

Response to the Bench Marks Foundation Report

“Policy Gap 13”



Introduction and Background

At Anglo American Platinum (AAP), we believe in creating shared value for all our stakeholders through our value-driven strategy. The implementation of this value-driven strategy over the last 5 years has helped to turnaround a company that was on the path to a potential complete failure, with the associated negative implications for Government (taxes and royalties), employees (salaries), communities (social investment and increased unemployment), society in general (procurement of goods and services) and lastly the providers of capital (investment in our business). We are now able to deliver a stable, competitive and profitable business that will be sustainable in the long-term and will deliver value to all stakeholders through safe production, all in support of the Anglo American purpose of 'Re-imagining mining to improve people's lives'. We have been driving the delivery of our strategy focussing on;

- Facilitating the development of the market for platinum group metals to increase demand;
- Extracting the full potential from our operations through our people and innovation;
- Investing in our core portfolio that delivers industry leading cash flows and returns.

.....all delivered in a safe, values driven and socially acceptable way.

Whilst we acknowledge that we don't always get it right, we believe we have built on a great foundation laid over many years and have taken the delivery of our strategy to the highest levels in the way we are delivering value to all our stakeholders (not only to shareholders as claimed in the Bench Marks Foundation report). We also continue to work on many fronts – including stakeholder engagement, community development, environmental management and health and safety – to build on the achievements of recent years, and we are always willing to engage with stakeholders on our work in these areas.

By way of a brief background to why this report has been compiled, on the 5th of September 2018, Bench Marks Foundation launched Policy Gap 13, "Coping with Unsustainability (2), Critical analysis of Anglo American Platinum Corporation, Sustainable Development Reporting (SDR) from 2003 to 2015". In it, Bench Marks presents findings and recommendations based on its analysis of Anglo American Platinum's sustainability reports spanning from 2003 to 2015.

The Bench Marks Foundation (BMF) Policy Gap 13 report contains some valuable insights and recommendations, particularly with respect to quantification of social and environmental impacts, and its focus on reporting on impact and not just input. However, the report also contains some unfounded conclusions and assessments of Anglo American Platinum's contribution to positive economic, social and environmental impact.

Below we identify ten issues or assertions (numbered as such) raised in the BMF report which we believe warrant clarification or other responses, and then offer an overall conclusion.

1. BMF identifies "three distinct reporting periods and trends", with less rigorous reporting recently

Anglo American Platinum's sustainability reporting journey has shifted from the earlier years where reporting tended to focus on the number of sustainability targets set and whether these were achieved or not. The 2004 Sustainability Report was prepared in compliance with the 2002 Global Reporting Initiative (GRI), one of the first global organisations which provided guidance for best practice in sustainability reporting. Since 2012, there has been a clear move towards focusing on material issues, in response to King III and to GRI G3 guidelines. To ensure that Anglo American Platinum reports on issues of highest importance to all its stakeholders, the company conducts materiality assessments that include multi-stakeholder workshops involving unions, NGOs, investors, customers, suppliers. These workshops give stakeholders an opportunity to

highlight the risks and opportunities they consider important and material for Anglo American Platinum to report on in its integrated annual and sustainability reports.

2. “Huge dividends paid to shareholders compared with benefits to others”

The BMF report suggests that during the 2003 to 2015 period, Anglo American Platinum focused on shareholder returns at the expense of its workers and communities. To further this argument, the report selectively chose economic data for analysis such as benefit to shareholders, workers and communities instead of conducting a robust value-add analysis, which shows the value add to employees, government, providers of capital and re-investment in the company.

Anglo American Platinum has carried out an aggregated analysis¹ of its value-added statements over a 14-year period from 2004 to **2017**² (See Table 1). The analysis shows that over the full 14- year period, the total value-added contribution to South Africa was R310 billion, of which the majority at 45.6% of the value generated went to employees, 17.4% was paid to government in the form of taxes and royalties, 19.6% was reinvested in the group and 17.5% was distributed to providers of capital and shareholders in the form of interest and dividends. It should also be noted that the value flow to shareholders since 2012 was substantially lower, with dividends only paid once to shareholders in a nine-year period, commencing again in February 2018. This is while employees and communities continued to benefit throughout the entire period. The report’s implication that the company was driven only by profits and shareholder value rather than delivering positive, tangible benefit to communities disregards the contributions the company made to community infrastructure, health, and other social benefits. We encourage people to assess and draw their own conclusions of the company’s value add to all stakeholders by conducting their own review of what is reported each year in the sustainable development reports.

Table 1: Analysis of Value-added statements from 2004 to 2017

| Total value added from 2004 to 2017 = R310bn | | | | |
|--|----------|------------|-----------|-----------|
| Stakeholder | Total | % of Total | Maximum % | Minimum % |
| Employees | R141.2bn | 45.6% | 108 | 22 |
| Reinvested in Group | R60.6bn | 19.6% | 49 | -41 |
| Government | R54.0bn | 17.4% | 26 | 8 |
| Providers of Capital | R54.2bn | 17.5% | 53 | 3 |

Table 2: Earnings by Providers of Capital during the pre and post-boom periods. Shareholders benefit from dividends reflected in the table.

| Providers of Capital | ‘Pre-boom years’ 2004 – 2008 | ‘Post-boom years’ 2009-2017 |
|--|---------------------------------|--------------------------------|
| Debt (interest to capital providers) | R2.9bn | R10.1bn |
| Dividends to shareholders | R37.5bn | R3.7bn |
| Sub-total | R40.4bn | R13.8bn |
| Total received by Providers of Capital | R54.2bn | |

¹ The analysis is based on publicly available data in the value-added statements within the Anglo American Platinum’s Sustainability Reports. Data used for contributions to employees included, salaries, wages, and other benefits. “Contributions to Government” are based on taxation and other payments to government. Contributions to providers of capital is based on disbursements to shareholders and lenders of capital (money). “Reinvested in Group” is the capital retained and reinvested in the company for the replacement of assets and the sustainability of operations.

² Period used is to end 2017 for completeness and to provide a current view.

Table 3: Re-invested amounts during the ‘pre and post boom’ periods

| Re-invested | ‘Pre-boom years’ 2004 - 2008 | ‘Post-boom years’ 2009-2017 |
|--------------------------|---------------------------------|--------------------------------|
| Re-invested in Group | R20.3bn | R40.3bn |
| Total Re-invested | R60.6bn | |

The analysis of the value-added statements on an annual basis from 2004 covers the resource boom that occurred up until 2008 and the market decline or stagnation that followed. It is clear from Table 1 and 2 on the previous page and from Figure 1 below that following the global financial crisis in 2008, the company’s contribution to employees and government has consistently exceeded that made to providers of capital and shareholders. In addition, over this period just under R3bn was spent on direct projects³ in the community.

Post the ‘boom period’, shareholders have received R3.7 billion in dividends as compared to R40.3 billion, that was re-invested in the company during the post-boom period (refer to Table 2 and 3). **Thus, the portrayal by the BMF, that shareholders benefited disproportionately to other participants is completely misleading** and in fact it was shareholders who injected additional capital into the company to keep it afloat (including a R12.5bn rights issue in 2010), while continuing to add value to employees, communities, government and society. Clearly as a business it is our priority to make a profit and generate adequate returns on invested capital for our shareholders. When the company makes a profit all stakeholders benefit, from employees to government and the communities. This however, has not been the case for the majority of the post-boom period.

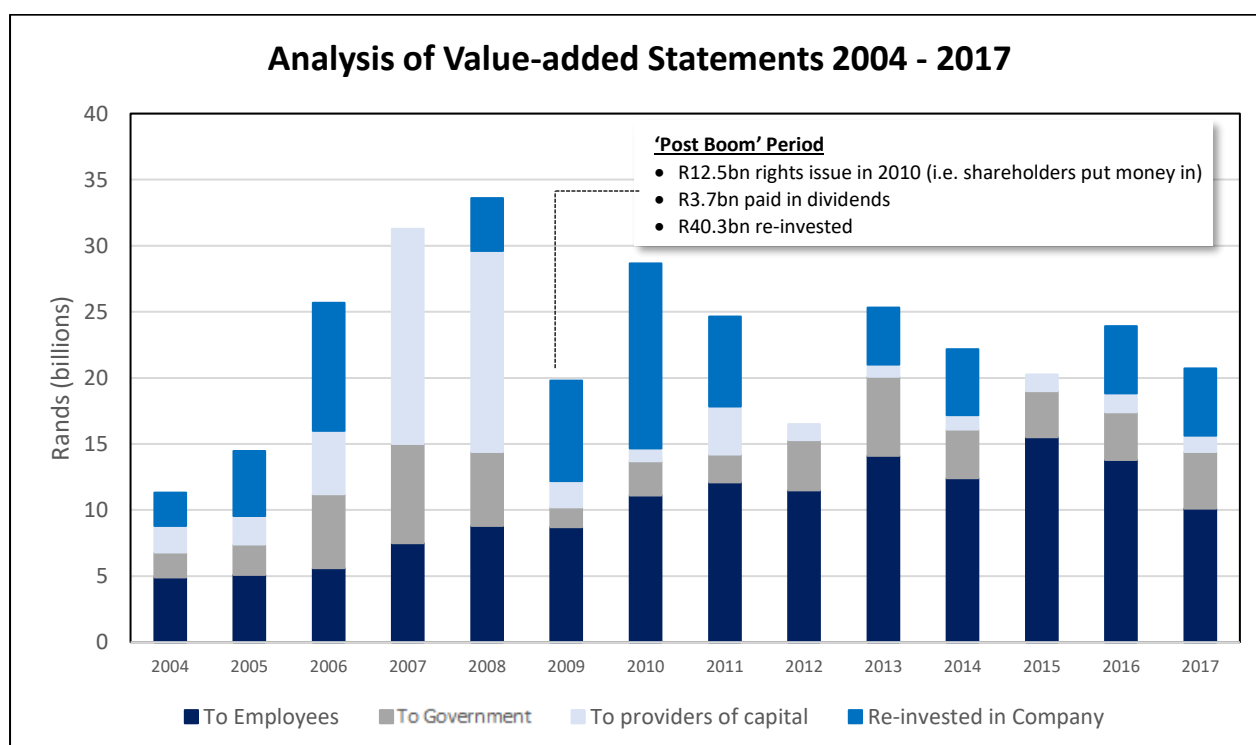


Figure 1: Annual Breakdown of Value-Added Statements from 2004 to 2017

³ Amount excludes other community benefits from local employment, procurement, economic activity, regional infrastructure and community share ownership through the community share ownership structure Alchemy, valued at R3.5bn

3. Housing, including the 20,000 homes undertaking

Anglo American Platinum believes that formal housing for all its employees is key to social stability further, the company firmly believes that the availability of formal housing provides the best home environment for its employees and their families. But it also realises that while home ownership is the ideal, existing conditions, including the legacy of migrant labour system and over-indebtedness, require the company to provide a range of options to its employees. For example, some migrant workers own houses in their home area and would rather invest in housing there than in their work location.

Mining companies have spent the last 14 years upgrading hostels to single and family units and invested in housing structures that were once available only to mine managers. But the influx of people into mining areas in search of work has created an insatiable demand for formal accommodation that the state's housing plans can simply not meet. This shortfall has been one of the reasons behind the mushrooming of informal settlements in and around mining areas; the other is the unintended consequences of the living-out allowance. It is widely accepted that generally living out allowances are partially used for what they were intended. Significant portions of these allowances are instead used for other purposes. By providing affordable, peri-urban accommodation near its mines integrated with communities, the company hopes to make the option of informal housing less attractive. Anglo American Platinum is not alone. The South African government has been looking at ways to eradicate informal settlements by addressing the housing backlog and pushing ahead with social housing developments that aim to redress old apartheid spatial inequities by providing low- and moderate-income households with good quality and affordable rental housing opportunities.

Lack of resources has, however, held many of these developments back. Any housing development – by the government or a mining company – requires a massive outlay for infrastructure. Roads, water reticulation and sewage systems need to be put in place before new communities can flourish in areas where there was nothing but open land.

It is exactly these infrastructural challenges that have held up the delivery of some of the company's most ambitious projects. In 2008, Anglo American Platinum and the National Department of Housing signed a memorandum of understanding to establish a partnership that intended to provide 20,000 houses for our employees in Limpopo and North West over five to 10 years. Anglo Platinum's investment in the land and the servicing of 20,000 stands was more than R1.4 billion while the government's contribution over that time was expected to come to more than R900 million. Aimed at accelerating housing delivery, it was hoped this partnership would benefit more than 120,000 people.

At the time, Anglo American Platinum had approximately 67,000 fulltime employees. However, owing to various factors, including a material adverse change in the economic environment in which the platinum group metal (PGM) sector operates, there has been a significant reduction in Anglo American Platinum employees after the consolidation of its portfolio. This coupled with levels of employee indebtedness and the inability of employees to access even small bonds (c.R40,000 for these houses), has led to 1,300 housing units being built to date (See example photograph of Sereleng development as photo 1 in Appendix 1). Given these dynamics, the company has not just walked away from its obligation in respect of facilitating housing; it continues to invest in housing-related infrastructure such as potable water, sewage systems, electrical reticulation and roads to support its employees and the communities in which they belong. The company recently donated serviced land to the Rustenburg Municipality (See Photo 3 and 4 in Appendix 1 of the bulk infrastructure built by the company) and will shortly be donating more blocks of land to the government, for housing projects in the Rustenburg area. Aside from the 1,000 units that form part of the Sereleng project (Photo 1, Appendix 1)

in Rustenburg and the 300 houses built in Northam in Limpopo, the company has six other housing projects. If all of these proceed, the company will have built close to 6,000 units, including ~4,500 houses as part of Phase 1 of the Bokomoso project. The company is also completing bulk infrastructure worth R90 million and combined with land to value of R30 million that will be donated to the government. This service land (worth R120m) now provides the ability for Government to build houses with resources available to deliver c.14,000 houses, all as a part of the previously committed to housing in the partnership between Government and AAP.

Historically, the company purchased well-located residential land with an aim to allocate stands to employees, who would then build their own houses by accessing credit in the form of mortgage loans with commercial banks. High levels of over-indebtedness have, however, meant that few employees qualify under stringent commercial terms. Despite this, Anglo American Platinum still believes home ownership is a viable option worthy of being pursued. It has, however, led the company to re-examine its housing strategy. The company has just completed an extensive, year-long review of its accommodation strategy and, in addition to advancing home ownership, it plans to promote the rental of decent accommodation to employees who cannot afford their own accommodation and for those who have their primary residents at their place of origin. Anglo American Platinum's aim is to ensure that all its employees will have the means to stay in adequate accommodation. The company believes that by doing this, it is not just building houses, it is building communities.

We are also embarking on a hybrid strategy that will assist employees who prefer to build their homes on unproclaimed land parcels. These employees are encouraged to source land from traditional authorities and acquire a Permission To Occupy (PTO) certificate. They can undertake an incremental building process through pension-backed home loan products and are then provided with a home ownership allowance.

As a final comment, while we remain committed to ensuring that our employees have access good housing, the situation in South Africa is quite unusual. We are not aware of any other major mining jurisdiction when private companies are assumed to be responsible for the mass provision of housing to employees, nor are we aware of other industries where such expectations are the norm.

4. The lack of local beneficiation: only 14% of the world's supply of autocatalysts come from South Africa

There appears to be a misunderstanding of the structure and global nature of not only the platinum market, but the entire PGM⁴ market. The end use market for platinum is critical to understand if one is to contextualize the suggestion that 75% of all platinum extracted in SA should be used locally.

Net⁵ platinum demand is as follows:

- a. ~29% of platinum is used in autocatalysis
- b. ~39% is used in a wide variety of industrial process and end products ranging from chemical uses to medical devices
- c. ~29% goes to jewellery, and
- d. ~3% in investment products (EFT, bars, coins etc.)

Net Palladium demand:

- a. 80% of palladium used in autocatalysts.
- b. 20% of palladium used for industrial purposes.

⁴ PGM – Platinum Group Metals including Platinum, Palladium, Rhodium, Gold, Ruthenium, Iridium

⁵ Net of recycling

a. Use of Platinum and Palladium in autocatalysts

By suggesting that there is a lack of beneficiation, the Bench Marks Foundation is suggesting that almost all global autocatalysts, jewellery, and the bulk of industrial platinum containing products manufactured with virgin metal must be manufactured in South Africa. It should be noted that the combined platinum and palladium in autocatalysts is about 60 % of global net demand.

South Africa's catalytic converter industry is a global exception, in that its production is largely exported rather than consumed locally or regionally and its production materially exceeds the vehicle production in the country. Despite limited local demand, it was able to develop due to government support in the form of the Motor Industry Development Programme (MIDP). Most autocatalyst producers are located close to automotive assembly hubs and coating companies have invested in expanding their production capacity in Europe and Asia. Since 2005, all expansions and new plants have been built in North America, Europe and elsewhere. The global average number of coating facilities in a country is between 0.4 and 1 per 1 million light vehicles produced. With three facilities for 0.5 million vehicles (i.e. 6 coating facilities per 1 million vehicles produced) South Africa already has far more such facilities than any other country based on local vehicle production – it produces for an export market while other regions produce predominantly for local consumption.

Because of the country's geographical location, the industry's logistics costs are 5% to 10% higher than those of other global suppliers. The MIDP and the Automotive Production and Development Programme (APDP) were created as rebate systems to counter this geographic disadvantage and incentivise purchases of locally produced components and vehicles by global automotive original equipment manufacturers (OEMs).

The MIDP, established in 1995, helped develop the catalytic converter industry into a global player that at its peak had a 15% to 16% share of the global market. In 2013, the MIDP was replaced by the APDP and since then the level of support given to the automotive industry has fallen. APDP has had a huge impact on component manufacturing, including the catalytic converter industry which is now estimated to between 5% and 8% of the global market, since it focuses on increasing vehicle production and makes no special provision for components.

As a final comment, it is ultimately decisions by our customers that determine where autocatalyst manufacturing takes place. Anglo American Platinum does not have the skills or technology required to become a significant manufacturer ourselves, nor would we wish to become a competitor to the customers with whom we have spent many years developing trusted relationships.

b. Anglo American Platinum's contribution to market development

Anglo American Platinum market development activities are focused on sustaining and growing platinum demand to secure the thousands of direct and indirect jobs supported by the company, with benefits to the whole of South Africa's platinum industry. Anglo American Platinum has been investing in market development and local beneficiation for over 20 years. As already discussed - the PGM market is a global market. With this in mind, the company invests directly in a portfolio of activities that include lab-scale research, product development and commercialisation to drive long-term, global PGM demand. Demand that is vital to securing, not only the continued relevance of the metal, but also thousands of direct and indirect jobs generated by the platinum industry.

In parallel to stimulating global demand, the company facilitates the localisation of internationally manufactured products and supports the development of local skills and local intellectual property, as well as supporting local jewellery manufacturers.

The significant increase in jewellery-related platinum demand from high growth markets is a result of the marketing efforts of the Platinum Guild International (PGI). Together with other Platinum producers, Anglo American Platinum supports the PGI, contributing more than half the annual \$50m spent by the PGI. The PGI has provided sales support and training to all levels of the global jewellery trade, with particular focus on the large, growing Asian markets of China, India and Japan. In addition to supplying expert information and practical advice to help jewellery buyers, the guild also develops targeted marketing campaigns to stimulate interest and sales in platinum jewellery around the world. Economic pressure on the mining industry has resulted in the PGI budget being cut by ~40 %. However, the industry and Anglo American Platinum in particular, continues to invest in this initiative aimed at growing the market.

In South Africa, the company invests in building the design and manufacturing skills of platinum jewellers, so they can compete effectively both locally and abroad. Over the last 19 years, the company has run an annual PlatAfrica design and manufacture competition, attracting thousands of entrants over the years from professionals, apprentices and students. The annual competition and its related media campaign raises consumer and retail awareness of platinum jewellery in South Africa, and also forms part of the student curriculum at local training institutions, supporting beneficiation.

The company also supports local jewellery manufacturers through a metal consignment scheme. This scheme provides a more holistic development approach to the local industry by making available what it considers to be three key elements: (i) access to consistent supply of metal, (ii) access to financial terms that will allow for effective cash flow management; and (iii) development of business management skills for approved beneficiaries. The company's aim is to take promising local jewellery manufacturers and develop their business skills to enable them to effectively manage and grow, sustainable businesses.

Despite the efforts by Anglo American Platinum and other platinum producers, the jewellery manufacturing industry in South Africa is in a state of decline and remains relatively small compared to the powerhouse economies of China and India. There are numerous reasons for this:

- Local, predominantly family-owned jewellers have struggled to keep up with international counterparts in terms of new technology and market development as a result of pre-1994 sanctions
- Jewellery import tariffs of major consumer nations, China specifically, are higher than those of South Africa (jewellery import tariff: China 35% vs SA 20%)⁶, impacting South Africa's international competitiveness.

More recently, Anglo American Platinum announced that Anglo Platinum Marketing Limited (APML), has subscribed for interests in two UK based venture capital funds (Funds), with a total aggregate commitment of \$100 million (equivalent to c. R1.3 billion). Anglo American Platinum's commitment to the Funds is matched by a \$100 million commitment from South Africa's Government Employees Pension Fund represented by the Public Investment Corporation SOC Ltd. The Funds will be managed through an independent fund management business, AP Ventures LLP, led by two experienced former APML executives. The Funds have been established to invest globally in companies which support the development of innovative and competitive technological uses of PGMs. The first Fund will hold certain of APML's existing investments which

⁶ Source: Department of Trade and Industry

have been made under APML's PGM Investment Programme. The second Fund will be established to make new investments. Developing the market for PGMs has been a long-standing strategic priority for Anglo American Platinum, having established the Programme in 2009. Through the Programme, Anglo American Platinum committed US\$10m, ring-fenced for local RSA beneficiation, to provide start-up capital to entities that use PGM-based technology in their products and processes. As the market developed, the Programme's size and mandate expanded, adopting a direct funding approach to leverage networks and attract third party funding, making US\$60 million of early stage and growth capital investments.

5. SDR reports don't explain how community consent is gained for community development programmes

a. Obtaining community consent⁷

The processes that are used to obtain community input in our host communities are conducted through different stakeholder engagements. The first point of engagement is always with the respective traditional authorities/councils since most host communities are still under the leadership of traditional authorities, and the DMR has always propagated this view. We do note that the new Mining Charter takes a different approach, recognising other community stakeholders too.

Other methods used to obtain community consent is through engagement with other different stakeholders such as community engagement forums which are elected by their respective villages to represent them on issues around development. The role of national, provincial and local (municipality) government has also played a very important role in ensuring that there is consensus on some of the development projects within host communities. Securing of surface lease agreements is one of many successful engagements where all affected stakeholders were involved and consensus was reached in terms of lease rentals to the affected communities.

Communities are not homogenous entities and thus, the process of obtaining consent is often complicated when segments of the community do not recognise established societal structures such as in the case of chieftaincy disputes or when legal representatives within the same community and communities creating their own claimed representative forums for each problem that arises. Individuals then use these forums to obtain individual objectives and not the broader objectives that are part of the decisions of the community's development.

b. Continuing to enhance community engagement at Anglo American Platinum

AAP engages with communities through different platforms and initiatives. These include: structures and Community Based Organisations (CBOs) in the areas. The platforms for engagement include:

- **Community Engagement Forums** - All our operations have functioning community engagement forums that meet at least quarterly. We are looking to enhance these, in accordance with the Accountability stretch goal in Anglo American's new Sustainability Strategy. Work on enhancing the work of community forums will commence next year
- **Ministerial Task Team** - The Task Team was established with the former Minister of the Mineral Resources Advocate Ramathlodi. One of the main projects delivered by the Ministerial Task Team is

⁷ - South African legislation is not based on 'free informed prior consent', however the company seeks broad community support.

the Mapela Water Project that will see over 70 000 people of Mapela obtaining access to portable water. The project will employ more than 90 youth from the area.

- **The Field Workers Program** - Anglo American Platinum has employed over 200 youth from host communities as field workers. The field workers are trained to engage with individual families on key site/mine-related topics, mainly through home-based visits and provide feedback directly to the operations on community concerns or requests.
- **Local publications and media** - Communities are also provided with feedback through our local publications aimed at the Mogalakwena, Amandelbult, Rustenburg and Twickenham complexes' host communities. These inform communities on our activities and encourage their comments. In 2017, the second series of the Anglo American soap opera, Makarapa City, was broadcast on local radio stations. It is centred around Anglo American Platinum employees and community members and includes work-related, personal and social issues commonly experienced.
- **Faith-based Initiative** - Anglo American Platinum is amongst the first in the industry to roll out the Faith-based programme that brought over 160 leaders around Mapela to engage on issues of communities with the churches. This is part of the Courageous Conversation movement led by Archbishop Thabo Makgoba. Programmes that are being implemented with the faith - based leaders include moral regeneration and leadership development in schools where over 8000 participants are involved and engages on moral issues in the society. Learners from early childhood development (ECD) centres around our operations participate in this programme.

Community development trusts have been established with community trustees which have been democratically elected by their respective villages to ensure transparency and to enable community development projects to meet their objectives.

6. "Amplats needs to develop a comprehensive accounting model to disclose all its environmental and social benefits and costs to stakeholders"

The demand for transparency and requirements for corporations to measure, report, and continuously improve their social, environmental, and economic performance through environmental and social accounting and reporting has been growing since the 1992 Rio Earth Summit. It is estimated that since 2008, the number of voluntary reporting requirements aimed at environmental and social accounting has increased from less than 10 to 182. Of the available frameworks for reporting on the impact of their economic activities on society and environment, Anglo American Platinum and Anglo American has used the GRI reporting guidelines and the United Nations Guiding Principles. Social and environmental accounting is a broad term that includes a variety of alternative accounting models, including expanded value-added accounting, environmental accounting, and sustainability accounting. The objectives of developing such models is to ensure comprehensive measurement and disclosure of an organisation's activities on society and the environment. Anglo American Platinum has incorporated aspects of environmental and social accounting into its sustainability reporting.

As indicated in section 2 of this response, Anglo American Platinum does report on comprehensive value add, community participation (outlined in section 5) and aspects of environmental management (highlighted in sections 7, 8 and 9). Moreover, the company reports substantially beyond our financial reporting and been

recognised by Ernest and Young in the Excellent category for Integrated reporting in 2017. We have been keeping up international trends in comprehensive reporting and have been recognised as such. However, we are open to continuing to engage with Bench Marks or other organisations on models that may contribute to continuous improvement with regards to reporting.

7. Reports contain no quantification of residual impacts on habitat types, key species and ecosystems, and detail and impact of mitigation systems

Biodiversity loss remains one of the most significant areas of environmental business risk within the mining sector. Improving the company's biodiversity performance is important to maintain ecosystem systems for communities/society, to protect ongoing access to land, as well as reduce other financial, regulatory and reputational risks. As part of the implementation of the Anglo American Sustainability Strategy and the roll out of Anglo American Platinum's new Biodiversity Standard, future reporting to society will focus on the quantification and reporting on impacts as a key deliverable. The Anglo American Sustainability Strategy includes a stretch goal to deliver net positive impact (NPI) through implementing the mitigation hierarchy and investment in biodiversity stewardship by 2030. Partnerships and proactive engagement are at the heart of the strategy and in January 2018, the company signed a new three-year memorandum of understanding with Fauna and Flora International, its biodiversity partner of 10 years to help it deliver on this stretch goal. The company has implemented several work plans and initiatives focused on biodiversity performance.

The company places strong emphasis on biodiversity management and has undertaken the following biodiversity initiatives to demonstrate its commitment to preserving biodiversity in the areas in which we operate⁸. Mogalakwena is offsetting its biodiversity risk by managing three farms as conservation areas and for environmental education (See 2006 sustainability report on pages 85-87 and updates in subsequent years e.g. 2010 sustainability report page 110). Studies are under way with affected communities to understand the possibilities of future sustainable land use. The mine is also running rehabilitation trials to guide future programmes. To manage its biodiversity risk, Twickenham began eradicating all exotic vegetation on site. Five different species were removed successfully. As the Der Brochen project is in a biodiversity-rich area, we have focused on removing alien and invasive species while protecting indigenous and endemic fauna and flora. Its biodiversity action plan was revised in 2015 after updated specialist studies. The operation has recently finalised the first draft of its new land management plans (detailed on page 58 of the 2015 sustainable development report). The Mogalakwena Sustainable Development Incubator and environmental training centre continue to support our sustainable development initiatives by training community members of all ages in sustainable land-use practices (See page 41 in the 2015 sustainability report).

Anglo American Platinum has reported extensively on biodiversity in its sustainable development reports since 2003 and has detailed what steps are being taken to mitigate biodiversity impacts and loss and therefore the BMF statements are misleading and the Company will be able to point extensively to what has been referenced in previous reports.

⁸ Details have been provided in every single AAP sustainability report from 2003.

8. “No accounting for water usage impacts - water availability and quality for local communities and water ecosystems”

Anglo American Platinum recognises the value of water as well as the need for sustainable management of this scarce resource and the role water plays in eradicating poverty and under-development in South Africa.

In the 2017 Supplementary Report the company reported on the Anglo American Sustainability Strategy and the targets and goals for water in the Healthy Environment pillar of the strategy. The company also reported on the community development spend allocated to water and sanitation. While this is not necessarily impact reporting, 20% spent (R59 million of R309.4 million) on water provision to communities (even though this is a constitutional responsibility of the government) through CSI and SLP projects demonstrates the needs of the communities and the company’s commitment to water availability and quality for them.

The areas in which the company operates are currently experiencing water challenges, in particular the Limpopo Province, which has led to major constraints on the ability of government and in turn, that of the municipality, to provide water. In response, Anglo American Platinum has embarked on the following:

- **Understanding the Regional Water balance** - In 2017 Anglo American Platinum and Anglo American commissioned the strategic Limpopo regional source-water project in collaboration with the Department of Water Affairs and Sanitation to restate regional water balances of quaternary catchments in Limpopo. The objective is to understand water deficits and surpluses before undertaking a conceptual source-water project to meet shortfalls in collaboration with other industry partners and government. The project is currently evaluating source-water options. It will be completed by the end of 2018 and inform the water strategy update.
- **Updating the water strategy** - The Northern and Eastern Limb water-supply strategy is being revised based on the outcome of the strategic Limpopo regional source-water project. This has highlighted the potential need to reduce mine water demand across the region and reallocate water from the Olifants River Water Resources Development Project from the Eastern to the Northern Limb of the Bushveld Complex.
- **Partnerships** – Even though the provision of water is the constitutional responsibility of the government, AAP has sought to play its role and has partnered with the Mapela Traditional Authority, the municipality and private company Hall Core Water to initiate a project called Hall Core Water Mapela (See Photo 5 Appendix 1). The project aims to increase water supply capacity through drilling, equipping and maintaining boreholes for a duration of 10 years. Hall Core Water Mapela will drive the implementation and maintenance of the project while, as a funder, the company will pay for the potable water supplied to the community. The solution, which has been successfully piloted at Skimming Village, will see water provided to the local communities.

9. Greenhouse gas emissions showing no decline

Anglo American Platinum sees climate change as one of the defining challenges of our era and recognises the science of climate change and the role the company has to play to limit global warming to 2°C.

The company has taken decisive steps to contribute to the global effort to reduce environmental emissions, while continuing to provide the materials that modern life requires.

Anglo American Platinum total reported annual greenhouse gas (GHG) declined 21% between 2015 (5.9 million tonnes) and 2017, (4.6 million tonnes). Over the same period the company's total energy demand declined 14%, (25.1 million GJ to 21.5 million GJ). Whilst divestments account for a significant portion of the reduction, the continued work on operational productivity and energy efficiency has resulted in a 10% saving in energy and GHG emissions for the on-going business.

- **The drive for low energy and GHG operations** - for over a decade Anglo American Platinum has driven a program on energy efficiency. This effort extends from the early use of Eskom's Demand Side Management incentives to help alleviate power supply constraints, and more recently the uptake of National Treasury's Section 12L Energy Efficiency tax allowance incentive.

The recent energy and GHG savings were largely delivered through (a) underground ventilation fan and compressed air optimisation; (b) focused energy leadership program across our smelters operations, and (c) the heavy mining equipment fuel efficiency at Mogalakwena Mine.

We are investing in new mineral processing technologies that are more energy efficient than conventional methods of comminution. For example, our work on novel comminution circuits fragment particles using substantially less energy (>30%) and with the prospect to improve the design and process of our operations.

- **Renewable energy sourcing** - In response to the high carbon content and an escalating and uncertain electricity price path, Anglo American Platinum is assessing options for introduction of renewables and energy storage to diversify its energy mix, and in so doing to deliver mine community benefits. Anglo American Platinum is presently evaluating the tenders on an RFI for a 60MW solar PV facility supplying the Mogalakwena Mine.
- **Resilience to physical climate change** - To understand the vulnerability of operations and host communities to physical climate change, Anglo American Platinum undertook (2018) an in-depth exercise with the CSIR. The analysis which extends to beyond 2050, is the first such high-resolution study undertaken on the African continent. The climate scenario data will be used in regional water catchment models, and in mine water balance simulations to inform water supply security and storm drainage design parameters.
- **Roadmap to carbon neutral** - Anglo American Platinum aligns with the Anglo American Climate Change 2030 Stretch Goals, which require a 30% improvement in energy efficiency and an absolute 30% reduction in GHG emissions against the 2016 baseline. The recently (2018) announced Stretch Goals, were informed by the South Africa government submission to the 2015 Paris Agreement. The 2030 goals are an important milestone our longer-term vision to operate carbon-neutral mines.
- **Platinum fuel cells** – through our market development investments we are investing in automotive and other uses of platinum fuel cells. As hydrogen fuel cells produce zero tailpipe carbon emissions, and as hydrogen can be produced using renewable energy, they represent one of the most promising options for decarbonising transport.

10. Amplats needs to achieve net positive water, air and biodiversity impacts with social co-benefits

Through achieving the targets and goals established in the Anglo American Sustainability Strategy, Anglo American Platinum is committed to reducing its water, air and biodiversity impacts. However, the societal and environmental benefits of PGMs are numerous. PGMs contribute to cleaner air by converting over 90 % of the pollutants from petrol and diesel engines into less harmful carbon dioxide, nitrogen and water vapour through the autocatalysis process. As a result, PGMs reduce levels of carbon monoxide; oxides of nitrogen, which

contribute to acid rain, low level ozone and smog formation, and exacerbate breathing problems; hydrocarbons, which are involved in the formation of smog and have an unpleasant smell and exhaust particulates, which contains known cancer-causing compounds. Further, PGMs have applications in health-care, contributing to societal benefit. Platinum and palladium are used in dental restorations, usually mixed with gold or silver as well as copper and zinc in varying ratios to produce alloys suitable for dental inlays, crowns and bridges. In addition, Platinum is used in pacemakers and catheters flexible tubes that can be introduced into arteries for modern, minimally invasive treatments for heart disease.

Conclusion and way forward

Anglo American Platinum appreciates the prerogative of private citizens, non-governmental organisations, government and civil society organisations to criticise and comment on the economic, social and environmental performance of companies and other entities. While we acknowledge the stated intention of the Bench Marks Foundation to make “a positive contribution to assist the company in developing an ever-deepening and broadening understanding of sustainability” through this report, it is clear that some of the conclusions reached by the organisation are based on misinterpreted or incomplete information. We also believe that the Bench Marks Foundation has not fully incorporated the detailed information on Anglo American Platinum’s positive economic, social and environmental contributions. This information is readily available and can be provided to Bench Marks Foundation or any other interested and affected parties.

Anglo American Platinum has made great progress with regards to its community engagement initiatives, community spend, health and safety performance and environmental management during the reporting period reviewed by Bench Marks Foundation and beyond. This has been achieved despite the difficult financial conditions in which the company has operated in recent years. The assertion that shareholders have benefited more is inconsistent with the demonstrated contributions to communities, our employees, and the South African fiscus.

While Anglo American Platinum is proud of its sustainability performance over the years, we are committed to continuous improvement in line with our vision of re-imagining mining to improve people’s lives. As such, the company will continue to review the report and engage with Bench Marks Foundation to improve both its sustainability performance and reporting practices. We will include a case study in our 2018 sustainability report which covers the outcomes of these engagements and what changes we have subsequently made to our sustainability practices and reporting in the relevant areas. These engagements create substantial value for the company and consequently our stakeholders, and we value the continued engagement with the Foundation.

We will continue to engage openly on these and other issues with the Bench Marks Foundation and any other interested and affected parties.

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Appendix 1 – Selection of Photographs



Photo 1: AAP's Sereleng housing development, Rustenburg



Photo 2: Bokomoso Phase 1 houses



Photo 3: Bokomoso water treatment plant built by AAP



Photo 4: Sewrage settling ponds built by AAP



Photo 5: Water provision in green 'jo-jo' tanks in Mapela



Photo 6: Mogalakwena biodiversity off-set