# Preferential Procurement Policy

Policy for the Preferential Procurement of Goods, Services and Equipment in Support of Local Procurement and Black Economic Empowerment Initiatives

**Custodian:** Head: SA Region Supply Chain

**Policy Number:** SARSC/PP/001  **Effective Date:** 01 August 2013

**Department:** SA Region Supply Chain

<table>
<thead>
<tr>
<th>Criticality Level:</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Assessment:</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

**Compiled By:**

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
<th>Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abel Mudau</td>
<td>Senior Manager: SAR Supplier And Enterprise Development</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Approved By:**

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
<th>Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zak Von Gordon</td>
<td>Head: SAR Supply Chain</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Authorised By:**

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
<th>Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shawn Snell</td>
<td>VP: SAR Finance and Commercial Services</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table of Contents**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Introduction</td>
<td>2</td>
</tr>
<tr>
<td>2. Policy</td>
<td>2</td>
</tr>
<tr>
<td>3. Purpose and Application</td>
<td>3</td>
</tr>
<tr>
<td>4. Acceptance of Policy</td>
<td>3</td>
</tr>
<tr>
<td>5. Decisions, Waivers and Questions</td>
<td>3</td>
</tr>
<tr>
<td>6. Delegation of Authority for the Implementation of Policy</td>
<td>4</td>
</tr>
<tr>
<td>7. Responsibilities</td>
<td>4</td>
</tr>
<tr>
<td>8. Preferential Procurement Scorecard</td>
<td>5</td>
</tr>
<tr>
<td>9. Approach and Mechanisms</td>
<td>6</td>
</tr>
<tr>
<td>10. Supplier Development and Support</td>
<td>8</td>
</tr>
<tr>
<td>11. Penalties for Abuse of BEE Programme</td>
<td>9</td>
</tr>
<tr>
<td>12. Review of Policy</td>
<td>9</td>
</tr>
<tr>
<td>13. Non-Compliance</td>
<td>9</td>
</tr>
</tbody>
</table>
1. INTRODUCTION

The objective of the South African government’s strategy on broad based socio-economic empowerment charter for the Mining and Minerals Industry is the achievement of a vision of an adaptive economy characterised by growth, employment and equity by 2014 and beyond. Black Economic Empowerment is a deliberate socio-economic process or intervention strategy designed to redress the imbalances of the past and to facilitate the participation of Historically Disadvantaged South Africans (HDSA) in the mainstream economy.

AngloGold Ashanti not only supports the government’s objectives and in fact talks to one of its core values, “the communities and societies in which we operate will be better off for AngloGold Ashanti having been there”, in this regard. As an industry leader in the mining sector AngloGold Ashanti is one of the largest buyers of goods and services and consequently has the responsibility to leverage its purchasing power in support of the government’s economic transformation objectives, within the context of the Black Economic Empowerment Policy framework and the prevailing legislative mechanisms.

In pursuance of implementing a robust BEE initiative, AngloGold Ashanti has resolved to implement a comprehensive preferential procurement programme aimed at empowering qualifying BEE entities, as part of its normal procurement activities.

2. POLICY

The Preferential Procurement Policy seeks to promote BEE and local procurement across all AngloGold Ashanti mining operations in South Africa to ensure adherence to the provisions of section 100(2)(a) of the Minerals and Petroleum Resources Development Act No.28, 2002, herein referred to as the Mining Charter and the Broad Based Black Economic Empowerment (BBBEE) Act No. 53, 2003 and its Codes of Good Practice promulgated during February 2007, as amended.

In pursuit of this policy, the primary task of the procurement team to find reliable and cost effective BEE suppliers for the company, shall remain unchanged.

In the case of AngloGold Ashanti’s South African operations, local shall mean, as per provisions and intent of the Mining Charter:

- In the first instance procurement within the South African National Borders,
- In the second instance procurement within the Provincial Borders in which the Mines operate,
- In the third instance procurement within the jurisdiction of the immediate District Municipality in which the mines operate (commonly referred to as local to site).

Particular attention is required by procurement functions when considering tenders, third party contracts, suppliers and their supply chains to ensure increased participation of the HDSA in the procurement value chain. While we do not have a direct influence over our supplier’s
operations, we look to engage with them and demonstrate the need for compliance with the prevailing transformation objectives and legislation.

3. PURPOSES AND APPLICATION

3.1. Application

The Policy applies to all procurement activities undertaken by full time, contract or part-time employees and representatives of AngloGold Ashanti companies for the acquisition of goods, equipment and services, whether once-off or in long-term contractual commitments with suppliers. Furthermore, the policy shall be extended to any joint ventures entered into with third parties wherein AngloGold Ashanti is confirmed as the operator. In respect of joint ventures, where AngloGold Ashanti has minority interest, the joint venture agreement governs the extent to which this policy applies. (Representatives include consultants, advisors, agents and all who represent the company)

3.2 The purposes of the policy are to:

3.2.1 Set framework to direct and guide BEE initiatives in the procurement value chain of AngloGold Ashanti to ensure consistency and compliance with the legislative requirements;

3.2.2 Institutionalise preferential procurement from qualifying BEE and local suppliers and to formalise and influence procurement behaviour that is consistent with the strategic intent of AGA in regard to BEE participation and transformation of societies within which we operate;

3.2.3 Institutionalize Enterprise Development initiatives to increase the access of black businesses in the mainstream procurement opportunities, as well as promote entrepreneurship in black communities and development of future sources of supply;

3.2.4 Formalize the setting of annual preferential procurement goals, monitoring, evaluation and reporting thereof by all relevant AngloGold Ashanti operations;

4. ACCEPTANCE OF THE POLICY

Every employee and representative involved whether directly or indirectly with the acquisition of goods, equipment and services shall be required to review this Policy; acknowledge that he/she understands the content and agrees to be bound by it.

5. DECISIONS, WAIVERS AND QUESTIONS

5.1.1 Executive directors, Executive Vice-Presidents, Senior Vice-Presidents, Vice-Presidents, General Managers and Heads of Departments shall have the authority to make decisions, take measures, give directions and provide guidance as may be considered appropriate for implementing and enforcing this Policy including managing or resolving deviations where applicable. This authority shall be exercised after due consideration of all relevant factors and in consultation with the Head of SA Region Supply Chain.

5.1.2 In the event of extraordinary situations where policy deviation is deemed necessary, pre-approval shall be required from the Head of SA Region Supply Chain. Any such deviation will not be construed as forming a precedent for future deviations of the same nature. Any non-authorized deviations will be dealt with in terms of the AngloGold Ashanti’s disciplinary code.
5.1.3 A waiver or suspension of any provision of this Policy may only be granted by the COO: SA Region.

5.1.4 If you have questions concerning this Policy, require guidance or clarification about how it applies to specific situations you should contact the Senior Manager: Supplier and Enterprise Development or; if you know of, believe in good faith or reasonably suspect a violation of this Policy; or if you know of actions that are taking place or about to take place that will violate this Policy, you should contact Head of SA Region Supply Chain or report to your manager, Legal Counsel, Group Forensics Manager. Alternatively, you may use the company’s whistle blowing facility to make a report for investigations to be conducted.

6. DELEGATION OF AUTHORITY FOR THE IMPLEMENTATION AND ADMINISTRATION OF THE POLICY

The Head of SA Region Supply Chain has oversight and responsibility of all procurement processes and activities implemented within AngloGold Ashanti SA Region Supply Chain function. This include inter alia the administration of quotations and tenders, drafting of tenders and procurement contracts, pre-qualification of suppliers, negotiation of contracts with suppliers, conduction of due diligence audits on high risk suppliers and contractors, drafting and approval of procurement standards, drafting and approval of letters of invitation and engagement of suppliers, the power to procure goods and services within levels of Authority, issuing of purchase orders and documentation and reporting requirements in terms of the procurement standards and procedures.

7. RESPONSIBILITIES

7.1. HEAD OF SA REGION SUPPLY CHAIN

The responsibilities of the Head: SA Region Supply Chain shall include, but not limited to:

- Champion of Preferential Procurement
- Ensuring on-going commitment and support
- Approval of agreed annual targets
- Ensure that preferential procurement is included in the performance appraisal of all relevant personnel
- Provide resources for the successful implementation of preferential procurement
- Review of target and implementation progress.

7.2. SENIOR MANAGER: SUPPLIER AND ENTERPRISE DEVELOPMENT

The Senior Manager: Supplier and Enterprise Development has the responsibility for:

- Custodianship of preferential procurement
- Development and review of preferential procurement policies and strategies
- Monitor and report implementation progress
- Ensure consistency in communication and interaction with internal and external stakeholders.
7.3. **HEADS OF DEPARTMENTS (HOD)**

The responsibilities of the HOD shall include:

- Ensuring that agreed upon targets are met within their respective regions / departments.
- Ensuring that targets are part of their performance management measurement.
- Providing resources specific to their areas of expertise to the development of Black Enterprises.

7.4. **CATEGORY MANAGERS**

The Category Managers have the responsibility to:

- Ensure accessibility of procurement opportunities to BEE Entities
- Set targets for BEE and monitor buyers and sourcing personnel.
- Provide periodic reports as determined from time to time on targets.
- Motivate their personnel to source goods and services from businesses from BEE Entities.

8. **PREFERENTIAL PROCUREMENT SCORECARD**

AngloGold Ashanti will measure its Preferential Procurement performance using the requirement stipulated in the Revised Mining Charter until there are new updates and further clarifications.

Compliance is measured over a 5 – year period, beginning with 2010 and ending in 2014. Points are scored by measuring the extent to which procurement spend meets the compliance targets set out in the preferential procurement scorecard. Preferential procurement counts for a total of 15 points under the new Mining Charter scorecard.

**DMR PREFERENTIAL PROCUREMENT SCORECARD**

<table>
<thead>
<tr>
<th>Categories</th>
<th>DMR BEE Compliance Targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Capital</td>
<td>5%</td>
</tr>
<tr>
<td>Services</td>
<td>30%</td>
</tr>
<tr>
<td>Consumables</td>
<td>10%</td>
</tr>
<tr>
<td>Multinational Contribution</td>
<td>0.5%</td>
</tr>
</tbody>
</table>
9. APPROACH AND MECHANISM TO SUPPORT POLICY OBJECTIVES

9.1. KEY PRINCIPLES

Accreditation of suppliers is the vehicle through which AngloGold Ashanti realises Procurement commitments. The process of accreditation requires that suppliers are qualified in accordance with pre-determined qualitative and quantitative criteria. The eligibility and classification of suppliers to enable participation in the procurement process is vital to the success of this preferential procurement program and therefore AngloGold Ashanti will go beyond formal tender documentation submitted in ascertaining the BEE credentials of potential and existing suppliers.

9.1.1. Sound commercial principles will underlie all transactions. There will be no compromise on quality, delivery, service, SHE or any other commercial or technical requirements.

9.1.2. All procurement processes will be subject to audit in accordance with sound business principles and practice.

9.1.3. AngloGold Ashanti will only conduct business with sole proprietors / partnerships / companies that comply with all legal requirements. This approach is adopted regardless of whether the supplier is a BEE company or not. The BEE supplier assessment methodology will extend beyond a simple shareholding measurement.

9.1.4. SA Region Supply Chain should identify BEE companies on a database to ensure that such companies are invited to participate in all tender processes for services and product that are relevant to them.

9.1.5. In the process of awarding tenders, preference will be given to BEE suppliers who meet all the tender requirements. All things remaining equal, BEE compliant companies will rank higher than those companies that are non-compliant.

9.1.6. A premium of not more than 5% shall be considered in favour of a BEE supplier to advance attainment of BEE objectives, after all attempts to reduce the price have been exhausted. Furthermore Procurement Managers or Business Units at their own discretion can accept price premiums higher than the stated 5% maximum threshold in order to advance socio-economic imperatives and to ensure attainment of the AngloGold Ashanti transformation commitments.

9.1.7. All tenders related to projects that will be implemented within AGA’s host communities will be conducted through an open tender process where all the details will be advertise in local media and all such touchpoints that are accessible to local communities

9.1.8. BEE compliant suppliers must comply with and be trained in all aspects of AngloGold Ashanti’s SHE policy and shall attend relevant induction requirements.

9.2. APPROACH

Preferential procurement is aimed at increasing the volumes of purchases from BEE Entities and the development and utilization of such enterprises. It follows therefore that the implementation of preferential procurement initiatives requires an adoption of mechanisms aimed at changing the way procurement has been done hitherto.
9.2.1. The Mining Charter requires that AngloGold Ashanti measures the level of procurement from BEE companies in terms of capital goods, consumables, services and the contribution of Multinational companies to socio-economic development of mining communities.

9.2.2. Preferential Procurement targets should be set as determined by the Department of Mineral Resources from time to time, measured and reported on a monthly basis. These targets should reflect a progression towards an increased growth in Preferential Procurement.

9.2.3. Treating BEE compliant companies as preferred suppliers does not mean accepting excessively higher tender prices from these companies.

9.2.4. BEE compliant companies complying with the AngloGold Ashanti criteria shall be placed on our vendor list and would receive preferred status in winning contracts, should they be commercially competitive.

9.3. **MECHANISMS**

To achieve the policy objectives, AngloGold Ashanti will apply the following mechanisms:-

9.3.1. Proactively increasing the portion awarded to qualifying BEE Entities.

9.3.2. Existing and new suppliers should be encouraged, where appropriate, to form joint ventures and partnerships with Black Owned (BO) and Black Women Owned (BWO) companies, which give the latter access to the latest skills and technologies.

9.3.3. Category management teams must include BEE requirements in their strategic procurement initiatives and this should also form part of their KPA’s.

9.3.4. Sub-divide contract packages where appropriate, to maximize BO and BWO companies participation, subject to sound commercial principles and operational / project requirements, in order to spread opportunities to Black SMME’s who wish to do business with AngloGold Ashanti.

9.3.5. Where appropriate, tenders will be set aside in part or in whole for the exclusive participation of BEE Entities.

9.3.6. Develop strategies and programmes for active support of BO and BWO companies e.g. training, skills transfer, tender completion, business management etc. through appropriate agencies.

9.3.7. Specifically target interventions to the local communities within which the company operates, followed by the local regions and then further afield.

9.3.8. Develop and Implement appropriate enabling systems for the tracking of progress, recording, monitoring and evaluation of BEE compliant suppliers.

9.3.9. Actively identify Black Owned and Black Women Owned suppliers for Enterprise Development opportunities and participation in the procurement value chain of AngloGold Ashanti.
9.4. **SUPPLIER BEE PARTICIPATION GOALS**

9.4.1. In appropriate circumstances, AngloGold Ashanti shall set supplier BEE participation goals as a precondition to a tender in appropriate circumstances. This will include but is not limited to specifying to the potential suppliers the rand value or percentage of the tender that should be fulfilled by the participation of BEE Entities.

9.4.2. Where a BEE Participation goal has been set, no bidder shall be awarded a contract unless they have submitted a BEE Plan, if the Black Ownership of such company is below the minimum prescribed by the Mining Charter. Such BEE Plan shall be designed to meet the goals set for the tender and shall be incorporated into the contract.

9.4.3. As a condition to selection, each bidder shall submit a completed and signed BEE Plan with the tender submission which indicates the names, addresses and contact person of the Black people and disabled persons to be used in the contract, the type of work or services each business will perform, the Rand value of the work and the scope of work.

10. **SUPPLIER DEVELOPMENT AND SUPPORT**

10.1. **BEE Supplier Capacity Building Initiatives**

The following initiatives have been identified that will develop the capacity of BEE suppliers:

10.1.1. **Training**

Training needs shall be geared towards business, technical and compliance requirements of BEE suppliers in order to foster growth and sustainability of businesses.

10.1.2. **Early Payment**

To alleviate cash flow pressures experienced by BEE suppliers, AngloGold Ashanti shall upon receipt of all relevant documentation endeavour to pay suppliers within 15 working days of submission of statement, however earlier payment terms will be considered on merit and will be recommended by the Procurement function for approval by Finance.

10.1.3. **Enterprise Development**

Sustainable Development (through the development of a Supplier Park) will provide active support to local BO and BWO suppliers who are participating or may potentially participate in our supply chain, as and when required.

10.1.4. **Network and Co-Operation with Chambers, Development Agencies**

AngloGold Ashanti will establish active networks within the mining industry and with the various role players interested in SMME Development e.g. the Local municipalities, Black Economic Empowerment Forums, Business Chambers in order to access and develop BEE Entities.

10.1.5. **Established Supplier Interventions**

AngloGold Ashanti recognises the importance of the support that it has received from its traditional suppliers of capital goods, consumables and services. In order to give traditional suppliers the time and opportunity to adapt to this policy and to respond positively, the
procurement team will actively intervene in one of the following ways for capacity building and skills transfer:

10.1.5.1. Encourage existing suppliers to embark on their own BEE compliance initiatives;
10.1.5.2. Introduce potential BO and BWO suppliers and sub-contractors to the traditional suppliers with a view to creating business relationships, joint ventures and sub-contracts.

11. PENALTIES FOR ABUSE OF BEE PROGRAMME
Any supplier that misrepresents material facts in order to gain unfair advantage using AngloGold Ashanti Preferential Procurement programme may at AngloGold Ashanti’s sole discretion be subjected to the following penalties:

11.1. Deregistration as a supplier to AngloGold Ashanti.
11.2. Refusal to register any new companies that may be formed by Directors or owners of businesses that have been so deregistered.
11.3. Termination or Partial termination of current contracts,
11.4. Or a combination of the above.

12. REVIEW OF POLICY
The Supply Chain department as the main custodian of this policy, will ensure that it is reviewed and assessed on a continuous basis to conform to the legislative and commercial environment.

13. NON-COMPLIANCE
Suppliers and representatives who violate this Policy and fail to remedy such violations face immediate termination of their contracts with AngloGold Ashanti, without prejudice to any civil and/or criminal consequences that the violation and termination may give rise to.