



Corporate governance

THE BOARD

The board is committed to guiding the strategic and entrepreneurial development of the group and supports the principle of collective responsibility for the success of the company. The majority of the board comprises independent non-executive directors. The non-executive directors have during the past financial year continued to provide an independent assessment of the activities of the group and its management, including the integrity of financial information and the group's system of internal control and risk management.

This section of the annual report provides a description of how the company has applied the principles set out in Section 1 of the 2003 Combined Code ("the Combined Code"). Except as noted below, the company has complied with the provisions set out in Section 1 of the Code throughout the year ended 31 December 2005.

A regular schedule of meetings deliberates on matters which are reserved for specific consideration. The board has reserved, for its sole discretion, the finalisation and adoption of the group's strategic plan, major fiscal policies, approval of all mining developments and of any merger and acquisition. The day to day management of the business has, however, been delegated to management. The board acknowledges that there are instances when independent non-executive directors should meet without the presence of executive management to deliberate on issues affecting the group. During the past financial year such meetings have occurred on several occasions.

In accordance with the Combined Code, the responsibilities of chairman and chief executive officer are separated. The performance of the CEO is assessed annually by the board in line with guidelines laid down according to set and agreed criteria. The board has acknowledged that the chairman is responsible for the leadership of the board and to ensure that effective communications exist between the executive and non-executive directors. The role of the senior independent non-executive director has evolved and the incumbent has been delegated as the contact for the company's whistle blowing procedure. The group has not appointed a nomination committee as it is the policy for details of a candidate to be distributed to all directors for formal consideration at a full meeting of the board. A prospective candidate would be invited to attend a board meeting and be interviewed before any decision was taken. This approach is considered appropriate in light of the small size of the board but this policy is kept under review.

The audit and remuneration committees consist solely of independent non-executive directors. Details of the composition and the activities of both are contained hereafter or in the subsequent report of the remuneration committee. The structure and timing of the company's board meetings, which are scheduled over two days, allows adequate time for the chairman to interact with the non-executive directors without the presence of the executive directors. At present, the board does not have a formal process for evaluating its own performance and that of its committees and individual non-executive directors. However, it is considering the introduction of such a system.

"The board is committed to guiding the strategic and entrepreneurial development of the group."

Directors	Designation	Number of meetings attended	Total number of board meetings
■ P Liétard	Non-executive chairman	7	7
■ DM Bristow	Chief executive officer	7	7
■ RA Williams	Chief financial officer	7	7
■ BH Asher	Senior independent non-executive	7	7
■ J-A Cramer	Independent non-executive	6	7
■ RI Israel	Independent non-executive	6	7
■ AL Paverd	Independent non-executive	7	7

During the year, the board met seven times and a sub-committee of the board met twice. Attendance at the formal board meetings is recorded above.

Under the terms of the Code, the following potential threats to the independence of the non-executive directors have been identified:

(a) Dr Paverd has served as director since 1996 - however, other directors consider that the objectivity and nature of his contribution to the board and committee discussions are fully consistent with those of an independent director; and (b) during the year all held options under the company's share option scheme, which were awarded in 1998 (some of which were exercised during the year). The board does not believe that this interferes with the independence of the non-executive directors, but does not intend to grant any additional share options to non-executive directors. All non-executive directors own shares in the company, which aligns their interests with those of shareholders.

The company's CEO has been granted a rolling three-year service contract, which the board deems to be in the best interest of the company and its shareholders.

The company holds its annual general meeting in conjunction with a board meeting, thereby ensuring that members of the executive, the senior independent director and the chairmen of the board committees are available to answer any queries that shareholders might raise. When new non-executive directors are appointed, their terms and conditions of appointment will be available for inspection at the company's annual general meeting. The current terms and conditions of appointment of the executive directors will be available for inspection at the annual general meeting.

The job specifications for the chief executive officer and chief financial officer have been formally approved by the remuneration committee and the board. These are reviewed annually. With the change in status of the

chairman from an executive to non-executive, the role and duties have altered. Currently, a revised job specification is being finalised which will include a process of evaluation of his performance.

The board operates in a field which is technically complex and directors are provided with information which enables them to fulfill their duties. Visits to the operations and technical presentations provided by management and the company's advisers are used to further their knowledge in various areas of specialisation. These updates include matters on corporate governance. Induction courses take the form of presentations made to the board and site visits. Information necessary to update the board on the company's activities and corporate governance arrangements is made available through the offices of the company secretary. Directors are regularly invited to attend company presentations to shareholders and investors to encourage interaction with the market. All directors have direct access to independent professional advice when they deem that such assistance is necessary in the furtherance of their responsibilities.

In accordance with the provision of Companies (Jersey) Law 1991 and the articles of association, directors are required to submit themselves to re-election. Any newly appointed director is subject to election by shareholders at the first annual general meeting after his/her appointment. Thereafter, by rotation, the entire board is subject to re-election every three years. Currently, three of the non-executive directors have served on the board since 1997, and Dr Paverd has served as a director since 1996.

The articles of association do not specify any age limit for directors to retire nor is there any restriction about the period of service. The board will reconsider its composition for future years and may introduce an age limit for directors, fixed periods of appointment or a maximum period of service for non-executive directors at some point in the future if it deems this appropriate.

Currently, the company allows directors to take up other board appointments where these are not in conflict with the company. Such appointments are discussed at board meetings and it is the policy that any fees that accrue should be retained by the director concerned. During the year 2005, Dr Bristow received fees of £23 433.00 for his services to African Platinum plc. There are no recent letters of appointment for individual directors. The expected time commitments involved in serving the company are regularly discussed.

ACCOUNTABILITY AND AUDIT

The Companies (Jersey) Law, 1991, and Combined Code require, and the board acknowledges, that it is responsible for presenting a balanced and understandable assessment of the company's and the group's position and prospects. This extends to the preparation and publication of the annual report and any other release of information, price sensitive or otherwise.

The financial statements set out in this report have been prepared by management in accordance with International Financial Reporting Standards and are based on accounting policies that the board considers appropriate, supported by reasonable and prudent judgements and estimates.

The directors are of the opinion that the financial statements fairly present the financial position of the company and group as at 31 December 2005, and the consolidated results of operations and cash flows of the group for the year then ended. The directors have continued to adopt the going concern basis in preparing the financial statements because the directors are satisfied that the group and company have adequate financial resources available to ensure their continued operational existence for the foreseeable future.

The group has operated a code of ethics since its United Kingdom listing in July 1997. The code has been updated to have specific reference to the company's financial managers and the chief executive officer. A copy of the code is available on the company's website: www.randgoldresources.com.

INTERNAL CONTROL

The group maintains a business control framework that documents the key business risks, together with the related operational and financial compliance controls. The business control framework is regularly reviewed and updated by management, who report quarterly to the board on any issues which might affect the risks and controls. The board acknowledges that it has responsibility for the ongoing review and update of the business control framework and believes that, through the procedures noted above and below, it has complied with the requirement of the Code to review the effectiveness of the group's system of internal controls at least annually.

The company's auditors also act as auditors for Loulo and Morila and the findings from the audits are communicated to the audit committee. AngloGold Ashanti's internal audit department conducts regular audits of the Morila mine and copies of these reports are submitted to the company's audit committee for consideration. Given its size, the group does not have a separate internal audit department. However, executive management undertake regular audits of various parts of the Morila mine and details of their reports are submitted to the audit committee and board for comment. A similar programme will be introduced for Loulo going forward. Financial and technical audits of the company's branch offices and major assets are regularly conducted. The board notes that no cost effective system will preclude all errors and irregularities and so the group's system of internal controls provides reasonable, but not absolute assurance, against material misstatement or loss.

Details of the key risk factors which might affect the activities of the company are contained in the Form 20-F annual report filing for the period to 31 December 2004, and this document can be obtained from the company's website: www.randgoldresources.com.

AUDIT COMMITTEE

The audit committee comprises three non-executive directors all of whom are considered independent.

Members	Appointed
BH Asher (Chairman)	15 July 1997
■ J-A Cramer	15 July 1997
■ AL Paverd	1 May 2000

Two of the members have considerable years' experience in the financial services sector and the other has extensive experience in the mining industry. The board believes that this level of expertise is sufficient to meet the standards imposed by the Combined Code, even though none of the members has "recent and relevant financial experience". If issues arose which were deemed outside the areas of expertise of the audit committee independent professional advice would be sought by the committee.

During the year, the committee has met eight times and attendance at the meetings was as follows:

Members	Number of meetings attended
■ BH Asher (Chairman)	8
■ J-A Cramer	7
■ AL Paverd	7

Mr Asher, the senior independent non-executive director, receives a fee for his services as senior independent non-executive director and is not paid an additional fee for services to any board committees. Details of the fees paid to Mr Asher are contained on page 38 while Dr Paverd and Mr Cramer were paid US\$35 000 each during 2005 for their services to the audit committee.

The committee makes recommendations to the board in relation to the appointment, re-appointment and removal of the external auditor as well as the remuneration and terms of engagement of the external auditors. The actual appointment of the external auditor is subject to the approval of shareholders at the annual general meeting.

The committee reviews and monitors the external auditor's independence and the objectivity and effectiveness of the audit process. This is undertaken within the framework of a detailed audit charter. A copy of the audit charter is available on the company's website: www.randgoldresources.com.

The committee reviews the company's published results, the effectiveness of its systems of internal control, legal and regulatory compliance including the Sarbanes-Oxley Act, and the cost effectiveness of the services provided by the external auditors. The audit committee has implemented a policy regarding the provision, and pre-approval thereof, of non-audit services by the external auditors and this mandate is reviewed annually.

The committee meets regularly and this includes quarterly meetings which are used to consider and approve the company's quarterly results. The external auditors are regularly invited to attend meetings to report on their activities. The committee also meets with the external auditors, independent of the executive directors or management, where this is deemed necessary.

The Sarbanes-Oxley Act of 2002 required companies to establish "whistle-blower" systems. The geographical spread of the group's activities, particularly in remote West African locations, makes the establishment of such systems complex. It was felt appropriate for the senior

independent director to be the first point of contact in the company's whistle blowing procedure. In the event of an issue being raised, independent consultants would then be employed by the senior independent director to investigate any alleged irregularity.

The audit committee continues to oversee the group's preparation for compliance with the requirements of section 404 of the Sarbanes-Oxley Act, which will apply to the 31 December 2006 year end. The board believes that the group is well placed to meet these requirements and intends engaging a firm of accountants (not involved in the external audit) to help in assessing whether its internal financial controls are designed and operating effectively.

SHAREHOLDER COMMUNICATIONS

The board acknowledges responsibility for maintaining effective communications with all shareholders. The CEO, the corporate communications manager and the company's investor relations consultants prepare a quarterly report for the board detailing the activities and presentations given to shareholders. Besides attendances at various industry conferences, a minimum of two roadshows during the year are undertaken to enable company representatives to interact directly with shareholders and other interested parties. The board believes that with the increasing use of the internet and inclusion of the company's announcements and publications being placed on its website, that this is an appropriate method of communication with shareholders. The board encourages shareholders to access the annual report from the website rather than having this sent by post in printed form.

The board believes that the annual general meeting is an appropriate forum for contact with shareholders and encourages their attendance and participation.

In order to reflect the sentiment of shareholders at the annual general meeting, it has been an unwritten policy that all resolutions should be considered by way of a ballot poll and the number of proxies received disclosed to the members in attendance.