

CHAIRPERSON'S LETTER

CONSISTENT DELIVERY

Maria Ramos / Chairperson



The pervasive spread and complexity of the COVID-19 pandemic continues to present the world with an economic, health and social crisis that will shape the prospects of a generation of people, particularly in the developing world. The outbreak tested flexibility and resilience as governments, businesses and societies responded to a global health emergency unprecedented in modern times. AngloGold Ashanti was no exception.

I'm pleased to say our leadership and employees responded as we always hoped they would in a crisis; steady under pressure and faithfully adhering to our values in adapting to new challenges in a rapidly evolving operating environment. Our teams designed protocols and operating procedures for each site that helped ensure safe business continuity, while we delivered on our strategic objectives.

At all times our priority was the health and wellbeing of our colleagues, their families and communities, with proactive steps taken to protect those stakeholders and the business itself. These measures were aligned with regulations of our host countries and the guidelines set by the World Health Organization. Care was taken to safeguard employees with comorbidities, and emphasis was placed on close co-operation with our communities, whose specific needs helped direct our support initiatives.

Close partnerships

While society has become more adept at dealing with COVID-19 over the past year, we know that the battle is far from over. Adherence to prevention measures – wearing masks, washing hands and keeping a prudent social distance – will continue to be required, even after vaccine programmes are rolled out, as subsequent waves of infection will be spurred by new variants of the coronavirus.

The risk will remain especially high for countries without the resources to immediately fund extensive vaccination campaigns for all citizens. We are committed to playing our part in balancing the scales in this regard by working hand-in-glove with our host governments to support their public health interventions.

We learned valuable lessons during the HIV/AIDS crisis in South Africa, the Ebola epidemic in West Africa and in fighting malaria across the continent. Most importantly, we learned that we cannot insulate ourselves from public health emergencies. Our fortunes are inextricably linked to those of our hosts, so we must be at the forefront of the public-private partnerships that will be an essential part of turning the tide.

COVID-19's economic impact

While the pandemic is first a public health crisis, it has also brought the worst recession since World War II, overstretched corporate and sovereign balance sheets and soaring unemployment. These factors will worsen already-severe inequality, with the impact falling disproportionately on women, particularly in Sub-Saharan Africa.

The early signs are clear that the global economic recovery will be uneven. Developing economies have the fewest resources to spur recovery and will be reliant on the private sector to maintain and create vibrant, profitable businesses that improve resilience of their overall economies through salaries, taxes and local procurement.

One of the bright spots of 2020 was the much-improved public-private co-operation that will be essential to ensuring that developing economies deal with the challenges of multi-dimensional poverty – exacerbated by the pandemic – as well as economic fragility, climate change and conflict. AngloGold Ashanti will aim to be a strong member of that collaborative effort.

CHAIRPERSON'S LETTER CONTINUED



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Gold price

The spot gold price rose to a record \$2,063/oz in August 2020, driven by investor demand amidst increased uncertainty and the global policy impact of the pandemic.

The record price, however, masked a 14% reduction in physical demand to 3,759.6t from 2019, which the [World Gold Council](#) says was due to “far reaching effects” of the pandemic. Jewellery purchases were down 34%, or 515.9t, while smaller demand segments like gold coins and bars and technology, were also softer. Central banks bought only 272.9t of bullion in 2020, 59% less than the previous year.

These declines were partly offset by an increase of 34% year-on-year, or 877.1 tons, in gold-backed exchange traded funds, while annual gold supply dropped 4% to 4,633t the largest annual decline since 2013, as lockdowns disrupted mining activities.

The gold market remains volatile. In the first quarter of 2021, amid momentum in the global vaccine rollout and an improving economic recovery in the US and Europe, the spot gold price fell 8% from end of 2020 to \$1,744/oz on 19 March 2021. As at 19 March 2021 the Bloomberg average consensus gold price for 2021 is \$1,794/oz and \$1,700/oz for 2022.

While we remain positive on the long-term prospects for the gold price, particularly as the threat of inflation increases, the board will continue to use conservative assumptions when allocating capital.

Business performance

Our key strategic objectives include improvement of our overall sustainability performance, particularly the safe operation of our mines; strengthening our balance sheet; increasing Ore Reserve through exploration and growth projects; ensuring tight management of costs to improve cash flow; and streamlining our portfolio to direct capital to higher-return projects.

We made solid progress on most of these metrics. We sold our operating assets in South Africa and Mali, more than halved our net debt to the lowest level in more than 10 years, added six million ounces of new reserves to extend the life of our portfolio, and increased free cash flow almost fivefold, to \$743m. Phase 2 of the Obuasi redevelopment was 90% complete at the end of the year, while the feasibility studies on our two Colombia projects made good progress toward completion. Dividends were up fivefold after a decision to double the payout ratio.

That is a solid performance but we're mindful that there is much to do to narrow the value gap that persists with many of our international gold-mining peers.

Obuasi must reach its ramp-up milestones during 2021, and the board must make investment decisions on the Gramalote and Quebradona projects, after reviewing their feasibility studies and detailed execution plans. We are also especially focused on cost management and capital discipline, particularly amidst the reinvestment programme in our ore bodies given a potentially stagnant, or declining gold price.

Our cash conversion is below par and improving it is a focus for the board. In this regard, the management team continues to work on ways to ensure the release of growing cash balances in the Democratic Republic of Congo, value added tax balances in Tanzania and export levy rebates in Argentina. Together, these three areas accounted for \$586m at the end of 2020.

Safety performance

Safety is another area where improvement is required. It is with a heavy heart that I report six fatalities during 2020 – four at the South Africa operations which have now been sold, and two at our Obuasi mine in Ghana. See <SR>. On behalf of the board, executive committee and AngloGold Ashanti's workforce, I convey our heartfelt condolences to the families, colleagues and the communities of our departed colleagues.

A thorough review of our safety strategy was conducted in the second half of 2020, with detailed input from each of our sites and the safety leadership across our business. Implementation of the updated strategy – focused on technology and innovation, deeper learning from high potential incidents, and compliance to the critical controls that protect our employees from injury – is already well underway and will be closely monitored.

Environment, sustainability and governance

Our strategy compels us to seek improvement in the areas of environmental stewardship, social performance and the strength of our governance frameworks and oversight. Excellence in these areas will strengthen our social license to operate and improve our sustainability and ability to create value in the long term.

Mitigating our impact on the environment – and climate change in particular -- is non-negotiable. Work is underway to reduce the use of scarce resources such as land and water, and to limit greenhouse gas emissions. We've been doing that for some time, reducing total GHG emissions by 48% since 2008, and maintaining high levels of water re-use – 73% in 2020.

The board, through its Social, Ethics and Sustainability Committee, will in the course of 2021 review an updated climate change strategy and new medium-term emissions targets including the pathway to net zero emissions. We will also be making our first disclosure in line with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations.

There were other ESG successes during the year (see *Rewarding delivery*), with 88.5% compliance with noise and dust monitoring across our operations. Injury rates fell to their lowest level ever at 2.39 injuries per million hours worked, well below the global industry average, driven by a 99% compliance to our major hazard controls.

No disruptions caused by community protests were recorded at our operations, and no human rights violations were reported.

In addition, our value to the communities in which we operate was clear. Procurement expenditure totalled \$1.6bn, with 82% spent in host countries. Taxes and royalties of \$1.1bn were paid, and employees' salaries and benefits ended the year at \$508m (see *Economic value-added statement*). Those monies greatly improve resilience in the communities around our operations when several other economic sectors are under severe strain. We're proud of that contribution.

Leadership changes

Kelvin Dushnisky stepped down as chief executive officer on 1 September 2020. The board thanks Kelvin for his contribution in delivering on the Company's strategy during his two-year tenure and wishes him well in the future.

Our Chief Financial Officer Christine Ramon, stepped in as interim CEO and has provided leadership to the organisation as it continued to deliver on its strategy, meeting key operational, financial and social objectives. The board is conducting a thorough search for a permanent CEO, considering both internal and external candidates.

Dr Kojo Busia was appointed as independent non-executive director on 1 August 2020 and chair of the Social, Ethics and Sustainability Committee on 1 December 2020. He brings a *wealth of experience* in sustainability, governance and public policy.

On 7 December 2020, Siphon Pityana *resigned from the board* after 13 years as a director, including the last six as Chairman. The board thanks Mr. Pityana for the significant contribution he made to AngloGold Ashanti and in particular the focus on sustainability and safety.

Thank you

I want to thank my fellow directors, our Interim CEO, Christine Ramon, the leadership team and every employee across the Company for their courage and resourcefulness during an especially challenging year, and for continuing to uphold the values of AngloGold Ashanti. To all our stakeholders, our thanks goes to you for your support throughout this very challenging year. We will continue to work diligently and in line with our values to ensure that AngloGold Ashanti delivers on our commitments.

Maria Ramos Chairperson

26 March 2021