

HUMANITARIAN AND SECURITY CHALLENGES

Steven Lenahan

Executive Officer: Corporate Affairs - AngloGold Ashanti Limited

- ¶1 In November 2004, AngloGold Ashanti deployed a team of geologists and administrative staff, supported by an unarmed, private security crew, in the town of Mongbwalu, in the Ituri region in the northeastern Democratic Republic of the Congo (DRC). In January 2005, our colleagues in Mongbwalu were victim to an act of extortion and were forced to pay to a militia group, the Front for National Integration (the FNI), the sum of \$8,000. This incident attracted the perfectly justified attention of a wide range of human rights and multi-lateral agencies and, predictably, the media. My intention today is not to focus on this incident or to apologize for it, but rather to reflect on what we as a company have taken away from our experiences in Ituri, with the hope that we all can derive benefit from them.
- ¶2 Ashanti Goldfields, which later was to merge with AngloGold to form AngloGold Ashanti in 2004, left its gold-rich concession around Mongbwalu in 1998, when it became clear that what was to become the second civil war in the country would make commercial activity in the region impossible.
- ¶3 Between 1998 and late 2003, it was self-evident to anybody with even the most rudimentary appreciation of current affairs that ordinary life or commerce would be impossible in the eastern Congo. However, by the end of 2003, political developments suggested to Ashanti that consideration should be given to the prospect of a new exploration programme in Concession 40, aimed at the possibility of a far larger, more sustained operation than had been undertaken before, perhaps resulting in the establishment of a modern, large scale gold mine. In particular, management's attention was focused on assessing the level of risk associated with an exploration project in what remained, at that time, a politically sensitive region. The company was as aware of the degree of conflict in the eastern DRC as could reasonably be expected and of the allegations of widespread violation of human rights by a number of militia groups active in the area. Initially, despite being urged by transitional Government ministers to return to Mongbwalu, no doubt in the interests of both state revenues and economic development, Ashanti did no more than send investigating teams there and continue to canvass the views of informed sources, including government officials and MONUC personnel.
- ¶4 Ultimately, however, in November of 2004, an exploration base was indeed established and drilling began. The judgment, on balance, at that time, based on the views of a wide range of stakeholders, was that there was an appreciable measure of risk associated with the venture, but that it was manageable. This is the nature of

risk assessment, is it not? I work in downtown Johannesburg, considered by many people to be one of the riskiest urban settings in the world in respect of violent crime. Plainly, the assessment of these people of the level of the threat and its consequences is different from mine and some 450 of my colleagues.

¶5 For the record, we did not, in coming to the conclusion that exploration in Mongbwalu was plausible, either establish a relationship with any militia grouping nor did we seek their permission for our activities. That the FNI may have interpreted and communicated their conclusions in that way is, frankly, their affair.

¶6 In any case, events proved that we had got our timing wrong and that, consequently and with the benefit of retrospect, our assessment of the manageability of the risk had been (again on balance) flawed. In January 2005, our colleagues in Mongbwalu were forced to pay to the FNI a sum of \$8,000. We knew, at that time and now, that this was quite obviously inconsistent with both our own business principles and commonly accepted conventions for the protection of human rights. We reported the incident widely in the DRC and to the UN structures there. When interrogated by the media, the UN Group of Experts on the DRC, a British All Part Parliamentary Group and the NGO Human Rights Watch, we freely communicated the steps we had taken, the events which led up to the incident and the steps we would be taking to avoid a repetition.

¶7 That, as they say, is now history and the incident, though regrettable, did not materially alter the course of events in Ituri. It did, however, lead to a very thorough analysis within AngloGold Ashanti of our risk assessment processes, our guidelines for managing in sensitive zones, our stakeholder engagement processes and, importantly, our view of our role in local and regional economic development and the growth of democracy. It also led to what has become a helpful engagement with our critics – particularly HRW and the UN’s Group of Experts. So, what have we learned and what are we doing in Ituri now?

¶8 First, transparency continues to be a cornerstone of our business principles, particularly where we know that our activities are, in any event, under scrutiny. This is as much the case with respect to investment analysts’ interest in our operating and financial performance as it is with human rights NGOs’ concerns about our presence in the Congo. We are active participants in the EITI in all countries where the government has decided to subscribe to this initiative’s principles and processes. Our annual “Report to Society,” while far from perfect, is generally acknowledged to be good practice. But transparency must go beyond this institutional approach – it has to be part of regular day-to-day management. At Mongbwalu now, every time there is some form of interaction of any kind with any third party, from the mayor to the local commander of the MONUC force stationed in the town, a record is made and, regularly and frequently, a summary of these interactions is shared with executive management, local politicians, the United Nations and our partners, OKIMO. Apart from the obvious benefits of this practice, it has the effect of making operating management reflect on their proposed actions before committing to a process; before he agrees to meet a local business owner or a political party leader, the manager asks himself, “Will I be happy for my corporate office, the UN Group of Experts on the DRC and HRW to know about

this meeting?” If the answer is positive, there’s a good chance that it passes the test of consistency with our business values.

¶9 That leads me to our second concern – integrity. We have persistently said about our activities in all sensitive areas (and particularly in the DRC and in Colombia, where we also have exploration projects and where we recognize the associated risk) that, if we are not able to do business in these places with integrity, we will leave. That is not an idle threat, either to the respective governments, our shareholders or those advocacy groups who watch us. What we are saying is that if it becomes clear to us that local conditions have changed to the extent that it is not possible to act within the boundaries of our own business principles, we will go. This requires, of course, that we are satisfied internally that these business principles are consistent with our own general ethical standards. Secondly, we are active in and are guided by a wide range of industry and multi-stakeholder initiatives which have been established to develop standards and assurance processes for corporations committed to responsible business practice in the extractive industries. These include the Global Compact, the International Council on Mining and Metals’ sustainable development principles, the EITI, International Alert’s Conflict-Sensitive Business Practices Guidance for Extractive Industries, the IFC and World Bank standards, the Council for Responsible Jewellery Practice and the Voluntary Principles on Security and Human Rights.

¶10 Third, we have taken the necessary steps to become a formal subscriber to the Voluntary Principles. These, as you probably all know, were developed out of a multi-stakeholder process involving governments, resource companies and NGOs in late 2000 as a means of helping companies in the extractive sector to improve their performance in finding the balance between ensuring the security of their assets and respect for the human rights of host communities and other stakeholders. The secretariat to the Voluntary Principles is presently provided jointly by the International Business Leaders Forum in London and Business for Social Responsibility in San Francisco. The next step for us in this process is the integration of these principles into the training programs of all security staff and into contracts between ourselves and private security contractors on our operations world-wide. This process is under way.

¶11 Prior to the events of January 2005, AngloGold Ashanti in Mongbwalu had, consistent with its corporate social responsibility programs elsewhere, established initiatives to address the consequences of poverty and war in the region. On our mining operations globally, we are guided by a rough formula of providing funding for social development programs to the tune of approximately 1% of the profits generated by an operation. This is plainly an inappropriate approach in a case, such as Mongbwalu, which does not yet generate cash, but consumes it at a rate of some \$8 to 10 million a year. In the period immediately after January 2005, management asked every organization or leader to whom we spoke in Ituri whether, in their candid view, we should cease our activities there and go and, if not, what should we do better. The view was unanimous. We should stay, but we should ensure that we were more visible in the community and we should establish structures which ensure that our development initiatives enjoyed a reasonable degree of consensus in the surrounding communities. The outcome of the consequent work has been the

establishment of a forum on which 23 different community groupings, from women's groups to the pygmies who populate the rain forests are represented. This group initiates projects, considers the company's proposals and oversees the establishment and management of programs. It is also intended to be the vehicle through which the disbursement of foreign donor aid in the community is directed. For instance, a World Bank project involving education and health care is currently being considered by the forum.

- ¶12 Discussions with leading aid and development agencies in the DRC have also focused on initiating collaboration between the private sector (as a source of both financial resources and project management capacity), the NGO community, aid agencies, the government and, very importantly, our host communities to ensure that funds raised are appropriately disbursed and the projects are effectively executed. The pressing problem of artisanal and small-scale mining (or ASM), while it is also the subject of internal research by AngloGold Ashanti, requires the collaborative attention of a multilateral grouping.
- ¶13 At the heart of all of this activity, you will notice, is the proposition that the communities with which we work are more than passive beneficiaries. For the development programs about which we are talking to succeed, they have to be the product of real partnerships, in which foreign and local capital combine with communities and local government to ensure the sustained success of these programs. Begging bowl benevolence is pointless. There is no Santa Claus.
- ¶14 These have been the central issues emerging from our experiences in the Congo. In some cases, it was a matter of learning from our mistakes. It's one of our corporate mantras that, this side of heaven, everyone makes mistakes. The wisdom is in admitting having made them and learning from them. In other instances, there were processes and programs in place and all that was needed was some time for them to develop before yielding real results. We have, after all, been in the mining business for a while.
- ¶15 But I must conclude with some comments on the role of the private sector in social and political development in a general sense. This is a topic with which we, as a South African and an African corporate citizen, have some experience. In the confused and often very violent final days of the emergence of a new South African constitution and our first democratic election, parts of South Africa were rent by ethnic and political divisions and violence. It was tempting then for businesses to walk away from these regions on the reasonable basis that their presence there was unhelpful and that their staff was in peril. They did not. My own company at the time, Anglo American, actively engaged the constitutional, peace-keeping and electoral process. Why did we do that? Frankly, for the same reason that we did not leave the Congo early in 2005. I am not being disingenuous. We are a publicly traded company with the purpose of creating wealth for our shareholders. But, the growth and defense of democracy, the protection of human rights and the eradication of poverty are also dependent on successful commerce and economic development. Foreign donor aid, the advancement of the protection of ordinary people by advocacy organizations and corporate benevolence are also part of the solution and these noble efforts must continue. However, without foreign direct investment, the development of local human capital and the establishment of a

sustainable economy based on the country's rich resource, energy and agricultural endowment, there will be little hope for the people of Ituri in the long-term.