

COMMUNITIES

SOCIAL AND LABOUR PLANS

Relevant Global Reporting Initiative indicators: G4-EC4

Harmony's South African operations are governed by approved mining rights, each of which is bound by an agreed and approved social and labour plan. Our social and labour plans include local economic development initiatives executed in terms of the Mining Charter, the Mineral and Petroleum Resources Development Act and the codes of good practice for the minerals and mining industry. Refer to our *Mining Charter Compliance Scorecard* for the current status of our achievements in terms of the targets detailed in the Mining Charter 2014.

We identify appropriate local economic development initiatives and projects through stakeholder engagement and in partnership with communities, government departments, municipalities, educational institutions, non-governmental organisations, and the governments of Lesotho and Mozambique.

For the five-year social and labour plan cycle ending December 2017, our social and labour plan commitments entailed total planned expenditure of R844 million (US\$57.3 million) by government and Harmony, of which, as at 30 June 2017, R494 million (US\$38.0 million) had been spent (FY16: R430 million; US\$33.3 million). Of this, R418 million was spent on mine community development projects, which included R303 million from government for two legacy projects, the conversions of the Masimong and Merriespruit 3 hostels into residential units.

As our social and labour plans are aligned with local municipal integrated development plans, we ensure we make relevant and sustainable contributions to local communities. At regular Harmony-led community forums, stakeholders meet to discuss and agree on key projects for host communities. The aim is to identify and develop industries lacking in the local economy as well as the enterprises necessary to service those industries.

As a result of somewhat improved levels of profitability at certain mines in FY17, expenditure on local economic development in South Africa increased to R24 million or US\$1.7 million in FY17, after a decline in FY16 (FY16: R17 million or US\$1.2 million).

Several local economic development projects are underway in labour-sending areas, and an agreement is in place to provide home-based care to medically incapacitated employees in all areas.

SOCIO-ECONOMIC INVESTMENT

Relevant Global Reporting Initiative indicators: G4-SO1 and G4-SO2

We are committed to the sustainable socio-economic development and well-being of our host communities long after mining has ceased. We endeavour not just to comply with laws and regulations but to conduct regular meetings with stakeholders, such as government and community leaders, to address concerns, grievances and misperceptions.



Free State surface operation



Kili Teke exploration



Papua New Guinea

EMPLOYEES AND COMMUNITIES CONTINUED

Annual local economic development spend

	FY17		FY16		FY15	
	R million	US\$ million	R million	US\$ million	R million	US\$ million
South Africa	24	1.7	17	1	63	6
Papua New Guinea	3	0.2	1	0.1	1	0.1
Harmony – total	27	1.9	18	1.1	64	6

Sustainable human settlement initiatives

Harmony makes available land to provincial and local governments for the development of integrated human settlements. On the West Rand, land valued at R7 million in Mohlakeng Extensions 13 and 14 was donated to the province of Gauteng. To date, 1 200 houses have been built in line with government's reconstruction and development programme. An updated housing programme, based on government's breaking new ground housing strategy, aims to promote an integrated society by developing sustainable human settlements and quality housing within a subsidy system for different income groups. An additional 291 units are currently under construction. Of these, qualifying Harmony employees will be entitled to 100 units, as part of the land availability agreement with the province.

In support of the housing project, an industrial development initiative with local stakeholders is in underway. Harmony will lease land adjacent to the housing project for the establishment of a motor industry-related industrial hub. This project will provide economic and job opportunities for the area.

In addition, existing mine houses are sold to employees at discounted selling prices. To assist with affordability, a pension-backed loan scheme is being facilitated by the company. To date, more than 100 houses have been sold through this scheme, which is open to all employees.

In the Free State, Harmony is funding three spatial development frameworks in conjunction with the respective municipalities. These are the Masimong-Thabong, Virginia Core Area and the Merriespruit spatial development frameworks. The function of these frameworks is to include mining infrastructure and mine housing into the municipal areas. These initiatives will create home-ownership options for employees and job creation for the communities.

Harmony also makes available 'social leases' to businesses and organisations. These are redundant mine buildings that are rented at below-market rates to assist small, medium and micro enterprises, and charity organisations with affordable accommodation. Such buildings have also been donated to schools and orphanages.

Corporate social responsibility

Our corporate social responsibility policy recognises the need for socio-economic investment in South Africa and Papua New Guinea, starting with the broader communities in which we operate, and our activities are considered, approved and monitored at board level by the social and ethics committee.

In FY17, Harmony spent R11 million or US\$0.8 million (FY16: R9 million; US\$0.6 million) on corporate social responsibility projects, including the funding of development programmes for small, medium and micro enterprises.

In all, 375 jobs were created in South Africa during the year (FY16: 324). Details of upliftment projects are available at www.harmony.co.za/sustainability.

South Africa

In FY17, Harmony spent R10 million on corporate social investment in South Africa, mostly on education, socio-economic development projects, sports, broad-based black empowerment and enterprise development, and health.

The five largest projects of FY17 were:

- Construction of eight classrooms at the Leboneng Special School in Welkom (R1.8 million)
- Construction of a multi-purpose sports court in Soweto (R1.5 million)
- Sewing project – Doornkop Phuthadichaba Organisation (R235 000)
- Sugar honey bee farming project (R198 000)
- Mandelaville vegetable gardening project (R158 000)

In selecting projects and compiling our strategy on corporate social investment, we conduct research, consult with the communities to understand their need and requirements, and we engage with various municipal structures.



Donation to support education



Bee farming project



Sewing project – Itekeng community-based care

Ongoing corporate social investment includes our sponsorship of the National Science Olympiad Awards and Enactus. Harmony has been the chief partner and sponsor of the National Science Olympiad event since 2009, contributing more than R16 million over the years towards identifying talent, encouraging excellence in maths and science, and stimulating interest in the science subjects.

Harmony, a platinum level sponsor of Enactus for 11 years, has contributed more than R22 million to this initiative to date. In FY17, 2 839 students representing 74 community outreach projects around the country participated in the national Enactus competition. The national championship was won by the University of Zululand, which represented South Africa at the Enactus World Cup in London in September 2017.

Harmony is continuing to fund research into specific rock engineering issues at the University of Pretoria in support of providing a safer working environment in deep-level hard rock mines. In FY17, we contributed R5 million (US\$0.4 million) to this research project.

Papua New Guinea

In Papua New Guinea, regulatory control vests in a memorandum of agreement between Harmony, various national, regional and local governments, and the Hidden Valley landowner association with similar social commitments to those in South Africa. Corporate social responsibility projects and programmes are considered, approved and monitored by the head of our South-east Asian operations.

Corporate social responsibility expenditure remained focused on health, education, agriculture and infrastructure in FY17. Harmony's infrastructure programme at the Hidden Valley mine focuses on constructing, repairing and upgrading roads, bridges, educational facilities, health facilities and water supply in the landowner and local community villages.

Two social responsibility programmes for the Wafi-Golpu project are showing positive results:

- An adult literacy and numeracy pilot programme started in 2014 with most participants being women. In addition to being able to

read bibles in church services and write short stories, women are also gaining confidence in speaking at community meetings about subjects affecting their livelihood

- Assistance has been provided to the Lower Watut cocoa farmers who are now selling up to 300t of cocoa beans annually, which is approximately double their historical production level. In 2015, their cocoa beans were ranked top five in the world by the International Cocoa of Excellence show in Paris, France and in 2017 a Lower Watut cocoa fermentary received a bronze award at a country-wide cocoa show. See *Noteworthy action*.

Agriculture development programme

During FY17, community training was conducted in six local villages, with a total of 129 people being trained in coffee husbandry and quality control. Six model solar dryers for coffee processing were constructed.

Terms of reference were developed for coffee and fresh produce farmers. An external resource was invited to bid for this exercise.

Community education programmes

A team comprising representatives from both government and Hidden Valley visited various schools and health facilities in the villages of Nauti 1, Nauti 2, Manki Tawa, Yokua Kaisenik, Nato, Pararua and Menianda. In addition, basic stationery, library books, text books for the standard-based curriculum, as well as volley balls were delivered to local elementary and primary schools.

Harmony supported elementary schools in the Bulolo District by sponsoring the supply and delivery of Tutu Desks. In all, 900 desks were delivered to the schools. Harmony's South-east Asia executive committee attended the launch of this programme.



Papua New Guinea



Coffee farmers in Papua New Guinea

EMPLOYEES AND COMMUNITIES CONTINUED

Community projects

Six water supply projects, with a total budget of R3 million (US\$0.2 million), were approved by the Benefit Sharing Agreement Trustees for the principal Hidden Valley landowner villages including: Nauti, Kwembu, Winima, Greenhill, Akkikanda and Minava. Three of the projects (Nauti, Kwembu and Greenhill) have been completed, two are in progress and one is yet to start. Once completed, these water projects will benefit a population of 2 200 people.

Other projects to which Harmony is contributing in Papua New Guinea:

- Maintenance of critical sections of the Lae-Bulolo highway
- Fencing of the Wau Airstrip and grading of an alternative road access to Wau
- Contributed to outstanding power bills for the Wau Hospital
- Sponsored the Lae-Bulolo-Wau leg of the World Cup Rugby League tour



PROCUREMENT

Relevant Global Reporting Initiative indicators: G4-LA15 and G4-SO10

Extending our supplier network to include emerging businesses enables a more equitable distribution of economic benefits.



NOTEWORTHY ACTION

Lower Watut cocoa farmers project

In Papua New Guinea, Harmony through the Wafi-Golpu project joint venture, has been providing training and assistance to the Lower Watut Farmers' Co-operative Society in Morobe Province since 2010. Around 1 000 farmers in 42 cluster groups from 10 villages make up the Lower Watut Farmers' Co-operative Society. Their aim now is to further increase yields and the quality of the cocoa beans produced and to begin export to global markets.

The Wafi-Golpu joint venture has also assisted with the supply of 150 000 hybrid seeds. The cocoa farmers began harvesting these hybrids in 2014 and production has steadily increased – from less than 150t of cocoa beans in 2010 to around 300t annually. The hybrid seeds are expected to last for another 15 years before they need to be replaced. The joint venture will soon oversee the installation of five new fermentaries to supplement the three provided in 2013. Once set up, the fermentaries will further increase production. For further detail on the cocoa farmers' project, see www.harmony.co.za/sustainability.



South Africa

Our preferential procurement strategy complies with legislation, and procurement processes and expenditure are governed by our group strategy and policy. We support this approach by helping to develop the business management skills required for emerging enterprises to succeed.

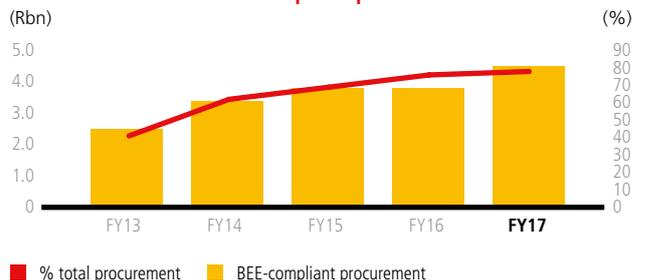
Our preferential procurement strategy encompasses:

- regional enterprise development centres, which make it easier for qualifying suppliers to do business with our company
- amending tender policies to help Harmony meet Mining Charter requirements
- measuring each mine's procurement from historically disadvantaged South African entities against targets in the Mining Charter scorecard
- small, medium and micro enterprises and/or historically disadvantaged South African-compliant vendor development aimed at maintaining acceptable standards

Our preferential procurement strategy promotes expenditure with companies recognised as black economic empowered entities under the Mining Charter.

In FY17, procurement expenditure with black economic empowerment (BEE) entities was R4.4 billion or US\$323 million (FY16: R3.4 billion or US\$0.2 billion); equivalent to 78% (FY16: 76%) of total discretionary spend.

South Africa: Annual BEE-compliant procurement



South Africa: Our performance in relation to the Mining Charter's black economic procurement targets as a percentage of total spend:

Category	Mining Charter target	FY17*	FY16*	FY15*
Capital goods	40	78	81	76
Services	70	80	79	70
Consumables	50	78	76	66

* Calculation is based on Harmony's financial year.

Papua New Guinea

As agreed with government authorities (local, regional and national), landowners and communities, we issue contracts to local companies wherever possible.

Supply expenditure by Harmony in FY17 amounted to R2.7 billion or US\$198 million (FY16: R2.9 billion or US\$203 million) of which R1.0 billion or US\$75.4 million (FY16: R1.8 billion or US\$123 million) was expended in Papua New Guinea. Of this amount, R725 million or US\$53.3million (FY16: R734 million or US\$51 million) was spent in Morobe Province on goods and services. Contracts were awarded by Harmony to local landowner companies for catering, fuel haulage, general freight, plant hire, security, labour hire, cleaning, rehabilitation and bus services.

ENTERPRISE AND SUPPLIER DEVELOPMENT

South Africa

Harmony established the Phakamani and Leano small business funds in all host communities in South Africa to fund and promote small, medium and micro enterprise development. Since inception, Harmony's visibility in the host community has increased significantly and the Leano initiative has approved 35 transactions with a total value of R6.8 million.

During FY17, Harmony established the Soweto-Doornkop Hub and the first local company has been selected for funding. Interactive campaigns were also conducted in the mining communities of Matjhabeng and Masilonyana in the Free State to promote awareness among local entrepreneurs on this funding initiative/programme.

Since inception, the Leano initiative has supported 29 enterprises. In all 14 women and 14 youth entrepreneurs are being assisted. Two workshops, attended by 14 entrepreneurs, were held and six companies are currently being mentored on a full-time basis.

To date, four companies are being funded by this initiative and are under incubation – three engineering businesses and one armature rewinding business. Two of these are youth-owned. In addition, a women-owned business producing aachaar is also being funded.

Papua New Guinea

In line with Hidden Valley's current memorandum of agreement, Harmony continues to offer and encourage business development opportunities to landowners. Similar opportunities are expected to be available with the proposed development of the Wafi-Golpu project.



Papua New Guinea exploration



Joel



Papua New Guinea exploration