

Risk review

RISK ANALYSIS

IS A KEY COMPONENT OF STRATEGY

Integrating risk assessment into business strategy

Risk analysis has been and continues to be a key component in building and executing our strategy. Our aim is to further improve 'risk awareness' at all levels of the organisation – identifying, evaluating and managing significant threats and opportunities to deliver against business objectives.

Our risk management framework comprises:

- a policy statement, which sets the context for risk management within the group and prescribes the scope, objectives and required outcomes for this process;
- a risk management plan, prepared by management and reviewed annually by the recently formed Risk and Information Integrity Committee of the board; and
- a risk management standard and guidelines, which enable operations globally to access detailed information concerning risk management principles and practice in order to define risk management strategies.

Risk management structure and accountabilities are defined in the framework.

Risk identification, assessment and management are considered at every step in the business planning process, from setting business strategy, expectations and performance targets; developing production and service strategies; planning and scheduling of work; through to task execution.

AngloGold Ashanti has implemented the following measures in an effort to ensure that the risk management system is applied consistently through:

- regional and site-based risk training workshops conducted at least annually;

- using the intranet to share information and understanding of risk management principles and practice, and to provide regular updates to employees globally;
- ongoing focus on training;
- maintaining the group material risk register, as well as the preparation of a risk knowledge base that can be used to inform risk identification and for review purposes;
- regular risk owner and risk champion interaction and support; and
- combined assurance review processes.

The revised risk management system was approved by the board of directors in February 2009.

A risk response identification is conducted regularly to inform business planning processes and to assist with delivery according to targets. Significant risks are assessed and response plans prepared for which adequate budgetary provision is made. Consideration of the portfolio of risks within the group, informs strategy and assists with optimising the allocation of capital.

Key risk areas

The top risks, uncertainties and challenges that we believe the group faces in executing strategy and delivering on key business objectives are described overleaf. Mitigation strategies and a summary of progress against these risks is also given. Comprehensive disclosure of risk factors is provided in our Annual Financial Statements **FS** and in our annual report on Form 20-F, while key sustainability challenges, risks and opportunities are discussed in the Sustainability Report **SR**, pages 16 to 19.

Risk review continued

Risk/uncertainty/challenge area	Mitigation strategies
Safety and health	
Employee safety resulting mainly from deep-level mine seismicity, as well as employee health and fatigue, and working practices.	The implementation of the safety transformation programme is continuing, with significant progress made to date. Enhanced incident investigation and reporting systems are being rolled out. Efforts continue on a range of fronts to deliver on the company's vision for a 'no harm' workplace. SR pages 42 to 47.
Potential legacy and on-going issues relating to occupational health following the South African Constitutional Court ruling in March 2011, exposing AngloGold Ashanti and others to individual and class action claims.	AngloGold Ashanti reserves its rights to defend all claims on their merits since any employee or past employee bringing an action for common-law damages for silicosis would have to prove the various elements of a delictual claim including negligence and wrongfulness. Nonetheless, discussions have begun, through the Chamber of Mines of South Africa, to address the compensation system on an industry-wide basis. Further, the company continues to implement measures to reduce exposure. The latency period of the disease means that we are unlikely to see results of this work for another decade. Nonetheless, the South Africa region has achieved a 43% reduction in silicosis cases between 2010 and 2011 as a result of the implementation of dust management strategies. SR page 45.
Productivity	
Skills availability and retention. Skills shortages are anticipated across the sector globally.	Talent pool management is an integral part of AngloGold Ashanti's human resource strategy. Succession planning is being developed to ensure skills development and retention. Proactive recruitment processes are in place and there is a focus on transformation strategies in South Africa. SR pages 55 to 56.
Environment	
Environmental permitting and process water management in Ghana.	A Ghana task team, led at an executive committee level, is developing a holistic strategy to address legacy and operating issues in Ghana, relating to water, community relations, land access, and human rights complaints and grievances. SR page 23.
Concerns relating to the potential for ground and surface water pollution in South Africa.	An integrated water management strategy has been developed to ensure the interception of seepage from tailings storage facilities and minimising potential discharges of process water during heavy rainfall events as well as interventions to establish safe use of land outside the mining footprint. SR page 21.
Potential inter-mine flooding in South Africa.	Both the Vaal River and West Wits operations are potentially at risk of inter-mine flooding as the financial viability of neighbouring mines and their ability to continue mine dewatering remains a concern. In the Vaal River district, a prefeasibility study of a regional mine water management plan will advise on sustainable options for the management of mine water going forward. In the West Wits district, both operational interventions and possible legal actions are being pursued to sustain pumping at the neighbouring Blyvooruitzicht Mine.
Production	
Potential for power supply disruptions and rationing, particularly in South Africa.	Initiatives have been introduced to reduce power usage, focusing particularly on the high usage customers. Proactive engagement is undertaken with Eskom in South Africa, where significant energy efficiency projects have been put in place. Our aim is to further reduce consumption by 10% by 2013, in line with supply-side forecasts, and to work with Eskom to enable operational continuity through any periods of load shedding, should they occur.
Delivery on production targets, including on potentially critical areas such as the Obuasi turnaround plan (Ghana), and key capital project execution including Tropicana (Australia) and enterprise resource planning (ERP) implementation.	Increased momentum is being gained in the roll out of the management framework, including Project ONE, thus increasing operational consistency and capacity and reducing the risk of project delays. A multi-disciplinary task team is spearheading the Obuasi turnaround. Progress towards stabilising Obuasi is encouraging as Project ONE gains traction to support production targets. Capital projects benefit from dedicated project management teams.

Risk/uncertainty/challenge area	Mitigation strategies
Production (continued)	
Asset integrity relating to ageing mine infrastructure, particularly in South Africa.	A risk-based asset integrity and reliability engineering programme has been initiated that identifies threats and guides appropriate capital expenditure.
Total cash costs	
Imposition or extension of a carbon pricing mechanism. Australia approved a carbon pricing scheme to take effect from July 2012. South Africa has proposed the introduction of a carbon tax in 2013.	AngloGold Ashanti participates actively in industry and other stakeholder engagement processes with governments. These potential risks are taken into account in determining group strategy and are included where relevant in regional business plans. SR page 50.
Inflationary cost pressures driven predominantly by energy price increases, mining input cost inflation and wage demands.	Productivity gains from implementation of the management framework, as well as broader cost management strategies will assist in mitigating the impact of increases in input costs. Extreme inflation would support gold demand, enabling AngloGold Ashanti to benefit from increased prices.
Changes to the regulatory environment (such as increased royalties, taxation demands or disputes, or duties and 'resource nationalism' in many guises aimed at expanding state role in mining), which may increase costs in some countries of operation.	AngloGold Ashanti participates actively in industry and other stakeholder engagement processes with governments. These potential risks are taken into account in determining group strategy and are included where relevant in regional business plans. Active engagement is undertaken with tax authorities and finance ministries in affected regions, and stability agreements have been entered into in several jurisdictions. SR pages 28 to 29.
Returns	
Global market dynamics from slow recovery and recession resulting in gold price and foreign exchange volatility.	AngloGold Ashanti has increased its exposure to the gold price through the elimination of its hedge book. Approximately two thirds of AngloGold Ashanti's revenues is naturally hedged, given the strong correlation between the gold price and foreign exchange movements in major producer countries (Australia, Brazil and South Africa). AngloGold Ashanti currently benefits from a strong statement of financial position and international investment grade credit ratings. Debt capacity remains available under the group's credit facilities and bond markets.
Community	
Social issues emanating from heightened community expectations and ASM.	Ongoing engagement takes place with local and national administrations, communities and other interested groups. A sustainability framework that addresses sustainable development issues, including artisanal mining, is in development. SR pages 35 to 36.
Allegations of human rights abuses in Ghana related to interaction with ASM and community resettlement.	A Ghana task team, led at an executive level, has developed a holistic strategy to address legacy and operating issues. AngloGold Ashanti participates in industry and non-governmental organisational (NGO) initiatives relating to ASM and community resettlement.
Increased legislation and initiatives in response to concerns regarding the potential for gold to contribute to conflict.	AngloGold Ashanti participates actively in industry, government and inter-governmental initiatives relating to responsible use of gold.