

ETHICS AND GOVERNANCE

Case study



Risk management at AngloGold Ashanti

Mining is a high risk activity and the success of a mining company such as AngloGold Ashanti is a function of many and varied factors that range from the gold price to the suite of laws and regulations governing its business, from labour disruptions to environmental concerns and from disease to fluctuations in the exchange rate. AngloGold Ashanti has put in place various risk management systems and processes to ensure that the wide range of risks associated with the group's global operations are effectively managed so as to support the creation and preservation of shareholder wealth.

A risk management and reporting system has been developed in line with the Turnbull Guidelines which were released in the United Kingdom in 1999 and apply to companies listed on the London Stock Exchange. This risk management reporting system also complies with the requirements of the King Code (South Africa) and the Sarbanes-Oxley Act of 2002 (USA). Sarbanes Oxley focuses on financial risk and financial misstatement.

The Turnbull guidelines, which are considered to represent global best practice and were revised in October 2005, give guidance to directors on the effective implementation of an internal control system for the management of the factors considered to be significant risks, rather than just financial or accounting risks.

The guidelines are wide-ranging and general, and cover the following issues:

- the type of risk that should be controlled;
- what the control system should include;
- updating of the control system; and
- responsibilities of the board of directors.

The objectives of the Turnbull guidelines are to:

- reflect sound business practice so that internal control is embedded in the company's business processes;
- remain relevant over time in an ever-changing business environment; and
- enable a company, in applying the guidance, to take into account its own particular circumstances.

Hand-in-hand with the above, AngloGold Ashanti has also implemented a disaster management and reporting process (*see case study www.aga-reports.com/06/disaster-recovery.htm*) to identify possible risk factors in terms of which it is every manager's responsibility to identify and manage the risks in their area of operation. This process includes a comprehensive annual review of risk factors to ensure that the list of risks reported in the financial statements is comprehensive. This has led to the establishment of a group-wide reporting process to communicate significant group risk to board level.



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In essence, the risk reporting process which began with Turnbull is a consolidated group reporting process which identifies and highlights key risks including financial, accounting, safety, health, environmental and sustainability ones. Currently, the group reports on around 30 risks which are divided into three categories:

- those related to the gold mining industry in general;
- those related to AngloGold Ashanti's operations in particular; and
- those related to AngloGold Ashanti's ordinary shares and American Depositary Shares.

These key risks relate to our vision, values and business principles and, once identified, are monitored, addressed and reported to various board committees, including the Safety, Health and Sustainable Development Committee whose ambit has grown over the past two years.

Overall the AngloGold Ashanti board has ultimate responsibility for the overall group risk management process, and annually reviews and approves the risk strategy and policies as well as mitigating strategies so as to determine the effectiveness of the risk management process. Responsibility for reporting on risk management lies with the Audit and Corporate Governance Committee and the Safety, Health and Sustainable Development Committee.

For a detailed report on AngloGold Ashanti's reported risks and risk management process, see the Annual Report 2006, pages 117 to 133.

