

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.

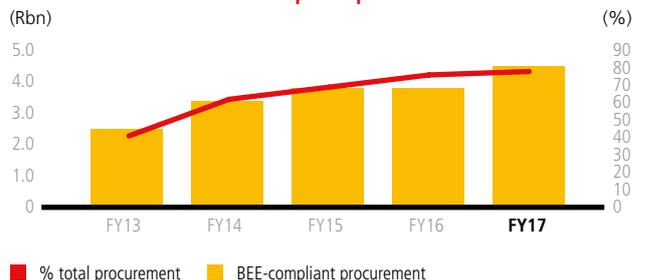
Our preferential procurement strategy encompasses:

- 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