

# ANGLO GOLD ASHANTI

MANAGEMENT STANDARD		
SOCIO-ECONOMIC CONTRIBUTION		
<b>POLICY CUSTODIAN</b>	Group Sustainability Department	
<b>AUTHORISED BY</b>	AngloGold Ashanti Executive Committee	<b>DATE:</b> April 2019
BRIEF DESCRIPTION OF CHANGES		
<b>Revision: 01(April 2019 Review ratified by the Sustainability Policy and Standards Committee)</b>		
<ul style="list-style-type: none"><li>• Clarification of roles and responsibility in terms of strategy, management plans and procedures.</li><li>• Inclusion of requirements emanating from the Local Procurement and Business Development Policy and Guidelines.</li><li>• Requirements to utilise CIMS for the recording and management of Socio-economic development process were introduced.</li></ul>		



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## 1. INTRODUCTION

It is AngloGold Ashanti's value intention that the communities and societies in which the Company operates will be better off for it having been there. This is achieved through, among other things, the Company's socio-economic contribution in the host country, including economic value generation and distribution. Partnerships (public and private) can be a catalyst for achieving these goals. The scope of socio-economic contribution can vary considerably, depending on the nature of the site, on the levels of significance of its associated impacts, on the vulnerability of affected groups living within the areas of influence and on mine's stage of development. This approach to sustainability calls for integration of community development and economic considerations into core business decision-making.

AngloGold Ashanti's value -add is implemented through, for example, community investment, local procurement, local employment, tax and royalty payments and payments to country shareholders.

Normally, these value-adding activities take place in the context of the standard on Engagement; therefore, implementation of this standard should reflect the outcomes of stakeholder engagement.

## 2. OBJECTIVES

The objective of this management standard is to ensure that AngloGold Ashanti sites are managed in line with the Company's vision, mission and values, and to meet the Company's commitment to "undertake initiatives that contribute to sustainable futures in partnership with the societies in which we operate." The aim of the standard is to facilitate access, create opportunities; develop partnerships, enhance self-efficacy and promote sustainable livelihoods within communities, with due consideration for the natural environment. Furthermore, this standard meets the Company's commitments to the ICMM Position statement on Mining: Partnerships for Development (2010); and the 2030 Aspirational Goals linked to the Sustainable Development Goals number 8 and 9.

## 3. DEFINITIONS

- 3.1 **Area of Influence:** area encompassing the primary mine site(s) and ancillary facilities (including those developed by contractors) such as power transmission lines, pipelines, access roads, borrow and disposal areas, construction camps etc, as well as any other associated facilities such as hospitals and schools set up by or in partnership with AngloGold Ashanti and whose goods or services are essential for the successful operation of the project. Any area whose development is limited by project-related developments or impacts.
- 3.2 **Community Investment:** is an investment of resources, including funds and in-kind contributions in the community where the beneficiaries are external to the company. This support seeks to complement the work of government, non-government (NGO) and community-based organisations (CBOs). It includes those contributions which the company is obliged to undertake, such as those agreed with governments as part of stability agreements/mining conventions, and where legislation dictates that community contributions

are made. AngloGold Ashanti typically allocates community investment within the following categories:

- 3.2.1 The establishment and growth of Small and Medium Enterprises (SMEs) regardless of whether or not they provide the site procurement services and supplies. The costs associated with the actual procurement of goods and services are counted under local procurement, as applicable.
- 3.2.2 Charitable donations and sponsorships,
- 3.2.3 Social infrastructure, that is, infrastructure built outside the main business activities such as a school or hospital or water provision where the benefits extend beyond employees to the general public. Associated cost of goods and labour, in addition to capital costs may also be included.
- 3.2.4 Environmental education and outreach programmes.
- 3.2.5 The proportion of the running costs for providing schools or health facilities at Company expense only to the extent that they are used mainly by community members other than employees or their dependants.
- 3.2.6 Administrative costs related to community investment expenditure (staff salaries or per-diems and overheads).
- 3.2.7 In-kind contributions, which can either, be calculated on the basis of their book value or a fair assessment of second-hand value.
- 3.2.8 Tax incentives for community giving. If a host government provides tax incentives then the notional tax element should be added back to reflect the overall community benefit from the sites' trading activities.
- 3.2.9 Operating costs, as defined in section 4.7 below are excluded from the calculation of community investment.

3.3 **Employee involvement:** includes employees making themselves available, on a voluntary basis, for participatory and leadership roles in the local communities where the Company operates. Sites should formalise such programmes to keep track of the number of employee participation and the amount of time and monetary value to such contributions.

3.4 **Financial expenditure:** where financial expenditure is reported, the amount disclosed must account for actual expenditures and commitments (accruals) in the reporting period, and must follow acceptable accounting practices and policies for tracking, reporting and assurance of financial resources and expenditure.

3.5 **Local employment**<sup>1</sup>: Local employees refers to individuals either born or who have the legal right to reside indefinitely, e.g. naturalised citizens or permanent visa holders in the same geographic market as the operation. Various aspects of expenditure associated with local employment are explained below:

- 3.5.1 Wages and benefits paid to local employees and contractors.

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<sup>1</sup> Local covers cities, regions and provinces within a country. Therefore, each operation must include a definition of local in its plan.

- 3.5.2 Total payroll, which means employees' salaries, including amounts paid to government institutions (employee taxes, levies, and unemployment funds) on behalf of employees.
- 3.5.3 Total benefits, which include regular contributions (e.g. to pensions, insurance, Company vehicles, and private health), as well as other employee support such as housing, interest free loans, public transport assistance, educational grants, and redundancy payments. They do not include training, costs of protective equipment, or other cost items related to employee's job function.
- 3.6 **Local procurement:** includes providers of materials, products, goods and services that are based in the same geographic market as the site (i.e. excluding trans-national payments) in line with the requirements of the *Group Local Business Development and Local Procurement Guidelines*.
- 3.7 **Operating costs:** are expenses relating to the running of the business consisting of:
  - 3.7.1 Payments made for local materials, product components, facilities, and services purchased. This includes property rental and license fees,
  - 3.7.2 Infrastructure which is driven primarily by core business needs (e.g. building a road) or to facilitate the operational aspects of the organisation.
  - 3.7.3 Contributions driven by commercial imperatives rather than primarily for public/social good, such as marketing, marketing events, employee benefits (e.g. scholarships for employee's families and targeted programmes for employees and ex-employees), attraction and retention schemes or public relations activities.
  - 3.7.4 Community compensation resulting from operational activity. For example, compensation for involuntary resettlement, dust suppression, the provision of boreholes owing to pollution or loss of access to water due to mining activities
  - 3.7.5 Memberships of organisations of a commercial nature such as industry associations
  - 3.7.6 Assistance provided to ex-employees on a voluntary or compulsory basis to compensate for work related injury or illness.
- 3.8 **Payments to government:** all Company taxes (corporate, income, property, etc) and related penalties paid at local, regional or national levels. This figure should not include deferred taxes because they may not be paid. It includes royalty payments, which, in AngloGold Ashanti context, is a compensation or portion of the proceeds paid for the use of the minerals to the owner of a mineral right- usually the government.
- 3.9 **Payments to providers of funds,** consist of:
  - 3.9.1 Dividends to local shareholders
  - 3.9.2 Interest payments made to local providers of loans
  - 3.9.3 Interest on all forms of debt and borrowings (not only long-term debt) and also arrears of dividends due to preferred shareholders.
- 3.10 **Revenues:** denote the amount of money received by a site associated with its business' activities. Revenues consist of:
  - 3.10.1 Net sales, which are gross sales from products and services minus returns, discounts, and allowances;

3.10.2 Revenue from financial investments which includes cash received as interest on financial loans, as dividends from shareholdings, as royalties, and as direct income generated from assets (e.g. property rental); and

3.10.3 Revenues from sale of assets include physical assets (property, infrastructure, equipment) and intangibles (e.g. intellectual property, rights, and designs, etc.).

#### **4. ACCOUNTABILITY AND RESPONSIBILITY**

4.1 Accountability for establishing this standard for the company lies with the Executive responsible for Sustainability, and accountability for implementing this standard lies with relevant Group, Regional and Site Managers.

4.2 Implementation accountabilities can be delegated to designated person(s) who must clearly understand their accountabilities and authorities.

4.3 Each site must ensure that it has adequate and appropriately experienced resources, including human resources, to implement the standard.

#### **5. SCOPE**

5.1 The requirements of this standard apply to all AngloGold Ashanti sites, country, region and corporate offices.

5.2 In the case of a non-managed joint venture (JV), AngloGold Ashanti shall ensure that the standards applied by the joint venture comply with those that are acceptable to AngloGold Ashanti and the third party. Where a standard is not in place or available, the parties must adopt a standard which accords with internationally accepted good mining practice.

5.3 When entering into a non-managed JV, AngloGold Ashanti must consider whether acceptable standards will be adopted by the third party. If acceptable standards are unlikely to be agreed with the third party, AngloGold Ashanti would not enter into the Joint Venture. Where AngloGold Ashanti participates in a non-managed JV and the third party does not operate in accordance with acceptable standards, this would be grounds for AngloGold Ashanti exiting the partnership. Socio-economic contribution related to Indigenous Peoples<sup>2</sup> is, in addition to this standard, subject to the requirements of the Indigenous Peoples standard

#### **6. NORMATIVE REFERENCES**

6.1 The following documents shall be referred to and utilised as part of the socio-economic contribution management system:

6.1.1 *Position Statement on Mining: Partnerships for Development*. International Council on Mining and Metals (ICMM). October 2009.

6.1.2 AGA Group Risk Management Standard

6.1.3 AGA: *Group Risk Management Policy Statement*

6.1.4 *Group Risk Management Guidelines and Risk Assessment and Reporting Matrix*

6.1.5 *Group Local Business development and Local Procurement Guidelines*

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<sup>2</sup> See the Indigenous Peoples Management Standard for the definition of Indigenous Peoples used by AngloGold Ashanti.

## 7. REQUIREMENTS

- 7.1 Each site must develop and maintain a Socio-economic Development (SED) procedure aligned to this standard detailing the country specific SED requirements, programmes, initiatives, etc.
- 7.2 In accordance with the Engagement standard's requirements it is necessary to commission a baseline study where this has not yet been undertaken, to better understand the existing socio-economic conditions and dynamics at the local, region and country levels as well as the direct and indirect economic and social impacts of the site.
- 7.3 The baseline study should be reviewed at least every five years to ensure that the socio-economic development programs are relevant to the conditions and dynamics at the local, region and country levels.
- 7.4 Each site, regional and country office, as appropriate, must have a programme to address its social and economic contribution in a manner appropriate to its size and stage of development, to the nature and magnitude of its impacts, to the environmental and social context, legacy issues, scope of engagement and, availability of funds and other resources.
- 7.5 The socio-economic contribution programme must reflect the outcomes of the different baseline studies, risk/impact assessments and engagement efforts as well as the specific measures proposed to address these impacts, consistent with the applicable laws and regulations.
- 7.6 In line with the requirements for engagement contained in the management standard on engagement, the socio-economic contribution programme must be developed and updated in consultation with stakeholders.
- 7.7 All projects arising from the socio-economic programme should include development partners (e.g. funders, implementing agencies, etc.) who may assist with the implementation of the plan<sup>3</sup>. Where partnerships have not been identified, the site should develop a plan for identifying and pursuing partnership opportunities.
- 7.8 The following details should, as a minimum, be included in the programme:
  - 7.8.1 Local procurement plans, objectives, targets and spend in line with the group local procurement and business development policy and guidelines;
  - 7.8.2 Local employment plan and associated targets;
  - 7.8.3 The programme must outline actions necessary to implement the various investments proposed with indicative schedule and budget;
  - 7.8.4 All payments to the government must be captured in keeping with the Extractive Industries Transparency Initiative (EITI) requirements;<sup>4</sup>
  - 7.8.5 Community investment plan, targets and spend;

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<sup>3</sup> An assessment of these partners should be made to assess their capacities, alignment in terms of values and sustainability, governance structure, integrity and financial status and the level of support that they have from stakeholders.

<sup>4</sup> All payments to the government must be captured in keeping with the Extractive Industries Transparency Initiative (EITI) requirements. AngloGold Ashanti is a signatory to the EITI and subscribes to the ICMM's Position Statement on Transparency of Mineral Revenues. The Company reports to EITI on an annual basis in the Report to Society (Sustainability Review) as well as in Country and operational reports. These may be viewed on the Company's website at: [www.AngloGold Ashanti-reports.com](http://www.AngloGoldAshanti-reports.com).

- 7.8.6 The programme should provide clarity on the desired outcomes of interventions as well as monitoring and evaluation against which progress and impacts can be measured.
- 7.9 As per the requirement of the management standard on Engagement, promises and commitments should be recorded in the site's Commitments or Promises register on the Community Information Management Systems (CIMS).
- 7.10 Sites must report in-country payments to providers of funds where appropriate.
- 7.11 The socio-economic programme must be reviewed, for continual improvement, with internal and external stakeholders, at least annually or in line with business planning processes and taking into consideration the results from engagement and monitoring and evaluation exercises.
- 7.12 The socio-economic contribution programme must be based on input from key internal stakeholders, such as Procurement, Human Resources, Health and Safety, and Engineering among others.
- 7.13 The socio-economic contribution processes, plans and projects must be managed from the Community Information Management Systems (CIMS).

## **8. RECORDING AND REPORTING**

- 8.1 Periodic reporting must be in accordance with regulatory and AGA corporate office quarterly reporting requirements.
- 8.2 All commitments emanating from the socio-economic contribution processes must be recorded in the Community Information Management Systems (CIMS).

## **9. REVIEW REQUIREMENTS**

- 9.1 This management standard will be reviewed to assess its relevance on a periodic basis (at least every 3 years), and will also be updated in accordance with changes to company policy.

## **10. GLOSSARY**

- 10.1 **Company** refers to AngloGold Ashanti
- 10.2 **Operation**: refers to a producing mine.
- 10.3 **Project**: refers to an exploration project or a new mine expansion.
- 10.4 **Site**: is used when referring collectively to producing operations and to exploration and expansion projects.

## **11. REFERENCES**

- 11.1 *Position Statement on Mining: Partnerships for Development*. International Council on Mining and Metals (ICMM). October 2009.
- 11.2 *Investing in People: Sustaining Communities through Improved Business Practice*. International Finance Corporation (IFC). December 2000.
- 11.3 *Sustainability Reporting Guidelines*. Global Reporting Initiative (GRI)

- 11.4 *Sustainability Reporting Guidelines & Mining and Metals Sector Supplement (MMSS)*: Draft Sector Supplement for Public Comment. Global Reporting Initiative. January 28 –April 29 2009.
- 11.5 *Position Statement on Transparency of Mineral Revenues*. International Council on Mining and Metals (ICMM). January 13 2009.
- Mining: Partnerships for Development. A Toolkit to Analyze Mining's Contribution to Social and Economic Development*. International Council on Mining and Metals (ICMM). Version Two. November 2009.