

INTERNAL

BUSINESS INTEGRITY



**“Our policies guide us
to do the right thing.”**

Mark Cutifani
Chief Executive

GROUP MERGERS, ACQUISITIONS, JOINT VENTURES, ASSOCIATES AND DIVESTMENT PREVENTION OF CORRUPTION PROCEDURE

v.1

Valid from: 15/05/2019

Policy owner: Head of Ethical Business Conduct

Context

This Procedure sets out Anglo American's approach and explanation to managing the anti-corruption compliance aspects of acquiring companies, seeking strategic partnerships and joint ventures, making minority investments or divestments.

The purpose of this document is to set out the anti-corruption and compliance due diligence procedures that are required prior to entering into such transactions and relationships and managing the related risks thereafter. The Procedure:

- *Describes the anti-corruption due diligence process that must be followed, including additional precautions that should be considered in the case of strategic partnerships, joint ventures, minority investments or divestments.*
- *Outlines warning signs indicative of heightened corruption risk associated with a proposed merger, acquisition or joint venture.*

Does this apply to me?

The Group Business Integrity Policy and its accompanying Prevention of Corruption Procedures apply to all employees and contractors of Anglo American. Anglo American's supplier contracts will require suppliers of goods and services to the Company to adopt this Policy and its Procedures or equivalent standards and our Board representatives will seek to secure the adoption of comparable standards in joint ventures or associate companies.

These are Group Procedures that apply to Anglo American globally, unless any aspect of their content is not permitted by local law or regulation.

What are Group Function and Business Unit Responsibilities?

ABAS – Ethical Business Conduct Team (EBCT)

- The EBCT are responsible for maintaining and communicating the Business Integrity Policy and its accompanying Prevention of Corruption Procedures around the Group through training and awareness-raising activities.
- The EBCT are responsible for developing and sharing good-practice examples of relevant prevention of corruption materials to Corporate Functions and Business Units where requested to do so.
- The EBCT are responsible for providing advice and guidance on queries or concerns raised in relation to individual mergers, acquisitions, joint ventures, divestments or other business transactions by Corporate Functions and Business Units in line with the Anglo American Code of Conduct and Business Integrity Policy.
- The EBCT are responsible for monitoring the implementation and effective functioning of the Business Integrity Policy and its accompanying Prevention of Corruption Procedures.

Group Legal

- Group Legal are responsible for reviewing and approving anti-corruption and compliance due diligence conducted in respect of all proposed mergers, acquisitions and joint venture transactions with companies (“the Target”) with which Anglo American is considering going into business.
- Group Legal are responsible for providing a legal opinion, where requested to do so, on whether findings uncovered by due diligence on a potential merger or acquisition represent a breach of any legislation to which Anglo American Group is subject.

Business Units / Corporate Functions

- All Business Units / Corporate Functions are responsible for ensuring that there is a clear BU process of approval of investments which support the Group level approval process, and that these processes are both clearly communicated to employees and always followed.
- All Business Units / Corporate Functions are responsible for ensuring that they have appropriate local thresholds for the application of this Prevention of Corruption Procedure, to be agreed with appropriate Group level management, e.g. Corporate Finance Team. Such thresholds must be subject to periodic review.
- All Business Units who engage in a divestment activity should, with the support of the Group Functions, perform due diligence on the prospective buyers.
- A Business Unit responsible for making an acquisition is also responsible for ensuring that training for all Target staff on Anglo American’s Procedures is undertaken as a matter of priority.
- All Business Integrity Implementation Managers, in conjunction with the Business Unit Heads and, where appropriate, the EBCT are responsible for determining who requires training in their respective Business Units / Corporate Functions and to monitor completion of training.
- All Business Units / Corporate Functions must ensure compliance with local anti-corruption laws.

What Constitutes Mergers, Acquisitions, Joint Ventures, Associates and Divestments

Anglo American is periodically involved in acquiring companies, seeking strategic partnerships and joint ventures or making minority investments. In addition to the financial and commercial aspects of these transactions, we must ensure that we investigate thoroughly the background, reputation, ethical and cultural values of any company we invest in or acquire, any partner we decide to enter into a joint venture with and the nature of any relationships we thereby inherit.

Failure to perform appropriate anti-corruption and compliance due diligence in respect of transactions can put Anglo American at risk of civil or criminal liability for any previous or ongoing corrupt or otherwise dishonest conduct of the third party

business as well as having business consequences such as the loss of contracts or reputational damage.

We are committed to investigating thoroughly the background, reputation, ethical and cultural values of any company we invest in or acquire and any partner with which we decide to enter into a joint venture, and of the nature of investments we thereby inherit.

Anglo American periodically sells certain of its assets (operational / closed mines, mineral resources, production plants, land, etc.). There is a risk that the new owner(s) could operate the acquired resource in an unethical manner that could be harmful to the environment or other relevant stakeholders such as people who work at or live near the operation; and this could damage Anglo American's reputation.

For this reason Anglo American needs to performed appropriate due diligence on the potential new owner(s) to ensure that they do not have a reputation of unethical business practices or do not have the skills to operate the asset.

A detailed illustrative example has been provided in [Appendix 1](#) below.

What are My Responsibilities?

Due Diligence

Appropriate anti-corruption and compliance due diligence must be carried out in respect of all proposed mergers, acquisitions and joint venture transactions with companies ('the Target') with which Anglo American is considering going into business.

Anti-corruption due diligence must address, but will not be limited to, all of the following:

- The corruption risk present in the markets in which the Target operates.
- The reputation and past conduct of the Target.
- The ethical values and standards of the Target.
- The Target's compliance and training programme, including all relevant policies, guidelines and the manner in which they are communicated, implemented and monitored.
- The manner in which the Target uses agents, consultants, intermediaries and other third parties and the services they provide.
- The Target's accounting and transaction controls.
- The existence of any ongoing or previous government or regulatory investigations into the Target or its employees in connection with the Target's activities.
- A review of the ownership interests of board members of the Target and the board members themselves in order to determine whether any are political party officials, candidates for political office, government officials or close relatives or associates of government officials.
- A review to establish whether any of the owners of the Target have a known history of illegal and/ or corrupt conduct.

Care must be taken to ensure that any advisers or agents hired in connection with the transaction understand and comply with Anglo American's Code of Conduct and that appropriate due diligence is undertaken (see also **Group Retention And Payment Of Intermediaries Prevention Of Corruption Procedure**). This is particularly relevant in high corruption risk countries and/or in transactions where government or regulatory approvals are necessary.

Minority and Non-operating Investments

Where Anglo American plans to acquire minority stakes, with limited control rights or ability to exert control or significant influence, access to accounting books; records; and other relevant information to conduct due diligence is likely to be more limited than in a majority acquisition or joint venture. Even so, when planning to acquire minority stakes, anti-bribery due diligence must be performed that is practical and realistic.

If Anglo American will not exercise management control over the Target's business after closing, the relevant Business Unit must also consider what influence it would be able to exert over the Target's business after closing and what controls would be appropriate in relation to:

- Securing access to information for purposes of an anti-corruption due diligence after closing.
- Aligning the Target's activities with Anglo American's Business Integrity Policy and Prevention of Corruption Procedures.
- The extent to which the need exists to provide for the above contractually in the transaction agreements.

Anglo American must monitor in a business as usual environment the ethical business conduct of its non-managed JV partners and other similar investments.

Divestments

Appropriate due diligence must be carried out on prospective buyer(s) of an asset (business related assets, e.g. mine, port, factory, etc.) which the company plans to dispose of. The aim of the due diligence is to minimise the risk of selling an asset to a company with a reputation or history of corrupt or unethical business practices.

The due diligence must include, but not limited to, the following:

- The reputation and past conduct of the prospective buyer, including environmental or human rights issues.
- The existence of any ongoing or previous government/regulatory investigations into the prospective buyer or its employees.
- A review of the ownership interests of board members of the prospective buyer and the board members themselves in order to determine whether any are political party officials, candidates for political office, government officials or close relatives or associates of government officials.
- A review to establish whether any of the owners of the prospective buyer have a known history of illegal or corrupt conduct.

Care must be taken to ensure that any advisers or agents hired in connection with the sale transaction understand and comply with Anglo American's Business Integrity and that appropriate due diligence is undertaken to ensure this.

It is mandatory that everyone attends and/or completes the relevant Business Integrity training and awareness on conflict of interest.

It is everyone's responsibility to know where to go to for further guidance (e.g. guidance on the portal) and who to speak to if necessary (e.g. the EBCT). If you are in any doubt about a situation, or require a clearer interpretation of what is appropriate, legitimate or ethical business behaviour, you must discuss this with your line manager or seek advice from the EBCT.

Risk Factors

Some examples of warning signs that indicate a high corruption risk attaching to a proposed merger, acquisition or joint venture transaction are as follows:

- The Target operates in countries that have a high corruption risk or in an industry that has a high corruption risk or the target itself has a mixed ethical reputation.
- The Target is known to make extensive use of intermediaries, particularly in its interactions with public officials.
- The Target has consistently "punched above its weight" in sales performance or in licences and permits obtained relative to its size and operational capacity.
- The management of the Target seek contract clauses to indemnify past actions.
- The Target is reluctant to adopt or certify compliance with Anglo American's Business Integrity Policy and Prevention of Corruption Procedures.
- The Target is uncooperative during the due diligence process.
- The Target has a government official as a "silent partner" or has some other government affiliation.
- The proposed joint venture partner will not reveal the identities of principals or others having a beneficial interest in the entity.
- The Target insists on unusual secrecy concerning all or certain aspects of the transaction or its involvement.

Spreading the Word

Training and Communication

All relevant employees and contractors must be made aware of the Group Business Integrity Policy and its accompanying Procedures in their induction.

Workshop and online training are provided to those employees, contractors and third parties whose roles expose them to the risks of bribery and corruption, including facilitation payments. These 'relevant' employees will be defined by Business Integrity Implementation Managers in conjunction with their Heads of Department, and, where appropriate, the EBCT.

Communication and awareness materials are available to ensure that the Policy, the requirements of the Business Integrity Prevention of Corruption Procedures and supporting tools are regularly communicated throughout the organisation through communications, management engagement, EBCT briefings and training.

All Business Units / Corporate Functions are responsible for ensuring that their consultation and escalation processes in place in relation to facilitation payments are clearly communicated to employees.

Keeping on Track

Monitoring, Reporting and Assurance

Adherence to the Business Integrity Policy and implementation and evolution of its associated programme is subject to regular reporting and monitoring, and annual assurance to enable the determination any development or adaptation of Policy, Procedures, controls and training that may be required.

Consequence of Breach

Employees, contractors and suppliers must report any breaches, or potential breaches of the Business Integrity Policy and this Procedure. Violations of this Procedure will lead to disciplinary action in accordance with the Group disciplinary procedures. Disciplinary actions may involve sanctions up to and including summary dismissal.

We are committed to reporting all instances of corruption and other forms of dishonesty to the relevant authorities and to facilitating criminal action against the individual(s) concerned and we will seek redress for any losses arising from such actions.

YourVoice

The YourVoice facility provides a confidential and secure means for our employees, contractors, suppliers, business partners and other external stakeholders to report and raise concerns about conduct which is contrary to our values and standards, as described in our Code of Conduct, the Business Integrity Policy and the accompanying Business Integrity Prevention of Corruption Procedures.

YourVoice provides telephone and website intake channels operated by independent companies in the regions that Anglo American operates. The facility is available 24 hours a day, seven days a week and includes translation services. A link to the YourVoice facility is provided on Eureka!. YourVoice can also be contacted via www.yourvoice.angloamerican.com.

At Anglo American we do not tolerate any form of retaliation against employees raising concerns in good faith. Allegations of retaliation against or harassment or intimidation of an employee by others as a result of a call to YourVoice will be investigated and appropriate action taken, including disciplinary action up to and including dismissal of the employee(s) responsible for reprisals.

Further Information:

Internal References

This Procedure must be read in conjunction with the following other resources:

- Group Business Integrity Policy
- All relevant Business Integrity Prevention of Corruption Procedures
- Group Whistleblowing Policy

Appendix

1. Illustrative example of mergers, acquisitions, joint ventures and associates.

If you need any further information, contact the Ethical Business Conduct Team via EBCT@angloamerican.com.

Appendix 1: Illustrative example of mergers, acquisitions, joint ventures and associates

Illustrative example 1

You have been approached by the CEO of a small mining company to form a joint venture for the purpose of carrying out exploration and development work in a new territory. The CEO explains that the company has obtained the mining rights to a potentially significant deposit but lacks the capacity to develop these further without outside support. The CEO indicates that they want to move quickly and is concerned that a tie-up with Anglo American may involve “bureaucratic delay”.

You mention the encounter to a colleague who informs you that the company has a reputation for aggressive lobbying and the CEO was, until relatively recently, employed by a company which is now the subject of a regulatory investigation.

The following issues must be considered:

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| • What is the company’s reputation? |
| • How might a joint venture with the company impact on the reputation of Anglo American? |
| • Do the company’s methods and attitudes signal a need for caution? |
| • What appropriate due diligence must be undertaken? |

The company’s reputation for aggressive lobbying is a significant risk factor. Coupled with the CEO’s recent arrival from a company which is now the subject of a regulatory investigation, it is clear that an important focus of the due diligence must be the circumstances in which the rights were obtained and the company’s use of intermediaries and lobbyists, in particular.

The CEO approached Anglo American directly and the CEO's apparent impatience with the so called bureaucratic delay may indicate a reluctance to co-operate with a proper due diligence exercise. Again, this is a considerable risk factor. Entry into the joint venture must only be undertaken on the basis of satisfactory results of thorough due diligence.

Document Control

Procedure approval:

Name/job title of Policy owner:	Group Director - Finance
Approval date by Policy owner:	19/11/2018

Document Control

Frequency of procedure review after date of issue:	Every 2 years
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If this procedure has one or more approved waivers in place:

No.	N/A
Waiver applies to	N/A
Waiver in place from	N/A
Expiration of waiver	N/A
Date waiver approved	N/A

The following changes have been made since this document was previously issued:

Old procedure name, date, and version number:	Group Mergers, Acquisitions, Joint Ventures, Associates and Divestment Prevention of Corruption Procedures (Nov 2018)
Main changes made:	<ul style="list-style-type: none"> Replaced Speak Up with YourVoice as the name of the Whistleblowing service and update associated content.

Suggested changes to the Procedure:

Any suggested changes or amendments to this Procedure document should be submitted to the Policy owner along with the reasons for suggesting them. Updates

to this Procedure will, from time to time, be tabled for approval at the Policy Governance Committee.

All suggestions will be acknowledged and if rejected, the reasons given for their rejection.

Accepted changes will be administered through the policy governance system.