



Sustainable Development Report 2011



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To deliver long-term value Harmony is creating a sustainable company by generating earnings that fund dividends and growth ... a company with free cash flow.

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Forward-looking statements.

Private Securities Litigation Reform Act Safe Harbour Statement

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the safe harbour created by such sections. These statements may be identified by words such as "expects", "looks forward to", "anticipates", "intends", "believes", "seeks", "estimates", "will", "project" or words of similar meaning. All statements other than those of historical facts included in this report are forward-looking statements, including, without limitation, (i) estimates of future earnings, and the sensitivity of earnings to the gold and other metals prices; (ii) estimates of future gold and other metals production and sales, (iii) estimates of future cash costs; (iv) estimates of future cash flows, and the sensitivity of cash flows to the gold and other metals prices; (v) statements regarding future debt repayments; (vi) estimates of future capital expenditures; and (vii) estimates of reserves, and statements regarding future exploration results and the replacement of reserves. Where the company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, gold and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, project cost overruns, as well as political, economic and operational risks in the countries in which we operate and governmental regulation and judicial outcomes. The company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Scope of this report

This online report contains a more detailed account of the environmental, social and governance (ESG) aspects of our business. It has been compiled using the G3 guidelines of the Global Reporting Initiative (GRI) and the principles of integrated Reporting recommended by the King Report on Governance for South Africa and the King Code of Governance Principles (collectively King III).

Operational and financial information in this report covers the period FY11 with comparative annual data provided for information purposes. Financial information in this report is aligned with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), the South African 2008 Companies Act and the listings requirements of the JSE Limited.

Additional detailed information on Harmony, including its regulatory filings, press releases, stock exchange announcements and quarterly reports, is available on this website.

CORPORATE PROFILE

Delivering long-term value

In South Africa, the company has ten underground and one open-pit mine and several other surface operations, exploiting gold-bearing reefs of the Witwatersrand Basin. In PNG, Harmony has a 50% interest in the Morobe Mining Joint Ventures (MMJV), which includes Hidden Valley, an open-pit gold and silver mine (officially opened in September 2010), the very exciting Wafi-Golpu project, and extensive exploration tenements. Harmony's exploration portfolio focuses principally on highly prospective areas in PNG.

Significant capital expenditure in recent years has accessed the company's extensive resources and extended the lives of its mines.

We have made good progress in getting the company where we want it to be – producing better-quality ounces. Hidden Valley in PNG is now an operating mine, Harmony's first greenfields offshore development; in South Africa we have Kusasaletu, Doornkop and Phakisa projects, all in build-up, and Tshepong and Masimong which have been steady contributors to production. We dealt with the challenges at mines such as Evander, Target and Joel to ensure they are positioned to deliver on their production targets.

Harmony has invested a great deal in expanding its production base in South Africa and PNG. The investment in exploration continues to return great results, with the Wafi-Golpu resource showing a phenomenal 57% increase to over 1 billion tonnes during the year. Golpu's grade is over 1% copper, confirming it is one of the highest-grade copper-gold porphyry systems in south-east Asia. These excellent results validate our long-held belief that PNG is a game-changing region for Harmony.

On a 100% basis, Golpu alone now hosts a resource of 869Mt, containing 19.3Moz of gold and 9.0Mt of copper (62Moz on a gold equivalent¹ basis). This is a significant year-on-year increase of 368Mt (73%), comprising 8.9Mt copper (88% increase) and 10.5Moz ounces of gold (119% increase). Our resource base in PNG now represents 10% of Harmony's total gold resources (or 21% of the resource on a gold equivalent¹ basis), in line with Harmony's strategy to increase its geographic diversification.

In FY11, Harmony produced 1.30Moz* of gold (FY10: 1.43Moz*). The company employed 39 440 people, largely in South Africa, of whom 34 472 were full-time employees and 4 968 contractors (FY10: 40 226 people, including contractors).

At 30 June 2011, Harmony reported ore reserves of 41.6Moz (FY10: 48.1Moz) and mineral resources of 163.9Moz (FY10: 189.2Moz).

Harmony's corporate headquarters are in Randfontein, South Africa.

* Of this 19 967oz were capitalised in FY11 (FY10: 51 046).

¹ Gold equivalent based on US\$1 150/oz Au, US\$2.50/lb Cu at 100% recovery for both metals.



KEY FEATURES 2011

Strategy

- Exciting exploration results in PNG
- Commissioned excellent gold mines in South Africa and PNG
- Building low-cost, high-grade mines

Operations

- Operations in build-up showed 22% improvement in production year on year
- Improved underground grade at 4.60g/t
- Production of 1.3Moz* gold
- First year of commercial production at Hidden Valley
- Wafi-Golpu resource at over 1 billion tonnes of mineralised material
- Target 3 in commercial production

*19 967 ounces capitalised

Financials

- Net profit of R617 million/US\$86 million (FY10: loss of R192 million/US\$24 million)
- Basic earnings per share at R1.44/USc20 (FY10: loss of 46c/USc6)
- Headline earnings of R2.23 per share (USc31) (FY10: (SAc7) or (USc1))
- Dividend of 60 SA cents per share
- Operating margins maintained at 26%

Safety and health

- Improved safety performance (FIFR)
- Excellent results from implementation of strategy to prevent falls of ground
- Healthcare facilities expanded
- Dedicated safety and health executive appointed post year end

Labour practices and human rights

- Over 2 000 residents moved out of hostels into family accommodation, either privately owned or provided by the company
- In South Africa: HDSAs made up 42% of management and women 12% of total workforce

Community

- In South Africa, R70 million (US\$10 million) spent on local economic development projects and R14 million (US\$2 million) on corporate social responsibility projects
- In PNG, R10 million (US\$1.5 million) spent on community programmes
- BBBEE procurement expenditure in South Africa totalled R2.3 billion (42% of total discretionary expenditure)

Environment

- Development of group-level environmental strategy
- ISO 14001 certification received at two operations, being implemented at other operations
- Cyanide code implemented at most metallurgical plants
- Success of PNG programme for community access to clean water

KEY STATISTICS 2011



		FY11	FY10
Operating performance			
Ore milled	000t	19 280	17 963
– Underground	000t	7 170	8 519
– Surface	000t	12 110	9 444
Gold produced ¹	kg	40 535	44 433
	000oz	1 303	1 429
– Underground	kg	33 627	38 799
	000oz	1 081	1 248
– Surface	kg	6 908	5 634
	000oz	222	181
Operating cost	R/kg	226 667	195 162
	000oz	1 009	801
Yield	g/t	2.07	2.39
– Underground	g/t	4.60	4.54
– Surface	g/t	0.57	0.44
Financial performance			
Revenue	R million	12 445	11 284
	US\$ million	1 781	1 489
Production costs	R million	9 170	8 358
	US\$ million	1 313	1 103
Operating profit ²	R million	3 275	2 926
	US\$ million	468	386
Operating margin	%	26	26
Net profit/(loss) for the year ³	R million	617	(192)
	US\$ million	86	(24)
Total basic earnings/(loss) per share ³	SA cents	144	(46)
	US cents	20	(6)
Total headline earnings/(loss) per share ³	SA cents	223	(7)
	US cents	31	(1)
Capital expenditure ⁴	R million	3 144	3 353
	US\$ million	450	445
Market performance			
Average gold price received	R/kg	307 875	266 009
	US\$/oz	1 370	1 092
Exchange rate	R/US\$	6.99	7.58

¹ 621kg (19 967oz) capitalised (2010: 1 588kg/51 046oz).

² Operating profit is comparable to the term production profit in the segment report in the annual financial statements and not the operating profit line item in the income statement.

³ Includes discontinued operations.

⁴ Includes non-operational capital expenditure relating to PNG (R63 million, US\$8 million) and exploration capitalised of R45 million (US\$6 million).

Note: All statistics are for continuing operations unless otherwise stated.

KEY STATISTICS 2011 CONTINUED

		FY11	FY10
Value-added performance			
Total payments to employees	R million	5 543	4 193
Dividends paid to shareholders	R million	214	213
Payments to government (taxation and royalties) ⁵	R million	938	836
BBBEE procurement expenditure in South Africa	R million	2 267	2 036
Occupational health and safety			
FIFR – fatal injury frequency rate			
– South Africa	Per million hours worked	0.17	0.21
– PNG	Per million hours worked	0.22	0.20
LTIFR – lost-time injury frequency rate			
– South Africa [✓]	Per million hours worked	8.32	7.73
– PNG	Per million hours worked	0.20	0.70
South Africa			
– Shifts lost due to occupational illness and injury		27 539	27 254
– Noise-induced hearing loss (NIHL) cases identified	Per 1 000 employees	11	11
– Silicosis cases identified	Per 1 000 employees	19	21
– New TB cases reported	Per 100 000 employees	3 061	3 638
– Number of people on HAART		2 902	3 226
People			
Number of employees and contractors			
– Total		39 440	40 226
– South Africa		39 266	40 119
– South-east Asia		174	107
Employment equity (percentage of previously disadvantaged South Africans in management)		42	40
Community			
South Africa			
– Corporate social responsibility projects	R million	14	23
– Local economic development [✓]	R million	70	59
PNG	US\$ million	1.5	1.1

⁵ Excludes value-added tax/general sales tax.

[✓] Indicates assurance by independent auditors.



		FY11	FY10
Environment			
Total electricity use			
– South Africa [✓]	000MWh	3 429	3 659
– PNG	000MWh	105	105
Total CO₂ emissions			
– South Africa	000t CO ₂ e	3 570	4 402*
– PNG	000t CO ₂ e	145	128
Total water used for primary activities			
– South Africa [✓]	000m ³	36 074	44 339
– PNG	000m ³	1 534	1 843
Total cyanide use			
– South Africa	t	8 333	7 884
– PNG	t	3 300	3 429
Funding and guarantees for rehabilitation and closure			
– South Africa	R million	2 215	1 987
– PNG	US\$ million	37	53

[✓] Indicates assurance by independent auditors.

* Scope 1 data in FY10 was over-estimated due to a unit discrepancy.

Strategic scorecard

Generate free cash flow

Actions	Key steps
Optimise asset portfolio	Improve cash costs Review operational performance
Increase production	<ul style="list-style-type: none"> ↗ Safety is key ↗ Correctly targeted development ↗ Introduced short-term interval controls
Improve productivity	Focus on training, motivation, safety, health, environment, labour relations
Improve quality ounces	<ul style="list-style-type: none"> ↗ Four projects in build-up ↗ One project to be built ↗ Steady-state operations
Explore	<p>PNG – Wafi-Golpu</p> <ul style="list-style-type: none"> ↗ Resource growing ↗ Drilling continuing ↗ Transfer structure exploration <p>PNG tenements 100% owned</p> <ul style="list-style-type: none"> ↗ Further gold-copper-molybdenum exploration
Build future mines	PNG – Wafi-Golpu
Acquire	Only quality ounces with healthy margins in south-east Asia and Africa

MATERIAL ISSUES

Harmony continues to use the principle of integrated reporting for its 2011 annual and sustainability reports. We recognise that integrated reporting combines our financial and non-financial performances to provide a holistic view of the company by explaining the cause and effect of various issues affecting the bottom line.

Our aim is improved communication with all stakeholders, to build up a formal, approved record of our financial and non-financial performance, and to comply with the listings requirements of the various stock exchanges on which Harmony is listed.

The social, environmental, governance and economic aspects of our business, and the opportunities and challenges these present, are detailed throughout the annual report. Because we believe it is important to report in greater detail than feasible in the printed annual report, and given our commitment to report in line with the Global Reporting Initiative (GRI), we have also produced a more detailed sustainable development report 2011, available online at www.harmony.co.za/sd/reports/2011.

Certain key performance indicators have been assured by PwC and the assurance statement appears on page 93.

We have identified our most material issues in this year's sustainable development report, with a summary below. These issues are the culmination of a thorough process that proceeds, discipline by discipline, through workshops and regular feedback from stakeholders. Harmony's performance in FY11 and targets for FY12 are tabulated below.

Governance and economic sustainability

The economic dimension of sustainability concerns the impact Harmony has on the economic conditions of its stakeholders and on economic systems at local, national and global levels. The company's economic imperatives in turn are achieved within a framework of sound corporate governance. Accordingly, we report on these areas in a combined section in the sustainable development report.

Governance

Issue	Performance in FY11	Targets for FY12
Establishment and maintenance of board and management structures	Harmony has a solid governance structure. This is regularly reviewed to ensure we comply with legislation and standards in the countries in which we operate and with the stock exchanges on which Harmony is listed.	Ongoing compliance
Implementation of good practice in governance and reporting	In line with our primary listing on the JSE Limited, disclosure is guided by the new South African Companies Act 2008, JSE regulations and King III. We also comply with the regulations of other exchanges on which Harmony is listed, the US Securities and Exchange Commission (SEC) and the Sarbanes-Oxley Act of 2002. We use an integrated approach that combines financial and non-financial reporting, and our sustainable development report is aligned with GRI and King III.	Continual improvement
Integrity and ethics	A code of ethics aligned with King III governs our behaviour, while an ethics committee meets quarterly to monitor ethical behaviour within Harmony.	Continual improvement



Governance (continued)

Issue	Performance in FY11	Targets for FY12
Compliance with legislation	No significant fines were paid by the company in any areas of operation in FY11, and no actions were brought against the company for anti-competitive behaviour, anti-trust or monopoly practices.	Ongoing compliance
Risk management and mitigation	Under a formal risk policy framework and risk management structure, primary risks identified in FY11 are covered in our annual report and in the Form 20-F. These include safety, health, environment and human rights risks. Appropriate levels of due diligence are applied before finalising significant contracts. The precautionary approach is used in planning and developing new projects, in line with relevant legislation and good practice.	Ongoing adoption of best practice and alignment with King III

Economic sustainability

Economic context and relevance	Harmony is one of the world's leading producers of gold, and South Africa's third-largest. Regionally, Harmony has an even bigger impact, for example in South Africa's Free State province where mining accounts for a significant portion of provincial GDP. In FY11, the company employed close to 40 000 people.	To play a meaningful role in the regional economies where we operate
Producing safe, profitable ounces	Harmony delivered a satisfactory performance for the year. Total gold production of 1.3Moz (40 535kg) declined, largely due to mine closures, safety stoppages and underperformance at some shafts and shaft closures. Regrettably, there were 16 fatalities – see safety discussion overleaf.	We aim to produce 1.8–2Moz* of gold in FY15. Equally, we aim to achieve this target safely – eliminating all fatal accidents
The gold market	Gold remains a desirable product and we expect the price to be around US\$1 850/oz an ounce in our next financial year, especially with continued global uncertainty and a weaker dollar. Harmony remains highly exposed to the R/US\$ exchange rate, as most of our operations are in South Africa. While our earnings are in dollars the exchange rate impacts our revenue in rands. The rand strengthened against the dollar throughout FY11, keeping profit margins flat.	We remain positive on gold. However, the gold price and exchange rate are not within our control. Our strategic plans for FY12 are based on a gold price of R280 000/kg (an exchange rate of R7.57/US\$ and a gold price of US\$1 150/oz)
Investing in the future	In FY11, we continued restructuring our asset base in line with our strategy to deliver 1.8 – 2* million safe, profitable ounces by 2015. We invested R3.1 billion in our mines, and our mineral reserves now stand at 41.6Moz of gold across South African and Papua New Guinea.	Ongoing development of mines: R3.6 billion allocated for capital expenditure and R474 million for exploration in FY12
Economic transformation and empowerment	South Africa: Harmony complies with the Mining Charter through partnerships and the sale to HDSA companies of interests in the company and its underlying operations. To date, approximately 36% of production was attributable to HDSA interests.	Maintain HDSA interests at current levels
	PNG: Contracts are in place with landowner groups for a range of services. We continue to offer business development opportunities to landowners as Hidden Valley moves towards full production and more opportunities become available.	Ensure ongoing dialogue with stakeholders and seek opportunities to enhance community development

* Excludes future acquisitions or disposals.

MATERIAL ISSUES CONTINUED

Social performance

The social dimension of sustainability concerns the impact Harmony has on the social environment in which it operates. The sustainable development report includes comprehensive discussions on safety, occupational health and well-being, labour practices and community issues.

Safety

Issue	Performance in FY11	Targets for FY12																				
<p>Eliminating accidents by managing risk and ensuring appropriate structures, systems and training are in place</p>	<p>Regrettably, 16 employees lost their lives in mine-related incidents in FY11 (FY10: 22). Fifteen of these were at our South African operations.</p> <p>South Africa: The FIFR (fatal injury frequency rate) improved to 0.17, while the LTIFR (lost-time injury frequency rate) deteriorated to 8.32 per million hours worked.</p> <ul style="list-style-type: none"> A comprehensive programme to prevent falls of ground has reduced fatal injuries from this source by 64% Over 16 300 employees are completing e-learning programmes focused on safety literacy. 	<p>FIFR: 0 LTIFR: SA – 5.79 Harmony – 5.57</p>																				
<p>South Africa: Fatalities FY03 – FY11</p> <table border="1"> <caption>South Africa: Fatalities FY03 – FY11</caption> <thead> <tr> <th>Fiscal Year</th> <th>Fatalities</th> </tr> </thead> <tbody> <tr><td>FY03</td><td>24</td></tr> <tr><td>FY04</td><td>40</td></tr> <tr><td>FY05</td><td>28</td></tr> <tr><td>FY06</td><td>30</td></tr> <tr><td>FY07</td><td>25</td></tr> <tr><td>FY08</td><td>20</td></tr> <tr><td>FY09</td><td>20</td></tr> <tr><td>FY10</td><td>20</td></tr> <tr><td>FY11</td><td>14</td></tr> </tbody> </table>			Fiscal Year	Fatalities	FY03	24	FY04	40	FY05	28	FY06	30	FY07	25	FY08	20	FY09	20	FY10	20	FY11	14
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	<p>PNG: The FIFR deteriorated slightly to 0.22 per million hours worked (FY10: 0.20), while LTIFR improved significantly to 0.20 (FY10: 0.7).</p>	<p>FIFR: 0 LTIFR: 0.45 PNG – 0.20 Harmony – 5.57</p>																				
<p>Reducing falls of ground</p>	<p>Falls of ground account for a large portion of all lost-time injuries in Harmony. Our new ground control strategy formalises and consolidates efforts to prevent fall-of-ground incidents and accidents, and promotes an even safer and more stable underground environment.</p> <ul style="list-style-type: none"> The combination of netting in selected spaces with better control and awareness reduced gravity-related falls of ground from 12 in FY10 to three in FY11. 	<p>Fall-of-ground injury frequency rate of 1.42 per million hours worked</p>																				
<p>Addressing the issue of illegal miners in South Africa</p>	<p>Illegal or criminal mining activities endanger the criminals' own safety as well as that of company employees. Harmony again proactively addressed illegal mining activities in FY11 by liaising with the authorities, unions, private security companies, local businesses and affected communities.</p> <ul style="list-style-type: none"> In FY11, our focus on communicating the risks and consequences of illegal mining and fraud to our own workforces paid off, with the number of employees dismissed for related offences dropping from 314 in FY10 to 133. 	<p>Eliminate illegal mining as far as practically possible</p>																				

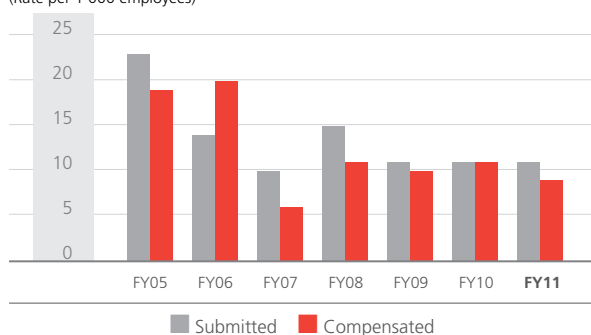


Occupational health and well-being

Issue	Performance in FY11	Targets for FY12
Noise-induced hearing loss (NIHL) and use of protective equipment	<p>South Africa: In FY11, 420 cases of NIHL were identified (FY10: 442), with 365 cases compensated.</p> <ul style="list-style-type: none"> We have achieved a compliance level of 88% for personal protective equipment, one of the highest in the industry All rock drills and fans exceeding stipulated noise levels have been silenced and good progress made on silencing loaders. 	Meeting the industry target to prevent any hearing loss of more than 10% occurring remains a challenge for Harmony

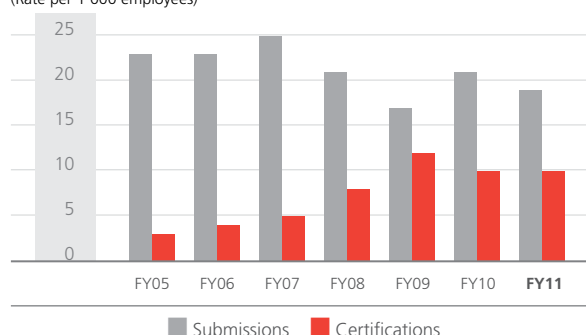
South Africa: New cases of NIHL identified

(Rate per 1 000 employees)



South Africa: New cases of silicosis identified

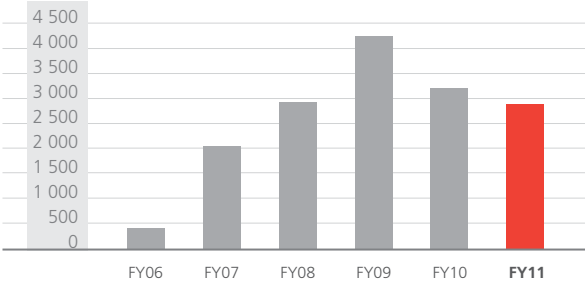
(Rate per 1 000 employees)



Occupational lung diseases, including silicosis	<p>South Africa: In FY11, following the implementation of a number of operational controls, 747 suspected cases of silicosis were identified and 392 cases compensated, continuing the gradual downward trend of recent years.</p>	We aim to have no new cases of silicosis among previously unexposed individuals
Heat stress	<p>Extensive refrigeration and ventilation systems are in place at all operations to ensure heat stress management parameters are kept well within limits set by legislation and to continually improve the safety and productivity of persons exposed.</p> <ul style="list-style-type: none"> In FY11 26 948 heat tolerance tests were undertaken (FY10: 22 847) and there were no heat stroke cases. 	Ensure continued testing as set out in our Code of Practice for thermal stress
Healthcare	<p>PNG: The medical centres at Hidden Valley, Wafi and Wau provide full-time primary healthcare and occupational health surveillance to employees, dependants and the local community. Four new community health facilities were built at Babuaf near Wafi and Nauti, Kwemba and Winima near Hidden Valley.</p> <ul style="list-style-type: none"> In FY11, 15 216 health contacts were made at all MMJV medical centres (FY10: 19 389) and 1 466 employees treated for malaria 20 water and sanitation projects completed in Watut River and Hidden Valley communities. 	<p>Continue ongoing surveillance for potential occupational illnesses</p> <p>Develop an integrated strategy, aligned with Millennium Development Goals, on TB, malaria and HIV – building on systems already in place</p> <ul style="list-style-type: none"> 20 water and sanitation projects planned

MATERIAL ISSUES CONTINUED

Occupational health and well-being (continued)

Issue	Performance in FY11	Targets for FY12														
Pulmonary tuberculosis and other HIV-related illnesses	<p>Harmony's integrated healthcare approach takes a broader view of the range of chronic diseases managed by the company.</p> <ul style="list-style-type: none"> The TB rate is declining, with 1 201 cases diagnosed in FY11. However, more cases of multidrug-resistant TB were diagnosed (63 in FY11 vs 49 in FY10) Over the last 12 months, 26% of employees were tested for HIV and 48% received counselling; 7 009 individuals were tested (FY10: 7 374); the current uptake rate of VCT has increased to 54%. Over the past three years, 35 617 HIV/Aids tests have been performed in Harmony In FY11, 2 902 employees participated in the HAART programme (FY10: 3 226). 	Continual improvement														
<p>South Africa: Number of employees on HAART (including contractors)</p>  <table border="1"> <caption>South Africa: Number of employees on HAART (including contractors)</caption> <thead> <tr> <th>Fiscal Year</th> <th>Number of Employees</th> </tr> </thead> <tbody> <tr> <td>FY06</td> <td>~300</td> </tr> <tr> <td>FY07</td> <td>~1,800</td> </tr> <tr> <td>FY08</td> <td>~2,800</td> </tr> <tr> <td>FY09</td> <td>~4,100</td> </tr> <tr> <td>FY10</td> <td>~3,100</td> </tr> <tr> <td>FY11</td> <td>~2,900</td> </tr> </tbody> </table>		Fiscal Year	Number of Employees	FY06	~300	FY07	~1,800	FY08	~2,800	FY09	~4,100	FY10	~3,100	FY11	~2,900	
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FY11	~2,900															

Labour practices

Issue	Performance in FY11	Targets for FY12
Hostel de-densification process; accommodation and living conditions	<p>South Africa: Our housing strategy has a dual thrust: promoting home ownership and integrating mining communities into local structures. Core to this is upgrading hostels into single occupancy or family units.</p> <ul style="list-style-type: none"> Masimong 5 project completed, Tshepong under way and will be completed in FY12 Architect plans being drawn for Doornkop village and Kusasaletu hostel Family units being built at Evander 1 hostel To date, 25% of our employees have moved from hostels to single or family accommodation, while five old hostels are being converted to create 1 700 family units by 2014. 	<ul style="list-style-type: none"> Complete Tshepong hostel upgrade; 15 family units and 50 single rooms at Doornkop Complete 10 family units each at Kusasaletu and Evander Merriespruit 3 and Steyn 2 hostel upgrades planned for FY12 Hostel project will continue until FY15, when 320 units in our North operations will be converted at a total estimated cost of R46.6 million In the Free State, the Unisel and Phakisa hostel upgrades will be completed at an estimated total cost of R12.5 million



Labour practices (*continued*)

Issue	Performance in FY11	Targets for FY12
Promoting skills development and employment in our communities	<p>In South Africa and PNG, the mining industry is a significant employer. More importantly, given the shortage of sector-specific skills in both regions, the industry is a material source of funding for skills development.</p> <p>South Africa:</p> <ul style="list-style-type: none"> • 120 young people recruited from local communities and trained in mining-related skills. Most have subsequently been absorbed into the workforce • 24 tertiary students accommodated for experiential training • 20 students selected for Harmony Bridging School • 538 employees received portable skills training • Over 1 200 employees and community members attended ABET at a cost of R46 million – Harmony literacy rate is up from 25% in FY09 to 72% in FY11 • Over 23 000 employees (68%) received some form of training at a cost of R220 million; 94% of those trained were HDSAs and 12% women. 	<p>20 learners</p>
	<p>PNG:</p> <ul style="list-style-type: none"> • 10 employees attended ABET classes • Training and mentoring benefited 30 locally recruited employees • Nearly 50 students from local university engaged to monitor aspects of geology and environmental management. 	<p>15 learners</p>
Promoting sound and constructive employee relations	<p>Harmony recognises the right of all employees and contractors to freedom of association and adheres to collective bargaining agreements relevant to the countries of operation.</p> <p>South Africa:</p> <ul style="list-style-type: none"> • 90% of workforce unionised • Closure of Merriespruit operations, involving 3 800 people, completed without industrial stoppages. Almost 2 500 employees transferred to other Harmony operations • No production days lost to labour action in FY11 • Two-year wage agreement signed, including profit sharing, after five-day strike across gold mining sector post year end. 	<ul style="list-style-type: none"> • Maintaining and improving relationships with employees and their recognised unions • Preventing or minimising production losses due to labour action • Promoting profit-share incentive
	<p>PNG:</p> <ul style="list-style-type: none"> • Very low rates of unionisation, no industrial action in FY11 • Effective communication ensured through representative committees. 	<ul style="list-style-type: none"> • Maintaining and improving relationships with employees and representative committees

MATERIAL ISSUES CONTINUED
Labour practices (continued)

Issue	Performance in FY11	Targets for FY12
Steady progress on employment equity	Harmony's policy is to recruit local employees where possible and ensure no discrimination against foreign migrant labour. South Africa: <ul style="list-style-type: none"> At 41.5%, Harmony exceeds the Mining Charter target of HDSAs comprising 40% of management Over 11.5% of the workforce is female. 	Mining Charter: Top and senior management: 30% Middle and junior management: 40% Core and critical skills: 30%
	PNG: <ul style="list-style-type: none"> 91% of workforce represented by internally resourced employees 12% of workforce now women First three-year training plan developed and submitted to Department of Labour for approval. 	<ul style="list-style-type: none"> Local employees comprise 96% of workforce by FY13 17% of workforce to be women by FY13
Projects related to our social and labour plans, and local economic development	Harmony has a number of local economic development (LED) projects (below) in communities around our mining operations and in major labour-sending areas, including: <ul style="list-style-type: none"> Developing small and medium enterprises School and medical facilities Sustainable human settlement projects such as partnerships in new housing developments and converting hostels into family units. 	Remain committed to SLP obligations

Community

Issue	Performance in FY11	Targets for FY12
Improving employees' housing and living conditions	In South Africa, Harmony's housing strategy encompasses promoting home ownership and integrating mining communities into local structures.	Continued compliance with social and labour plan commitments
Affirmative procurement especially promoting business with HDSAs, women and local communities	South Africa: <ul style="list-style-type: none"> Against the definitions of the revised Mining Charter, black economic empowerment (BEE) procurement expenditure in FY11 of R2 267 million (42% of total discretionary spend) split between: capital above target at 15%; services above target at 31% and consumables above target at 36% Harmony's enterprise development centres in Welkom and Soweto support affirmative procurement, making it easier for BEE suppliers to conduct business with the company. 	Continue affirmative procurement strategies in compliance with Mining Charter targets: <ul style="list-style-type: none"> 10% for capital 40% for services 15% for consumables
Identifying and implementing sustainable socio-economic development initiatives such as enterprise and community skills development in line with our business philosophy, and our commitments under social and labour plans	South Africa: Harmony's corporate social responsibility (CSR) and local economic development (LED) activities span four key areas – education; socio-economic development; sports, arts and culture; and black economic empowerment (BEE) support – in its mining and labour-sending communities.	Continue to implement CSR and LED programmes in line with the company's policy and in compliance with the Mining Charter
	<ul style="list-style-type: none"> CSR encompasses broader community development and includes national socio-economic development programmes such as mathematics and science development. Some R14 million spent in FY11 (FY10: R23 million) LED initiatives are aligned with the Mining Charter, MPRDA and Codes of Good Practice for the Minerals and Mining Industry. In FY11 Harmony spent almost R70 million (FY10: R58 million) on LED projects. 	PNG will develop a more accurate water balance to ensure that water usage and recycling targets are more realistic for the high rainfall environment



Community (continued)

Issue	Performance in FY11	Targets for FY12
	<p>PNG: Harmony's socio-economic development programmes are aimed at addressing priorities in health, education, agriculture and infrastructure.</p> <ul style="list-style-type: none"> • Clean water facilities provided for 20 villages • Health training focused on safe birthing procedures in rural villages, and first aid. 	<p>Continue to implement programmes in line with agreements, including:</p> <ul style="list-style-type: none"> • Teacher in-service training support (elementary grades prep-3, primary grades 4-8) including database work • Business management training • 20 water supply projects for middle Watut villages • Collaboration with government, donors and NGOs in HIV, TB, malaria awareness and prevention programmes
Developing and promoting sound and responsive internal and external relationships through effective stakeholder engagement	<p>South Africa: Active and ongoing engagement with stakeholders ensures Harmony's LED priorities are stakeholder-driven and guided by an engagement process involving municipalities, communities, the DMR, NGOs and governments of the labour-sending countries of Lesotho and Mozambique.</p>	<p>Continue as per SLP strategic plan until 2015</p>
	<p>PNG: Extensive community engagement programmes address concerns on environmental impacts of the mine, particularly Watut River sedimentation issues.</p> <ul style="list-style-type: none"> • Established an external stakeholder advisory panel to advise the Hidden Valley operations team on environmental improvement projects. 	<p>Continue to work with the stakeholder advisory panel and PNG regulatory authorities on implementing environmental improvement programmes at Hidden Valley mine</p>

Environment

Issue	Performance in FY11	Targets for FY12
Water management	<p>South Africa: As our operations use extensive amounts of water, a group-wide campaign is under way to reduce consumption of fresh water and optimise re-use of process water.</p> <ul style="list-style-type: none"> • Total water used for primary activities decreased over 18% to 36 074 000m³ • Potable water used declined by 2% • Of the total volume of water used, around 29% was recycled. 	<p>Working from FY08 baseline, by 2013 we aim to:</p> <ul style="list-style-type: none"> • Reduce fresh water consumption by 2% • Improve use of affected water by 5% • Increase recycled water by up to 5%
	<p>PNG: Water is the most significant resource used by MMJV.</p> <ul style="list-style-type: none"> • Every effort is being made to reduce the amount of fresh water used, and increase the quantum of treated recycled water. In FY10, modifications to the Hidden Valley processing plant produced encouraging results. • Community clean water programme has established wells in 20 villages • Significant progress in reducing mine-related sediment in Watut River. 	

MATERIAL ISSUES CONTINUED

Environment (continued)

Issue	Performance in FY11	Targets for FY12												
	<p>Water consumption – SA only</p> <table border="1"> <caption>Water consumption – SA only (000m³)</caption> <thead> <tr> <th>Fiscal Year</th> <th>Consumption (000m³)</th> </tr> </thead> <tbody> <tr> <td>FY07</td> <td>95,000</td> </tr> <tr> <td>FY08</td> <td>100,000</td> </tr> <tr> <td>FY09</td> <td>30,000</td> </tr> <tr> <td>FY10</td> <td>40,000</td> </tr> <tr> <td>FY11</td> <td>35,000</td> </tr> </tbody> </table>	Fiscal Year	Consumption (000m³)	FY07	95,000	FY08	100,000	FY09	30,000	FY10	40,000	FY11	35,000	
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<p>Land-use: concurrent rehabilitation and financial provision</p>	<p>As a responsible mining company, we are committed to enhancing rehabilitation at our operations and continuously identify land for rehabilitation to a sustainable alternative use.</p> <p>South Africa:</p> <ul style="list-style-type: none"> Total rehabilitation liability estimated at R2.23 billion in June 2011 while funding and guarantees amount to R2.22 billion. The rehabilitation liability coverage is 99.1% Closure plan for Deelkraal approved, with concurrent rehabilitation under way at this operation and Evander Winkelhaak plant, Virginia 2 and Kalgold waste rock dumps. <p>PNG:</p> <ul style="list-style-type: none"> Under a strategy of progressive rehabilitation, another 84 hectares of disturbed land were restored High-capacity nursery on site was hardening 21 000 seedlings at year end, with 30 000 planted in the first half of 2011. 	<ul style="list-style-type: none"> Next rehabilitation liability assessment will be done in June 2013 Rehabilitation plan and strategy developed for decommissioned operations in Free State, to be implemented in FY12 												
<p>Legal compliance</p>	<p>In line with our strategy of meeting and exceeding legislative compliance, we are implementing appropriate environmental management systems at all operations. These will also ensure environmental management is addressed in a formal, systematic approach.</p> <p>South Africa:</p> <ul style="list-style-type: none"> To date, environmental management systems have been implemented at all our North operations, with Doornkop plant and shaft, and Kusasalethu already certified. In the Free State, systems are being developed and implemented. In FY11, self-assessment tools and standards were developed and will be implemented at all operations in FY12. No environmental fines or sanctions were received in FY11. <p>PNG:</p> <ul style="list-style-type: none"> Environmental section of new integrated sustainable business management system implemented at Hidden Valley. When fully implemented, this will meet requirements of ISO 14001 and other relevant international safety and community standards. 	<p>Implementation of environmental management systems continues at remaining operations and action plans to address all high-risk impact are under way.</p> <ul style="list-style-type: none"> Certification is scheduled for Harmony 1 plant in December 2011 <p>Roll out integrated sustainable business management system across MMJV operations</p>												



Issue	Performance in FY11	Targets for FY12
Carbon legislation and footprint	<p>Harmony is focused on reducing the use of fossil fuels and developing initiatives to mitigate and absorb greenhouse gases (GHGs) to reduce its carbon footprint. Our expansion projects will extend the lives of our mines into a period when GHG emissions are regulated. Accordingly, our policy dictates that all greenfields and brownfield projects consider the impact of climate change in their design and planning.</p> <ul style="list-style-type: none"> • Fourth response to Carbon Disclosure Project (CDP) submitted. Encouraging year-on-year progress: in FY10 Harmony scored 74% to rank 17th among 71 companies on the JSE Limited. <p>South Africa:</p> <ul style="list-style-type: none"> • Total scope 1 and 2 emissions were 3 570 469 tonnes CO₂e (FY10*: 4 402 675 tonnes CO₂e), a significant decrease of 19%, with a 6% improvement attributed to efficiency and scaling down attributed to scaling down and efficiency initiatives; the remainder of the saving a result of the scope 1 correction. 	<p>Harmony will review its strategy to adjust objectives and targets against 2013 benchmarks</p>
	<p>PNG:</p> <ul style="list-style-type: none"> • Total scope 1 and 2 emissions were 145 533 tonnes CO₂e (FY10: scope 1 only 128 381 tonnes CO₂e), an increase of 12% as the operation ramps up. 	<p>Develop a carbon footprint register</p>
Radiation	<p>Radiation is a potential risk at certain sites in South Africa. Radiation is well controlled at our sites through systematic, systemic, and operational controls and barriers.</p> <ul style="list-style-type: none"> • Regional public health assessments completed at Evander and Doornkop. These will help prioritise remedial initiatives. 	<p>Reduction of surface radiation exposures by removing infrastructure in line with the rehabilitation programme.</p>

* Scope 1 data in FY10 was over-estimated due to a unit discrepancy.





Harmony values the health and well-being of all its employees and the communities affected by its activities.

HARMONY'S APPROACH TO SUSTAINABILITY REPORTING

Message from chairman of sustainable development committee

At Harmony, our commitment to sustainable development is real and increasingly measurable because we understand that corporate citizenship goes beyond securing a social licence to operate – it is a moral responsibility.

The chairman and chief executive have detailed our approach to sustainable development and integrated reporting in the printed annual report, which is also available on our website. I elaborate on our progress with strategic imperatives and the key drivers for continual improvement.

Our commitment to sustainability begins at the top – with the Harmony board. A committee of the board, whose members are both independent and experienced in related matters, is mandated to oversee sustainable development issues and our progress, including:

- Safety – improved safety rates reflect the focus on company-specific risks and behaviour-based training (refer to www.harmony.co.za). With effect from May 2011, safety was moved into the technical committee
- Health – proactive health management through our own facilities and others (refer to www.harmony.co.za)
- HIV/Aids – increased awareness and adherence to treatment regimes (refer to www.harmony.co.za)
- Social investment – going beyond compliance in our social and labour plans in adding value to stakeholders (refer to www.harmony.co.za)
- Environmental management – intense focus on key risks reflects commendable improvements in use of natural resources (refer to www.harmony.co.za).

The charter and composition of this committee are detailed in the governance section.

Dynamic strategy

Our sustainable development strategy is dynamic; evolving with changing conditions, and in response to the changing needs and expectations of Harmony and our stakeholders:

- For our shareholders, we need to operate our mines profitably, generating cash flows to pay dividends and finance sustainable organic or acquisitive growth
- For all stakeholders, our primary responsibility is the sustainable development of our operations.

The common thread is profitability. Without profits we cannot make a sustainable investment in our communities

or society at large. Without sustainable development, we will not retain the operations that generate returns for our investors. Profitability and sustainable development are therefore inextricably linked.

Clearly, we focus most acutely on issues that are critical to the group's own sustainability. These, in turn, drive progressive refinements of our sustainable development programmes.

A vital element in implementing both sustainable development programmes and business initiatives is a dedicated and skilled management team. During the year we expanded our executive team to ensure we reach our various goals.

A sustainable company in a sustainable industry

Our aim is a sustainable company benefiting the widest group of stakeholders. Despite economic events of recent years, the past year has convincingly answered those who questioned the safe-haven nature of gold. We believe gold remains a solid hedge against the uncertainty and instability in various parts of the world.

Mining itself remains a cornerstone of the South African economy, contributing significantly to economic activity, job creation and foreign exchange earnings. The sector accounts for roughly 43% of the market capitalisation of the JSE and, according to the Chamber of Mines of South Africa (2010 statistics), contributes:

- Some 8.6% directly, and another 10% indirectly, to the country's GDP. In Harmony's case, the bulk of our mines are in the Free State, where mining accounts for almost 90% of the province's GDP
- Over 50% of merchandise exports (including secondary beneficiated mineral exports)
- About 1 million jobs (some 500 000 directly)
- About 20% of gross investment (12% directly)
- Some 30% of capital inflows into the economy via the financial account of the balance of payments
- Over 94% of the country's electricity-generating capacity
- About 30% of South Africa's liquid fuel supply



Modise Motloba
Chairman

- About 20% of direct corporate tax receipts (worth over R16 billion)

The mining industry is also arguably the largest contributor by value to black economic empowerment (BEE) in the country's economy, measured by value of transactions completed.

The team at Harmony is creating a company that does not only rely on a rising South African rand price of gold. We are also on track to our objective to form a company that can operate successfully under different circumstances: older, non-core assets have been closed or sold, and unnecessary costs are being removed from the system. What is emerging is a collection of world-class assets designed to build significant shareholder wealth.

Importantly, it is not only shareholders who will benefit from the reinvigorated Harmony strategy. Our stakeholder base reaches hundreds of thousands when you include employees and their dependants, suppliers and their dependants, governments, partners and others who rely on our successful performance. We are very conscious of our responsibility to ensure that our growth benefits all these stakeholders, and the strategies in place consider their needs too as we advance towards common goals.

Safety first

Harmony has made a significant improvement at our South African operations. Since 2003, fatalities have declined by almost 60%. Recording this progress at greater operational depths, in the face of a national skills shortage and a poor national culture of safety, is an exceptional achievement for which all stakeholders must be recognised.

South Africa	2004 (FY04)	2011
LTIFR:	19.22	8.32
FIFR:	0.29	0.17

The ultimate target, must be zero harm to all. To reach this goal – and avoid the scale of suffering associated with every death and injury – means working more actively together as stakeholders in a common industry to share and adopt leading practices and prioritise collaborative involvement. Harmony willingly accepts this responsibility, as evidenced by the solid decrease in the fatality rate for the year, but we will not rest until we reach zero.

Over the past five years, our lost-time injury frequency rate has halved (from 16.42 per million hours worked in 2006 to 8.32 for the review period. In the same period, fatalities have dropped from 30 to 16. We have some way to go to reach our target, but the trend is firmly in the right direction.

Highlights

Harmony has turned the corner – unprofitable operations have been closed and our longer-life, lower-cost operations are profitable and sustainable. More importantly, we are making steady progress on key sustainability performance indicators:

- Group-level environmental strategy developed
- Safety and health: we are receiving excellent results from our initiative to prevent fall-of-ground, and our healthcare facilities have been expanded
- Housing: Over 2 000 residents moved out of hostels into family accommodation during the year
- Community: R84 million spent on local economic development and corporate social responsibility projects. In PNG, US\$0.4 million spent on community programmes
- Over 40% of discretionary expenditure going to BEE companies
- Environment: ISO 14001 certification for two operations, with another two recommended for certification. International cyanide code implemented at all metallurgical plants, except Kalgold and Joel

HARMONY'S APPROACH TO SUSTAINABILITY REPORTING CONTINUED

Rehabilitation is a particular issue for the mining industry at present, given extensive media coverage about the unintended consequences of poor closure procedures – most evident in coverage of acid mine drainage. While this is not an issue for Harmony, we are implementing high standards of rehabilitation across our operations. With the decommissioning of the Virginia shaft area, the Free State operations are actively rehabilitating this area. Particularly at Virginia 2 shaft, there has been significant surface infrastructure demolition, clean-up and restoration. The total area cleared at Virginia 2 at end June 2011 was some 10 000m² at an initial cost of R1 200 000. In the main, rehabilitation initiatives are intended to be cost neutral, with reclamation initiative funding demolition activities. The priority for June was breaking down remaining structures at Virginia 2 and St Helena 4 shafts. Priority for the next year will be the complete rehabilitation of St Helena 4 and 2 as well as Brand 2 and 3 and Virginia 2.

St Helena 4 shaft has been completely demolished, and rehabilitation will begin shortly. At St Helena 2 shaft, demolition is almost 50% complete. Brand 2 and 3 shafts will follow. Clean-up at Virginia 2 shaft was completed by the end of July 2011.

Integrated reporting

Harmony's comprehensive disclosure is well known. While integrated reporting does require more in-depth disclosure of the risks we face, this exercise had its own benefits. It has enabled us to crystallise our understanding of these issues, and initiate strategies to protect all stakeholders' interests as best we can.

Equally, reporting to our broader stakeholder base is not new to Harmony. We have long ensured the interests of all our stakeholders in developing our strategies and operating plans.

To balance, we focus on ensuring these diverse needs, mutual benefit, and the willing participation of all parties. The rewards of achieving this balance are evident in our SA and PNG operations, where stakeholders range from national and provincial government to local communities and individual employees, as well as our shareholders. In PNG, in particular, the level of stakeholder cooperation we are receiving in Morobe Province reflects their confidence in the sustainable benefits of a well-run, responsible mining operation with congruent goals. Similarly, in South Africa, communities and government alike are engaging even more as partners in unlocking social and local economic value.

Outlook

Today, Harmony is acknowledged as one of the more innovative and most cost-effective explorers and our Wafi-Golpu project is an acknowledged company-changer. The rapid progress we have made in PNG, in particular, is proof of the benefits mining can deliver in an enabling environment when all stakeholders work together.

In the year ahead, our focus will remain on the areas of greatest significance to our broad stakeholder base:

- **Safety:** An experienced Harmony executive has been appointed to spearhead our safety strategy, using an analytical approach to address critical issues. We are aiming for a systemic improvement that blends behaviour-based metrics with operational controls
- **Occupational health:** Our proactive approach to managing the health of our people will continue as we focus on awareness and training to keep people healthy and reinforce training on the efficacy of personal protective equipment
- **Environment:** We will continue to roll out the new group environmental strategy, and steadily improve compliance levels where we do not already exceed these, and optimise the implementation of systems to entrench best practice
- **Communities:** Harmony is already preparing for the cycle of licence renewals that begins in January 2013, ensuring that our commitments under each social and labour plan and local economic development programme are honoured and that our corporate social responsibility projects add measurable value
- **Governance:** Robust structures and controls are a hallmark of Harmony's governance. Our aim is global best practice and we will continue to refine our processes accordingly.

Globally, Harmony employs over 42 000 people (incl MMJV), who, in turn, support around 200 000 others. Add to that our broad base of suppliers and their dependants, all our communities, as well as shareholders, and the ecosystem that is Harmony becomes large, influential and key to our continued success.

Every one of these people plays a role in our sustainability; we will continue to reward them for their contributions through safe, healthy working conditions, fair remuneration and benefits, continual development and, most importantly, by reaching our full potential as a premier global gold mining company that enhances both financial and social value.

Modise Motloba

Chairman: social and ethics committee

Governance

Material indicators

- Establishment and maintenance of board and management structures
- Implementing good practice in governance and reporting
- Integrity and ethics
- Compliance with legislation
- Risk management and mitigation

This section on Harmony's approach to sustainability reporting details how we identified our material issues.

Complying with legislation

Harmony has a solid governance structure. This is regularly reviewed to ensure we comply with legislation and standards in the countries in which we operate and with the stock exchanges on which Harmony is listed. A detailed discussion on corporate governance appears in the annual report.

No significant fines were paid by the company in any areas of operation in FY11, and no actions were brought against Harmony for anti-competitive behaviour, anti-trust or monopoly practices.

Governance practices and reporting

Harmony remains committed to applying and upholding the highest corporate governance practices. The company's disclosure practices and policies are guided by the new South African Companies Act, regulations governing its primary listing on the JSE Limited (JSE) and the latest King Report on corporate governance (King III).

In addition, Harmony complies with the regulations of other exchanges on which it is listed, as well as with the United States Securities and Exchange Commission (SEC) and the Public Company Accounting Reform and Investor Protection Act of 2002, commonly referred to as the Sarbanes-Oxley Act.

Harmony's 2011 annual and sustainable development reports follow an integrated approach, which combines financial and non-financial reporting. This report has been developed in line with the requirements both of

King III and the Global Reporting Initiative (GRI G3) (see Scope of report on the inside front cover).

Engaging with shareholders and employees

Harmony encourages ongoing interaction with stakeholders at all levels, including shareholders. Through formal and informal processes, we have identified our stakeholders as:

- Shareholders
- Employees and their representatives
- National, regional and local government, and regulators
- Industry organisations, such as the Chamber of Mines
- Customers and suppliers
- Partners
- Host communities
- Media and analysts
- Non-governmental and community-based organisations
- General public to general communities in which we operate
- Neighbours.

Stakeholder engagement

Investor and stakeholder engagement

The sustainability of our business relies heavily on proactive and transparent stakeholder engagement, which takes two forms. The first is direct engagement, including organised dialogues, round table discussions, bilateral meetings, internal surveys and regular engagement with local communities at each operation. The second is indirect engagement, including the use of external benchmarks and standards that are designed to reflect and address societal expectations.

GOVERNANCE AND ECONOMIC SUSTAINABILITY CONTINUED

Governance CONTINUED

At operational level, all our mines identify, prioritise and engage stakeholder groups that have the potential to affect their operational, sustainability or financial performance. As example:

- Kalgold has hosted a number of regulator visits to appraise institutions of the mine's continued commitment to driving safe responsible production. Focus group meetings with government, unions, local farmers unions and the local municipality were held to engage key stakeholders on the company's intention for rehabilitating the pit.
- Public consultation meetings took place on the proposed mini Libra project in Evander.
- An additional public participation exercise was undertaken for the Free State on a proposed major hazard installation.

The corporate office is responsible for strategic engagements while the regional team ensures engagement with provincial legislature including the premier and MEC, both through direct and indirect engagement. In the Free State particularly, Harmony has a very strong presence among regulators and communities.

1. LED projects – project implementation teams

We have committees that focus on the implementation of SLP projects in the two municipal areas that play host to our operations, ie Matjhabeng and Masilonyana local municipalities. Participants in these committees include the LED departments of municipalities, DMR and Harmony members.

2. We also have project-specific steering committees which involve all stakeholders relevant to the particular project.
3. We participate in forums dealing with integrated development programmes and local economic development.
4. Provincial and district authorities as well as local municipalities invite Harmony to various other forums, eg economic and land development summits, climate change summit, spatial development forums. We are invited to participate in almost all developmental initiatives in the area.
5. We interact with mayors at least once a quarter or when required, and there is continuous engagement with members of the mayoral committee (MMCs) especially those who head portfolios related to our activities, eg LED, housing and social services.

PNG has comprehensive community engagement programmes including those associated with the Hidden Valley mine, communities living along the Watut River and those associated with our Wafi-Golpu exploration activities.

In addition to regular community consultation and engagement, a community relations team is overseeing the implementation of the sustainable community development programme. This was initiated in the prior year to provide greater education support, enhanced agricultural skills, improved health programmes and community facilities such as sanitation and water supplies. These programmes are being developed in partnership with the Morobe provincial government to ensure long-term sustainability and lasting benefits for people affected by the company's operations.

Communities

We interact with various community-based organisations (CBO), NGOs and other entities in communities. When requested, we attend community meetings and present our socio-economic development initiatives or share any other information communities might seek.

Harmony has in the last year engaged with many of the following organisations:

- Free State Development Corporation
- FGF Chamber of Commerce
- IDC
- Mine mitigation group
- DMR – mineral regulation and health and safety
- War councillors
- Provincial government
 - Dept of Human Settlements
 - Education
 - Police, roads and transport
 - Economic development, tourism, and environmental affairs
 - Sport, arts, culture and recreation
- Lesotho consulate

Despite significant recent progress, our drive for continuous improvement means we plan to continue strengthening our stakeholder engagement processes. Accordingly, we have appointed an executive director: government relations who will ensure adequate and



effective dialogue between the company and its regulators.

Each of our operations has a community complaints register allowing communities to raise concerns and issues or make recommendations to the mine.

In PNG, an external stakeholder advisory panel has been established to provide independent advice to the joint venture on environmental and related community impacts resulting from the operation of the Hidden Valley mine.

The establishment of the panel delivers on a commitment made by the joint-venture partners in December 2010 to form an expert advisory panel to review sediment and related issues affecting the Watut River. Since then, the HVJV has developed terms of reference for the panel and consulted with a wide range of industry and government stakeholders on potential panel members with the right mix of technical skills, knowledge and experience.

The key objectives of the panel include assisting the partners to formulate and implement appropriate environmental policies and strategies and recommend and review the results of relevant technical studies and investigations.

The panel will be chaired by Sir Joseph J Tauvasa KBE, an experienced chairman and businessman with over 45 years of working in the PNG private sector and government. Members have been appointed for an initial term of two years, and comprise five Papua New Guineans, including two prominent local women and one Australian. Each member is a specialist with extensive and best-practice experience in environmental and social issues in PNG.

The members are:

- Sir Joseph J Tauvasa, KBE (chairman)
- Professor Simon Saulei – director, PNG Forest Research Institute, Lae
- Dr Misty Baloiloi – vice chancellor, University of Technology, Lae
- Ms Jean Kekedo, OBE – former PNG high commissioner to the United Kingdom
- Ms Freda Talao – human rights lawyer
- Professor Barry Hart – emeritus professor, Monash University

Harmony's website is a valuable source of information for all stakeholders. Additionally stakeholders may engage with board members at the annual general meeting or at any other point as the directors are easily accessible and encourage engagement.

There were no significant issues raised by shareholders in FY11.

Governance and company structures

The board pays specific attention to non-financial matters through a dedicated committee, the sustainable development committee. In August 2011, the board resolved that this committee be replaced by a social and ethics committee to comply with the provisions of the new Companies Act, 2008. The social and ethics committee is chaired by an independent non-executive director, Modise Motloba. Its role is to supplement, support, advise and provide guidance on the effectiveness of management's initiatives in sustainable development. The committee considers key issues for sustainability: occupational health, HIV/Aids, social investment and environmental management. Safety issues are included in the mandate of the technical committee.

The committee has six members and met five times in FY11. The chief executive officer and executive managers are invited to attend these meetings. The committee undertakes site visits as part of its investigations and reviews.

Given legislative requirements in South Africa, Harmony also has an empowerment committee. This committee ensures that Harmony meets the stipulations of the Employment Equity Act, Labour Relations Act, Mineral and Petroleum Resources Development Act (MPRDA) and the Mining Charter. It also monitors progress towards the company's own empowerment imperatives. The committee is chaired by an independent non-executive director, Joaquim Chissano, and the chief executive officer and several executive managers are invited to attend meetings. The committee met four times in FY11.

Ultimately, the responsibility for the company's performance and progress towards set objectives lies with the board of directors; sustainable development and empowerment are standard agenda items at board meetings.

GOVERNANCE AND ECONOMIC SUSTAINABILITY CONTINUED

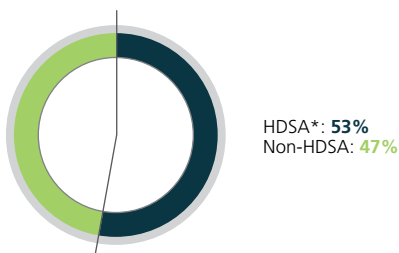
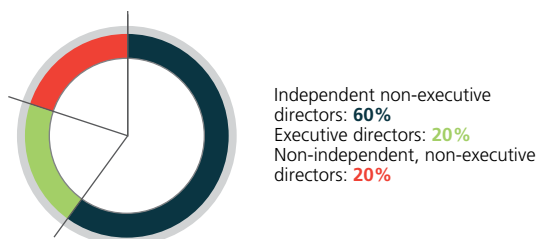
Governance CONTINUED

Board composition

Harmony has paid specific attention to the composition of the board to ensure it reflects the objectives set by the company and is thus sustainable. These include:

- Representation by historically disadvantaged South Africans (HDSAs) and women. Two of Harmony's non-executive directors are women, and eight directors are drawn from groups considered to be HDSAs. Harmony considers the gender and racial mix of the board when appointing directors
- The board includes individual and group performance in considering the remuneration of executive management. This includes non-financial indicators on social and environmental performance. Members of the empowerment and sustainable development committees (reconstituted as the social and ethics committee post year end) are particularly accountable for performance in these areas
- The performance of the board and its committees is evaluated annually. In FY11 a board self-assessment exercise was again carried out by external consultant, KPMG, for the third consecutive year, with each board member completing a questionnaire. A full report based on the findings of this evaluation was circulated to the board and improvements will be made where necessary.

Composition of the board – 30 June 2011



* Includes white women.

Support for external initiatives

Harmony is highly influenced by public policy both locally and internationally. As such, the company is increasingly participating in and influencing government policy, either directly or through the Chamber of Mines. Harmony also participates in lobbying with Eskom and the National Energy Regulator of South Africa (Nersa) on issues such as security, supply and cost of electricity and potential carbon taxes.

In FY11 Harmony, directly and through the Chamber of Mines, actively participated in reviews of key mining legislation including:

- Housing and Living Conditions Standard
- Codes of Good Practice for the Minerals Industry
- Revisions to the Mining Charter
- Amendments to the Labour Relations Act.

Through the Chamber of Mines, Harmony continuously provides input on public policy development, especially legislative issues that affect or govern the mining industry. The company also lobbies on environmental legislative reform such as the inclusion of mining environmental management in the Department of Water and Environmental Affairs (DWEA); changes to financial provision guidelines; and the proposed carbon tax. Harmony has participated in the Wonderfontein Spruit Catchment Forum through the Mining Industries Group, and has been involved in finalising the remedial action plan report – an initiative between government, industry and civil society focusing on the remediation of the Wonderfontein Spruit.

Integrity and ethics

Harmony's code of ethics (refer to www.harmony.co.za) commits the company, its employees and contractors to adhere to a set of values in adopting the highest ethical standards, free from conflicts of interest. For code of ethics view on www.harmony.co.za. These values include transparency, trust, accountability, respect, equality and responsibility.

Security and related clearance checks are conducted prior to appointing employees. All employees are required to sign a copy of the code of ethics when appointed. Employees are also required to review relevant sections of the code when they return from annual leave. In addition to printed copies, the code is distributed electronically to all employees with access to e-mail.

In August 2011, the board approved the establishment of a social and ethics committee in compliance with the new Companies Act, Act No 71 of 2008 (the act). This board committee will attend to the functions of a social and ethics committee as provided for in the act and will establish a regulatory framework to assist the board in reaching and monitoring high standards of corporate governance and ethical conduct. The committee will also ensure adherence to the requirements of King III on ethical leadership and corporate citizenship on behalf of the board.

An ethics committee was established in May 2006 by the executive committee to monitor the ethical culture and standards of integrity within Harmony. In future, this committee will report to the social and ethics committee of the board. The ethics committee meets quarterly, ensures that the code of ethics is signed by all employees and assesses reports from the white-collar crime committee. During the period, the code was reviewed in line with the provisions of King III and will be presented to the board for consideration and approval in October 2011. No material changes were made to the code.

Harmony encourages employees to anonymously report suspected breaches of the code using the Khuluma line, the company's whistle-blowing or crime line. The crime line is managed by an external security contractor and is accessible 24 hours a day. During the year, 135 alleged irregularities were investigated. In 31 cases, the employees concerned were disciplined or dismissed, and 12 cases were referred for criminal prosecution.

The board charter specifically considers conflicts of interest, advising how these must be declared and dealt with at board level. Directors are required to declare any interests and potential areas of conflict at every board meeting in line with the provisions of the Companies Act and JSE Listings Requirements.

Political donations

Harmony has a donations policy dealing with requests from political parties. Fair allocations of funding to parties reflect the support received in the most recent South African national and regional elections. In FY11 donations totalling R2 million were made to the African National Congress and R500 000 to the Congress of South African Trade Unions (Cosatu). Another R1 million was donated to various other parties, including the Democratic Alliance. No donations in cash or in kind were made to political parties in PNG in FY11.

Risk management

Harmony has a formal risk policy framework and extensive risk management structures covering all categories of risk. The risk factors and primary risks identified in FY11 and how these are managed are comprehensively covered under risk management.

Risk factors are assessed from both a financial loss and reputational point of view, although it is easier to quantify the financial aspect. Considered from a sustainability perspective, a different aspect of these risks is highlighted. This section should, therefore, be read in conjunction with the section on Harmony's approach to sustainability reporting.

We evaluate safety, health, environment and human rights risks. The precautionary approach is addressed in planning and developing new projects, in line with relevant legislation and good practice. We also evaluate the levels of due diligence applied before engaging in significant contracts.

GOVERNANCE AND ECONOMIC
SUSTAINABILITY CONTINUED

Economic sustainability

Key features

- Total gold production of 1.3Moz (40 535kg) for revenue of R12 445 million (US\$1 781 million) and operating margin of 26%
- Capital expenditure of R3 143 million (US\$450 million)
- Training and development investment of R223 million in South Africa and PNG
- BBBEE procurement expenditure of R2 267 million (42% of total expenditure)

Material indicators

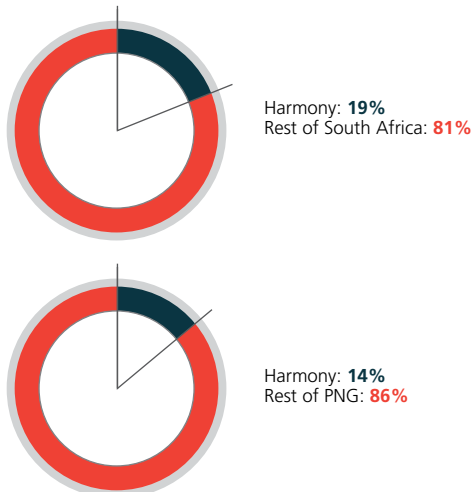
- Economic context and relevance
- Producing safe, profitable ounces
- The gold market
- Investing in the future
- Economic transformation and empowerment

The section on Harmony's approach to sustainability reporting details how we identified our material issues.

Economic context

Harmony is a significant role player in global gold markets, in the South African economy and in the economies of the provinces in which it operates. Harmony is one of the world's leading producers of gold, and South Africa's third-largest gold producer. Regionally, Harmony has an even bigger impact, for example in South Africa's Free State where mining accounts for over 90% of provincial GDP.

Harmony in context – gold production in South Africa and PNG



South African gold production has declined in recent years, but Harmony remains an important contributor to economic activity and employment in the provinces where it operates: Gauteng, North West, Mpumalanga and Free State, as well as neighbouring labour-sending areas. At present, Harmony is the only gold producer with a solid growth pipeline and rising grade profile, underpinning management's expectations for an increasing contribution to gold production in South Africa.

The direct and indirect employment we create is another indicator of Harmony's economic contribution. In FY11, the company employed 41 656 people – a substantial portion of the workforces in the South African and PNG gold mining industries as a whole.

Producing safe profitable ounces

Operating and financial performance in FY11

Harmony delivered a satisfactory performance for the year, characterised by several important milestones and developments detailed in the quarterly reports and the annual report.

Key features of our financial performance in FY11 include:

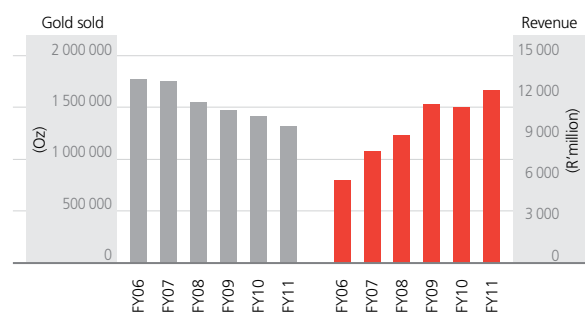
- Total gold production of 1.3Moz (40 535 kilograms)
- Average gold price received of R307 875/kg (US\$1 370/oz)

- Revenue generated of R12 445 million (US\$1 781 million)
- Capital expenditure of R3.1 billion (US\$450 million)
- Net profit for the year of R617 million (US\$87 million)
- Operating margin of 26%.

At 30 June 2011, Harmony's market capitalisation was R38.7 billion (US\$5.7 billion).

The trend of Harmony's revenue stream over the past five years reflects the restructuring undertaken to focus on safe, profitable ounces. While this had a temporary effect on production, the benefits are evident in our financial and safety performances for the year.

Continuing operations



Adding value

Harmony's value-added statement for FY11 is presented below, as well as a breakdown of payments made to government. No significant assistance was received from government in South Africa or PNG.

Harmony and subsidiaries

Value-added statement for the year ended 30 June 2011

	FY11		FY10	
	Rm	%	Rm	%
Sales of gold				
Less: Cost of material and services	12 445 (2 998)		11 284 (4 491)	
Value added from trading operations	9 447	97	6 793	96
Profit on disposal of assets	29	–	104	1
Income from investments	226	3	218	3
Value added by discontinued operations – net	20	–	(32)	–
Total value added	9 722	100	7 083	100
Distributed as follows:				
Employees (including directors and management) salaries, retirement and other benefits (excluding employees' tax)	5 543	57	4 193	59
Providers of capital				
Dividends to shareholders	214	2	213	5
Interest on borrowings	285	3	246	3
Government and community				
Taxation	48	–	84	1
Employee tax	794	8	719	10
Royalties	96	1	33	–
Social investment	84	1	81	1
Total distributions	7 064	72	5 569	79
Retained for reinvestment:				
Depreciation and amortisation	1 777	18	1 375	19
Impairment of assets	264	3	331	5
Profit/(loss) accumulated in the business	617	7	(192)	(3)
Total reinvested	2 658	28	1 514	21
Total distribution including reinvestment	9 722	100	7 083	100

GOVERNANCE AND ECONOMIC
SUSTAINABILITY CONTINUED

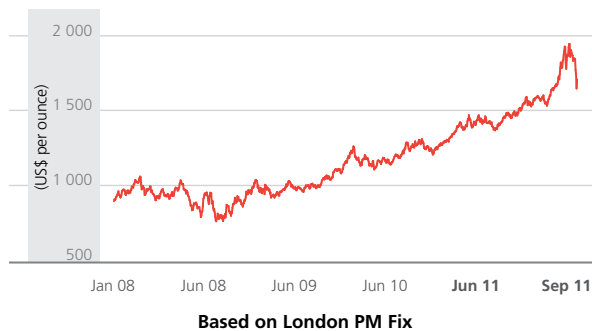
Economic sustainability CONTINUED

The gold market and exchange rate

Harmony's average R/US\$ exchange rate used for FY11 was 6.99 while the average gold price received was R307 875/kg (US\$1 370/oz).

Three-year gold

High US\$1 895.00 Low US\$712.50



Gold remains a desirable product and we expect the price received in dollar terms to be around US\$1 850/oz an ounce in our next financial year, especially with continued global uncertainty and a weaker dollar. Harmony remains highly exposed to the R/US\$ exchange rate, as most of our operations are in South Africa. While our earnings are in dollars the exchange rate impacts our revenue in rands. The rand strengthened against the dollar throughout FY11, keeping profit margins flat.

Rand/dollar exchange rate FY11



Harmony's strategic plans for FY12 are based on a gold price of R280 000/kg (US\$950/oz) and an exchange rate of R7.53/US\$.

Investing in the future

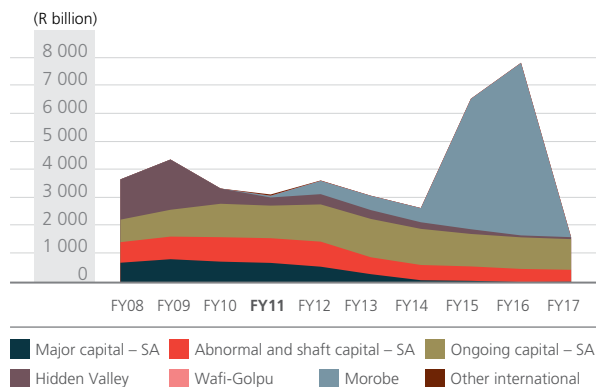
Integral to Harmony's growth strategy is acquiring long-life assets that offer higher grades and we regularly assess opportunities in Africa and south-east Asia that could fit the Harmony portfolio. Stringent criteria govern any possible acquisition, including the requirement that any acquisition should complement the substantial asset base currently under management and add value to the group's highly competent team of employees.

In FY11, we continued restructuring our asset base in line with our strategy to deliver 1.8–2 million safe, profitable and sustainable ounces by 2015. Key steps to improve the quality of Harmony's portfolio included:

- Ongoing investment in development at Phakisa, Kusasalethu, Doornkop, Tshepong and Hidden Valley mines, confirming their robust life-of-mine plans and reserves
- The official opening of Hidden Valley mine in PNG in September 2010, our first offshore greenfields project and an important step in our strategy of geographical and asset diversification
- Ongoing exploration in PNG, including 7 700km² of wholly owned exploration tenements
- Excellent drilling results at Wafi-Golpu, justifying our confidence that this world-class asset will be the next mine in the area
- The closure of older or loss-making shafts, including Merriespruit 1 in Virginia. Over 80% of affected staff were transferred to Harmony's growth operations
- Agreements to sell non-core assets such as Mount Magnet in Western Australia, the prospecting right over Merriespruit South area, and Evander 6 shaft as well as cancellation of the Freegold option with Witsgold, for a total of R790 million
- The successful integration of the Pamodzi assets, acquired in the prior year, into our existing Free State operations in South Africa.



Total capital



Harmony's capital expenditure totalled R3.1 billion in FY11, largely on growth projects in South Africa and the development of Hidden Valley mine in PNG. In total, Harmony has invested R8.31 billion on capital projects in the past five years.

Economic transformation and empowerment

Harmony's ongoing commitment to economic transformation and empowerment in South Africa and PNG is evidenced by:

- Equity ownership by historically disadvantaged South African (HDSA) interests in the company**
 Harmony complies with the Mining Charter through partnerships and the sale to HDSA companies of interests in the company and its underlying operations. At the end of June 2011, we maintain that 36% of production was attributable to HDSA interests. Harmony's HDSA ownership comprises shareholding by African Rainbow Minerals (ARM) following a series of transactions including Freegold (a Harmony/ARM merger), ARM empowerment trust, and other transactions, measured in terms of the "continuing consequences" provision of the Mining Charter where prior transactions are included in calculating HDSA ownership credits in terms of market share measured by attributable units of production.
- Empowerment and transformation of the procurement base in South Africa**, by developing small, medium and micro enterprises (SMMEs) that are broad-based black economically empowered (BBBEE), and based in the

provinces of operation as well as by doing business with large BBBEE companies. Harmony's procurement processes and expenditure are governed by a group strategy and policy. BBBEE companies, particularly local companies, receive preference in awarding contracts (see section below). To view the policy refer to www.harmony.co.za.

- Contracts awarded by Morobe Mining Joint Ventures (MMJV)** to the company owned by three landowner groups – Nauti, Kwembu and Winima – for catering, fuel haulage, general freight, plant hire, security, labour hire and bus services. MMJV continues to comply with the memorandum of agreement on the Hidden Valley project by offering business development opportunities to landowners. These opportunities will increase as the mine moves towards full production.

Implementing affirmative procurement in South Africa

Material issues

- Small base of qualifying suppliers with the requisite skills
- Conflicting standards, definitions and regulations between government departments.

Harmony is committed to progressively transforming its procurement practices and performance.

Our procurement policy promotes expenditure with companies recognised as BEE entities under the revised Mining Charter (September 2010). Targets set in the charter's scorecard will also be adopted for each operation in Harmony. This will result in Harmony only claiming procurement spend for suppliers complying with the ownership requirement described in the charter as follows: "BEE entity means an entity of which a minimum of 25% + one vote of share capital is directly owned by HDSA as measured in accordance with flow-through principle".

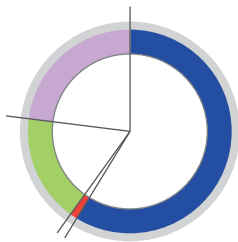
Harmony's BEE entity procurement expenditure in FY11 was R2 267 million (42% of total discretionary spend). This is not comparable to the prior year, given the change in definition.

**GOVERNANCE AND ECONOMIC
SUSTAINABILITY CONTINUED**

Economic sustainability CONTINUED

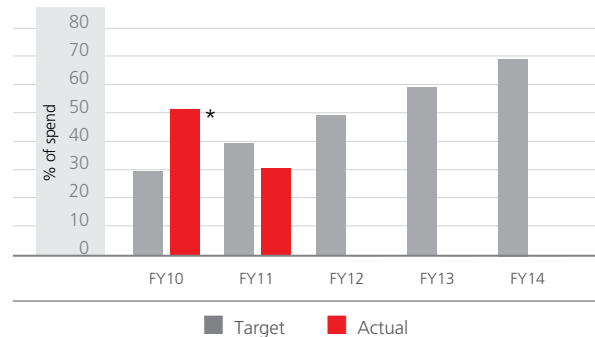
Harmony's BEE spend by category for 2011 as defined by the new Mining Charter is shown below.

Harmony spend distribution

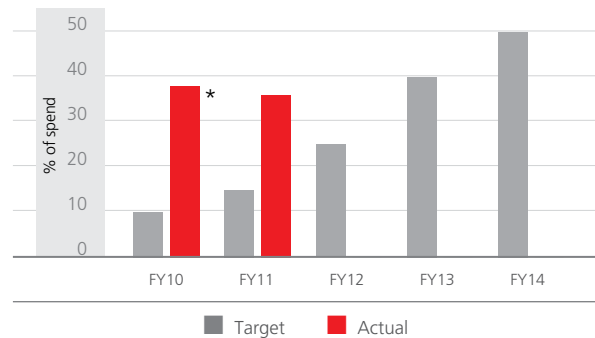


Non-BEE-entity: **59%**
Capital: **1%**
Services: **17%**
Consumables: **23%**

BEE-entity services spend



BEE-entity consumables spend



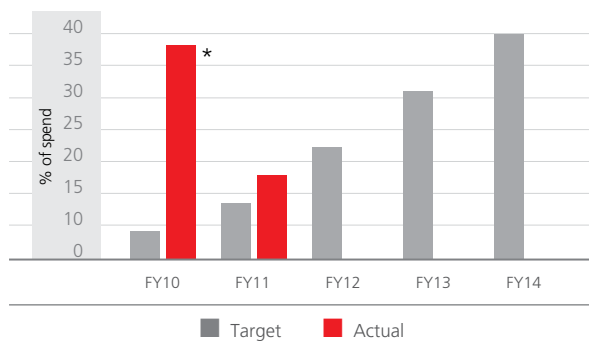
Factors influencing Harmony's results

The changeover from the DTI code definition of BBEE (which has seven measurement criteria) to the new Mining Charter definition, which only focuses on ownership, had a major impact on reported results. This makes it very difficult to compare FY10 with FY11, as the benchmark has changed.

BEE procurement performance against Mining Charter scorecard targets

* Based on DMR reporting period Jan 2011 to date

BEE-entity capital spend



* Variances reflect changeover to new Mining Charter definition.



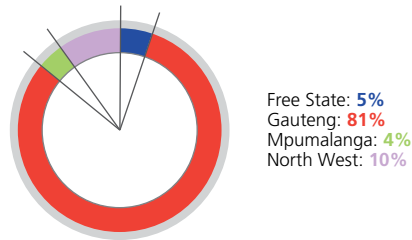
Harmony faced various challenges during the year in achieving its affirmative procurement targets owing to limited skills in the supplier base. This had an impact on the BEE product and skill offerings, decreasing their business opportunities. We have also faced challenges in dealing with BEE companies that are not familiar with tax law, and health and safety requirements, among others. We are addressing these shortcomings through our enterprise development programmes and enterprise development centres (EDCs).

Harmony's EDCs, now operating in Welkom and Soweto, were structured to support affirmative procurement and make it easier for qualifying suppliers to do business with Harmony. The development of the EDCs is being implemented in two phases:

- Phase 1, now complete, involved developing a database of local BBBEE suppliers and documenting their competencies. The system alerts these suppliers to new opportunities from Harmony and assists them with tender and vendor processes, including arranging financing if required. Suppliers are also assisted in executing their orders to ensure efficiency, and in forming joint ventures with traditional suppliers

- Phase 2 incorporates skills assessments, business development, provision of business facilities and administrative support to local BBBEE suppliers.

BEE-entity spend per province







Doornkop mine in Gauteng reached an industry achievement of four million fall-of-ground fatality-free shifts.

SOCIAL PERFORMANCE

Safety

Highlights

- Fatalities down 19%
- Integrated strategy reduces fall-of-ground fatalities by 64%
- Doornkop reaches 4 million fall-of-ground fatality-free shifts, an industry achievement
- Only two lost-time injuries at our PNG operation, Hidden Valley

Material issues

- Eliminating accidents by managing risk and ensuring the appropriate structures, systems and training are in place
- Reducing falls of ground
- Addressing the issue of illegal miners in South Africa

The section on Harmony's approach to sustainability details how we identified our material issues.

Providing safe and healthy workplaces is a priority for Harmony, and we continued to focus on eliminating workplace injuries and work-related ill health during the year.

The sustainable development committee, a committee of the board, monitors safety performance and sets high-level targets (see Governance of sustainability). Appropriate structures and systems are in place in South

Africa and in PNG to address safety and health and employee well-being.

Regrettably, 16 employees died in mine-related incidents in FY11 (FY10: 22). Fifteen of these fatalities were at our South African operations and one in PNG. We again extend our condolences to their families, friends and colleagues and reiterate our commitment to achieving our goal of zero fatalities.

In memoriam

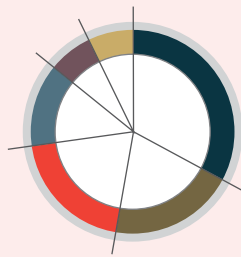
Harmony pays tribute to those who lost their lives at work in FY11:

Date	Operation and cause	Individual	Occupation
24 June 2010	Phakisa – explosion during underground fire	Burnett Bothma	Mine rescue team (brigadesman)
		Johannes Bothma	Mine rescue team (brigadesman)
		Siegfried Hildebrandt	Mine rescue team (brigade captain)
		Frans Prinsloo	Mine rescue team (brigadesman)
		Jose Randall	Mine rescue team (brigadesman)
26 August 2010	Tshepong – gravity-related fall-of-ground	Raimundo Tala	Winch operator
27 September 2010	Bambanani – seismic fall-of-ground	Msiphani Mashwama	Member stope team
		Lehlohonolo Nchaka	Rock drill operator
4 October 2010	Tshepong – trucks/tramming/transport	Petrose Rapeane	Tramming supervisor
20 October 2010	Kusasaletu – shaft accident	Jackson Morena	Rigger
20 January 2011	Bambanani – gravity-related fall-of-ground	Tello Motloung	Scraper winch operator
28 February 2011	Unisel – rolling rock	Tjakama Ntsohi	Winch operator
30 March 2011	Joel – gravity-related fall-of-ground	Michael Matea	Underground assistant
14 April 2011	Masimong 5 – trucks/tramming/transport	Mbuyiseli Malungisa	Locomotive guard
30 April 2011	PNG – falling material	Kerry Kowitz	Pavement coordinator
7 May 2011	Kusasaletu – trucks/tramming/transport	Mbuzeni Sihoyiya	Locomotive operator



Case study – Major safety initiative in FY11

South Africa: Top six causes of fatalities in FY11



Explosion: **33%**
 Gravity-related fall-of-ground: **20%**
 Trucks and tramping: **20%**
 Seismic-related fall-of-ground: **13%**
 Falling down and excavation: **7%**
 Rolling rock: **7%**



Falls of ground account for a large portion of all lost-time injuries in Harmony. Following the FY10 safety workshop, we prioritised the development of a holistic strategy to minimise injuries caused by falls of ground.

The result was the Harmony **ground control strategy**, which is focused on formalising and consolidating all efforts to prevent fall-of-ground incidents and accidents, and to promote an even safer and more stable underground environment. The strategy is divided into two main components, **ground behaviour** and **ground control**.

- Ground behaviour deals with the strategic aspects of mine design to prevent or minimise damage to rock around mining excavations. Knowledge of the mining environment and ground stability, together with an understanding of in-situ and induced stress regimes, guides the ideal plan for each condition. Integral to this plan is integrating support systems in the overall mine design and monitoring rock mass response.
- Ground control deals with the operational aspects of the mine to protect personnel and equipment from fall-of-ground incidents. This is the hazard identification and treatment system where support elements, layout standards and procedures are implemented by means of training, supervision and management systems that address all requirements.

Central to this approach are components that deal with behavioural aspects, competency training and development, research and new technologies.

During the year, the fall-of-ground strategy was developed, refined for each workplace and signed off. Formal roll out started in the first quarter of the new financial year. Early results of this three- to four-year programme are encouraging. The combination of netting in selected spaces with better control and better awareness resulted in a 75% improvement in gravity-related falls of ground from 12 in FY10 to three in FY11, while we recorded two seismic fall-of-ground fatalities in the review period. We have set a target for FY12 to reduce the fall-of-ground injury frequency rate to 1.42 per million hours worked.

Our Joel mine is the pilot site for a triggered accident response plan. This is being trialled in conjunction with the Chamber of Mines' MOSH initiative.

In addition, Harmony is investing in a virtual training system that offers the clear benefit of familiarising managers and workers with high-risk conditions and training them in the required steps to keep their colleagues safe without physically being exposed to potential falls of ground.

SOCIAL PERFORMANCE CONTINUED

Safety CONTINUED

Safety achievements during the year

Many individual operations recorded excellent safety improvements during the year. Notably, Doornkop reached 4 million fall-of-ground fatality-free shifts in May 2011, a significant milestone in the gold-mining industry that took the Doornkop team over five years to accomplish.

First quarter	Second quarter	Third quarter	Fourth quarter
<p>Fatality-free shifts</p> <ul style="list-style-type: none"> • 1 million – Kusasalethu, Doornkop, Evander, Kalgold • 750 000 – Bambanani total operations • 500 000 – Target total operations • 500 000 – Unisel • 500 000 – Free State metallurgy <p>Injury-free quarter</p> <ul style="list-style-type: none"> • Evander workshops • Evander services • Free State and Randfontein commercial services and transport • Joel plant • Kalgold • Phoenix plant • Target plant 	<p>Fatality-free shifts</p> <ul style="list-style-type: none"> • 1 million – total Harmony surface and underground operations • 1 million – SA surface and underground operations • 2 million – SA surface operations • 2 million – Kusasalethu, Doornkop, Evander, Kalgold • 1 million – Masimong • 500 000 – Evander 8, Unisel and Merriespruit 1, Doornkop <p>Injury-free quarter</p> <ul style="list-style-type: none"> • Masimong 4 • Harmony 1 plant • Randfontein surface operations • Merriespruit 3 <p>Two injury-free quarters</p> <ul style="list-style-type: none"> • Phoenix plant • Target plant • Free State commercial services and transport • Randfontein commercial services and transport • Evander workshops • Evander services 	<p>Fatality-free shifts</p> <ul style="list-style-type: none"> • 2 million – total Harmony surface and underground operations • 1 million – SA surface and underground operations • 500 000 – Kusasalethu, Evander total operations, Tshepong, Target 1 <p>Injury-free quarter</p> <ul style="list-style-type: none"> • Target plant • Joel plant • Harmony 1 plant • Free State commercial services and transport • Randfontein commercial services and transport • Evander workshops • Randfontein surface operations • Kusasalethu plant 	<p>Fatality-free shifts</p> <ul style="list-style-type: none"> • 2 million – South surface operations, North surface and underground operations • 1 million – Harmony total including PNG, SA surface and underground operations, South surface and underground • 1 million – Doornkop total and shaft, Target total • 750 000 – Evander total and shaft 8, Kusasalethu total and shaft, metallurgy South operations, Tshepong • 500 000 – Phakisa <p>Injury-free quarter</p> <ul style="list-style-type: none"> • Asset management forum • Target plant • Harmony 1 plant • Free State laboratory • Free State commercial services and transport • Evander workshop • Evander hospital • Randfontein commercial services and transport

For SA, the fatal injury frequency rate (FIFR) improved year on year to 0.17 (FY10: 0.21). For PNG, the fatal injury frequency rate (FIFR) improved year on year to 0.20 (FY10: 0.70).



Safety in South Africa

Management approach

Harmony's objective is to eliminate all work-related injuries. Each operation is monitored monthly using a formal review system, while major safety issues are reviewed annually during the health and safety workshop.

Our approach to safety is comprehensive and includes training, auditing, communication, specific management interventions and programmes, and ongoing campaigns. Corporate safety and health professionals monitor group-wide performance and develop initiatives to address common issues (see box on fall-of-ground). Guided by an occupational health and safety policy, our cooperative health and safety management framework involves the active participation of management, unions and DMR representatives at all levels, and is aligned with the Mine Health and Safety Act (MHSA).

The chief executive officer and chief operating officers are responsible for safety strategy and management at Harmony operations. They, in turn, delegate responsibility to the relevant general and plant managers for implementation and monitoring because each operation has a unique risk profile. Post year end, we allocated the responsibility for safety to a senior executive with extensive experience of Harmony's operations.

Safety performance is a parameter in all management and employee incentive schemes.

Health and safety committees are in place at all operations, as required by the MHSA, and full-time health and safety stewards and health and safety representatives have been appointed. There were 52 full-time health and safety stewards in place at the South African operations in FY11.

These health and safety committees comprise management and elected employee representatives to ensure the active participation of our people in safety and health management. All safety representatives receive additional training, in line with revised Mining Qualifications Authority (MQA) standards. The committees meet monthly to examine employee health and safety issues, and formal health and safety agreements are in place at all operations to deal with related issues.

In FY11, 190 occupational health and safety personnel were trained as OHSAS 18001 lead auditors. After adopting OHSAS 18001 and ISO 14001 standards in the prior year, a gap analysis was completed in FY11 to determine whether these standards could be implemented as an integrated framework. A decision on this will be taken in FY12.

The annual health and safety strategic workshop is a key event in our safety calendar. The review period's workshop was held in June 2010 with executives and management teams participating. The workshop identified specific safety aspects to be implemented in FY12 and monitored each quarter. These include:

- Fall-of-ground prevention
- Trucks and tramming
- Occupational health and hygiene
- Metallurgical plants
- Environmental management/occupational health and safety management systems.

During the year, we made good progress in installing standardised systems to accurately monitor and measure a number of performance indicators, including safety, to global best-practice levels. By year end, modules for occupational health and radiation were in place, while scoping was under way for safety, health and environmental management modules. These are aligned to OHSAS and ISO standards. In tandem, we are consulting with individual health and safety committees to ensure their full cooperation.

We have previously identified safety literacy as a material issue. To address this, we are rolling out an e-learning programme at Masimong, Tshepong, Phakisa, Target and Doornkop. By year end, 16 368 employees were completing this programme.

In line with Harmony's 2013 milestones, safety management and performance targets have been set,

SOCIAL PERFORMANCE CONTINUED

Safety CONTINUED

and integrated into the performance parameters at each operation. The 2013 milestone is a fatality rate of 0.03 per million hours worked, as agreed by the CEOs of all mining companies and the Mine Health and Safety Council at the 2003 industry safety summit. At Harmony, while the long-term trend is firmly downwards, we have some way to go to reach this goal.

Safety performance

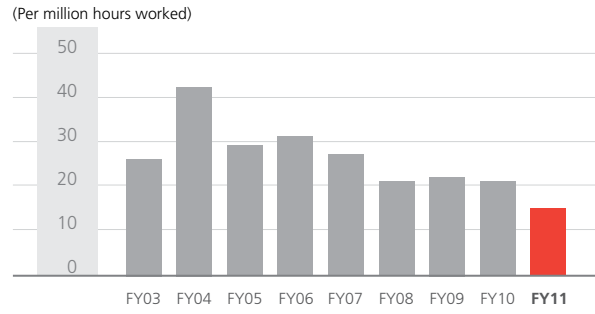
Pleasingly, for South African operations, the fatal injury frequency rate (FIFR) improved 19% year on year to 0.17 (FY10: 0.21), while the lost-time injury frequency rate (LTIFR) deteriorated to 8.32 (FY10: 7.73) per million hours worked.

A total of 27 539 shifts were lost due to occupational injury (FY10: 27 254). Shifts lost are a useful indication of the severity of occupational injuries (Harmony allocates 90 shifts lost for each fatality).

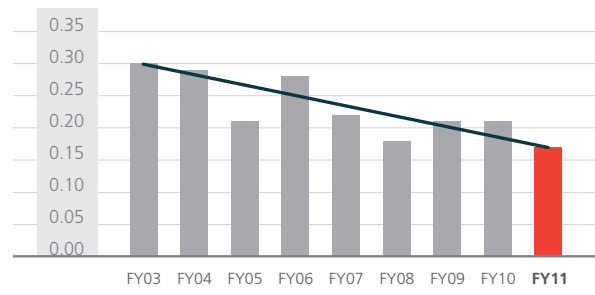
The primary causes of fatal accidents in FY11 were an explosion (33%), gravity-related fall-of-ground (20%), trucks and tramming (20%), seismic-related fall-of-ground (13%), falling down an excavation (7%) and rolling rock (7%). There was a significant improvement of 64% in fatal injuries related to falls of ground compared to the previous year (see case study).

Thorough investigations into each fatal accident have shown that non-compliance to standards and procedures was again the main contributing cause. Behaviour-based campaigns, together with other safety initiatives, will be critical focus points for the next year.

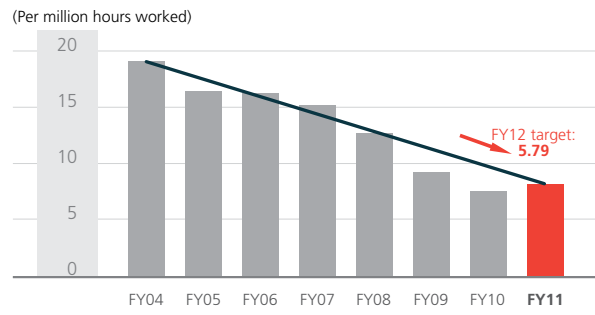
South Africa: Fatalities FY03 – FY11



FIFR trend (SA)



South Africa: LTIFR





Case study – safety milestone for Doornkop

A key priority for Harmony is providing safe and healthy workplaces, as well as eliminating all workplace injuries and work-related ill health effects.

It was therefore just cause for celebration when our Doornkop mine achieved an industry milestone of 4 million shifts without a fatality caused by a fall of ground on 11 May 2011 – a milestone that took five-and-a-half years to reach.

This is a remarkable achievement considering the range of activities carried out at the mine – shaft sinking, trackless mining, narrow-reef stoping, large excavations, among others.



11 May 2011	Last fall-of-ground fatality	Days	Months	Years
Doornkop	27 Sept 2005	2 052	68	5.6

The Doornkop operation currently produces over 5 000oz of gold per month.

In 2005 a collaborative initiative, the workforce created a safety culture based on six values – commitment, accountability, honesty, discipline, respect and teamwork – against which employees continuously monitor themselves.

Since September 2008, quarterly surveys have been used to track adherence by management and supervisors to this value system. Formal feedback is given to all supervisors and teams highlighting areas for improvement. In addition, new employees attend two-day safety training courses to familiarise them with the value system. In line with the mining industry's 'white flag days', each member of the underground team has a flag pole and is rewarded based on the white flag days achieved.

Objectives for FY12

To support the roll out of our integrated fall-of-ground strategy, in which managing the behaviour of rock is as important as managing the behaviour of our people, we will concentrate on training and incorporating lessons learned from pilot sites.

To further improve the quality of our data, we will continue to roll out and integrate modules of the standardised monitoring and measurement systems.

We are also developing an integrated plan for rock-breaking machinery and rolling stock, aligned with the Chamber of Mines' MOSH project.

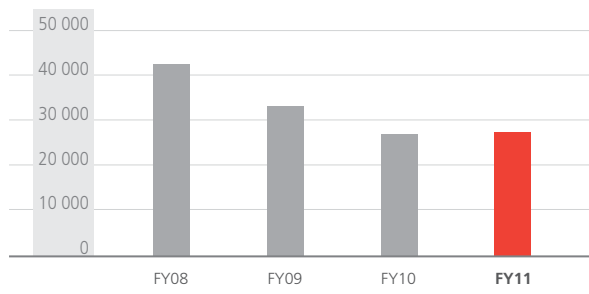
SOCIAL PERFORMANCE CONTINUED

Safety CONTINUED

South Africa: key statistics by operation

South Africa Operation	LTIFR			FIFR		
	FY11	FY10	FY09	FY11	FY10	FY09
Masimong	13.13	7.37	8.67	0.13	0.13	0.27
Target	7.71	3.73	9.66	0.00	0.40	0.40
Bambanani	10.74	9.29	7.48	0.36	0.14	0.15
Unisel	11.57	12.86	12.38	0.19	0.28	0.74
Tshepong	12.60	12.22	15.82	0.19	0.18	0.62
Joel	2.05	4.26	2.59	0.34	0.30	0.00
Phakisa/Nyala	10.27	8.40	9.19	0.82	0.54	0.00
Evander	3.72	7.41	10.39	0.00	0.20	0.16
Doornkop	8.04	5.50	6.25	0.00	0.27	0.00
Kusasaletu	7.74	6.88	12.67	0.14	0.14	0.36
Kalgold	5.43	1.49	2.94	0.00	0.00	0.00
Asset management forum	7.03	9.83	2.92	0.00	0.00	1.46
South metallurgical	3.75	1.58	5.52	0.00	0.00	0.34
North metallurgical	6.67	5.88	7.24	0.00	0.53	0.00
Total Harmony SA	8.32	7.73	9.35	0.17	0.21	0.21

South Africa: Shifts lost due to occupational injury



The DMR remains vigilant about ensuring compliance with safety legislation. Harmony continues to work closely with the department to resolve issues, thus minimising safety stoppages and ensuring that all safety standards are adhered to and implemented at our operations.

Our aim is to produce safe, profitable ounces. We firmly believe that safety in the workplace can only

be addressed in a cooperative approach that ensures the right infrastructure is in place – from systems and planning, to communication and training. Management and employees must accept joint responsibility for their actions and therefore it is imperative that the working environment empowers people – management, supervisors, workers and union representatives – to stop work and withdraw when they feel it is unsafe, or prevent others from acting in an unsafe way. Equally, safety is also about attitudes and mindsets, collectively and individually.

In FY11, management continued to ensure that a safety culture is entrenched at all operations through group-wide behaviour-based safety programmes. Subsequent to year end, a senior Harmony manager was given responsibility for all safety initiatives in the company, both to optimise the benefits of these projects and to ensure lessons learned are shared.

Illegal mining

In South Africa, illegal mining at many Free State gold operations, not only Harmony mines, presents significant safety and health risks for our own employees and for the illegal miners. It also has a considerable cost in terms of destroyed assets and infrastructure, security, and loss of skills (if employees are involved). Ultimately, this has ramifications for investment and job creation.

Unfortunately, this is a complex issue, spanning unemployment, illegal immigration, internal fraud and, most importantly, endemic poverty. As such, there is no simple solution, but the level of cooperation between mine owners, authorities, employees, communities and non-governmental organisations has been encouraging. We are doing everything reasonably practicable to proactively address illegal mining.

We also continue to liaise with the DMR, the South African Police Service (SAPS), justice department, private security companies and affected communities.

During the review period, the Department of Justice and Correctional Services amended the charge for illegal mining from petty to serious. We trust that prison sentences as opposed to negligible fines will prove a more compelling deterrent.

Harmony has made good progress in the battle against illegal mining. Access control and underground security processes have been enhanced, although at some operations the criminals have now focused on surface areas. This is being addressed. At Tshepong, the ban on food underground was agreed to by all stakeholders and has proved successful. Our focus on communicating the risks and consequences of illegal mining and fraud to our own workforces has also paid off, with the number of employees dismissed for related offences dropping from 314 in FY10 to 133 in the review period.

Safety in PNG

Material issues

Given its remote location and challenging terrain, safety management at Hidden Valley presents different risks to our South African mines. The key issues are:

- Clearing and loading
- Slings (helicopter function)
- Vehicles
- Isolation
- Working at heights
- Falls of ground.

Management approach

Safety performance at Hidden Valley in PNG is monitored by Harmony's regional executive committee. As safety is a line management responsibility, safety managers at each operation report through steering committees to this executive committee, which in turn reports to the Harmony board committee responsible for sustainability. Safety strategy is guided by Harmony's health and safety policy (refer to www.harmony.co.za).

Good progress is being made by the joint venture partners in developing a sustainable business management system (SBMS) aligned to ISO 18000 and ISO 14001:2004, a health, safety and environmental management system. The SBMS will be externally audited every two to three years against these standards.

Harmony has also made progress in developing a measurement system based on organisational and individual performance. Business performance indicators, including safety, were developed and agreed during the year. Future performance will be monitored against these benchmarks.

SOCIAL PERFORMANCE CONTINUED

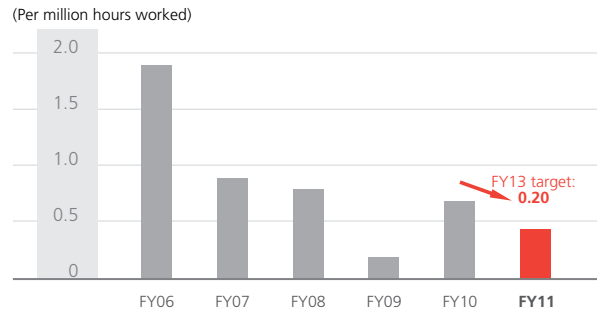
Safety CONTINUED

Identifying and managing hazards in the workplace is an important element in improving safety performance and remains a key focus. As such, site-level risk assessments aim to ensure each job is completed safely and efficiently. In addition, the hazard identification and risk assessment (HIRA) approach is being successfully implemented, supported by ongoing training and coaching.

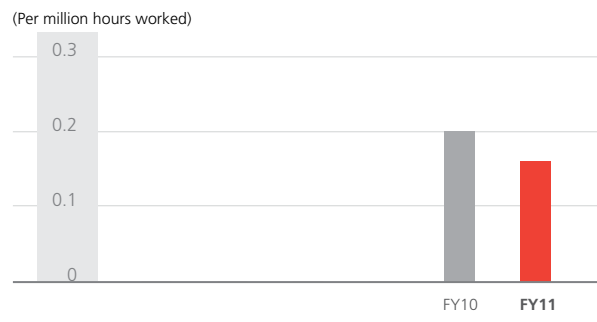
The business, production and safety improvement programme developed in FY10 (based on the mining six-sigma lean programme) is actively involving management in continually improving and meeting targets in all aspects of the business, especially safety. The programme includes daily meetings at which all managers and senior staff are updated on activities across the site for the prior 24 hours. This update reviews safety-related issues, including significant potential incidents, injuries and other incidents in that period.

The work system wheel was introduced across the MMJV operations in early 2010 to develop a controlled and safe work environment. The wheel is a graphical representation – with a version translated into colloquial speech – highlighting the four elements required for safe production: controlled work environment, trained and competent people, fit-for-purpose equipment and safe work practices. This concept encourages everyone to ensure the four elements are in place at all times. The model has been expanded across all management levels in addition to the mines.

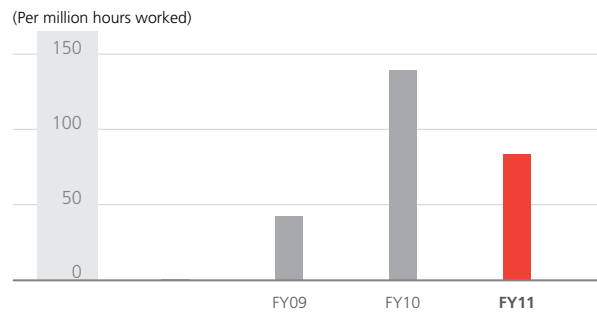
Safety performance – PNG: LTIF



PNG: FIFR



PNG: shifts lost due to occupational injury





The FIFR deteriorated to 0.22 (FY10: 0.20), while the LTIFR improved significantly year on year to 0.20 (FY10: 0.70).

Safety performance in FY11 was marred by one fatality. We deeply regret this incident and extend our condolences to his family, friends and colleagues.

In FY10, we reviewed incidents at Hidden Valley mine over a 12-month period. Identified issues included safety practice standards, contractor vehicle maintenance and driver competency. Following a safety management plan review with all contractors, specific safety performance indicators were developed for each contractor as per the requirements of the PNG Mineral Resources Authority (MRA) and monitored monthly by safety managers in FY11. The benefits are reflected in the improved LTIFR for the year.

Various safety-related training courses were again held at MMJV in FY11, ranging from internal basic first aid to

emergency response training. The quality of this training was evident when the Hidden Valley team won the inaugural national mining emergency response challenge during the year (see case study).

Objectives for FY12

- A good relationship has been built between management and the Hidden Valley workforce, and this will be further strengthened in the best interests of all stakeholders
- Leadership training – more formal training for line supervisors is being introduced to entrench best practice
- Continued roll out of the sustainable business management system aligned to ISO 18000 and ISO 14001:2004
- A contractor management training module will be included in the leadership training programme.

Case study – safety first in PNG

The unremitting focus on safety and appropriate training paid off during the review period when the MMJV team received the top award in the inaugural national mining emergency response challenge.

Under the auspices of the mines inspectorate branch of the Mineral Resources Authority (MRA), the challenge brought teams from mines across Papua New Guinea together to test their skills and competencies in a wide range of emergency situations on the mine site or externally.

The teams were tested for skills and competencies in fire fighting, rope rescue, emergency first aid, breathing apparatus, and their knowledge or theory of emergency situations.

Apart from winning the overall trophy for best team, MMJV also won the breathing apparatus section, theory and safety. Best medic award was shared by an MMJV team member and his counterpart at another gold mine.



Occupational health and employee well-being

Highlights

- Solid progress in proactive healthcare strategy, and compliance with DMR standards
- Among the highest compliance levels in industry for use of personal protective equipment
- Successful implementation of Target health hub; acclaimed by the DMR as the first of its kind in the mining industry
- Community clinics in PNG well received

Material issues

- Noise-induced hearing loss (NIHL) and use of protective equipment
- Occupational lung disease, including silicosis
- Pulmonary tuberculosis and other HIV-related illnesses
- Heat stress
- Integrating systems and implementing workplace disease management methodologies
- Body mass index (overweight) workers underground.

The section on Harmony's approach to sustainability details how we identified our material issues.

Harmony values the health and well-being of all its employees and the communities affected by its activities. The company is therefore committed to preventing all illnesses – not only occupational illnesses but other lifestyle diseases such as hypertension, diabetes and HIV – through continued medical surveillance, active case finding, early detection and treatment as part of an integrated managed healthcare system.

Harmony Healthcare provides tertiary, secondary and primary healthcare as well as occupational health services to around 80% of its employees through company-managed healthcare facilities and preferred provider arrangements. Company-owned facilities currently include two private hospitals, two private pharmacies and various shaft-based medical stations. During the year, conversion of the medical station at Target was completed; this is now a health hub providing an integrated, proactive healthcare service. Casualty departments at the private hospitals provide 24-hour emergency services to local communities and to company employees.

The health and well-being of the remainder of Harmony employees, their dependants and contractors is ensured through medical aid membership or third-party service providers, as part of their employment benefits.

In the prior year, Harmony Healthcare began implementing a proactive healthcare strategy, shifting the focus from curative to preventative healthcare. Integrated individual healthcare can now be provided to employees, supported by management information systems that enable the company's healthcare team to monitor and track the risk profile of individuals in terms of health and well-being. Individual disease management plans are then developed and continually reviewed to assess progress. This initiative is aligned with the company strategy to ensure continued health improvements that will lead to notable improvements in employee attendance and workplace productivity. During the review period, the required training was provided to healthcare professionals and, given the encouraging early results, the long-term benefits of this initiative are expected to be significant.

As part of a R17-million initiative to entrench compliance with DMR standards, the occupational health module of a safety, health, environmental risk and quality assurance system was customised, with staged implementation from August 2011. This will allow health and environmental exposure data to be coordinated, improve medical surveillance data for analysis, improve monitoring and reporting and ensure continued employee health and wellness improvement. The safety phase is scheduled for completion early in 2012.

Absenteeism across the company increased by 5.8% during the year (FY10: 3.4%), while absenteeism due to illness increased by 7.5% at mine level. These indicators missed the 10% improvement target set for Harmony's health services for FY11, primarily due to the quantum of sick leave granted by external service providers. As it recognised that an increasing absenteeism rate may translate to economic losses to the organisation, making it a priority focal area for the organisation in 2013.

In PNG, medical centres at Hidden Valley, Wafi and Wau provide full-time primary healthcare and occupational health surveillance to employees, dependants and the local community. While the Wau centre is only available to dependants and community members for emergencies, four new community health facilities were built at Babuaf near Wafi and Nauti, Kwembu and Winima near Hidden Valley.

Occupational health in South Africa

Management approach

In compliance with the Mine Health and Safety Act (MHSA), medical surveillance continued at the group's four medical surveillance centres. A total of 53 412 medical surveillance examinations were conducted in FY11 (FY10: 57 045) including entry examinations (for new employees), annual examinations, exit (end of service) examinations, and out-of-cycle examinations (for transfers, for example).

The group aligns its reporting on occupational health statistics to international standards such as the International Labour Organization (ILO) code of practice on recording and notification of occupational accidents and diseases, as well as the MHSA. Where employees are diagnosed with a compensable occupational illness, Harmony submits details on their behalf to the relevant bodies, depending on the illness and associated legislation. Harmony contributes annually to these bodies:

- The Medical Bureau for Occupational Diseases – a statutory body responsible for certification and compensation under the Occupational Diseases in Mines and Works Act of 1973
- Rand Mutual Assurance Company – an industry body providing compensation under the Compensation for Occupational Injuries and Diseases Act of 1993.

The primary occupational health risk areas in FY11 were silicosis, noise-induced hearing loss (NIHL), tuberculosis (TB) and occupational injuries.

Performance

Noise-induced hearing loss

Harmony is committed to industry milestones for NIHL under the auspices of the Mine Health and Safety Council (MHSC):

- The industry hearing conservation programme must ensure no deterioration in hearing greater than 10% among occupationally exposed individuals after December 2008
- Total noise emitted by all equipment in any workplace must not exceed 110dB(A) at any location (includes individual pieces of equipment) by December 2013.

The hearing conservation programme in place at Harmony has been intensified to reduce NIHL. This includes issuing individually moulded hearing protection devices for working areas where high noise levels have been recorded. To date, we are recording a compliance level of 88% for personal protective equipment, one of the highest in the industry and a reflection of Harmony's effective communication initiatives. Our progress on silencing equipment, such as fans and drilling machines, is shown below.

South Africa: New cases of NIHL identified



SOCIAL PERFORMANCE CONTINUED

Occupational health and employee well-being CONTINUED

The project initiated at Ernest Oppenheimer Hospital in the Free State in FY09 for early detection of NIHL (5% to 10% hearing loss) has been introduced at the healthcare facilities. This project is monitored through annual audiograms for all employees exposed to noise risk at work.

In FY11, the number of NIHL cases dropped to 420 (9 per 1 000) (FY10: 11 per 1 000 employees), with 365 cases receiving compensation. The industry target to prevent any hearing loss of more than 10% remains a challenge for Harmony.

Occupational lung disease

Silicosis and TB are the two primary occupational lung diseases in the gold mining industry in South Africa and remain long-term concerns for Harmony. Chronic obstructive airways disease does occur, but less frequently.

Silicosis

Silicosis is linked to long-term exposure to quartz silica dust and can cause increased susceptibility to TB. Under the auspices of the MHSC, Harmony has committed to the following milestones:

- 95% of all exposure measurement results will be below the occupational exposure limit for respirable crystalline silica of 0.1 mg/m³ by December 2008 (individual readings and not average results)
- Using present diagnostic techniques, no new cases of silicosis will occur after December 2013 among previously unexposed individuals (not exposed before 2008, or someone entering the industry in 2008).

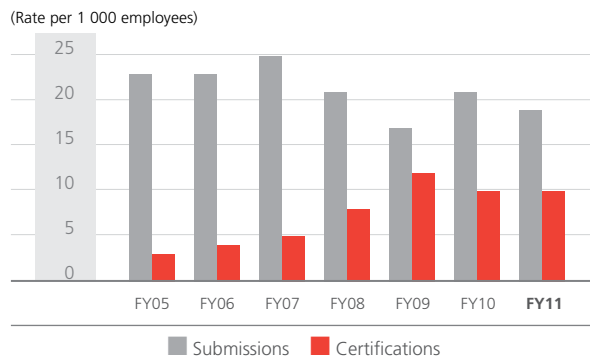
All Harmony operations are benchmarked to obtain uniform comparisons.

The company is steadily implementing a phased strategy to control dust and reduce silicosis:

- **Reducing dust in intake airways**
In line with leading practice (MOSH), Harmony has installed water foggers at station tips and intake shafts, improved maintenance of fogger systems and dust filters, and installed spray cars to reduce dust in intake airways
- **Increased focus on silica dust exposure**
Dust-sampling frequency has been increased from 5% to 10% to improve the confidence level of sampling results and adhere to revised guidelines for airborne pollutants

- **Awareness through formal training on airborne pollutant exposure**
Focused training includes the importance of watering down procedures, good ventilation and wearing respirators/dust masks where required.

South Africa: New cases of silicosis identified



In FY11, continuing the gradual downward trend of silicosis in recent years, 747 suspected cases (19/1 000 versus 21/1 000 in FY10) were reported to the Medical Bureau of Occupational Diseases, and 392 cases were certified (10/1 000 as in FY10). A large percentage of submitted silicosis cases are non-compensable, primarily because sensitive digital X-ray technology introduced in FY05 resulted in early over-identification and reporting. There is currently no internationally accepted classification of silicosis on digital X-rays.

Silicosis is receiving heightened attention due to the recent court case against Anglo American by a former employee. Harmony, as a member of the Chamber of Mines, is participating in processes to address issues relating to historical silicosis cases following the Constitutional Court judgement of the Mankayi case.

Tuberculosis

TB continues to hamper the health of workers and affect productivity (absenteeism, treatment costs, compensation, allocated resources, etc). As such, there is increasing pressure on the gold mining industry to reduce TB among its workers. While the gradual downward trend for TB across the industry has resumed, the incidence is still unacceptably high. We are liaising and cooperating with local departments of health on specific TB training for nursing staff, and the additional resources required to improve our collective management of this disease.



In line with the World Health Organization (WHO) and the national TB strategic plan in South Africa, Harmony's comprehensive TB control programme includes early case findings, directly observed therapy short-course (DOTS), chemotherapy and a radiological TB screening project. Harmony exceeds the national plan in certain respects such as:

- Testing to identify early TB resistance
- The number of investigative diagnostic tests conducted for early detection
- Installing ultraviolet lights for infection control
- Annual X-rays of employees exposed to dusty work environments for early TB detection
- Ongoing monitoring and education.

Some 902 ultraviolet lights have been installed to date in a phased programme that is currently targeting risk exposure areas at the mines.

As required by the national plan, the company prepares TB registers, which are regularly inspected by regional health authorities.

Despite high HIV infection levels, the TB rate is gradually declining due to our efforts. A total of 1 201 cases were diagnosed (FY10: 1 302) for an incidence rate of 3 061 per 100 000 employees (FY10: 3 638).

Multidrug-resistant TB (MDR TB) remains a growing concern for Harmony as it is costly to treat, loses more shifts (eg 18 months' treatment) and has a higher mortality rate despite treatment. With 63 cases of MDR TB diagnosed in FY11 (FY10: 49), the incidence rate of 181/100 000 (FY10: 133/100 000) has increased. A retrograde study of MDR TB in FY10 has established a baseline for future strategies to reduce incidence.

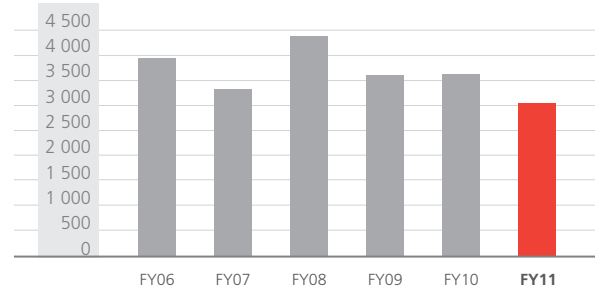
MDR TB's association with HIV is almost 100%, further supporting the proactive integration of HIV and TB treatment (and data management) that we are developing in the group. Quality patient and data management and monitoring remain a universal challenge in TB management.

MDR TB cases are treated either at the dedicated ward at Ernest Oppenheimer Hospital in Welkom or in specialised state facilities in Gauteng. This treatment programme falls under the auspices of the specialised MDR TB state hospitals.

One case of extremely drug-resistant TB (XDR TB) was diagnosed in FY10, and this employee is complying with treatment. No new cases were identified in FY11.

South Africa: New cases of TB

(Rate per 100 000 employees)



In the prior year, Harmony facilitated specific research on TB preventive treatment (TB isoniazid prophylaxis) under the auspices of Aurum Health. Some 20 000 employees from various mining groups were enrolled and data analysis began in the second half of 2011.

Heat stress

Extensive refrigeration and ventilation measures are in place at all operations where temperatures are above normal working ranges. These heat-tolerance testing and acclimatisation programmes support and protect employees exposed to excessive heat in the workplace. In FY11, 26 948 heat tolerance tests were undertaken (FY10: 22 847) and there were no heat stroke cases during the year.

A new heat tolerance screening chamber has been installed at Evander to improve efficiencies and comply with regulations. A new heat tolerance screening centre was commissioned post year end to serve Doornkop and Kusasaletu.

Effective disease management in South Africa

The impact of the HIV/Aids pandemic remains significant on Harmony's employees, their dependants, and local and labour-sending communities. This effect is evident in absenteeism, reduced performance and loss of skills to the company, and the economic burden on households when the breadwinner becomes ill or dies. There is also an increased financial load on state healthcare facilities.

SOCIAL PERFORMANCE CONTINUED

Occupational health and employee well-being CONTINUED

The group estimates the HIV prevalence level among employees at 27%, based on best available state information and empirical modelling undertaken for the company in 2009. While this modelling suggests prevalence levels will decline over the next ten years, prevalence levels could have increased in the short term as more employees are staying well and employed after the introduction of antiretroviral therapy (ART). No prevalence testing may be undertaken by law.

HIV/Aids is managed at three levels at Harmony:

- At clinical level – HIV symptoms are managed at our healthcare facilities
- Company-wide and mine-specific initiatives – shaft-based HIV/Aids committees are an integral part of health and safety committees, which meet monthly
- Group policy and practice level – monitored by a healthcare specialist.

The programme is undertaken by an external provider using qualified registered professional nurses and protocols aligned with the South African Department of Health, WHO and the HIV Clinicians Society of Southern Africa.

In Harmony's integrated healthcare approach, the focus on HIV/Aids is not isolated, but an integral part of a wider range of chronic diseases managed by the company. Because the co-infection rate between TB and HIV/Aids is high, the needs of immune-compromised employees require focused attention by all healthcare workers. In FY11, nursing staff and HIV coordinators attended an in-house training programme on HIV clinical skills and basic counselling skills.

Information and education are vital elements of our prevention campaigns, as is providing voluntary counselling and testing (VCT) facilities. The focus on early detection is important as early intervention greatly increases the likelihood of long and healthy lives for employees. Harmony's approach, that HIV/Aids is a chronic illness that can be managed as such (just like diabetes or hypertension), has had a positive impact on the response to VCT.

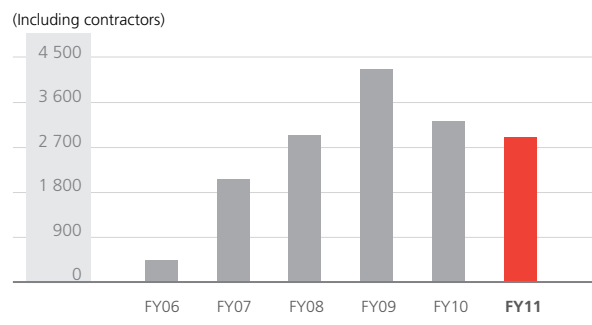
HIV-positive employees are encouraged to participate in the company's wellness programme. This includes counselling on lifestyle choices and nutrition, treatment of opportunistic infections and ART. All Harmony employees have access to ART, either through our healthcare facilities or through private medical aid schemes. State-funded facilities in South Africa also provide ART and some employees may seek treatment there because of the stigma associated with the disease.

Harmony supports the national HIV counselling and testing (HCT) campaign and extended this to include all primary healthcare facilities and occupational healthcare centres as an ongoing service in the prior year.

Over the last 15 months, 26% of employees were tested for HIV and 48% of those tested received counselling. This is in line with the company target of 30%. During the year, 7 009 individuals were tested (FY10: 7 374), a decrease of 5%. The number of employees engaged in VCT has increased, with a current uptake rate of 54%. Over the past three years, a total of 35 617 HIV/Aids tests have been performed in Harmony.

In FY11, 2 902 employees participated in the highly active antiretroviral therapy (HAART) programme (FY10: 3 226). The decrease could be attributed to various factors, including labour movements or patients staying above the CD4 count of 500 for longer by adhering to treatment programmes.

South Africa: Number of employees on HAART





Case study – from pilot to fully fledged primary healthcare service

The Lesedi-Lechabile Primary Care programme, based at Ernest Oppenheimer Hospital in Welkom, operates around the mining towns of Virginia, Theunissen, Allanridge, Odendaalsrus and Welkom. This is a targeted, three-pronged community-based HIV prevention programme operating mostly within the peri-mines areas of Lejweleputswa District in the Free State. Started as a community intervention in a desperate measure to curb sexually transmitted infections, HIV/Aids in 1996, Lesedi-Lechabile has proven successful in preventing curable sexually transmitted infections.



Lesedi, a Sesotho word that means 'light' and signifies hope, started as a pilot study in Virginia 15 years ago. Family Health International's AIDS control and prevention (AIDSCAP) project and Harmony, in collaboration with the South African Institute for Medical Research (SAIMR), designed an HIV prevention programme that would benefit communities with sexual dynamics peculiar to migrant communities with highly mobile populations. This followed the results of earlier initial studies in Tanzania which had shown that services targeting high-risk groups in peri-mine areas yielded significantly higher reductions in STI/HIV prevalence within those populations.

The success of the 1996 pilot project prompted the national and Free State provincial health departments to join as partners in 1998. By July 2002, Lesedi-Lechabile Primary Care was registered as a section 21 non-profit organisation.

To date, thousands of women, men and youth have been reached with age and gender-appropriate STI, HIV/ AIDS and TB prevention messages delivered by healthcare professionals or trained community-based peer educators through fixed sites, mobile units and during outreach community dialogues.

Services

Between 2004 and 2008, Lesedi-Lechabile Primary Care evolved from being a women's programme to include youth in or out of school and men. Clinical services are provided by dedicated teams of professional nurses and their assistants. Outreach services in communities and workplaces are driven mostly by trained community-based peer health educators.

Lesedi-Lechabile Primary Care renders preventive, promotive and curative services

Preventive and promotive health services include:

Occupational health and employee well-being CONTINUED

- Health information, education and communication on HIV prevention; healthy lifestyles including screening tests for cancer, hypertension, etc; promoting safer sex practices and distributing male and female condoms
- HIV counselling and testing (HCT)
- Family planning (contraceptive) services

Curative services include treatment of:

- Sexually transmitted infections
- Minor illnesses such as mild rashes, headaches, etc

Medical male circumcision

In April 2011, Lesedi-Lechabile Men's Clinic in partnership with the Ernest Oppenheimer Hospital (Harmony) embarked on a campaign to medically circumcise 3 100 men and boys as part of the Department of Health mandate to circumcise 100 000 males aged between 16 and 49 years in an attempt to manage the spread of the disease.

Other partners and funders include the provincial department of health, Unites States Aid for International Development (USAID), Johns Hopkins Health and Education in South Africa, ANOVA Health Institute and the Centre for HIV/AIDS Prevention Studies (CHAPS).

A team of experienced male medical circumcision clinicians (one doctor and three nurses) from CHAPS joined the Lesedi-Lechabile Primary Care/Ernest Oppenheimer Hospital team to conduct the first training session, and 10 men were safely circumcised on launch day.

On each weekday afternoon, the team conducts 25 to 30 free medical circumcisions. To reach the target of 3 100 by September 2011, Saturdays sessions have been conducted as well.

Learners and students from tertiary institutions are circumcised mostly during holidays to avoid disrupting their schooling. During the June school holidays alone, 380 learners/students were circumcised. Between mid-April and end-July, the team has conducted 1 538 medical male circumcisions.

In July 2011, the Free State provincial department of health launched the circumcision campaign at a local stadium in Thabong, Welkom. To contribute to this launch, the Ernest Oppenheimer Hospital/Lesedi-Lechabile Primary Care team conducted a mini session at which 107 medical male circumcisions were done.

Prince, a young man from Thabong (Welkom), summed up the benefits of this programme, saying: "A close friend of mine was abducted and taken to a non-medical circumcision school. He never came back and, sadly, I later discovered he had died from circumcision-related complications. After this I was scared and wanted to do medical circumcision although I knew I could not afford it. It was sometime in April 2011 when I discovered that the Ernest Oppenheimer Hospital and Lesedi-Lechabile Primary Care were offering free medical circumcisions for men and boys in my area – Thabong. I was among the first ones who got circumcised at the hospital. Having lost a friend who died after non-medical circumcision, I am grateful to Harmony Mine, for giving me the opportunity to undergo 'mahala' (free) medical circumcision using resources of the Ernest Oppenheimer Hospital."

Occupational health and disease management in PNG

In Papua New Guinea, the joint-venture partners have developed an integrated business information system, a web-based application that provides numerous health, safety, risk management and human resource administrative functions as a foundation for sustainable business management. This includes a medical register that tracks and reviews each patient's progress from initial health contact throughout the treatment process.

In FY11, 15 216 health contacts were made at all MMJV medical centres (FY10: 19 389).

An occupational hygiene assessment conducted at the Hidden Valley operation in 2009 spanned respirable dust, respirable crystalline silica and a noise monitoring survey. It was conducted according to occupational hygiene practice and Australian standards for noise and dust monitoring (AS 2985-2004 and AS 1269.1-1998), the methods for quartz measurement. Based on these results, activities at Hidden Valley do not exceed regulatory standards.

The primary health risks in FY11 at Hidden Valley were upper respiratory tract infections (URTIs) and malaria, neither of which are occupational illnesses.

Most URTIs are due to viral infections. As Hidden Valley is roughly 3 000 metres above sea level and the majority of employees are from warmer, lower areas, the regular change in altitude contributes to respiratory infections. Some 4 605 employees were treated for URTI in the period (FY10: 3 936).

PNG is a high-malaria zone with around 1.6 million cases identified annually by the World Health Organisation (WHO). We support the Morobe provincial health authority's malaria-eradication programme by regularly fogging sites below 2 000 metres, distributing treated mosquito nets and mosquito repellents, conducting malaria education programmes, advocating the availability of prophylaxis, and introducing early-detection programmes and an effective treatment regime. In FY11, 1 466 employees were treated for malaria (FY10: 2 049).

Over 16 000 new cases of TB are detected in PNG every year (WHO), although only one case was identified at

the MMJV medical centres. Communities in PNG are vulnerable to TB given the cramped living conditions in many settlements and villages, exacerbated by lack of access to health facilities, poor transport infrastructure, poverty and poor TB awareness. We support the Morobe health authorities by conducting TB community awareness programmes with health NGO World Vision throughout the province for more effective prevention of this infectious disease.

Australian government statistics forecast that 208 000 people in PNG will be living with HIV by 2012. In partnership with government and other stakeholders, including the PNG Business Coalition Against HIV/AIDS (BAHA), we are actively supporting HIV/Aids management and prevention initiatives at MMJV. Condoms are distributed free at PNG operations and to surrounding communities. MMJV also conducts regular HIV education training, distributes relevant material to employees and the community, and sponsors and organises World Aids Day activities in its areas of operation.

Access to clean water is key in combating community health issues in PNG. In FY11, working with local faith-based organisations, we completed 20 water and sanitation projects in Watut River and Hidden Valley area communities. Another 20 projects are planned to be completed in FY12.

Another area where MMJV has led the way has been in training village birth attendants. In FY11, the company partnered with the Morobe health authorities, World Vision and Zonta International to conduct two training courses for 56 village-based health volunteers who assist with local deliveries. More courses are planned for FY12 to assist in reducing local infant mortality.

After proposing a public-private partnership to provide health services in Morobe province in the prior year, this was approved by the national and provincial government, as well as the community, and a programme to support community health services across the province is being developed.

Objectives in FY12

- Develop an integrated strategy, aligned with the Millennium Development Goals, on TB, malaria and HIV – building on systems already in place

Occupational health and employee well-being CONTINUED

Case study – developing healthcare skills in PNG

To address the unique needs of communities near Harmony's operations in Papua New Guinea, the company and its joint venture partner have a memorandum of agreement with national, provincial and local government in terms of which the parties will establish family development programmes to advance the aims and aspirations of family life, women and youth. These initiatives span life skills training programmes, micro-credit programmes, and agriculture, health and literacy programmes.



PNG has a population of just over 6 million, predominantly in rural areas (over 80%). Given the rugged terrain that characterises the island, access to infrastructural services is challenging. Key among these challenges is health and sanitation facilities – reflected in relatively high infant mortality rates and over two-thirds of the population only having access to unimproved drinking water sources.

Accordingly, we are concentrating on these areas – with an almost immediate impact on quality of life.

In the review period, MMJV and Bulolo District health division ran two courses to train women in basic first-aid and midwifery skills to enable them to deal with common health issues and birthing in rural areas.

To date, 56 women have been trained as village birth attendees, which should help reduce infant and maternal mortality, especially in remote rural areas. These women will also be able to assist in areas where there are good health facilities but no health workers to provide services.

Basic first-aid training for 25 women will enable them to deal with a range of issues to avoid possible life-threatening complications later.

Labour practices and human rights

Highlights

- 25% of our workforce have moved from hostel accommodation to single or family units
- Five old hostels are being converted to create 1 700 family units by 2014
- Harmony has spearheaded a tripartite agreement with national and provincial government to accelerate home ownership.

Material indicators

- Hostel de-densification process; accommodation and living conditions
- Promoting skills development and employment in our communities
- Promoting sound and constructive employee relations
- Steady progress on employment equity
- Projects related to our social and labour plans, and local economic development. These are detailed in Working with our communities (refer to www.harmony.co.za).

The section on Harmony's approach to sustainability details how we identified our material issues.

Management approach

Meeting the multifaceted needs of our people is an integral part of line management at Harmony's operations, guided by group policies and a central human resources and employee relations function. Given the imperatives in South Africa and in the mining industry to entrench diversity and equal opportunity, our approach to attracting, retaining and developing historically disadvantaged South Africans and women remains a priority. Equally, in PNG, we focus on recruiting landowners and local citizens.

Progress on employment equity and transformational issues is monitored by the empowerment committee of the board, which meets quarterly.

Given our objective to have motivated and competent employees, we have identified four underlying goals:

- Introducing an organisational culture change programme
- Attracting and retaining employees with high potential
- Continuously developing employees to address skills shortages and improve efficiency
- Maintaining an accurate employee performance management system.

Core to our approach in South Africa and PNG are basic human resource values such as competitive remuneration principles, progressive employee relations, integrated systems and professional administration services. These are the foundation to reaching our operational objectives.

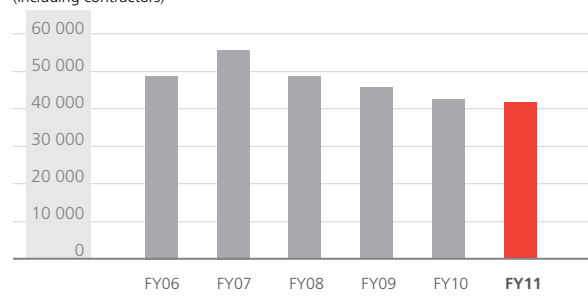
In PNG, we are focused on attracting and retaining both externally recruited employees and locally recruited employees.

The Harmony workforce

At the end of June 2011, Harmony employed 41 656 people, including MMJV and including contractors (FY10: 42 597 people, including contractors).

Group: Number of employees

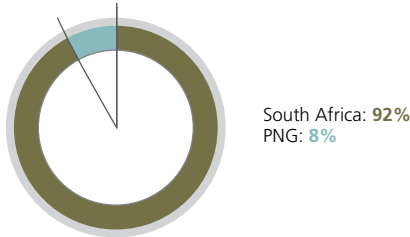
(Including contractors)



SOCIAL PERFORMANCE CONTINUED

Labour practices and human rights CONTINUED

South Africa vs PNG: Employees

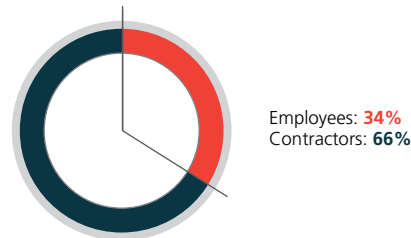


South Africa: Employees versus contractors

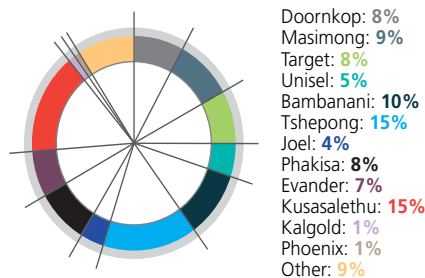


In South Africa, the company's employee complement was 39 266 for the year (FY10: 40 119), consisting of 34 345 (86%) permanent employees and 4 921 (14%) contractors. The slight decrease reflects the closure of Merriespruit 1 as part of realigning Harmony's portfolio for optimal sustainability.

PNG and Australia: Employees versus contractors



South Africa: Employees



In PNG, there were a total of 4 540 employees including MMJV (FY10: 2 478), of whom 1 558 (34%) were permanent employees and 2 982 (66%) were contractors. Contractors at PNG are for construction projects and their contracts expire as these are completed.

In October 2010, we closed Merriespruit 1 shaft in Virginia after the failure of a productivity-linked deal with trade unions to continue operations if the shaft did not make a loss (total cost, including capex) for two months, and kept total costs under R250 000/kg. When it became clear that these conditions could not be met, we initiated a formal consultation process with employees (section 189A of the Labour Relations Act) on alternatives to retrenchment. A total of 1 470 employees were affected, but we were able to transfer 1 200 to our growth operations to preserve as many jobs as possible. We were also able to renegotiate affected mortgages with financial institutions to preserve employees' homes.

Turnover

Four years ago, Harmony initiated a strategy to attract and retain key employees which continued at all operations in FY11. We continue to monitor employee turnover indicators closely, given the challenge of skills shortages in South Africa and the particular need to develop the skills of HDSAs and women for our industry.

Total staff turnover for the year decreased to 10% (FY10: 14%). This has dropped from 18% in FY09, reflecting the success of the company's range of retention initiatives.



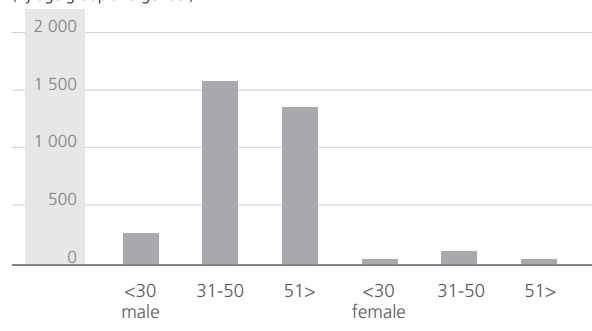
In South Africa, the turnover level was 10% with 3 577 employees leaving the company. The main reasons for separation in FY11 were voluntary retrenchments (31%), dismissals (19%), medical incapacitation (19%) and resignations (14%).

In PNG and Australia, 322 employees (20%) left the company in FY11, primarily due to resignations (62%) and dismissals (38%). A review of remuneration structures in the prior year, coupled with the focus on recruiting more local employees, mentoring and skills development has enabled the company to attract and retain employees during the year.

Turnover among female employees remained low across the group in FY11 at 1% and 13% in South Africa and PNG/Australia respectively. This number is not representative, however, owing to the lower numbers of female employees across the group.

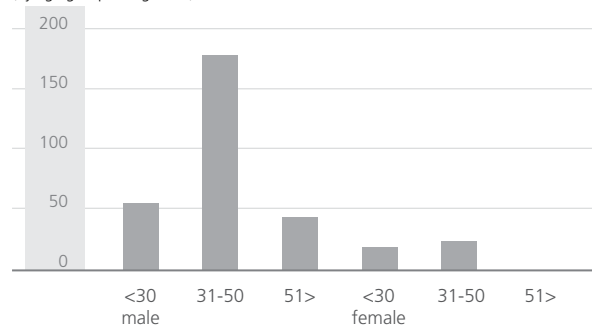
South Africa: Turnover levels

(By age group and gender)



PNG and Australia: Turnover levels

(By age group and gender)



Accommodation and living conditions

In South Africa, Harmony's housing strategy has a dual thrust: promoting home ownership and integrating mining communities into local structures.

Core to this strategy is upgrading hostels and the hostel de-densification project. We have made good progress with the hostel project over the past year. This is designed to create privacy in single-sex hostels over the next three years.

In the Free State, the Masimong 5 hostel project was completed during the review period, while the Tshepong project is under way and should be completed during FY12. The hostel occupancy rate was further reduced during the year.

The rise in the number of employees moving into family units or other accommodation was mostly facilitated by an 8% increase in the living-out allowance to R1 400 in September 2010 following the industry-wide agreement. In line with the company's focus on promoting home ownership, employees who do not reside in company hostels earn a living-out or housing allowance.

To date, 25% of Harmony's employees have moved from hostels to single or family accommodation, while five hostels are being converted into 1 700 family units by 2014. This project will continue until FY15. By then, 320 units in our North operations (70 at Kusasaletu, 100 at Evander and 150 at Doornkop) will have been converted at a total estimated cost of R46.6 million, while in the Free State, the Unisel and Phakisa hostel upgrades will be completed at an estimated total cost of R12.5 million. The Merriespruit 3 and Steyn 2 hostel upgrades are planned to be completed in FY12.

For all developments, Harmony donates the land, funds the construction of infrastructure such as power and water, manages the project and monitors quality.

As part of the focus on living conditions, Harmony's catering manager and dietician monitor and audit outsourced measures to ensure a balanced diet for hostel residents.

In PNG operations, exploration camps are used while employees are on duty. Employees, however, return to their homes as a work roster enables them to spend significant time at home.

Labour practices and human rights CONTINUED

Case study – A home of your own

The shortage of housing in South Africa is not news, nor is it a simple issue. Since 2009, the difficulty of securing institutional financing has significantly compounded this challenge. The South African government is doing its best to provide basic houses – the so-called Rural Development Programme (RDP) units – for the lowest-income groups, while institutional financing is really only available for houses in a much higher income bracket. It is the gap in this spectrum that Harmony is attempting to fill for its employees.



By offering affordable units initially as rented accommodation with the option to own in time, Harmony is giving many of its people a welcome step up the home-ownership ladder. These houses are being developed on Harmony-donated land, with the company supplying much of the infrastructure and services, quality control and project managing each development to a point of self-management. These mixed-use developments are planned to become self-contained communities, with retail developments, religious centres and schools among the housing units.

During the year, in a landmark development, a memorandum of understanding was signed between the Free State provincial department of human settlements, Matjhabeng local municipality and Harmony where the parties agreed to work together to develop vacant mine hostels into community rental units for the state.

A deed of donation signed by the municipality and Harmony followed, which allowed for the transfer of land and buildings to the council and release of state funding for the project. Since then, the state has contributed over R53.6 million to the project. The transfer of land is under way after the survey was completed and the legal process should be completed within three months.

A separate company, Coreland Property Development, was created to handle project finances and ensure a complete audit trail of cash receipts and expenditure to various stakeholders at the end of the contract.

Five local contractors were selected following a transparent tender process for construction work on six clusters, and an electrical contractor and civil contractor have been appointed. Where contractors lacked ability, joint ventures were formed to ensure they have the necessary skills and expertise to meet contracted standards.

The project uses 'green' features including solar heating, water recycling and domestic-waste recycling to reduce environmental impact.

Ancillary buildings will host a church, clinic, nursing school, social project, paraplegic workshop, mini shopping centre and a liquor store and tavern outside the complex. The shopping centre will include a grocer, butcher, takeaway foods, hairdresser, post office, telephone, bank and clothing shop.

First residents are expected to take occupation by November 2011. The entire project should be completed by December 2011 for full occupation in January 2012.

We are currently establishing the company that will manage the complex under Harmony guidance for two years, after which it would operate on its own completely. Property management and access control systems are being investigated to determine the optimal solution.



Sustainable human settlement

As noted, the Masimong hostel conversion project, aimed at creating 1 600 family units, progressed well over the year. The national and provincial departments of human settlement signed a tripartite agreement with Harmony and Matjhabeng municipality under which the national department has contributed R54 million to date to the project through its community rental unit funding initiative.

We welcome this support given that the initiatives of mining companies such as Harmony are bridging a key gap in the affordable housing market – the gap between state-supplied houses (so-called RDP houses) and bank-bonded units.

Promoting skills development and employment in communities

In the Free State, mining accounts for the bulk of GDP, and the industry therefore plays a vital role in creating employment. In FY11, 120 young people were recruited from local communities and trained on various mining job skills. Most of these people have subsequently been absorbed into the total workforce as part of the replacement process for natural attrition.

To provide experiential training, Harmony accommodated 24 learners from various universities of technology at different operations in the company. This formed part of their mandatory practical 1 and 2 modules.

Experiential training for HDSA students

	Male	Female
Mining engineering	4	2
Electrical engineering	3	0
Mechanical engineering	1	3
Metallurgy	4	2
Mining survey	2	0
Geology	2	1
Total	16	8

Training and development

A key sustainability objective in recent years has been to recruit, develop and retain employees through various initiatives. Integral to achieving this objective is regularly managing the performance and careers of our people. Throughout Harmony, employees are evaluated and

rewarded for individual and team performance on input and output for which they are directly responsible. Importantly, however, production bonuses are directly related to safety performance.

In line with Harmony's goal of investing in the training and development of current and potential employees, and in addition to numerous internal training initiatives, we offer skills development programmes at selected tertiary institutions.

In respect of human rights training, 70% of our workforce had been trained in FY11.

South Africa

During the year, 23 365 employees (68% of the workforce in South Africa) received some form of training at a cost of R220 million.

In line with our specific focus on the training and development of HDSAs to facilitate transformation, 94% of the employees trained in FY11 were HDSAs, and 12% were women.

Our programmes are tailored around the training and development needs of our people. Disciplines and skills covered in training programmes include mining, engineering, metallurgy, ore reserve management, human resources, occupational hygiene, supervisory development, change management, leadership development and other technical and soft skills training.

Beyond the needs of our people, we address specific skills issues in South Africa, including adult basic education and training (ABET), and skills development and learnership programmes. To supplement our training initiatives, we have the Harmony Bridging School, leadership and supervisory development, and provide bursaries and study assistance to current and prospective employees.

ABET

ABET is being implemented to evaluate the level of basic education in the workforce. Six ABET centres at Harmony run full-time and part-time classes. These centres employed four superintendents, 29 full-time facilitators and 12 on a part-time basis in FY11. A total of 1 219 employees attended ABET in FY11, including classes offered to people in the community, at a cost of R46 million. Since 2007, 2 478 people have completed ABET training in Harmony.

SOCIAL PERFORMANCE CONTINUED

Labour practices and human rights CONTINUED

To improve and sustain the pass rate, Harmony has an agreement with a service provider specialising in ABET programmes. This includes supplying learning material, ie learner and facilitator workbooks, setting examination papers, marking and moderating. Results have been encouraging: in the December 2010 examinations, the pass rate rose from 64% to 69%, and in June 2011 it rose again to 73%.

The group also has ABET training at all operations, from level 1 to level 4. Bursaries are allocated to successful candidates in various disciplines, although none were offered in FY11. Since 2002, 32 people have benefited from these bursaries.

Across Harmony, the literacy rate has improved from 25% in FY09 to 61% in FY11.

ABET pass rates per level

Levels	Dec 2008	June 2009	Dec 2009	June 2010	June 2011
Pre-ABET	75%	89%	78%	100%	100%
ABET 1	42%	72%	47%	69%	91%
ABET 2	27%	44%	36%	56%	63%
ABET 3	33%	35%	41%	66%	40%
ABET 4	41%	25%	59%	54%	49%
All levels	39%	49%	48%	66%	73%

Skills development

Harmony representatives actively participate and interact with the MQA on various committees and sub-committees regarding skills and career development for its employees.

Bridging School

Harmony's Bridging School continues to support mathematics and science education at grade 12 level for previously disadvantaged matriculants. The primary aim is to improve their final results, enabling them to further their studies at tertiary level and ultimately be permanently employed. Some follow the learnership route, increasing the number of learnerships in the company.

In FY11, 20 students were selected to participate in the programme from communities around Harmony operations.

Leadership development programme

Harmony's leadership development programme targeted 480 senior employees over four years, beginning in FY10. In the review period, another 120 employees participated in the programme which is facilitated by the University of Johannesburg and aimed at two different management levels: senior and middle. By calendar year end, some 240 Harmony managers will have completed this programme. Feedback has been positive, with good classroom interaction and performance.

Supervisory development programme

The supervisory development programme, which began in April 2009, is facilitated by Maccaulei Learning Academy. Learners attending this skills programme (72 credits at NQF level 4) are developing team leader and management skills as first-line supervisors such as shift overseers and foremen. Harmony has around 3 000 supervisors and, in time, 50% will attend this programme. In FY11, 107 employees participated.

Portable skills training

Through its social and labour plan programme, Harmony has an ongoing programme to provide alternative skills to employees (both current and retrenched employees). This enables people to move beyond Harmony's business. It also cushions the impact of unavoidable retrenchments for economic reasons or when our mines reach the end of their lives.

The alternative skills acquired give these employees access to employment opportunities in other sectors of the economy outside mining, and promote a culture of self-employment to improve quality of life.

The range of skills provided in FY11 cuts across economic sectors, ranging from building and construction (plumbing, carpentry, roof and finishing, bricklaying, plastering and tiling), manufacturing (brick-making and clothing manufacturing), engineering (basic welding, electrical, electrical appliance repairs, electrical house wiring and motor mechanic/servicing light motor vehicles), hospitality (catering and baking) to information technology (computer literacy).



Portable skills training conducted in FY11

Mine	Number of employees (and/or proxies*) trained
Bambanani	130
Evander	83
Joel	76
Kusasaletu	12
Target	51
Tshepong	56
Unisel	83
Virginia	47
Total	538

* In terms of the social plan framework agreement (2003) between Harmony and the National Union of Mineworkers (NUM), employees can elect to nominate a dependant (proxy) to receive training.

Of the 538 employees reskilled in FY11, 48% were proxies (dependants of mine employees).

The challenge we face with this programme is to encourage more employees to volunteer in their own time to enrol for courses. To promote the benefits of the programme, our operations are embarking on various initiatives to encourage more employees to sign up.

PNG

To address skills needs at Harmony's PNG operations, mentoring and skills development programmes continued in FY11. These programmes are supporting the company's objective of retaining employees.

ABET

As PNG operations are in their early stages and Hidden Valley has just completed its first year of production, we currently only offer part-time ABET courses. During the year, ten employees attended ABET classes at a cost of PGK443 228. As our PNG-specific training programme is developed, the ABET offering will progress in tandem. In FY11, over PGK3 million (R1.5 million) was spent on training and development.

Skills development

Due to the ongoing shortage of heavy equipment operators at PNG and MMJV's obligations to the memorandum of agreement, we began training and mentoring locally recruited employees from the landowner areas of Hidden Valley from July 2010. In FY11, around 30 individuals benefited from this initiative.

Technical training was expanded during the year with the installation of equipment simulators.

In addition, we are using almost 50 students from the local university to help in monitoring aspects of geology and environmental management. These activities count towards experiential training and will be expanded in 2012.

Leadership development programme

The leadership development programme started in 2010 was initially aimed at supervisors at Hidden Valley. During the review period, we continued developing key performance indicators, while management and employee appraisal training began at Hidden Valley for all managers, superintendents, coordinators and supervisors. The key objective of this programme is to equip all line supervisors with team management skills. In the new financial year, formal leadership training will be rolled out.

Employee benefits

Employee benefits and salaries at Harmony are governed by legislation or collective bargaining agreements in South Africa. Full-time employees receive more benefits than contractors in South Africa and PNG. Other than salaries, benefits provided to employees include: leave, annual or performance bonuses, housing/housing allowances, home-ownership benefits, funeral fund, medical aid, maternity/paternity leave, disability coverage, life insurance, and provident and pension funds. Share incentive schemes are in place for management. The company is in the process of negotiating an employee share option scheme which would traverse the entire organisation.

Human rights

Respect for human rights is entrenched in the company's values and explicitly catered for in human resources policies, charters and contracts of engagement. This is closely monitored by human resources and community engagement managers at operational level.

As a South Africa-based company, Harmony abides by the human rights conventions of the ILO as contained in the South African constitution. In addition, certain human rights requirements are built into contractual arrangements with new suppliers. 100% of suppliers engaged in FY11 have been screened for possible human rights violations including child-labour.

SOCIAL PERFORMANCE CONTINUED

Labour practices and human rights CONTINUED

No incidents of discrimination were reported in South Africa or PNG in FY11.

The South African constitution also prohibits forced, compulsory or child labour. None of Harmony's operations are at risk and no contraventions of these principles were alleged or reported in FY11.

Our approach to collective bargaining is detailed below.

Promoting sound and constructive industrial relations

Harmony recognises the right of all employees and contractors to freedom of association and adheres to collective bargaining agreements relevant to the countries of operation.

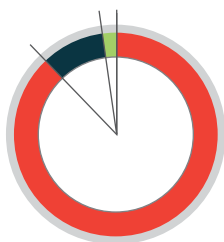
South Africa

Labour relations in South Africa are guided by the Labour Relations Act as well as by company and mine-based recognition agreements.

Harmony recognises three labour unions in South Africa: the National Union of Mineworkers (NUM), United Association of South Africa (UASA) and Solidarity. The majority of the South African workforce (86%) is unionised and a further 2% is covered by collective bargaining agreements.

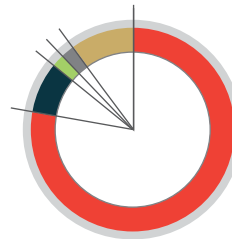
There are long established relationships with organised labour at all the operations and there is no significant risk of jeopardising freedom of association and collective bargaining. Further, Harmony has no exposure to any possibility of forced or compulsory labour due to internal processes and controls.

South Africa: Union representation



Union: **88%**
Non-union: **10%**
Collective bargaining: **2%**

South Africa: Union representation breakdown



NUM: **78%**
UASA: **8%**
Solidarity: **2%**
Collective bargaining: **2%**
Non-union: **10%**

Harmony lost no production days to labour action during the review period.

Wage negotiations are conducted in a centralised industry forum under the Chamber of Mines. Post year end, a two-year wage agreement was signed, which includes profit sharing, after a five-day strike across the gold mining industry.

Each year, negotiations with unions span a wide range of issues. In FY11, these included:

- The process of closing Virginia operations affecting 3 800 people. This was completed successfully, and without any industrial stoppages. About 2 480 employees were transferred to other Harmony operations or redeployed to support services.
- Curbing illegal mining activities: the company implemented various measures to curb the activities of illegal miners in Free State operations. These ranged from stricter access controls, limited food and liquids permitted to be carried underground, to more frequent security operations and police action.

The success of these initiatives underlines the effective engagement processes in place and the solid relationship between Harmony management teams and the unions.



Other issues currently being discussed with unions include:

- An employee share option scheme for Harmony employees.
- Establishment of a bargaining council for the gold mining industry. This has not been finalised and it is envisaged that it will be concluded by the next round of wage negotiations scheduled for 2013.
- Discussions on co-designing arrangements for the effective use of mining assets are due to start shortly.
- Issues around developing young people living in communities close to mining operations.

PNG

There are no active unions at MMJV and Harmony PNG sites. Industrial relations at the Hidden Valley site are currently managed by the employee representative committee (ERC). This ensures regular communication between management and employees through monthly committee meetings. Issues raised at these meetings are recorded and promptly addressed. Programmes to increase the committee's effectiveness included training and coaching by external consultants. There was no industrial action at PNG during the year.

Steady progress on employment equity

Harmony's policy is to recruit local employees as far as possible. However, the company's policies and procedures ensure there is no discrimination against foreign migrant labour. Foreign labour at Harmony's operations comprise 27% of the total workforce in FY11 (FY10: 28%).

South Africa

Legislation and the MPRDA guide employment equity practices and initiatives in South Africa. This legislation promotes equal opportunity by eliminating unfair discrimination and implementing affirmative action for women in mining and HDSAs in management. Harmony has a diversity management programme in place to encourage and embrace diversity across the company.

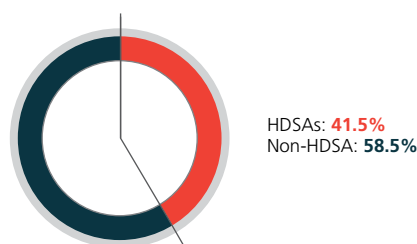
The company reports its employment equity plan and progress to the departments of labour and mineral resources annually.

HDSAs in management

Harmony's recruitment, development and retention initiatives are focused on historically disadvantaged South Africans (HDSAs) in line with the original Mining Charter requirement that these employees (including white women) made up 40% of management in South Africa by 2009.

Commendably, given the shortage of HDSA management skills in the country, Harmony improved its employment equity status in management levels over the past year to 41.5% from 40% in the prior year.

South Africa – HDSAs in management



Group employment equity in management

Occupational level	Number	Designated		Non-designated	
		Actual	%	Actual	%
Top executive management	13	4	30.8	9	69.2
Senior management	116	49	42.2	67	57.8
Professionals, mid management:	606	252	41.6	354	58.4
Total	735	305	41.5	430	58.5

In South Africa, 9 218 employees (27%) comprised foreign labour in FY11.

SOCIAL PERFORMANCE CONTINUED

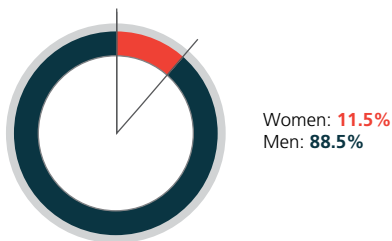
Labour practices and human rights CONTINUED

Most employees in Harmony's talent pools are HDSAs identified as candidates for management-level jobs. These employees are assessed, coached and mentored, and exposed to discipline-specific development panel interviews. These talent pools are presented to senior management and executives at the annual strategic planning session.

Harmony's social and labour plans (SLPs) make provision for recruiting interns from local communities. These interns – usually qualified, but unemployed – are recruited by Harmony, with the assistance of local municipalities, for one year to gain practical experience. After acquiring workplace skills, deserving candidates are offered permanent employment. Currently, five internship employees have progressed to management trainee ranks and this number will increase significantly over the next few years.

Harmony continues to implement various initiatives to meet its SLP targets and it does so in collaboration with its regional partners.

South Africa – women in mining



Women in mining

In line with good practice, the representation of women across the Harmony group in FY11 was 11.5% (3 936 women) (FY10: 12%). At certain operations the 10% target has been exceeded. The group percentage of women in management was 18% and 6% (FY10: 9%) in the core disciplines of engineering, mining, ore reserve management and metallurgy.

Women's forums were established at every operation in the prior year to ensure their active participation, and to empower women about workplace issues. These forums are also facilitating effective communication between women and management.

There is no difference between salary scales for men and women at Harmony.

Diversity in PNG



PNG

Localisation

Under the ongoing localisation process at PNG, more locally resourced employees (LREs) are being recruited to reduce externally resourced employees (EREs) to around 4% by FY13. In PNG, 118 employees (9%) comprised foreign labour in FY11.

In terms of diversity and equal opportunity, PNG operations are governed by a three-year training plan lodged with the Department of Labour for approval in separate documents for each operation: Hidden Valley JV, Wafi-Golpu JV and the exploration JV.

Under this three-year plan and for the company to have EREs, the JVs are required to ensure that locally resourced employees are continuously trained and succession is managed. The first set of plans was submitted in November 2010 and approved in January 2011.

At Hidden Valley, there is now only one externally resourced employee in the human resources department who is due to be succeeded by a local employee in 2014.

The succession target of less than 4% permanent EREs at PNG is on track. The leadership development programme to run in the first quarter of FY12 will ensure the target is achieved by 2013.

Women in mining

At Hidden Valley the percentage of women has risen to 12%, closer to the national average of 15%. All efforts are focused on achieving the 2013 target of 17%.

Projects related to social and labour plans and local economic development

Harmony has embarked on a number of local economic development (LED) (refer to www.harmony.co.za) projects in communities around our mining operations and in major labour-sending areas. These include developing small and medium enterprises, school and medical facilities, sustainable human settlement projects such as partnerships in new housing developments and converting hostels into family units.

Case study – effectively developing SMMEs

Many initiatives to bring emerging small, medium and micro enterprises (SMMEs) into the mainstream economy have foundered because their owners lack basic business skills – from financial management and accounting to project management and quality control.

To address this issue and ensure SMMEs are familiar with tender processes and project stages, Harmony has invested R2.8 million to establish and operate centres that offer concrete advice and guidance.



These business development centres are being rolled out in two phases:

- Phase I establishes the infrastructure and staff, and starts development of a supplier database that complies with the definition of 'local' and that are 100% black-owned. The next step in this phase is to match the operational need for services using purchase order requests received from Harmony's operations with the database of supplier profiles. Where a match is possible, Harmony invites these suppliers to tender.
- Phase II will see Harmony facilitating the training and development of SMME suppliers from the local community around our operations. A possible service provider was identified and the process of training in marketing, finance, tender processes, productivity and strategic planning will begin in due course.

The Soweto and Welkom business development centres are currently in phase I and have 372 local HDSA vendors listed on the database. This list is still expanding, and we were able to place orders with these local HDSA, 100% black-owned suppliers to the value of R6.9 million in the past financial year.

Working with our communities

Highlights

- In South Africa we spent R84 million in FY11; R70 million on local economic development projects and R14 million on corporate social responsibility projects
- In PNG, A\$1.1 million spent on community programmes

Material issues

- Improving employees' housing and living conditions
- Affirmative procurement, especially promoting business with HDSAs, women and local communities
- Identifying and implementing sustainable socio-economic development initiatives such as enterprise and community skills development in line with our business philosophy, and in compliance with our commitments
- Developing and applying corporate social responsibility and local economic development strategies to fulfil our role as a responsible corporate citizen
- Developing and promoting sound and responsive internal and external relationships through effective stakeholder engagement

The section on Harmony's approach to sustainability details how we identified our material issues.

Management approach

We recognise our role as part of the communities in which we operate and from which we draw our employees, and we are committed to the sustainable socio-economic development and well-being of these communities. As mining operations have a limited lifespan, our strategic objective is to remain relevant to mining and labour-sending communities by contributing to community development that is sustainable long after mining operations have ceased.

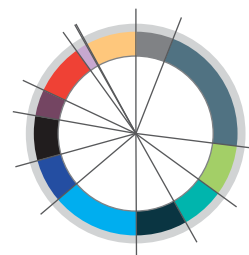
Our corporate social responsibility (CSR) policy (PDF - 34KB) for our South African operations recognises the need for socio-economic development in the country, starting with the broader communities in which we operate, as well as our labour-sending communities – Lesotho, Eastern Cape Province and Mozambique. This policy includes local economic development (LED) initiatives executed in terms of the Mining Charter, MPRDA regulations and codes of good practice for the minerals and mining industry.

wellness, particularly for those affected by HIV & AIDS; the development and promotion of mathematics and science; and enterprise development.

Harmony's socio-economic development programmes at PNG in FY11 were aimed at addressing health, education, agriculture and infrastructure priorities.

In line with our policy, we budget 1% of annual net profit after tax for CSR programmes. LED is budgeted as part of each operation's strategic plan as per its mining right in terms of the Mining Charter and its social and labour plans (SLPs).

Local economic development



Doornkop: 6%
Masimong: 21%
Target: 8%
Unisel: 7%
Bambanani: 8%
Tshepong: 14%
Joel: 7%
Phakisa: 7%
Evander: 4%
Kusasaletu: 8%
Kalgold: 2%
Phoenix: 0%
Other: 8%

Harmony's socio-economic development contribution in South Africa focuses on promoting health and

Harmony's affirmative procurement programmes focus on promoting business with HDSAs, women and local communities. This is dealt with in the Economic performance section.

Information on the housing and living conditions of employees appears in the Labour relations section.

Our objective of developing and promoting sound and responsive internal and external relationships is dealt with throughout this report.

South Africa

A key priority is identifying and implementing sustainable local economic development initiatives, such as enterprise and community skills development. This is in line with Harmony's business philosophy and good corporate citizenship, and in compliance with its social licence to mine commitments.

In South Africa, social and labour plans (SLPs) are in place for each of Harmony's mining rights in line with the requirements of the Mining Charter. LED programmes form part of the requirements of the various SLPs for the benefit of Harmony's mining and labour-sending communities and are also aligned with the integrated developments plans of local municipalities where our mines operate.

While we strive to meet these obligations, we remain committed to developing and applying the CSR and LED strategies that form part of our role as a responsible corporate citizen.

We focus on four key areas – education; socio-economic development; sports, arts and culture; and support for broad-based black economic empowerment (BBBEE) – in our communities. However, our corporate social responsibility extends to broader community development and national programmes such as mathematics and science development.

Local economic development

Each of Harmony's operations is part of a defined mining right. Each mining right in turn is attached to a social and labour plan developed in partnership with local communities, local and district municipalities and with the Department of Mineral Resources. The department approves each SLP as part of the process of granting a mining right.

The local economic development section of each SLP reflects the key socio-economic development priorities of mining and labour-sending community municipalities, as well as of the Southern African Development Community or SADC countries (Lesotho, Mozambique and Swaziland) where Harmony sources some of its employees.

In FY11, our LED priorities again reflected the relevant municipalities' integrated development plans and the economic development priorities of our major labour-sending areas:

- Developing local infrastructure
- Developing educational infrastructure
- Providing educational support through bursaries and internships
- Providing LED support through business development
- Creating sustainable livelihoods through agriculture.

Harmony's LED priorities are stakeholder-driven through a partnering process with municipalities, communities, the DMR, NGOs and the governments of Lesotho and Mozambique.

In FY11 Harmony spent R69.7 million on LED projects (FY10: R58.8 million), including:

- Hostel de-densification programme (R14.3 million) to convert single-sex hostels into family accommodation and reduce occupancy per room to Mining Charter targets. To date, 25% of the workforce has moved out of hostels and over 1 700 family units are being constructed with a targeted completion date of FY15. In addition, working with local and provincial government, Harmony has invested R23.3 million on low-cost housing to promote home ownership. See case study on page 56.
- Taxi rank in Kutloanong – in an equal joint venture with the local municipality, Harmony is spending over R3.5 million to construct a taxi rank that will make commuters' lives much easier by providing shelter. Stalls for hawkers will offer convenience shopping on site. See case study on page 70.
- The Harmony Jewellery School provides education and training in jewellery design and manufacturing. The school is fully funded by Harmony which contributed R2.5 million in the review period. The Central University of Technology offers a three-year diploma at the Harmony Jewellery School complex. This partnership has seen a number of students who complete skills training with the jewellery school enrol for other diploma courses offered by the institution.

SOCIAL PERFORMANCE CONTINUED

Working with our communities CONTINUED

In FY11, 55 (FY10: 47) students were enrolled on this programme. Eight of these students have Harmony bursaries. During the year, the students exhibited their gold jewellery at the Design Indaba in Cape Town, attracting much attention. These pieces were made by students currently completing courses to become goldsmiths. In addition to developing a five-year plan, the focus is on securing MQA accreditation so that the school can become a service provider conducting learnerships and other programmes under the auspices of the MQA.

- In Masilonyana municipality, Harmony and two other mining companies in the area initiated a R3 million brick-making project, with 27 beneficiaries at present. Harmony has contributed R1 million to the project so far. With all the machinery and equipment required for production delivered to site, work began late in the review period; 12 beneficiaries are involved in production and the rest are being trained in technical skills including paving and masonry. Bricks currently being produced are being used to build infrastructure on site, like offices and ablution facilities.
- The internship programme caters for internal and external bursars and students who need practical work and industry experience to meet the requirements of their academic qualifications.
- In Lesotho, Harmony's largest source of labour, outside South Africa, we are building Nyakosoba-Harmony high school in the rural part of Maseru district to serve nearby villages, and accommodate some 500 learners. The first phase of the project has been completed and plans are being discussed to start the second phase – building and equipping a science laboratory. The budget for the second phase is R1 million. The total project cost is R3.5 million and estimations are that it will be complete by the end of calendar 2011. In Leribe district, we have completed the second phase of a project to supply water to six villages and the local clinic, benefiting around 5 000 people. In June 2011, we initiated a similar project in Thabana Tsooana in Mafeteng to rehabilitate the water system supplying four villages.
- The Mozambique Agricultural Farm Training Centre and Abattoir Project, in partnership with the Joaquim Chissano Foundation, provides practical training for agricultural students at tertiary institutions as well

as to farmers in the community. The first phase of the project involved refurbishing the Marracuene abattoir some 28km from Maputo. Training is conducted in meat processing, selling cattle and business acumen to enhance the local community's ability to generate income. With the rehabilitation of the training centre and office block complete, phase two will entail a feasibility study on developing a vegetable farm. R2.7 million was spent on this project in FY11, benefiting some 500 students and the local community.

- Working with the City of Johannesburg, Harmony has developed the Soweto Disaster Management Centre – an emergency centre for victims of a range of events, from floods to abuse. By redeveloping a disused administration block at a total cost of R3.5 million, the new centre has over 20 rooms that can accommodate families and provides a base for the city's emergency services teams.
- The Soweto and Welkom business centres are managed by Harmony to develop and enhance the business and management skills of owners of small, medium and micro enterprises. In the past year, these suppliers received orders totalling R6.9 million (see case study on page 63).
- In Khutsong community, an old beer hall is being transformed into a community centre focused on small income-generating businesses. Construction on this R2.7 million project began in November 2010, with phase 1 completed by May 2011. Phase 2, comprising a parking area and additional workshop areas, is under way. In addition to the 30 people employed in the early phases, the centre is expected to provide a platform for 25 SMMEs to sell their wares once completed. This facility will also accommodate doctors' rooms, a pharmacy, satellite police station and a future post office.

Corporate social responsibility (CSR)

Harmony's CSR priorities in FY11 were again aimed at implementing programmes in mathematics, science, engineering and technology development.

In addition, Harmony ensures that CSR programmes address the key social issues faced by its communities. These include HIV & AIDS education, research and



vaccine development; addressing key South African socio-economic developmental issues such as enterprise development, in partnership with SIFE South Africa and SIFE Swaziland; and contributing to educational infrastructure and support programmes in labour-sending communities.

Our policy is to identify CSR programmes through stakeholder engagement and partnerships with the Chamber of Mines' Community Development Forum, NGOs with specific expertise aligned to Harmony's CSR policy, communities/beneficiaries, government departments, relevant municipalities, education institutions such as schools and universities, and the governments of Lesotho, Mozambique and Swaziland.

All programmes are run by specialised NGOs focused on specific areas of our CSR policy and strategic intent on community development to ensure that Harmony allocates appropriate and dedicated resources to projects. Formal agreements are signed with each NGO to guide relationships and responsibilities, backed by quarterly progress reports. To provide strategic direction and support, Harmony is represented on the boards of these NGOs.

New programmes valued at over R250 000 are approved by the CSR committee which reports quarterly to the sustainable development committee and the Harmony board.

In FY11 Harmony spent some R14 million (FY10: R23 million) on CSR projects, with key projects including:

- South African Agency for Science and Technology Advancement (SAASTA) which promotes science, engineering and technology in South Africa. The partnership between SAASTA and Harmony runs the annual South African Science Olympiad and promotes the development of these key subjects in our mining communities, where 18 schools have been targeted to benefit from developmental programmes. The aims of the Science Olympiad include identifying and nurturing talent in science, engineering and technology, encouraging grade 10–12 learners to study science and pursue careers in scientific fields, enhancing the creativity of learners with potential in these subjects, developing broad lifeskills for learners to cope in a demanding academic environment, and honouring excellence in science. The cost of the programme is R7.5 million over a three-year period beginning in FY10, when Harmony contributed R5 million to SAASTA.
- The Minerals Education Trust Fund, a membership of 31 mining companies in South Africa, supports tertiary education to meet the skills needs of the South African mining industry. Harmony contributed R1.2 million in FY11 (FY10: R1.2 million).
- South African Mathematics Foundation oversees teacher training programmes and the Mathematics Olympiad across all schools in the country, as well as subject development targeting learners and teachers in Harmony's mining communities. In FY11, Harmony contributed R2.0 million (FY10: R2.0 million) to this project.
- Students in Free Enterprise (SIFE) South Africa empowers tertiary students to assist others in creating economic opportunities through enterprise development programmes. SIFE currently covers 27 institutions of higher learning with 1 700 team members. Harmony contributed over R2 million in its sixth year of involvement with SIFE South Africa (FY10: R2 million) while SIFE Swaziland has been a beneficiary for four years.
- AuTEK Biomed conducts research into new medical applications for gold. Harmony contributed R5.2 million to AuTEK in FY11 (FY10: R5.2 million). The primary focus area is research into the design, discovery and development of novel gold-based compounds to inhibit HIV-1 replication. The second area is cancer research, which includes the chemical synthesis of potential drug candidates and their pharmacological evaluation. The third area is malaria. These programmes are carried out in collaboration with various universities in South Africa.

SOCIAL PERFORMANCE CONTINUED
Working with our communities CONTINUED
PNG

In PNG, Harmony has long-term partnerships with government and established NGOs to develop non-mine related income-generating activities for surrounding communities, and to mitigate mine impacts on communities along the Watut River. In line with the objective of generating sustainable benefits for these communities, in FY11 the focus was on health, education, agriculture and infrastructure.

Health

Access to clean water is key to combating health issues in PNG. In the prior year, two community development agencies active in Morobe Province were engaged to implement this programme. In FY11, they completed 20 water and sanitation projects in Watut River, Hidden Valley and Wafi area communities at a cost of PGK2.2 million. Another 20 projects are planned to be completed in FY12 in the middle Watut region.

In addition to three aid posts completed as part of the Hidden Valley landowner village projects, another aid post was constructed at Wongkins in the lower Watut River region near the Wafi-Golpu project at a cost of PGK190 000 to provide increased access to health services in the Wampar LLG area.

Another area where the joint-venture partners have been providing leadership has been in training village birth attendants. In FY11, we partnered with the Morobe health authorities, World Vision and Zonta International to conduct two training courses for 56 village-based health volunteers who assist with local deliveries. More courses are planned for FY12 to assist in reducing local infant mortality. Other programmes in FY11 involved developing the skills of 25 villagers in basic first-aid training.

Education

In FY11, the MMJV education assistance programme was developed in coordination with the Morobe provincial and Bulolo and Huon Gulf district educational authorities. Components of this programme include school-fee assistance for communities, education infrastructure, teaching aids and teacher training. More than PGK2 million has been spent on these projects.

Since 2010, 1 186 children have been supported at a cost of over PGK400 000 through the school-fee subsidy programme. In FY10, 578 students attending 58

institutions throughout Morobe Province were covered, while in FY11, 608 children were supported. The assistance provides 50% subsidy on grade 7 to 12 tuition fees, rising to 100% for high achievers.

Having proper facilities also makes a difference to a child's learning process. Accordingly, in FY11, Hidden Valley agreed to fund new educational facilities for six high and primary schools in the region. These are Grace Memorial Secondary School – to receive a two-storey double classroom (contractor mobilising); Bulolo Technical School – one double classroom and teacher's house (completed); Baiyune High School – two double-storey classrooms (under construction); Sambio Primary School – two teachers' houses (under construction); Manianda Primary School – a double classroom (under construction); and Gabensis Primary School – a two-storey double classroom (contractor mobilising).

Three double classrooms were completed for the principal Hidden Valley landowner villages – Nauti, Winima and Kuembu.

Five elementary schools in the MMJV operational area (Winima, Nauti, Kuembu, Zindaga and Wongkins) have received teacher training materials worth PGK50 000.

The Hidden Valley explosives contractor has agreed to donate 30 computer sets as part of the educational assistance programme to mine-area schools in Bulolo and Wau.

In FY11, 78 small-scale miners were assisted with training at the Mineral Resources Authority's small-scale mine training centre in Wau in safer and more efficient mining methods at a cost of PGK17 500.

Agriculture

The MMJV community relations development team assisted coffee farmers in Watut and Biangai areas near the Hidden Valley mine to increase their annual coffee production through training, extension services and material support to increase income levels in the community and reduce dependency on mining activities. Basic husbandry training was conducted for 95 Biangai coffee farmers at a cost of PGK28 699, including distribution of 17 coffee pulpers, 70 pruning saws and 70 secateurs. Pulping machine maintenance training was conducted for Biangai coffee farmers at a cost of



PGK10 000. This included the supply of related tools. The company assisted in establishing village coffee nurseries by providing 100 000 high-yielding coffee seedlings and shade cloth at a cost of PGK5 000. Regular quarterly extension patrols were conducted by Mainland Holdings, Coffee Industry Corporation and MMJV officers to provide additional support to growers. An agreement with the PNG Coffee Industry Corporation will be finalised in FY12 to provide even greater support to coffee growers in the mine area.

The MMJV community relations development team assisted farmers in the cocoa-growing areas of Lower Watut through materials support, training and cocoa dryers. Specifically, the company assisted farmers to establish 26 cluster nurseries with over 100 000 high-yielding cocoa seedlings at a cost of PGK65 000. Continuous extension support was provided by engaging specialists and MMJV officers. Cocoa dryers for three villages of Lower Watut (Uruf, Mafanazo and Chiats) were purchased at a cost of PGK40 000 to increase production of quality cocoa. In FY12, MMJV is set to work with Australian NGO, Business for Millennium Development (B4MD), and other stakeholders to explore value-added opportunities for Morobe cocoa and increase the income to cocoa farmers in the lower Watut. Support to aquaculture initiatives was continued in FY11 in conjunction with the Morobe Fisheries Management Authority and a faith-based organisation to improve family nutrition. The community relations team assisted fish farmers in Lower and Middle Watut to construct fish ponds and supplied fish fingerlings. The team also conducted training and extension visits. Three model ponds and a breeder pond were constructed for Lower Watut communities in the villages of Mafanazo, Magerin and Malarina at a cost of PGK88 000. During the year, 27 ponds were constructed by Watut River farmers and stocked with fish fingerlings at a cost of PGK2 000. Training for over 150 fish farmers was conducted at a cost of PGK19 400. A further PGK12 000 was spent on extension support by the Morobe Fisheries Management Authority, the NGFO involved and Mumeng Fish Farmers Cooperative Society.

The company has been working with the government's Small Business Development Corporation (SBDC) to provide business management training for coffee, cocoa and fish farmers, both mine landowners and non-landowners, who are part of PNG's sustainable

community development programme. In FY11, this training programme was conducted for 172 participants at a cost of PGK79 000.

Infrastructure

Hidden Valley's infrastructure programme focuses on repairing and upgrading roads, bridges, schools and health facilities. In the prior year, roads and the bridge at Nauti (landowner village) and Leklu were upgraded, and a suspension bridge is planned for Sam Sam in the Middle Watut region. In FY11, the infrastructure focus was on school classrooms, teachers' houses and Aid Posts. The expenditure on this project to date exceeds PGK900 000 (US\$151 358), excluding PGK1.5 million (US\$567 594) for Aid Posts, classrooms and community halls that were completed in the review period in the landowner villages of Nauti, Kuembu and Winima. In FY11, a major partnership programme was initiated with the PNG Department of Works and National Roads Authority to maintain 19 critical sections of the Lae-Bulolo highway which serves not only the company but a population of over 200 000 people in Bulolo and Menyamya districts. Expenditure on this project was PGK5.75 million, much of which will be reimbursed by the PNG government.

The budget for infrastructure development for FY12 is expected to exceed PGK2 million.

Building institutional capacity

In FY11, the company assisted the Morobe provincial government to establish the Morobe projects management unit (MPMU) as part of our ongoing commitment to build institutional capacity as we progress the Hidden Valley memorandum of agreement. The MPMU is the peak provincial body charged with establishing development priorities and implementing community and regional infrastructure projects using special support grants from the national government. Hidden Valley is a board member of the MPMU and will continue to provide technical assistance as part of its ongoing commitment.

SOCIAL PERFORMANCE CONTINUED

Working with our communities CONTINUED

Case study – convenience in a joint venture

In Kutloanong, thousands of commuters faced a daily battle to find the right taxi home amid hundreds of mini-bus taxis scattered across the open ground. The area desperately needed a formal taxi rank, which the joint venture between Matjhabeng municipality and Harmony is providing.

Following due process, tenders were advertised early in the year. Respondents were screened by the consulting engineer and short-listed candidates evaluated by a panel comprising Harmony and municipal representatives.

The selected main contractor was a company majority-owned by a black woman who, in turn, appointed a local sub-contractor and employed unskilled labour from the community. To ensure cooperation, the contractor was introduced to various stakeholders, including taxi organisations, ward councillors and committee members and community development workers.

Ahead of the start of earthworks and ground preparation in March 2011, a sod-turning ceremony brought together representatives from the departments of mineral resources, police, transport, and economic development, as well as the executive mayor of Matjhabeng and the national secretary of Santago, the national association of taxi operators.



ENVIRONMENTAL PERFORMANCE

Highlights

- Development and roll-out of group-level environmental strategy
- ISO 14001 certification received at two operations
- Cyanide code implemented at all metallurgical plants except Kalgold and Joel
- Success of PNG programme for community access to clean water

Material issues

- Water management
- Land-use: concurrent rehabilitation and financial provision
- Legal compliance
- Carbon legislation and footprint
- Radiation

The section on Harmony's approach to sustainability details how we identified our material issues. (see page 6)

Management approach

Harmony recognises the impact of its business on surrounding communities and natural environments. We also understand that these impacts may affect the long-term sustainability of our business.

Following a review of the group environmental strategy in the prior year, key environmental risks were identified and management systems determined to control and reduce these risks. Environmental objectives and targets were formulated to track implementation of these management methods and risk-reduction performance. These targets were based on environmental assessments at our various operations.

Our revised strategy is closely aligned with the principles of our environmental policy and legislation in the countries in which we operate. Refer to www.harmony.co.za for the Environmental Policy. The strategy aims to ensure compliance, continually improve the effectiveness of our environmental management systems (EMSs), prevent pollution and maintain awareness of our environmental responsibilities among employees, contractors and suppliers.

Specifically, we aim to achieve optimum environmental performance by:

- Managing the environment as an integral part of our business
- Focusing on the effectiveness of risk controls
- Reducing our environmental liability
- Creating a sharing, learning, challenging and innovative environmental culture in Harmony. Environmental compliance is monitored through internal and external audits, and technical audits.*

Ultimate oversight for environmental strategy and performance in Harmony rests with the social and ethics committee of the board. In addition to an executive environmental manager, an environmental leadership committee drives environmental improvement strategically at group level, which cascades down to the various operations. At each operation, general managers are accountable for environmental management, and each operation develops annual environmental management plans to identify opportunities to increase compliance and minimise pollution.

**The process of developing group standards of reporting and auditing in FY11 has identified a few anomalies, which have been corrected. Historical data cannot be restated as the information is not available. We are, however, confident that accurate baselines have now been set to provide meaningful comparison in future.*

ENVIRONMENTAL PERFORMANCE CONTINUED

South Africa

Environmental management and auditing

In line with Harmony's strategy of ensuring legislative compliance, we are implementing appropriate environmental management systems at all operations. These will also ensure that environmental management is addressed through a formal, systematic approach. To date, these systems are being implemented at all our North operations with Doornkop plant, Doornkop shaft and Kusasaletu already certified. In the South region, systems are being developed and implemented. Self-assessments will begin in the next financial year.

As required by the MPRDA, environmental management programmes (EMPs) have been drawn up for each operation, submitted and approved by the DMR. These plans are amended when necessary and resubmitted to the department.

Integrated water use licences were submitted for all operations as early as 2006. Evander has received its new-order water use licence. Doornkop has received a draft water use licence, with the final licence being imminent. After initially submitting an application in 2006, Kalgold will resubmit its water use licence application to ensure it complies with current legislation.

Other key legislation for the company includes compliance with the National Environmental Management Act (NEMA), National Water Act and the National Nuclear Regulator (NNR) Act. Harmony has received an exemption from the nuclear regulator's certificate of registration process as radiation levels are quite low for Kalgold.

Harmony received no environmental fines or sanctions in FY11. Four directives were received during the period:

- Kalgold's EMPR was approved in 2009 for the D-zone pit. The approval letter accompanying the signed-off EMPR stipulates a number of conditions that Kalgold must comply with. One of these conditions is a requirement to backfill D-zone pit which is in conflict with Kalgold's rehabilitation commitment of converting the pit into a strategic water resource for the water-scarce Mareetsane region. Scientific studies

further support that backfilling the pit will have a negative impact on the environment, especially the surface and groundwater regimes. Supported by DWA, Kalgold is working with the DMR to revoke the approval letter and endorse the conversion of the pit into a strategic water resource.

- Steyn 9 slimes dam: (DMR) airborne dust – being addressed by implementing a very comprehensive dust mitigating plan, which includes water and chemical suppressants creating dust barriers.
- Doornkop shaft: (Department of Water Affairs) release of underground water – mine has proved discharge does not impact on river water quality
- Kusasaletu: The DMR requested Kusasaletu to increase access control of communities to the return water dam for safety reasons. In addition to physical barriers, Kusasaletu has also started a risk awareness and education campaign in the community.

ISO 14001 implementation

In FY10, Harmony reviewed its strategy on ISO 14001, deciding that all operations would comply with these standards while all new and long-life assets would be ISO-certified within three years.

This decision was aligned to our business strategy for scaling down certain operations while developing others. Given that a few of our assets are reaching the end of their lives, implementing a certification system would add only short-term value. At these operations (Deelkraal and Winkelhaak), the emphasis is on designing and implementing closure plans in line with ISO principles.

Long-life assets that will benefit from continuous improvement were therefore prioritised for certification. These long-life assets are: Doornkop, Evander 8, Kusasaletu, Kalgold, Bambanani, Unisel, Masimong, Phakisa, Tshepong, Saaiplaas, Target 1 and 3, Joel and all new projects.

During the year, Doornkop plant and Kusasaletu were certified to ISO 14001 standards, while Kalgold and Evander were recommended for certification. Implementation at other operations is ongoing, and action plans to address all high-risk impacts are under way. For stakeholder engagement refer to page 21.



Responsible use of resources

In line with our strategy of managing available resources effectively and responsibly, group aggregate targets have been set for energy, fresh water use, waste management and recycling:

- Each operation exceeding 100 000t CO₂e emissions must develop and maintain energy conservation plans by 2012
- Group energy consumption target – 10% less per tonne milled per annum (from 2005 base year)
- Reduce fresh water consumption by 2% by 2013 (baseline FY08)
- Improve use of affected water by 5% by 2013 (baseline FY08)
- Water recycling target – 5% by 2013 (baseline FY08)
- Waste management target – reduce waste by 5% by 2013 (baseline FY08).

Water

Harmony's operations use significant amounts of water, and access to this resource is vital for the growth of our assets. Although we have an adequate supply at present, water is fast becoming a competitive resource.

Accordingly, a group-wide campaign is under way to reuse processed water and optimise water retreatment. This has produced excellent results to date.

Operation	Action	% water reused	
		FY11	FY10
Kalgold	All affected water recycled for internal plant use	34	32
Doornkop	Affected water stored for reuse in plant	35	21
Evander	Affected water reused in plant and excess sent to Leeupan for evaporation	33	38
South operations	Shaft and plant process water routed to water dams and then recycled for use in operations	13	68

Our South African operations do not draw water directly from surface sources, except for Kalgold which draws water from the aquifer. Water is sourced from:

- Bulk water service providers and municipalities
- Surface water run-off
- Water that ingresses into deep-level mining operations and is then pumped to surface
- Recycled water
- Boreholes.

Total water used for primary activities in FY11 decreased by 18.6% to 36 074 000m³ from (FY10: 44 338 781m³), primarily due to greater awareness of recycling. Of the total volume of water used during the year, around 20% was recycled, while potable water use declined by 2% (FY10: 31% and 11% respectively).

The continued reduction in potable water from external sources is a positive trend. The decline in the volume of water recycled reflects the closure of a number of Harmony shafts in recent years.

The Far Western Region Dolomitic Water Association is dealing with a number of water-related issues in the area, including an exercise to remediate the impact of radiation in the Wonderfontein spruit catchment. While Harmony is a member of the committee working to reduce the impact on this area, it has no operational involvement in the upper region of this catchment, highlighted as the first area requiring intervention. Only one site may be linked to our operations, but this was deemed of lower environmental risk by an intergovernmental team and not requiring any urgent intervention. Any exposure in this catchment is limited and manageable.

Acid mine drainage, while being very topical at present, is not an issue for Harmony. There is some potential for acid mine decanting but only at closure and Harmony is participating in regional closure forums to ensure this is appropriately managed. See page 78.

ENVIRONMENTAL PERFORMANCE CONTINUED

Our current focus is on improving our understanding of the groundwater and surface water regimes. In the last year, geo-hydrological assessments were undertaken in the Free State region, at Evander, Kalgold and Doornkop. In terms of acid mine drainage, the studies confirm there is no risk of decant from the Free State operations, Evander or Kalgold. From the perspective of surface water pollution, rehabilitation is being prioritised at the joint metallurgical scheme site and the acid plant site in the Free State, as well as at decommissioned shafts in the Free State, Winkelhaak and Deelkraal plants.

Water is being discharged from our Doornkop operation and this is being licensed. Based on the draft licence received, Doornkop complies with its licensing conditions. An intensive water-monitoring programme is in place and reporting to the regulator takes place routinely.

During the year, we recorded a few instances of discharge into a riverine environment (page 78).

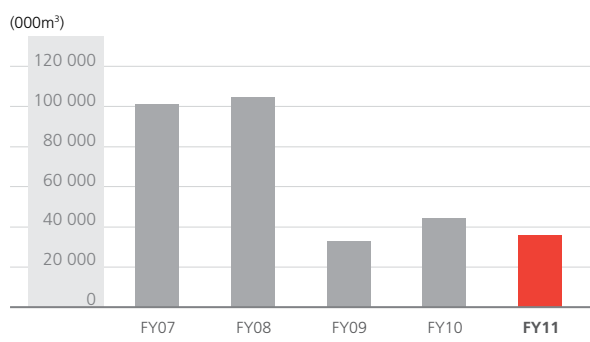
These were immediately addressed, and steps taken to monitor and manage any impact.

Our energy consumption is largely in the form of electricity drawn from South Africa's power utility, Eskom, which in turn is primarily driven by coal-fired power stations.

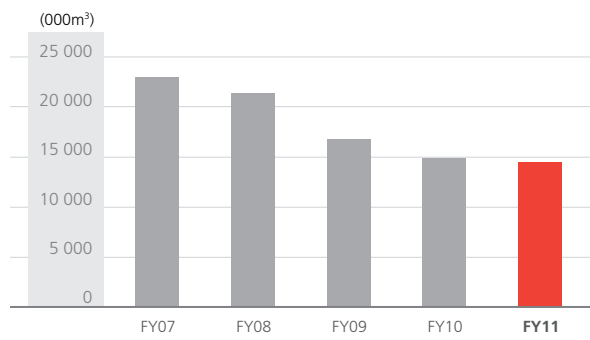
Hoisting, cooling and ventilation systems all need electrical power, making Harmony a major user of electricity. Energy is therefore a significant and growing portion of our operating costs, given rising electricity tariffs.

After the electricity supply crisis in 2008/2009, domestic tariffs have increased steadily and are scheduled to rise

South Africa: Water consumption



South Africa: Potable water from external sources

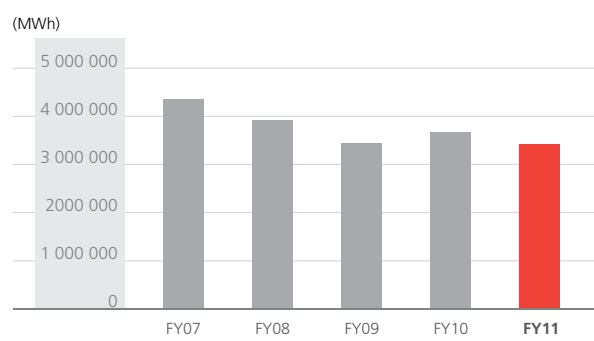


South Africa: Water used and recycled

(000m³)	FY11	FY10	FY09	FY08
Water used for primary activities	36 074	44 339	32 971	104 763
Potable water from external sources	14 489	14 840	16 721	21 323
Non-potable water from external sources	22 163	10 570	16 249	83 429
Surface water used	67	1 135	111	55 088
Groundwater used	22 096	23 790	15 742	28 352
Water recycled in process	7 321	23 232	10 491	34 521

Energy

South Africa: Energy consumption (Energy from electricity purchased)





Energy improvement initiatives in FY11

The energy efficiency and climate change policy and strategy (www.harmony.co.za) was finalised and approved June 2010. The policy articulates Harmony's commitment to energy efficiency and provides a clear directive to all employees to commit to energy efficiency improvement.

As result of spiralling electricity costs, South Africa's electricity supply constraint and Harmony's commitment as a responsible corporate citizen, the focus to improve energy efficiency and mitigate climate change impacts has intensified in the past year.

Two energy efficiency projects – Kusasaletu water turbines and Evander 8 shaft solar water heating – were successfully implemented, resulting in a load reduction of 1.84MW and energy savings of 1 323MWh per month. Kusasaletu is also commissioning two more water turbines that will contribute 3MW load reduction and 31 536MWh energy savings per annum.



In addition, three water and air optimisation projects were approved by Eskom for partial DSM (demand-side management) funding with an expected load reduction of 5.08MW and 31 460MWh energy savings per annum and a completion date of June 2011. Harmony contributed R20.1 million to the project funding. A further seven projects with a targeted load reduction of 18.07MW and energy savings of 110 903MWh pa are being submitted to Eskom for DSM funding while an additional seven energy efficiency projects are in the final stages of investigation. Estimated capital expenditure to implement these projects is R191.4 million.

Additionally, Harmony is developing 61 energy efficiency, load clipping and renewable energy projects, (all at different stages of development) which together are estimated to save around 600GWh/yr. The total capital requirement to implement the engineering energy efficiency interventions under investigation will be R560 million.

In FY11, Harmony reduced its electricity consumption by 48.5GWh, decreasing emissions by 48 500t CO₂e.

Projects still being implemented in calendar 2011 include:

- Harmony hostel hot water system: this project plans to optimise energy use for water heating in our South African hostels by using solar water heaters and waste heat from compressors, saving 55GWn/yr. Implementation will be in FY12.
- Kusasaletu cooling auxiliaries project will reduce the amount of electricity used for refrigeration and production to save around 9.5GWh/yr at the operations. This project will be implemented in FY12.
- Optimising compressed air at Masimong, Phakisa, Nyala and Tshepong – these are planned energy efficiency projects on compressed air production. This project will reduce electricity use by some 19GWh/yr.

All six projects will reduce electricity use and therefore decrease Harmony's scope 2 emissions by some 83 500t CO₂e.

ENVIRONMENTAL PERFORMANCE CONTINUED

further in the year ahead. After a 27% hike in FY10, tariffs rose by a further 25% in the review period, and are expected to increase 27% in FY12. These cumulative increases have catapulted energy efficiency from an environmental consideration to a business imperative.

In FY11, total electrical energy use dropped 6% to 3 429 000MWh (FY10: 3 659 000MWh) for our South African operations.

South Africa's 2005 energy efficiency strategy set a national improvement target of 12% by 2015. As industrial and mining companies are the largest users of energy in South Africa, these sectors have been set a final energy demand reduction target of 15% by 2015. While this target is currently voluntary, it is effectively mandatory given the 10% demand reduction imposed by Eskom after the electricity crisis.

The National Energy Regulator of South Africa (Nersa) approved the renewable energy feed-in tariff (REFIT) guidelines in April 2009. While there is still debate on certain issues in these guidelines, this is expected to stimulate the development of renewable energy in the country once it becomes more financially feasible to invest in alternative energy options.

Harmony is committed to reducing its energy consumption and has worked closely with Eskom to manage its electricity use and peak demand both before and after the energy crisis. The company has a number of efficiency projects under way. Refer to www.harmony.co.za for the energy efficiency and environmental policies.

Harmony has also actively engaged with Eskom in demand-side management (DSM) strategies to reduce electricity consumption during peak periods such as early morning and late afternoon. This involves measures such as timing pumping to coincide with cheaper off-peak periods, making more efficient use of Eskom tariffs that reward load-shifting, and improving the efficiency of pumping operations.

We installed sophisticated equipment and variable-speed motors that reduce the surge in power consumption when a pump is started. While the software supporting these systems has been complex and costly to develop and implement, significant savings are reflected in lower electrical energy consumed despite the 7% increase in rock mined.

Three water and air-optimisation projects with an expected load reduction of 5.08MW and 31 460MWh energy savings per annum were approved by Eskom for partial DSM funding in the prior year. These were completed by June 2011, with Harmony's contribution totalling R20.1 million.

Another seven projects with a targeted load reduction of 18.07MW and energy savings of 110 904MWh per annum were submitted to Eskom for DSM funding, and an additional seven energy efficiency projects are in the final stages of investigation. The projected capital expenditure to implement these projects amounts to R191.4 million.

Given our five growth projects to increase production, resource use – water, energy, timber, cyanide and other chemicals – is likely to increase in the next few years. Our focus is therefore on improving the efficiency with which we use resources for a positive impact on both the environment and cost of production.

Other power-saving initiatives are set out below:

Operation	Initiative	FY11
Kusasaletu	Refrigeration plant optimisation	56 365MWh
Kusasaletu Evander 8	Water turbines Solar water heating	5 287MWh
Evander 8	Compressor upgrade	20 939MWh
Harmony load management	Pump and compressor load management, peak load shifting and clipping	18.47MW average 141 086MWh R60 162 845

Materials used

The primary materials used are rock and ore, liquefied petroleum gas (LPG), grease, cyanide, fuels, and lubricating and hydraulic oils.

South Africa: Materials used by operations

(000t)	FY11	FY10	FY09	FY08
Rock mined (ore and waste)	11 878	14 297	11 291	13 389
Ore mined	8 706	9 696	6 137	10 315
Waste rock recycled	3 200	1 763	5 855	2 739
Slimes recycled	5 235	7 306	13 868	7 533
LPG	0.62	0.60	0.22	0
Grease	22*	181.75	0.41	0.41
Cyanide	8.33	7.88	6.30	8.98
Fuels – petrol and diesel	13 552#	8 899	6 554	12 833
Lubricating and hydraulic oil	2 206	3 986	3 357	2 188

* Decrease reflects the switch to a more efficient type of grease and enhanced data integrity for Kusasalethu operation.

Increase reflects enhanced data integrity from operations, especially Evander.

Risk mitigation

Appropriate risk management practices and mitigation measures are in place to prevent or minimise Harmony's impact on the environment. Specific concerns include managing cyanide use, discharge of water to the environment, addressing acid mine drainage, and understanding and developing plans to deal with climate change.

Product responsibility

Unusually among the precious metals, gold is both a commodity and monetary asset. Theoretically, almost all gold ever mined is available for use or recycling. Given its precious and enduring qualities gold is rarely wasted, with around 15% of the metal consumed each year recycled.

Annual demand for gold comes from:

- the jewellery market
- industrial sector (electronics, dentistry and other industrial and decorative applications)
- investment.

Harmony's gold is marketed and sold by Rand Refinery to customers around the world, mainly in India, China, the Middle East and the USA.

Harmony is not directly involved with product labelling, providing service information or dealing directly with customers, and therefore undertakes no customer satisfaction surveys. No incidents of non-compliance with regulations, voluntary codes or related to health and safety impacts concerning the provision and use of gold were identified at Harmony in FY11.

Gold is a benign product with no significant health or safety impacts. Mining activities, however, can affect the health and safety of employees, communities and the environment. Harmony is involved in various initiatives to ensure the health, safety and livelihoods of its employees and communities, and safeguard the environment in which it operates.

ENVIRONMENTAL PERFORMANCE CONTINUED

Case study – Evander certified under international cyanide code

In March 2011, the Evander gold plant was certified fully compliant with the international cyanide management code by the International Cyanide Management Institute (ICMI).

This followed a finding of substantially compliant in October 2010, and conditional certification. Once developed, Evander's corrective action plan was posted on the ICMI website, as required.

During the review period, ICMI accepted a report from an independent professional third-party auditor verifying that the corrective action plan had been implemented and that Evander was now fully compliant with the code. The auditor's report is available on the ICMI website. Evander will be audited every three years to evaluate its continuing compliance with the code.

The code is a voluntary industry programme for companies involved in producing gold using cyanide, as well as companies producing and transporting this cyanide. It was developed under the auspices of the United Nations Environment Programme by a multi-stakeholder steering committee. The code is intended to complement an operation's existing obligation to comply with the applicable laws of the political jurisdictions in which it is located.

The ICMI has been established to administer the code, promote its adoption, evaluate its implementation and manage the certification process.



As Harmony does not directly market its product, marketing communications, customer privacy and compliance issues do not apply. Harmony's investor relation activities include marketing the company to current and potential investors, in line with relevant legislation and the listing requirements of the stock exchanges on which the company's shares are quoted. No complaints were received in this regard in FY11.

Significant environmental incidents

Incidents with an impact outside Harmony's boundaries that may cause irreparable harm, and may require considerable expenditure to remedy, are classified as significant. Significant environmental incidents reported in FY11 included:

- Doornkop – underground water discharge

- Pres Steyn – non-compliance to water licence discharge conditions
- Water discharge from Nyala wash bay to environment
- Doornkop return water dam overflow
- Kusasalethu return water dam overflow
- Evander return water dam overflow
- Nyala shaft water discharge overflowed into receiving environment
- Steyn 9 discharge overflowed into receiving environment
- Treated sewage water discharge from Kusasalethu
- Dust pollution from Steyn 9 slimes dam – received directive from DMR

All these issues are being addressed through our environmental management plans.

Cyanide

Harmony has been a signatory of the International Cyanide Management Code for the manufacture, transport and use of cyanide in the production of gold (the cyanide code) since June 2007. Developed by the United Nations' Environment Programme and International Council on Mining and Metals (ICMM), this is a voluntary industry programme for companies involved in producing gold using cyanide.

Harmony has committed to comply with the code at all its major gold operations. To date, all metallurgical plants, except Joel and Kalgold, have been certified as compliant. Kalgold is currently refurbishing its carbon-in-leach tanks at the plant. Once this is complete,

it will reapply. Joel plant was initially meant to be decommissioned and thus started the certification process late.

Harmony used 8 332 tonnes of cyanide during the year (FY10: 7 884 tonnes).

Acid mine drainage

Acid mine drainage, also known as acid rock drainage, refers to the outflow of acidic water from usually abandoned or operational metal or coal mines. However, other areas where the earth has been disturbed by mining activities may also contribute acidic water to the environment.

Case study – adding value through effective rehabilitation

Mining rehabilitation and the legal obligations of owners have become major issues in recent years, particularly in areas like Gauteng with its imminent threat of acid mine drainage. What makes acid mine drainage so contentious is the fact that the impact is occurring years – decades – after the mining activity that caused it and, in many cases, mine owners are no longer in business.

Harmony's approach to rehabilitation is both prudent and responsible. We aim to restore mining land to as close to its original condition as possible, and we aim to do so as soon as feasible. Harmony is one of the few mining companies with a fully funded rehabilitation fund. At year end we had funding available for over 99% of our liability.

We are also proactive about rehabilitation – breaking down and removing obsolete structures to enable our skilled teams to clean up the environment. This approach applies to mines in closure as well.

With the decommissioning of the Virginia shaft area, the Free State operations are actively rehabilitating this area. Particularly at Virginia 2 shaft, there has been significant surface infrastructure demolition and surface clean-up and restoration. The total area cleared at this shaft at end June 2011 was around 10 000m² at an initial cost of R1 200 000.

In the main, the rehabilitation initiatives are intended to be cost neutral, with the reclamation initiative funding demolition activities. We are also breaking down the remaining structures at St Helena 4 shaft. Our priority for next year will be the complete rehabilitation of St Helena 4 and 2 as well as Brand 2 and 3 and Virginia 2.

St Helena 4 shaft has been completely demolished, and rehabilitation will begin shortly. At St Helena 2 shaft, demolition is about halfway complete. Brand 2 and 3 shafts will follow.



**ENVIRONMENTAL PERFORMANCE
CONTINUED**

There were again no specific risks to Harmony from acidic water in FY11. All operations manage their fissure water and there is minimal risk of acidic water reaching the environment. For closed operations, the risk has been assessed and no threat established. Where there is a risk of rising water levels and potential impact to the ore reserves of other operations or to the environment, water is pumped to the surface.

The company is, however, working closely with regional partners to identify the longer-term risks of acid mine drainage and establish sustainable solutions.

Climate change and greenhouse gas emissions

Harmony remains focused on reducing the use of fossil fuels and developing initiatives to mitigate and absorb greenhouse gases (GHGs) to reduce its carbon footprint. During the year, we recorded a very solid performance in reducing carbon emissions to meet our internal targets of (15%) by 2013, with an actual reduction of 18%.

In FY11, Harmony submitted its fourth response to the Carbon Disclosure Project (CDP). The year-on-year progress is most encouraging: in FY10, we scored 74% to rank 17th among 71 companies. Our submission is available at www.cdproject.net and at www.harmony.co.za/sd/cdp-response.asp.

The countries in which Harmony operates – South Africa and PNG – are non-Annex I countries and therefore do not have emission-reduction targets under the Kyoto Protocol in the first commitment period, ending 2012. Harmony's exposure to Australian legislation is limited as the operations we owned there have been sold or are under care and maintenance.

After the climate summit in Copenhagen in December 2009, South Africa committed to 30% clean energy by 2025 with the vision that the country's GHG emissions should peak by 2020 to 2025 at the latest, plateau for a decade and then decline by 40% by 2050. South Africa is also developing a national climate change

response policy which is expected to be completed by 2012. This policy will be translated into a legislative, regulatory and fiscal package from now until 2012.

The largest portion of our GHG emissions relates to electricity, which accounts for around 10% of operational costs in South Africa. While cost management is clearly a strategic issue for Harmony, it is even more important that the energy supply is constant and reliable, given the impact of any loss of energy on both production and health and safety. GHG emissions regulation that would increase the price of energy, within reason, will not affect Harmony as significantly as regulation that stipulates emission thresholds, or sets technology standards that may threaten the security of energy supply.

As our current mines have a life expectancy of up to 25 years, capital projects are under way to sustain and increase production at the Phakisa, Doornkop, Kusasaletu, Tshepong and Hidden Valley operations. Our aim is to raise production to 1.8–2Moz by 2015. These expansions would extend our mining operations by 11 years or more, by which time GHG regulations are expected to be a permanent feature of the global economy. Future climate change regulation will therefore need to be considered for all Harmony's extensions and acquisitions. As company policy, all greenfield and brownfield projects are required to consider the impact of climate change in their design and planning.

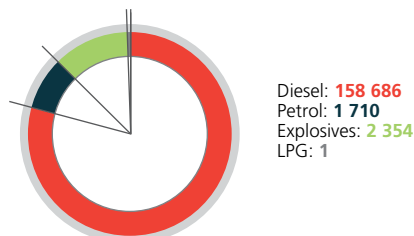
Harmony is also likely to be exposed to GHG emission regulation thresholds, specifically any leakage from using refrigerant gas. We will therefore be required to manage CFC-free refrigerant gas, and will consider using absorption chillers.

Harmony's total scope 1 and 2 emissions in FY11 in South Africa were 3 570 469 tonnes CO₂e (FY10: 4 402 675 tonnes CO₂e), a significant decrease of 19% with a 6% improvement attributed to energy efficiency initiatives and scaling down and the remainder from unit error on scope 1. These emissions are mostly indirect and stem from electricity used and purchased from Eskom.

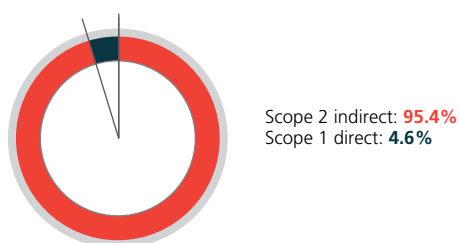


Harmony group: Scope 1 emissions

(tonnes CO₂ equivalent)



Harmony: GHG emissions breakdown



Radiation

Radiation is a potential risk at any gold mining company. Uranium and gold are both heavy metals and there is a high uranium content associated with the gold, creating a radiation exposure for workers and the environment from surface sources.

While radiation is well controlled at Harmony sites through systematic, systemic and operational controls and barriers, there are opportunities to reduce surface radiation exposures by removing defunct infrastructure.

Accordingly, we are focusing on cleaning up acid plants in the Free State and the joint metallurgical services site. In addition, regional public health assessments have been completed at Evander and Doornkop, which will help to prioritise remedial initiatives.

Closure and rehabilitation

Rehabilitation and closure is planned from concept stage for new operations/greenfield projects and during the life-of-mine for existing operations. Ensuring that appropriate closure plans and funding mechanisms are in place is a priority for Harmony.

As a responsible mining company, we are committed to enhancing rehabilitation at our operations and continuously identify land for rehabilitation to a sustainable alternative use. Where operations have been decommissioned, Harmony develops comprehensive closure plans which are submitted to the regulators for consideration and approval.

South Africa: Rehabilitation

(ha)	Total land managed	Total land disturbed and not yet rehabilitated	
		Opening balance	Closing balance
Tshepong and Matjhabeng	3 187	1 491	1 442
Virginia, Merriespruit, Masimong, Saaiplaas, Brand, Unisel	7 985	4 599	4 599
Evander	7 883	2 229	2 229
Kusasaletu and Deelkraal	5 113	895	895
Bambanani	2 752	750	839
St Helena	2 882	396	506
Target	423	251	251
Kalgold	3 991	932	805
Joel	2 162	135	150
Doornkop	913	509	509
ARM	1 683	421	384
Pamodzi N & S	2 188	729	537

ENVIRONMENTAL PERFORMANCE CONTINUED

Harmony has around 38 139 hectares of land under management within mining rights (including 3 820 hectares of land pending transfer to Rand Uranium) and disturbed areas under rehabilitation. None of Harmony's producing operations are located in areas of high biodiversity value, either inside or outside protected areas; and none of our operations affect IUCN Red List species. The total rehabilitation liability was determined at R2.23 billion in June 2011 while funding (including bank guarantees) is R2.21 billion. Harmony is one of few mining companies where rehabilitation liabilities are almost fully funded in advance.

During the year, the closure plan for Deelkraal was approved. Concurrent rehabilitation is under way at this operation as well as Evander Winkelhaak plant and slimes dams, Virginia 2, St Helena 1 and 4 shafts, and the Kalgold waste rock dumps. A rehabilitation plan and strategy has been developed for decommissioned operations in the Free State. This will be implemented in FY12. To date, over 35 000m² has been rehabilitated on site. In addition, significant work has been done on breaking down structures such as shafts and buildings. While this work has no impact on land area, it reduces Harmony's rehabilitation liability.

PNG

Environmental management and auditing

MMJV is developing an integrated sustainable business management system (SBMS). When fully implemented, this will meet the requirements of ISO 14001 and other relevant international safety and community standards. During the review period, the environmental section of this system was implemented at Hidden Valley, and will be rolled out across MMJV operations in FY12.

Environmental training and awareness in PNG includes a specific environmental presentation to new employees at induction and a monthly environment topic for the entire workforce. In addition, the front-line leadership training course includes an environment component.

The PNG Department of Environment and Conservation (DEC) commissioned a third-party compliance audit of the Hidden Valley mine in 2010 following stakeholder

concerns about sedimentation impacts on the Watut River.

This led to the development of a DEC-approved environmental improvement plan to address compliance concerns and the appointment of an external stakeholder advisory panel. The Hidden Valley joint-venture partners are systematically implementing the environmental improvement plan to the satisfaction of the DEC and local landowners. The project's relationship with key stakeholders remains good and the joint-venture partners continue to be guided by advice from the stakeholder panel and the technical advisory committee.

Responsible use of resources and integrated risk management

Water use

Hidden Valley mine receives an average of 2.8m of rain each year, coupled with annual evaporation of about 1m. The excess rainfall, combined with steep unstable topography, creates significant water management challenges for the project. Rainfall run-off must be controlled to prevent erosion and sediment run-off to the river system. Site-water use must also be conserved to limit volumes of contaminated waste water discharged into the river system. These waste-water streams include sewage effluent and discharge water from the TSF.

Conserving process water is particularly important because TSF discharge water must be treated through a Caro's acid cyanide destruct plant, followed by filtration through activated carbon to remove contaminants prior to discharge. It is necessary to discharge this water to maintain a small ponded area on the TSF which, in turn, is necessary for adequate consolidation of tailings and protecting the integrity of the TSF. The minimum volumes of raw water are therefore drawn from the river system for key processes requiring raw water such as the elution and gravity circuits. This draw, however, in combination with high rainfall and low evaporation creates a high positive water balance, necessitating a high rate of discharge from the TSF and limiting the opportunity for process water recycling. Minimising raw-water use is also important in protecting the



project against occasional El Nino droughts when volumes of available river water are greatly reduced. As a result of the strong focus on limiting raw-water use, the process plant raw-water draw at Hidden Valley mine decreased from 1 843 000m³ in 2010 to 1 533 000m³ in 2011.

PNG: Water used and recycled

(000m ³)	FY11	FY10
Water used for primary activities	1 553	1 843
Potable water from external sources	19.964	–
Non-potable water from external sources	1 534	–
Surface water used	–	1 843
Groundwater used	–	1 875
Water recycled in process	945	762

Watut River water quality

Construction of the Hidden Valley mine has contributed to sedimentation in the Watut River system. This is causing concern among downstream communities living on the river banks.

In the prior year, the joint venture partners commissioned a series of studies to assess current and future impacts on this river system. These sediment, biology and acid mine drainage (AMD) characterisation studies confirmed the impact on the Watut River, partly from activities at Hidden Valley and from other sources along the river.

A team of experienced personnel, supported by an independent advisory committee, is managing a range of remedial actions that includes ongoing assessments of the river, riverine biology and aquatic life.

A highlight of the year was the launch of the community clean water programme. Working with a faith-based organisation, we have constructed wells in nearby villages which will be a reliable source of clean water for these communities. See case study on page 84.

Since 2010, we have made significant progress in reducing mine-related sediment in the river including:

- Waste rock is classified appropriately, handled and stored.

- Cyanide destruction plant has been modified to improve treatment efficiency and ensure discharge water meets stringent internal water quality standards.
- Managing Watut River water quality via a combination of drainage control, chemistry modelling and a treatment system that balances runoff from overburden dumps.
- Engaging a contract engineer to assist in water management and erosion control. This work identified a significant improvement in suspended sediment in creeks and rivers during the past year.
- Monitoring stations measure river flows and sediment migration rates on the Watut River. Increased site and downstream compliance monitoring shows an improving trend in turbidity measured at the compliance point.
- Ongoing and extensive environmental awareness campaigns for employees and affected downstream communities.

Energy management

Total electricity generated from diesel in FY11 at PNG was 105 015MWh. The decrease reflects Hidden Valley's partial connection to the national power grid during the year.

In the third quarter of the review period, Hidden Valley was connected to the new hydropower transmission line, part of the PNG electricity grid. While Hidden Valley is currently only drawing 50% of its requirements from the national grid, this has already significantly reduced reliance on diesel-generated power on site and the amount of fuel to be trucked to this remote site.

Significant environmental incidents

A few localised environmental incidents were reported in PNG in FY11, but these were not considered significant as they had no effect on the ecosystem.

Cyanide management

Since both Harmony and Newcrest are signatories to the cyanide code, Hidden Valley mine is preparing for certification in due course.

Since commissioning the processing plant in FY10, measured cyanide concentrations have complied with environment permit limits at the Nauti Village compliance point.

ENVIRONMENTAL PERFORMANCE CONTINUED

Case study – developing water programmes in PNG

With around 60% of PNG's rural population depending on natural sources of water for drinking, water-borne diseases and ailments are cause for concern. In the past, this has caused outbreaks of cholera and dysentery. The most-recent outbreak spread over six provinces and led to the government declaring a state of emergency in 2009.

For many communities who faced a long daily walk to access fresh water, we have spent almost PNK2.1 million on providing clean, reliable village water installations. The arrival of the water-supply pipe and village tap has been accompanied by sessions on health and sanitation awareness.



This programme is well under way, with 20 installations completed and around 20 remaining (FY12). The people of Golden Pine, Winima, Manki 1, Kwembu 1 and 2 in the upper Watut and 14 villages in the lower Watut region are already enjoying the benefits of clean fresh water piped to their doorsteps. We are making progress on awareness, feasibility, soliciting village commitment to ensure ownership, and the process of ordering and delivering materials for remaining villages.

The programme will cover Kwembu 3, Nauti, Manki 2, Latep and Leklu for the upper regions, SambioSamsam, Biamena, Gawapu, Dambi, KapinNayakes, and Piu in the middle Watut areas; while the lower Watut region of Maralina, Wongkins, Kapungung, Chiatz, Goraris, Zifasing, Wampan, Bavaga, Kasek and Magaring are already enjoying the benefits of clean water supplies. All these stakeholders living close to the mine and in the larger Watut region have identified a priority need that is being delivered.



PNG: Materials used at operations

(000t)	FY11	FY10
Rock mined – ore and waste	18 372	16 740
Ore milled	3 357	2 640
Waste rock recycled	–	–
Slimes recycled	–	–
LPG (000t)	–	–
Grease (000t)	344	–
Cyanide	–	3
Fuels (000t)	44 768	42 927
Lubricating and hydraulic oil (000t)	630	489

PNG: Waste management

(000t)	FY11	FY10
Accumulated tailings in tailings dams (active and dormant)	6 039	4 635
Accumulated in waste rock dumps	82 751	4 635
Non-mineral waste	298	0.51
Hazardous to landfill	–	–
Hazardous to incineration	–	–
Scrap steel	8.973	0.12
Scrap timber	–	Not measured
Percentage of materials used that are recycled	–	Not measured

Climate change and greenhouse gas emissions

PNG's national office of climate change and environmental sustainability is studying the potential for future economic growth to be driven by renewable energy. Along with other Pacific Island countries, PNG has adopted a framework for action on climate change 2006 to 2015 and a disaster risk reduction and disaster management framework for action. The implications of these structures on Harmony's operations in PNG have not yet been established and studies are ongoing.

The introduction of an emissions trading system in Australia, known as the carbon pollution reduction scheme, has been delayed until 2013. This will enable the Australian government to assess the level of global action on climate change after the first phase of the Kyoto Protocol expires in 2012.

Although this change in policy direction in Australia reduces the impetus for carbon-emission reduction in

the country in the short term, other non-regulatory risks, mostly substantial projected electricity price increases, remain significant drivers for achieving emission reductions in Australian operations.

Harmony is developing a framework for an internal GHG management strategy, including standardised emission measurements and estimation techniques at PNG. In the past, GHG emissions in PNG were only direct and treated as scope 1 emissions as they were all derived from diesel generators with no electricity purchased.

This changed in FY11 because Hidden Valley mine, previously under construction, is now fully operational, and was connected to the national grid in March 2011. Total scope 1 and 2 emissions for FY11 were 145 533 tonnes CO₂e (FY10: scope 1 only 128 381 tonnes CO₂e), an increase of 12% as the operation ramps up.

PNG: Greenhouse gas emissions

Tonnes estimated CO ₂ e	FY11	FY10
Emission source		
Petrol	14.1	8
Diesel (transport)	79 775	2 185
Natural gas	–	–
Explosives (total)	531	306
Mine methane	–	–
Electricity generated on site	43 132	125 873
Total scope 1	123 452	128 371

Closure and rehabilitation

Land is a significant resource in PNG, given the mountainous terrain that characterises large areas of the country. Land clearing is managed through a permit process that requires approval from the environment and community affairs department before any clearing can take place. PNG's focus for this financial year is to optimise and augment, where necessary, data monitoring and management as information integrity is key to managing our environmental/sustainable development exposures.

ENVIRONMENTAL PERFORMANCE CONTINUED

Harmony has strategies in place to manage impacts on biodiversity, including the implementation of an environmental management system aligned with ISO 14001, and ongoing rehabilitation activities that will restore the habitat for native species.

Hidden Valley uses a strategy of progressive rehabilitation, and restored 84 hectares of disturbed land in FY11. An on-site high-capacity nursery is hardening 21 000 seedlings for field planting after planting 30 000 in the first half of 2011.

A closure plan has been developed for Hidden Valley, with a provision for rehabilitation and closure liabilities of US\$52.7 million.

Hidden Valley mine is not in a biodiversity-protected area, but five 2011 IUCN red list species could potentially occur in the area. These include a vulnerable and decreasing species of tree kangaroo (*Dendrolagus dorianus*); an endangered and decreasing species of tree kangaroo (*Dendrolagus goodfellowi*); the vulnerable and decreasing nectar bat (*Syconycteris hobbit*); the vulnerable and decreasing harpy eagle (*Harpyopsis novaeguineae*) and the critically endangered and decreasing long-beaked echidna (*Zaglossus bruijnii*). None of these species has, however, been confirmed from the area and there is no evidence that Hidden Valley mine has impacted critical habitat.

PNG: Land management

(ha)	FY11
Total land managed	4 150
Total land disturbed and not yet rehabilitated – opening balance	75
Estimated new disturbance	30
Rehabilitated	84
Total area of land disturbed and not yet rehabilitated – closing balance	21

GRI GUIDELINES (G3)

Index to Global Reporting Initiative indicators

This report is aligned to GRI G3 guidelines.

GRI	Topic	Page
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1.1	Statement from CEO/chairman of SD committee	18
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	Organisational profile	
2.1	Name	1
2.2	Primary products	1
2.3	Operational structure	1
2.4	Location of head office	96
2.5	Countries of operation	1
2.6	Nature of ownership	1
2.7	Markets served	77
2.8	Scale of organisation	1
2.9	Significant changes to organisation	1
2.10	Awards	2; 36
	Report parameters	
3.1	Reporting period	1; 93
3.2	Date of previous report	Not referred
3.3	Reporting cycle	73
3.4	Contact points	Outside cover
3.5	Process for defining report content	6
3.6	Boundary of report	1
3.7	Limitations	n/a
3.8	Basis for reporting on joint ventures, etc	1
3.9	Data measurement techniques and assumptions	46; 47; 72
3.10	Explanation of restatements	77
3.11	Significant changes to scope, boundary or methods	n/a
3.12	GRI index	87
3.13	Policy and practice on external assurance	93
	Governance, commitments and engagement	
4.1	Governance structure	23
4.2	Status of chairperson	23
4.3	Independent non-executive directors	23
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4.5	Link between compensation and performance	38; 24
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4.10	Board performance	24
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EC1	Economic value generated and distributed	26; 27
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EC4	Significant financial assistance from government	27
EC5	Standard entry-level wage compared to local minimum wage	55
EC6	Policy, practices, and spending on local suppliers	29; 30
EC7	Procedures for local hiring, proportion of senior management and workforce from local community	53; 57
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EC9	Significant indirect economic impacts	65

GRI GUIDELINES
(G3) CONTINUED

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GRI	Topic	Page
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EN2	Percentage recycled input materials	73; 74
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EN3	Direct consumption by primary energy source	74; 75; 76
EN4	Indirect consumption by primary source	74; 75; 76
EN5	Energy saved from conservation and efficiency improvements	75; 76
EN6	Reductions from energy-efficient or renewable energy-based products and services	75; 76
EN7	Initiatives to reduce indirect energy consumption, reductions achieved	75; 76
	Water	
EN8	Total water withdrawal by source	73; 74
EN9	Sources significantly affected by withdrawal	73; 74
EN10	Percentage and volume recycled and reused	74
	Biodiversity	
EN11	Location and size of land owned, leased, managed or adjacent to protected areas, areas of high biodiversity value	n/a
EN12	Description of significant impacts of activities	n/a
EN13	Habitats protected or restored	n/a
EN14	Strategies, actions and plans for managing impacts on biodiversity	n/a
EN15	IUCN Red List species and national conservation list species in areas affected by operations	n/a
	Emissions, effluents, and waste	
EN16	Total direct and indirect greenhouse gas emissions	80; 81
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EN18	Initiatives to reduce greenhouse gas emissions, reductions achieved	74; 80
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EN20	NOx, SOx and other significant air emissions by type and weight	n/a
EN21	Total water discharge by quality and destination	78
EN22	Total weight of waste by type and disposal method	73; 79
EN23	Total number and volume of significant spills	78
EN24	Waste transported under terms of Basel Convention (Annex I, II, III, VIII)	n/a
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by discharges of water and runoff	n/a
	Products and services	
EN26	Initiatives to mitigate environmental impacts of products, extent of mitigation	n/a
EN27	Percentage of products sold and packaging materials reclaimed by category	n/a
	Compliance	
EN28	Significant fines, sanctions for non-compliance with environmental laws and regulations	21
	Transport	
EN29	Significant impacts of transporting products, and members of workforce	73
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LA2	Number and rate of employee turnover by age group, gender and region	54; 55
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LA4	Percentage employees covered by collective bargaining agreements	60
LA5	Minimum notice period on significant changes, including specified in collective agreements	60
	Occupational health and safety	
LA6	Percentage workforce represented in formal joint health and safety committees to monitor and advise on programmes	37
LA7	Rates of injury, occupational diseases, lost days, absenteeism, work-related fatalities	34; 38; 40
LA8	Education, training, counselling, prevention, and risk-control programmes to assist workforce members, their families or community members with serious diseases	44; 45; 48

GRI	Topic	Page
LA9	Health and safety topics covered in formal agreements with trade unions	
	Training and education	
LA10	Average hours of training per year per employee by employee category	57; 58
LA11	Programmes for skills management and lifelong learning that support continued employability	58
LA12	Percentage of employees receiving regular performance and career development reviews	59
	Diversity and equal opportunity	
LA13	Composition of governance bodies and breakdown of employees per category: gender, age group, minority group membership, and other indicators of diversity	61
LA14	Ratio of basic salary of men to women by employee category	62
	Social performance: human rights	
	Investment and procurement practices	
HR1	% and # of significant investment agreements with human rights clauses or human rights screening	59; 60
HR2	% significant suppliers and contractors screened on human rights and actions taken	59
HR3	Total hours and % employee training on aspects of human rights relevant to operations	57
	Non-discrimination	
HR4	Total # of incidents of discrimination and actions taken	60
	Freedom of association and collective bargaining	
HR5	Operations where right to freedom of association and collective bargaining may be at significant risk, actions taken to support rights	60
HR6	Operations with significant risk for incidents of child labour, measures to eliminate	59; 60
HR7	Operations with significant risk of forced or compulsory labour, measures to eliminate	59; 60
	Security practices	
HR8	Percentage security personnel trained in policies/procedures on human rights relevant to operations	
	Indigenous rights	62
HR9	Number of violations involving rights of indigenous people and actions taken	
	Social performance: society	
	Community	
SO1	Programmes and practices to manage impacts of operations on communities, including entering, operating and exiting	64; 65; 66; 67
SO2	Percentage and number of business units analysed for risks related to corruption	41
SO3	Percentage of employees trained in anti-corruption policies and procedures	41
SO4	Actions taken in response to incidents of corruption	25; 41
	Public policy	
SO5	Public policy positions and participation in policy development and lobbying	23; 24
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions	25
	Anti-competitive behaviour	
SO7	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices, outcomes	21
	Compliance	
SO8	Significant fines, sanctions for non-compliance with laws and regulations	21
	Social performance: product responsibility	
	Customer health and safety	
PR1	Lifecycle stages in which impacts of products and services are assessed for improvement, percentage of significant products and services categories subject to such procedures	77
PR2	Number non-compliances with regulations and voluntary codes on health and safety impacts of products and services during lifecycle, by types of outcomes	21
	Products and service labelling	
PR3	Type of information required, percentage of significant products concerned	n/a
PR4	Incidents of non-compliance with regulations and voluntary codes on labelling	n/a
PR5	Practices related to customer satisfaction	n/a
	Marketing communications	
PR6	Programmes for adherence to laws, standards, and voluntary codes	n/a
PR7	Incidents of non-compliance	n/a
	Customer privacy	
PR8	Substantiated complaints on breaches of customer privacy and losses of customer data	n/a
	Compliance	
PR9	Significant fines for non-compliance with laws and regulations concerning provision and use of products and services	n/a

SOUTH AFRICAN MINING CHARTER SCORECARD

2011 scorecard for the broad-based socio-economic mining empowerment charter

Element	Description	Measure
Reporting	Has the company reported the level of compliance with the charter for the calendar year	Documentary proof of receipt from the department
Ownership	Minimum target for effective HDSA ownership	Meaningful economic participation Full shareholder rights
Housing and living conditions	Conversion and upgrading of hostels to attain the occupancy rate of one person per room.	Percentage reduction of occupancy rate towards 2014 target
	Conversion and upgrading of hostels into family units	Percentage conversion of hostels into family units
Procurement and enterprise development	Procurement spent on BEE entity	Capital goods Services Consumable goods
	Multinational suppliers' contribution to the social fund	Annual spend on procurement from multinational suppliers
Employment equity	Diversification of the workplace to reflect the country's demographics to attain competitiveness	Top management (board) Senior management Middle management Junior management Core skills
Human resources development	Developing requisite skills, including support for South Africa-based research and development initiatives intended to develop solutions in exploration, mining, processing, technology efficiency (energy and water use in mining), beneficiation as well as environmental conservation	HRD expenditure as percentage of total annual payroll (excl mandatory skills development levy)
Mine community development	Conduct ethnographic community consultative and collaborative processes to delineate community needs analysis	Implement approved community projects
Sustainable development and growth	Improvement of the industry's environmental management	Implement approved environmental management programmes (EMPs)
	Improvement of the industry's mine health and safety performance	Implementation of tripartite action plan on health and safety
	Utilisation of South Africa-based research facilities for analysis of samples across the mining value	Percentage of samples in South African facilities
Beneficiation	Contribution towards beneficiation (effective from 2012)	Added production volume contributory to local value addition beyond the baseline

Compliance target by 2014	Progress achieved by	
	Compliance target 2011	Actual 2011
Annually		
26%	15%	36%*
26%	15%	
Occupancy rate of one person per room	<p>Hostels</p> <ul style="list-style-type: none"> • Number of people sharing hostel rooms = 7 925. Objective is one person per room • Number of employees accommodated in single quarters (one person per room) = 3 100 • Number of employees moved to family quarters in 2011 = 230 • Number of company houses sold to employees = 31. <p>Provision of housing</p> <p>Harmony facilitates home ownership by donating land, funding infrastructure and services, and monitoring the construction of housing units in mixed-use developments (ie retail, residential and community infrastructure).</p>	
Family units established	<p>Most employees receive either a housing allowance or a living-out allowance for accommodation. These allowances differ by job grading and are annually revised through collective bargaining.</p>	
30%	5%	15%
60%	30%	31%
40%	10%	36%
0.5%	0.5%	–
40%	20%	30.8%
40%	20%	42.2%
40%	30%	41.6% (professionals, middle management)
40%	40%	58.5% (skilled technical, academically qualified, junior management)
40%	15%	
5%	3.5%	4.42%
Up-to-date project implementation		8%
100%	<p>EMP performance assessment reports are a legal requirement and must be conducted every two years. Harmony conducts these assessments in line with EMP approval conditions. These plans are amended when necessary and resubmitted to the department.</p>	
100%	<p>Free State operations: Current EMPs were developed in 2008 and performance assessments against these plans were submitted to the DMR in June 2011 for all operations. Deviations from targeted compliance levels reflect unplanned (in 2008) closures. As these EMPs are being revised to reflect current conditions, and the principles of ISO 14001, compliance levels for Free State operations are expected to improve in FY12.</p> <p>North operations: All EMPs approved under the old-order Minerals Acts of 1991 have been aligned and approved under the Mineral and Petroleum Resources Development Act 2002. Environmental management systems are being implemented in all our North operations, with some operations already certified, to track compliance with EMP commitments. Implementation of environmental management systems at other operations is ongoing and action plans to address all high-risk impact are under way.</p>	
100%	<p>Environmental monitoring at SA laboratories 100%.</p>	
Section 26 of MRPDA (% above baseline)		

* To date approximately 36% of production was attributable to HDSA interests.

GLOSSARY OF TERMS AND ACRONYMS

AMD	Acid mine drainage – outflow of acidic water formed by mining activity and the egress of water following contact with certain types of orebodies and host rock
BBBEE	Broad-based black economic empowerment, a socio-economic process aimed at the economic transformation of South Africa by increasing the number of HDSAs (historically disadvantaged South Africans) participating in the economy
CDP	Carbon Disclosure Project – an independent not-for-profit organisation that acts as an intermediary between shareholders and corporations on all climate change-related issues, providing primary climate change data from the world's largest corporations, to the global marketplace
CO ₂ emissions	Total CO ₂ emissions calculated from direct emissions generated from petrol and diesel consumption and indirect emissions generated by electricity consumption and expressed in tonnes
Cyanide code	International cyanide management code for the manufacture, transport and use of cyanide in the production of gold. The aim is to promote responsible management of cyanide used in gold mining, enhance the protection of human health and reduce potential for environmental impacts
DMR	Department of Mineral Resources, South Africa
Electricity use	Energy use calculated from electricity purchased and diesel and petrol consumed during the reporting period
Employment equity	Percentage of black employees (as defined by the DTi Codes) per occupational level
EMP	Environmental management programme
EMS	Environmental management system
Energy consumption	Energy use calculated from electricity purchased and diesel and petrol consumed during the reporting period
FIFR	Fatal injury frequency rate, the number of fatalities per million man hours worked
HDSAs	Historically disadvantaged South Africans – all people and groups who were previously discriminated against on the basis of race, gender and disability as defined by the MPRDA
ISO 14001	Published in 1996 by the International Organisation for Environmental Standardisation, it specifies actual requirements for an environmental management system (EMS)
King III	King Report on Corporate Governance for South Africa published in 2010
LED spend	Local economic development project spend
LTIFR	Lost-time injury frequency rate per million hours, refers to work-related injuries which result in the employee being unable to perform his/her normal occupation on the next scheduled work day or shift.
Mining Charter	The broad-based social-economic empowerment charter for the South African mining industry. The goal of the charter is to create an industry that reflects the promise of a non-racial South Africa
MHSA	Mine Health and Safety Act (No 29 of 1996)
MMJV	Morobe Mining Joint Ventures
MPRDA	Minerals and Petroleum Resources Development Act (No 28 of 2002)
MQA	Mining Qualifications Authority, a sector education training authority for the mining and minerals sector whose mission is to facilitate and promote human resources development in the sector
NIHL	Noise-induced hearing loss reported as the number of new cases identified and submitted for compensation during the reporting period
PNG	Papua New Guinea
Significant incidents	Incidents that have a considerable impact outside the company boundaries which may cause irreparable harm or require significant expenditure to remediate
SLPs	Social and labour plans aimed at promoting employment and advancing the social and economic welfare of all South Africans while ensuring economic growth and socio-economic development as stipulated in the MPRDA
Water consumption from primary activities	Total new or make-up water entering the operation and used for the operation's primary activities which include those activities in which the operation engages to produce their product and includes dust suppression within the operational area.

ASSURANCE REPORT

Independent Assurance Report to the Directors of Harmony Gold Mining Company Limited

Introduction

We have been engaged by the directors of Harmony Gold Mining Company Limited (“Harmony”) to perform an independent assurance engagement in respect of selected Identified Sustainability Information included in Harmony’s Annual Sustainable Development Report for the year ended 30 June 2011 (“the Report”).

Scope and subject matter

The following Identified Sustainability Information for South African operations was selected for an expression of limited assurance:

- Electricity use (kilowatt hours) (Page 5)
- Water consumption from primary activities (kilolitres) (Page 5)
- Lost time injury frequency rate (Page 4)
- Employment equity (% of black employees per occupational level) (Page 12)
- Local economic development spend in South African rand (Page 4)

Our responsibilities do not extend to any other information.

Responsibilities of the directors

Harmony’s directors are responsible for the preparation and presentation of the Identified Sustainability Information, as incorporated in the 2011 Annual Sustainable Development Report, in accordance with their internally defined procedures and for maintaining adequate records and internal controls that are designed to support the reporting process.

Responsibility of the independent assurance provider

Our responsibility is to conduct a limited assurance engagement and, based on our assurance procedures, report our conclusion to the directors.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 *Assurance engagements other than audits or reviews of historical financial information* issued by the International Auditing and Assurance Standards Board. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain assurance on the Identified Sustainability Information as per the terms of our engagement.

Summary of work performed

The defined procedures by which Harmony’s Identified Sustainability Information is generated and aggregated have been applied as assurance criteria. Definitions for the Identified Sustainability Information applied are those determined by Harmony and provided in the Report (refer page 92).

The procedures selected depend on the assurance provider’s judgement, including the assessment of the risks of material non-compliance of the Identified Sustainability Information with the criteria. Within the scope of our work we performed among other the following procedures:

- reviewing processes that Harmony have in place for determining the Identified Sustainability Information included in the Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Identified Sustainability Information;
- conducting interviews with management at corporate head office;
- evaluating the data generation and reporting processes against the reporting criteria;
- performing a control walk through and testing the accuracy of data reported on a sample basis; and
- reviewing the consistency between the Identified Sustainability Information and related statements in Harmony’s Report.

**ASSURANCE
REPORT CONTINUED****Inherent limitations**

The accuracy and completeness of sustainability data is subject to inherent limitations given the nature and methods for determining, calculating and estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

For a *limited* assurance engagement the evidence gathering procedures are more restricted than for a *reasonable* assurance engagement, and therefore less assurance is obtained than in a *reasonable* assurance engagement.

We have not carried out any work on data reported for prior reporting periods, nor in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Identified Sustainability Information.

Conclusion

Based on our work performed, nothing has come to our attention that causes us to believe that the Identified Sustainability Information selected for *limited* assurance has not been prepared, in all material respects, in accordance with the defined reporting criteria.



PricewaterhouseCoopers Inc.

Director: FJ Lombard

Registered Auditor

2 Eglin Road, Sunninghill, 2157

Johannesburg

24 October 2011



HARMONY™ FEEDBACK FORM

Your feedback is important to us – it will help shape the content of the next report to ensure the information remains relevant to all our stakeholders. Simply complete this form and send to Corporate@harmony.co.za.

1 Personal details

Name:*

Organisation:

Tel:*

Fax:

E-mail address:*

Postal address:

2 What is your association with Harmony?

- Employee
- Analyst
- Shareholder
- Journalist
- Community member
- Non-governmental/community-based organisation
- Student
- Business partner
- Supplier
- Government representative
- Other – please specify:

3 How did you become aware of our report?

- Via the company website
- E-mail link sent to you
- Through the media
- Other – please specify:

4 Have you read any of Harmony's previous reports?

- Yes
- No

5 How would you describe the report?

- Too much information
- Not enough information
- Other – please specify:

6 What are your areas of interest in this report?

- Economic performance
- Social performance
- Safety and health
- HIV and AIDS
- Employment
- Community
- Environmental performance

7 Were our material issues and responses clearly communicated?

- Yes
- No

8 Did you use the Global Reporting Initiative (GRI) index as a reference?

- Yes
- No

9 Does the fact that the report is independently assured give you confidence on the accuracy and relevance of the information?

- Yes
- No

10 Do you have any other comments on the report?

* Required.

DIRECTORATE AND ADMINISTRATION

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1. PT Motsepe (Chairman)*
2. GP Briggs (Chief executive officer)
3. HO Meyer (Financial director)
4. HE Mashego (Executive director)
5. FFT De Buck** (Lead independent director)
6. F Abbott*
7. JA Chissano*^{1^}
8. Dr C Diarra**^{††} (Resigned – 31 May 2011)
9. KV Dicks**
10. Dr DS Lushaba**
11. C Markus**
12. M Motloba**
13. M Msimang**
14. D Noko**
15. CML Savage**
16. J Wetton** (appointed in new financial year on 1 July 2011)
17. AJ Wilkens*

* Non-executive

^ Independent

¹ Mozambican

[†] US/Mali Citizen

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Trading symbols

JSE Limited: HAR
New York Stock Exchange, Inc: HMY
London Stock Exchange Plc: HRM
Euronext, Brussels: HMY
Berlin Stock Exchange: HAM1
Registration number 1950/038232/06
Incorporated in the Republic of South Africa
ISIN: ZAE 000015228



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