

## AUDIT AND RISK COMMITTEE: CHAIRPERSON'S REPORT

# NAVIGATING THIS CHALLENGING YEAR

Alan Ferguson / Chairperson: Audit and Risk Committee



It is my pleasure to present, on behalf of the Audit and Risk Committee (the committee), an overview of the activities performed during the 2020 financial year, which in many respects has been an unprecedented year that brought challenges that have been navigated successfully by AngloGold Ashanti.

The activities and material matters deliberated on during our scheduled meetings extend beyond statutory compliance and relate to the committee's role in supporting value creation and delivery of AngloGold Ashanti's strategic objectives. This report is presented in accordance with the Company's Memorandum of Incorporation (MOI), the requirements of the Companies Act, No. 71 of 2008, as amended, (the Companies Act), Principle 8 and Principle 15 and the recommended practices contained in the fourth King Report on Corporate Governance for South Africa (King IV™), the JSE listing requirements as well as the committee's formally approved charter, the latter being reviewed and approved by the board on an annual basis, or more frequently if so required.

### Role and focus

The Audit and Risk Committee is an independent statutory committee and all members were appointed by the AngloGold

Ashanti shareholders at the Annual General Meeting (AGM) held on 10 June 2020. The committee has decision-making authority with regards to its statutory duties and is accountable in this regard to both the shareholders and the board of AngloGold Ashanti.

It is the committee's principal regulatory duty to oversee the integrity of the Group's internal control environment and to ensure that financial statements comply with IFRS and fairly present the financial position of the Group and company and the results of their operations. Management has established and maintains internal controls and procedures which are reviewed by the committee and reported on through regular reports to the board. These internal controls and procedures are designed to identify and manage, rather than eliminate, the risk of control malfunction and aim to provide reasonable but not absolute assurance that these risks are well managed, and that material misstatements and/or loss will not materialise.

The board assumes ultimate responsibility for the functions performed by the committee, relating to the safeguarding of assets, accounting systems and practices, internal control processes and preparation of financial statements in compliance with all applicable legal and regulatory requirements and accounting standards.

### Composition, proceedings and performance review

Member	Appointed	Attendance
<b>Mr. AM Ferguson</b> BSc Accountancy and Business Economics (University of Southampton); CA (Institute of Chartered Accountants of Scotland) Appointed Chairperson 1 December 2020	10 June 2020	100% 5/5 meetings
<b>Mr. R Gasant</b> BCompt (Hons), CA(SA), ACIMA, Executive Development Programme Chairperson (1 January – 30 November 2020)	10 June 2020	100% 5/5 meetings
<b>Ms. MC Richter</b> BA, Juris Doctor	10 June 2020	100% 5/5 meetings
<b>Mr. JE Tilk</b> Bachelors, Mining Engineering (University of Aachen); Masters, Mining Engineering (University of Aachen)	10 June 2020	100% 2/2 meetings
<b>Mr. R Ruston</b> MBA Business, BE (Mining)	9 May 2019 Retired March 2020	100% 2/2 meetings
<b>Ms. Nelisiwe Magubane</b> Pr.Eng, BSc, MBA	Board appointed 14 December 2020	

The committee comprises independent non-executive directors who collectively possess the independence, skills and knowledge to oversee and assess the strategies and processes developed and implemented by management to manage the business within a diverse and continually evolving business environment. During the year, Rhidwaan Gasant was the elected chairperson of the committee and fulfilled this role at each of the five meetings held during 2020. Due to the COVID-19 pandemic, only the February 2020 meeting was held in person with remainder, including pre-meetings, being held using Microsoft Teams.

I was elected committee chairperson effective 1 December 2020 and have overseen the 2020 year-end reporting process. Please allow me to thank Rhidwaan for his leadership, direction and dedication during his term as chairperson of the committee. It was a privilege to serve under him. The Chief Executive Officer, Chief Financial Officer, Senior Vice President: Group Finance, Vice President: Finance, Group General Counsel and Company Secretary, Senior Vice President:

### Discharging our duties

The committee's duties as required by section 94(7) of the Companies Act, King IV, JSE Listing Requirements and board-approved terms of reference are set out in the Audit and Risk Committee's annual work plan. These duties were discharged as follows:

#### Financial reporting

- Reviewed half and full year results and trading and market updates
- Reviewed and assessed the key audit matters raised as part of the 2020 year-end audit and are in agreement with these
- Assessed accounting judgements, estimates and impairments
- Reviewed the accounting treatment for the divestment transactions, i.e. the South African operations, Morila and Sadiola mines
- Reviewed tax provisions and contingencies
- Considered the Mineral Resource and Ore Reserve Report
- Assessed the impact of COVID-19 on the going concern assumptions, solvency/liquidity requirements as well as on the Group's dividend proposed to the board for approval
- Considered the integrity of the Group's Integrated Report, Annual Financial Statements and the Form 20-F and recommended these for approval to the board
- Monitored i-XBRL filing process

#### Governance

- Assessed the impact of the COVID-19 pandemic resulting in the closure of borders and necessitating working from home in various areas of the business on the internal control environment
- Reviewed developments in reporting standards, corporate governance best practice and legislation
- Evaluated the committee's effectiveness
- Reviewed and assessed the expertise, experience and performance of the finance function, Interim Chief Financial Officer and Group Internal Audit
- Reviewed and approved the Group Internal Audit Charter
- Reviewed the terms of reference of the committee
- Held separate meetings with the external and internal auditors as well as management at each meeting
- Pre-approved services of other audit firms
- Started to plan for an external audit tender

#### Internal control and risk management

- Assessed the systems to identify, manage and monitor financial, non-financial and fraud risks
- Reviewed the scope, resources and results of internal audit
- Considered the gold in process error at Siguiri and challenged management on the causes and proposed remedial actions
- Approved the internal audit plan and monitored the execution thereof
- Ensured that the combined assurance model was further refined to provide a co-ordinated approach to assurance activities
- Reviewed significant whistle-blowing reports
- Monitored the governance of information technology (IT), including cybersecurity
- Received a quarterly update on risk management within the Group
- Received semi-annual updates on compliance related matters

#### External auditors

- Assessed their effectiveness
- Assessed their suitability and that of the lead audit partner and recommended the appointment of the independent external auditors by the shareholders
- Approved their terms of engagement, remuneration and integrated audit plan
- Pre-approved all non-audit services, assessed their impact on independence and concluded that there were none
- Assessed their independence and concluded that there were no impediments on the external auditors' independence
- Approved the appointment to provide independent limited assurance on certain sustainability indicators included in the Sustainability Report (<SR>)

Financial Reporting, Senior Vice President: Group Internal Audit, Vice President: Global Taxation, Group Risk Manager, Chief Information Officer, Group Compliance Officer, the External Auditors, as well as other members of management are invited to attend committee meetings in an ex officio capacity and provide responses to questions raised by committee members during meetings. At every scheduled quarterly meeting, the full committee meets separately during closed sessions with management, internal audit and external audit.

Recommendations on the appointment of committee members for the 2021 financial year are detailed in the Notice of Annual General meeting <NOM>.

Evaluation of the effectiveness and performance of the committee was externally assessed for the 2020 year, however the assessment process was delayed due to implications of COVID-19 and a change in leadership towards the latter part of the year. Once the results have been finalised, the committee will consider the results and address areas of improvement identified.

## AUDIT AND RISK COMMITTEE: CHAIRPERSON'S REPORT continued

### Highlights of 2020

In addition to the execution of the Audit and Risk Committee's statutory duties, set out below are some highlights of 2020:

Focus area	Actions
<b>Financial reporting</b>	
<b>Market updates, half-year and annual IFRS reports</b>	<p>Reviewed and recommended the trading and market updates, half-year and annual IFRS financial statements to the board for approval and subsequent submission to the JSE, SEC and other stock exchanges as applicable, after:</p> <ul style="list-style-type: none"> <li>• assessing the key audit matters for the year-end 31 December 2020: <ul style="list-style-type: none"> <li>• Sale of South African assets: questioned and considered the responses from management around the calculation of the loss on disposal, the treatment and accounting of residual deferred tax, the treatment of the foreign currency translation reserve and associated disclosures</li> <li>• Obuasi redevelopment: assessed the responses from management around the assessment of the commencement of commercial production, the treatment of interest costs as well as the judgements around deferred tax</li> <li>• Geita VAT recoverability: assessed the validity of the balance considering the impact of the new Finance Act in Tanzania, the recoverability of the balance and management's rationale and assumptions applied</li> <li>• Rehabilitation and decommissioning provisions: considered the governance processes around the accounting of these provisions and the judgements applied around discounting factors, life of mine assumptions and commitments made impacting these provisions</li> </ul> </li> <li>• ensuring that complex accounting areas complied with IFRS</li> <li>• carefully evaluating significant accounting judgements, including but not limited to environmental rehabilitation provisions, taxation provisions and the valuation of the portfolio of assets (including impairments) and estimates</li> <li>• reviewing and assessing the disclosure of contingent liabilities, commitments, and the impact of outstanding litigation in the financial reports</li> <li>• reviewing, assessing and approving adjusted and unadjusted audit differences reported by the external auditors</li> </ul>
<b>New listing requirement 3.84(k)</b>	Reviewed and assessed the process management had in place to allow the Interim Chief Executive Officer and the Interim Chief Financial Officer to opine on the annual financial statements and the system of internal control over financial reporting
<b>Mineral Resource and Ore Reserve Report</b>	
<b>Annual Mineral Resource and Ore Reserve Report</b>	<p>Reviewed and recommended for approval the annual Mineral Resource and Ore Reserve Report prepared in accordance with the minimum standards described in the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (The SAMREC Code, 2016 edition), and Section 12.13 of the JSE Listing Requirements (as updated from time to time), after:</p> <ul style="list-style-type: none"> <li>• evaluating the internal control environment associated with the Mineral Resource and Ore Reserve estimation process</li> <li>• considering the work of the Investment Committee in this area</li> <li>• receiving confirmation that the Competent Persons appointed consent to the inclusion of the Mineral Resource and Ore Reserve estimates information in the &lt;R&amp;R&gt;, in the form and context in which it appears</li> <li>• reviewing and assessing for reasonableness the year-on-year reconciliation of the Mineral Resource and Ore Reserve</li> </ul>

Focus area	Actions
<b>Corporate governance</b>	
<b>Risk management</b>	<p>Monitored the effects of COVID-19 on the operations and the Group risk profile as well as the appointment of the Interim CEO and CFO which meant it was appropriate for more frequent interaction between the committee and management whilst ensuring that the clear distinction between the different roles was upheld all times.</p> <p>Reviewed and approved the risk management policies, standards and processes; received and considered reports from the Group Risk Manager in relation to the key strategic and operational risks facing the Company; and received presentations on the following emerging risks and topics to obtain an in-depth analysis and understanding:</p> <ul style="list-style-type: none"> <li>• COVID-19 pandemic – the impact of this risk was assessed continuously during 2020</li> <li>• Obuasi – Production ramp-up and operational risk profile</li> <li>• Licence to operate</li> </ul>
<b>IT governance and cybersecurity</b>	<p>The committee received and reviewed detailed reports from the Chief Information Officer on the Group's information and technology framework and had detailed discussions around cybersecurity including inherent risks and vulnerabilities with an increasing focus on operational areas. The committee considered the current action plans in place to manage the associated risk exposure and received updates on measures taken to safeguard AngloGold Ashanti during the COVID-19 pandemic.</p>
<b>Combined assurance</b>	<p>The committee closely monitored the actions implemented by management during 2020 to provide the required assurance amidst the closure of borders preventing on site reviews through more integration between the various in-house assurance providers and an increased use of technology. The committee considers the current model as effective and efficient in that it fully integrates with the risk management function.</p>
<b>Sarbanes-Oxley compliance (SOX)</b>	<p>The committee has overseen the SOX compliance efforts of management through receiving quarterly updates on controls associated with financial reporting and assessed the final conclusion reached by the Interim Chief Executive Officer and Interim Chief Financial Officer on the effectiveness of the internal controls over financial reporting.</p>
<b>Compliance</b>	<p>The committee monitored the execution of the global compliance governance framework that allows for a systematic risk-based approach for Group, regions and operations to identify and monitor compliance to major laws, regulations, standards and codes.</p>
<b>Litigation matters and contingent liabilities</b>	<p>The committee received and considered reports on significant litigation matters as well as contingent liabilities and assessed the possible impact thereof on the Group financial results.</p>

## Internal audit

Group Internal Audit is a key independent assurance partner within AngloGold Ashanti under the leadership of the Senior Vice President: Group Internal Audit, who has direct access to the chairmen of both the committee and the board. The Senior Vice President: Group Internal Audit reports functionally to the Audit and Risk Committee and administratively to the Interim Chief Financial Officer, and is not a member of the Executive Committee but has a standing invitation to attend these meetings. As part of its mandated responsibilities, the committee has assessed the performance of the Senior Vice President: Group Internal Audit in terms of the annually reviewed and approved internal audit charter and is satisfied that the internal audit function is independent and appropriately resourced, and that the Senior Vice President: Group Internal Audit has fulfilled the obligations of the position by reporting to the committee on the assessment of:

- ethical leadership and corporate citizenship
- risk governance
- IT governance

- compliance with laws, rules, codes and standards
- the effectiveness of internal controls over financial reporting and internal controls in general
- the effectiveness of the Group's combined assurance framework for the Group.

The committee considered the approach Group Internal Audit adopted in 2020 to provide the necessary assurance around the effectiveness of governance, risk management and internal control amidst COVID-19 and is comfortable that the approach was appropriate. The committee considered the heat-map for AngloGold Ashanti as presented by Group Internal Audit and monitored the implementation of significant audit recommendations through a formal tracking process.

Group Internal Audit will focus on the remediation work currently in progress around control weaknesses identified at the Siguri mine in the Africa region where a gold in process error arose. A formal report thereon is scheduled for the next committee meeting. The noted control failure does not render the internal control environment ineffective but requires a close assessment by the committee.

## AUDIT AND RISK COMMITTEE: CHAIRPERSON'S REPORT continued

As chairperson, I meet with the Senior Vice President: Group Internal Audit in private before each meeting and on an ad hoc basis throughout the year.

The committee is of the opinion, having considered the written assurance statement provided by Group Internal Audit, that nothing has come to its attention indicating that the Group's system of internal financial controls is not effective and does not provide reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements.

### External audit

The current auditors Ernst & Young are level 1 B-BBEE contributors. The audit cycle at AngloGold Ashanti is continuous as the External Auditor performs half yearly reviews on the results of the Group. During August 2020, the annual integrated audit plan, the associated fees and the 2020 global engagement letter were tabled at the committee for consideration and approval. During the year, the committee considered the responses of the auditors on how they are managing the audit in a COVID-19 environment and the impact on their assurance process.

As chairperson, I meet with the primary engagement team members in private before each scheduled meeting where I am also briefed on general matters relating to the accounting and auditing profession as it may impact on AngloGold Ashanti.

As part of its ongoing assessment of the independence and effectiveness of the external auditors, the committee has also considered during its evaluation of the independence of Ernst & Young factors such as:

- tenure of service
- quality of planning, delivery and execution of the audit
- quality and knowledge of the audit team, specifically the senior management team, including the lead engagement partner
- the results of the most recent IRBA and PCAOB regulatory reviews and the responses of the firm on observations raised in these reports
- outcome of the quality assessment review performed during the first half of 2020;
- robustness of the audit, including the audit team's ability to challenge management and demonstrate professional scepticism and independence

In addition, when considering the re-appointment of the external auditor at the annual general meeting, the committee satisfied itself that the external auditor is accredited on the JSE list of Auditors and Accounting Specialists, and that the individual auditor responsible for performing the functions of the auditor does not appear on the JSE list of disqualified individual auditors, as set out in Section 22.

To further safeguard auditor independence, a formal policy on the approval of all non-audit related services has been approved and implemented. In terms of the policy the committee has established that the sum of the non-audit and tax fees in a year must not exceed 40% of the sum of the audit and audit related fees in the year. The committee received a quarterly update on the tax and

non-audit fees as a percentage of the total audit and audit related fees and are comfortable that the external auditor's independence had not been jeopardised.

During 2020, the external audit fees amounted to \$8.15m made up of audit services of \$6.02m, audit-related services of \$1.80m, non-audit services of \$0.01m and tax services of \$0.32m. The latter two amounted to 4.2% of the audit and audit-related fees, well within the allowed maximum of 40%.

The committee did not note any significant adverse findings and considers the service provided by the external auditors to have been independent, effective and robust, and therefore recommended their reappointment for the 2021 audit.

However, given the long tenure of Ernst & Young as our external auditor, the committee decided that it is now appropriate to put the audit out for tender for the 2023 year-end audit. In this regard, planning has already started, and discussions have been held with a number of audit firms to establish their appetite to tender for the audit and their independence. We have also been provided with details of possible leadership teams and we are in the process of selecting those who we believe are best suited to lead the audit of AngloGold Ashanti. It is planned that the Request for Proposal will be issued late in the second quarter of 2021.

### Finance function and Chief Financial Officer

The committee received feedback on an internal assessment conducted on the skills, expertise and resourcing of the finance function and was satisfied with the overall adequacy and appropriateness of the function. The committee further reviewed the expertise and experience of the Interim Chief Financial Officer, Ian Kramer, and was satisfied with the appropriateness thereof.

In evaluating the finance function, and considering the input of the senior finance team during private meetings held before each scheduled meeting with the chairperson, the committee concluded that:

- the finance function's management philosophy and control environment were consistent amidst senior personnel changes during 2020
- management of the finance function has provided the required guidance to operations during the different stages of lockdown arising from the COVID-19 pandemic
- the organisational structure of the finance function was appropriately designed, having the required authority and responsibility that promoted accountability and control
- the finance function had properly applied accounting principles in the preparation of the financial statements and the accounting of non-routine transactions
- the Group's financial reporting procedures were considered effective and reliable

### Tax governance and strategy

The committee also approved the Group's tax strategy and tax management policy, which together, set out the Group's approach to tax in areas such as tax efficiency, tax risk management and tax governance and oversight.

The committee received and reviewed detailed quarterly reports from the Interim Chief Financial Officer and Vice President: Global Taxation, jointly, on the Group's tax position including uncertain tax positions, effective tax rates, tax provisions, recoverability of tax receivables, status of the Group's tax compliance globally and relevant global fiscal developments impacting the Group.

## Whistleblowing

The committee received quarterly updates on AngloGold Ashanti's whistleblowing process. Where appropriate the committee directly oversees the investigation of whistle-blowing reports.

During the year, 176 (2019: 142) reports were received. The committee is comfortable that the whistle-blowing process is robust and that each report received is taken seriously and thoroughly investigated.

Reports received and investigated did not reveal any malpractice relating to the accounting practices, internal financial controls, internal audit function or the content of the company's and Group's financial statements.

## Statement of internal control

The opinion of the board on the effectiveness of the internal control environment is informed by the conclusion of the Audit and Risk Committee.

The Audit and Risk Committee assessed the results of the formal documented review conducted by Group Internal Audit and other identified assurance providers in terms of the evolving combined assurance model of the Group's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls.

The assessment, when considered with information and explanations given by management and discussions with both the internal and external auditors on the results of their audits, led to the conclusion that nothing has come to the attention of the board that caused it to believe that the company's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

## Annual financial statements

The committee has evaluated the consolidated and separate annual financial statements for the year ended 31 December 2020 and concluded that it complies, in all material aspects, with the requirements of the Companies Act, IFRS and JSE Listing Requirements. The committee therefore recommended the approval of the annual financial statements to the board.

## Events post year end

Management confirmed to the committee that there had been no significant post year-end events that had to be considered for disclosure.

## Looking forward

The committee realises that its work is increasingly broad and complex and as a committee we are required to stay on top of developments impacting AngloGold Ashanti. During 2021, the

Audit and Risk Committee will:

- monitor the finalisation of the remainder of the South Africa operations sale process and the management of legacy projects stemming from the transaction
- monitor the continuing ramp-up of the Obuasi operations to full production and the impact on associated business processes
- monitor the remediation work currently in progress around control weaknesses identified at the Siguri mine in the Africa region. A formal report thereon is scheduled for the next committee meeting
- monitor the cyber environment and the Group's prevention and defence capabilities in terms of risk exposure
- lead on the adopted approach to mandatory audit firm rotation which will be effective for the 2023 financial period
- assess the audit services pre-approval policy and guidance in terms of the fees spent on tax and permissible non-audit services expressed as a percentage of the audit fees
- consider the outcome of the board's consideration of the Quebradona and Gramalote project, should the project be approved, monitor the further design and development of the internal control environment as the project progresses
- assess the impact of the rule changes accepted by the Securities Exchange Commission around disclosures associated with Mineral Resource and Ore Reserve – S-K1300 Guide
- consider management's proposal in relation to the integration of the Group's information technology and operations' technology processes

## Conclusion

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate, statutory responsibilities and terms of reference during the year under review. In signing this report on behalf of the committee, I would like to thank my fellow committee members, the external auditors, internal auditors and management for their contributions to the committee during this challenging financial year.

## Alan Ferguson

**Chairperson: Audit and Risk Committee**

26 March 2021