



Corporate governance 2013



Corporate governance

SCOPE OF SUPPLEMENTAL INFORMATION

The supplemental information on our website supplements the integrated annual report and covers the financial year from 1 July 2012 to 30 June 2013 (FY13). It follows a standalone but similarly comprehensive report for FY12. In line with its commitment to the principle of integrated reporting, Harmony Gold Mining Company Limited (Harmony) has again incorporated its broader social, environmental and economic performance throughout this report in line with the requirements of the King Report on Governance for South Africa (King III).

The aim of this information is to give all our stakeholders – shareholders, investors, employees, suppliers, regulatory authorities and governments around the world – an informative description of Harmony's business and operations, their impacts and the sustainable value we create.

The integrated annual report and supplemental information cover all Harmony's wholly owned operations in South Africa, as well as its joint venture in Papua New Guinea (PNG). They exclude discontinued operations, unless otherwise stated.

This data has been compiled in accordance with the G3 guidelines of the Global Reporting Initiative (GRI) and King III. Operational and financial information covers FY13 with comparative annual data provided for information. Financial data is aligned with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the South African Companies Act, No 71 of 2008 (the act) and the Listings Requirements of the JSE Limited (JSE).

Any material restatements and changes are fully described in the relevant sections or at the beginning of the integrated annual report if their impact is company-wide.

Group material issues are disclosed in the integrated annual report, while discipline-specific issues precede each section in the supplemental information.

Harmony is committed to accurate, meaningful reporting. Acknowledging that this is a process of continual improvement, key sustainability indicators are externally assured each year, while preparatory work is completed on other indicators to ensure we steadily expand the scope of assurance. The report of our external assurers is on page 86 of the integrated annual report.

Detailed disclosure on Harmony, including regulatory filings, press releases, stock exchange announcements and quarterly reports, is available on our website at www.harmony.co.za.



FEEDBACK

We welcome your feedback to ensure we report on issues that matter to you. Go to www.harmony.co.za for the feedback form.

Specific comments and suggestions can also be directed to:

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Throughout this report, unless otherwise stated:

- \$ or dollar refers to US dollars
- K refers to the currency of Papua New Guinea (kina)
- All production volumes are in metric tonnes (t)


For a full glossary of terms and acronyms please see our supplemental information suite at

www.harmony.co.za/investors

The board ensures Harmony has a sound strategy with achievable objectives. This is the cornerstone of a profitable business with a sustainable future.

In South Africa, in terms of the JSE Listings Requirements and King III, companies are required to disclose compliance with the latter in the current reporting year. The table below details Harmony’s compliance, with a summarised version in our integrated annual report. We include supplementary information for a complete view of our company’s governance standards.

King III compliance: 30 June 2013

Principle	Apply?	Explain
Principle 1.1 <i>The board should provide effective leadership based on an ethical foundation</i>	✓	Refer to principle 2.3
Principle 1.2 <i>The board should ensure the company is and is seen to be a responsible corporate citizen</i>	✓	Refer to principle 2.4
Principle 1.3 <i>The board should ensure the company’s ethics are managed effectively</i>	✓	Refer to principle 2.5
Principle 2.1 <i>The board should act as the focal point for and custodian of corporate governance</i>	✓	The board advocates effective, responsible leadership and aims to lead by example. Governance structures and processes are regularly reviewed and adapted to accommodate internal developments and reflect national and international best practice while considering the best interests of the company. In FY12, we completed a comprehensive review of our compliance with King III. Aspects requiring enhanced application have been addressed in the audit and risk committee report on page 73 of our FY13 integrated annual report.
Principle 2.2 <i>The board should appreciate that strategy, risk, performance and sustainability are inseparable</i>	✓	As reflected in its terms of reference, and evident from the content of the integrated annual report, the board appreciates that strategy, risk, performance and sustainability are inseparable. The board annually considers and reviews the company’s strategy relative to its risks, performance and sustainability at a strategy session arranged specifically for this purpose.
Principle 2.3 <i>The board should provide effective leadership based on an ethical foundation</i>	✓	The board of directors is responsible for establishing management structures and processes based on ethical values and good corporate governance principles, ensuring Harmony’s business is sustainable in terms of our financial, social and environmental performance. The board is governed by its terms of reference available on the website.  The board and its committees have work plans to ensure responsibilities are appropriately addressed throughout the year.
Principle 2.4 <i>The board should ensure the company is and is seen to be a responsible corporate citizen</i>	✓	Responsible citizenship is a core principle underpinning Harmony’s values and a key component of the board’s terms of reference. Through its social and ethics committee, the board ensures the company remains a committed, socially responsible corporate citizen.

Corporate governance

CORPORATE GOVERNANCE CONTINUED

Principle	Apply?	Explain
<p>Principle 2.5 <i>The board should ensure the company's ethics are managed effectively</i></p>	✓	<p>Harmony's code of ethics was adopted to respond to the challenge of ethical conduct in the business environment. The code is reviewed every second year by the board and its application is monitored by management. All employees (including contract employees), directors or officers and service providers/suppliers are expected to abide by the code. The company's ethics programme is subject to independent assurance as part of the internal audit coverage plan. Management is revising the roles and responsibilities for various facets of ethics management (eg board committee responsibilities, fraud risk management). This will include a review and potential redesign of the ethics management programme to address integration and further improve levels of proactive ethical risk management.</p>
<p>Principle 2.6 <i>The board should ensure the company has an effective and independent audit committee</i></p>	✓	<p>Shareholders annually elect the members of the audit and risk committee, all of whom are independent non-executive directors. The board has approved the mandate for this committee, which includes monitoring risk management and therefore, in Harmony, the committee is known as the audit and risk committee. In FY13, the committee again complied with its legal, regulatory and other responsibilities assigned by the board in terms of its terms of reference. These are detailed in the committee's report on page 73 of the FY13 integrated annual report.</p>
<p>Principle 2.7 <i>The board should be responsible for the governance of risk</i></p>	✓	<p>The board is ultimately responsible for the governance of risk in line with the act, King III and the board's terms of reference. The board is assisted by the audit and risk committee, ensuring that significant risks facing Harmony are adequately addressed. For more information, refer to the risk management report on page 72 of the FY13 integrated annual report.</p>
<p>Principle 2.8 <i>The board should be responsible for information technology (IT) governance</i></p>	✓	<p>The audit and risk committee of the board oversees and monitors IT governance and views this as an important aspect of risk management.</p> <p>Refer to IT governance report included in the supplemental corporate governance report.</p>
<p>Principle 2.9 <i>The board should ensure the company complies with applicable laws and considers adherence to non-binding rules, codes and standards</i></p>	✓	<p>As part of our approved planned internal audit coverage, a review to identify Harmony's regulatory universe is under way. The objective is to assist management in identifying and prioritising laws and regulations that may apply to Harmony.</p> <p>In addition, Harmony's regulatory compliance strategy will be reviewed to consider the adequacy and effectiveness of the strategy and approach and, if appropriate, identify gaps and provide guidance and recommendations for improvement. Feedback on the outcome of the reviews will be provided in the FY14 integrated annual report.</p> <p>Harmony is committed to continuous application of the act and complying with all relevant legislation in South Africa and PNG. As a listed public company with a primary listing on the JSE, Harmony abides by the JSE Listings Requirements. Harmony is also listed on the NYSE in the form of American Depositary Receipts (ADRs) and as International Depositary Receipts on the Berlin and Brussels Exchanges. It is therefore further regulated by the US Securities and Exchange Commission.</p> <p>Harmony also voluntarily complies with the principles of the UN Global Compact, ICMM, Global Reporting Initiative and the Cyanide Code.</p> <p>No fines were paid by the company in any areas of operation in FY13, and no actions were brought against Harmony for anti-competitive behaviour, anti-trust or monopoly practices.</p>

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CORPORATE GOVERNANCE CONTINUED

Principle	Apply?	Explain
<p>Principle 2.10 <i>The board should ensure there is an effective risk-based internal audit</i></p>	✓	<p>The internal audit function is responsible for assisting the board and management by independently reviewing the adequacy and effectiveness of Harmony's system of internal control. Significant findings are reported to the audit and risk committee and follow-up audits are conducted in areas where significant internal control weaknesses are found. Harmony has an in-house internal audit function in a co-sourced arrangement with KPMG to provide assurance on the effectiveness of governance, risk management and the internal control environment.</p> <p>A new head of internal audit was appointed in September 2013.</p> <p>The purpose, authority and responsibility of the internal audit function are formally documented in the internal audit charter as approved by the audit and risk committee. The head of internal audit reports directly to the audit and risk committee, but on administrative matters will in future report to the executive: risk management and services improvement.</p>
<p>Principle 2.11 <i>The board should appreciate that stakeholders' perceptions affect the company's reputation</i></p>	✓	<p>The board considers and responds to the legitimate interests and expectations of Harmony's stakeholders. The social and ethics committee receives quarterly reports on stakeholder engagement, which are then summarised for board meetings. Board members are also regularly apprised of shareholder perceptions after management road shows.</p>
<p>Principle 2.12 <i>The board should ensure the integrity of the company's integrated report</i></p>	✓	<p>The integrated report is reviewed by the audit and risk committee and recommended to the board for approval. The social and ethics committee reviews supplementary information to the integrated annual report on sustainable development and recommends this to the board for approval.</p>
<p>Principle 2.13 <i>The board should report on the effectiveness of the company's system of internal controls</i></p>	✓	<p>Refer to the audit and risk committee report on page 73 of the integrated annual report.</p>
<p>Principle 2.14 <i>The board and its directors should act in the best interests of the company</i></p>	✓	<p>The board debates issues rationally and with sufficient information from management to reach an objective assessment. All directors are mindful of their duty to act in the best interests of the company. The board has approved a policy for dealing in Harmony shares which applies to directors, prescribed officers and selected employees.</p>
<p>Principle 2.15 <i>The board should consider business-rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act</i></p>	✓	<p>The board reviews the financial performance of the company each quarter to assess its financial position of the company. Solvency and liquidity tests are performed in accordance with the Companies Act to support the issued going-concern statements. Should the company ever become financially distressed, the board will consider appropriate mechanisms to address this.</p>

Corporate governance

CORPORATE GOVERNANCE CONTINUED

Principle	Apply?	Explain
<p>Principle 2.16 <i>The board should elect a chairman who is an independent non-executive director. The chief executive officer of the company should not also fulfil the role of chairman of the board.</i></p> <p>JSE Listings Requirement, section 3.84(c)</p>	<p>✓</p>	<p>The chairman of the board is not considered independent. The board, however, believes that the value added by Patrice Motsepe as chairman is significant. Mr Motsepe was re-elected as chairman in August 2013 for a period of one year as recommended by King III. His appointment is based on his ability to add significant value to the board and his outstanding performance against what is expected of his role and function. As part of the succession plan for the position of chairman, Modise Motloba was appointed deputy chairman in August 2012 and re-elected as such in August 2013.</p> <p>Fikile De Buck was reappointed lead independent non-executive director in August 2013, as the chairman is not independent. This appointment is in line with the requirements of King III to assist the board in managing any actual or perceived conflicts of interest.</p> <p>The roles of chairman and chief executive officer (CEO) are separate and distinct, and governed by the board's terms of reference and a delegation of authority framework. This framework also applies to principle 2.17.</p>
<p>Principle 2.17 <i>The board should appoint the chief executive officer and establish a framework for the delegation of authority</i></p>	<p>✓</p>	<p>The role, functions and performance criteria of the CEO were reviewed and agreed in FY12 when Graham Briggs' contract was extended for a further four years. The board will evaluate the performance of the CEO in relation to those agreed parameters. The board ensures that a succession plan for the CEO and other members of the executive team is in place. On recommendation from the nomination committee, these plans are reviewed annually.</p>
<p>Principle 2.18 <i>The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent</i></p> <p>JSE Listings Requirement, section 3.84(b)</p>	<p>✓</p>	<p>We have paid specific attention to the composition of our board to ensure it reflects our objectives and is therefore sustainable. Harmony has a unitary board comprising a majority of independent non-executive directors. We exceed the 2014 Mining Charter requirement that 40% of the board be drawn from HDSA groups. At year end, that representation was 60%. Three of Harmony's non-executive directors are women and, in total, nine directors are drawn from groups considered HDSAs.</p> <p>On recommendation of the nomination committee, the board evaluated and confirmed the classification of independent non-executive directors as independent.</p> <p>Board appointments: Ms Karabo Nondumo was appointed as director of the board and member of the audit and risk and remuneration committees on 3 May 2013.</p> <p>Mr Vishnu Pillay was appointed as director of the board and member of the technical and investment committees on 8 May 2013.</p>

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CORPORATE GOVERNANCE CONTINUED

Principle	Apply?	Explain
<p>Principle 2.19 <i>Directors should be appointed through a formal process</i></p> <p>JSE Listings Requirement, section 3.84(a)</p>	✓	<p>The nomination committee ensures that procedures governing appointments to the board are formal and transparent by making recommendations to the board on all new board appointments and reviewing succession planning for directors and other members of the executive team. In line with King III, the chairman of the board is a member of the committee.</p> <p>In making new appointments to the board, Harmony considers skills, experience, gender and demographic composition and believes it has an acceptable balance of members. The company is satisfied that non-executive and independent directors are of sufficient calibre, experience and number for their views to carry significant weight in the board's decisions. While the nomination committee makes recommendations on appointments to the board, these appointments are considered by the board as a whole in accordance with its terms of reference.</p>
<p>Principle 2.20 <i>The induction and ongoing training and development of directors should be conducted through formal processes</i></p>	✓	<p>The formal board induction programme is managed by the company secretary. On appointment and as part of the company's board induction programme, new directors receive comprehensive company information and governance packs. They are invited to meet with management at the company's head office for a tour of the business and informal introductory meetings with various management teams. A formal training needs analysis is conducted annually and supplemented with ad hoc training needs identified throughout the year. The board receives formal training on relevant topics one hour prior to each board meeting. In addition, the company secretary provides board members with regular updates on regulatory and industry developments. Board members are also invited to attend site visits at our operations and at our social development projects throughout the year.</p>
<p>Principle 2.21 <i>The board should be assisted by a competent, suitably qualified and experienced company secretary</i></p> <p>JSE Listings Requirement, section 3.84(i)&(j)</p>	✓	<p>In terms of the relevant section of the JSE Listings Requirements, the board has, on recommendation from the nomination committee, considered the qualifications, level of experience and competence of the company secretary. The board is satisfied that Riana Bisschoff is sufficiently competent, qualified and experienced to act as Harmony's company secretary. The board is further satisfied that Riana is not a director of the board or any of the company's subsidiaries and therefore maintained an arm's-length relationship with the board during the year under review. The following information was taken into consideration during the review:</p> <ul style="list-style-type: none"> • Riana Bisschoff (LLB, LLM) is a qualified attorney, conveyancer and notary. She has been a company secretary for the past nine years (six years in a listed environment). Riana was appointed group company secretary in March 2012, and is fully supported by the board and management. She plays an active role in achieving good corporate governance, supporting the chairman and the board in: <ul style="list-style-type: none"> – Ensuring the effective functioning of the board – Providing guidance to the chairman, board and directors of Harmony's subsidiaries on their responsibilities and duties in the prevailing regulatory and statutory environment – Raising matters that may warrant the attention of the board. <p>The company secretary assists in ensuring that the board's decisions and instructions are clearly communicated to the relevant stakeholders, and is available as a central source of guidance and advice in Harmony on matters of ethics.</p>

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CORPORATE GOVERNANCE CONTINUED

Principle	Apply?	Explain
<p>Principle 2.22 <i>The evaluation of the board, its committees and individual directors should be performed every year</i></p>	✓	<p>In terms of its terms of reference, the board conducts an annual self-assessment of its performance, as well as board committees, individual directors and the chairman. As part of the board's philosophy of sound governance, the audit firm KPMG was again appointed to assist with the annual board self-assessment, which will be completed in October 2013. This service will be independent of services supplied by KPMG as co-sourced internal auditors of the company. A full report based on the findings of this evaluation will be considered by the board and improvements made where necessary. Suggested areas identified for improvement in FY13 have been successfully addressed and implemented throughout the year.</p>
<p>Principle 2.23 <i>The board should delegate certain functions to well-structured committees without abdicating its own responsibilities</i></p> <p>JSE Listings Requirement, section 3.84(d)</p>	✓	<p>To assist the board in discharging its duties, certain responsibilities have been delegated to board committees in terms of the board delegation of authority and committee terms of references. At 30 June 2013, these committees comprised:</p> <ul style="list-style-type: none"> • Audit and risk committee (report on page 73 of the integrated annual report) • Investment committee – considers projects, acquisitions and disposals in line with Harmony's strategy and ensures due diligence procedures are followed; performs other investment-related functions designated by the board • Nomination committee – ensures procedures governing board appointments are formal and transparent; makes recommendations to the board on all new board appointments; reviews succession planning for directors and other members of the executive team and oversees the board's self-assessment process • Remuneration committee (report on page 78 of the integrated annual report) • Social and ethics committee (report on page 20 of the integrated annual report) • Technical committee – platform to discuss strategy, performance against targets, operational results, projects and safety; informs the board of key developments, progress against objectives and challenges facing operations; reviews strategic plans before recommending to the board for approval; provides technical guidance and support to management. <p>During the review period, the majority of members of all board committees were independent non-executive directors. All board committees were chaired by an independent non-executive director, except for the technical committee chaired by André Wilkens (a non-independent non-executive director). The board is confident that André's leadership as chairman of the technical committee is in the best interest of the company, based on his extensive knowledge of the specific areas of responsibilities of that committee.</p> <p>These committees do not reduce the board's overall responsibility and the chairmen of all committees report and make recommendations to the board at each board meeting. Minutes of all committee meetings are included in meeting packs provided to each board member prior to board meetings for information purposes.</p> <p>Each director has unrestricted access to the advice and services of senior management. All non-executive directors are able to visit Harmony's operations at any time and attend management meetings at their discretion. Board members have unrestricted access to company and subsidiary information, records, documents and property. If required by a board member, independent professional advice may be obtained at the company's expense.</p>



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CORPORATE GOVERNANCE CONTINUED

Principle	Apply?	Explain
<p>Principle 2.24 <i>A governance framework should be agreed between the group and its subsidiary boards</i></p>	✓	The board has approved a delegation of authority framework that includes subsidiary companies. In addition, group policies and procedures apply to all subsidiaries.
<p>Principle 2.25 <i>Companies should remunerate their directors and executives fairly and responsibly</i></p>	✓	<p>Harmony understands that enhanced organisational performance depends on a competitive and balanced remuneration strategy, fairly applied. This benefits all stakeholders. The remuneration committee of the board ensures directors and executive managers are fairly rewarded for their individual contributions to the company's performance. In remunerating directors and executive managers, the committee considers the interests of shareholders and the financial and commercial health of the company.</p> <p>Executive directors have standard employment contracts that include a notice period of at least three months, and do not provide for predetermined compensation on termination. These directors have waived their rights to directors' fees and they participate in Harmony's share schemes and benefit from pension contributions.</p> <p>No non-executive director has a service contract with Harmony. Non-executive directors are entitled to fees as approved at Harmony's annual general meeting (AGM) and to reimbursement for out-of-pocket expenses incurred on the company's behalf. For more information, refer to the remuneration report on page 78 of the FY13 integrated annual report.</p>
<p>Principle 2.26 <i>Companies should disclose the remuneration of each director and certain senior executives</i></p>	✓	Harmony annually discloses the remuneration of all directors and prescribed officers. Refer to the remuneration report included on page 78 of the FY13 integrated annual report.
<p>Principle 2.27 <i>Shareholders should approve the company's remuneration policy</i></p>	✓	The company's remuneration policy is presented to shareholders for approval at each annual general meeting. Refer to the remuneration report on page 78 of the FY13 integrated annual report.
<p>Principle 3.1 <i>The board should ensure the company has an effective and independent audit committee</i></p>	✓	Refer to principle 2.6, 2.22 and 2.23.
<p>Principle 3.2 <i>Audit committee members should be suitably skilled and experienced independent non-executive directors</i></p>	✓	All five members of the audit and risk committee are independent non-executive directors. The board is satisfied that members of this committee collectively have the appropriate knowledge and experience to fulfil their mandate.
<p>Principle 3.3 <i>The audit committee should be chaired by an independent non-executive director</i></p>	✓	The chairman of this committee is an independent non-executive director.
<p>Principle 3.4 <i>The audit committee should oversee integrated reporting</i></p>	✓	Harmony prepares an integrated report that is reviewed by the audit and risk committee and recommended to the board for approval. The committee also reviews quarterly results and annual financial statements (including the annual Form 20-F), as well as any other price-sensitive financial information, trading statements, circulars and accompanying information. The committee reviews and confirms the going-concern assumptions and conclusion. For more information, refer to the committee's report on page 73 of the FY13 integrated annual report.

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CORPORATE GOVERNANCE CONTINUED

Principle	Apply?	Explain
<p>Principle 3.5 <i>The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities</i></p>	✓	<p>Management is defining a combined assurance strategy, which is coupled to the enterprise risk management strategy. The combined assurance framework will be presented to the audit and risk committee for consideration and approval in FY14.</p>
<p>Principle 3.6 <i>The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function</i></p> <p>JSE Listings Requirement, section 3.84(g)&(h)</p>	✓	<p>The audit and risk committee annually considers the appropriateness of the expertise and adequacy of resources of the finance function, and the expertise and experience of the financial director. Refer to the committee's report on page 73 of the FY13 integrated annual report.</p>
<p>Principle 3.7 <i>The audit committee should be responsible for overseeing the internal audit function</i></p>	✓	<p>The board is accountable for Harmony's system of internal control, designed to provide reasonable assurance against material misstatement and losses. Management is responsible for maintaining a sound system of internal control and reviewing its effectiveness. The internal audit function quarterly reports to the audit and risk committee on its activities and progress against plan, Sarbanes-Oxley compliance and progress on the level of compliance with the Institute of Internal Auditors (IIA) standards.</p> <p>Refer to principle 2.10.</p>
<p>Principle 3.8 <i>The audit committee should be an integral component of the risk management process</i></p>	✓	<p>Management is responsible for implementing effective risk management processes. This is overseen by the audit and risk committee on behalf of the board. A comprehensive report on risk management appears on page 73 of the FY13 integrated annual report.</p>
<p>Principle 3.9 <i>The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process</i></p>	✓	<p>External auditors are appointed by the audit and risk committee in line with the act. To maintain their credibility and effectively fulfil their primary role as the financial auditors of Harmony, the external auditors must be independent of the group, both in fact and in appearance. The committee has approved an external audit non-audit services policy to regulate its views on auditor independence in terms of providing statutory audit services as well as non-audit services.</p> <p>The auditing firm, PricewaterhouseCoopers Inc, was engaged to undertake the following non-audit activities totalling R1 262 771 for FY13:</p> <p>South Africa</p> <ul style="list-style-type: none"> • Excel conversion of tax packs • Remchannel annual survey subscription • Scope 1, 2 and 3 carbon emissions assurance for 2013 • Sustainability development assurance for 2013 • Written opinion on application of the provisions of amendments to section 24 of the Income Tax Act, No 58 of 1962 • Corporate tax compliance services • Agreed procedures for transfer of land as well as agreed procedures for allocation of the environmental rehabilitation trust fund assets to respective mining licences <p>PNG</p> <ul style="list-style-type: none"> • Tax compliance service for subsidiaries • Tax compliance service for joint ventures

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Principle	Apply?	Explain
Principle 3.10 <i>The audit committee should report to the board and shareholders on how it has discharged its duties</i>	✓	The audit and risk committee reports to the board each quarter on how it has discharged its statutory duties, as well as those assigned by the board. The committee also discloses how it discharged its functions in the review period in the FY13 integrated annual report (page 73).
Principle 4.1 <i>The board should be responsible for the governance of risk</i>	✓	Refer to principle 2.7
Principle 4.2 <i>The board should determine the levels of risk tolerance</i>	✓	Management adopted a phased and methodical approach to implementing its enterprise risk management strategy, focusing on its practical effectiveness. Risk appetite and tolerance levels are being defined.
Principle 4.4 <i>The board should delegate to management the responsibility to design, implement and monitor the risk management plan</i>	✓	The risk management policy and plan is implemented by management through coordinated risk management processes. Oversight of these processes lies with the audit and risk committee.
Principle 4.5 <i>The board should ensure risk assessments are performed on a continual basis</i>	✓	Risk identification, assessment, response and monitoring are performed monthly at operational level while Exco reviews the corporate risk profile each quarter. Management provides formal risk reports to the audit and risk committee each quarter.
Principle 4.6 <i>The board should ensure frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks</i>	✓	As the enterprise risk management process matures, the subject of unpredictable risks will be specifically addressed. Also refer to principle 4.5
Principle 4.7 <i>The board should ensure that management considers and implements appropriate risk responses</i>	✓	Refer to principle 4.5
Principle 4.8 <i>The board should ensure continual risk monitoring by management</i>	✓	Refer to principle 4.5
Principle 4.9 <i>The board should receive assurance regarding the effectiveness of the risk management process</i>	✓	Management provides formal risk reports to the audit and risk committee each quarter. In addition, the evaluation of the risk management process forms part of the internal audit coverage plan.
Principle 5.1 <i>The board should be responsible for information technology (IT) governance</i>	✓	Refer to principle 2.8
Principle 5.2 <i>IT should be aligned with the performance and sustainability objectives of the company</i>	✓	The board recognises that IT is integral to doing business today, and fundamental in supporting the sustainability and growth of our company. Accordingly, the focus of our IT division is ensuring accurate, reliable and timely information that supports effective reporting and appropriate management of our business to enable Harmony to achieve its sustainability objectives.
Principle 5.3 <i>The board should delegate to management the responsibility for implementation of an IT governance framework</i>	✓	Management is responsible for implementing the IT governance framework.

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Principle	Apply?	Explain
Principle 5.4 <i>The board should monitor and evaluate significant IT investments and expenditure</i>	✓	The audit and risk committee monitors the return on investment from significant IT projects. IT management ensures the basic elements of appropriate project management principles are applied to all IT projects.
Principle 5.5 <i>IT should form an integral part of the company's risk management</i>	✓	An IT steering committee has oversight of various IT aspects, including governance, compliance and business continuity.
Principle 5.6 <i>The board should ensure information assets are managed effectively</i>	✓	Formal processes are in place to protect and manage information, including sensitive information processed by the company.
Principle 5.7 <i>A risk committee and audit committee should assist the board in carrying out its IT responsibilities</i>	✓	The internal audit coverage plan includes assurance engagements in the IT environment. Refer to principles 2.8 and 5.5.
Principle 6.1 <i>The board should ensure the company complies with applicable laws and considers adherence to non-binding rules, codes and standards</i>	✓	Refer to principle 2.9
Principle 6.2 <i>The board and each director should have a working understanding of the effect of applicable laws, rules, codes and standards on the company and its business</i>	✓	Refer to principle 2.20
Principle 6.3 <i>Compliance risk should form an integral part of the company's risk management process</i>	✓	Refer to principle 2.9
Principle 6.4 <i>The board should delegate to management the implementation of an effective compliance framework and processes</i>	✓	Refer to principle 2.9
Principle 7.1 <i>The board should ensure there is an effective risk-based internal audit</i>	✓	Refer to principle 2.10
Principle 7.2 <i>Internal audit should have a risk-based approach to its plan</i>	✓	A fully risk-based audit coverage plan is being developed. This is in line with activities surrounding the roll out of the enterprise not management strategy, coupled with the combined assurance strategy.
Principle 7.3 <i>Internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management</i>	✓	Internal audit provides an annual written assessment to the audit and risk committee. This assessment is in accordance with the annual coverage plan.
Principle 7.4 <i>The audit committee should be responsible for overseeing internal audit</i>	✓	Refer to principle 2.10

Corporate governance

CORPORATE GOVERNANCE CONTINUED

Principle	Apply?	Explain
Principle 7.5 <i>Internal audit should be strategically positioned to achieve its objectives</i>	✓	Refer to principle 2.10
Principle 8.1 <i>The board should appreciate that stakeholders' perceptions affect a company's reputation</i>	✓	Refer to principle 2.11
Principle 8.2 <i>The board should delegate to management to proactively deal with stakeholder relationships</i>	✓	Regular engagement with key stakeholders provides valuable information on their expectations. While stakeholder engagement takes place across the company, a senior executive is responsible for key stakeholder relationships. The social and ethics committee monitors projects and initiatives in place with various stakeholders.
Principle 8.3 <i>The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company</i>	✓	A formal stakeholder engagement policy was approved by the social and ethics committee on behalf of the board in August 2013 and will be reviewed every second year.
Principle 8.4 <i>Companies should ensure the equitable treatment of shareholders</i>	✓	All shareholders, including minority shareholders, are treated equally. The company abides by the requirements of the JSE and NYSE ensuring that full, equal and timeous public disclosure is made to all shareholders and the general public on the activities of Harmony that are price sensitive.
Principle 8.5 <i>Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence</i>	✓	In terms of our stakeholder engagement policy and in line with our corporate values of honesty and connectedness, the board provides information to stakeholders that is complete, timely, relevant, accurate and easily accessible.
Principle 8.6 <i>The board should ensure disputes are resolved as efficiently and expeditiously as possible</i>	✓	The audit and risk committee monitors all material legal disputes and reports to the board quarterly. Proper dispute resolution practices are in place.
Principle 9.1 <i>The board should ensure the integrity of the company's integrated report</i>	✓	Refer to principle 2.12
Principle 9.2 <i>Sustainability reporting and disclosure should be integrated with the company's financial reporting</i>	✓	<p>Refer to principle 2.12. Harmony is committed to maintaining a positive relationship with all its stakeholders and communicates regularly with shareholders and other stakeholders on its financial and operational performances, and strategy.</p> <p>The integrated report contextualises the financial results by reporting on the positive and negative impacts of Harmony's operations on stakeholders as well as plans to improve positives and eradicate or mitigate negatives in the year ahead.</p>
Principle 9.3 <i>Sustainability reporting and disclosure should be independently assured</i>	✓	Each year, selected key performance indicators – those most material to stakeholders' understanding of our performance – are independently assured. In recent years, we have steadily aimed to increase the number of indicators assured, as well as the depth of this assurance. The social and ethics committee, under its terms of reference, approves the material elements of sustainability reporting over which the external assurance provider should provide assurance and ensures that a formal process of assurance on sustainability reporting is established through the audit and risk committee.

Corporate governance

CORPORATE GOVERNANCE CONTINUED

IT GOVERNANCE AND KING III

Harmony subscribes to the King III principles in executing all IT functions and related projects for the group. To continuously improve our levels of compliance, a King III status review was conducted by Harmony internal audit and KPMG Services (Pty) Ltd in 2012, and recommendations were addressed as part of a project to ensure a sustainable IT governance environment. To date, significant progress has been made in IT governance. This includes improving existing frameworks and controls as well as independent reviews of strategic investments and other related requirements. Project-specific steering committees guide all crucial technology-related projects, and IT now also attends business-specific operational steering committee meetings to ensure greater IT alignment in business.

IT RISK MANAGEMENT AND SUSTAINABILITY

Accurate, reliable and timely information is essential for effective reporting and appropriate management of our business. Equally, the rapid evolution and obsolescence of technology remains a constant challenge. While innovative technologies introduce new capabilities and benefits to a business, they also introduce new risks, which are handled with care.

Risk management

Harmony's IT processes and methodologies ensure data is generated, used and maintained securely and sustainably, against key objectives:

- **Secure and properly controlled:** The information and system security is tested and updated regularly, and appropriate measures taken to account for emerging threats. Initiatives are under way to ensure greater control in sharing and storing information by Harmony to reduce risk and manage licensing and hardware costs for the organisation
- **Reliable and available:** Harmony IT strives to ensure maximum reliability and availability of all systems and services to the business, using preventative maintenance to prolong service life, and regularly reviewing procedures to safeguard the integrity of both systems and data.

Harmony's ICT environment is governed by a number of formalised policies, most importantly the end-user security standard, which has been designed to mitigate risks identified.

Identified IT risks, and how they are managed, include:

- **Physical access to IT facilities:** Access is restricted to authorised personnel and requires appropriate identification and authentication. Harmony data centres are controlled with conventional electronic and biometric access control

- **Access control to business systems and supporting infrastructure:** A password function defines minimum system security requirements for the Harmony user domain and key business applications. A control process is in place for key business applications, and all controls are periodically reviewed
- **Security of IT environment:** The security and integrity of business systems and supporting infrastructure are continually monitored
- **Availability and continuity of IT systems and services:** Backup and recovery solutions control and execute daily backup of all critical data to on-site storage mediums, supplemented by weekly dispatch to a professional external off-site facility for storage. A supplementary data centre was commissioned in Welkom to serve as a disaster recovery site for all business-critical systems from the main data centre in Randfontein. Harmony data centres incorporate industry-standard design and use environmental monitoring, fire suppression and clean power supply systems to reduce the likelihood of loss of information assets and ensure service
- **Unauthorised changes and managing authorised changes:** A formal and standardised change control procedure applies across all business systems and supporting infrastructure. The process is managed by a change advisory board that meets weekly to review and approve the release of all system changes.

Sustainability of systems

The sustainability of Harmony's systems revolves around providing systems and services that serve Harmony appropriately and are consistent with its corporate strategy and cost-conscious focus. These include:

- **Performance orientation (systems and people):** Harmony IT provides services and systems that are important to the continued performance of the organisation and its operations. Any absence or sub-standard performance could have safety and operational implications. Regular monitoring by qualified technical staff ensures systems align to company requirements
- **Scalable, flexible platforms:** Our 'virtualisation' principle enables IT systems to be scaled up or reduced rapidly as required, and in line with international best practice and industry trends
- **Cost-efficiency:** Harmony IT invests in proven technologies that meet strict performance criteria but with a constant focus on limiting the cost by working with service providers
- **Appropriate to the needs of the company:** A systems implementation lifecycle methodology guides Harmony in prioritising its business and process requirements before deciding about technology
- **Planning for the future:** Harmony IT management plans for the future in line with provisions specified in the group IT strategy, and the evolving needs of various areas of the company.

Corporate governance

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GP Briggs (chief executive officer)
F Abbott (financial director)
HE Mashego (executive director)
FFT De Buck*^ (lead independent director)
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KV Dicks*^
Dr DS Lushaba*^
KT Nondumo*^
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Berlin Stock Exchange: HAM1
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Incorporated in the Republic of South Africa
ISIN: ZAE 000015228

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. For a more detailed discussion of such risks and other factors (such as availability of credit or other sources of financing), see the Company's latest Annual Report on Form 20-F which is on file with the Securities and Exchange Commission, as well as the Company's other SEC filings. 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 report, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.



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