DIRECTORS' REMUNERATION REPORT

Sir Philip Hampton
Chairman, Remuneration Committee

The role of the Company's Remuneration Committee is to ensure that the remuneration arrangements for executive directors offer every encouragement for them to deliver our strategy and create stakeholder value in a sustainable manner.

1. INTRODUCTORY LETTER

Dear Shareholder,

The role of the Company's Remuneration Committee (Committee) is to ensure that the remuneration arrangements for executive directors and other members of the Group Management Committee (GMC) offer them every encouragement to deliver our strategy and create stakeholder value in a sustainable and responsible manner. It is also our task to ensure that the remuneration received by the executive directors is proportionate to the levels of performance achieved and the returns received by you as shareholders. As a Committee, we therefore have to give full consideration to the Company's strategy, its performance, your interests and the interests of the wider communities we affect. This is particularly pertinent in light of the volatility faced by the Company and by the mining industry more generally in recent years.

Pay for performance

As reported by the chief executive in his introduction to this year's Annual Report, the actions taken across the business to drive free cash flow and further refine the portfolio enabled the Company to strengthen its financial position and foundations for the future. With the continued sharp focus on operational costs and volume growth, the business delivered $1.5 billion of in-year incremental cost and volume improvements, driving a 25% increase in underlying EBITDA and an increase in EBITDA margin of five percentage points to 26%. Underlying earnings per share (EPS) was $1.72/share. Net debt has been reduced to $8.5 billion from $12.9 billion at the end of 2015, primarily driven by a $3.5 billion increase in attributable free cash flow. ROCE was 11%.

The performance of the business, up to and during 2016, is reflected in the long and short term remuneration received by the executive directors. Specifically:

- The executive directors' salaries were frozen in 2016, to recognise the challenges faced by the Company at the beginning of the year. The Committee has decided to increase the executive directors' salaries in 2017 by 2%. This increase is felt to be appropriate in the light of the directors' contribution to the Company's improved financial position over 2016, and is consistent with the increase awarded to the general UK employee population.
- Strong operational improvements, supported by favourable bulks prices and foreign exchange (FX) rates and a recovery in De Beers' sales volumes have supported the material outperformance on EPS targets. However, without the tailwind from changes in prices and FX rates, EPS would have still been above the maximum vesting target, reflecting management's strong delivery in the year. Combined with strong personal performance, this resulted in higher annual bonus outcomes than in 2015. Safety performance during the year led to an overall modifier of (0.5)%, which incorporates the maximum deduction in respect of the very disappointing increase in fatalities in 2016. This led to overall bonus outcomes of between 84.7% and 87.5% of maximum opportunity. The Committee has carefully reviewed the bonus outcomes and is satisfied that they are appropriate. A full explanation can be found on page 99.
- The Long Term Incentive Plan (LTIP) awards granted in 2014 will not vest, as neither the three-year Total Shareholder Return (TSR) nor the ROCE targets were met.

2017 remuneration policy

The remuneration policy disclosed in section 2 of this report has been revised during the year and will be put to shareholders for approval at the 2017 AGM, in line with normal timescales. In preparing the policy, the Committee was mindful of the complexities of setting remuneration against the backdrop of volatility in the mining sector. The Committee also took into consideration the feedback received from some shareholders in advance of the 2016 AGM, as well as the relatively low level of support received for the 2015 remuneration report in comparison to previous years. In particular, we were determined to address investors' concerns about the potential windfall gains for executive directors arising as a result of the volatility of the Company's share price and the mining industry more generally.

While we believe that the fundamental structure of the remuneration package is appropriate, we have made a number of changes to the previous remuneration policy which are primarily designed to address the issue of volatility, while also directly addressing the concerns raised by shareholders in relation to the 2016 grant levels:

- Continue the use of EPS as a KPI for short term incentives, as the Committee considers it to be appropriate in measuring annual business performance. However, the measure will be split into two; half of the award will be measured on actual results versus the original budget, and the other half will be measured excluding the impact of quoted commodity price and exchange rate fluctuations. The Committee considers that this change will help smooth volatility and result in outcomes which provide a better balance between items within management's control and those outside it. This is explained further on page 90
- The performance conditions to be applied to LTIP awards from 2017 onwards will incorporate a greater emphasis (70%) on TSR, recognising two challenges of identifying financial targets. First, the mining sector is subject to significant earnings volatility driven by uncontrollable factors. Secondly, while driving controllable performance, there is a need to continue to align management rewards with shareholder returns to a greater extent. The remaining 30% of LTIP awards from 2017 will be subject to a balanced scorecard of financial and strategic measures. Further details can be found on page 106
- Reduce the maximum annual LTIP opportunity for the chief executive from 350% to 300% of basic salary, bringing it into line with the other executive directors and moderating the value that may be received from future LTIP awards
- Introduce a cap on the value that can be received from LTIP awards, both past and future. The maximum combined value that can vest in relation to the 2014, 2015 and 2016 LTIP awards is limited to the sum of the total face value of the 2014-2016 awards at grant, with any value above that level being forfeit before the start of the two-year holding period. For the chief executive, this limit is £13.1 million. From 2017 onwards, the value of LTIP awards at the time of vesting, using the share price at the time, will be limited to twice the face value of the award at grant; in exceptional circumstances amounts earned above twice the face value of the award may be deferred at the discretion of the Committee. Further details can be found on pages 91 and 107.

The Committee undertook a thorough and detailed consultation with our major shareholders in relation to these changes. Views as to specific remuneration items are inevitably diverse, particularly given the global spread of our shareholder base and the sometimes different perspectives of, for example, UK and South African shareholders. However, we are confident that we have created a remuneration policy that balances the needs and expectations of management and shareholders, is fair and robust, links directly to the Company's strategy and gives the Committee greater ability to deal with volatility.

Executive director changes

Stephen Pearce joined the Company in January 2017, and will be proposed for election to the Board as finance director at the 2017 AGM.

As previously disclosed, his remuneration package comprises:

- Annual base salary of £775,000
- Annual bonus and LTIP participation consistent with the Company's remuneration policy
- Compensation for incentives forfeited from his previous employer, including a performance-related cash bonus of up to £300,000 payable in 2017, and 382,235 performance-related share awards granted in three tranches vesting over 2017, 2018 and 2019
- Other benefits including pension, medical insurance and relocation from Australia to the UK.

Full details will be included in the 2017 remuneration report. René Médori will step down from his current position as finance director at the 2017 AGM, and will continue to work for the Company until the end of 2017, when he will retire, to provide continuation in the transition and focus on specific projects.

Report layout

Finally, the Committee has taken the opportunity to make some changes to the layout and design of both the policy and the implementation reports, including adding an 'At a Glance' section directly after this letter. We hope these changes make the Company's remuneration strategy and outcomes more easily digestible.

I very much hope you will support our proposed remuneration policy at the 2017 AGM.

Sir Philip Hampton
Chairman, Remuneration Committee

REMUNERATION AT A GLANCE
POLICY

The remuneration policy as described in the Chairman's letter is set out below. Each component of remuneration is designed to reward the accomplishment of aspects of the Company's strategy. For more information on the pillars of value, refer to page 34.

OUR REMUNERATION POLICY

	2017 · 2018 · 2019 · 2020 · 2021 · 2022	LINK TO STRATEGY	KEY FEATURES
SALARY		Recruitment and retention of high-calibre executives	• Reviewed annually by the Committee • Increases based on Company performance, individual performance, levels of increase for the broader UK population and inflation
BONUS – CASH	ONE YEAR PERFORMANCE	Rewards delivery of strategic priorities and financial success	• Maximum bonus award of 210% of salary • Outcome based on EPS and individual/strategic objectives subject to a safety modifier • 40% of bonus is paid in cash • 60% of bonus is deferred into shares
BONUS – DEFERRED SHARES	ONE YEAR PERFORMANCE; THREE-YEAR VESTING; FIVE-YEAR VESTING	Encourages sustained performance in line with shareholder interests	• Two-thirds of shares deferred will vest after three years, with the remaining deferred shares vesting after a further two years • Unvested deferred shares are subject to malus and clawback
LTIP	THREE-YEAR PERFORMANCE; TWO-YEAR HOLDING	Encourages long term shareholder return and accomplishment of longer term strategic objectives	• Shares granted with a face value of 300% of salary • Shares vest after a three-year performance period and released after a further two-year holding period • Vesting based on TSR performance and achievement against a balanced scorecard of financial and strategic measures, and subject to malus and clawback

Executive directors are expected to build up and hold a percentage of their salary in shares (300% for the chief executive, 200% for other executive directors).

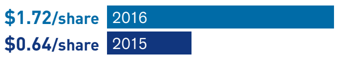
KEY PERFORMANCE METRICS FROM 2017

Metrics	Pillars of value	Rationale
EPS (bonus)◊	Financial	• EPS links reward to delivery of in-year underlying equity returns to shareholders
Safety modifiers (bonus)	Safety and Health	• Employee health and safety is a top priority and core value for the Company
TSR (LTIP)	Financial	• Creates a direct link between executive pay and shareholder value • Measure is split between comparison against sector index (Euromoney Global Mining Index) and comparison against local peers (constituents of FTSE 100 index)
ROCE (LTIP)◊	Financial	• ROCE promotes disciplined capital allocation by linking reward to investment return
Attributable free cash flow (LTIP)◊	Financial	• Attributable free cash flow incentivises cash generation for use either as incremental capital investment, for capital returns to shareholders, or debt reduction
CO_2 emissions (LTIP)	Environment	• The Company is committed to reducing CO_2 emissions by 22% by 2020
Inhalable hazards (LTIP)	Safety and Health	• Prevention of occupational disease is an ongoing commitment for the Company

REMUNERATION AT A GLANCE
2016 PAY OUTCOMES

UNDERLYING EPS◊

$1.72/share

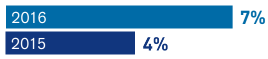


THREE-YEAR SHAREHOLDER RETURN

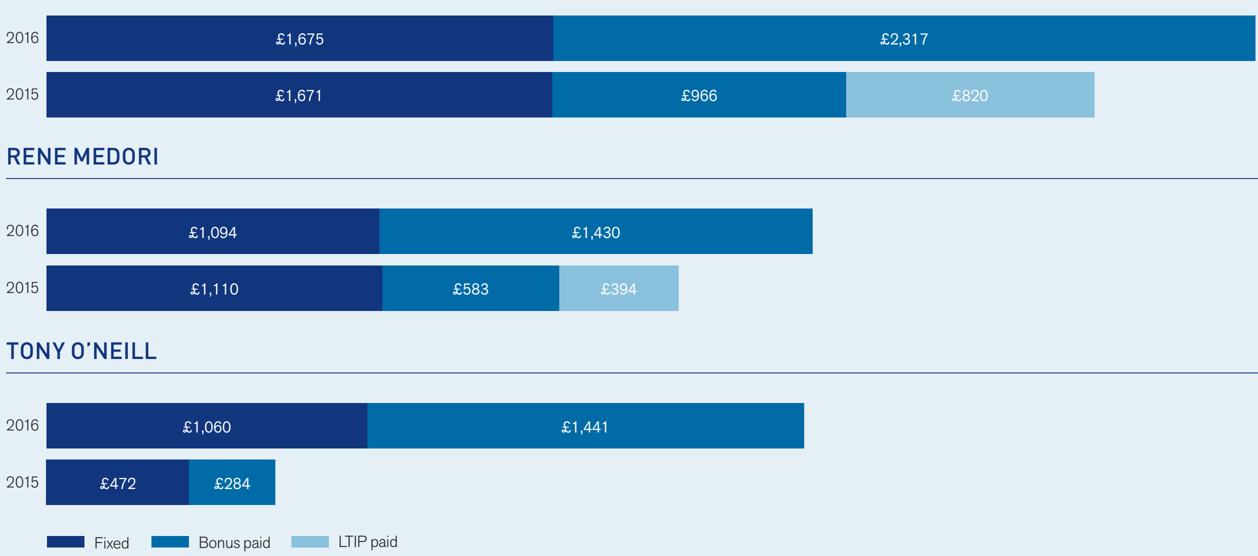
(12)%

DRIVING VALUE ROCE◊

7%



2016 PAY OUTCOMES £'000



- Fixed pay comprises salary, benefits and pension
- Bonus figures include deferred shares
- Tony O'Neill's 2015 figures reflect the period between his appointment to the Board and 31 December 2015

2016 ANNUAL BONUS OUTCOME

EPS – 50% of overall opportunity

- The Company's underlying EPS for the year was $1.72/share.
- This is above the target for maximum vesting of $0.50/share.
- As a result, 100% of the EPS component of the annual bonus will pay out (50% of overall opportunity).

Personal KRAs – 40% of overall opportunity

- Each executive director had a set of personal objectives for the year.
- The vesting for each executive director is as follows:
  Mark Cutifani: 95% (38.0% of overall opportunity)
  René Médori: 88% (35.2% of overall opportunity)
  Tony O'Neill: 94% (37.6% of overall opportunity)

A modifier of (0.5)% of overall opportunity is applied to reflect safety target outcomes in 2016 (out of a possible range of (10)% to +10%). The overall vesting level for the annual bonus award is 87.5% of maximum for Mark Cutifani (84.7% and 87.1% for René Médori and Tony O'Neill, respectively).

2014 LTIP VESTING

TSR vesting – 50% of overall opportunity

- The Company's TSR performance for the performance period was (12)%.
- This is below both the sector index and FTSE 100 median performance.
- As a result, 0% of the TSR component of the 2014 LTIP will vest.

Driving Value ROCE vesting – 50% of overall opportunity

- The Company's Driving Value ROCE for 2016 was 7%.
- This is below the threshold performance for vesting of 12%.
- As a result, 0% of the Driving Value ROCE component of the 2014 LTIP will vest.

The overall vesting level for the 2014 LTIP award is 0%.

REMUNERATION COMMITTEE

COMPOSITION

- Sir Philip Hampton – Chairman
- Judy Dlamini (resigned 30 August 2016)
- Byron Grote
- Ray O'Rourke (resigned 25 July 2016)
- Anne Stevens (appointed 21 October 2016)
- Jack Thompson

ROLE AND RESPONSIBILITIES

- Establishing and developing the Group's general policy on executive and senior management remuneration
- Determining specific remuneration packages for the chairman, executive directors and members of the GMC for review and approval by the Board
- Designing the Company's share incentive schemes.

The Committee's terms of reference are available to view online.

For more information, visit
www.angloamerican.com/aboutus/ourapproach

COMMITTEE DISCUSSIONS IN 2016

The Committee held four meetings in 2016:

February

- reviewed executive director personal key performance indicators for 2016, and Group financial and safety targets to ensure alignment with Group strategy
- discussed the executive directors' performance in 2015 to adjudicate on bonus outcomes
- reviewed executive directors' shareholdings in the Company prior to 2016 share awards being made
- reviewed the forecast vesting of 2013 Bonus Share Plan (BSP) and LTIP awards
- reviewed the proposed performance targets for the 2016 LTIP award
- reviewed the 2015 Directors' remuneration report ahead of publication
- reviewed corporate governance issues arising in the previous quarter.

April

- confirmed the vesting of 2013 BSP and LTIP awards and the granting of 2016 BSP and LTIP awards
- agreed to a high-level timetable for the design and consultation of the 2017 remuneration policy
- discussed investor feedback on executive remuneration prior to the vote on the Directors' remuneration report
- reviewed corporate governance issues arising since the previous meeting.

June

- agreed initial proposals and timelines relating to the 2017 policy
- reviewed corporate governance issues arising since the previous meeting.

December

- reviewed directors' salaries, taking into account the general salary review for the broader employee population
- discussed the progress of the consultation of shareholders on the 2017 remuneration policy
- approved the operation of the Share Incentive Plan (SIP) free shares for 2017
- approved changing the timing of the 2017 LTIP awards to after the 2017 AGM
- reviewed and updated its terms of reference
- reviewed corporate governance issues arising since the previous meeting.

The Directors' remuneration report is set out opposite.

2. DIRECTORS' REMUNERATION POLICY

2.1 Future policy table

The Company's remuneration policy, as set out in the 2013 Annual Report and Accounts, received approval from shareholders at the AGM held on 24 April 2014. The Company intended that this policy should apply until the Company's 2017 AGM.

As required, the Company will put the new remuneration policy, as set out on the following pages, to shareholders for a binding vote at the AGM on 24 April 2017. The intention is that the revised policy, if approved, will apply until the Company's 2020 AGM.

The table below sets out the key components of executive directors' pay packages, including the rationale for use and practical operation considerations.

Figure 1: Key aspects of the remuneration policy for executive directors

Basic salary	**Purpose** To recruit and retain high-calibre executives. **Operation** Basic salary levels are reviewed annually by the Committee, taking account of Company performance, individual performance, levels of increase for the broader UK population and inflation. Reference may also be made to median levels within relevant FTSE 50 and natural resources companies. Alternative peer groups may be considered as appropriate. The Committee also considers the impact of any basic salary increase on the total remuneration package. Increases awarded each year will be set out in the statement of implementation of policy.	**Maximum opportunity** Maximum increase of 5% of salary per annum. **Assessment of performance** Individual performance is considered for context when considering any salary increases awarded. **Discretion** There may be occasions when the Committee needs to recognise, for example, development in role, change in responsibility and/or specific retention issues. External factors such as sustained high inflation may also be a consideration. In these circumstances, the Committee may offer a higher annual increase, the rationale for which will be explained to shareholders in the relevant remuneration report.

Figure 1: Key aspects of the remuneration policy for executive directors

Annual bonus

Purpose
To encourage and reward delivery of the Company's strategic priorities.

To help ensure, through the share-based elements, that any resulting performance is sustained over the longer term in line with shareholder interests.

Operation
Each year, executive directors participate in the annual bonus, which rewards EPS, individual performance targets and improvements in safety over the full year. Part of the award is deferred into Bonus Shares under the Company's BSP.

The EPS measure has been chosen as it continues to link reward to the delivery of earnings and returns to shareholders. The EPS targets are set each year to ensure they are demanding yet realistic. Consideration is given to internal budgets and price expectations for the year, as well as prior performance and external expectations.

The individual objectives measure was chosen to provide a balance and reflect management's underlying activity towards delivering the Company's strategy regardless of price or other volatility. The individual objectives are based on the Company's strategic priorities for the year and will be fully disclosed in the relevant remuneration report.

Form and timing of payment
- 40%: cash award at end of year
- 40%: Bonus Shares vesting three years after end of bonus year
- 20%: Bonus Shares vesting five years after end of bonus year.

Dividends are paid on Bonus Shares.

Malus and clawback
The Committee is able to reduce any unvested Bonus Share awards, or future awards in the event of a material misstatement in the Company's results, misconduct or a material failing in risk management processes that has given, or is likely to give, rise to significant and lasting value destruction for the Company.

Maximum opportunity
210% of salary.

Assessment of performance
At least 50% – EPS. The final performance measurement will be 50% based on actual prices and FX rates, and 50% based on fixed prices and FX rates.

Up to 50% – scorecard of measures based on individual objectives linked to the Company's strategic priorities and safety.

A modifier to the above is applied depending on the extent to which safety targets are met.

Where relevant, targets will be disclosed retrospectively as they are considered to be commercially sensitive.

Outcome at threshold
EPS: 25% of award portion.

Discretion
Under the BSP Rules, the Company has the standard discretion to take appropriate action in the event of unforeseen events which affect the Bonus Shares (for example, on a variation in share capital) and to settle the Bonus Shares in cash (for example, on a termination).

Should circumstances change such that EPS is no longer considered to be the most appropriate financial measure, the Committee retains the discretion to replace EPS with one or more alternative financial measures. Full details of any such change would be given in the relevant remuneration report.

Changes from policy agreed at the 2014 AGM
A change to the measurement of targets is proposed. Currently, assessment of performance against financial targets set as part of the annual bonus is at actual prices and FX rates only. It is proposed that, from 2017 onwards, 50% of the payout be based on performance at actual prices and FX rates, and 50% on performance adjusted to fixed prices and FX rates. The Committee believes that this approach will help smooth potential volatility and also make annual bonus payouts a fairer reflection of underlying performance.

Figure 1: Key aspects of the remuneration policy for executive directors

Long Term Incentive Plan (LTIP)

Purpose
To encourage and reward the generation of long term sustainable shareholder returns and the delivery of financial/strategic priorities.

Operation
The Committee makes an annual conditional award of shares to each executive director.

The TSR measures have been selected to reflect the extent to which value is being delivered to shareholders, and the balanced scorecard to reflect the Company's financial and strategic priorities.

Each year, the Committee reviews the performance targets prior to grant. The relative TSR targets are set so that only a quarter of the relevant portion of the award is payable for index/median performance, while maximum vesting requires exceptional relative performance.

The balanced scorecard will be based on a small number of measurable financial and/or strategic performance indicators. The measures may vary each year to reflect the Company's financial and/or strategic priorities and will be set out in the statement of implementation in the year of grant to the extent that they are not commercially sensitive.

Dividend equivalents are paid on any shares that vest.

In order to mitigate potential excessive gains brought about by the volatile nature of the mining industry, the value that can be delivered on an award vesting will be limited to twice the face value of the award on grant. Any gains above this level will be forfeit before the start of the two-year holding period or, in exceptional circumstances and at the Committee's discretion, deferred for a further period.

Performance period
Three years.

Additional holding period
Two years.

Malus and clawback
The Committee is able to reduce any unvested awards, vested awards subject to a holding period or future grants in the event of a material misstatement in the Company's results, misconduct or a material failing in risk management processes that has given, or is likely to give, rise to significant and lasting value destruction for the Company.

Maximum opportunity
300% of salary.

The value that can be received in the year of vesting will be limited to twice the face value of the award at grant, with any value above that level being forfeit or, in exceptional circumstances and at the Committee's discretion, deferred for a further period.

Performance measures
70%: TSR relative to sector index and leading UK-listed comparator companies.

30%: Balanced scorecard of key performance indicators, linking to the Company's KPIs.

Vesting at threshold
TSR: 25% of award portion.

Balanced scorecard: 25% of award portion.

Discretion
The Committee does not intend to make adjustments to the method by which it measures LTIP performance conditions (see page 106). However, it reserves the discretion to make adjustments to outcomes in very exceptional circumstances, whether related to internal or external factors (for example, on a sequestration of assets). Shareholders would be given details of any exercise of this discretion in the relevant remuneration report.

Under the LTIP Rules, the Company also has the standard discretion to take appropriate action in the event of unforeseen events during an award cycle (for example, on a variation in share capital) and to settle the awards in cash (for example, on a termination).

The Committee may, in exceptional circumstances, allow the value delivered in the year of vesting to be above the limit described under 'Operation' and 'Maximum opportunity'. Should this discretion be applied, consideration would be given to deferring any gains above the normal limit for an extended time period. In addition, the Committee would take account of the Company's overall financial performance, the magnitude of commodity and share price movements and overall remuneration outcomes in recent years. The exercise of any such discretion would be fully explained in the relevant remuneration report.

Changes from policy agreed at the 2014 AGM
Reduction in maximum opportunity for the chief executive officer from 350% to 300% of salary.

Changes to the performance measures and a limit on the value that can be delivered from future awards are proposed. The performance measures set out above will replace the previous measures (50% TSR and 50% ROCE).

Pension

Purpose
To offer market-competitive levels of pension provision.

Operation
Executive directors participate in defined contribution pension arrangements.

Executive directors have the option for contributions which may not be paid to a UK-registered pension scheme as a result of HMRC limits (either annual allowance or lifetime allowance) to be treated as if paid to an unregistered unfunded retirement benefit scheme (a UURBS).

Executive directors may request a pension allowance to be paid in place of defined contribution arrangements.

Maximum opportunity
30% of basic salary.

Figure 1: Key aspects of the remuneration policy for executive directors

SAYE/SIP

Purpose
As UK employees, UK-based executive directors are eligible to participate in the Company's Save As You Earn (SAYE) scheme and SIP.

Operation
The plans are registered with HMRC and do not have performance conditions.

Other benefits

Purpose
To provide market-competitive benefits.

Operation
The Company provides the following ongoing benefits:

- 28 days' leave and encashment of any accumulated leave in excess of 20 days
- car-related benefits
- medical insurance
- death and disability insurance
- directors' liability insurance
- limited personal taxation and financial advice
- club membership
- other ancillary benefits, including attendance at relevant public events.

In addition, the Company pays additional benefits when specific business circumstances require it, including costs and allowances related to relocation and international assignments.

The Company reimburses all necessary and reasonable business expenses.

Maximum opportunity
Capped at 10% of salary.

Discretion
The Committee reserves the discretion to exceed the ongoing maximum level for certain situation-specific benefits, such as relocation. Full details of the exercise of any such discretion will be provided to shareholders in the following remuneration report.

Changes from policy agreed at 2014 AGM
Clarification that directors' liability insurance is included in the list of benefits.

Figure 2: Recruitment and promotion arrangements

Purpose
To secure the appointment and promotion of high-calibre executives.

Operation
The remuneration arrangements for a newly recruited or promoted executive director will reflect the remuneration policy in place for executive directors at the time of the appointment. The arrangements will therefore comprise basic salary, annual bonus, LTIP awards, benefits, pension and SAYE/SIP on the bases set out above.

The initial basic salary level for a newly recruited or promoted executive director will be set to reflect the individual's experience, salary levels within the Company and market levels. Where basic salary is set below the level that might be expected, given the executive's relative inexperience, and the executive then develops successfully into the role, the Committee has the discretion to give a salary increase in the year(s) after appointment above the standard maximum level of 5%. For external appointments, the Committee may also offer additional cash and/or share-based elements (including in-flight LTIPs) to replace any remuneration forfeited, when it considers this to be in the best interests of the Company and its shareholders. The terms of any share-based elements offered will reflect the nature, time horizons and performance requirements of remuneration forfeited and will have equivalent performance conditions attached. Shareholders will be informed of any such payments at the time of appointment. If necessary, the Company can go outside of existing plans as currently permitted under the Listing Rules.

Pensions for new hires will be set at a level commensurate with the wider workforce, and will be no greater than 25% of salary.

For internal appointments, any commitments made before appointment and not relating to appointment are allowed to pay out according to their terms. For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

Changes from policy agreed at 2014 AGM
Limit introduced on pension levels for new hires.

2.2 Supplementary information

2.2.1 Shareholding targets

Within five years of appointment, executive directors are expected to hold Company shares with a value of three times basic salary in respect of the chief executive and two times basic salary in respect of other executive directors. The Committee takes into consideration achievement against these targets when making grants under the Company's various incentive plans.

2.2.2 Policy in rest of company

The remuneration arrangements for the executive directors outlined in Figure 1 are consistent with those for other executives serving on the GMC, although opportunity levels vary. The majority of our employees are located in South Africa and South America, and the remuneration arrangements of these employees are aligned to local market practices and levels.

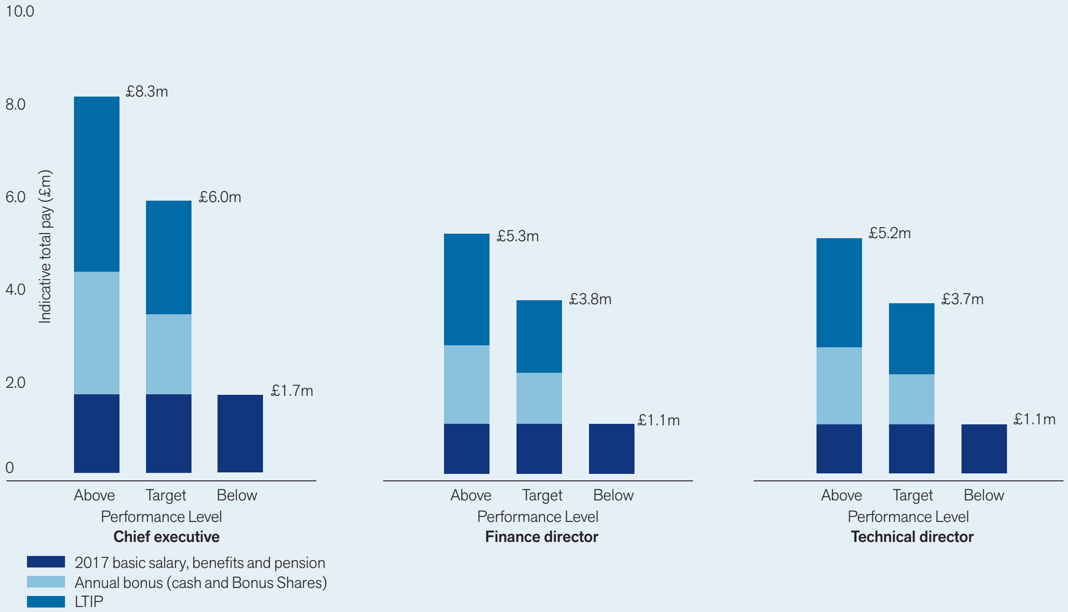
Figure 3: Key aspects of the remuneration policy for non-executive directors

Chairman – Fees	**Purpose** To attract and retain a high-calibre chairman by offering a market-competitive fee level. **Maximum increase** Equivalent to annual increase of 5% of fee level.	**Operation** The chairman is paid a single fee for all of his responsibilities. The level of this fee is reviewed every two to three years by the Committee and chief executive, with reference to UK market levels (FTSE 50 companies), and a recommendation is then made to the Board (in the absence of the chairman). Fees are paid in cash, with the flexibility to forgo all or part of the net fees to acquire shares in the Company.
Chairman – Benefits	**Purpose** To provide market-competitive benefits. **Maximum benefits** £35,000.	**Operation** The chairman is provided with medical insurance and reasonable use of a car and driver. Reasonable and necessary expenses are reimbursed. **Changes from policy agreed at the 2014 AGM** Maximum benefits increased from £30,000 to £35,000 to allow for expected changes to UK tax rates on car and fuel benefits through to 2020.
Non-executive directors – Fees	**Purpose** To attract and retain high-calibre non-executive directors by offering market-competitive fees. **Maximum increase for each type of fee** Equivalent to annual increase of 5% of fee level.	**Operation** The non-executives are paid a basic fee. The chairmen of the main Board committees and the senior independent director are paid an additional fee to reflect their extra responsibilities. These fee levels are reviewed every few years by the chairman and executive directors, with reference to UK market levels (FTSE 50 companies), and a recommendation is then made to the Board. Fees are paid in cash with the flexibility to forgo all or part of the net fees to acquire shares in the Company. Reasonable and necessary expenses are reimbursed.
Other fees/ payments	**Purpose** To have the flexibility to provide additional fees/benefits if required. This may include the introduction of committee membership fees. **Maximum additional/ committee fee** £30,000.	**Operation** The Company has the discretion to pay an additional fee, up to the equivalent of the committee chairmanship fee (currently £30,000), to a non-executive director should the Company require significant additional time commitment in exceptional or unforeseen circumstances. Base fees have not been increased since 2010. It is therefore the Board's intention to review fee levels and structures during 2017 with a view to determining any necessary changes. Such changes may include, for example, the introduction of committee membership fees. **Changes from policy agreed at the 2014 AGM** Additional flexibility is proposed to be incorporated to allow for the possible introduction of committee membership fees.

2.3 Indicative total remuneration levels

Figure 4 illustrates how the total pay opportunities for the chief executive, the finance director and the technical director vary under three different performance scenarios:

Figure 4: Indicative executive director total remuneration at different levels of performance



Note:

Pay element	Above	Target	Below
Fixed	2017 basic salary, benefits and pension	2017 basic salary, benefits and pension	2017 basic salary, benefits and pension
Annual bonus	100% of maximum bonus opportunity (60% deferred into shares)	65% of maximum bonus opportunity (60% deferred into shares)	None
LTIP	100% of maximum LTIP opportunity	65% of maximum LTIP opportunity	None

- Estimates of £36,000, £49,000 and £36,000 have been used for ongoing non-pension benefits for the chief executive, finance director and technical director respectively.
- Share price movement and dividend accrual have been excluded from all figures.
- Participation in the SAYE and SIP has been excluded, given the relative size of the opportunity levels.
- Charts have not been included for the non-executive directors as their fees are fixed and do not vary with performance.
- Finance director figures relate to René Médori, who will step down as finance director at the 2017 AGM. Full year figures are shown for illustrative purposes.

2.4 Policy on termination and change in control

2.4.1 Executive directors

Figure 5 sets out the Company's policy on termination. This policy is consistent with provisions relating to termination of employment in the executive directors' service agreements and with provisions in the incentive plan rules.

Figure 6 sets out key provisions relating to change of control, where there is no termination. There are no provisions for enhanced payments in the event of a change of control of the Company.

2.4.2 Non-executive directors

All non-executive directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. The chairman's appointment may be terminated by the Company with six months' notice. The appointment letters for the chairman and non-executive directors provide that no compensation is payable on termination, other than any accrued fees and expenses.

Figure 5: Principles of determining payments for loss of office

Notice periods	Notice periods do not exceed 12 months. Upon appointment the Committee can agree an extended Company notice period for the first year following appointment.		
	'Good Leaver'	Voluntary resignation	'Bad Leaver'
Circumstances of departure of executive directors	Typical reasons include retirement, redundancy, death, ill health, injury, disability or as defined by the Committee. Where departure is on mutually agreed terms, the Committee may treat the departing executive as a 'Good Leaver' in terms of one or more elements of remuneration. The Committee uses this discretion judiciously and shareholders will be notified of any exercise as soon as reasonable.		Typically termination for cause.
Salary and benefits for notice period	Salary and benefits continue to be paid to the date of termination of employment, including any notice period and/or garden leave period. The Company may terminate employment with immediate effect and, in lieu of the unexpired portion of any notice period, make a series of monthly payments based on salary and benefits (or make a lump sum payment based on salary only). Any monthly payments will be reduced to take account of any salary received from alternative employment.	Salary and benefits continue to be paid to the date of termination of employment, including any notice period and/or garden leave period. The Company may terminate employment with immediate effect and, in lieu of the unexpired portion of any notice period, make a series of monthly payments based on salary and benefits (or make a lump sum payment based on salary only). Any monthly payments will be reduced to take account of any amounts received from alternative employment.	Immediate termination with no notice period.
Bonus accrued prior to termination	A time pro rated bonus award may be made by the Company, with the Committee's approval, and will be paid wholly in cash.	No accrued bonus is payable.	No accrued bonus is payable.
Unvested Bonus Shares	**Normal circumstances** Bonus Shares are released in full on the normal release date (i.e. awards will not be released early). **Exceptional circumstances** (e.g. death or other compassionate grounds). Bonus Shares are released in full, and eligible for immediate release.	Forfeit.	Forfeit.

Figure 5: Principles of determining payments for loss of office

	'Good Leaver'	Voluntary resignation	'Bad Leaver'
Five-year Bonus Shares during final two years of vesting period	**Normal circumstances** Released in full to the employee at the end of the five-year period. **Exceptional circumstances** (e.g. death or other compassionate grounds). Bonus Shares are released in full, and eligible for immediate release.	If an employee resigns to join a competitor (as defined by the Committee) during the final two years of the five-year vesting period then the Bonus Shares will be forfeit. Outside of these circumstances, Bonus Shares are released to the employee at the end of the five-year period.	Forfeit.
Unvested LTIP awards	**Normal circumstances** LTIP awards will vest subject to the performance condition at the end of the normal performance period and, if applicable, released at the end of the holding period. All awards are time pro rated. **Exceptional circumstances** (e.g. death or other compassionate grounds). LTIP awards may be released on departure, subject to assessment of the performance conditions at that time. All awards are time pro rated.	Forfeit.	Forfeit.
Vested LTIP awards subject to a holding period	**Normal circumstances** Vested LTIP awards that are subject only to a holding period are released in full to the employee at the end of the holding period. **Exceptional circumstances** (e.g. death or other compassionate grounds). Vested LTIP awards subject to a holding period may be released on departure.	If an employee resigns to join a competitor (as defined by the Committee), then even those vested LTIP awards that remain subject only to the holding period will be forfeit. Outside of these circumstances, such awards are released to the employee at the end of the holding period.	Forfeit.
Unvested Restricted Shares	There is no standard policy in respect of the treatment of any restricted share awards to executive directors. Terms are set on a case-by-case basis.	Generally forfeit.	Forfeit.
SAYE and SIP	Outstanding shares and/or options under the Company's SIP and SAYE vest in accordance with the relevant HMRC requirements.	According to HMRC rules.	According to HMRC rules.
Other	Limited disbursements (for example, legal costs, relocation costs, untaken holiday).	None.	None.
Malus and clawback	Malus and clawback provisions in the relevant incentive plan rules apply.		

Figure 6: Policy on change in control

Incentive plan provisions relating to change of control (without termination)	**Bonus Shares** The Bonus Shares awarded under the BSP will be released. **LTIP awards** The number of shares that vest under the LTIP will be calculated by reference to the extent to which the applicable performance conditions have been met at the time of the change of control. **Vested LTIP awards subject to holding period** LTIP awards will be released.

2.5 Development of directors' remuneration policy

In developing and reviewing the Company's remuneration policy for executive directors and other senior executives, the Committee is receptive to the views of shareholders and sensitive to the relationship between the arrangements for executive directors and those for other employee groups.

Specifically:

- in 2016-17, in developing the revised remuneration policy, the Committee chairman undertook a consultation with major shareholders, incorporating feedback as appropriate. In particular, the Committee has responded to concerns raised in relation to the possibility of windfall gains from the 2016 LTIP awards by introducing a cap on the value that can be received from these awards on vesting. The Committee also listens to and takes into consideration investor views and comments throughout the year
- each year the Committee also reviews in detail how the arrangements for the executive directors compare to those for other members of the GMC to ensure an appropriate relationship and to support career development and succession.

Given the geographic spread of the Company's workforce, the Committee does not consider that consulting with employees on the remuneration policy for directors is a sensible use of resources. Many of the Company's UK-based employees are shareholders, through the SAYE and SIP schemes, and they, like other shareholders, are able to express their views on directors' remuneration at each general meeting.

2.6 Payments under previous policies

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out above, where the terms of the payment were agreed (i) under a previous policy, in which case the provisions of that policy shall continue to apply until such payments have been made; (ii) before the policy or the relevant legislation came into effect; or (iii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes, 'payments' includes the satisfaction of awards of variable remuneration and, in relation to awards of shares, the terms of the payment which are agreed at the time the award is granted.

2.7 Changes from previous policy

The chairman's letter, beginning on page 84, describes the main changes that the Committee has made to the remuneration policy that was approved at the 2014 AGM. These changes are also described in the relevant section of the policy table.

3. ANNUAL REPORT ON REMUNERATION

The information set out in this section (which constitutes the Implementation Report) has been subject to external audit.

3.1 Executive director remuneration in 2016

Figure 7 sets out the remuneration paid to the executive directors during 2016.

Figure 7: Single total figure of remuneration for executive directors

Executive directors	Total basic salary £'000 Section 3.1.1	Benefits in kind £'000 Section 3.1.2	Annual bonus – cash and Bonus Shares £'000 Section 3.1.3	LTIP award vesting £'000 Section 3.1.4	Pension £'000 Section 3.1.5	Other[(1)] £'000	Total 2016 £'000	Total 2015 £'000
Mark Cutifani	**1,261**	**36**	**2,317**	**–**	**378**	**5**	**3,996**	
Mark Cutifani (2015)	1,261	32	966	820	378	5		3,462
René Médori	**804**	**49**	**1,430**	**–**	**241**	**5**	**2,529**	
René Médori (2015)	804	65	583	394	241	5		2,092
Tony O'Neill	**788**	**36**	**1,441**	**–**	**236**	**3**	**2,504**	
Tony O'Neill (2015)[(2)]	352	14	284	–	106	3		759

(1) 'Other' comprises free and matching shares awarded under the SIP. 2015 figures have been updated to include free and matching shares awarded in 2015.
(2) In Tony O'Neill's case, 2015 figures reflect the period between his appointment to the Board, on 23 July 2015, and 31 December 2015.

Figure 8: Basic salaries for 2016
(all amounts in '000)

MARK CUTIFANI
(2015: £1,261)

£1,261

RENE MEDORI
(2015: £804)

£804

TONY O'NEILL
(2015: £352)[(1)]

£788

(1) For the period between appointment and year-end.

3.1.1 Basic salaries for 2016

Figure 8 sets out the basic salaries for 2016, which were frozen at 2015 levels.

3.1.2 Benefits in kind for 2016

Benefits for executive directors with a value over £5,000 are set out in Figure 9. The executive directors also receive club membership, death and disability insurance, directors' liability insurance, medical insurance and other ancillary benefits.

Figure 9: Benefits in kind for 2016

	Car-related benefits	Tax advice
Mark Cutifani	29,420	250
René Médori	28,700	13,545
Tony O'Neill	28,370	585

Figure 10: Annual bonus outcomes for 2016 (cash and Bonus Shares)
(all amounts in '000)

MARK CUTIFANI
(2015: £966)

£2,317

RENE MEDORI
(2015: £583)

£1,430

TONY O'NEILL
(2015: £284)[1]

£1,441

[1] For the period between appointment and year-end.

Figure 11: Safety performance modifier

Safety target	Modifier range	2016 modifier
Fatal injury frequency rate (FIFR)	Up to 7.5% deduction	(7.5)%
Total recordable case frequency rate (TRCFR)	Up to 5.0% uplift	5.0%
Level 4/5 environmental incidents	Up to 2.5% deduction	(0.0)%
Operational Risk Management (ORM) implementation	Up to 5.0% uplift	2.0%
Net modifier		**(0.5)%**

3.1.3 Annual bonus outcomes for 2016

Figure 10 shows the annual bonus outcomes for 2016. Figure 12 summarises the individual objectives for the 2016 annual bonus for Mark Cutifani, René Médori and Tony O'Neill, performance achieved and the resulting outcomes.

The Committee reviewed the annual EPS targets set at the beginning of 2016 and, in light of the severity of the falls in commodity prices, the negative price outlook at the start of 2016 and the launch of the Company's cash improvement programme, decided to set threshold performance expectations at $0.00/share with maximum vesting at $0.50/share. 25% vesting would take place with performance at threshold. While stretching at the time, a progressive recovery in commodity prices since the middle of the year, coupled with strong delivery on cost and volume improvements and cash generation from management actions, meant that the earnings element of the annual bonus has been fully achieved.

If performance had been measured excluding FX and price movements in line with the methodology introduced for 2017 bonuses, and normalising for one-off tax adjustments, EPS would have been above the maximum vesting target at $0.53/share, reflecting the strong delivery of management in the year.

The executives' individual objectives were set at the start of the year and reflect the Company's strategic priorities for the year. Each category contained between one and five specific objectives, incorporating a combination of quantitative and qualitative metrics. At the end of the year, the Committee made a detailed assessment of performance against each objective, leading to the evaluations shown in Figure 12.

Assessment of Group safety performance in 2016 operated through both additive and deductive component measures. Figure 11 sets out the outcome in each category, resulting in a net modifier of (0.5)%. The very disappointing increase in fatalities in 2016 led to the maximum possible FIFR deduction being applied.

Figure 12: Annual bonus performance assessment for 2016

50% of each executive director's bonus outcome was dependent on an EPS target, which has been met in full, and a safety modifier of between (10)% and 10%, which has resulted in a deduction of (0.5)%. Refer to page 99 for more detail on these outcomes. 40% of the executive directors' bonus outcomes related to a set of individual objectives for the year. The achievement and outcomes of these objectives are set out below.

Mark Cutifani

Objectives	Achievement	Outcome
Strategic development (12%) • Actions to reduce net debt below $10.0 billion • Progress asset disposal programme and portfolio upgrade	• Completed disposal of the niobium and phosphates business in Brazil, Rustenburg platinum operations and 9.7% interest in Exxaro Resources Ltd, realising $1.8 billion in proceeds. • Maintained strict value thresholds on disposals, leading to retention of Moranbah and Grosvenor coal assets in Australia and nickel assets in Brazil. • Continued to upgrade portfolio.	12.0%
Business improvement (12%) • Deliver operational improvements and cost savings: – $1.0 billion cash improvement versus budget – Projects ramp-up – Identify a further $1.0 billion to be delivered in 2017	• Exceeded $1.0 billion cash improvement plan primarily through the delivery of $1.5 billion cost and volume improvements. • Increased Cu equivalent production by 2% compared with 2015, driven by project ramp-ups and improving productivity. • Identified 75% of 2017 $1.0 billion cost and volume improvement target with implementation under way. • Continued roll-out of Anglo American's Operating Model at various operations in 2016.	12.0%
People (8%) • Continue to build expertise of GMC and within functional teams • Implement next phase of the Organisational Model	• Continued strengthening of GMC. • Implemented next phase of the Organisational Model. • Progressed skills development and retention in critical roles.	6.8%
Endowment and stewardship (8%) • Continue effective engagement with stakeholders • Progress options on project portfolio	• Continued positive constructive relationships with host country governments. • Increased stakeholder engagement, articulating strategy and delivery of Company's targets. • Developed strategy for future project opportunities including Quellaveco.	7.2%
Overall individual performance		**38.0%**

René Médori

Objectives	Achievement	Outcome
Strategic development (20%) • Actions to reduce net debt below $10.0 billion • Progress asset disposal programme and portfolio upgrade • Maintain liquidity and optimise debt levels	• Reduced net debt by $4.4 billion from $12.9 billion, driven by $2.6 billion of cashflow and $1.8 billion in disposal proceeds. • Decreased gross debt by 27%, including successful $1.8 billion bond buyback programme realising $0.2 billion in net debt and interest savings, 85% of which realised in 2016. • Liquidity levels maintained (31 December 2016: $15.8 billion). • Managed divestments, including sale of the niobium and phosphates business in Brazil, Rustenburg platinum operations, 9.7% interest in Exxaro Resources Ltd, Callide and Foxleigh operations. • Maintained strict value threshold on disposals, leading to retention of Moranbah and Grosvenor coal assets in Australia and nickel assets in Brazil.	18.8%
Business improvement (8%) • Implement capital allocation strategy • Progress critical legal matters to resolution • Define and implement suitable corporate structure	• Increased discipline in capital management and project prioritisation with total capital expenditure (excludes capitalised operating cash flow) reducing by $1.5 billion. • Litigation proceedings between Kumba Iron Ore and South African Revenue Service resolved. Agreement reached on other legal matters. • Continued to optimise corporate structures, reducing the number of operating jurisdictions.	6.8%
People (8%) • Implement new structures per Functional Model • Build finance team to support business	• Appointed key finance leaders. • Continued progress on implementation of the Functional Model in finance.	5.6%
Investor Relations (4%)	• Increased investor engagement with focus on strategy and disposal programme.	4.0%
Overall individual performance		**35.2%**

Figure 12: Annual bonus performance assessment for 2016

Tony O'Neill

Objectives	Achievement	Outcome
Safety and Environment (6%) • Design and implement critical controls intervention • Review Group's tailings dam emplacement strategies and operating integrity	• Continued strengthening of critical controls delivering a 24% decrease in the TRCFR compared with 2015. • Reduction in Level 3-5 environmental incidents, down 33% versus 2015, as well as focusing on tailings dam emplacement controls. • Reduced Group's impact on the environment with decreases in energy and water consumption and GHG emissions.	5.2%
Business improvement (24%) • Drive operational improvements and cost savings: – $1.0 billion cash improvement versus budget – Optimise capital expenditure and working capital	• Exceeded $1.0 billion cash improvement plan primarily through the delivery of $1.5 billion cost and volume improvements. • Increased discipline in capital expenditure and project prioritisation, delivering $600 million reduction versus original plan. • Renegotiated a number of supplier contracts, improving commercial terms.	24%
People (4%) • Design and implement functional model in the Technical and Sustainability function • Continue to attract and retain necessary skills and expertise	• Progressed implementation of the Functional Model in the Technical and Sustainability function. • Appointed key leaders within the function.	3.2%
Endowment projects and R&D (6%) • Develop future project strategies • Progress technology and innovation initiatives across portfolio	• Progressed options and alternative approaches for the development of new projects including Quellaveco. • Continued focus on innovation and technology to extract value from endowments through Open Forums, the FutureSmart™ and SmartPath processes to enable rapid development and implementation of innovative projects. • Advanced Concentrate the Mine™ approach across Platinum and Copper with phase 1 trials of Coarse Particle Flotation under way at Los Bronces copper mine in Chile.	5.2%
Overall individual performance		**37.6%**

Critical tasks are identified in each of the performance categories at the start of the year. These form the basis of measurement, but are overlaid with an assessment of executive performance in the round in the relevant category. The assessment for 2016 took place against a backdrop of significant and successful restructuring and transformation, cost saving, production growth, efficiency improvements and improved stakeholder relationships.

The personal performance outcomes set out above, combined with maximum EPS achievement and the safety modifier of (0.5)%, have generated overall bonus outcomes of 87.5%, 84.7% and 87.1%. When applied to the maximum bonus of 210% of salary, these performance outcomes translate into bonuses of £2,316,573, £1,430,383 and £1,441,239 for the chief executive, finance director and technical director respectively.

40% of the total bonus is payable in cash, with 60% deferred into Bonus Shares. Two-thirds of the Bonus Shares will vest after three years, subject to continued employment; the remaining third will vest after five years.

3.1.4 LTIP award vesting

In 2014, Mark Cutifani, René Médori and Tony O'Neill received LTIP grants of 285,733, 156,222 and 153,071 conditional shares respectively, with vesting subject to:

(a) the Company's TSR performance relative to:
(i) the Euromoney Global Mining Index; and
(ii) FTSE 100 constituents over the three-year period to 31 December 2016; and

(b) Driving Value ROCE to 31 December 2016.

Figure 13 sets out further details of the measures and the Company's performance against each, resulting in an overall vesting level of zero.

The LTIP amounts shown in last year's report in respect of the LTIPs granted in 2013 were calculated on an 'expected' basis with an assumed share price of £4.73. The actual share price at vesting was £5.08, leading to the following increases in value:

Mark Cutifani – estimated value £778,000;
actual value £820,000 (increase of £42,000).

René Médori – estimated value £373,000;
actual value £394,000 (increase of £21,000).

3.1.5 Pension

The pension contribution amounts in Figure 14 should be read in conjunction with the following information:

- The amounts stated for Mark Cutifani and Tony O'Neill for 2016 include a cash allowance of £317,000 (2015: £297,000) and £208,000 (2015: £93,000), respectively
- The total amount of pension contributions treated as having been paid into the UURBS for 2016 were £241,000 for René Médori (2015: £241,000)
- Contributions treated as being paid into the UURBS earn a return equivalent to the Company's pre-tax sterling nominal cost of debt, capped at a rate determined by the Remuneration Committee. The total return earned in 2016 was £90,000 for René Médori (2015: £73,000)
- As at 31 December 2016, the total balance due to executive directors in relation to the UURBS was £1,976,000 for René Médori (2015: £1,644,000). Retirement benefits can only be drawn from the UURBS if a member has attained age 55 and has left Group service.

Figure 13: LTIP performance assessment for 2016

Measure	Threshold performance (25% vesting)	Stretch performance (100% vesting)	Actual performance	Vesting outcome
Euromoney Global Mining Index TSR (25% of total award)	3% (index TSR)	21% (index TSR + 6% p.a.)	(12%)	0%
FTSE 100 constituents TSR (25% of total award)	13% (median TSR)	50% (upper quartile TSR)	(12%)	0%
Driving Value ROCE (50% of total award)	12%	16%	7%	0%
Total outcome (% of total award)				**0%**
Mark Cutifani (£'000) (maximum opportunity: 350% of salary)				**0**
René Médori (£'000) (maximum opportunity: 300% of salary)				**0**
Tony O'Neill (£'000) (maximum opportunity: 300% of salary)				**0**

Figure 14: Pension for 2016

	DC contribution (£'000)	Cash allowance (£'000)	UURBS contribution (£'000)	NIC paid by Company (£'000)	Total (£'000)
Mark Cutifani	17	317	0	44	378
René Médori	0	0	241	0	241
Tony O'Neill	0	208	0	28	236

3.1.6 External directorships

Executive directors are not permitted to hold external directorships or offices without the prior approval of the Board. If approved, they may each retain the fees payable from only one such appointment.

In the year, in addition to his basic salary, René Médori retained fees amounting to £82,000 in respect of one external directorship.

3.2 Other director remuneration in 2016

3.2.1 Non-executive director remuneration

Figure 15 sets out the remuneration paid to the non-executive directors of the Company in 2016. Fees shown include any additional fees paid in respect of chairmanships of committees or other roles such as senior independent director.

Figure 15: Single total figure of remuneration for non-executive directors

	Total fees 2016 £'000	Benefits in kind 2016 £'000	**Total 2016 £'000**	Total fees 2015 £'000	Benefits in kind 2015 £'000	**Total 2015 £'000**
Non-executive directors						
Sir John Parker[(1)]	700	29	**729**	700	24	**724**
Judy Dlamini [(2)]	53	–	**53**	80	–	**80**
Byron Grote[(3)]	110	–	**110**	110	–	**110**
Sir Philip Hampton	140	–	**140**	140	–	**140**
Ray O'Rourke[(4)]	45	–	**45**	80	–	**80**
Mphu Ramatlapeng	80	–	**80**	80	–	**80**
Jim Rutherford	80	–	**80**	80	–	**80**
Anne Stevens[(5)]	80	–	**80**	80	–	**80**
Jack Thompson	110	–	**110**	110	–	**110**

(1) Sir John Parker has elected to waive his Nomination Committee chairman fees. Benefits with a value over £5,000 comprise car-related benefits and medical insurance.
(2) Judy Dlamini resigned from the Board with effect from 30 August 2016.
(3) Byron Grote became a member of the Nomination Committee on 21 October 2016.
(4) Ray O'Rourke resigned from the Board with effect from 25 July 2016.
(5) Anne Stevens became a member of the Remuneration Committee on 21 October 2016.

3.2.2 Payments for past directors

In addition to retirement benefits, the Company continues to provide seven former executive directors with private medical insurance arrangements. The annual cost to the Company is minimal. The Committee continues to meet these longstanding commitments but no new commitments have been made recently or will be made in future. There were no other payments to past directors during 2016.

3.3 Scheme interests granted during 2016

The information in this section has been subject to external audit.

Figure 16 summarises the longer term, conditional share awards granted to executive directors during 2016. Receipt of these awards is dependent on the Company's performance over 2016-18 and to the maximum vesting value imposed by the Committee, as detailed below.

The value of Bonus Shares awarded to directors in respect of 2016 is included in the annual performance bonus figures, set out in Figure 10. They are also included in Figure 17.

3.4 Total interests in shares

Figure 17 summarises the total interests of the directors in shares of Anglo American plc as at 31 December 2016. These include beneficial and conditional interests, and shareholdings of their connected persons.

As already disclosed, Mark Cutifani is expected to hold interests in shares to a value of three times basic salary (built up over five years) and René Médori and Tony O'Neill to a value of two times salary. At the date of preparation of this report, Mark Cutifani, René Médori and Tony O'Neill have net shareholdings (including Bonus Shares) equal to 430%, 587%, and 310% of basic salary, respectively.

Figure 16: Summary of conditional share awards and options granted in 2016

Type of award	Performance measure	Vesting schedule	Performance period end	Director	Basis of award	Number of shares awarded	Face value at grant[1]
LTIP share awards	TSR vs. Sector Index (25%)	25% for TSR equal to the Index; 100% for the Index +6% pa or above	31/12/2018	Mark Cutifani	350% of salary	993,810	£4,412,516
				René Médori	300% of salary	543,360	£2,412,518
				Tony O'Neill	300% of salary	532,398	£2,363,847
	TSR vs. FTSE 100 constituents (25%)	25% for TSR equal to median; 100% for 80th percentile or above					
	ROCE (50%)	25% for 5%; 100% for 15%					

[1] The face value of each award has been calculated using the share price at time of grant (£4.44 for the LTIP awards). As receipt of these awards is conditional on performance, the actual value of these awards may be nil. In addition, the maximum value that may be received in the year of vesting of the awards granted in 2014, 2015 and 2016 is limited for each executive director to the combined face value of the 2014, 2015 and 2016 awards. Any value over this level will be forfeit. Vesting outcomes will be disclosed in the 2018 remuneration report.

Figure 17: Shares in Anglo American plc at 31 December 2016

	Beneficial	Conditional (no performance conditions)	Conditional (with performance conditions)	Conditional (no performance conditions)		Total
Directors		BSP Bonus Shares	LTIP	SAYE/SIP	Other	
Mark Cutifani	174,814	257,550	1,641,818	7,385	–	2,081,567
René Médori[(1)]	210,498	165,779	897,654	9,410	–	1,283,341
Tony O'Neill	46,708	148,053	880,469	4,155	–	1,079,385
Sir John Parker	62,696	–	–	–	–	62,696
Byron Grote[(2)]	26,000	–	–	–	–	26,000
Sir Philip Hampton	19,258	–	–	–	–	19,258
Mphu Ramatlapeng	4,738	–	–	–	–	4,738
Jim Rutherford	21,335	–	–	–	–	21,335
Anne Stevens	2,122	–	–	–	–	2,122
Jack Thompson[(2)]	14,950	–	–	–	–	14,950
Former directors[(3)]						
Judy Dlamini	6,712	–	–	–	–	6,712
Ray O'Rourke[(2)]	76,965	–	–	–	–	76,965

(1) René Médori's beneficial interests in 138,990 shares held at the date of this report arise as a result of his wife's interests in shares.
(2) Included in the interests of Messrs Grote, O'Rourke and Thompson are unsponsored ADRs representing 0.5 ordinary shares of $0.54945 each.
(3) Interests are shown as at date of resignation.

Differences from 31 December 2016 to 20 February 2017

Mark Cutifani's and René Médori's interests increased by 44 shares each from 31 December 2016 to 20 February 2017, as a result of the acquisition of shares under the SIP. Their total holdings therefore increased to 2,081,611 and 1,283,385 respectively.

3.5 Statement of implementation of policy in 2017

The Company's policy on executive director remuneration for 2017 is summarised in the policy statements in Figure 1. Figure 18 summarises how that policy will be implemented in 2017. It is the Company's intention that the fees for non-executive directors will remain at their 2016 levels for the first half of 2017, following which they will be reviewed.

The EPS performance range for 2017 is considered by the Board to be commercially sensitive, although it will be disclosed in the 2017 remuneration report.

As set out on page 91, changes to the previous LTIP performance targets are proposed to apply from 2017; vesting of 70% of the 2017 award will be subject to the achievement of TSR conditions, and the remaining 30% to a balanced scorecard of financial and strategic measures.

For the 2017 balanced scorecard, ROCE (10%) has been selected to maintain focus on disciplined capital allocation. An attributable free cash flow target (10%) is being introduced as a new measure. This links management's remuneration outcomes directly to the Company's goal of reducing net debt through cash generation, thereby maintaining the Group's net debt/EBITDA ratio below 1.5.

The remaining 10% of the balanced scorecard for 2017 will be based on emissions reduction (5%) and occupational disease prevention (5%), directly reflecting two pillars of value. Following the overwhelming shareholder support for the 'Aiming for A' resolution at the 2016 AGM, the Committee strongly believes that management's incentives should be linked to achievement of the Company's public commitment to reducing CO_2 emissions by 22% by 2020, as measured against the business as usual case. Linking the remaining 5% of the 2017 LTIP award to a 10% reduction in inhalable hazards by the end of 2019 (as measured against a certified industrial hygienist approved baseline) reflects the Group's ongoing commitment to the prevention of occupational disease.

The three-year cumulative attributable free cash flow target within the LTIP is also considered by the Board to be commercially sensitive; disclosing it would enable competitors to derive information as to our detailed business plan. The actual targets, along with the outcomes, will be disclosed in the 2019 remuneration report. The definition of attributable free cash flow can be found on page 189. Further details of the individual performance targets for 2017 will be included in the 2017 remuneration report.

Figure 18: Summary of key remuneration aspects in 2017

Element	Performance measure 1, weighting and component detail	Performance measure 2, weighting and component detail	Director	Level
Basic salary	–	–	Mark Cutifani	£1,285,934 (2% increase)
			René Médori	£820,256 (2% increase)
			Tony O'Neill	£803,709 (2% increase)
			Stephen Pearce	£775,000 (full year)
Annual bonus	**EPS (50%)** Half on performance at outturn prices and FX and half on performance at budgeted prices and FX	**Individual objectives and safety modifier (50%)** Personal and strategic objectives supporting the Company's delivery on projects, business improvement, capital allocation, commercial activities, employee development and stakeholder engagement, subject to the application of a safety modifier	Mark Cutifani	210% of salary
			René Médori	210% of salary
			Tony O'Neill	210% of salary
			Stephen Pearce	210% of salary (full year)
Long Term Incentive Plan (LTIP)	**TSR (70%)** **TSR vs. Euromoney Global Mining Index (47%)** 25% for TSR equal to Index 100% for Index +6% pa or above **TSR vs. FTSE 100 (23%)** 25% for TSR equal to median 100% for 80th percentile or above	**Balanced Scorecard (30%)** **ROCE (10%)** 25% for 10% 100% for 20% **Cumulative attributable free cash flow (10%)** **CO_2 emissions (5%)** 25% for 20% reduction by end of 2019 100% for 22% reduction by end of 2019 **Inhalable hazards (5%)** 25% for 6% reduction by end of 2019 100% for 10% reduction by end of 2019	Mark Cutifani	300% of salary
			René Médori	nil
			Stephen Pearce	300% of salary
			Tony O'Neill	300% of salary

3.5.1 Outstanding LTIP awards

The previous LTIP structure, in the context of the volatile nature of the mining industry, brought with it the potential for windfall gains where awards were granted at a relatively low share price.

The Committee has therefore imposed a limit on the value that can be delivered on vesting for recent awards. The delivered value for the awards granted in 2014, 2015 and 2016 will be limited to 100% of the total face value (number of shares granted multiplied by share price on grant) of the awards granted over these three years. Any value over and above this limit will be forfeit.

3.6 Remuneration disclosures

3.6.1 Eight-year remuneration and returns

Figure 19 shows the Company's TSR performance against the performance of the FTSE 100 Index from 1 January 2009 to 31 December 2016. The FTSE 100 Index was chosen as being a broad equity market index which includes companies of a comparable size and complexity to Anglo American.

TSR is calculated in US dollars, and assumes all dividends are reinvested. The TSR level shown as at 31 December each year is the average of the closing daily TSR levels for the five-day period up to and including that date.

Figure 20 shows the total remuneration earned by the incumbent chief executive over the same eight-year period, along with the proportion of maximum opportunity earned in relation to each type of incentive. The total amounts are based on the same methodology as for Figure 7.

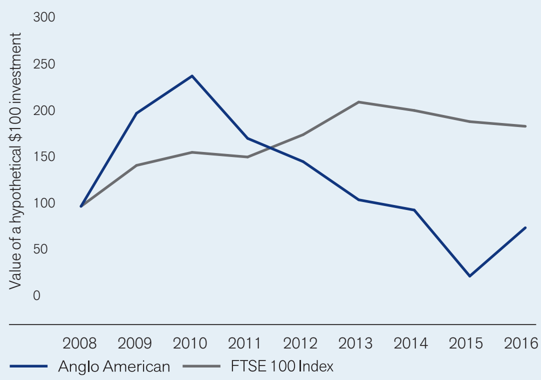
For the period 2010 to 2011, the TSR performance of the Company, and the remuneration received by Cynthia Carroll as chief executive, demonstrates that this was a period of strong operational performance and high commodity prices. These led to a doubling of profits and almost a doubling of underlying EPS in 2010.

Cynthia Carroll's remuneration levels in 2011 also reflect record profits and strong EPS performance for the year in addition to the increase in value of the LTIP awards that vested at the end of 2011 – when granted, the Company's share price was £12.61; the share price at vesting was £26.00.

The vesting levels of long term incentives from 2012 have been much lower, reflecting, in part, the impact of the severe decline in commodity prices on earnings and the returns delivered to shareholders.

Mark Cutifani's remuneration levels in 2013 and 2014 are not reflective of his underlying remuneration, given that he received a compensatory share award in 2013 and compensation for tax on relocation benefits in 2014. The impact of longer term incentives was only realised in 2015 as a consequence of the vesting of the 2013 LTIP award.

Figure 19: Eight-year TSR performance



Source: Datastream Return Index

Figure 20: Chief executive's remuneration

Financial year ending	31 December 2009	31 December 2010	31 December 2011	31 December 2012	31 December 2013	31 December 2014	31 December 2015	**31 December 2016**
Cynthia Carroll								
Total remuneration (single figure, £'000)	4,379	4,235	8,113	3,203	1,462	–	–	**–**
Annual bonus (% of maximum)	99%	88%	94%	35%	67%	–	–	**–**
LTIP (% of maximum)	61%	50%	96%	50%	28%	–	–	**–**
BSP Enhancement Shares (% of maximum)	0%	0%	100%	0%	0%	–	–	**–**
Mark Cutifani								
Total remuneration (single figure, £'000)	–	–	–	–	5,305	3,725	3,462	**3,996**
Annual bonus (% of maximum)	–	–	–	–	65%	60%	36.5%	**87.5%**
LTIP (% of maximum)	–	–	–	–	–	–	50%	**–**

3.6.2 Change in the chief executive's remuneration in 2016 relative to London employees

Figure 21 sets out the chief executive's basic salary, benefits and annual bonus amounts for 2016 and the year-on-year change. We show the average change in each element for London employees below GMC level, which is considered to be the most relevant employee comparator group given the Group-wide nature of roles performed at Head Office.

3.6.3 Distribution statement for 2016

Figure 22 sets out the total expenditure on employee reward over 2016, compared to profit generated by the Company and the dividends received by investors. Underlying earnings are shown, as this is one of the Company's key measures of performance, while employee numbers help put the payroll costs of employees into context.

Figure 21: Change in chief executive's remuneration compared to UK employees

		Salary	Benefits	Bonus
Chief executive	£'000	1,261	36	2,317
	% change	0	12	140
London employees[1]	Average % change	2.3	3.0	42.5

[1] Benefits for London employees comprise pension and car allowances (where applicable), these being the most material.

Figure 22: Distribution statement for 2016

Distribution statement		**2016**	2015
Underlying earnings[1] (Total Group)	$m	**2,210**	827
	% change	**167**	(62.7)
Dividends payable for year (total)	$m	**0**	398
	% change	**(100)**	(63.2)
Payroll costs for all employees	$m	**3,738**	4,474
	% change	**(16)**	(11.8)
Employee numbers	'000	**80**	91
	% change	**(12)**	(4.2)

[1] Please see page 188 for details on how underlying earnings are calculated.

Figure 23: Response to 2016 AGM shareholder voting

	Number of votes			
Vote	For	Against	Abstain	Company response to issues raised
Advisory vote on 2015 implementation report	**504,101,574 (58%)**	**358,945,876 (42%)**	**102,126,177**	The Committee is mindful of the concerns expressed by a number of shareholders in relation to executive remuneration in 2015, particularly around LTIP awards granted in March 2016. Setting executive remuneration in a volatile industry, such as mining, can be challenging and the Committee has actively engaged with shareholders in order to refine the revised policy to ensure that it is both appropriate and motivational.

3.7 Remuneration committee in 2016

3.7.1 Membership

The Committee comprised the non-executive directors shown on the right on 31 December 2016.


Sir Philip Hampton


Byron Grote


Anne Stevens


Jack Thompson

3.7.2 External advisers to the Committee

Figure 24 details the external advisers to the Committee and the fees paid for services provided during 2016. The fees are charged in accordance with the terms and conditions set out in each relevant engagement letter.

PwC is a signatory to, and adheres to, the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). In addition, the Committee chairman has regular direct dialogue with advisers. For these reasons, the Committee considers that the advice it receives is independent.

3.7.3 Remuneration report voting results

The Committee considered the results of the shareholders' vote on the 2015 remuneration report (Figure 23). Feedback from investors at the time of the 2016 AGM, and more generally, has helped shape revisions to the remuneration policy for 2017 onwards.

Figure 24: External advisers and fees

Advisers		Other services provided to the Company	Fees for Committee assistance
Pricewaterhouse Coopers LLP (PwC)	Appointed by the Company, with the agreement of the Committee, to support and advise on the Company's incentive arrangements, in addition to the provision of specialist valuation services and market remuneration data.	Investment advice, actuarial and audit work for various pension schemes; advice on internal audit projects; taxation, payroll and executive compensation advice.	£108,000
Perelamon	Appointed by the Company, with the agreement of the Committee, to support and advise on the Company's incentive arrangements.	Executive compensation and reward advice.	£7,000
Deloitte LLP (Deloitte)	In its capacity as Group auditor, Deloitte undertakes an audit of sections 3 and 4 of the remuneration report annually. However, it provides no advice to the Committee.		n/a

Note: Certain overseas operations within the Group are also provided with audit-related services from Deloitte's and PwC's worldwide member firms.

APPROVAL

This directors' remuneration report has been approved by the Board of directors of Anglo American plc.

Signed on behalf of the Board of directors.

Sir Philip Hampton
Chairman, Remuneration Committee

20 February 2017