

SOCIAL AND ETHICS COMMITTEE: CHAIRMAN'S REPORT

Dear stakeholder,

It gives me immense pleasure as chairman of the social and ethics committee to present the committee's report for the year ended 30 June 2016. The committee is constituted in terms of the requirements of section 72(8) of the Companies Act 71 2008 (the Act), and its associated regulations. It is a sub-committee of the board and fulfils its functions on behalf of Harmony and its subsidiary companies with regard to social and economic development, environmental stewardship, governance and ethics, public safety, health, labour and employment matters. Operational safety is the responsibility of the technical committee. For more information on the composition of the social and ethics committee, refer to the *Corporate Governance* section of this report.

Despite market volatility in FY16, Harmony remained committed to the sustainable running of its business, in its commitment to delivering on its social and economic responsibilities and in making a lasting, positive impact on surrounding communities, our employees and other stakeholders.

APPROACH

Sustainability at Harmony is underpinned by our values system, which is intrinsic to our operating philosophy and practices. It remains key in our decision-making. We subscribe to the five capitals model (natural, human, social, manufactured and financial capital) which underpins our approach to sustainable investment. Our objective is to improve and advance each capital so that we create value during the lives of our mines and beyond by leaving a positive, lasting and felt legacy.

The social and ethics committee is confident that during the past financial year it complied fully with the legal, regulatory and other responsibilities assigned to it by the board.

ACTIONS IN FY16

The committee, which undertakes its duties with accountability both to the board and to the company's stakeholders, met five times during the past financial year and attended one site visit during the year. The committee's key activities are summarised in the *Corporate Governance report*.

PUBLIC HEALTH AND SAFETY

The committee maintained responsibility for public safety during the past financial year and reviewed its strategic interventions, while reinforcing robust controls over access to our mines and the surrounding properties. Of particular concern are the repeated breaches of security perimeters, both by members of our communities and by criminals intent on illegal activities. I am saddened to report that three community members lost their lives in two separate incidents in Welkom as a result of trespassing on hazardous mine sites. Numerous community interventions were added to our existing programmes to further raise awareness of safety conditions and hazardous environments. Community interventions also focused on primary healthcare and HIV/AIDS awareness.

EMPOWERMENT AND TRANSFORMATION

Our moral obligation to our host communities extends beyond providing direct employment opportunities and financial benefits. We also drive social sustainability through local economic-development programmes as well as by local procurement.

Although the period for complying with the targets of the Mining Charter came to an end in December 2014, Harmony, in the spirit of transformation and going beyond compliance, continued to deliver in line with the tenets of the Charter, advancing in particular housing and living conditions, procurement and human resources. We measured ourselves against the 2014 targets and are pleased to confirm that we achieved and exceeded these targets during this financial year. (See the *Mining Charter Compliance Scorecard* in this report.)



Modise Motloba

Chairman: social and ethics committee

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Papua New Guinea

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CONTINUED



When it comes to investing in and transforming our workforce, we have met and exceeded all the group-wide targets, with the appropriate number of historically disadvantaged South Africans employed at all levels of management. For more on this see, *Employees and Communities*.

Societal development remains an important objective and, with this in mind, as a group we invested R18 million (US\$1 million) in local economic development. One notable legacy project implemented during the reporting period was the Merriespruit community rental unit which is directed at satisfying the demand for rental accommodation in Welkom. Construction of the Merriespruit 3 community rental units created employment for 300 members of the local community while building work was underway. Post year end, this project was named the best community residential unit project in the Free State.

Recognising the role of small and medium enterprises in the community, Harmony launched the Phakamani Initiative which provides soft loans to entrepreneurs in Welkom. Although still in its infancy, the initiative has already made several meaningful investments, some of which supported the creation of 30 jobs.

In April 2016, the Minister of Mineral Resources released a draft Mining Charter for public comment. Harmony, through the Chamber of Mines, has been in extensive engagements with the Minister to develop the amended charter into a progressive document that will contribute to the further development of an enabling environment conducive to responsible mining and heightened transformation.

BUILDING A HEALTHY AND ENGAGED WORKFORCE

We believe that a healthy workforce coupled with a healthy workplace culture is integral to sustaining our productivity and profitability in today's business climate. Our culture gives priority to safety and health and, to this end, Harmony committed R100 million to a proactive healthcare strategy. In its third year of implementation in FY16, this initiative has already delivered a 14% reduction in absenteeism which translates to a thousand more people at work each day.

Consultation and collaboration form the cornerstones of our relationship with our employees, directly and through organised labour. It was against the strong fabric of mutual respect and trust that together we concluded a three-year wage agreement in October 2015. As the agreement was reached with unions which represented the majority of our employees, it was extended to include all employees. Following this agreement, we have experienced stable industrial relations across our operations. Refer to *Operational Performance*.

ENVIRONMENTAL MANAGEMENT

Looking back at the year under review, the committee is satisfied with Harmony's environmental performance. Managing our finite resources responsibly remained high on the agenda. With the water-scarcity challenges in South Africa, Harmony converted two of its operations to zero discharge by constructing two water treatment plants, thus maximising the re-use of mine water. Energy conservation was achieved by driving efficiencies, and innovative solutions which resulted in a 3% reduction in electricity consumption. Our performance in these areas was recognised with 'A' rankings in calendar year 2015 for the Carbon Disclosure Project's Climate Change and Water programmes.



Our land rehabilitation programme has advanced beyond demolition and restoration activities and has progressed to value creation. The bio-energy initiative is being commissioned, the solar parks are undergoing licensing and the agriculture and agro-processing programme has moved into implementation. All these projects are designed to deliver ecological benefits while supporting the socio-economic imperatives of job creation and entrepreneurial development.

ETHICS

We believe ethical conduct is a prerequisite for doing business. There is a direct correlation between sustainable business success and consistent ethical behaviour. The continued success of our company depends on the highest levels of integrity across all aspects of our business. We want all our stakeholders to view Harmony as a company they can trust – therefore we are unequivocal about our values and the way in which these values find expression in our daily behaviour. Our code of conduct was developed further and we introduced a behavioural code, which simplifies the detail set out in the code of conduct. For more on these codes, refer to *Corporate Governance*.

LOOKING FORWARD TO THE YEAR AHEAD

Although the first six months of the financial year were particularly challenging for the gold mining industry, Harmony has positioned itself to benefit from a higher gold price. Wider operating margins have strengthened our ability to meet our social commitments. Harmony is strengthening its engagement with host communities and with local authorities to ensure continuity and to manage expectations. It is vital that Harmony makes promises that it can keep in order to maintain and retain the relationships the company has worked to establish.

The licensing of Golpu in Papua New Guinea is of utmost importance to Harmony, and it is imperative that engagement and consultation are promoted between all key stakeholders to assist in obtaining the special mining lease permits.

From a regulatory perspective, the Mineral and Petroleum Resources Development Act amendment bill and the Mining Charter in South Africa are under review and, in order to ensure that the legal reform results in sound implementable outcomes, Harmony is engaging closely with the authorities through the Chamber of Mines and other forums. Harmony has a strong footprint in South Africa and Papua New Guinea and remains committed to all our stakeholders and relevant host communities.

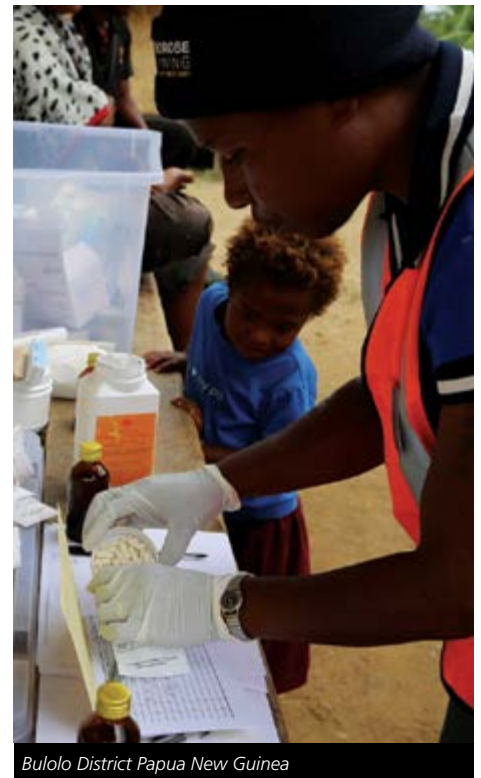
THANKS

We continue to make considerable progress on our journey towards sustainable development to deliver tangible benefits for all stakeholders. The commitment of our people to safety, health, governance and environmental performance is commendable and for that I thank you all. My sincere appreciation goes to members of the social and ethics committee and the board for their continued and invaluable guidance, support and input. Feel free to assist us in our further work by voicing your opinions and by providing feedback on our performance and disclosure. See *About This Report* for contact details.

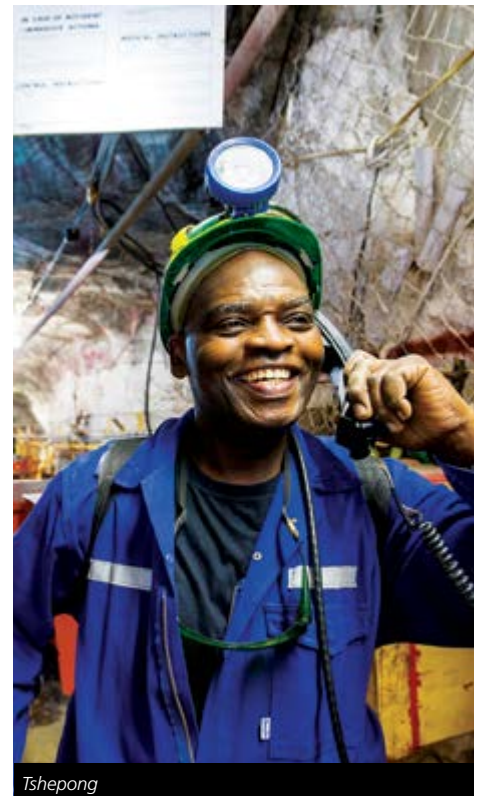
Modise Motloba

Chairman: social and ethics committee

26 October 2016



Bulolo District Papua New Guinea



Tshepong