



NAVIGATING REGULATORY AND POLITICAL UNCERTAINTY AND RISK

Increased pressure is placed on mining companies to address the incongruence in service delivery, and to contribute more to local development.

IN FOCUS

In 2016 we developed site specific procedures for payments to governments

KEY FEATURES

Good policy frameworks along with supporting regulations are intended for the benefit of societies, shaping their development and enabling fair and equitable benefits among stakeholders. In this setting, norms for action are set and there is predictability around their enforcement. The conditions are created for stakeholders to function effectively within defined boundaries.

In the absence of such frameworks, where there is uncertainty in their development, or where their design is not in the interests of the greater good, unpredictability prevails. The business landscape is characterised by instability and the impacts on long-term societal development are negative.

Policy making is typically driven by the dominant political direction and agenda in any particular jurisdiction. In our experience over the past year across areas where we operate, uncertainty or instability in policy development has been influenced by a range of factors. Policy related inaction may be associated with the possibility of political change, often

associated with elections in certain countries. Post-elections, leadership and policy direction changes are associated with the need to establish relationships with new players across the authority hierarchy. Where political reform is underway, the focus on improving governance and increasing transparency may also be associated with instability in its initial stages before real change sets in. And finally, a rising populist approach, which appears to be increasing as a global phenomenon, may be associated with increasingly partisan agendas which do not necessarily focus on the greater good. In each of these situations escalating political rhetoric is evident, commonly associated with heightened perceptions of conflict within the political climate.

We have also observed a link between public sector weakness and the marginalisation of communities. As a result of ambiguity in the relationship between business, government and communities, public sector service delivery failures may create conflict or a breakdown in trust between the three groups of stakeholders. Increased pressure is placed on mining companies to address the incongruence in service delivery, and to contribute more to local development. While AngloGold Ashanti acknowledges its responsibility to contribute meaningfully to local development, this should not be by replacing governments' legitimate accountability for delivery of key services to communities and society at large. Further conflict may arise through the slow pace

of implementing policy. Such delays often create misalignment between community expectations and support for service delivery from the company.

During the 2016 reporting period, various instances of political and regulatory instability and uncertainty were evident across our operating jurisdictions.

In Ghana, national elections were held late in the year. The pre-election political rhetoric and policy inaction is believed to have influenced national responses to the challenges we faced at Obuasi Gold Mine.

In South Africa, municipal elections along with economic instability and fairly broad-based social conflict contributed to increasing political risk.

Efforts at political and economic reform in Brazil during the year were associated with instability and increasing business risk.

In Colombia, peace efforts to end the long-standing conflicts affecting the country were associated with increasing levels of excitement and optimism, but also with some degree of anxiety related to the referendum rejecting the peace deal.

OUR ACTIONS IN 2016

Our responses to navigating political and regulatory uncertainty are framed by an ethical approach, and are within accepted regulatory frameworks.





NAVIGATING REGULATORY AND POLITICAL UNCERTAINTY AND RISK (CONTINUED)

Our actions generally fall into one of three types:

- Proactively engaging in policy development and conflict resolution, seeking mutually beneficial and sustainable outcomes;
- Enhancing our internal systems and activities to meet the requirements of any regulatory changes; and
- Disputing and seeking recourse where we believe that we have been treated unfairly and outside of accepted regulatory prescriptions.

We seek to be both proactive and law-abiding citizens, as well as protect the company within existing legal boundaries.

ANTI-BRIBERY AND ANTI-CORRUPTION

In 2016, the Foreign Corrupt Practices Act (FCPA) enforcement recorded a record year both from a corporate actions and sanctions perspective. Globally, companies collectively paid almost \$2.5 billion in fines and penalties to resolve FCPA cases. These corporate enforcement actions encompassed a wide variety of bribery schemes, ranging from the novel to the mundane. It is against this backdrop that issues of bribery and corruption continue to receive escalating attention – at national, local and company levels. As highlighted in our 2015 report, AngloGold Ashanti has a zero tolerance policy on bribery

and corruption. By the end of 2016, 7,469 employees successfully completed online anti-bribery and anti-corruption training, and we also conducted regular onsite assessments to ensure potential risks were mitigated. In 2016, workshops were held at operations in Ghana, Mali and Tanzania in the Continental Africa Region, to develop site-specific procedures to address payments to government departments and government officials. A review was undertaken in Guinea to monitor the implementation of similar procedures implemented in the previous reporting year. These procedures supplement the anti-bribery and anti-corruption policy and guidance by addressing specific issues when dealing with government entities.

PROACTIVE ENGAGEMENT IN POLICY FORMULATION AND CONFLICT RESOLUTION

Where policy changes are anticipated, the company regularly seeks to positively engage in the shaping of such policy. At a country or regional level, such engagement is generally through industry and related bodies which represent a formal voice in policy and regulatory development dialogue. A range of proactive engagements are discussed in more detail in the relevant sections of the report, with highlights given here.

In South Africa activities have included providing input into and influencing pending legislation in areas such as the Mineral and Petroleum Resources Development Amendment Act, Carbon Tax and National Health Insurance. Extensive proactive engagement has occurred in Colombia, often in innovative projects which are likely to shape policy development. A key example is the artisanal and small-scale mining (ASM) co-existence project where the company has mobilised a range of stakeholders to assist as well as provide technical support to relevant Government departments in undertaking due diligence and implementation of the project.

At an international level we have also contributed to shaping global frameworks by engaging through various organisations. These include, amongst others, the International Council on Mining and Metals, the United Nations Global Compact and the Voluntary Principles on Security, and Human Rights (VPSHR). Beyond contributing to shaping best practice, in some instances the company has engaged with Government officials and other entities to facilitate training and capability building outside the business in areas such as human rights, anti-bribery and anti-corruption.





NAVIGATING REGULATORY AND POLITICAL UNCERTAINTY AND RISK (CONTINUED)

Positive and proactive engagement in support of conflict resolution remains our preferred approach where we anticipate conflict or where conflict has arisen. The potentially catastrophic situation where Obuasi Mine was overrun by illegal miners is a key example of where we remained true to this principle. Despite the declaration of Force Majeure (and the subsequent upliftment thereof) and a request for arbitration, the company continued to engage positively and proactively with stakeholders. This included relentless and active engagement with relevant Government authorities at all levels; regional and municipal authorities; industry bodies; traditional authorities; and local communities.

Another example of positive engagement, this time seeking to pre-empt potential conflict was demonstrated in Tanzania. During 2016, the Government of Tanzania issued a directive that waste rock from Geita Gold Mine would be provided to local ASM for them to process for gold. Notwithstanding certain reservations on the directive, the company actively engaged with local authorities to give effect to it. This included scheduling waste rock delivery to a designated site. Unfortunately the venture was unsuccessful, with local ASM declining to utilise the waste rock due to its inadequate gold content for economically viable recovery. While there is the potential for further conflict to arise as a consequence of the failed initiative, the company will continue to navigate it in a proactive and constructive way.

SYSTEM ENHANCEMENTS RESPONDING TO CHANGING REGULATORY REQUIREMENTS

A significant emerging regulatory and governance trend is the increasing expectation for transparency in the way companies treat tax, and demonstrating how this meaningfully contributes to national development.

During 2016, AngloGold Ashanti revised the Group tax strategy, ensuring that:

- it is aligned to the Group's strategy and business objectives;
- all global taxes are managed in a transparent, responsible and sustainable manner; and
- the tax strategy is implemented within the governance framework which respects the differing interests of all our stakeholders.

Central to the enhanced tax strategy is the recognition that the Group must earn and maintain its social licence to operate as a responsible corporate citizen. This is through a partnership with government and community stakeholders, thus contributing to a sustainable future in the countries in which we operate. Ensuring tax efficiency in all investment decisions and commercial transactions, as we also seek to manage risk effectively, the company must always be in full compliance with the laws of the relevant countries where we operate.

As a member of the Extractive Industries Transparency Index (EITI), the Group reaffirmed

its commitment to promoting open and accountable management of resources, and the reporting of amounts paid to Government.

The revised tax policy and strategy was reviewed and approved by the AngloGold Ashanti board of directors who, together with the Group Audit and Risk Committee, monitor adherence to the policy.

Other areas where our systems have been strengthened to respond to evolving regulatory requirements, and discussed elsewhere in the report include giving effect to Mining Charter requirements in South Africa; improving capability to manage occupational hazardous exposures such as silica dust and diesel

particulate matter; and optimising water and energy accounting.

SEEKING RECOURSE WHERE WE BELIEVE WE HAVE NOT BEEN TREATED FAIRLY

Raising formal disputes with political and regulatory authorities and with other stakeholders is generally not our preferred route. It however may be necessary to do so, where positive and proactive engagement has failed.

Our intent is to manage risk and protect the integrity of the company. Most often, formal dispute resolution has been limited to various fines and penalties applied to aspects of our business.

OUR PERFORMANCE

Payments to government (\$m)

	2016	2015	2014	2013
Argentina	89.8	111.1	96.1	122.4
Australia	84.1	42.6	67.1	49.2
Brazil	129.1	87.9	119.1	140.9
Colombia	11.8	11.3	15.1	22.1
Ghana	26.1	26.9	55.9	68.5
Guinea	40.5	69.2	67.8	93.3
Mali	33.5	29.6	29.4	57.6
South Africa	106.3	104.6	143.6	157.0
Tanzania	133.3	134.5	123.7	69.8
USA	6.2	24.6	30.5	28.5