 March 2011. Nicky Oppenheimer retired from the Board after the conclusion of the AGM on 21 April 2011.

SUSTAINABLE DEVELOPMENT

The Sustainable Development report 2011 will be available in April 2012. This report focuses on the safety, sustainable development, health and environmental performance of the Group's managed operations, its performance with regard to the Company's *Good Citizenship: Our Business Principles*, and the operational dimensions of its social programmes.

PAYMENT OF SUPPLIERS

Anglo American plc is a holding company and, as such, has no material trade creditors. Businesses across the Group are responsible for agreeing the terms under which transactions with their suppliers are conducted, reflecting local and industry norms and group purchasing arrangements which may have been made with a supplier. The Group values its suppliers and recognises the benefits to be derived from maintaining good relationships with them. Anglo American acknowledges the importance of paying invoices, especially those of small businesses, promptly.

VALUE OF LAND

Land is mainly carried in the financial statements at cost. It is not practicable to estimate the market value of land and mineral rights, since these depend on product prices over the next 20 years or more, which will vary with market conditions.

POST BALANCE SHEET EVENTS

Post balance sheet events are set out in note 38 to the financial statements on page 173.

AUDIT INFORMATION

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that all directors have taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

EMPLOYMENT AND OTHER POLICIES

The Group's key operating businesses are empowered to manage, within the context of the different legislative and social demands of the diverse countries in which those businesses operate, subject to the standards embodied in Anglo American's *Good Citizenship: Our Business Principles*.

Within all the Group's businesses, the safe and effective performance of employees and the maintenance of positive employee relations are of fundamental importance. Managers are charged with ensuring that the following key principles are upheld:

- adherence to national legal standards on employment and workplace rights at all times
- adoption of fair labour practices
- prohibition of child labour
- prohibition of inhumane treatment of employees and any form of forced labour, physical punishment or other abuse
- continual promotion of safe and healthy working practices
- promotion of workplace equality and elimination of all forms of unfair discrimination
- provision of opportunities for employees to enhance their work related skills and capabilities
- recognition of the right of our employees to freedom of association
- adoption of fair and appropriate procedures for determining terms and conditions of employment.

It is our policy that people with disabilities should have full and fair consideration for all vacancies. Employment of disabled people is considered on merit and with regard only to the ability of any applicant to carry out the role. We endeavour to retain the employment of, and arrange suitable retraining for, any employees in the workforce who become disabled during their employment. Where possible we will adjust a person's working environment to enable them to stay in our employment.

Further, the Group is committed to treating employees at all levels with respect and consideration, to investing in their development and to ensuring that their careers are not constrained by discrimination or arbitrary barriers.

The Business Principles are supplemented by four Anglo American 'Way' documents, covering the safety, environmental, occupational health and social aspects of sustainable development. These set out specific standards for each of these subject areas.

Copies of the *Good Citizenship: Our Business Principles* and the Anglo American 'Way' documents are available from the Company and may be accessed on the Company's website.

The Business Integrity Policy and Performance Standards set out how Group employees, business partners and major suppliers must act to ensure that our zero tolerance of corruption is upheld. All senior employees, and employees in high risk functions such as procurement, are trained to embed knowledge of the policy as well as the UK Bribery Act and how to behave in corruption risk situations. This training is ongoing and mandatory for all senior levels and others where it is deemed appropriate.

The Group has a well used enterprise information portal, theSource, which seeks to ensure that employees are regularly updated on developments within the Group, and feedback is encouraged. In addition, the Company regularly publishes *Optima* (available on the Company's website) and *OurWorld*, which contain items of news, current affairs and information relevant to Group employees.

 For more information visit www.angloamerican.com

CHARITABLE DONATIONS

During the year, Anglo American, its subsidiaries and the Anglo American Group Foundation made donations for charitable purposes or wider social investments amounting to \$122 million (1.27% of operating profit from subsidiaries and joint ventures). Charitable donations of \$1 million were made in the UK, of which the main categories were: education and training (42%) and health and welfare (12%). These figures were compiled with reference to the London Benchmarking Group model for defining and measuring social investment spending. A fuller analysis of the Group's social investment activities can be found in the Sustainable Development Report 2011.

POLITICAL DONATIONS

No political donations were made during 2011. Anglo American has an established policy of not making donations to, or incurring expenses for the benefit of, any political party in any part of the world, including any political party or political organisation as defined in the Political Parties, Elections and Referendums Act 2000.

ANNUAL GENERAL MEETING

The AGM will be held on 19 April 2012 when shareholders will have the opportunity to put questions to the Board, including the chairmen of the various committees. A separate booklet enclosed with this report contains the notice convening the meeting together with a description of the business to be conducted.

Facilities have been put in place to enable shareholders on the UK register to receive Company communications electronically rather than by mail and, for those unable to attend the meeting, to cast their votes by electronic means, including those shareholders whose shares are held in the CREST system.

In accordance with best practice, voting on each resolution to be proposed at the AGM will be conducted on a poll rather than by a show of hands. The results of the poll will be announced to the press and on the Company's website.

A General Meeting took place on 6 January 2012, where shareholders passed an ordinary resolution, by a 99.94% majority, in relation to the proposed acquisition of a further interest of up to 40% in DB Investments and De Beers sa.

ELECTRONIC COMMUNICATIONS

Since the implementation of the electronic communications provisions in the Companies Act 2006, the Company has substantially reduced the cost of annual report production and distribution. Shareholders may elect to receive notification by email of the availability of the annual report on the Company's website instead of receiving paper copies.

ADDITIONAL INFORMATION FOR SHAREHOLDERS

Set out below is a summary of certain provisions of the Company's current Articles of Association (the Articles) and applicable English law concerning companies (the Companies Act 2006 (the Companies Act)) required as a result of the implementation of the Takeovers Directive in English law. This is a summary only and the relevant provisions of the Articles or the Companies Act should be consulted if further information is required.

Dividends and distributions

Subject to the provisions of the Companies Act, the Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends whenever the financial position of the Company, in the opinion of the Board, justifies such payment.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest or more (as defined in the Articles) if such a person has been served with a notice after failing to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Rights and obligations attaching to shares

The rights and obligations attaching to the ordinary and preference shares are set out in the Articles. The Articles may only be changed by the shareholders by special resolution.

Voting

Subject to the Articles generally and to any special rights or restrictions as to voting attached by or in accordance with the Articles to any class of shares, on a show of hands every member who is present in person at a general meeting shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every share of which he/she is the holder. It is, and has been for some years, the Company's practice to hold a poll on every resolution at shareholder meetings.

Where shares are held by trustees/nominees in respect of the Group's employee share plans and the voting rights attached to such shares are not directly exercisable by the employees, it is the Company's practice that such rights are not exercised by the relevant trustee/nominee.

Under the Companies Act, members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting or class meeting as a corporate representative. The debate around s323 of the Companies Act has been resolved so that where a shareholder appoints more than one corporate representative in respect of its shareholding, but in respect of different shares, those corporate representatives can act independently of each other, and validly vote in different ways.

Restrictions on voting

No member shall, unless the directors otherwise determine, be entitled in respect of any share held by him/her to vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings if any call or other sum presently payable by him/her to the Company in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he/she has been served with a notice after failing to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Issue of shares

Subject to the provisions of the Companies Act relating to authority and pre-emption rights and of any resolution of the Company in a UK general meeting, all unissued shares of the Company shall be at the disposal of the directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

Shares in uncertificated form

Directors may determine that any class of shares may be held in uncertificated form and title to such shares may be transferred by means of a relevant system or that shares of any class should cease to be so held and transferred. Subject to the provisions of the Companies Act, the CREST Regulations and every other statute, statutory instrument, regulation or order for the time being in force concerning companies and affecting the Company (together, the Statutes), the directors may determine that any class of shares held on the branch register of members of the Company resident in South Africa or any other overseas branch register of the members of the Company may be held in uncertificated form in accordance with any system outside the UK which enables title to such shares to be evidenced and transferred without a written instrument and which is a relevant system. The provisions of the Articles shall not apply to shares of any class which are in uncertificated form to the extent that the Articles are inconsistent with the holding of shares of that class in uncertificated form, the transfer of title to shares of that class by means of a relevant system or any provision of the CREST Regulations.

Deadlines for exercising voting rights

Votes are exercisable at a general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representative. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

Variation of rights

Subject to statute, the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons holding or representing by proxy at least one third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

Transfer of shares

All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors and may be under hand only. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register. All transfers of shares which are in uncertificated form may be effected by means of the CREST system.

The directors may decline to recognise any instrument of transfer relating to shares in certificated form unless it:

- (a) is in respect of only one class of share; and
- (b) is lodged at the transfer office (duly stamped if required) accompanied by the relevant share certificate(s) and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his/her behalf, the authority of that person so to do).

The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason therefor, refuse to register any transfer of shares (not being fully paid shares) provided that, where any such shares are admitted to the Official List of the London Stock Exchange, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully paid or not) in favour of more than four persons jointly.

If the directors refuse to register an allotment or transfer, they shall send within two months after the date on which the letter of allotment or transfer was lodged with the Company, to the allottee or transferee, a notice of the refusal.

A shareholder does not need to obtain the approval of the Company, or of other shareholders of shares in the Company, for a transfer of shares to take place.

Directors

Directors shall not be less than 10 nor more than 18 in number. A director is not required to hold any shares of the Company by way of qualification. The Company may by ordinary resolution increase or reduce the maximum or minimum number of directors.

Powers of directors

Subject to the Articles, the Companies Act and any directions given by special resolution, the business of the Company will be managed by the Board who may exercise all the powers of the Company.

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge any of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Company may by ordinary resolution declare dividends but no dividend shall be payable in excess of the amount recommended by the directors. Subject to the provisions of the Articles and to the rights attaching to any shares, any dividends or other monies payable on or in respect of a share may be paid in such currency as the directors may determine. The directors may deduct from any dividend payable to any member all sums of money (if any) presently payable by him/her to the Company on account of calls or otherwise in relation to shares of the Company. The directors may retain any dividends payable on shares on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Appointment and replacement of directors

The directors may from time to time appoint one or more directors.

The Board may appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next AGM and shall then be eligible for election.

The Articles provide that at each AGM all those directors who have been in office for three years or more since their election or last re-election shall retire from office. In addition, a director may at any AGM retire from office and stand for re-election. However, in accordance with the UK Corporate Governance Code, all directors will be subject to annual re-election.

Significant agreements: Change of control

At 31 December 2011, Anglo American had committed bilateral and syndicated borrowing facilities totalling \$11.1 billion with a number of relationship banks which contain change of control clauses. The rand 20 billion South African Medium Term Note Programme and \$7.2 billion of the Group's bond issues also contain change of control provisions. In aggregate, this financing is considered significant to the Group and in the event of a takeover (change of control) of the Company, these contracts may be cancelled, become immediately payable or be subject to acceleration.

Purchases of own shares

At the AGM held on 21 April 2011, authority was given for the Company to purchase, in the market, up to 197.9 million Ordinary Shares of 54⁸⁶/₉₁ US cents each. The Company did not purchase any of its own shares during 2011.

Indemnities

To the extent permitted by law and the Articles the Company has made qualifying third party indemnity provisions for the benefit of its directors during the year and which remain in force at the date of this report. Copies of these indemnities are open for inspection at the Company's registered office.

By order of the Board

Nicholas Jordan
Company Secretary

16 February 2012