



**CORPORATE OFFICE**

**HUMAN RESOURCES**

20 Carlton House Terrace  
London  
SW1Y 5AN  
United Kingdom

April 2020

**Performance measures for 2019 and 2020 LTIP grants**

Dear Shareholder

We have been contacted by IVIS requesting greater disclosure regarding the ESG measures incorporated into the 2019 LTIP grants, as previously disclosed in our Annual Report in March 2019.

Any lack of clarity on the ESG metrics published at the time was not intentional and, as such, I am writing to you to provide fuller details. I have also provided the details of the 2020 LTIP measures, as set out in our most recent Annual Report in March 2020. A copy of this letter has been sent to our top 50 shareholders and has also been added to the Investors section of our website.

***1. Performance measures for 2019 LTIP awards***

The 2019 LTIP award performance measures were in line with the 2017 – 2019 Directors Remuneration Policy and included 70% weighting on TSR and 30% weighting on a balanced scorecard. The scorecard included Group ROCE (10%), Group cumulative attributable free cashflow (10%) and ESG metrics (10%). The ESG metrics were Water Management (7%) and Employee Wellbeing (3%). Full details of the metrics for the 2019 LTIP are shown below.

**A member of the Anglo American plc group**

**Anglo American Services (UK) Ltd**

Registered Address: 20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom T +44(0)20 7968 8888. F +44(0)20 7968 8500.  
Incorporated in England and Wales. Registration Number: 2295324

Measure category	Performance metric		Threshold performance (25% vesting)	Stretch performance (100% vesting)
TSR	TSR performance vs Euromoney Global Mining Index	47%	TSR performance equal to the Index	TSR performance of at least the Index + 6% pa
	TSR performance vs the constituents of the FTSE 100 Index	23%	TSR performance equal to the median	TSR performance of the 80 <sup>th</sup> percentile or above
Balanced scorecard	Group ROCE	10%	ROCE of 12%	ROCE of 20%
	Group Cumulative Att. FCF*	10%		
	<b>Water management standard:**</b> - Water balance implemented - Competent water manager in place - Site specific water management plan in place	7%	>90% of sites implementing all three components	100% of sites implementing all three components
	<b>Employee Wellbeing:**</b> Employee wellbeing strategy developed and implemented across all sites globally in line with Group standard	3%	>90% of sites fully implemented	100% of sites fully implemented

\*The three-year cumulative ACF target is considered to be commercially sensitive and disclosing it will allow others to derive information as to our detailed business plan. As in previous years, details will be fully disclosed upon vesting.

\*\*All components must be fully implemented and signed off.

The Anglo American water management standard provides the basis for targeting and measuring future reductions in fresh water extraction. The water balance records all the inflows and outflows of water from a site (everything from rain falling on the site through to evaporation from tailings storage facilities) and takes account of the water that is consumed during processing (e.g. dust suppression or smelting). This thorough analysis provides the most reliable and accurate means to understand how much water is withdrawn, consumed, recycled (and reused) and discharged from a mine site and is the basis for developing and implementing the water management plan at each site.

The employee wellbeing metric reflects the increased focus on ensuring the overall health and wellbeing of all colleagues across Anglo American. Broader than our workplace safety agenda, the wellbeing strategy provides a specific focus on mental health and other key issues such as hypertension, obesity, smoking related illness, HIV, TB and substance abuse. The metric assesses the extent to which the strategy has been implemented across our business, with each site having identified its top three employee wellbeing priorities and implemented the appropriate group and local programmes to address them.

## 2. Performance measures for 2020 LTIP awards

As set out in our most recent Annual Report, for the 2020 LTIP awards, the weighting on relative TSR is reduced from 70% to 50% and the weighting on our strategic KPIs is increased from 30% to 50%. This increased weighting reflects the importance of ROCE and attributable free cash flow, and also allows for a greater focus on ESG metrics, which are upweighted to 20%. In line with business and stakeholder priorities, the ESG metrics for 2020 are tailing facilities (8%), energy efficiency (6%) and GHG intensity (6%).

Measure category	Performance metric	% of awarded shares	Threshold performance (25% vesting)	Stretch performance (100% vesting)
TSR	TSR performance vs Euromoney Global Mining Index	33%	TSR performance equal to the Index	TSR performance of at least the Index + 6% pa
	TSR performance vs the constituents of the FTSE 100 Index	17%	TSR performance equal to the median constituent performance	TSR performance of at least the 80 <sup>th</sup> percentile constituent
Balanced scorecard	Group Return on Capital Employed (ROCE)	15%	ROCE of 12%	ROCE of 20%
	Group attributable free cash flow prior to growth capex *	15%		
	Energy efficiency	6%	4% improvement in energy efficiency by 2022, indexed on 2019 actual	10% improvement in energy efficiency by 2022, indexed on 2019 actual
	GHG intensity	6%	5% improvement in GHG intensity by 2022, indexed on 2019 actual	15% improvement in GHG intensity by 2022, indexed on 2019 actual
	Tailings facilities	8%		100% level of implementation of AA Standard across all tailings facilities

\*\*The three year cumulative ACF prior to growth capex target is considered to be commercially sensitive and disclosing it will allow others to derive information as to our detailed business plan. As in previous years, details will be fully disclosed upon vesting.

Both the energy efficiency and GHG intensity metrics require significant quantifiable reductions and have been set with threshold and maximum targets. A straight-line calculation will apply between these two points in the same way as for the TSR, ROCE and FCF calculations. The tailings facilities metric has been set as an all-or-nothing target, requiring 100% implementation of the standard across all facilities within the Anglo American portfolio for any payment to be made. This reflects the criticality to all stakeholders of ensuring that all tailings facilities meet the standard.

Please contact Tim Walker-Jones, Group Head of Reward and Secretary to the Remuneration Committee, at [tim.walker-jones@angloamerican.com](mailto:tim.walker-jones@angloamerican.com) if you require any further information.

Yours sincerely



**Anne Stevens**  
Chair of the Anglo American plc Remuneration Committee