

Beatriz Balbin, Chief Special Procedures Branch
Office of the High Commissioner for Human Rights
Palais des Nations
1211 Geneva 10
SWITZERLAND

London, 24 May 2018

Ref.: Letter in Response to AL OTH 2/2018

Subject: RESPONSE TO JOINT COMMUNICATION FROM SPECIAL PROCEDURES

Dear Mrs. Beatriz Balbin,

We acknowledge receipt of the above mentioned joint communication of the special procedures of the United Nations Human Rights Council. We note the concerns raised, and thank you for providing Anglo American the opportunity to respond to the allegations.

Anglo American attaches great importance to all matters related to our corporate duty to respect human rights. We hope we conveyed this commitment through my participation in the 2016 United Nations Annual Forum on Business and Human Rights.

It is our hope that this response, as part of the communications procedure of the special procedures of the United Nations Human Rights Council, will serve as a basis for an improved dialogue with the individuals who have put forward the allegations. Our previous attempts at engagement have not resolved the issues raised, and we trust that the communication channel provided through your forum will assist us in achieving meaningful dialogue aimed at achieving a reasonable resolution.

Anglo American commitments to human rights

Anglo American attaches great importance to matters related to human and labour rights: our human rights framework (<http://www.angloamerican.com/~media/Images/A/Anglo-American-PLC-V2/content-images/approach-and-policies/Framework.JPG>) establishes our commitment to respecting human rights in accordance with the United Nations Guiding Principles on Business and Human Rights; it builds on our Code of Conduct (<http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/documents/approach-and-policies/sustainability/our-code-of-conduct-english.pdf>) and our company values (<http://www.angloamerican.com/about-us/our-strategy>) and is underpinned by our Human Rights Policy (<http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/documents/approach-and-policies/social/hr-policy-document-english.pdf>), which also informs our Social Management Policy, the Anglo American Social Way (<http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/documents/approach-and-policies/social/aa-social-way-singles-v2.pdf>), and the Socioeconomic Assessment Guide in the SEAT Toolbox (<http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/documents/communities/seat-v3-jan-15-2.pdf>) as well as additional processes and procedures for specific risk areas identified in the framework. All of the above listed documents are available on the Anglo American website. At the same time, we adhere to domestic laws, regulations and administrative processes, related to labour and human rights, environmental and social issues. In doing so, we seek to make a lasting positive contribution to the countries and communities in which we operate.

We engage regularly with, and provide input to, work streams of the UN Working Group on the issue of human rights and transnational corporations and other business enterprises. We are also a longstanding Participant in the United Nations Global Compact with active engagement at international as well as at local network level in many of our countries of operation, including Brazil. We have been reporting on our progress in delivering against the Global Compact's ten principles on an annual basis (Anglo American Brazil report: <https://www.unglobalcompact.org/what-is-gc/participants/49501-Anglo-American-Brazil>; Anglo American Group report: <https://www.unglobalcompact.org/what-is-gc/participants/643-Anglo-American-plc>). I am also personally a member of the United Kingdom's Prime Minister's Business Against Slavery Forum.

We acknowledge that we are not experts in all aspects of human rights, but we always try to improve our own performance by reflecting on our past performance, working with external

experts, by forging partnerships with civil society organizations and other stakeholders, and by adopting continuous improvement initiatives.

More specifically and in relation to the content of your joint communication, we have been a signatory and active participant to the Voluntary Principles on Security and Human Rights (VPs) (<http://www.voluntaryprinciples.org/>) since 2005 and have had a strategic partnership with International Alert (<https://www.international-alert.org/>) since 2010 to work jointly in implementing the VPs across our operations – including how we interact with private and public security providers (<http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/documents/approach-and-policies/social/voluntary-principles-on-security-and-human-rights.PDF>). The Anglo American Foundation also provides significant core funding to the Institute for Human Rights and Business (IHRB) (<https://www.ihrb.org/>) with the aim of better understanding and educating ourselves in relevant areas, including the role of human rights defenders. We have in the past been a participant to The Shift Project's Business Learning Program on business and human rights (<https://www.shiftproject.org/what-we-do/business-learning/>). Since its establishment, we participated in a business network on human rights defenders and civic freedoms convened by the Business and Human Rights Resource Centre (BHRRC) (<https://www.business-humanrights.org/>) and the International Service for Human Rights (ISHR) (<http://www.ishr.ch/>).

We are fully aware and recognize that the nature of mining operations, from the earliest stages in the life of a mine, creates potential risks in relation to human rights protection and that we face the continued challenge of putting the above-mentioned policy architecture into practice. We further acknowledge that while we are actively participating in and subscribing to international, regional, or national initiatives in the business and human rights space and have dedicated processes in place (e.g. human rights due diligence requirements at site and corporate level, human rights working groups etc.), we cannot always guarantee the absence of undesired outcomes or unintended consequences. In those cases, however, we are committed to doing our best to avoid and mitigate such consequences, and continuously work to improve integration of human rights considerations into our business processes. Our efforts in the business and human rights area are recognized by a number of benchmarking initiatives, such as the Corporate Human Rights Benchmark (<https://www.corporatebenchmark.org/>) where we ranked within the top 10 out of 100 companies from the extractive, agriculture and apparel industries; and also the recent report by the Responsible Mining Index (<https://responsibleminingindex.org/en>), where we ranked as the highest performing company in the categories of Community Wellbeing, Economic Development and Lifecycle Management.

Minas-Rio context

Minas-Rio is a fully integrated iron ore operation in Brazil. It consists of an open cut mine and beneficiation plant in the state of Minas Gerais, a 529 km pipeline through which the iron ore is pumped in slurry form from the mine to the port of Açú in Rio de Janeiro State, and a dedicated iron ore export facility at the port, developed by Anglo American Brazil and held in a 50/50 joint venture with Prumo under the name of Ferroport. The operation in steady state employs ~2,000 people, but peaked at ~10,000 during construction in 2012/2013. Minas-Rio is currently still in its ramp up phase, and is designed to produce 26.5 Mtpa (wet basis) of iron ore pellet feed for the steel industry when fully operational, with a particularly high iron content of ~68% and with low levels of contaminants. Minas-Rio's estimated Life of Mine is 30 years. (See Appendix 1)

In the context of the general background provided above, and in response to the allegations listed in your joint communication, we have structured our response into the following categories:

- 1. Anglo American's view of the alleged circumstances**
- 2. Anglo American's approach to working with public security providers.**
- 3. Assessments of benefits and impacts of the Minas-Rio Project**
- 4. Human rights Due Diligence (HRDD)**
- 5. Compensation provided**
- 6. Next steps**

- 1. Anglo American's view of the alleged circumstances**

Firstly, we would like to express our deep concern and sympathy for anyone experiencing distress due to activities related to any of our projects or operations. We at Anglo American condemn any acts of intimidation, threats or the like. The purpose of this letter is to respond to the allegations, which we take very seriously, outline our actions to date, provide additional information to clarify inaccuracies and propose means to resolve the issues identified.

a) Alleged acts of intimidation

On April 11, 2017, the Brazilian Judiciary granted an injunction to cancel a public hearing convened by the State Secretariat for the Environment and Sustainable Development (SEMAD) which had been scheduled to take place that day in Conceição do Mato Dentro/MG. The public hearing would have discussed the next steps in the licensing process for the Minas-Rio Project. As the injunction was granted in response to a lawsuit brought forward, by the same community

members mentioned in your correspondence, against the State of Minas Gerais, the municipalities of Alvorada de Minas, Conceição do Mato Dentro and Anglo American Brazil, the court published the outcome in compliance with legal requirements, and the Court specifically included in their publication the names of the complainants (http://www4.tjmg.jus.br/juridico/sf/proc_complemento.jsp?comrCodigo=671&numero=1&listaProcessos=17000555).

Subsequently, Anglo American Brazil sent an internal email to its employees explaining why the hearing had been cancelled. There was significant interest in the outcome from our employees in Brazil due to the critical importance that the Project licensing process has for the long-term continuity of the Minas-Rio business and, consequently, for our Brazilian employees. This email replicated the information published by the Minas Gerais Court. Our only objective in communicating with our employees in the matter was to inform our employees of the reasons for the cancellation of the long-scheduled public hearing which was of critical importance to the continuity of the business.

Our onsite team in Brazil was informally made aware by certain community members of allegations of alleged harassment towards some of the individuals named in the court ruling. Our team reiterated the company's position of condemning any form of harassment or intimidation and recommended that any incidents be immediately reported to the appropriate authorities and/or to our confidential company complaints and grievance mechanism. We have no record of any complaints of threats or harassment made directly to Anglo American via our complaint and grievance mechanisms by any of the mentioned individuals.

While we are convinced that there was no wrong-doing on our behalf, and certainly no intention of causing harm, we acknowledge with the benefit of hindsight that replicating the published names in our internal communication, even though these names were already available in the public domain, was not necessary to achieve our internal communication aims.

Anglo American strongly condemns any form of threat or intimidation, as this is in direct violation of our Code of Conduct and our values. Our aim is to operate in a responsible and sustainable way, respecting our host and neighbouring communities.

(b) Alleged lack of independence of the State authorities to effectively protect human rights defenders

As a business enterprise, we aim to ensure that we respect the clear roles and responsibilities of all State actors and authorities with regard to law enforcement. We recognize the need to respect the roles and responsibilities of state entities in the protection of human rights defenders. Any involvement from our side could be construed as interference in the law enforcement domain. However, we also take our own obligations seriously and recognize that we need to work with local authorities to ensure the respect and protection of human rights defenders. That is why we proactively communicate our commitment to the VPs to our public security providers – as is required by all corporate pillar signatories of the VPs.

The impact of our activities on public security, throughout the various phases of the project, is an integral part of the publicly available environmental impact studies (<http://www.siam.mg.gov.br/siam/processo/index.jsp>; process number 0472/2007: which provides access to all Minas-Rio related licensing processes). These studies also describe prevention and mitigation measures, summarized below.

a) Internal measures:

- All employees and service providers receive training on, and must strictly comply with, the company's Code of Conduct. Additionally, all security guards (both our employees and third-party service providers) receive VPs training which includes a focus on a respect for people and human rights. No employee or contractor is armed. Behaviors are routinely evaluated and the company has established site and Group level complaint and grievance mechanisms that allow any person to report complaints and grievances anonymously (more detail on Contact Us / Fale Conosco / Speak Up in section 4 of this response). All complaints are investigated, responded to in a timely manner and adequate action is taken as part of a comprehensive contractor management program.
- The corporate security team employs former police officers as managers and guards, which is common practice both in Brazil and in other countries due to the expertise and experience these professionals have. This practice is highly regulated by specific Brazilian legislation (http://www.planalto.gov.br/ccivil_03/leis/L7102.htm) with which the company fully complies. We hire specialized and well-trained professionals, who are able to ensure the security and safety of all parties involved. We work with a single private security provider, inspected by the Brazilian Federal Police.

b) Agreements with the Civil and Military Police:

The licensing process in the State of Minas Gerais requires submission of a formal environmental impact study of the region where the operations will take place, including the expected impacts and associated mitigation actions. Impacts related to public security are part of the “Urban Infrastructure Adequacy Program” chapter. This process is complemented by approvals at the federal and municipal level, in addition to inputs from civil society and host communities through formal consultation processes. The state environmental agency in charge of the licensing process decides whether any concerns, and the supporting mitigation requirements, are to be formalized as licensing conditions. The agreements with the Civil and Military Police were made in the context of those licensing conditions. All donations are transparent and publicly noted in the Official Gazette of Minas Gerais State and other public websites as part of the regulatory processes transparency requirements.

- The donations made by Anglo American (e.g. vehicles, computers, construction resources) originated from communities/municipalities requests and subsequently became licensing conditions. The purpose of these donations was to equip the local police units responsible for routine patrolling and other public security activities. We have no knowledge of any misuse of the donations made by Anglo American.
- With respect to the sixteen houses for the Military and Civil Police officers, the requirement for the provision of such houses originated from a formal request by the municipality of Conceição do Mato Dentro (MG), with the objective of mitigating the security impacts on the surrounding communities. These are part of the licensing conditions as described in the Environmental Control Program (http://brasil.angloamerican.com/imprensa/10-05-2017-2?sc_lang=pt-PT).
- The agreement referring to the Conceição do Mato de Dentro Public Prison also originated from a request from the municipality (letter nº 144/2017) and was included as part of the licensing conditions, through the “Urban Infrastructure Adequacy Program”. The project also involved the Security Secretariat of the State Government and the Public Prosecutor Office.
- All donations or social investments follow a strict governance process, as described in the Brazil Corporate and Social investment Policy (<http://clanglodoc.anglo.local/sites/IOB/NPB/Normas/NOR.MRJ.GCI.001.docx>) and the Brazil Governance Policy (<http://clanglodoc.anglo.local/sites/IOB/NPB/Normas/POL.BRA.GOV.001.pdf>).

Anglo American never requests or accepts, implicitly or explicitly, any favours or preferential treatment by any public agencies, including the police.

(c) Public hearings organized by the Human Rights Commission of the Legislative Assembly of the state of Minas Gerais

The Minas Gerais Legislative Assembly seats 77 state deputies and 22 thematic committees, including a Human Rights Committee. It is the prerogative of the committees to hold Public Hearings to discuss matters of public interest. The hearings procedures are defined by the Chairperson of each committee, but typically invited participants are allowed to speak and explain their points of view regarding the subject of the hearing. The public hearings aim at providing opportunities for stakeholders to voice and share their views on specific issues. On May 24th 2017, the Human Rights Committee held a Public Hearing with the objective of discussing “*threats suffered by local leaders in the municipality of Conceição do Mato Dentro, given the criticism and complaints regarding the Anglo American mining company and its practices in the exploration of mineral resources*”. Anglo American Brazil was not invited to participate in the hearing. We understand that there were requests made to various state authorities to provide additional information on the Minas-Rio operations. None of these requests were directed towards Anglo American Brazil. However, Anglo American Brazil has subsequently provided information to members of the Human Rights Committee when requested.

(d) Environment:

Water resources management: the efficient and sustainable water resources management is a priority for Anglo American. Water extraction must be approved by competent authorities and our monitoring network includes more than 100 instruments that measure water quantity and quality at our operation in Brazil. We aim to minimize our water footprint and are actively looking for ways to improve the current recirculation rate of 65% in the production process. The water stress situation in recent years has made us even more mindful of the importance of water management, and we have adopted additional measures to prioritize human and animal consumption over industrial use.

In this context, we respond to the specific instances mentioned in your letter under reply:

- **Água Quente and Passa Sete communities:** Unplanned incidents during the construction phase resulted in sediment carriage, which impacted the Pereira and Passa Sete streams. Anglo American entered into an agreement with the environmental agency to remediate the impact on the streams and the neighboring communities.

In terms of the aforementioned agreement, we implemented temporary mitigation measures, such as building a provisional water supply system consisting of a deep

tubular well and reservoirs with 80m³ capacity. We further installed ablution facilities and supporting infrastructure such as septic tanks in all residences.

The long-term solution, however, consists of the installation of a water treatment station (ETA – Estação de Tratamento de Água in Portuguese) and the recovery of the affected streams.

Despite many attempts and our best efforts, we were unable to progress the works, because some land owners – including one of the individuals mentioned in your communication– continue to deny us access to their land to carry out the necessary studies and provide the required mitigation and restoration measures. This continued refusal to access the stream is preventing planning and implementation of the long-term solution agreed with the authorities for the recovery of the Pereira and Passa Sete streams, and is prolonging and exacerbating the water shortage in this community of 23 households. In order to fulfill its commitments, Anglo American Brazil has filed a legal claim to secure the necessary access to the land. We recognize that these are vulnerable communities and until we can implement a definitive solution, we are assisting these communities through an artesian well supply system, complemented with water trucks and/or mineral water gallons.

- **The Faustinos:** The Faustinos Family used a water spring which was compromised for reasons entirely unrelated to Anglo American's operations in the region. A court ruling on a legal claim filed by the Public Prosecutor's Office of Minas Gerais (MPMG) obliges the municipality of Conceição do Mato Dentro to guarantee water supply for the family. Anglo American has voluntarily helped the municipality to fulfill this obligation by extending the supply of drinking water to the Faustinos.
- **Sapo:** This community receives regular water supply from the Conceição do Mato Dentro public administration. However, Anglo American Brazil has been supporting the municipality by operating the Sapo water supply system since 2013, having improved the system's storage capacity in 2017.
- **Cabeceira do Turco:** One of the springs which supplied the community was impacted during construction of the pipeline, affecting the water supply of four families. Anglo American Brazil reestablished an emergency water supply and compensated the impacted residents for losses incurred. The long-term solution includes the construction of an artesian well and connecting the households to the distribution system with the Sapo water treatment station, both of which have been concluded.

Tailings dam: based on recent events, we appreciate there is a focus on tailings dam safety in the Brazilian mining sector and we understand the concerns raised in the communication.

The Minas-Rio tailings dam is subject to strict monitoring procedures and inspections by the relevant authorities. These monitoring and inspection procedures were enhanced after the 2015 Samarco incident in Mariana. The Minas-Rio tailings dam has a complete safety monitoring and management program which includes regular periodic inspections which exceed legal requirements. As an example of our tailings dam safety management plan, we routinely follow the procedures of: daily operational routines, weekly operational inspections, weekly monitoring of instrumentation, biweekly geotechnical inspection, monthly safety reports, bimonthly bathymetric survey of the reservoir, quarterly external security review, annual external audit emission of the stability declaration for the National Department of Mining Rights (DNPM) and State Foundation of Environment (FEAM), and a global audit by the Anglo American Group.

To better understand the context of our tailings dam, it is important to highlight the following points:

- On January 25th, 2018, we signed Terms of Commitment with the Public Prosecutor's Office of Minas Gerais (link: <https://www.mpmg.mp.br/comunicacao/noticias/mpmg-assina-acordo-para-garantir-acompanhamento-de-impactos-ambientais-e-seguranca-em-expansao-de-empreendimento-da-anglo-american.htm#.WvOhe4gvw2x>) establishing that the company will hire an independent expert company to monitor the safety aspects of the tailings dams during the works, and the Institute of Technological Research of the University of São Paulo was chosen to perform this function. According to the agreement, the scope of the technical audit service will include auditing of geological-geotechnical aspects, concrete structures, superficial and underground water resources and analysis of the risk management and emergency action plan of the tailing dams. Frequent visits and workshops with our communities and authorities (Public Administration Office, Civil Defense and Fire Brigade of Minas Gerais) are organized to further promote transparency and understanding of our safety procedures and dam stability.

2. Anglo American's approach to working with public security providers

Covered under 1 (b)

3. Assessments of environmental impacts of the Minas-Rio Project and its benefits

For a full overview of the environmental impacts and socio-economic benefits of the mine, we invite you to read the extensive Environmental Impact Study

(<http://www.siam.mg.gov.br/siam/processo/index.jsp>; process number 0472/2007: which provides access to all Minas-Rio related licensing processes). The Minas-Rio project has been instrumental in the economic transformation of the local host communities. The graphs below show the benefits to the local economy according to the National Institute for Geography and Statistics (<https://cidades.ibge.gov.br/brasil/mg/conceicao-do-mato-dentro/pesquisa/19/29761?tipo=grafico&indicador=29766>).

Construction of the Minas-Rio project began in 2009 and concluded in 2014. Since that time, the mine continues with its programme to ramp up production to full capacity.

Receitas orçamentárias realizadas (Unidade: R\$ x1000)

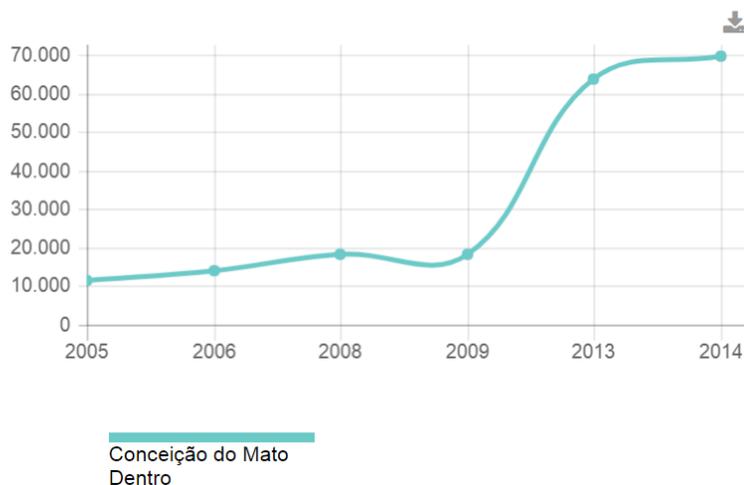


Figure 1: Municipal Budget (1 BRLs x 1,000)

Impostos, líquidos de subsídios, sobre produtos, a preços correntes / **Série revisada** (Unidade: R\$ x1000)

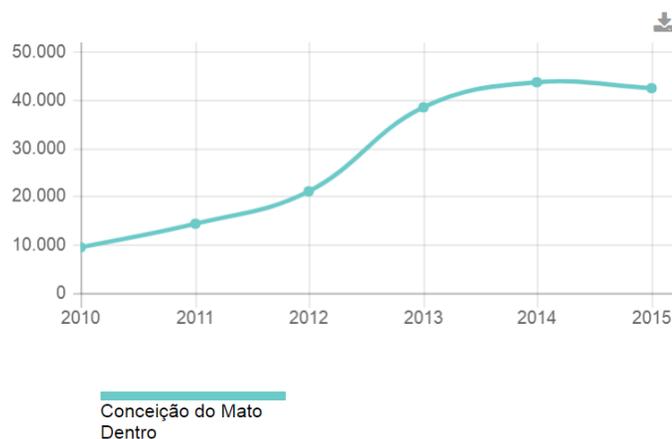


Figure 2: Income taxes (all kind)

Pessoal ocupado (Unidade: pessoas)

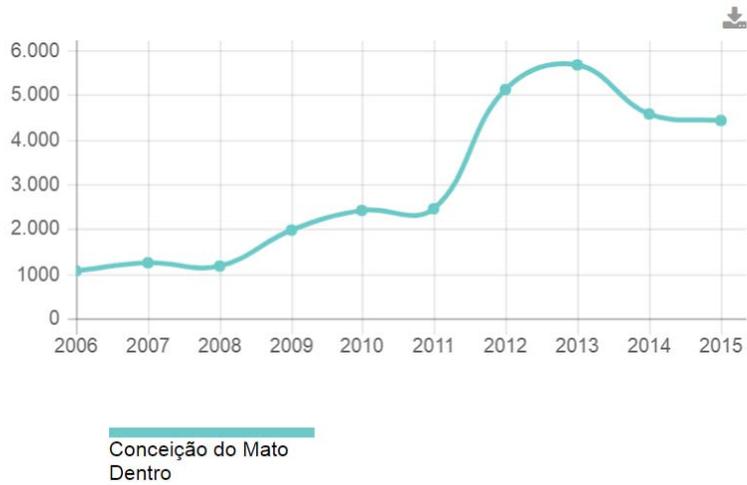


Figure 3: Total employed people

Salários e outras remunerações (Unidade: R\$ x1000)

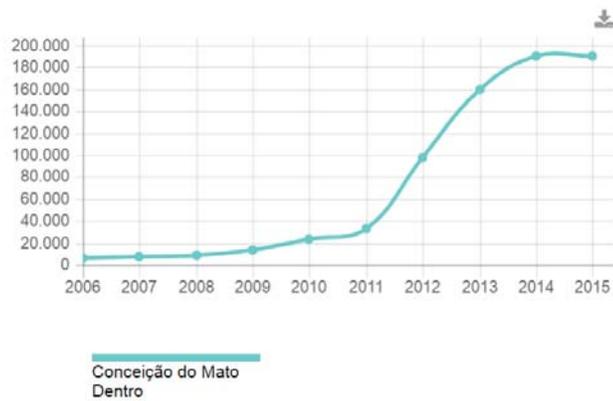


Figure 4: Gross income from wages and other earnings.

PIB a preços correntes / **Série revisada** (Unidade: R\$ x1000)

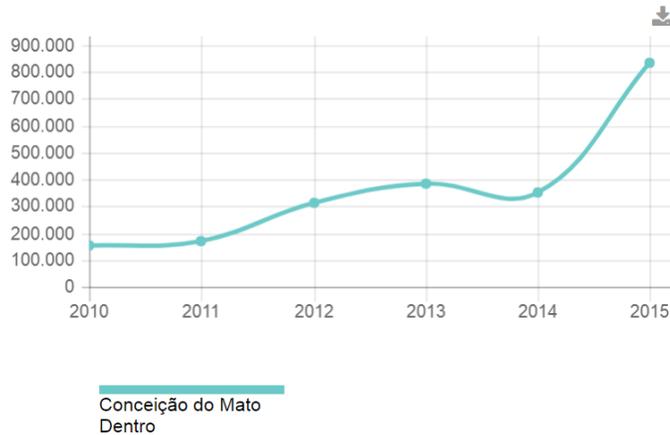


Figure 5 Municipal GDP

For further regional/national economic benefits, we invite you to read our annual tax and economic contribution report (<http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/documents/annual-reporting-2016/downloads/anglo-american-tax-report-2016-int.pdf>). We further include a number of examples of social investment programmes in Minas Gerais in the appendix to this letter (Appendix 2).

4. Human Rights Due Diligence (HRDD)

As mentioned above, we recognize that mining projects, from the very early stages, have the potential to impact human rights. Therefore, we have due diligence processes in place to identify, avoid, mitigate and monitor potential and actual risks and impacts. With regards to Minas-Rio, we have recently conducted the following HRDD:

- In 2014, Anglo American engaged the Danish Institute for Human Rights (DIHR) and Uniethos to conduct a HRDD for the activities of the Minas-Rio project. The aim of the engagement was to scope the potential risks for human rights impacts of the mine and to offer recommendations on how to best address these human rights related risks. The process included a cross-functional kick-off workshop, interviews conducted with internal staff and with external experts as well as self-assessment questionnaires by various staff members from the Minas-Rio project. Anglo American has been implementing the recommendations made by DIHR and Uniethos and has been tracking progress.

- In 2016, the Environmental Resources Management Company (ERM) conducted a follow-up HRDD. This study examined how the salient human rights risks were effectively addressed by the Social Management Plan.
The process included interviews and an analysis of the grievance and interaction registers. A significant risk was identified regarding the complexities of the existing operation and expansion project even though mitigation measures had been put in place. It was recommended to reinforce the preventative actions – with a particular focus on the management of contractors - as well as the grievance mechanisms for receiving complaints, handling of grievances and access to remedy. Furthermore, it was recommended that the mine provide more opportunities for participation of potentially impacted stakeholders and better tracking, monitoring and evaluation of mitigation measures as well as dedicated human rights training.
- The abovementioned HRDD has been complemented over the past years by a number of dedicated VPs risk assessments facilitated by International Alert.
- Every Anglo American operation undergoes a SEAT process every three years. Anglo American Brazil has conducted its assessment during 2017 and intends to publish the SEAT report in 2018. The purpose of the SEAT process is to identify key social and economic issues and impacts, evaluate social development initiatives, support the improvement of the socioeconomic conditions of local communities, implement a process for stakeholder engagement and increase trust between operations and host communities. The assessment is developed in a participative process including both internal and external consultation.

The main recommendations and outcomes from the Anglo American Brazil SEAT report are:

- Job creation and tax generation are perceived as the main benefits. Stakeholders have recognized the increase in socio-economic development. Increased social investment was however recommended, with a focus on the communities directly affected by the Minas-Rio operations to reduce dependence on mining.
- Need for improved contractor management plans;
- Further strengthen impact management.

In line with the UNGPs, Anglo American Brazil has established a site based grievance mechanism, which is mandated by the Anglo American Social Way and is open to both external and internal stakeholders to submit any complaints and grievances related to the Minas - project: Contact Us/ Fale Conosco (http://brasil.angloamerican.com/servicos-do-site/fale-conosco?sc_lang=pt-PT).

Once a complaint is submitted and received, we respond within 7 days. If the complaint is classified as 'major', the 7-day deadline requires that both a response and defined action plan are developed in this time frame.

Our complaints and grievance mechanism is accompanied by ongoing stakeholder dialogue: We have established a community engagement committee, which includes both company staff and representatives chosen by the communities with the aim to find joint solutions that address issues raised and to improve trust and the relationship between the project and its host communities.

In 2017, the committee held 44 meetings in the communities of Sao Sebastiao do Bonsucesso (Sapo), Turco, Cabeceira do Turco and Beco. Going forward, there will be similar committees for Agua Quente, Passa Sete, Faustinos and Sao Jose do Jassem. The communities will receive independent technical advice as agreed with the Public Prosecutor's Office of Minas Gerais and the Secretary of Environment and Sustainable Development.

Furthermore, we have an independent, third party managed complaints and grievance mechanism, being Speak Up, at corporate level (<https://www.speak-up-site.com/default?language=pt>)

5. *Compensation provided: these refer to the compensation schemes which have been negotiated, offered and accepted to date*

All Anglo American operations seek to avoid or reduce resettlement wherever possible. Where this is not achievable, we follow applicable legislation and international best practices, such as the IFC Performance Standard 5 on Land Acquisition and Involuntary Resettlement.

Two programs are in place at Minas-Rio: a program of involuntary resettlement for households within the footprint of the operations (PNF – Programa de Negociação Fundiária in Portuguese) and a program of voluntary relocation (PNO – Programa de Negociação Voluntária in Portuguese), where households in communities in the vicinity of the operations can choose to participate, or remain in their homes and co-exist with the mine. Both the PNF and the PNO are developed with the participation of affected communities and become part of the environmental license conditions, enforced by SEMAD (the Minas Gerais State Environmental Agency), under strict supervision by the Federal and State Public Prosecutors. The environmental licensing process includes several public hearings and consultation to all affected communities, and is subject to scrutiny from the press, NGOs and interested and affected parties.

The Involuntary Resettlement (PNF) principles are the following:

- a) The beneficiary families of the PNF have been identified based on several studies, including by an independent company elected by a committee composed of representatives of affected families.
- b) The acquisition of land is carried out through an inclusive agreement following an analysis of the vulnerability of each household in order to ensure respect for human rights.
- c) The PNF establishes fair and equitable guidelines, criteria and procedures, which consider not only the objective value of the land and its improvements, but also covers intangible outcomes such as changing/adapting into a new neighborhood, lost production while moving to the new property and a fixed amount for each person in the household.

Although the company operates within standards defined by Brazilian legislation which mandates involuntary resettlement (PNF) in the area directly affected by the operations only, the perception of residents in our host communities is extremely important to Anglo American. Therefore, our social strategy was developed and extensively discussed with the communities, the Environmental Agency and the Public Prosecutor Office (PPO). One of the agreed initiatives included forming a Cohabitation Committee with the four core surrounding communities, Sao Sebastiao do Bonsucesso (Sapo), Turco, Cabeceira do Turco and Beco. The communities' representatives within this committee expressed the desire to be relocated, which gave rise to the Voluntary Relocation Programme (PNO).

The PNO criteria have been developed during more than 60 formal meetings of a Cohabitation Committee composed of representatives from the communities of São Sebastião do Bonsucesso (Sapo), Turco, Cabeceira do Turco and Beco. The committee has covered participants from 90% of households from these communities. Similar committees are being proposed to the Água Quente and Passa Sete communities, aiming at extending the PNO offer to these communities.

The Voluntary Relocation Program (PNO) follows 13 principles:

1. The resettlement program should improve, or restore, the livelihoods and standards of living of participating households.
2. The process must be designed in a participatory manner involving all relevant stakeholders.
3. Eligibility criteria must be transparent and applied consistently to all households.
4. The compensation criteria must improve living conditions and contribute for providing adequate housing for each family.

5. The compensation criteria must restore or improve the livelihoods of relocated households.
6. The process seeks to support households seeking to relocate, not to provide extravagant or excessive financial benefits.
7. When multiple families share a household, each family's needs must be studied separately.
8. Vulnerable families must be assisted by a third party (lawyer, family members, social assistant etc).
9. Communities may choose to be assisted by external advisors to assist in the process.
10. Vulnerable families cannot opt for purely cash compensation unless they can prove they are already able to relocate somewhere else.
11. Families that opt for a non-cash relocation (replacement in kind) receive additional relocation assistance benefits (e.g.: food stamps).
12. Relocation assistance benefits cannot be converted to cash based benefits.
13. Anglo American will provide assistance to families during the relocation process but will not step in to solve family conflicts.

6. *Next steps: we would like to see this communication procedure help establish a constructive dialogue process between ourselves and the authors of the allegations and map a way forward.*

We are committed to better understanding the concerns and objectives of human rights defenders and to engage with relevant actors at an international and domestic level. We have a number of actions already in progress including:

- Outreach with the Special Rapporteur on the issues affecting human rights defenders and the UN Working Group on the issue of human rights and transnational corporations and other business enterprises, and possibly resulting actions.
- Ongoing outreach work on the ground in Brazil to work on the human rights defender area, but also to address the underlying environmental impacts discussed above.
- As part of our ongoing human rights due diligence and in response to the allegations, we are conducting an internal review of the situation and the allegations made.
- We plan to conduct a human rights due diligence for the upcoming permitting milestones and, by being aware of the current allegations, we will conduct an internal review of the situation and the claims we are facing.
- Work with our NGO partners to strengthen our approach in managing the balance between respecting the rule of law, the obligation and duty of the state and regional authorities and our role in supporting human right defenders.

Finally, we appreciate that the United Nations (and individual special procedures/working groups) have started reaching out to the business directly. However, the processes are still designed for intergovernmental interaction and we would advocate for a collaborative review of the engagement and due diligence process within the communication procedure.

We hope we have addressed the allegations in a satisfactory manner and thank you again for the opportunity to reinforce our commitment to such an important theme for Anglo American.

If you need further clarification, we remain at your disposal.

Cordially,



Mark Cutifani

Chief Executive, Anglo American plc
T: +44 (0)207 968 8542
E: markcutifani@angloamerican.com
www.angloamerican.com

List of attached documents:

Appendix 1 – Map of Minas-Rio operation

Appendix 2 – Examples of social investment programmes

Copies to:

Anita Ramasastry, Chair, Working Group on the issue of human rights and transnational corporations and other business enterprises

Michel Forst, Special Rapporteur on the situation of human rights defenders