

REMUNERATION REPORT



Vishnu Pillay
Chairman,
remuneration
committee

"Harmony's reward strategy underpins our business strategy to produce profitable ounces, safely, and increase our margins"

Dear shareholder

During the year, under the able management of Peter Steenkamp, management delivered on their production guidance, had a good safety performance and improved the company's financial standing. This enabled us to deliver on the strategy to grow the company's production profile.

A major focus has been to retain and attract valuable staff members in the prevailing economic climate. The remuneration committee plays an important role in ensuring fair, equitable and responsible remuneration practices.

The remuneration committee reviewed local and global remuneration trends and our remuneration strategy. We also considered an external consultant's benchmark of our remuneration policy against comparative companies. The reduction of inequality should remain a top priority with a focus being placed on "living wages" for entry-level workers. Furthermore, we should continue to find innovative ways in which the company and all role players can assist workers in addressing their most pressing basic financial concerns and create jobs to address the problem of unemployment within the country.

A review of sustainable development goals, globally and in South Africa, also provided the committee with a better understanding, not only of the global priorities of companies in relation to the United Nations Sustainable Development Goals but also of the specific concerns and needs of citizens. Zero hunger and poverty, clean water and sanitation, decent work and economic growth, quality education

– these are some of the basic concerns of the people of South Africa. There can be no argument that corporates have a vital role to play in addressing these needs. Refer to *Social and ethics committee: chairman's report*.

The following key changes were made to the long- and short-term incentive plans and, where applicable, were approved by the shareholders at the 2016 Annual General Meeting held on 25 November 2016:

- the introduction of a minimum shareholding requirement for executive management
- the vesting of performance shares to be determined on actual achievement against the applicable performance criteria when a participant is a good leaver
- the minimum acceptable level of performance (i.e. qualification threshold) was increased from 90% to 95%
- the R/kg performance driver was changed to total cost (working cost plus capital excluding royalties)
- the short-term incentive for executives to be modified by a personal performance rating

With the assistance of remuneration specialists, the committee considered these key changes against best market practice. By and large, it was confirmed that these changes were aligned with market trends and supporting the objective of fair and responsible remuneration practices.

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In considering the proposed fees for non-executive directors, the committee not only looked at general increases in the market place for comparison and alignment purposes but also took account of the fiduciary risks carried by non-executive directors as well as the work load, time commitment, expertise and preparation time expected of each non-executive director.

The release of the King IV Report for Corporate Governance, 2016 (King IV) has brought an opportunity to have a fresh look at all aspects of our remuneration practices as we continuously strive to be an organisation that is known for remunerating fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. All elements of remuneration, including the structuring, execution and reporting thereof, have been carefully considered during the period under review with the assistance and input from independent and objective remuneration consultants. The remuneration policy was found to be in line with best market practice.

The content of the remuneration policy, a summary of which is set out in the *Remuneration report*, has been compared with the recommended practices contained in King IV to ensure alignment. In addition, the reader is referred to the implementation report, also contained in the *Remuneration report* and which sets out the remuneration outcomes in respect of non-executive and executive directors as well as prescribed officers. Voting practices have now been aligned with the King IV recommendations and the Notice of annual general meeting 2017 included in the *Report to shareholders 2017* contains two separate non-binding, advisory votes in respect of the remuneration policy as well as the implementation report.

We value our shareholder comments and, as always, we invite our shareholders to engage with the company, through the office of the company secretary (companysecretariat@harmony.co.za), once the remuneration policy and implementation report as set out below have been perused with a view to obtaining a better understanding and/or clarification of any aspect thereof prior to exercising a vote at the 2017 Annual General Meeting. This should again enable shareholders to make an informed decision on these matters in the interest of responsible investing.

At the 2016 Annual General Meeting, the non-binding, advisory vote on the remuneration policy was supported by more than 91% of the votes exercised on the resolution. Considering that 87% of the total issued shares of the company were voted on the resolution, the remuneration committee is satisfied with shareholders' support for this very important aspect of the business. However, this does

not mean that we should become complacent and the remuneration committee is committed to continuous improvement in remuneration practices in the interest of the company and its stakeholders. The committee is satisfied that the remuneration policy has achieved its stated objectives.

For more on the committee and its activities during the year under review see *Corporate governance* in this integrated annual report 2017.

A focus for the remuneration committee in the new year, will be to continue the review of our short- and long-term incentive schemes as well as the active engagement with our shareholders.

No member of the committee has a personal interest in the outcome of decisions made during the period under review, and four of its five members are independent non-executive directors. The chairman of the board is not a member of the committee.

Cathie Markus resigned as director of the board and chairman of the remuneration committee on 9 February 2017. On behalf of the remuneration committee, we want to express our sincere gratitude for her invaluable guidance as our chairman. We wish her well with her future endeavours.

Vishnu Pillay
Chairman, remuneration committee

26 October 2017