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By email

29 January 2021

Dear [REDACTED]

Subject: Contribution to the draft report entitled “Transparency, Participation and Accountability in Brazil”

Thank you for sharing with us your draft report which focuses on our Minas Rio operation in Brazil. We are also grateful for the extension to provide comments on what is a far-reaching report. We have used below the recommendations which the report makes to Anglo American as a structure around which to provide commentary, but given the breadth of the report and some of the allegations that it contains, it is appropriate to provide some overarching, introductory comments. We hope that you'll find the information and commentary we have provided useful in finalising your report.

The report covers a wide range of issues, each of which is complex and many are inter-related. It also aims to analyse each of the issues both from the perspective of the company and the different levels of Government in Brazil (municipal, state and federal). In this context, we considered it appropriate to focus our comments only where the draft related directly to commentary about or recommendations for Anglo American.

Overview

Anglo American's approach to sustainability goes far beyond compliance with mining law or regulatory requirements. It comprises mutually reinforcing elements with the aim of transforming how all our stakeholders experience our business, both locally and globally. As a company with over 100 years of history, we are very aware of the difficult relationships that have too often existed between the mining sector and its host communities and governments. Our approach, governed by our purpose, to *reimagine mining to improve people's lives*, aims to change that. Aligned with this purpose, our sector-leading Sustainable Mining Plan defines our ambition around three pillars: Healthy Environment, Trusted Corporate Leader and Thriving Communities. Under each pillar we have set ourselves ambitious goals to achieve by 2030, and we will expect to be held accountable for the delivery of those goals by all our stakeholders, including our host communities. The Sustainable Mining Plan was developed following extensive consultation and is linked directly to the UN's Sustainable Development Goals (SDGs). We recognise that accountability cannot wait until 2030 and have begun a series of accountability dialogues around the world. The first dialogue in Brazil was held towards the end of 2019. In short, sustainability is at the heart of our decision-making – it is how we do business.

A member of the Anglo American plc group

Anglo American plc

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The draft report makes a series of recommendations linked to human rights. However, the lack of detail makes it difficult for us to assess and comment on the specifics. I would like to underline the importance that Anglo American attaches to human rights. Our Human Rights Policy and Human Rights Framework provide the structure for addressing human rights issues. In addition, we are signatory to both the United Nations Global Compact – where we publicly report on our activities annually in our Communication on Progress (COP) – and the Voluntary Principles on Security and Human Rights (VPSHR). We also support the UN Guiding Principles on Business and Human Rights.

We recognise that having policies is not enough. To that end, the Anglo American Social Way (www.socialway.angloamerican.com) sets the standard for all of our work with host communities, is aligned with international standards and best practice, and ensures that human rights considerations are embedded in our decision making. The Social Way is sector leading in its scope, and by making it publicly available we hope to support an overall improvement of standards in the mining sector and beyond.

Feedback related to specific recommendations (p27 of the draft report)

1. Human Rights

Anglo American has a strong commitment to human rights. Respect for human rights is stated explicitly in our Code of Conduct and is reflected in our core values of safety, care and respect, integrity and accountability. On top of the Human Rights Policy, these principles are embedded in our internal Policy documents, including those related to employment practices, exploration, environmental practices, social performance and security.

We aim to identify, assess and minimise potential adverse human rights impacts that we may cause or contribute to, or that are linked to our business, through ongoing due diligence and appropriate management. We are also committed to paying special attention to the rights of potentially vulnerable groups.

We do this through:

- Implementation of the Anglo American Social Way, as described above. The Social Way contains specific sections that aim to identify, prioritise and manage adverse social and human rights impacts and risks. Following this guidance, in 2010 the Minas Rio team began an annual process of analysing and updating the Stakeholder Engagement Plan and Social Management Plan, assessing operational impacts across the whole operation: the mine, pipeline and port. Since 2019 this analysis has also included a vulnerability analysis, assessing economic, social, human, physical and mental dimensions, aiming to identify vulnerable groups in the Minas-Rio area of influence.
- Establishment of a complaints and grievances mechanism named “Fale Conosco”, aiming to receive and facilitate resolution of affected communities’ concerns and further investigate where appropriate (additional information below: Grievance mechanisms).

2. Programa Crescer

Programa Crescer is the main socio-economic development investment at Anglo American in Brazil. Its implementation started in 2017 through a US\$3 million agreement between Inter-American Development Bank, the Anglo American Foundation and the NGO Technoserve. The main objective of the program is to promote economic diversification and the reduction of dependence on mining in the area in which the Minas Rio mine is situated (municipalities of Alvorada de Minas, Conceição do Mato Dentro, Dom Joaquim and Serro, in Minas Gerais). In developing the programme, a robust diagnostic process was conducted in the four municipalities to map the main productive and economic value chains and their growth, impact and income potential. The diagnostic sought to understand the current global, national and

local production levels of the mapped products, local demand and supply, as well as the ecosystem of actors involved in each value chain.

Participants and partners, including representatives from all four communities, have been involved from the diagnostics stage, participating in interviews and individual research, which has formed the basis for designing the action plan. Likewise, stakeholders are involved in each stage of implementation, as well as in monitoring and through specific research. The programme operates in full convergence with existing public policies, such as the National Statute for Micro and Small Enterprises/Federal Law 123/2006 (Lei Geral 123/2006), the National Programme for Strengthening Family Farming (Programa Nacional de Fortalecimento da Agricultura Familiar), the National School Feeding Programme (Programa Nacional de Alimentação Escolar) and the Food Acquisition Programme (Programa de Aquisição de Alimentos).

Four value chains with economic potential have been prioritised: milk and cheese, horticulture, apiculture and tourism. To strengthen the sustainability of impact across these value chains, it also incorporates a youth empowerment component to promote entrepreneurship and employment readiness for rural youth. A large indirect impact is also expected through the strengthening of local public and private institutions that support these value chains. The programme directly benefits more than 550 people – including rural producers, entrepreneurs, rural youth workforce and civil servants

The results so far have included: 31% increase in sales of rural producers, 209 young people have found employment or have improved their life circumstances and have seen incomes rise by as much as 221%, 50% of participants have access to new markets, three local sectorial groups have been created – milk, tourism and horticulture, facilitating discussions around the sector with local actors.

In addition, this year the company announced a new initiative to support the economic recovery of artisanal cheese producers in five municipalities of the state of Minas Gerais. Over the year of 2021, the Business Recovery Fund will provide around 50 of these small agribusinesses in Conceição do Mato Dentro, Serro, Dom Joaquim, Alvorada de Minas and Congonhas do Norte a total of US\$195,000 (R\$ 1 million) in emergency funds as well as technical assistance in order to weather the crisis.

Whilst we are proud of the successes of the Programa Crescer so far, we are always keen to hear suggestions as to how it could be improved. We'd welcome any such considered suggestions.

3 and 4: Tailings facilities and resettlement of communities downstream of the tailings dam

The deeply tragic events that took place in November 2015 near the town of Mariana and in January 2019 near the town of Brumadinho, both in the same Brazilian state as the Minas Rio mine, have changed the way mining industry is perceiving and acting upon improving the safety of our tailings dams.

Anglo American manages its tailings dams with the utmost care and has full confidence in the integrity of our managed facilities around the world. We engaged actively in the process to develop the new Global Industry Standard on Tailings Management and see it as an important way of raising standards across the industry. Our Group Technical Standard for managing tailings storage facilities exceeds the technical requirements of the new Global Standard and also of the regulatory requirements in all jurisdictions in which we operate. It is also more comprehensive than the International Council on Mining and Metals (ICMM) Position Statement on Governance Framework of tailings storage facilities.

Unlike the dams which failed in 2015 and 2019, the Minas-Rio tailings dam is an embankment dam, built using compacted, imported earth-fill material, with carefully selected granular materials for the drainage and filter zones. Tailings are not used to build the dam, and construction materials are carefully selected and placed in controlled layers. This is a conservative design for a tailings dam, being designed and built as a water-retaining dam. The

team at Minas-Rio has implemented a comprehensive dam safety management programme, as required by the internal Anglo American technical standard, and in line with best practice around the world. It includes daily inspections, weekly instrument reading and geotechnical inspections at least every 15 days, in addition to quarterly inspections performed by the Engineer of Record. Furthermore, a Technical Review Panel, composed of three experienced specialist engineers, provides an independent review at least once a year. Finally, we are up to date with all the audits that generate the stability statements required by the National Mining Agency (AMN) and the State Environmental Agency (FEAM) in Brazil.

We are proceeding with a process for resettlement for certain communities downstream of the tailings dam. Such resettlement is on a voluntary basis, as defined by Brazilian law, and the programme's criteria was defined in a comprehensive participative dialogue between Anglo American and the communities' members. The process is monitored by the Municipality of Conceição do Mato Dentro, as well as social policy experts from the Environmental Agency and the Public Prosecutor Office. In addition, Anglo American offers technical consulting support, to assist the communities in this process in an independent way. The alternatives for those who intend to leave are:

- Household relocation: Minimum standard of relocation properties and houses, defined by communities and Anglo American, cash grant and social compensation package; or
- Simple indemnity: not applicable to vulnerable families, unless family can produce evidence of re-establishing their living conditions on another property already owned by the family.

To ensure that this process also aligns with international best practice we are following closely the International Finance Corporation Performance Standards 1 – Risk Management and 5 – Land Resettlement, aiming to minimise the impact on those displaced through mitigation measures such as fair compensation and improvements to and living conditions.

The communities located in the so-called “self-rescue zone” (zona de autossalvamento or ZAS) are also eligible for the voluntary resettlement programme. In addition, they are part of a robust programme that aims to ensure that they understand the low level of risk, but are fully prepared in the unlikely event of a breach of the dam. Activities includes regular training on safe evacuation if circumstances ever require it.

5: Responsible Mining Foundation's mine-site assessment

... [T]o provide some context, we currently do not publish data at a mine site level against many of the indicators the RMF uses. This absence of data has led to low level ratings within the RMF assessment for mine sites, but a higher level assessment for the company as a whole, where the data is available. We are considering how to make more granular data available to facilitate future assessments.

6: Grievance mechanisms

As noted under “Human Rights”, Minas-Rio has in place a complaints and grievances mechanism named “Fale Conosco”, aiming to receive and facilitate resolution of affected communities' concerns and further investigate where appropriate. This mechanism has been developed in line with our wider approach to human rights, reflecting the UN Guiding Principles.

Stakeholders are reminded of Fale Conosco, and how to connect to it, on a regular basis. Every incident registered is tracked and its corrective actions (when applicable) are recorded, implemented, and monitored until completion. Finally, the review of these incidents is reported to senior managers and the Brazil board of directors every month.

7: Transparency / Reports

We are committed to being as transparent about our business as we can be and have adapted our regular reporting over recent years to make it as accessible and granular as possible. Each year we publish our Sustainability Report:

<https://www.angloamerican.com/~media/Files/A/Anglo-American-Group/PLC/investors/annual-reporting/2020/aa-sustainability-report-2019-v1.pdf>,

setting out our approach and performance on each risk and opportunity. The Tax and Economic Contribution Report:

<https://www.angloamerican.com/~media/Files/A/Anglo-American-Group/PLC/investors/annual-reporting/2020/tax-and-economic-contribution-report.pdf>

is also published on an annual basis, including information related to capital investment, wages and related payments, procurement, taxes and corporate social investments in each jurisdiction in which we operate. Our Annual Report:

<https://www.angloamerican.com/~media/Files/A/Anglo-American-Group/PLC/investors/annual-reporting/2020/aa-annual-report-2019.pdf>

gives further details of our performance across all our operations. In the case of Brazil, every five years we publish a Socio Economic Impact Assessment Report, detailing regional activities. Minas-Rio last version of this report was published in 2017.

All our reports follow the Global Reporting Initiative's (GRI) recognised standards and from 2021, we will now report tax data in line with the new guidance under GRI 207 as well as other required tax transparency standards. We work with the GRI to promote full, transparent reporting as a way for all organisations to support sustainable development. Also, we are an active member of the Extractive Industries Transparency Initiative, both directly and as part of the International Council on Mining and Metals.

We have been able to (materially) tie back all of the data included in your report in relation to Anglo American's published data. We have reviewed our publications that have provided this data and are confident that they are accurate and aligned with reporting requirements. An additional US\$3,319,776 of tax, US\$6,906,305 royalties, and US\$918,545 fees were paid in relation to Minas Rio in 2015 which were prudently allocated as a central Brazilian cost in our public reports rather than allocated to Minas Rio. In addition, in June 2020 we published our 2019 datapoints:

<https://www.angloamerican.com/~media/Files/A/Anglo-American-Group/PLC/investors/annual-reporting/2020/payments-to-government-2019.pdf>.

This provides a more complete picture of the fiscal contribution to date (as an additional US\$60,701,000 royalties and US\$737,000 fees were paid in 2019). We would suggest that your report include this data.

We also note that the data published under EU Accounting Directive requirements meets legal requirements but does not give a full reflection of our tax and economic contribution in relation to Minas Rio. For example, Anglo American pays ISS at a municipal level that (unlike ICMS) cannot be credited or traded. We therefore believe that our Tax and Economic Contribution Reports (see above) better reflect our true fiscal contributions.

I am afraid that we have been unable to verify the data included on pages 12-15 of your draft report that have been taken from sources that we have not prepared and published (i.e. total payments from all mining companies and ANM data on contributions and expenditure).

8: Minas Rio Closure plan

It is not clear on what basis that this recommendation has been reached and therefore, we have no comment to add. However, as with all of our operations around the world, we have detailed mine closure plans in place, following the Anglo American Mine Closure toolkit

<https://www.angloamerican.com/~media/Files/A/Anglo-American-Group/PLC/sustainability/mine-closure-toolbox-version-3-2019.pdf>

9: Technical and social alternatives to mining

Mining has a critical role to play in providing the metals and minerals needed for a low-carbon world. The copper, platinum group metals (PGMs), nickel and premium-quality iron ore that we produce are key raw materials for renewable electricity generation and distribution, for the electrification of transportation (in all its forms) and for other emerging technologies such as smart grids and the hydrogen economy. While reuse and recycling will play a role in providing these materials, the projected demand means that mined material will continue to play a crucial role. Our objective is to ensure that mining is conducted in a sustainable way.

Our FutureSmart Mining™ programme – our innovation-led pathway to sustainable mining - aims to reduce the footprint (land, water, carbon) of modern mines, extracting the metals and minerals more efficiently and more sustainably.

For example, Anglo American has targets for reducing energy consumption and greenhouse gas (GHG) emissions, with our objective of being carbon neutral across all of our operations by 2040. Minas-Rio and Nickel operations are playing their part having negotiated solar and wind energy contracts to supply electricity to our operations between 2022 and 2036 – a total of 686.2 GWh per year of clean energy. With those contracts we will reach 96% of our power demand in Brazil coming from renewable sources.

In addition, within the Anglo American group we are rolling out circular economy practices. This includes successfully reaching zero non mineral waste in 2020 across our PGMs business.

Further to the specific recommendations to which we have responded above, there are three further areas on which we would like to provide more detail to help ensure your report in as comprehensive as possible.

Traditional Communities

On page 21 the question is raised as to whether communities known as “comunidades tradicionais” were resident in the region. A key first point to note is that in Brazil, communities are able to self-recognise as “comunidades tradicionais”.

For that reason, Anglo American carried out a detailed and independent study of traditional characteristics in the surrounding communities. This study did not identify traditional groups, as defined by in national legislation, around the mine area. There are some recognised traditional communities in regions some distance from the mine and not impacted by Minas-Rio.

It is important to mention that the absence of geographic and cultural relations between the areas of influence of the company and the communities effectively recognized is detailed in the EIA RIMA 2015.

Environmental Impacts

It is suggested in the report that the environmental assessments conducted by Minas-Rio have not been sufficient. Minas Rio has an overarching environmental monitoring programme, covering air and water quality, noise and vibration. In all parameters, we operate strictly in compliance with Brazilian legislation. We systematically schedule meetings and visits to communities to present results of our environmental monitoring.

To manage and discuss all social issues, Anglo American has three forums that are held on a monthly basis: a social work group comprising Anglo American managers and coordinators; a social committee set-up with key functional leads; and a risk working group to ensure that social responsibility is being considered.

Also, we have created a community engagement committee to build joint solutions that better address current issues and that will improve the co-habitation of the company and the local host communities.



With regards to some specific issue mentioned in the report:

- **Water:** The water abstraction in the municipality of Dom Joaquim is duly permitted by the competent environmental agencies and the abstraction does not reduce water availability for other users. The water permitting instrument in the state of Minas Gerais is restrictive and establishes measures to prioritise certain uses, such as human consumption, animal husbandry and the importance of maintaining flow rates for ecological reasons.
- **Dust:** Brazilian and International legislation establish the limits considered safe for environmental exposure to dust and other substances with the aim of protecting the health of workers and the population in the surrounding communities. The levels of dust including fine particles found in the communities surrounding the mine are well below the maximum level established in environmental legislation. Finally, official health indicators show that the number of hospital admissions in the municipality of CMD, due to respiratory diseases, has been decreasing over the years. Such numbers can be explained by the infrastructure improvements made in the municipality since the arrival of the Anglo American, such as: paving of and other dust suppression on public roads and subsequent pavement of the MG-10 road, which took place between 2009 and 2015. The same period has seen improvements in services in primary care provided by the agreements signed between Anglo American and the Municipality which, for example, made it possible to hire more health professionals.
- **Vibration:** Anglo American attaches great importance to communities' health, safety and integrity of the families surrounding our operations. In that sense, a series of studies and precautionary reports were commissioned, aiming to analyse the sources and impact of vibration. The studies did not demonstrate that the damage in the houses was caused by Anglo American operations. Nevertheless, in some cases it was possible to associate the cracks to the company's activities – in all situations the families were appropriately compensated and supported. In each case, agreement was reached between the company and households in a constructive manner, without the need for recourse to the legal system. The company remains willing to discuss any remaining cases of damaged properties.

Covid-19

We are currently facing the greatest threat to global health in a century. Across the business as a whole, we have taken immediate measures to help safeguard our people from the spread of COVID-19 and to provide additional support to the communities where we operate. Anglo American Brazil is following the health and safety measures recommended by the World Health Organization (WHO) and the Brazilian Ministry of Health. Also, we are fulfilling Federal, State and Municipal level decrees. These measures seek to ensure safe operation of the mine, pipeline and port and involve respecting the local requirements and safety and health restrictions.

In that sense, in response to the pandemic, Anglo American established a COVID-19 Community Response Action Plan (CRP) for every business unit, including Minas-Rio. Informed by relevant data and analysis, the CRP defines Minas Rio's actions to support community stakeholders in planning, responding to and recovering from the COVID-19 outbreak.

In Brazil, we purchased respirators, ventilators, monitors and other equipment, totalling over US\$1 million, which were donated to the healthcare systems in the states and municipalities where our operations are located. Additional measures include:

- Participating in various municipal crisis response committees, offering our support in emergency response and crisis management as appropriate.
- Providing educational materials on prevention and response to the municipalities, funding informative campaigns on local radio stations and on social media.



- Administrative employees, interns, elderly people, people with medical conditions or who live with people from risk groups continue to work from home.
- There are sanitation and distance measures in force between employees in work stations, cafeterias, meetings and any other potential points of contact.
- Communications to our communities and employees on prevention, working from home and mental health are being issued regularly.

Social contributions

Inspired by our purpose to re-imagine mining to improve people's lives, we are committed to ensuring beneficial co-existence with host communities and to working collaboratively with our suppliers, communities and partners to ensure the development of thriving, healthy and inclusive communities beyond mining. In striving to ensure that our host communities are sustainable beyond life-of-mine, we place an emphasis on progressively increasing levels of procurement from local suppliers, supported by our supplier and enterprise development initiatives.

Minas-Rio social investments highlights in 2019 includes:

- R\$7.1m in Community development
- R\$4.9m in Education and training
- R\$1.1m in Sports, arts, culture and heritage
- R\$5.3m in Environment
- R\$4.0m in Health and welfare
- R\$1.1m in Other investments

Conclusion

While it is not our place to recommend to you what should or should not be included in your report, we would ask that you consider carefully the evidence base which leads to some of the key findings and recommendations. Specifically, we do not believe that the report contains any evidence that Anglo American is "corner cutting" to "make Minas Rio more financially viable" (page 3), and we would refute any such allegation strongly, given the implication it could have with regards, for example, to safety, which is our number one priority. We would also ask if you are comfortable that the evidence backs up claims that Anglo American did not wish to engage with civil society or that our plans for environmental impact assessments, economic diversification and other key sustainability programmes are "inadequate". If such evidence exists, we would be very keen to see it, assess it and take appropriate action.

We recognise that much of the detail contained in your report and in this feedback is complicated. Should you wish to explore in more detail any specific item, please let me know and we'd be happy to arrange a call to ensure that the report you produce is based on the best available data and understanding.

Yours sincerely,

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