

## BOARD AND COMMITTEE MEETINGS – FREQUENCY AND ATTENDANCE

	Independent	Board (six meetings)	Audit (three meetings)	S&SD (four meetings)	Remuneration (three meetings)	Nomination (three meetings)
Sir John Parker	n/a	All	–	All	–	All
Cynthia Carroll	No	All	–	All	–	–
René Médori	No	All	–	–	–	–
David Challen	Yes	5 <sup>(1)</sup>	All	–	All	2 <sup>(1)</sup>
Sir C K Chow	Yes	All	–	–	All	All
Chris Fay <sup>(2)</sup>	Yes	All	All	All	–	–
Sir Philip Hampton	Yes	All	All	–	All	–
Sir Rob Margetts <sup>(2)</sup>	Yes	All	–	–	All	–
Nicky Oppenheimer	No	All	–	–	–	–
Ray O'Rourke	Yes	5 <sup>(3)</sup>	All	All	–	–
Mamphela Ramphele	Yes	All	–	All	–	2 <sup>(4)</sup>
Jack Thompson	Yes	All	–	All	All	–
Peter Woicke	Yes	All	–	All	All	All

<sup>(1)</sup> Absence due to volcanic ash cloud travel disruption.

<sup>(2)</sup> Meetings attended prior to retirement.

<sup>(3)</sup> Absence due to long standing commitment entered in to prior to his appointment.

<sup>(4)</sup> Unable to attend owing to telecommunications breakdown.

## HOW DO WE PROMOTE EXCELLENCE IN THE BOARD ROOM?

### Board effectiveness

As a direct result of the last external board evaluation, changes were made in strategy planning and improving communication with major shareholders as well as in the areas of committee composition, talent management and succession planning.

The action plan that resulted from the internally facilitated 2010 board effectiveness review may be found on page 87.

The next external evaluation of the Board is planned for 2011 in accordance with the recommendations made in the Code.

As in past years, the evaluation process also included a review, chaired by the senior independent non-executive director (without the chairman present), of the performance of the chairman. The chairman has held individual briefings with each director to ensure that the necessary board and committee processes are functioning properly. Since his appointment, Sir John has introduced a rolling agenda for the Board and instigated regular informal meetings of the non-executives prior to each board meeting. These meetings provide an opportunity, *inter alia*, to discuss the performance of management and to air subjects outside the confines of the board room in an informal and constructive manner.

At every board meeting, time is set aside for a NEDs-only discussion and the Board also receives a governance update from the company secretary highlighting developments in company law, corporate governance and best practice.

### HOW ARE DIRECTORS TRAINED?

Anglo American's directors have a wide range of expertise as well as significant experience in strategic, financial, commercial and mining activities. Upon appointment, directors are provided with recent board materials and a reference manual containing information on legal obligations and other matters of which they should be aware. Guidance is provided on Market Conduct under the FSA, the Company's Articles, the UK Corporate Governance Code and the Model Code. The manual also includes items such as board and committee terms of reference, relevant company information and guidance on where to obtain independent advice. The manual is updated periodically when appropriate.

As part of the directors' formal induction process, there are meetings with all senior executives in order to develop a full understanding of the complex nature of the Anglo American Group. Training and briefings are also available to directors on appointment and subsequently, as necessary, taking into

## WHAT IS THE ROLE OF THE BOARD?

The Board of directors has a duty to promote the long term success of the Company for its shareholders. Its role includes the establishment, review and monitoring of strategic objectives, approval of major acquisitions, disposals and capital expenditure and overseeing the Group's systems of internal control, governance and risk management.

A schedule of matters reserved for the Board's decision details key aspects of the Company's affairs that the Board does not delegate (including, among other things, approval of business plans and budgets, material expenditure and alterations to share capital).

Every year the Board holds a two day strategy meeting at which the NEDs contribute their expertise and independent perspective in developing the strategy of the Company.

## HOW IS THE BOARD COMPOSED?

### Role of the chairman

The Board is chaired by Sir John Parker. The chairman is responsible for leading the Board and for its effectiveness.

### Role of the chief executive

Cynthia Carroll is the chief executive and is responsible for the execution of strategy and the day-to-day management of the Group, supported by the Group Management Committee (GMC) and the Executive Committee (ExCo), both of which she chairs. The functions and membership of GMC and ExCo are set out on page 90.

The Company has adopted the Institute of Chartered Secretaries and Administrators Statement of Division of Responsibilities between the Chairman and the Chief Executive.

### Role of the senior independent director (SID)

David Challen is the senior independent non-executive director. He is available to shareholders, acts as a sounding board and confidant for the chairman and is available as an intermediary for the other directors if necessary.

### Independence of directors

The Board has a strong independent element and currently comprises, in addition to the chairman, two executive and eight non-executive directors, seven of whom are independent according to the definitions contained in the Combined Code on Corporate Governance and the UK Corporate Governance Code (together, the Codes). The independent directors are indicated within the table above, and full biographical details for each director are given on pages 88 and 89. The letters of appointment of the non-executive directors (as well as the executives' service contracts) are available for inspection at the registered office of the Company.

None of the non-executive directors has served concurrently with an executive director for more than nine years.

**GOVERNANCE:** Corporate governance – continued

account existing qualifications and experience. Directors also have access to management, and to the advice of the company secretary. Furthermore, all directors are entitled to seek independent professional advice concerning the affairs of Anglo American at its expense, although no such advice was sought during 2010. Presentations are made to the Board by business management on the activities of operations. Directors undertake regular visits to operations and projects and, in 2010, operations and projects in Australia, Brazil, Chile, China, Peru and South Africa were visited. In addition, during the year, directors attended courses/seminars on corporate governance, finance and directors' forums.

The directors are given the opportunity to discuss their development needs with the chairman in individual feedback meetings.

**iPads for review of board materials**

As part of our commitment to best practice and innovation, iPads were introduced in 2010 for the review of board papers, ensuring fast and timely provision of information to directors whilst at the same time reducing the environmental and financial impacts of board meetings.

**HOW DO WE COMMUNICATE WITH OUR INVESTORS?**

The Company maintains an active dialogue with its key financial audiences, including institutional shareholders and sell-side analysts as well as potential shareholders. The Investor Relations department manages the dialogue with these audiences and regular presentations take place at the time of interim and final results as well as during the rest of the year. An active programme of communication with potential shareholders is also maintained.

**Board oversight**

Any significant concerns raised by a shareholder in relation to the Company and its affairs are communicated to the Board. The Board is briefed on a regular basis by the Investor Relations department and analysts' reports are circulated to the directors. Feedback from meetings held between executive management, or the Investor Relations Department, and institutional shareholders is also communicated to the Board.

**Institutional investors**

During the year there were regular presentations to and meetings with institutional investors in the UK, South Africa,

continental Europe and the US to communicate the strategy and performance of Anglo American. Executive directors, as well as key executives, including business unit heads, host such presentations, including seminars for investors and analysts, and one on one meetings. Throughout the year, executive management also present at industry conferences, which are mainly organised by investment banks for their institutional investor base. In late 2010, Sir John Parker met with a number of key investors to discuss 'Strategy, The Board, Board Changes & Operating Performance'. David Challen in his capacity as the SID works closely with Sir John to maintain his understanding of the issues and concerns of major shareholders. The chairman, SID and other non-executive directors are also available to shareholders to discuss any matter they wish to raise. We look forward to increased communication with investors following the recent introduction of the Stewardship Code.

The Company's website [www.angloamerican.com](http://www.angloamerican.com) provides the latest news and historical financial information, details about forthcoming events for shareholders and analysts, and other information on Anglo American.



As soon as I saw the board papers on the iPad I knew I would not need paper copies again. The iPad allows fast and secure delivery of board materials and annotation of the documents is simple and effective.

**Peter Woicke**  
Non-Executive Director



We place a great deal of importance on maintaining an active dialogue with our investor base around the world. We plan to increase our interaction in 2011 by further exposing our operating management to investors.

**René Médori**  
Finance Director

**HOW DOES THE BOARD DEAL WITH CONFLICTS OF INTEREST**

Anglo American policy dictates that if a director becomes aware that they have a direct or indirect interest in an existing or proposed transaction with Anglo American, they should notify the Board at the next board meeting or by a written declaration. Directors have a continuing duty to update any changes in these interests. Mr Oppenheimer has always recused himself from any discussion involving a potential conflict of interest between De Beers and the Company at the Anglo American board and during the year Mr Challen recused himself from a discussion

on a banking facility in which Citigroup was a participant. In accordance with the Company's Articles and relevant legislation, an unconflicted quorum of the Board can authorise potential conflicts and such authorisations can be limited in scope and are reviewed on an annual basis. During the year under review, the conflict management procedures were adhered to and operated effectively.

## WHAT ARE THE COMMITTEES OF THE BOARD AND WHAT DO THEY DO?

Subject to those matters reserved for its decision, the Board delegates certain responsibilities to a number of standing committees – the Remuneration, Nomination, Safety and Sustainable Development and Audit Committees. The terms of reference for each of these committees and a schedule of matters reserved for the Board's decision are published on the Company's website.

## REMUNERATION COMMITTEE



““““  
**The Committee seeks to set stretching targets to ensure that directors are appropriately remunerated and our world class talent is retained.**

**Sir Philip Hampton**  
 Chairman, Remuneration Committee

### Composition

In compliance with the Codes the committee comprises only fully independent non-executive directors:

- Sir Philip Hampton – Chairman
- David Challen
- Sir CK Chow
- Jack Thompson
- Peter Woicke

### Roles and responsibilities

- Establishing and developing the Group's general policy on executive and senior management remuneration
- Determining specific remuneration packages for the chairman and executive directors
- Designing the Company's share incentive schemes

Further details are set out on pages 98 to 109 of this Annual Report

## NOMINATION COMMITTEE



““““  
**Having attracted fresh skills and domain knowledge, the Committee has defined the characteristics required of new board members over the next few years.**

**Sir John Parker**  
 Chairman, Nomination Committee

### Composition

Compliant with the Codes:

- Sir John Parker – Chairman
- David Challen
- Sir CK Chow
- Mamphela Ramphele
- Peter Woicke

### Roles and responsibilities

- Setting guidelines (with the approval of the Board) for the types of skills, experience and diversity being sought when making a search for new directors and, with the assistance of external consultants, identifying and reviewing in detail each potential candidate available in the market. The Committee then agrees a 'long list' of candidates for each directorship and, following further discussion and research, decides upon a shortlist of candidates for interview. Shortlisted candidates are each interviewed by the Committee members who will then convene to discuss their impressions and conclusions, culminating in a recommendation to the Board
- Making recommendations as to the composition of the Board and its committees and the balance between executive and non-executive directors, with the aim of cultivating a board with the appropriate mix of skills, experience, independence and knowledge of the Company
- Engaging in long term succession planning for the Board
- Ensuring that the Human Resources function of the Group regularly reviews and updates the succession plans of directors and senior managers

**THE COMMITTEE TERMS OF REFERENCE MAY BE FOUND ON THE COMPANY'S WEBSITE [WWW.ANGLOAMERICAN.COM](http://WWW.ANGLOAMERICAN.COM)**

## SAFETY & SUSTAINABLE DEVELOPMENT COMMITTEE



**Safety is our number one priority and we have demonstrated our commitment to going the extra mile to achieve the highest standards.**

**Peter Woicke**  
Chairman, Safety & Sustainable Development Committee

### Composition

- Peter Woicke – Chairman
- Cynthia Carroll
- Sir John Parker
- Ray O'Rourke
- Mamphele Ramphele
- Jack Thompson
- Brian Beamish
- David Weston

### Roles and responsibilities

- Developing the framework policies and guidelines for the management of sustainable development issues including safety, health and environment
- Reviewing the performance of the Company and the progressive implementation of its safety and sustainable development policies
- Receiving reports covering matters relating to material safety and sustainable development risks and liabilities
- Monitoring key indicators and learnings on incidents and, where appropriate, ensuring they are communicated throughout the Group
- Considering material national and international regulatory and technical developments in the fields of safety and sustainable development management

## AUDIT COMMITTEE



**The Audit Committee plays a pivotal role to ensure high standards of corporate governance and enables the Board to give shareholders the necessary assurances.**

**David Challen**  
Chairman, Audit Committee

### Composition

Compliant with the Codes and comprises only independent non-executive directors:

- David Challen – Chairman
- Sir Philip Hampton
- Ray O'Rourke

### Roles and responsibilities

- Monitoring the integrity of the annual and interim financial statements, the accompanying reports to shareholders and corporate governance statements
- Making recommendations to the Board concerning the adoption of the annual and interim financial statements
- Overseeing the Group's relations with the external auditors
- Making recommendations to the Board on the appointment, retention and removal of the external auditors
- Reviewing and monitoring the effectiveness of the Group's internal control and risk management systems including reviewing the process for identifying, assessing and reporting all key risks
- Approving the terms of reference and plans of the internal audit function
- Approving the internal audit plan and reviewing regular reports from the head of internal audit on effectiveness of the internal control system
- Receiving reports from management on the key risks of the Group and management of those risks

## AUDIT COMMITTEE REPORT

### External audit

Anglo American's policy on auditors' independence, is consistent with the ethical standards published by the Audit Practices Board.

A key factor that may impair auditors' independence is a lack of control over non-audit services provided by the external auditors. In essence, the external auditors' independence is deemed to be impaired if the auditors provide a service which:

- Results in the auditors acting as a manager or employee of the Group
- Puts the auditors in the role of advocate for the Group; or
- Creates a mutuality of interest between the auditors and the Group

Anglo American addresses this issue through three primary measures, namely:

- Disclosure of the extent and nature of non-audit services
- The prohibition of selected services – this includes the undertaking of internal audit services
- Prior approval by the Audit Committee chairman of non-audit services where the cost of the proposed assignment is likely to exceed \$50,000

Anglo American's policy on the provision of non-audit services is regularly reviewed. The definition of prohibited non-audit services corresponds with the European Commission's recommendations on auditors' independence and with the Ethical Standards issued by the Audit Practices Board in the UK.

Other safeguards include:

- The external auditors are required to adhere to a rotation policy based on best practice and professional standards in the United Kingdom. The standard period for rotation of the audit engagement partner is five years and, for any key audit partner, seven years. A new audit engagement partner was appointed from 2010 in accordance with this requirement
- Any partner designated as a key audit partner of Anglo American shall not be employed by Anglo American in a key management position unless a period of at least two years has elapsed since the conclusion of the last relevant audit

- The external auditors are required to assess periodically, in their professional judgement, whether they are independent of the Group
- The Audit Committee ensures that the scope of the auditors' work is sufficient and that the auditors are fairly remunerated
- The Audit Committee has primary responsibility for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors
- The Audit Committee has the authority to engage independent counsel and other advisers as they determine necessary in order to resolve issues on auditor independence
- An annual assessment is undertaken of the auditors' performance, independence and objectivity. The results are shared with the Audit Committee

The Audit Committee has satisfied itself that the United Kingdom professional and regulatory requirements for audit partner rotation and employment of former employees of the external auditors have been complied with.

The Audit Committee considered information pertaining to the balance between fees for audit and non-audit work for the Group in 2010 and concluded that the nature and extent of the non-audit fees do not present a threat to the external auditors' independence. Details of fees paid are provided on page 133.

Furthermore, after reviewing a report from the external auditors on all their relationships with Anglo American that might reasonably have a bearing on the external auditors' independence and the audit engagement partner and staff's objectivity, and the related safeguards and procedures, the Committee has concluded that the external auditors' independence was not impaired.

The Audit Committee approved the external auditors' terms of engagement, scope of work, the process for the 2010 interim review, the annual audit and the applicable levels of materiality. Based on written reports submitted, the Committee reviewed, with the external auditors, the findings of their work.

The Audit Committee held meetings with the external auditors without the presence of management on two occasions and the chairman of the Audit Committee held regular meetings with the audit engagement partner during the year.

The appointment of Deloitte LLP as the Group's external auditors (incumbents since the listing in 1999) is kept under annual review, and if satisfactory, the Committee will recommend the re-appointment of the audit firm. The appointment of Deloitte LLP followed a detailed evaluation, at the time of the listing, of the predecessor audit firms and, rather than adopting a policy on tendering frequency, an annual review of the effectiveness of the external audit is supplemented by a periodic, comprehensive reassessment by the Committee. The Committee's assessment of the external auditors' performance and independence underpins its recommendation to the Board to propose to shareholders the re-appointment of Deloitte LLP as auditors until the conclusion of the AGM in 2012. Resolutions to authorise the Board to re-appoint and determine their remuneration will be proposed at the AGM on 21 April 2011.

#### Internal audit

The Group has an internal audit department that reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of Anglo American's operations.

The head of internal audit is responsible for reporting and following up on the findings of this internal audit work to local management and the Audit Committee on a regular basis. Internal audit teams operated in all the Group's principal divisions in the period under review, reporting findings to local senior management. The internal audit function's mandate and annual audit coverage plans were approved by the Audit Committee.

The internal audit activities are performed by teams of appropriate, qualified and experienced employees, supplemented if necessary through the engagement of external practitioners upon specified and agreed terms. A summary of audit results and risk management information was presented to the Committee and Group senior management at regular intervals throughout the year. The Group's head of internal audit reports to the Audit Committee on the internal audit function's performance against the agreed internal audit plan.

During 2010, over 400 audit projects were completed covering a variety of financial, operational, strategic and compliance related business processes across all business units and functions. In addition, the internal audit department responded to a number of management requests to investigate alleged breaches of our business principles.

## EFFECTIVENESS OF INTERNAL CONTROL AND RISK MANAGEMENT

The GMC, as mandated by the Board, maintains a Group-wide system of internal control to manage significant Group risks. This system, which has been operating throughout the year and to the date of this report, supports the Board in discharging its responsibility for ensuring that the wide range of risks associated with the Group's diverse international operations is effectively managed in support of the creation and preservation of shareholder wealth. Where appropriate, necessary action has been or is being taken to remedy any failings or weakness identified from review of the effectiveness of the internal control system.

### Internal control

The system of internal control, which is embedded in all key operations, provides reasonable rather than absolute assurance that the Group's business objectives will be achieved within the risk tolerance levels defined by the Board. Regular management reporting, which provides a balanced assessment of key risks and controls, is an important component of board assurance. In addition, certain board committees focus on specific risks such as safety and capital investment and provide assurance to the Board. The chief financial officers of the Group's business units provide confirmation, on a six monthly basis, that financial and accounting control frameworks have operated satisfactorily. The Board also receives assurance from the Audit Committee, which derives its information, in part, from regular internal audit reports on risk and internal control throughout the Group and external audit reporting. The Group's internal audit function has a formal collaboration process in place with the external auditors to ensure efficient coverage of internal controls. The Anglo American internal audit function is responsible for providing independent assurance to executive management and the Board on the effectiveness of the risk management process throughout the Group.

Anglo American seeks to have a sound system of internal control, based on the Group's policies and guidelines, in all material associates and joint ventures. In those companies that are independently managed, as well as joint ventures, the directors who are represented on these organisations' boards seek assurance that significant risks are being managed.

Assurance regarding the accuracy and reliability of mineral resources and ore reserves disclosure is provided through a combination of internal technically proficient staff and independent third parties.

### Risk management

The Board's policy on risk management encompasses all significant business risks to the Group, including:

- Financial
- Operational
- Compliance risk

which could undermine the achievement of business objectives.

This system of risk management is designed so that the different businesses are able to tailor and adapt their risk management processes to suit their specific circumstances. This flexible approach has the commitment of the Group's senior management. There is clear accountability for risk management, which is a key performance area of line managers through the Group. The requisite risk and control capability is assured through Board challenge and appropriate management selection and skills development. Managers are supported in giving effect to their risk responsibilities through policies and guidelines on risk and control management. Support through facilitated risk assessments is provided by a central team responsible for ensuring a robust process is implemented for risk management. During 2010, over 100 separate risk assessment workshops were conducted reviewing:

- Risk in business unit strategies
- Risks to achieving mine plans
- Risks in capital projects
- Risks to key change programmes

The results of these risk assessments were reported to senior management and the Audit Committee. The process of risk management is designed to identify internal and external threats to the business and to assist management in prioritising their response to those risks. Continuous monitoring of risk and control processes, across headline risk areas and other business-specific risk areas, provides the basis for regular and exception reporting to business management and boards, ExCo, the Audit Committee and the Board.

Some of the headline risk areas, which have been elaborated upon in the financial review, set out on pages 46 to 53 are:

- Commodity price risk
- Political risk
- Counterparty risk
- Infrastructure and operational performance risks

The risk assessment and reporting criteria are designed to provide the Board with a consistent, Group-wide perspective of the key risks. The reports to the Board, which are submitted at least every six months, include an assessment of the likelihood and impact of risks materialising, as well as risk mitigation initiatives and their effectiveness.

In conducting its annual review of the effectiveness of risk management, the Board considers the key findings from the ongoing monitoring and reporting processes, management assertions and independent assurance reports. The Board also takes account of material changes and trends in the risk profile and considers whether the control system, including reporting, adequately supports the Board in achieving its risk management objectives.

During the course of the year the Board considered the Group's responsiveness to changes within its business environment. The Board is satisfied that there is an ongoing process, which has been operational during the year, and up to the date of approval of the Annual Report, for identifying, evaluating and managing the significant risks faced by the Group. This includes social, environmental and ethical risks as highlighted in the Disclosure Guidelines on Socially Responsible Investment issued by the Association of British Insurers. A detailed report on social, environmental and ethical issues is included in the Company's Sustainable Development Report 2010.

### Accountability and audit

The Board is required to present a balanced and understandable assessment of Anglo American's financial position and prospects. Such assessment is provided in the Chairman's and Chief executive's statements and the Operating and financial review of this Annual Report. The respective responsibilities of the directors and external auditors are set out on pages 116, 118 and 119. As referred to in the Directors' report, the directors have expressed their view that Anglo American's business is a going concern.

### Whistleblowing programme

The Group has had in place for a number of years a whistleblowing programme in all its managed operations. The programme, which is monitored by the Audit Committee, is designed to enable employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns in cases where conduct is deemed to be contrary to our values. It may include:

- Actions that may result in danger to the health and/or safety of people or damage to the environment
- Unethical practice in accounting, internal accounting controls, financial reporting and auditing matters
- Criminal offences, including money laundering, fraud, bribery and corruption
- Failure to comply with any legal obligation
- Miscarriage of justice
- Any conduct contrary to the ethical principles embraced in our Business Principles or any similar policy
- Any other legal or ethical concern
- Concealment of any of the above

The programme makes available a selection of telephonic, email, web-based and surface mail communication channels to any person in the world who has information about unethical practice in Anglo American and its managed operations. The multilingual communication facilities are operated by independent service providers who remove all indications from information received as to the identity of the callers before submission to designated persons in the Group.

During 2010, 313 reports were received via the global "Speakup" facility, covering a broad spectrum of concerns, including:

- Ethical
- Criminal
- Supplier relationships
- Health and safety
- Human resource-type issues

Reports received were kept strictly confidential and were referred to appropriate line managers within the Group for resolution. Where appropriate, action was taken to address the issues raised. The reports are analysed and monitored to ensure the process is effective.