

SOCIAL AND ETHICS COMMITTEE: CHAIRMAN'S REPORT



“Our commitment to sustainable development and all that it encompasses is a moral responsibility that is underpinned by our values and integrated into our business as we strive to create shared value.”

Dr Simo Lushaba
Chairman: social and ethics committee

Dear Stakeholder

In the past five years, Harmony has focused on embedding the principles of sustainable development into our business strategy and our decision-making with the understanding that, while corporate citizenship is a moral responsibility and a condition of our mining licences, this duty rests on the inextricable link between profitability and sustainability. As such, we have concentrated on strengthening our culture and values, and Harmony's leadership approach, with standardised processes and definitions, such as ISO systems and environment and safety standards.

Guided by our vision of sustainable development, we strive to enable and empower our stakeholders. In so doing, we have recorded several, notable successes in the past year. For our employees, this includes our proactive healthcare programme, our improved safety strategy and the share ownership plan. To meet the needs of communities, we have established local socio-economic projects in South Africa and Papua New Guinea. Environmentally, we have reduced our carbon emissions, initiated pioneering rehabilitation processes and linked our Papua New Guinea operations to hydropower.

To add impetus, we have applied the principles of King IV with greater emphasis on ethical governance and conduct, and responsible corporate citizenship. As a result, the role of the social and ethics committee has become even more significant – more so with the creation of investment stewardship programmes by some of the world's

largest fund managers. These stewardship programmes, which monitor and support the sustainable long-term growth of the companies in which they are invested, aim to facilitate an understanding of company management and the role of environmental, social and governance (ESG) considerations in their business strategies and overall performance.

As a company in which such fund managers invest, it is important that Harmony is and is seen to be financially sustainable in the longer term. To ensure this longevity, it is vital that we deliver not only in terms of financial performance but also in making a positive, long-term contribution to society. Although, as a mining company, our main business is the exploitation of a finite resource, we are committed to sustainability in the long term. We must deliver on our social, environmental and economic responsibilities in the interests of leaving a lasting, positive legacy for host communities, employees and other stakeholders.

Harmony's social and ethics committee is responsible for overseeing governance and our performance in relation to our sustainable development activities. These activities include, among others, stakeholder engagement; employee relations, including empowerment, transformation, safety and health; environmental management and stewardship; socio-economic development and upliftment; and public health and safety.

The social and ethics committee is confident that, over the past financial year, it complied fully with the legal, regulatory

and other responsibilities assigned to it by the board. For further details on the committee, its members and activities in the past financial year, refer to *Corporate governance*.

CONTEXT AND APPROACH

Harmony's approach to sustainable development and our sustainable development framework is aligned with our values, which are central to all that we do. They guide our decision-making and our approach to sustainable socio-economic investment. We aim to create value over the economic lives of our mines and beyond by leaving a lasting, positive legacy. Our approach is allied to our commitment to the Sustainable Development Goals, introduced under the auspices of the United Nations (UN) in September 2015. These goals, endorsed by the GRI and the UN Global Compact, among others, are aimed at ending poverty, protecting the planet and ensuring prosperity for all.

Our sustainable development framework also recognises the principles articulated by the International Council on Mining and Metals, which promotes the 10 governing principles expressed in our various sustainable development policies and position statements.

Additionally, in the South African context, our sustainable development initiatives and the formulation of local economic development projects are aligned with and take into account the National Development Plan. It is important that the broader socio-economic concerns of our stakeholders are considered in delivery of sustainable development initiatives. To this end, we support government initiatives to create sustainable, diversified post-mining economies in our host communities and thus alleviate poverty by creating jobs as a national imperative. We therefore focus on the development of critical infrastructure, human settlements, development of viable alternative economic activity, education and community skills training, and the promotion of local procurement and enterprise development. Our sustainable development policy affirms our commitment to being a responsible, relevant and resilient partner in the areas in which we operate.

Our overriding aim is to uphold fair and just labour practices and conditions of service; frequent, in-depth engagement

with employees and communities; and focused and sustainable supplier development and environmental stewardship. In addition, we strive to promote a culture that values corporate citizenship, human rights, and ethical and accountable leadership. Together with effective risk management, this underpins sustained growth in our business and ultimately greater shareholder value.

In the coming five years, we plan to build on the systems and processes we have embedded and move towards building a positive legacy in the communities in which we operate.

Stakeholder engagement

Stakeholder engagement and its effective management have become increasingly important as public expectations of the corporate sector, in particular mining companies, grow. Meaningful stakeholder engagement should be frequent, inclusive, productive and based on trust. Integrity is the foundation of effective and meaningful stakeholder engagement. Establishing relationships based on trust, honesty and transparency takes time and effort, and should be reflected in our internal relationships and business activities. However, with growing community discontent with government service delivery and increasing levels of poverty, communities are turning to corporates with heightened needs and expectations. It's a delicate situation with challenges being brought to bear on these relationships. These expectations must be tempered while maintaining trust, and oftentimes, this results in dissension and disruptive behaviour. Through all of this, we respond with respect for the human rights of our employees, communities, suppliers and business partners. We are then better equipped to maintain our social licence to operate and ensure the sustainability of our business. For more information, see *Stakeholder engagement and material issues*.

Building a healthy, safe and engaged workforce

A healthy workforce and workplace translate directly into improved productivity and, at Harmony, we strive to create an enabling environment to promote employee health and wellbeing. Proactive healthcare remains the key tenet of our programme and in FY18 we advanced this by promoting awareness of the importance of health, prevention and treatment, and

continuous health risk profiling. Our focus remains the management of tuberculosis, HIV/Aids, as well as on occupational health concerns relating to dust (silicosis in particular), heat, noise and radiation.

Much work has been done in a collaborative gold mining industry effort in South Africa to address the silicosis legacy and to establish a sustainable, all-inclusive and comprehensive solution for the compensation of occupational lung diseases covered by the Occupational Diseases in Mines and Works Act. A settlement of the silicosis class action has been reached (subject to court ratification) and, through the Ku-Riha and RECONNECT projects, the Department of Health has compensated 8 795 people to the value of R168 million.

In terms of operational and employee safety, our performance and regulatory compliance are monitored by the technical committee. I refer you to *Safety and health* in this report.

Trust, consultation and collaboration are the cornerstones of our relationship with employees, both directly and through organised labour. We have experienced stable labour relations in South Africa and Papua New Guinea in recent years. In South Africa, the 2018 wage negotiations in the gold mining sector were completed post year end. For further information on employee relations and the wage negotiations, see *Employee engagement*.

Community empowerment and transformation

Our moral obligation to host communities extends beyond providing direct employment opportunities and financial benefits. We drive socio-economic sustainability through local economic development programmes, and by supporting and developing local procurement and business opportunities, including infrastructure, education and skills development, job creation and entrepreneurship. Much of this is done in terms of our social and labour plans and corporate social investment programmes. In FY18 we invested R20m in local economic development. For details on work in communities in the past year, see *Socio-economic development*.

In addition, we monitor and manage our activities to limit community exposure to any potential health hazards. Our aim is to ensure the well-being of host communities.

Environmental and material management and stewardship

Responsible management of our environmental impact and our consumption of finite resources remain high on our list of priorities. Given the prevailing water scarcity in South Africa, reducing the rate of water consumption is vital. We also continue to drive energy conservation and efficiency, which resulted in a 3% reduction in electricity consumption and a 2% decrease in carbon emissions, thanks to innovative solutions.

Harmony has featured in the A list of the Carbon Disclosure Project's Water programme for three consecutive years and in the A list of the Climate Change programme for five years since 2013.

THE YEAR AHEAD

In September 2018, Mining Charter III was gazetted by the Minister of Mineral Resources, the Honourable Gwede Mantashe.

Harmony remains committed to the sustainable transformation of the mining industry but is also of the view that this can only be achieved through open negotiations, based on trust, between the industry and the regulators. We look forward to continued participation in discussions with the Minister and the Department of Mineral Resources.

THANKS

This is my first report as chairman of the social and ethics committee. In an effort to ensure that the board and its committees remain refreshed, I was appointed chairman of the committee during the course of this year. Modise Motloba remains a committee member, and I want to thank him and my fellow committee members for their support and contribution to ensuring Harmony's progress towards a sustainable future, and to ensuring that we comply with the best safety, health, environmental, social and governance standards. In this, the committee has the full support of our board.

Dr Simo Lushaba

Chairman: social and ethics committee
25 October 2018