

# **Anglo Gold Ashanti**

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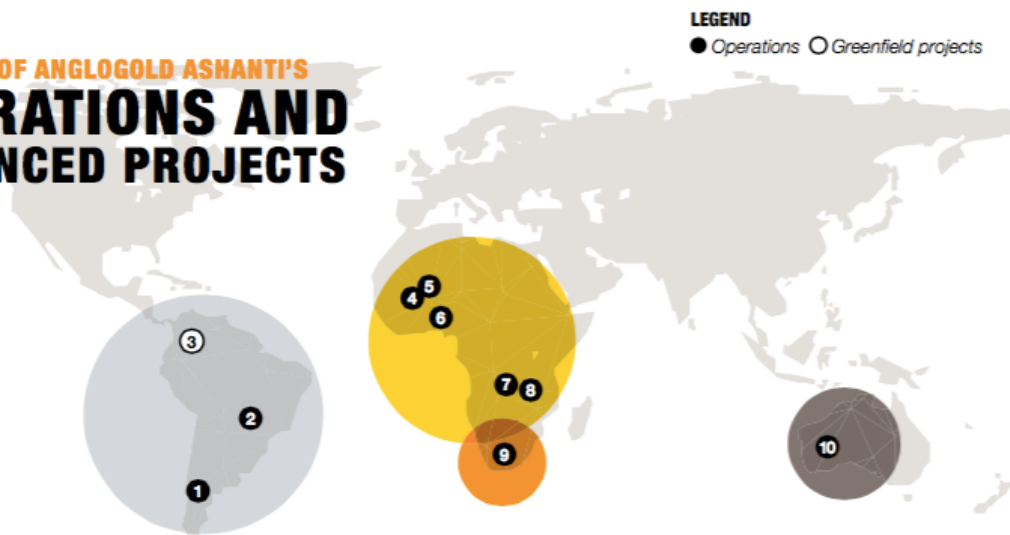
## **Towards strategic bargaining**

**This report was commissioned by IndustriALL and presented at the  
Anglo Gold Ashanti Network Meeting  
3-5 May 2017, Johannesburg, South Africa**

**The Labour Research Service  
June 2017**

# Operations

## LOCATION OF ANGLOGOLD ASHANTI'S OPERATIONS AND ADVANCED PROJECTS



**LEGEND**  
 ● Operations ○ Greenfield projects

### AMERICAS

- 1 Argentina**  
Cerro Vanguardia (92.5%)
- 2 Brazil**  
Serra Grande  
AGA Mineração
- 3 Colombia**  
Gramalote (51%)  
La Colosa  
Quebradona (92.4%)

### AUSTRALASIA

- 10 Australia**  
Sunrise Dam  
Tropicana (70%)

### CONTINENTAL AFRICA

- 4 Guinea**  
Siguirí (85%)
- 5 Mali**  
Morila (40%) <sup>(1)</sup>  
Sadiola (41%)
- 6 Ghana**  
Iduapriem  
Obuasi <sup>(2)</sup>
- 7 DRC**  
Kibali (45%) <sup>(1)</sup>
- 8 Tanzania**  
Geita

### SOUTH AFRICA

- 9 South Africa**  
Vaal River  
Kopanang  
Moab Khotsong  
West Wits  
Mponeng  
TauTona  
Surface Operations <sup>(3)</sup>

Percentages indicate the ownership interest held by AngloGold Ashanti. All operations are 100%-owned unless otherwise indicated.

<sup>(1)</sup> Both Morila and Kibali are managed and operated by Randgold Resources Limited.

<sup>(2)</sup> Obuasi has been on limited operations since December 2014.

<sup>(3)</sup> Surface Operations includes First Uranium SA, which owns Mine Waste Solutions (MWS). MWS is managed and operated as a separate cash-generating unit.

AngloGold Ashanti operations are concentrated in Africa, with further footprint in South America and Australia. The table on the right is taken from the report of the company remuneration committee and situates AngloGold Ashanti in relation to some of its peer group.

AngloGold Ashanti is not the biggest operator, nor is it the smallest, with market capital valued at about USD 5.7 billion. Measured by production, AngloGold Ashanti is the third largest gold producer in the world.

Comparator group	2016*
	Market capital USDm
Lonmin plc	743
Harmony Gold Mining Company Limited	1,327
Impala Platinum Holdings Limited	2,699
Sibanye Gold Limited	2,724
Gold Fields Limited	3,561
Yamana Gold incorporated	3,620
Kinross Gold Corporation	4,889
AngloGold Ashanti Limited	5,688
Anglo American Platinum Limited	5,998
Randgold Resources Limited	6,707
South32 Limited	10,229
Mondi Limited	11,290
Goldcorp Inc.	13,328
Sasol Limited	17,580
Newmont Mining Corporation	19,287
Barrick Gold Corporation	19,717

Source: AGA, IR, 2016

# Shareholding

Major shareholders of interest include the Public Investment Corporation of South Africa, which administers a significant portion of the assets of public institutions, most notably the Government Employees Pension Fund (GEPF). Investec and Old Mutual are both listed on the Johannesburg stock exchange.

**AS AT 31 DECEMBER 2016, THE TOP 10 SHAREHOLDERS IN ANGLOGOLD ASHANTI WERE:**

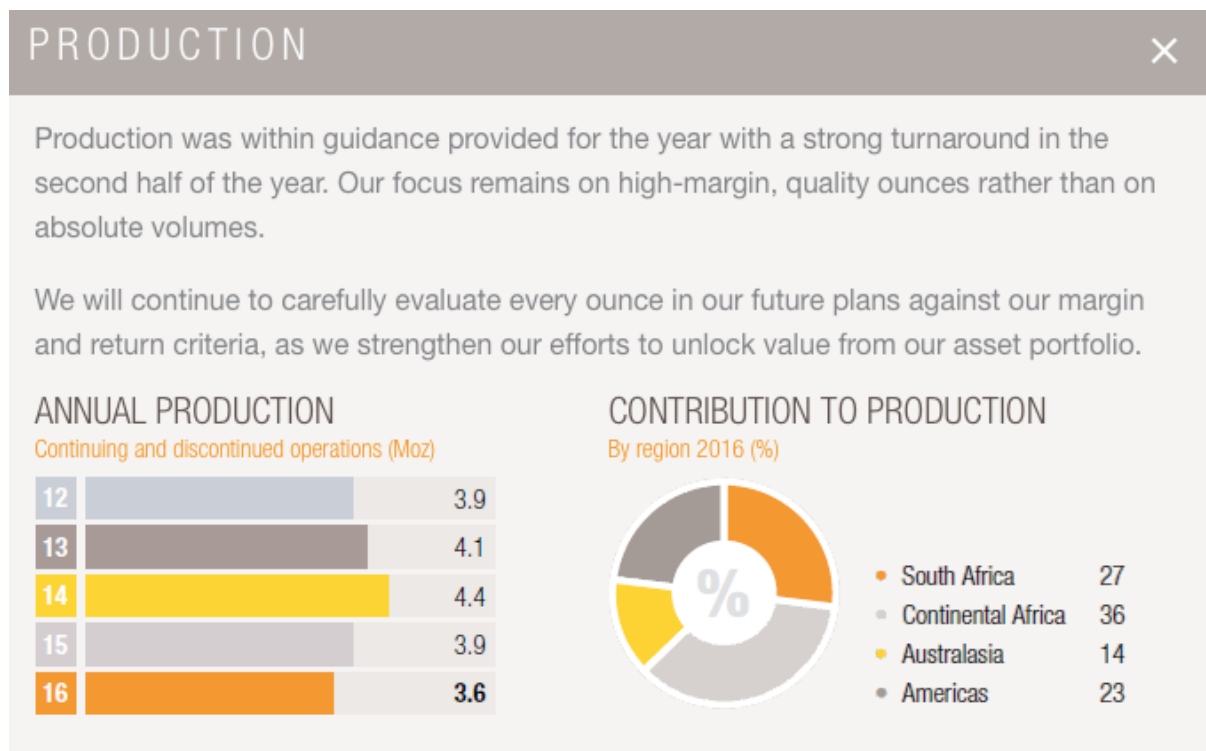
Rank	Shareholder	No. of shares	% of issued share capital
1	BlackRock Inc	42,966,540	10.53
2	Public Investment Corporation	25,580,542	6.27
3	VanEck Global	24,485,374	6.00
4	Investec Group	19,090,074	4.68
5	Vanguard Group	13,930,513	3.41
6	Paulson & Co	12,782,400	3.13
7	Dimensional Fund Advisors	11,804,066	2.89
8	GIC	11,155,778	2.73
9	Old Mutual	8,799,883	2.16
10	Franklin Templeton Investments	6,802,127	1.67

Source: AGA, IR, 2016

# Production

AngloGold Ashanti are explicit in their focus on quality over quantity. Total production is marginally down on the previous year.

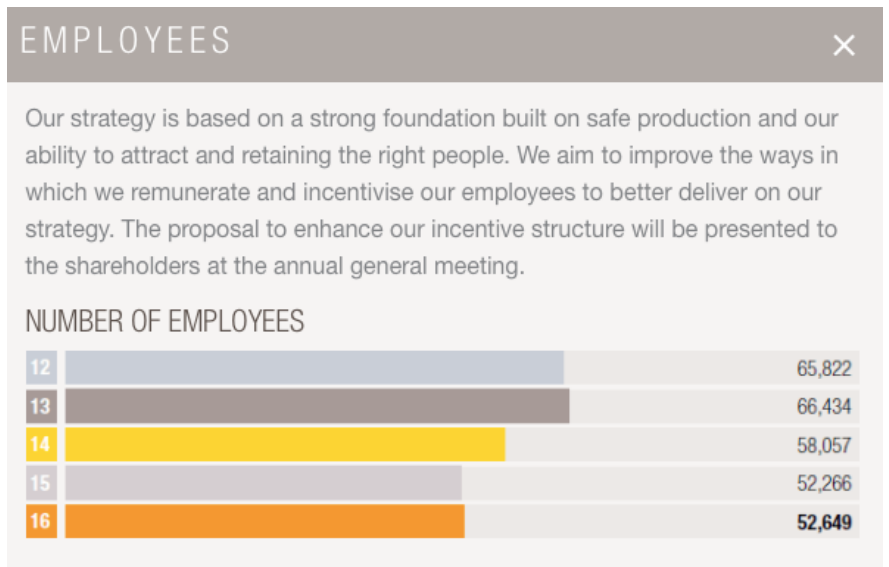
“Our focus is on improving the quality of production to enhance margins rather than on growth for its own sake.” (AGA, IR, 2016)



Source: AGA, IR, 2016

# Employment

Total employment at AGA remains at 2015 levels, but the trend over the last five years is a downward one, with total employment decreasing by 20% since 2012.



The table below provides some insight into the total employment figure of over 52,000 reported by the company for 2016. The greatest proportion of employees are situated in the South Africa operations (25 205) and contract employees are a small proportion of permanent employees (13%). By contrast, contract employees are 44% of permanent in the Americas and almost one and half times as many in continental Africa operations.

AngloGold Ashanti: Employment in 2016			
Region	Permanent	Contract	Contract as a proportion of Permanent
Americas	5653	2473	44%
Continental Africa	5331	7360	138%
South Africa	25205	3302	13%
Australasia	211	714	338%
Sub Totals	36400	13849	38%
Grand Total	50249		

Source: AGA, IR, 2016

# Financial indicators

The company turned around a number of indicators in the 2016 financial year. Headline earnings, dividends and cash flow improved markedly, while production was marginally down on the previous year.

Reflecting on the “self-help strategy” of the company, Siphon Pityana (AGA Chair) says, “...free cash flow increased, margins widened, debt fell further and significant improvements were made in the broad area of sustainability...”

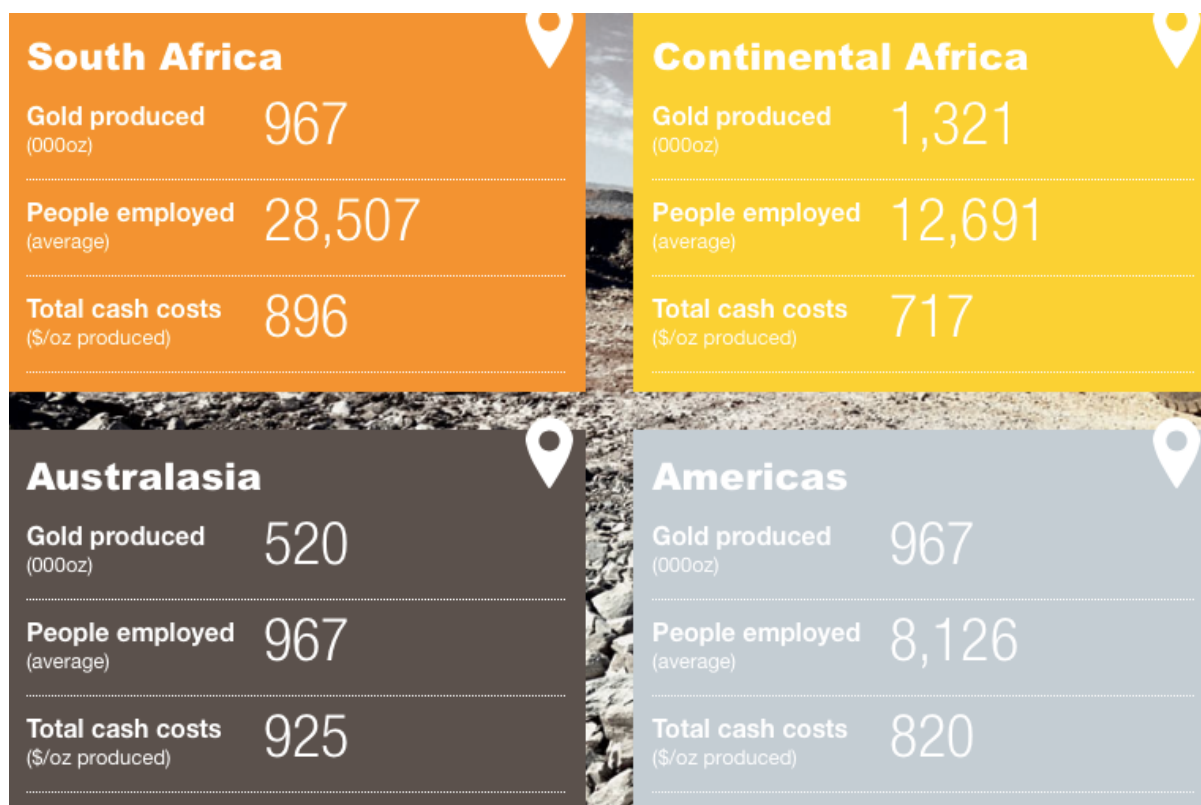
In the face of volatile currency and equity markets, the company seeks to manage margins rather than grow volumes for the sake of growth.

		2016	2015	2014
<b>Profitability and returns</b>				
Adjusted headline earnings (loss) <sup>(1)</sup>	\$m	143	49	(1)
	US cents per share	35	12	0
Profit (loss) attributable to equity shareholders	\$m	63	(85)	(58)
Return on net capital employed <sup>(1)</sup>	%	6	5	4
Dividends declared per ordinary share	SA cents per share	130	–	–
	US cents per share	~10	–	–
<b>Liquidity, cash flow and net debt</b>				
Net debt at year end <sup>(1)</sup>	\$bn	1.9	2.2	3.1
Free cash flow <sup>(1)</sup>	\$m	278	141	(112)
Adjusted earnings before interest, tax, depreciation :	\$bn	1.5	1.5	1.6
Net debt to Adjusted EBITDA <sup>(1)(3)</sup>	Times	1.24	1.49	1.94
<b>Operational metrics</b>				
Gold produced (from continued and discontinued op	Moz	3.63	3.95	4.44
Average price received	\$/oz	1,249	1,158	1,264
Total cash costs <sup>(1)</sup>	\$/oz	744	712	785
All-in sustaining costs <sup>(1)(2)</sup>	\$/oz	986	910	1,020
All-in costs <sup>(1)(2)</sup>	\$/oz	1,071	1,001	1,114
All-in sustaining cost margin <sup>(1)(2)</sup>	%	21	21	19

Source: AGA, IR, 2016

# Regional dynamics

The 2016 Integrated Report says that continental Africa is the largest regional contributor to global production and the CEO points out that roughly three quarters of production came from the company's international operations.



Source: AGA, IR, 2016

# Investment by region

Here is an outline of the operations in which the company will invest in the coming period.

- i. *“The assets earmarked for increased investment in 2017 include: Cuiabá, in Brazil, where a greater rate of Ore Reserve development is expected to improve mining flexibility hampered by geotechnical challenges in recent years.*
- ii. *Iduapriem in Ghana, where we will strip waste rock from the Teberebie ore body to extend mine life, and lower cash costs.*
- iii. *Geita, in Tanzania, where the original 20-year old power plant will be replaced to ensure reliable electricity supply, while the continued ramp-up of underground production will replace depleting open-pit ore in future.*
- iv. *at Sunrise Dam, in Australia, where investment in plant modifications are expected to improve gold recoveries.*
- v. *Kibali, in the DRC, where additional Ore Reserve development will be conducted ahead of a ramp-up in underground production.*
- vi. *The combination plant project at Siguirí in Guinea is now well underway to extend mine life and improve production at better margins.*
- vii. *In Mali, subject to the Government giving us the consents and agreements needed, we are ready to start the hard rock sulphides project along with our joint venture partner in Sadiola. This investment will extend mine life by around a decade and increase production and margins from current levels.*
- viii. *In South Africa, a feasibility study is underway at Mponeng to access the ore body below 126 level, extending mine life and ultimately increasing production at better margins.”*



# Collective Bargaining Agreements

The LRS was only able to assess agreements from two sources, that agreement within the chamber of mines in South Africa and the Geita agreement in Tanzania. The remaining agreements that were provided are written in French and the LRS does not have the capacity to undertake analysis of agreements in French.

A more systematic approach to managing CBA's would support the work of the GUF with its affiliates. It would be ideal if there were a routine sharing collective agreements and related documentation, such as procedural or recognition agreements, between the GUF and its affiliates. Equally important is that these documents are readily and openly available for research and education as such needs arise.

Language remains a challenge. The CBAs of a single holding company may be written in several different languages and it is difficult for the GUF to coordinate translation and analysis and manage costs.

## *Collective Bargaining Information collected by the GUF*

<i>Operation</i>	<i>Country</i>	<i>Language</i>
Camara Argentina De Empresas Mineras	Argentina	Spanish
Cerro Vanguardia	Argentina	Spanish
Byrne-cut Underground	DRC	French
Kibali Gold Mine	DRC	French
Kimali Mining Service	DRC	French
The Chamber of Mine of South Africa	South Africa	English
Geita Gold Mining	Tanzania	English

# Snapshot of conditions of service

## Gender

There is evidence of a process of regular consultation with female representatives.

At least one agreement refers to affirmative action measures that will be implemented to redress discrimination.

There is also evidence of maternity and paternity rights and benefits that are pitched around the level of those rights stipulated by law.

## Leave and hours

We find evidence of 7 days of compassionate leave in a 12 month cycle and 30 days annual leave in a 12 month cycle.

Ordinary hours of work are 45 hours per week.

There is provision for an acting allowance (15%), night shift allowance (15% per hour worked) and a leave allowance (1 month's salary).

## Protection

We do find evidence of a provident fund (or retirement fund) in the agreements.

Severance pay is set at 2 weeks per year of continuous service with a minimum severance package of R30,000 in South Africa.

Funeral cover takes the form of R30 000 or Tshs 1 500.000/= and includes the spouse and child of the employee.

## Health

There is evidence of health and safety committees that allow for union participation.

There is evidence of an HIV & AIDS programme.

Provision is made for medical incapacity

There is evidence of medical aid (or insurance).

Provision is made for sick leave under various circumstances.

There were 7 fatalities at AGA operations in 2016 and 11 in the previous year.

There was one 1 reportable environmental incident in 2016.

## Discipline and dispute resolution procedures

We do find evidence that discipline and dispute resolution procedures are in place

The union is referenced as a monitor in this regard.

There is reference to a committee tasked with popularizing the procedures.

These mechanisms are also earmarked for periodic review.

## Trade union rights

There is evidence of trade union rights, recognition, access to workplace and leave for union activities.

## Wages

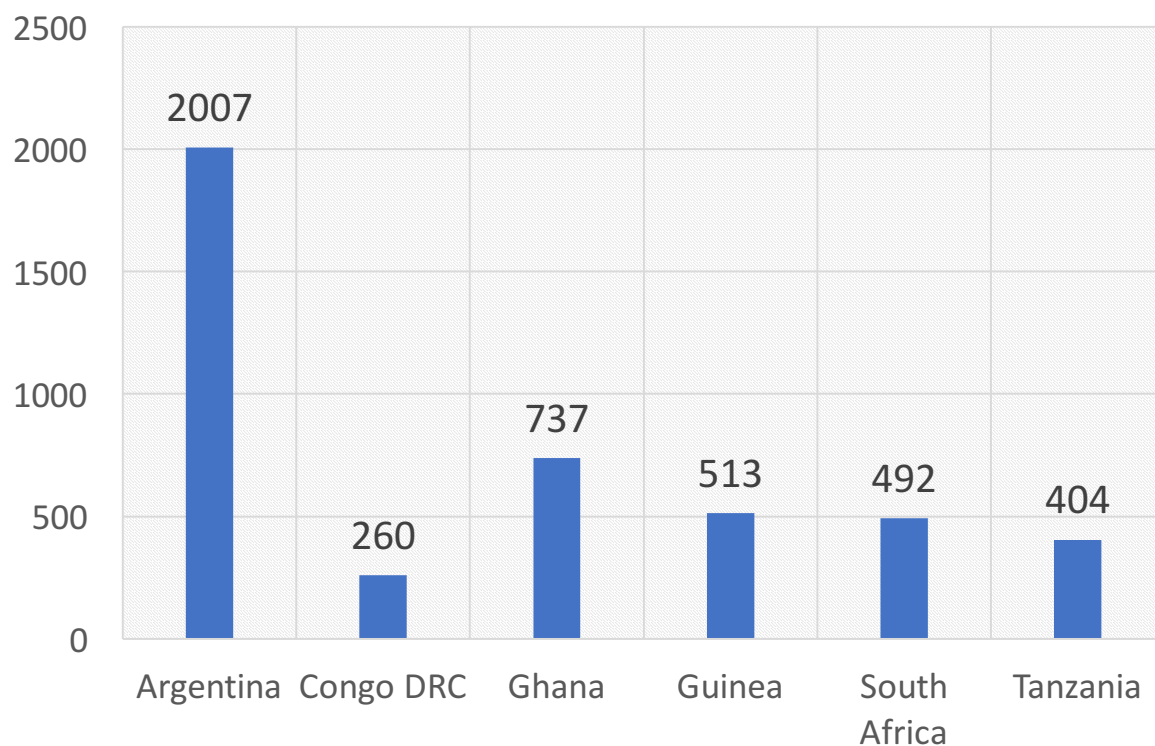
There is much to be gained by affiliates mapping the occupational distribution & strategic importance of both the total workforce and their membership at the company or operation. Other key questions that inform strategy development include, which occupation/s are the lowest paid and which occupations have been outsourced?

Future assessments of relative wages across company operations should establish a common unit of measurement, whether it is gross wages, basic salary or total cost to company. So too, there is need to establish the occupations that a minimum wage applies to.

The figure below describes minimum wages at AngloGold Ashanti as reported by the participants in the network. Minimum wages appear to be significantly higher in Argentina than anywhere else, while minimum wages are lowest in the DRC.

Some of this variation may be down to different approaches to recording wages such as basic pay and total cost to company. Some variation might also be down to differences in the occupations to which the minimum wage is applicable. There did appear to be consensus in the network meeting on the occupations that were represented by the minimum wage. Most representatives referred to low skill jobs such as cleaner or general labourer.

### AngloGoldAshanti, Minimum Wages, USD/month, 2017



■ AngloGoldAshanti, Minimum Wages, USD/month, 2017

Source: IndustriAll AGA Network, 2017

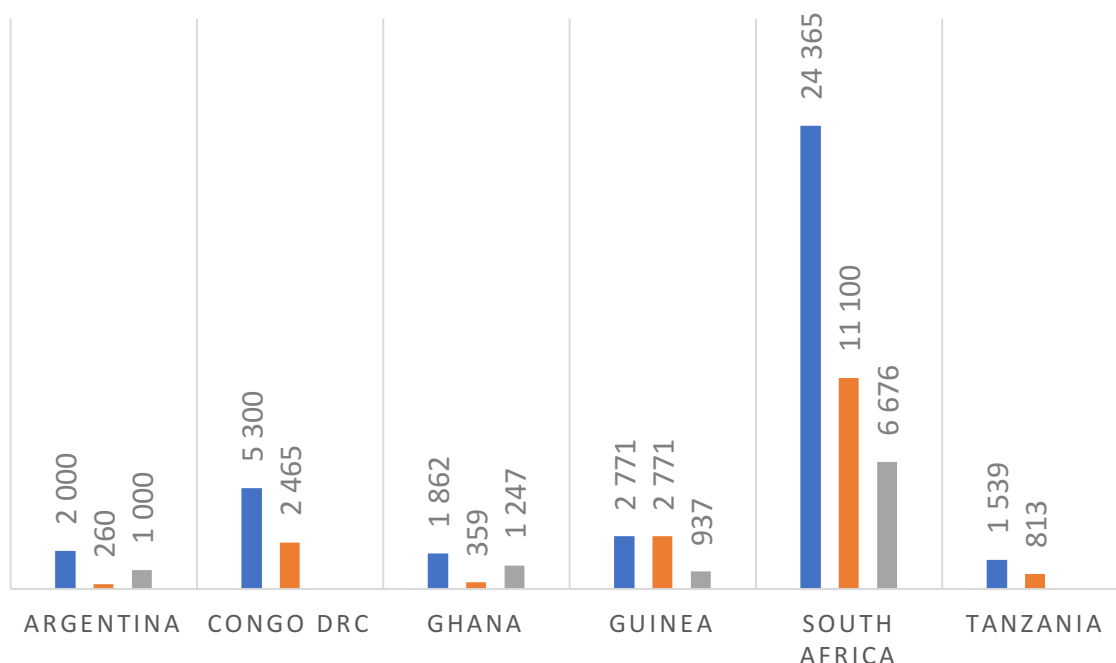
# Trade union density & precariousness

*1 company, 1 worker Une fois l'entreprise, un travailleur Una vez compañía, un trabajador*

The trade union density of IndustriAll affiliates in the different regions of operation of the company vary significantly, as does the size of the workforce. Trade union density is close to 50% overall for IndustriAll affiliates in the operations where they are active, although it is 13% in Argentina and 19% in Ghana, while it is reportedly 100% in Guinea.

## WORKERS, WORKERS, WORKERS ANGLOGOLDASHANTI, 2017

■ Workers ■ Members ■ Non-perm



Source: IndustriAll AGA Network, 2017

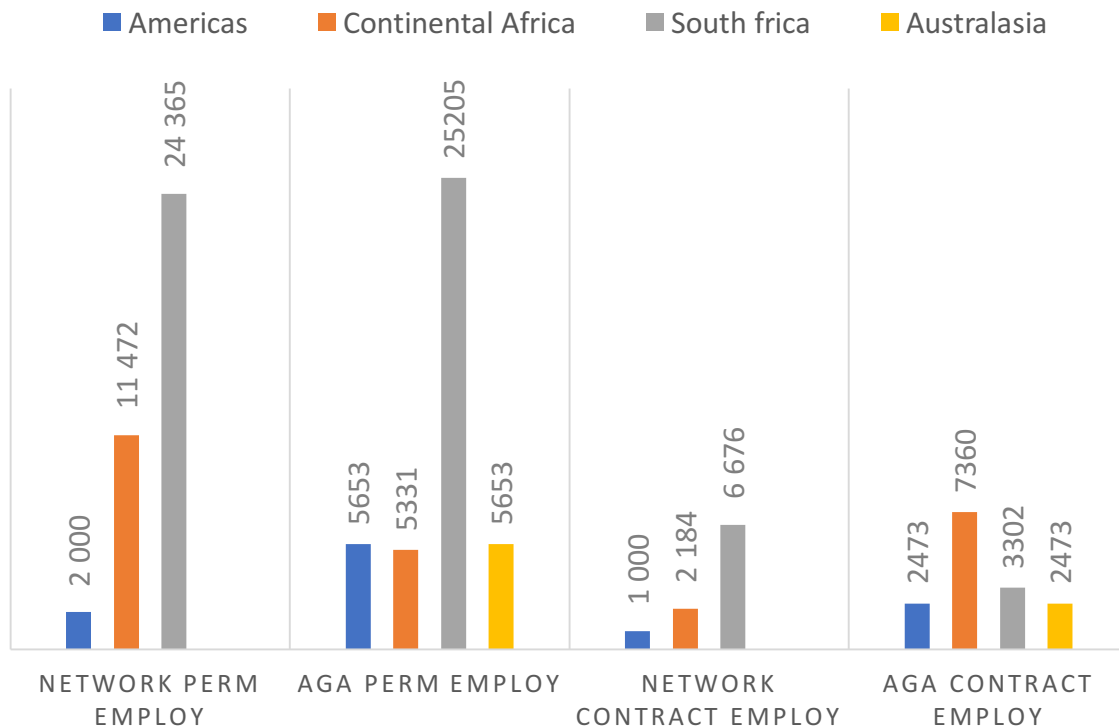
# Employment: Fact & Fiction

Your number or mine?      Tu número o el mío      Votre numéro ou le mien?

The figure below shows significant variation in estimates of permanent employment and contract employment between the affiliates of the network and the company. In some instances, this is because the affiliate is only considering the workforce at operations where it has a presence, rather than the total workforce in the region, as is the case for the Americas below. The network appears to overestimate employment in continental Africa when compared to company estimates for the region. The reverse is true when it comes to estimates of contract employment.

The network estimate of contract employment in South Africa is double that of the company.

## ANGLOGOLDASHANTI EMPLOYMENT, 2016



Source: AGA IR 2016 & IndustriAll AGA Network, 2017



# Forms of employment

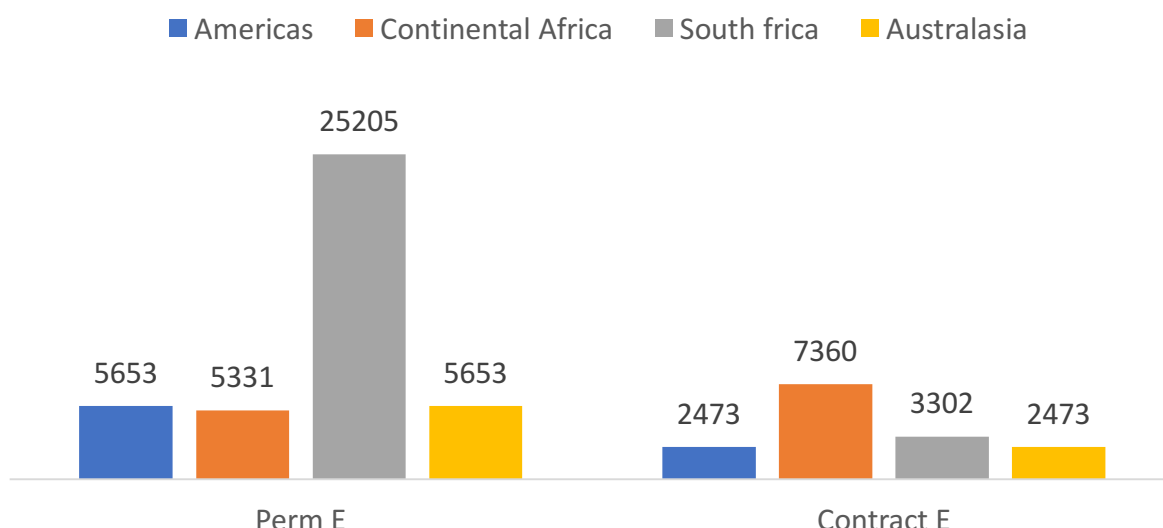
*Forms of employment*

*Formes d'emploi*

*Formas de empleo*

The company's own estimates of permanent and contract employment are interesting. Contract employment is a very small proportion of permanent employment at South African operations while it is about 50% in the America and Australasia, and 125% of permanent employment in continental Africa.

AngloGoldAshanti Employment company stats



Source: AGA IR 2016

The GUF and its affiliates can consider regulatory responses that make it more expensive to take on temporary workers. The ability to force this does however depend on the organisational weight of the affiliate and the GUF.

Organisational responses that seek to include different layers of workers into the core processes of the union are the ideal approach. The ability of the union to accommodate precarious workers will influence the future trend in employment and the union's ability to respond to such trends.

The two core functions of trade union, processes of representation and organisation, are not in a linear, uni-directional relationship. Representing the interests of workers need not follow the organisation of workers, although this is the more traditional conception.



Representation and organisation can be mutually reinforcing. A union ought to be organising workers as it represents their interests in the workplace or elsewhere. In the same way, the union can be representing workers interests as a means of facilitating the organising of those workers.

# Bargaining & Organising

Although we cannot pronounce on the trend, the statistics presented previously suggest that non-permanent employment is a reality at AGA operations.

The way that the “bargaining unit” is defined in collective agreements determines which workers may be represented by the trade union and which workers will be organised by the union. If the scope of the bargaining unit excludes certain jobs, occupations, or forms of employment, it separates those groups of workers from the primary constituency of the trade union. It is the task of trade unions, however, to see all workers and to make the link between those workers.

The key questions for trade unions are:

Who are the workers that are present in the workplace?

Are all the workers present employed by the company whose workplace this is?

Who is supplying labour into the operation/s where we are present?

Are there workers that the union is not permitted to represent by law or by agreement?

Are there workers that are not permitted to join the union by law or by agreement?

Trade unions should always seek to expand the bargaining unit to include all workers that might benefit from associating with the union.

The great moments of the trade union movement are often ones in which workers and their formations did not ask for permission to organise - they organised when it was forbidden or discouraged in one way or another.

# Company future strategy

The company favours improving margins over growing volume.

There is a clear focus on greenfield and brownfield development over growth or expansion for the sake of it. The company talks of deeper and 'broader' mining, meaning that they are looking to derive more value from existing assets rather than acquire new assets.

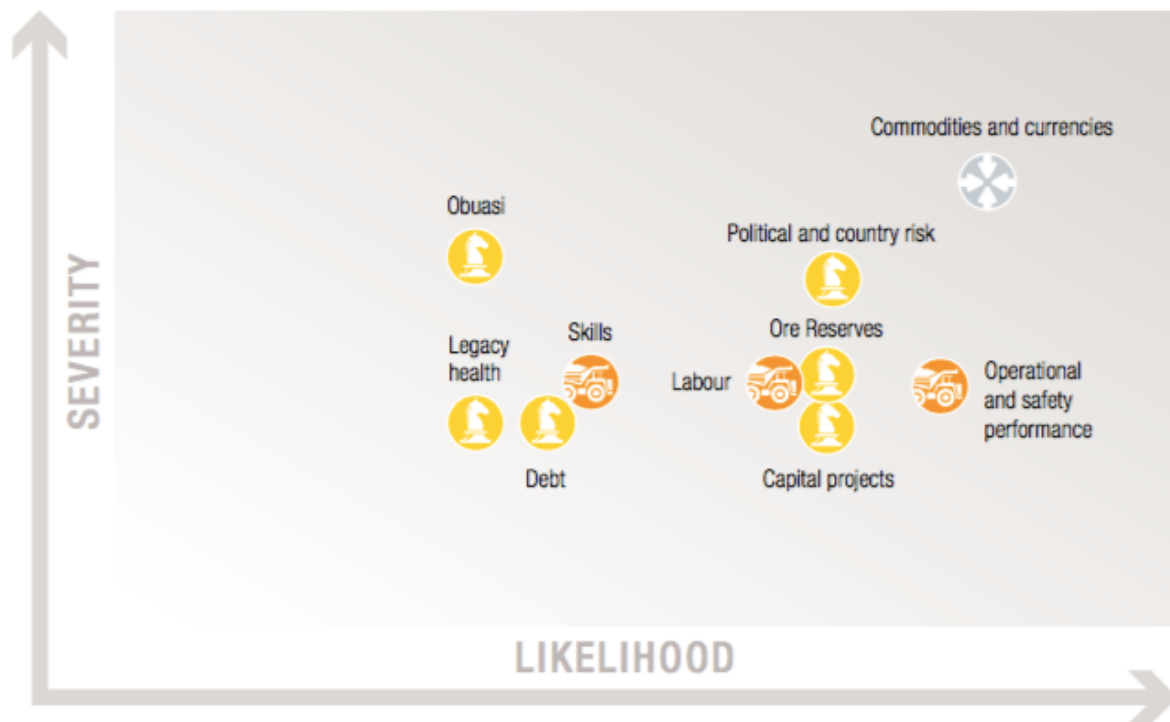
The case of Obuasi is one where the company seeks security before it will restart production. Until the government delivers security through the military rather than the police force, operations are unlikely to resume.

The so called "heat map" below describes the risks that AGA faces. The top right of the diagram represents high risk – high probability factors, while the bottom left represents lower risk with lower probabilities of those risks manifesting.




This assessment by AGA indicates that 3 of the 4 major risks they face are considered external factors that are not directly within their control, namely commodity & currency prices, political risk and the Obuasi situation. Only operational & safety performance is within their sphere of influence. Management are painting a picture of a company that is victim to external circumstances rather than one which has significant potential to actively manage major risk dynamics. This perspective reinforces the "margins over growth" approach that the company is taking.

The very recent news that AGA plans to put certain South African operations on care and maintenance would fall under "Ore Reserves" in the risk map that follows. It is rated as having moderately severe consequences with a relatively high probability of occurring. This indicates that there are limits to how far AGA will go to extend the operational life of a mine, especially in the context of a weak gold price.

## TOP GROUP RISKS HEAT MAP



### PRINCIPAL RISKS IDENTIFIED

 Strategic
  Operational
  External

## Breaking News

(Source: [http://www.anglogoldashanti.com/en/Media/news/Pages/20170628\\_AGARestructureSAOps.aspx](http://www.anglogoldashanti.com/en/Media/news/Pages/20170628_AGARestructureSAOps.aspx))

*“AngloGold Ashanti has made the difficult decision to begin a consultation process with employees in terms of section 189 and 189A of the Labour Relations Act, with respect to restructuring certain of its South African business units.” – AGA statement, 28 June 2017*

AngloGold Ashanti seeks to place its Kopanang mine and the Savuka section of the TauTona mine on care-and-maintenance. This potentially affects 8,500 jobs out of the 28,000-strong workforce at South African operations.

The company refers to very short term figures for the *“all-in sustaining costs”* of the two operations in the first quarter of 2017 along with the gold price over the same period. The company continues by saying, *“Both mines also sustained significant operating losses through 2016.”*

*“As a consequence of these changes, we are also reviewing the associated costs at the regional level, particularly with respect to support services and overheads.”*

This last statement suggests a continent-wide review of costs. Trade unions active at AGA operations on the continent should be on the lookout for cost-saving measures and reflect on the potential impact on worker organisation.

# **Concluding & Network future strategies**

## **Sunset and Sunrise**

Mining operations tend to have relatively long life cycles. Even so, the case of Kopanang and Savuka, underline the importance of trade unions establishing presences at new operations as individual mines reach the end of their life cycle. Some may argue that the company's intention to place these operations on care and maintenance is a result of the escalation of political uncertainty following the release of the new mining charter in South Africa. While the statement of intention by AGA may be something of a warning shot to government policy makers, the fact is that the operations in question are increasingly marginal. The GUF and its affiliates should have an idea of where the operations at which their affiliates are active are in their projected life cycles. The GUF can then stimulate discussion on strategies for dealing with the winding down or reorientation of operations where it is applicable.

While trade unions must be looking to organise at new sites and new companies, the GUF and its affiliates must look at facilitating organisation at new mining companies and companies in auxiliary sectors. There is additional leverage that can be applied on mining houses as the GUFs presence in an industry and related sectors expands.

## **Employment & Precarious Employment**

Total employment at AGA remains at 2015 levels, but the trend over the last five years is a downward one, with total employment decreasing by 20% since 2012.

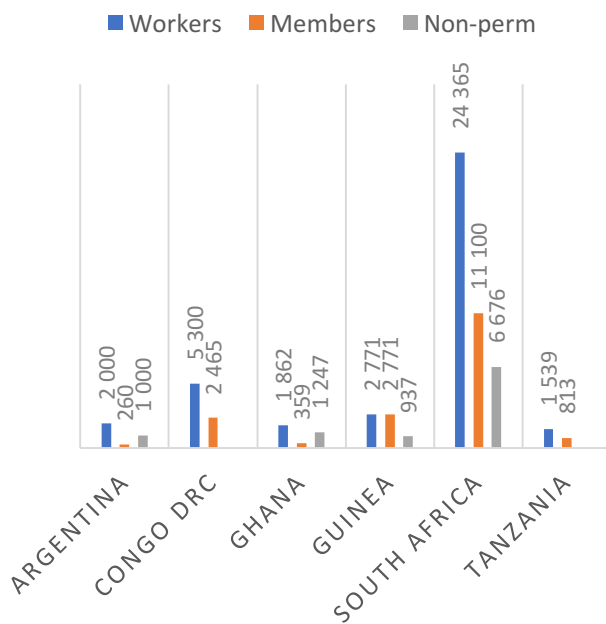
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<b>Sub Totals</b>	36400	13849	38%
<b>Grand Total</b>	50249		

Source: AGA, IR, 2016

While we do not have the data to quantify the trend, non-permanent and outsourced employment appear to be a significant reality at AGA operations. The network offers the GUF a place to facilitate intelligent debate about how trade unions can organise and represent workers in precarious forms of employment. Organising these workers is not a threat to established union members. On the contrary, it is a way of preserving the core of full-time permanent employment, by ensuring that growth in employment on the periphery does not undermine the core.

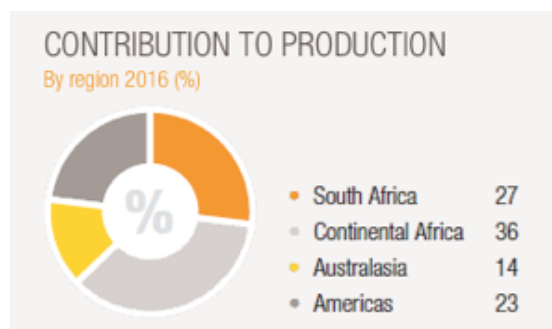
**WORKERS, WORKERS, WORKERS  
ANGLOGOLDASHANTI, 2017**



The GUF should follow up on efforts to track membership numbers over time and to clarify some of the initial estimates. This provides a benchmark in the future. It can help the affiliate and the GUF understand regional and operational trends as well as help assess the impact of initiatives that attempt to influence membership and recruitment.

## Regional Dynamics

Continental Africa is the largest contributor to AGA production, accounting for over a third (36%). Both the Americas and Australasia contribute about a quarter 23% and 27% respectively. All three regions have a far lower ratio of employment to production than South Africa. The GUF and its affiliates are best positioned to reflect on this and understand the strategic implications for the future.



## Collective Bargaining and Information Management

Systems for managing key documents such as collective bargaining agreements, procedural and recognition agreements will aid the GUF and its affiliates in network building, research, the design of educational initiatives and succession strategies for dealing with turnover in within affiliates in the future. A small example is that a library of CBAs would enable multiple avenues of research and education in the future as the GUF and its affiliates are able to draw on resources that describe conditions of service, remuneration, procedural arrangements and company performance. As a start, the LRS will make all the agreements collected through the network available online at [www.lrs.org.za/agreed](http://www.lrs.org.za/agreed) as an online, anytime resource to the GUF and its affiliates.

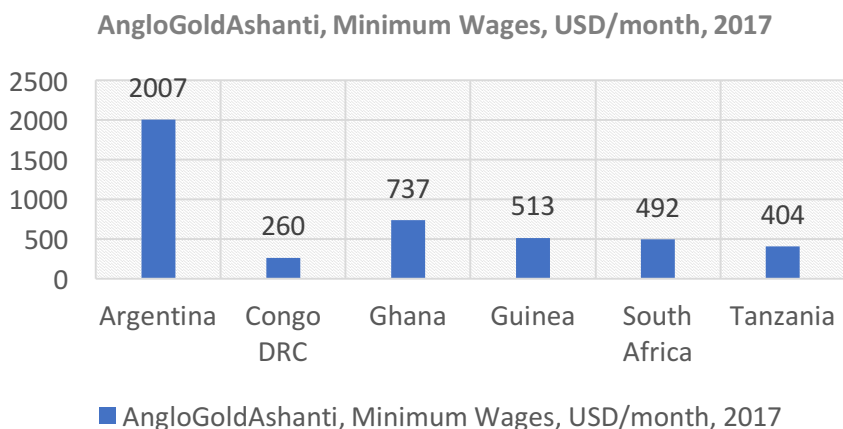
The problem of language is one that recurs in global networks of this kind and word for word translation services are prohibitively expensive. The GUF and perhaps its affiliates could attempt to source allies, either within their own ranks, or in international and regional formations such as the ITUC, that could collaborate with labour support organisations such as the LRS and assist in extracting key information from agreements. French and Spanish present themselves as the most common language of collective agreement outside of English.

A CBA should be a detailed resource that aids trade union representatives in servicing workers and monitoring policy and implementation. Trade unions must constantly ask, what is addressed in the CBA and what is not addressed in the CBA?

## Wages

There appears to be significant variation minimum wages at AGA operations. If the GUF and its affiliates is intent on interrogating pay relativities at AGA operations we recommend that space be created in the coming network meetings to tackle this issue in a systematic way.

The knowledge of union representatives will be required to map out the different occupations and to match similar occupations that have different names. Then the appropriate wage data can be added to this map. In this way, it will be possible to compare jobs and match pay properly. This will give the GUF and its affiliates a clearer sense of how pay differs across the global operations of the company.



## The Network space as a learning space

What is required to build affiliates? What do affiliates need to build power? Networks such as the AngloGold Ashanti share a challenge and opportunity for taking action beyond the confines of the network meeting itself. The network role players would do well to explore projects or interventions that would support the network participants between meetings. With the support of the LRS and other labour support organisations there is an opportunity to mobilise further resources to get the network active between meetings. There is a need to invest in ideas that may then take the form of project proposals that can be used to raise supporting funds.

The network is an opportunity for affiliates to acquire practical knowledge that supports core functions of bargaining organising. As an example, the network can facilitate discussion

and sharing on key conditions of service that affiliates are grappling with and how are they dealt with in other operations and regions. The network can be a place that responds to affiliate questions about how negotiations at other operations are conducted and how affiliates at other operations motivate their demands. In this way, the network is a space for sharing and learning about practical strategies.

We recommend that the GUF look to implement a learning intervention that can run between network meetings and keep the network active in this way. The network meeting could serve as a place to establish the kinds of content areas that affiliates believe would help them build capacity. The LRS and others can assist with the design of the course and there is an interactive online learning platform for workers, the Online Labour Academy (hosted by IFWEA) that can be used to host such an initiative.

This presents a cost-effective and profound way of cultivating a layer of representatives who can take the work further into their unions. There is no restriction on what subject areas can be pursued and it is important that the focus is a pedagogical one, that views workers as the primary agents of their own learning, and is geared at equipping them to face the challenges and opportunities they face where they are located.