

EMPLOYEES AND COMMUNITIES CONTINUED

OUR APPROACH

Relevant Global Reporting Initiative indicators: G4-LA2

Our human resources initiatives focus on four underlying goals:

- Entrenching a single organisational culture
- Attracting and retaining employees with high potential
- Developing employees to meet operational skills requirements and improve efficiency
- Maintaining effective employee performance and leadership development management systems

Our employment policies, procedures and practices take into account and comply with the relevant labour legislation in South Africa and Papua New Guinea. Our recruitment initiatives focus on local communities in both countries. A review of all human resource procedures and policies is ongoing, including remuneration and incentive schemes.

Ongoing engagement with communities is necessary to understand, manage and respond to community concerns and expectations, especially where mines are near closure.



EMPLOYEES

PERFORMANCE IN FY17

South Africa: At the end of FY17, our employee complement totalled 30 990 (FY16: 30 441), with 85% (FY16: 85%) being permanent employees and 15% (FY16: 15%) contractors. More than 76% (FY16: 75%) of the South African workforce was drawn from local communities.

There were 2 002 employee terminations in FY17, of which 48% were due to medical incapacity, 11% resignations, 22% dismissals and 8% as result of death in service (natural causes). The employee turnover rate at the South African operations averaged 7% for FY17 (FY16: 9%).

Papua New Guinea: At the end of FY17, our employee and contractor complement was 2 211, excluding employees of the Wafi-Golpu joint venture. Of these, 59% were permanent employees and 41% were contractors. A total of 95% were local.

Employment and gender equity

Relevant Global Reporting Initiative indicators: G4-EC6 and G4-HR3

In all the areas in which we operate, a representative workforce is a moral and legislative imperative.

South Africa: Harmony reports quarterly on its employment equity plan and progress made to the social and ethics committee. Annual reports are submitted to the departments of Labour and Mineral Resources.

In FY17, 61% (FY16: 60%) of Harmony management were historically disadvantaged South Africans, exceeding the Mining Charter 2014 target of 40% for company-level compliance.

The proportion of women employed at management level in FY17 was 17% (FY16: 17%). There is no difference in salary scales for men and women at Harmony.

Employment equity performance by category – South Africa as at June 2017

| Occupational category | Historically disadvantaged South Africans (target = 40%) | Women employed by category (%) |
|----------------------------|--|--------------------------------|
| Board | 57 | 14 |
| Top (executive) management | 50 | 20 |
| Senior management | 49 | 26 |
| Middle management | 50 | 20 |
| Junior management | 63 | 16 |
| Core and critical skills | 59 | 11 |

Papua New Guinea: Emphasis is on attracting and retaining locally-recruited employees, particularly landowners and local citizens. Operations are governed by a three-year training plan lodged with the local Department of Labour in terms of which we ensure that local employees receive ongoing training and succession is managed.

In all, 97% (FY16: 95%) of employees at Hidden Valley were local. In all, 12% of employees in Papua New Guinea are women.

Employee share ownership: South Africa

Launched in FY12, the Tlhakanelo Employee Share Ownership Plan applied to all eligible non-managerial employees.

The 2012 Tlhakanelo Employee Share Ownership Plan came to an end in March 2017. For more details on this share ownership plan and employee remuneration, please refer to the *Remuneration report*.

Employee engagement

In applying our “connectedness” value, we ensure that employees feel part of the Harmony family. Internal communications, a continuous interactive process, allows employees access to information and provides an opportunity to engage with management. This includes regular meetings with heads of departments, work groups and general manager engagement platforms (mass meetings and quarterly productivity meetings), as well as in-depth quarterly internal campaigns to drive important messages across the group, such as safety, ethics and wellness, among others. We also make use of print (posters, internal newsletters, memos and flyers), digital media (email, mine television, intranet, website and text messaging) and social media (Twitter).

The chief executive officer communicates regularly with employees by e-mail, at meetings and during internal roadshows.

For employees to be committed, productive and passionate about their jobs, they need to feel valued, which in turn increases morale, productivity and participation because they feel empowered to communicate openly. To this end, we ensure that our employees understand their roles within the company, their contribution to the overall company objectives and what is happening in the industry. They are the first to hear important news. Regular employee engagement involves communication both to and from employees. Furthermore, suggestions made by employees are taken seriously and acted upon.

Following the acquisition in full of Hidden Valley in Papua New Guinea, Harmony’s values were launched to both employees and local communities.



Employee relations

Development of a new employee relations framework is underway. Progress has been slower than anticipated, having been hindered by inter-union rivalry, primarily between the National Union of Mineworkers (NUM) and the Association of Mineworkers and Construction Union (AMCU).

Union leadership empowerment programme

An empowerment programme, initiated in FY15, continues. The programme aims at sharing business imperatives and performance, company strategy and an understanding of business principles with labour unions. The unions understand the financial health of each operation and are included in decision-making and the future of operations.

South African gold wage negotiations

Relevant Global Reporting Initiative indicators: G4-EC5

Harmony negotiates changes to wages and other conditions of employment through a recognised collective bargaining structure at a centralised industry forum under the auspices of the Chamber of Mines. In October 2015, a three-year wage agreement was reached with the unions representing the majority of employees at Harmony and was extended to all employees in the bargaining unit. As this agreement will end in June 2018, the next round of wage negotiations in the sector is due to start in the coming calendar year. For more information, refer to www.goldwagene negotiations.co.za

Labour disputes and strikes

Relevant Global Reporting Initiative indicators: MM4, G4-LA16 and G4-HR11

Labour disputes and strikes are considered a material issue as, in addition to the resulting loss of production, disputes affect morale and reputation, and present a risk to non-striking employees, communities and company assets. Several instances of unprotected strike action at Kusasaletu occurred in the second half of the year.

We endeavour to maintain peace and stability in our workforce at all times. We want our employees to feel and be safe at work.

Our multi-union environment promotes co-existence, inclusion and collaboration. In addition to quarterly regional meetings with unions, we also encourage proactive and robust engagement to address particular issues. As communication is ongoing at all levels, we are in daily contact with full-time stewards while our general managers and human resources leaders interact regularly at branch level and with shaft committees.

Discussions are currently underway with various unions on an employee relations policy framework. Disciplinary action against AMCU is also proceeding regarding the three unprotected strikes at Kusasaletu during the year.

EMPLOYEES AND COMMUNITIES CONTINUED

South Africa: To mitigate the risk of labour disputes, we engage frequently with organised labour at mine and company level, in addition to direct engagement with employees. We are proactive in addressing employees' queries through established structures and processes. Various initiatives address the scourge of employee indebtedness, which have had the added benefit of improving employee morale and engagement. These include, among others, financial literacy and personal indebtedness training. In all, 19 621 employees or 74% of the workforce (FY16: 16 033 or 62%) have attended the financial literacy and debt counselling programme since its launch in September 2013. A particular focus is the suspension of non-statutory payroll deductions and notifying employees about emolument attachment orders against their pay. The legal validity of these attachment orders is verified before they are actioned.

Papua New Guinea: We engage continually with all stakeholders, including employees, contractors, national, provincial and local government, landowners and regulators.

Freedom of association

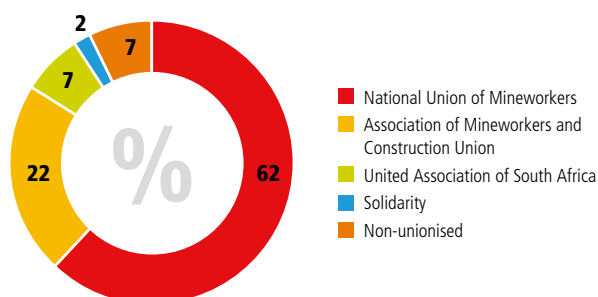
Relevant Global Reporting Initiative indicators: G4-HR4

At Harmony, employees and contractors have the right to freedom of association. We participate in collective bargaining processes and adhere to the resulting collective agreements in each country. We strive for honest, two-way discussions through collective bargaining.

South Africa: Harmony recognises four labour unions. Union representation in FY17 was as follows: NUM at 62% (FY16: 60%), AMCU at 22% (FY16: 24%), the United Association of South Africa at 7% (FY16: 8%) and Solidarity at 2% (FY16: 2%). Some 7% (FY16: 6%) of employees did not belong to a union.

Papua New Guinea: There are no active unions. Industrial relations at Hidden Valley is currently overseen by an employees' representative committee.

South Africa: Representation by union



Training and development

South Africa

Relevant Global Reporting Initiative indicators: G4-LA9

All training and development programmes are aligned with the company's strategic and operational needs and include skills development, adult education and training, learnerships, graduate development, talent management, and supervisory and leadership development. In FY17, 5.0% of the payroll was spent on human resource development (FY16: 5.3%).

Following its approval, a leadership development competency framework is to be rolled out in the coming year. This framework is part of the initiative to improve organisational efficiency and innovation, and includes training and development programmes aimed at improving leadership effectiveness and the supervisory development programme.

In addition to upskilling employees, we recognise and devote considerable time and effort to identifying community members who could benefit from bursaries, work experience, internships and the bridging school. Priority is given to local students. Most pleasingly, we were able to employ 92% of the students who had successfully completed their internship into available permanent positions.

In FY17, 92% (FY16: 92%) of our workforce attended training and skills development at a cost of R409 million or US\$30.1 million (FY16: R364 million or US\$25.1 million). This included South African-based research and development initiatives in exploration, mining, processing, technology efficiency, beneficiation and environmental conservation.

In all, 75 people (FY16: 68) received training in critical skills, such as mentoring, hazard identification and risk assessment, mineral resource management and various others, through study assistance programmes. In addition, another 183 employees attended the supervisory development programme intended to equip employees with the skills to better manage and lead their teams.

Adult education and training

Relevant Global Reporting Initiative indicators: G4-LA10

Adult education and training centres at our South African operations run full-time classes to ensure that employees are functionally literate and numerate so as to enable personal growth and promote transformation.

In FY17, 537 employees attended adult education and training (FY16: 412) and eight (FY16: two) community members at a cost of R38 million or US\$2.8 million (FY16: R28 million or US\$1.9 million). The overall average pass rate increased to 66% in FY17 (FY16: 56%), an 18% improvement on the previous year.

E-learning programmes were piloted in August 2015 and since then five operations have rolled out adult education and training e-learning programmes, which adult learners may complete in their own time. E-learning is expected to increase the number of participants as employees will be able to study after hours at their own pace.

Harmony's literacy rate has improved to 80% of the total workforce.

Bursary programme

On completion of their studies, student bursars can apply for Harmony's graduate development programme. A total of 76 bursaries (FY16: 52) were awarded to students studying at tertiary institutions in the 2017 academic year. Of the bursaries awarded in 2017, 70 or 92% (FY16: 51 or 98%) of the students came from local communities and the balance from the provinces in which we operate. The pass rate for our bursars for the 2016 academic year exceeded 90% for all modules written.

Bridging school

Harmony's bridging school supports mathematics and science at grade 12 level to assist school leavers to improve their final results and gain admission to tertiary institutions. On successful completion of grade 12, some are awarded bursaries while others applied for learnerships with the company.

Since the school's inception in 1996, we have registered 430 students in all. Of these, 27 (6%) were awarded bursaries and 330 (77%) attended our learnership programme. The balance were appointed to various permanent positions within Harmony.

Learnerships

Harmony runs a formal learnership programme. In FY17, 152 learners (FY16: 214) were enrolled at different levels of the learnership programme. Of the total number enrolled, 123 (FY16: 100) completed their learnerships. Most were appointed to positions available within the company.

Internship and experiential programmes

In support of our social and labour plans, we hosted 49 students (18 internships and 31 experiential trainees) during FY17 (FY16: 65 students – 30 interns and 35 experiential trainees).

Social plan programme

We continue to provide alternative skills training to employees, both current and retrenched, through our social plan programme, which was facilitated by the framework agreement between Harmony and NUM in 2003. The training provided enables people to remain economically active beyond mining, cushioning the economic impact of unavoidable retrenchments or the loss of employment when mines reach the ends of their lives.

Portable skills development

In FY17, 1 631 employees (FY16: 1 545) received portable skills training. Around 63% (FY16: 52%) were proxies (dependants of mine employees). The number of people receiving such training has almost quadrupled in recent years. Over the past nine years, Harmony has provided portable skills training to 7 631 employees (and/ or their proxies) – in basic electrical maintenance, end-user computing, basic welding, basic motor mechanics, clothing manufacture, furniture making, plumbing, bricklaying, animal husbandry and mixed farming systems.

Papua New Guinea

In FY17, workforce training events conducted at Hidden Valley included:

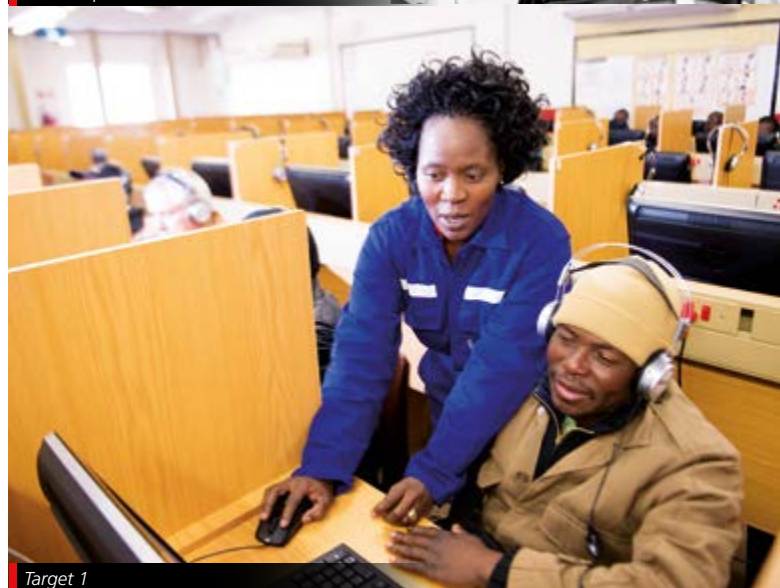
- Production training
- Safety compliance training
- National Training Council Accreditation compliance
- Professional development
- Computer software courses
- Supervisor development programme

Employee educational support

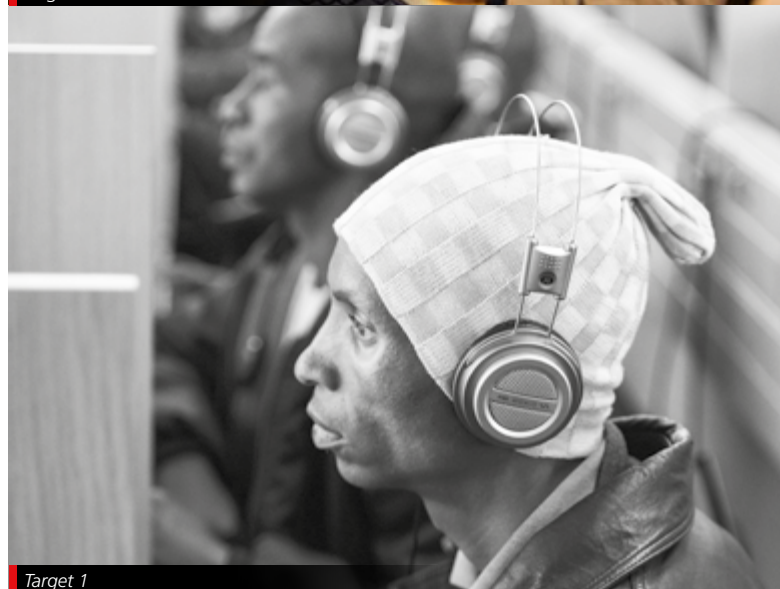
Harmony provided educational support to 352 Hidden Valley employees (FY16: 347) and their dependants.



Doornkop



Target 1



Target 1

EMPLOYEES AND COMMUNITIES CONTINUED

Housing and living conditions in South Africa

Housing and accommodation

| | Target (%) | Planned | 2017 | | 2016 | | 2015 | |
|--|------------|------------------------|-----------|----------|-----------|----------|-----------|----------|
| | | | % | Achieved | % | Achieved | % | Achieved |
| Residences (hostels): single room occupation ¹ | 100 | One person per room | 100 | 8 796 | 100 | 8 796 | 100 | 8 695 |
| Hostels (non-operational): conversion to family units | 100 | 1 100 | 86 | 945 | 86 | 945 | 84 | 927 |
| Facilitation of home ownership ² | | 4 700 | 69 | 3 231 | 66 | 3 117 | 63 | 2 961 |
| Total | | | 85 | | 84 | | 82 | |

¹ The number of single rooms available

² Houses sold to employees and other housing development programmes (actual achieved will depend on employee affordability profiles and the ability to obtain finance). Certain elements are beyond Harmony's control, such as whether employees are granted bonds or receive state subsidies. Bank lending, affordability and indebtedness remain stumbling blocks to increased home ownership.



Masimong housing complex

Of those employees residing in our hostels, all are accommodated in single rooms. Of the 1 100 family units to be built over three years, 945 (FY16: 945) units have been built to date – 86% (FY16: 86%) of the total planned. This includes 448 family units built at the Merriespruit housing project, which has now been completed. Post year end, the Merriespruit housing project was awarded first place in the provincial community residential unit category in the Free State.

To further facilitate home ownership, we subscribe to and support the pension-backed home loan scheme negotiated for the industry by the Chamber of Mines. In all, 1 772 (FY16: 1 072) of employees used this facility with a reduction in the number of subscribed employees paying off their loans. During FY17, 100 (FY16: 156) houses were purchased by way of a 'rent-to-own scheme'.

Negotiations are currently underway with the local Merafong municipality and other interested parties regarding the construction of Deelkraal rental units, close to Doornkop and Kusasaletu. The municipality has requested that the entire area be formalised. A costing for the provision of bulk services and a population demographics study are to be undertaken as preparatory steps in the process. Harmony will contribute a portion of land for the proposed township, once an application for the relevant subdivision has been approved.

Progress is being made with the construction of the 10 Doornkop family units. A contractor has been appointed and construction is scheduled to be completed by December 2017. A key aspect of this project is to provide mine housing for the future. The design of the housing units incorporates new energy efficient and building systems.

While all existing mine housing is offered to employees at affordable rates, the sale of those in Wedela, near Kusasaletu, is progressing slowly, owing to the inaccessibility of funding. Alternative funding models are being put in place and to date 12 houses have been sold.

HUMAN RIGHTS – FOR EMPLOYEES AND COMMUNITIES

Relevant Global Reporting Initiative indicators: G4-LA14, G4-HR3, G4-HR10 and G4-HR12

Respect for human rights is entrenched in and underpins our values. Human rights are specifically catered for in our human resource policies, charters and contracts of engagement. The human resources function and community engagement managers closely monitor our human rights performance at an operational level.

We abide by the human rights conventions of the International Labour Organization, as supported by the South African Constitution. At group level, adherence is monitored by the social and ethics committee. In addition, certain human rights requirements are incorporated in supplier contracts.

The South African Constitution also prohibits forced, compulsory or child labour. None of Harmony's operations are at risk of human rights contraventions and no contraventions of these principles were alleged or reported in FY17.

An employee survey based on the United Nations Global Compact on labour and human rights was conducted at four operations. The survey highlighted that Harmony's employee development programmes were aligned with best practice.

Key areas to be addressed include improved monitoring of internal labour policies, improved communication on employment contracts to lower category workers, enhancing prevention mechanisms for workplace disputes, providing greater clarification on policy guidelines regarding the use of private security and the security of employees, the need for clear policy and procedures on workplace harassment, and sexual harassment in particular, and greater monitoring of contractors' conditions of employment to ensure that these are aligned with Harmony's. Once the survey's recommendations have been thoroughly considered, an action plan will be developed to address shortcomings.