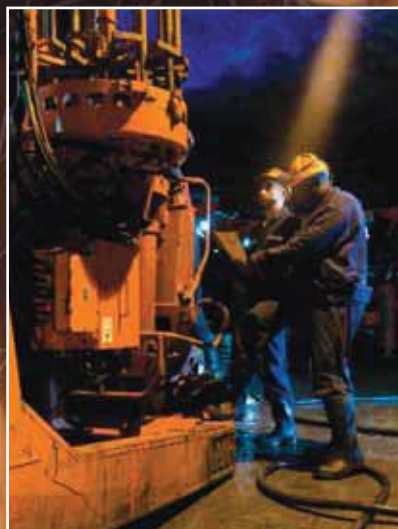


# Corporate governance



Kusasaletu, South Africa

## Introduction

The board of directors takes ultimate responsibility for Harmony's adherence to sound corporate governance standards and sees to it that all business judgements are made with reasonable care, skill and diligence. Sound corporate governance structures and processes are applied at Harmony and are considered by the board to be pivotal in delivering on sustainable growth in the interests of all stakeholders. Governance structures and processes are reviewed regularly and adapted to accommodate internal corporate developments and to reflect national and international best practice to the extent considered in the best interests of the company. The board is of the opinion that for the period under review, the company has complied with the provisions of the South African Code of Corporate Practice and Conduct as recommended in the King II Report, the Companies Act 1973 and Company Laws Amendment Act (No 24 of 2006) and has provided sufficient information in this annual report on any material deviations.

The King Committee released its third report (King III) on corporate governance in South Africa on 1 September 2009 following the promulgation of the new South African Companies Act, 2008, which at the date of this report had not yet come into effect. According to the King Committee, the Code of Governance and Principles for South Africa as contained in King III (King III code) became effective from 1 March 2010, which was under review in the last part of the 2010 financial year. The JSE has indicated that listed companies should comply with the changes introduced by King III in respect of financial years commencing on or after 1 March 2010.

The board adopted the King III report recommendations as a further enhancement of the group's code of governance principles. Harmony already applies most of King III's principles and recommended practices. The company assessed the additional requirements or further enhancements of the group's code of governance principles and has implemented or is in the process of implementing actions in order to meet the recommendations of King III. Some of the changes introduced by King III such as the concept of IT Governance require extensive changes to existing processes which could not be fully implemented in the four remaining months of the financial year after the King III code became effective. Harmony will be in a good position to provide a comprehensive report on its adherence to King III during the 2011 financial year as required by the JSE. This governance report however already includes information on the most material steps already taken to adhere to King III.

The board considers corporate governance a priority that requires more attention than merely establishing the steps to be taken to demonstrate compliance with codes, legal, regulatory or listing requirements. The board has therefore carefully considered the extent to which the implementation of new corporate governance concepts will be in the best interests of the company. The audit committee and the board continue to review and benchmark the group's governance structures and processes to ensure the directors and the board exercise effective and ethical leadership, good corporate citizenship and sustainability. Harmony is committed to achieving high standards of business integrity and ethics across all its activities. Issues of governance will continue to receive the consideration and attention of the board and its committees in the years ahead.

## Board of directors

Harmony is governed by a unitary board which, as at 30 June 2010, was made up of 14 members, seven of whom were independent (determined on the basis of both King III and Sarbanes-Oxley Act in the United States) and four of whom were executive directors.

Given that the group is a South African company, Harmony is highly cognisant of the need for transformation at the highest levels within the company. Two of the non-executive directors are women, and five directors are drawn from groups considered to be historically disadvantaged South Africans (HDSAs).

# Corporate governance cont.

As at 30 June 2010, members of Harmony's board of directors were as follows:

## **Non-independent non-executive chairman**

Patrice Motsepe

## **Lead independent non-executive director**

Fikile De Buck (appointed on 13 August 2010 in terms of King III, given the fact that the chairman is not independent)

## **Executive directors**

Graham Briggs (Chief executive officer)

Hannes Meyer (Financial director)

Frank Abbott\* (Executive director)

Harry Ephraim Mashego (Executive director)

\* Frank retired as executive director on 31 July 2010 but remained on the board as a non-executive director.

## **Independent non-executive directors**

Dr Cheick Diarra

Cathie Markus

Ken Dicks

Modise Motloba

Dr Simo Lushaba

Cedric Savage

## **Non-Independent non-executive director**

André Wilkens

Joaquim Chissano

In addition to upholding sound principles of corporate governance, the board recognises the interests of communities in which the company operates and on which the company's activities have an impact, and ensures that the company acts as a responsible corporate citizen, creating value for all shareholders.

## **Board purpose and function**

The board is guided in its actions by the board charter ([www.harmony.co.za](http://www.harmony.co.za)) which is reviewed annually. The charters of the board and the various board committees have been revised to align them with the wording and concepts of King III. The charters will again be reviewed once the Amendment Bill to the Companies Act 2008 has been finalised and is in effect.

The board charter requires that directors exercise leadership, enterprise, integrity and good judgement, accountability, responsibility, due care and transparency. The Charter serves as a guide to board members regarding:

- the purpose and role of the board;
- board responsibilities and authority;
- board composition;
- board meetings, and
- board self-assessment.

The board provides strategic direction to the company at quarterly board meetings and by delegating authority to board committees. It reviews and directs the company's strategic objectives, annual budget and plans. The board also guides and reviews the non-financial performance of the company, that is, those issues relating to the triple-bottom line.

A number of duties, responsibilities and personal liabilities are imposed on Harmony's directors under both common and statutory law, not only in South Africa, but also in the United States, Australia, PNG and the United Kingdom.

## **Board appointments**

In considering new appointments to the board, Harmony takes cognisance of skills, experience, gender and racial composition and believes that it has achieved an acceptable balance of members. The company believes that the 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 advises on appointments to the board, consideration of new appointments to the board is undertaken by the board as a whole in accordance with the board charter, which can be accessed on the company's website, in the corporate governance section.

### Board meetings

Four board meetings were held during FY10 and a strategy session was held on 18 March 2010. The board charter requires that at least one board meeting be held every quarter. Attendance at these board meetings is reflected in the table below. Resolutions requiring urgent decisions were passed by means of round-robin resolutions and confirmed at the next board meeting.

Name	Board	% attendance
Mr PT Motsepe	4	100
Mr GP Briggs	4	100
Mr HO Meyer	4	100
Mr F Abbott	3	75
Mr HE Mashego	4 *	100
Mr JA Chissano	1	25
Ms FFT De Buck	4	100
Dr CM Diarra	1	25
Mr KV Dicks	4	100
Dr DS Lushaba	4	100
Ms CE Markus	4	100
Mr MJ Motloba	4	100
Mr CML Savage	4	100
Mr AJ Wilkens	4	100

\* Mr HE Mashego attended two of these meetings as executive manager prior to his appointment as director.

### Chairman and chief executive officer are distinct

The roles of chairman and chief executive officer are separate and distinct as required by King III. The chairman is not considered to be independent. However, the board is of the view that the value added by Mr Motsepe as chairman to the company is significant, and that the board as a whole is predominantly independent in nature. Post-financial year-end in August 2010, Fikile De Buck was appointed lead independent non-executive director given the fact that the chairman is not independent. This appointment is in line with the requirements of King III.

### Board induction and training

On appointment and as part of the company's board induction programme, new directors are briefed by the company secretary and are provided with comprehensive company information packs containing, among other documentation, committee charters, articles of association, corporate governance guidelines, the toolkit for directors (provided by internal auditors KPMG) and a summary of the JSE listings requirements.

Two new directors were appointed to the board in FY10, namely: Hannes Otto Meyer on 1 November 2009 and Harry Ephraim Mashego, also known as Mashego Mashego, on 24 February 2010. There were no resignations from the board during the year.

In August 2009, board members received training on the provisions of the new Companies Act as well as the new King III report. In May 2010, a presentation was done on integrated annual reporting by PricewaterhouseCoopers to the Audit Committee. Articles of interest and updates on corporate governance are frequently sent to the board to keep directors informed in this regard.

# Corporate governance cont.

## Access to management and the operations and independent advice

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. Specific training sessions are arranged as and when these are requested by directors. Board members have unrestricted access to group information, records, documents and property. If required by a board member, they may take independent professional advice at the group's expense.

## Delegation of authority

The board delegates authority for certain matters to specified board committees. These matters are monitored and evaluated by the board at each meeting.

## Board self-assessment

In terms of its charter, the board is required to conduct an annual self-assessment as follows:

- The chairman is required to assess the performance of individual board members; and
- the board is required to evaluate the chairman.

These assessments are based on several factors, including expertise, inquiring attitude, objectivity and independence, judgement, understanding of Harmony's business, understanding and commitment to the board's duties and responsibilities, willingness to devote the time needed to prepare for and participate in committee deliberations, timely responses and attendance at meetings.

In 2010, the company engaged the services of KPMG for the second consecutive year to conduct a board self-assessment exercise. A questionnaire was completed by each board member. A full report based on the findings of this evaluation will be circulated to the board and improvements will be made where necessary.

## Executive directors

Executive directors have standard employee service agreements and all include a notice period of at least three months. The executive directors have waived their rights to directors' fees.

Executive directors participate in Harmony's share schemes and also benefit from pension contributions (or provident fund), life insurance and medical aid. Their employment letters do not make provision for pre-determined compensation on termination. The number of share options held by executive directors during the financial year is detailed in the *Directors' report* on pages 212 to 213.

## Non-executive directors

None of the non-executive directors has a service contract with Harmony. Non-executive directors are entitled to fees as agreed at Harmony's annual general meeting (AGM) and to reimbursement for out-of-pocket expenses incurred on the company's behalf. Details may be found in the *Directors' report* on page 211.

The company is not aware of any director, or the families of any other directors, having any interest, direct or indirect, in any transaction during the last financial year or in any proposed transaction with any company in the Harmony group which has affected or will materially affect Harmony or its investment interest or subsidiaries.

## Annual general meeting

The notice of the annual general meeting in 2009 was posted timeously to all shareholders, with clear instructions on the responsibility of shareholders and the resolutions being voted on. The notice for the annual general meeting for FY10 has been posted to shareholders with this annual report and is available on the company's website at [www.harmony.co.za](http://www.harmony.co.za). Full details of the directors to be elected/re-elected are provided in the notice of annual general meeting included in this report. Directors are encouraged to attend the annual general meeting, particularly the chairmen of the various board committees.

## Rotation of directors

The rotation of directors is accepted as standard practice as it ensures that the board remains dynamic and does not become stagnant. However, such rotation is managed to ensure that the board's skill and diversity is not compromised. In terms of the company's articles of association, one-third of the longest standing directors on the board must retire from office at the annual general meeting. Retiring directors usually make themselves available for re-election and are re-elected at the annual general meeting at which they retire. There are provisions in place within the articles of association for the exemption from retirement of executive directors in terms of their employment contracts although currently, no directors are exempted from retirement under these provisions.

At the annual general meeting that will be held on 1 December 2010, the following directors will retire and make themselves available for re-election:

- PT Motsepe
- JA Chissano
- CE Markus
- AJ Wilkens

In addition, Harry Ephraim Mashego, the newly appointed executive director, will offer himself for election at this annual general meeting. The curriculum vitae of these directors may be found on pages 165 to 167 of this report.

## Board committees

To enable the board to properly discharge its responsibilities and duties, certain responsibilities of the board have been delegated to board committees. These committees are:

- Audit Committee
- Empowerment Committee
- Investment Committee
- Nomination Committee
- Remuneration Committee
- Sustainable Development Committee
- Technical Committee

Each board committee discharges its responsibilities in accordance with that committee's charter which can be accessed from the company's website ([www.harmony.co.za](http://www.harmony.co.za)). Each committee has adopted an agenda plan that is approved by the board on an annual basis, and against which the committee reports to the board. All board committees are chaired by an independent non-executive director, except for the Technical Committee and Empowerment Committee respectively.

The creation of these committees does not reduce the board's overall responsibility and the chairmen of all sub-committees report and make recommendations to the board by means of designated reporting slots at each board meeting. Minutes of all committee meetings are included in the board information packs provided to each board member prior to board meetings.

### Audit Committee

The role of the Audit Committee is to: assist the board in discharging its duties relating to the safeguarding of assets; the operation of an adequate system and internal controls and control processes; the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards. It also provides support to the board on the risk profile and risk management of the group. The Audit Committee ensures that there is an internal audit function in place and that the roles of the internal and external audit functions are co-ordinated.

The Audit Committee recommends the appointment of the external auditors to the board and shareholders, and also approves non-audit services provided by the external auditors. The Audit Committee has reviewed the independence of the external auditors and is satisfied that the external auditors are independent.

# Corporate governance cont.

The Audit Committee reports and makes recommendations to the board, and the board retains responsibility for implementing such recommendations.

At 30 June 2010, the members of this committee were:

- Cedric Savage (Chairman) Member since 26 January 2004 and appointed chairman on 5 August 2005
- Fikile De Buck Member since 30 March 2006
- Dr Simo Lushaba Member since 24 January 2003
- Modise Motloba Member since 30 July 2004

All members are independent, non-executive directors.

The internal auditors, the external auditors, the chief executive officer, the financial director and executive managers are invited to the meetings.

Harmony does not have an individual financial expert as defined by the rules of the SEC on its Audit Committee. The company is of the view that the Audit Committee members, through their collective experience, meet the majority of the definitions of the SEC for an Audit Committee financial expert in both the public and private sectors. The members have served as directors and officers of numerous public companies and have over the years developed a good knowledge and understanding of IFRS, overseeing the preparation, audit and evaluation of financial statements. Harmony believes that the combined knowledge, skills and experience of the Audit Committee, and their authority to engage outside experts to provide them with advice on matters relating to their responsibilities as they deem appropriate, enables them as a group to act effectively in the fulfilment of tasks and responsibilities required under SOx.

The Audit Committee is responsible for ensuring that the combined assurance model introduced by King III is applied to provide a coordinated approach to all assurance activities. A combined assurance model has been developed and will be enhanced in the 2011 financial year.

In particular, the committee:

- will ensure that the combined assurance received is appropriate to address all the significant risks facing the company; and
- will monitor the relationship between external service providers and the company.

The Committee considered the appropriateness of the expertise and experience of the Financial Director and concluded that the Financial Director has the necessary expertise and experience. The Committee is also satisfied that the expertise, resources and experience of the finance function are adequate.

In terms of its charter, the Audit Committee is required to meet at least four times a year, or more frequently as circumstances dictate. During FY10, the committee met on five occasions.

Name	Audit
Fikile De Buck	5
Dr Simo Lushaba	4
Modise Motloba	2
Cedric Savage	5

## Empowerment Committee

The Empowerment Committee ensures that the company meets not only regulations stipulated in the Employment Equity Act, the Labour Relations Act and the Mineral and Petroleum Resources Development Act's (MPRDA) Mining Charter Scorecard, but also the fulfilment of Harmony's own empowerment imperatives.

The responsibilities of the Empowerment Committee include ensuring that a sustainable organisational culture, structures and processes are in place to support the development of empowerment in the company; to monitor the development and progress of empowerment within the company; to address inequalities that may exist in staff profiles and organisational practices; and to review and monitor whether appropriate support is given to historically disadvantaged employees in order to equip them for successful careers in the company.

At 30 June 2010, the members of this committee were as follows:

- Joaquim Chissano (Chairman)      Member since and appointed chairman on 3 May 2006
- Cathie Markus                              Member since 29 October 2007
- Modise Motloba                              Member since 3 May 2006

Even though the chairman is not considered an independent non-executive director, the rest of the committee comprises independent non-executive directors.

The chief executive officer and executive managers are invited to attend meetings.

The Empowerment Committee met on four occasions during FY10.

Name	Attendance
Joaquim Chissano	1
Cathie Markus	4
Modise Motloba	4

The Empowerment Committee charter requires that at least two members are present to constitute a quorum. Cathie Markus acted as chairman of the meetings when Joaquim Chissano was unable to attend.

## Investment Committee

The primary purpose of the Investment Committee is to consider projects, acquisitions and disposal of assets in line with the group's overall strategy. This includes performing such other investment related functions as may be designated by the board from time-to-time, considering the viability of capital projects and/or acquisitions and/or disposals and the effect these may have on the group's cash flow, as well as whether these fit into the group's overall strategy. This committee's responsibilities include ensuring that due diligence procedures are followed when acquiring or disposing of assets.

The Investment Committee consists of six non-executive members, of which five are independent. The chairman is an independent, non-executive director.

At 30 June 2010, the members of the investment committee were:

- Dr Simo Lushaba (Chairman)      Member since 26 January 2004 and appointed chairman on 5 August 2005
- Fikile De Buck                              Member since 3 May 2006
- Ken Dicks                                      Member since 13 February 2008
- Cathie Markus                              Member since 29 October 2007
- Cedric Savage                              Member since 26 January 2004
- André Wilkens                              Member since 7 August 2007



# Corporate governance cont.

The chief executive officer, the financial director and executive managers are invited to attend Investment Committee meetings.

The committee should meet at least four times a year, but may at its discretion meet more often, depending on the circumstances. The committee met on five occasions in FY10.

Name	Attendance
Fikile De Buck	4
Ken Dicks	4
Dr Simo Lushaba	5
Cathie Markus	4
Cedric Savage	4
André Wilkens	5

## Nomination Committee

The primary purpose of the Nomination Committee is to ensure 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. The duties and responsibilities of this committee are set out in the Nomination Committee charter.

At 30 June 2010, the members of this committee were:

- Patrice Motsepe (Chairman)      Member and chairman since 24 October 2003
- Frank Abbott                      Member since 5 August 2005
- Joaquim Chissano                Member since 3 May 2006

In August 2010, post year-end, Fikile De Buck was appointed chairman of the Nomination Committee. Frank Abbott, who until July 2010 was executive director and who remains on the board as a non-executive director, was also appointed to this committee. These appointments ensure that the Nomination Committee comprises non-executive directors only.

Members of this committee are required to meet annually or more often at the committee's discretion, depending on prevailing circumstances. The committee met three times in FY10 to consider new appointments to the board during FY10.

Name	Attendance
Patrice Motsepe	3
Frank Abbott	1
Joaquim Chissano	2

## Remuneration Committee

The primary purpose of the Remuneration Committee is to ensure that the group's directors and executive managers are fairly rewarded for their individual contributions to Harmony's overall performance and to demonstrate to all stakeholders that the remuneration of executive managers is set by a committee of board members who have no personal interest in the outcome of their decisions, and who will give due regard to the interests of the shareholders and to the financial and commercial health of the company.

The committee's primary objectives are to monitor and strengthen the objectivity and credibility of the remuneration system of Harmony's directors and executive managers and to make recommendations to the board on remuneration packages and policies applicable to directors. A formal reward philosophy was approved by the shareholders and adopted by the Remuneration Committee in March 2006 and is reviewed annually by the committee.

At 30 June 2010, the members of this committee were:

- Cedric Savage (Chairman) Member since 24 January 2004 and chairman from 3 May 2006
- Dr Simo Lushaba Member since 5 August 2005
- André Wilkens Member since 7 August 2007

The committee comprises three non-executive directors, two of whom are independent. The structure of this committee is therefore not compliant with King III, which requires that the committee comprise of independent directors only. The chairman of the Remuneration Committee is, however, an independent non-executive director and ensures that decisions are fair and not biased. The chairman, as independent non-executive director, was elected on the basis of his vast business knowledge and experience, and his familiarity with the challenges facing directors and executive managers.

The chief executive officer, the financial director and the executive director: organisational development and transformation are invited to attend all meetings.

The Remuneration Committee is expected to meet at least quarterly or, alternatively, to pass resolutions by round robin if and when a formal meeting cannot be held. In FY10, the committee met six times, including two special meetings held on 1 July 2009 and 18 March 2010 (for approval of the share allocation and incentive schemes and appointment of the financial director).

Name	Attendance
Dr Simo Lushaba	5
Cedric Savage	6
André Wilkens	6

### Sustainable Development Committee

The role of the Sustainable Development Committee is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development. The committee considers the following sustainable development issues: occupational health, safety, HIV/AIDS, social investment and environmental management.

At 30 June 2010, the members of this committee were:

- Modise Motloba (Chairman) Member and chairman since 5 August 2005
- Joaquim Chissano Member since 3 May 2006
- Fikile De Buck Member since 3 May 2006

The committee comprises three non-executive directors, two of whom are independent.

The chief executive officer and executive managers are invited to attend all meetings.

The Sustainable Development Committee, as per its charter, should meet at least four times a year, or more frequently as circumstances dictate. In FY10, four meetings of this committee were held.

Name	Attendance
Joaquim Chissano	2
Fikile De Buck	4
Modise Motloba	4

The Sustainable Development Committee charter requires that at least two members are present to constitute a quorum.

# Corporate governance cont.

## Technical Committee

The Technical Committee was formed in January 2008 to provide a platform for the chief executive officer to discuss the company's strategy, performance against targets, as well as operational results and projects. The Technical Committee apprises the board of key developments, progress against objectives and challenges facing the company's operations. The company's strategic plans are considered by the Technical Committee and recommended for approval to the Investment Committee and the board. The Technical Committee also provides guidance and support to management to ensure that the company remains sustainable and successful.

At 30 June 2010, the members of this committee were:

- André Wilkens (Chairman) Member and chairman since 22 January 2008
- Fikile De Buck Member since 14 July 2008
- Ken Dicks Member since 13 February 2008
- Modise Motloba Member since 22 January 2008
- Cedric Savage Member since 22 January 2008

The committee comprises four independent, non-executive directors. The chairman is not independent. However, the board agreed that, given his vast knowledge of the company's assets and his years of mining experience, he was best suited to be chairman.

The chief executive officer is invited to attend Technical Committee meetings, as are other members of executive management.

As per its charter, the committee should meet at least six times a year. In FY2010, the committee met on six occasions.

Name	Attendance
Fikile De Buck	5
Ken Dicks	6
Modise Motloba	4
Cedric Savage	4
André Wilkens	6

## Company secretary

Harmony's company secretary plays an active role in the achievement of good corporate governance. The company secretary supports the chairman and the board in:

- ensuring the effective functioning of the board.
- providing guidance to the chairman, the board and the directors of Harmony's subsidiaries on their responsibilities and duties within the prevailing regulatory and statutory environment.
- providing the board with guidance on how to discharge these responsibilities and duties in the best interests of Harmony.
- raising matters that may warrant the attention of the board.

The company secretary assists in ensuring that the board's decisions and instructions are clearly communicated to the relevant people, and is available to provide a central source of guidance and advice within Harmony on matters of ethics and good governance.

## Other committees

### Executive Management Committee

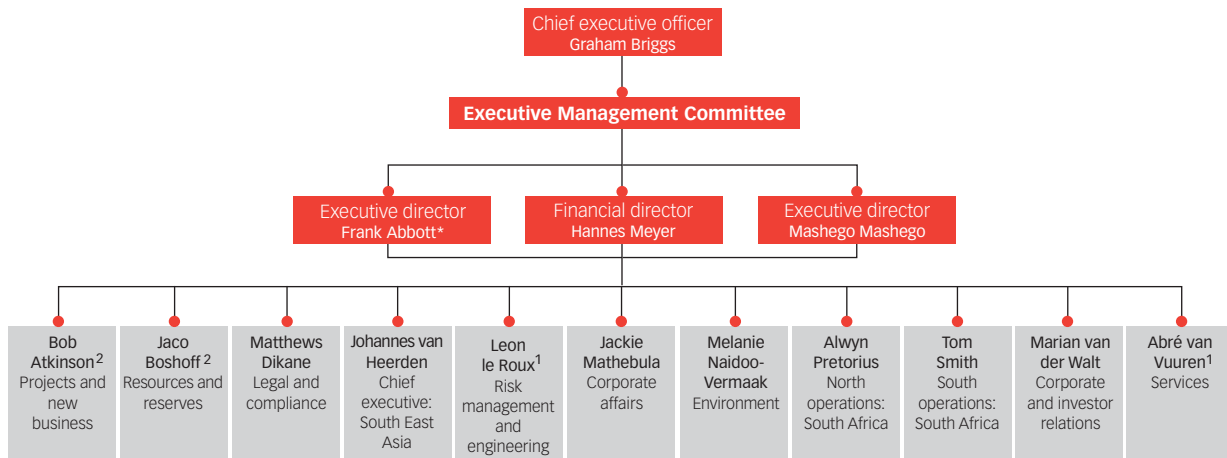
Members of the Executive Management Committee meet on a weekly basis. Standard items on the agenda include: safety, operational results, cash flow, people issues and matters arising.

The committees below are considered to be vital to the functioning of the company and ensuring the appropriate control and provision of information to the board. Certain members of the Executive Management Committee belong to the following committees, which meet regularly.

Committee name	Members	Purpose and function	Frequency of meetings
Corporate Social Responsibility Committee	Chief executive officer, executive management and company secretary	Considers and approves local economic development projects funded by the company	Ad hoc (as and when there are project proposals)
Ethics Committee	Company secretary, organisational development and transformation director as well as services, corporate and investor relations, corporate affairs and legal and compliance executives	Monitors ethical culture and levels of integrity	Quarterly
Group Operational Committee	Chief operating officers and group operations teams	Reviews operations, safety performance, environmental issues and human resources	Weekly
Information Technology Communication Committee	Chief executive officer, financial director, chief operating officers and chief information officer	Oversees information technology within the company	Quarterly
Operations Committee	Chief operating officers, group operations teams and general managers	Oversees the execution of detailed shaft plans, employee relations, procurement, costs and cash flows	Monthly
Risk Management Committee	Financial director, chief operating officers, engineering and risk management executive, company secretary and the head of internal control and governance	Oversight of risk management	Bi-annually
Shaft Review Committee	Chief operating officers, shaft teams and executive managers	Reviews shaft specific operational performance, major capital expenditure and forecasts	Monthly at each shaft
SOx Steering Committee	Head of internal control and governance, financial managers, chief information officer, payroll and supply chain managers	Reviews of SOx compliance	Monthly
Tender Committee	General manager procurement and group technical managers	Monitors all procurement procedures and reviews increases on contract items	Monthly
White Collar Crime Committee	Heads of services departments	Considers confidential reports received on code of ethics violations, fraud and inappropriate behaviour	Monthly

# Corporate governance cont.

As at 30 June 2010, the Executive Management Committee was structured as follows:

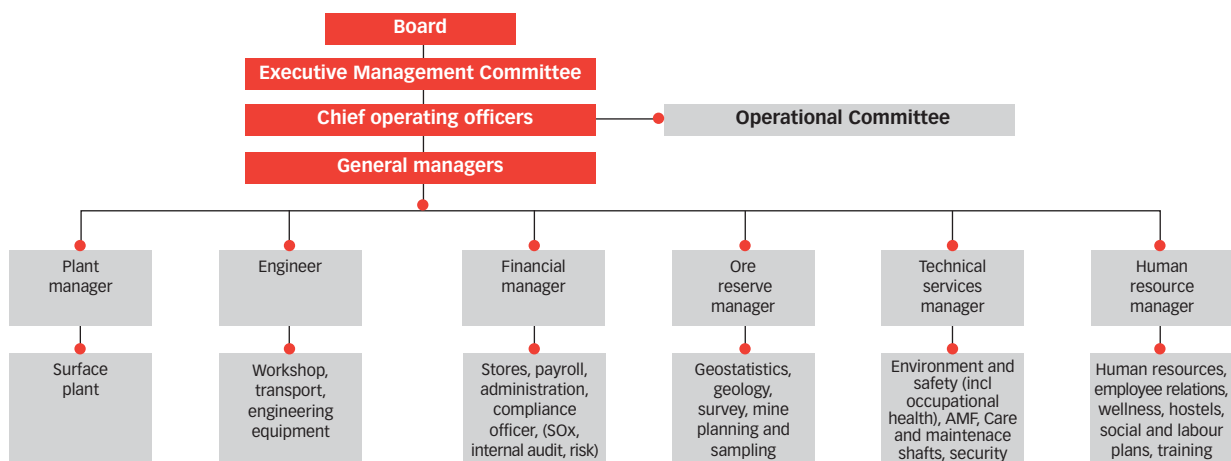


\* Frank Abbott retired as Executive director on 31 July 2010 and was appointed non-executive director with effect from 1 August 2010.

Note: (1) Abré van Vuuren took over responsibility for risk management in September 2010, following Leon le Roux's appointment as Risk Manager in South East Asia.

(2) Post year-end, Bob Atkinson was appointed Executive: Projects and Jaco Boshoff, Executive: Reserves, projects and new business.

Harmony's existing operational reporting structure is as follows:



## Code of ethics

Harmony places a great deal of emphasis on instilling and maintaining the highest levels of integrity in the conduct of its business. Harmony has, through a process of constructive employee engagements, enshrined the following values as those which the company and its employees subscribe to. These are: honesty, transparency, trust, accountability, respect and equality.

Harmony's Code of Ethics ([www.harmony.co.za](http://www.harmony.co.za)) was adopted to respond to the challenge of ethical conduct in a business environment. All employees and contractors are expected to comply with its contents.

All employees are provided with a copy of the Code of Ethics and compliance with the code is a condition of service. The Code of Ethics is applicable to all the company's suppliers, contractors and directors.

An Ethics Committee meeting (see page 183 for details) is held every quarter. This committee's duties and responsibilities include the monitoring of:

- ethical behaviour within Harmony's business environment.
- measures implemented to ensure that the code of ethics is distributed to and signed by all employees of Harmony, and all contracting parties concluding any agreements with Harmony.
- disciplinary action taken against employees who do not act in accordance with the Code.
- the gift register, reports received from the White Collar Crime Committee, and the Code of Ethics on an annual basis.

Harmony's Code of Ethics is reviewed annually. To enhance awareness of the Code of Ethics, an ethics alert is sent to employees from the chief executive officer's desk on a quarterly basis. The ethics alert provides, amongst other things, information on fraudulent activity within the company and how employees can assist in preventing fraud. Non-compliance with the Code of Ethics results in disciplinary action.

A dedicated crime line is manned 24 hours a day and managed by an external security contractor. Alleged irregularities can be reported anonymously by telephone, fax or e-mail. All cases are logged and examined by the White Collar Crime Committee. The Khuluma crime line number is 0800 811 811.

Harmony protects the identities of employees who report non-compliance with the Code of Ethics and encourages employees to make use of the company's whistle-blowing line.

## Restrictions on share dealings

Harmony employees and directors are prohibited from dealing in Harmony shares during price sensitive periods. The company secretary regularly distributes written notices, via e-mail, to advise employees and directors of restricted periods. Employees are obliged, in terms of regulatory and governance requirements, to disclose any dealings in Harmony shares by either themselves or related parties to the company secretary. There is a formal clearance procedure in place with respect to directors dealing in Harmony shares.

## Risk management

The board is responsible for governing risk management processes in accordance with corporate governance requirements (King III). A comprehensive enterprise risk management programme is in place, which was managed by the Risk Management and Engineering Executive until September 2010, when the risk management responsibility was given to the Executive – Services and the Audit Committee provides oversight in this respect as part of its mandate.

The establishment of a more formalised group-wide risk management process was initiated during the 2008 financial year with the following principal objectives:

- providing the board with assurance that significant business risks are systematically identified, assessed and reduced to acceptable levels in order to achieve an optimal risk-reward balance; and
- making risk identification and risk management an integral part of the daily activities of everyone in the company.

It is Harmony's policy to manage all categories of risk associated with its business operations through the development and maintenance of a formal risk policy framework. A comprehensive report on risk factors and their management may be found on pages 190 to 203.

# Corporate governance cont.

## Group structure and internal control

Ensuring that the appropriate levels of authority and responsibility are in place for all eventualities remains a key area of focus, with a great deal of attention being focused on internal control during the year.

These controls have been integrated with the group's risk management processes to ensure that control measures for the effective mitigation of risks identified are in place, and to ensure compliance with legislation and securities exchange listing requirements.

Compliance testing, enterprise risk management and legal compliance are the responsibility of an integrated compliance team comprising various identified assurance providers, thus, eliminating any duplication of compliance assurance. An Integrated Compliance Assurance Plan has been developed to provide both executive management and the Audit Committee with assurance that internal controls and risk mitigations are appropriately designed and implemented. A compliance-based assurance plan follows the outputs of the exposure identification, assessment and control evaluation processes while encouraging the allocation of assurance resources based on compliance priorities.

The implementation of this combined approach requires that Harmony's business units each have an assurance provider for every risk or compliance element. Internal audit provides support to this process by addressing the gaps in the control effort rather than replicating management activity or that of the other assurance providers. At the same time, however, the internal audit function provides objective and robust challenges with regard to the effectiveness of management reporting and monitoring processes.

Operational compliance registers are updated by the general managers and their teams on a monthly basis and included in their monthly review packs. A corporate compliance risk register is updated on a quarterly basis. The information from the operational compliance registers and the corporate compliance register is used to indicate compliance levels in the quarterly Audit Committee report.

## Internal audit

Harmony has an internal audit function covering its global operations. Internal audit is an independent appraisal function established by the board to evaluate the adequacy and effectiveness of controls, disciplines, systems and procedures within Harmony, to reduce business risks to an acceptable level and in a cost-effective manner. The internal audit function reports to the Audit Committee.

Harmony's internal audit function is internally managed by the Head: Internal Control and Governance with internal audit's services/staff sourced through an arrangement with KPMG Services (Proprietary) Limited.

The procedures and systems, which act as checks and balances in respect of the provision/gathering of information, are reviewed by the board from time to time. This process has been supplemented by the Integrated Compliance Assurance Plan as discussed under the heading *Group structure and internal control* above.

Internal audits are conducted in accordance with the Code of Ethics and Standards of the Professional Practice of Internal Auditing, as laid down by the Institute of Internal Auditors, Inc. Although the role of internal audit is to review internal controls, systems, procedures and risks, among other things, management and ultimately, the board, retain full responsibility for ensuring that Harmony maintains an appropriate framework of controls to reduce business risks to an acceptable level.

Internal audit is responsible for:

- assisting the board and management in monitoring the adequacy and effectiveness of the company's risk management process;
- assisting the board and management in maintaining an effective internal control environment by evaluating those controls continuously to determine whether they are adequately designed, operating efficiently and effectively and to recommend improvements; and
- co-ordinating, combining and integrating the assurance provided by various parties (such as line management, internal and external assurance providers) pursuant to the combined assurance model introduced by King III.

Internal controls reviewed consist of strategic, operating, financial reporting and compliance controls and encompass controls relating to:

- the information management environment;
- the reliability and integrity of financial and operating information;
- the safeguarding of assets; and
- the effective and efficient use of the company's resources.

The annual audit plan is based on an assessment of risk areas identified by internal audit and management, as well as focus areas highlighted by the Audit Committee, Executive Committee and management. The annual audit plan is updated as appropriate to ensure they are responsive to changes in the business. A comprehensive report on internal audit findings is presented to management on completion of audits and the audit committee at quarterly scheduled meetings. Follow-up audits are conducted in areas where significant internal control weaknesses are found. Internal audit's new risk-based audit plan for the 2011 financial year has been approved by the Audit Committee.

Corporate governance best practice requires that the internal audit function reports directly to the audit committee. Such direct reporting is ensured by the audit committee's mandate to:

- evaluate the effectiveness of internal control;
- review and approve the internal audit charter, internal audit plans and internal audit conclusions about internal control;
- review significant internal audit findings and the adequacy of corrective action taken;
- assess the performance of the internal audit function and the adequacy of available internal audit resources;
- review significant differences of opinion between management and the internal audit function; and
- consider the appointment, dismissal or reassignment of the head of internal audit.

The charter of the internal audit department provides that the head of internal audit has direct access to the chief executive officer, the financial director and the chairman of the Audit Committee. The head of internal audit reports administratively to the financial director.

The extent to which the Audit Committee is formally involved in the annual performance assessment of the head of internal audit is in the process of being expanded and formalised.

## External audit

The appointment of external auditors is undertaken under the auspices of the Audit Committee, which also has oversight of and responsibility for the appointment of external auditors for functions other than the financial audit. The company's external auditors, PricewaterhouseCoopers Inc, were engaged to undertake the following non-financial activities during the year:

- corporate tax compliance services;
- sustainable development report 2009 review; and
- tax advice regarding the joint operations of Hidden Valley, Wafi-Golpu and Morobe explorations.

## Sarbanes-Oxley (SOx)

### Section 302

In terms of Section 302 of SOx, the chief executive officer and chief financial officer are required to certify that:

- they have reviewed the annual report;
- based on their knowledge, the report contains no material misstatements or omissions;
- based on their knowledge, financial statements and other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the issuer (being Harmony) for the periods presented in this report;
- they are responsible for establishing and maintaining internal controls and procedures, and have properly designed and evaluated them;
- they have advised the auditors and Audit Committee of all significant deficiencies and material weaknesses; and
- they have identified any significant changes in internal controls in the report.



# Corporate governance cont.

## Section 404

Section 404 of SOx requires management to develop and monitor procedures and controls to ensure its required assertion about the effectiveness of internal control over financial reporting. To comply with Section 404 of SOx, Harmony management implemented an effective and efficient assessment process to manage its reporting obligations. The assessment process followed entails:

- scoping to identify significant accounts, key risks and locations which have an impact on the financial statements.
- updating of documentation and sign off by process owners.
- testing of key controls for operating effectiveness and remediation of deficiencies identified.
- deficiencies are evaluated and classified into the following categories:
  - internal control deficiency
  - significant deficiency
  - material weakness

All significant deficiencies and potential material weaknesses are reported to the SOx Steering Committee and Audit Committee. This process is supported through the implementation of the Integrated Compliance Assurance Plan.

Full details of SOx processes and compliance are reported in the Form 20-F for the financial year 2009 under item 15. Refer to Harmony's website to download the Form 20-F ([www.harmony.co.za](http://www.harmony.co.za)). The Form 20-F for the financial year 2010 will be filed and made available on our website towards the end of October 2010.

## Employee and stakeholder participation

Harmony is committed to maintaining a positive relationship with the unions and associations represented at its operations, with employees directly and with the communities within which it operates. In respect of employee participation and relations with employee representatives, Harmony has both formal and informal employee participation structures in place to deal with a broad range of issues. The company actively encourages open communication, consultation, and the identification and resolution of conflicts through workplace forums.

The group plays an active role in the communities in which it operates. Social and Labour Plans (SLPs), including Local Economic Development (LED) plans have been developed in line with the company's compliance with the MPRDA and the Mining Charter. Further information on these elements is provided in the separate Sustainability Report which may be found at [www.harmony.co.za](http://www.harmony.co.za).

## Relations with shareholders

Effective and ongoing communication with shareholders is seen as a function of the group's fundamental responsibility to inform shareholders of the company's value proposition. Harmony communicates regularly with shareholders and other stakeholders regarding its financial and operational performances and the company's strategy.

Harmony holds results presentations each quarter to announce the company's quarterly operational results. Shareholders globally are able to view the presentation via a live webcast that is available on Harmony's website. Furthermore, Harmony's management team participates in various institutional conferences and roadshows, both locally and internationally, at which management engages with current and potential investors at either one-on-one meeting sessions or at corporate presentations. Shareholders are encouraged to attend the annual general meeting where interaction is welcomed.

All presentations, webcasts and announcements are available on the company's website, as are selected media interviews with Harmony's chief executive officer. In addition, corporate presentations delivered by Harmony's management team to the investment community are posted on the website.

## Information management and access to information

Records are maintained to meet Harmony's legal and financial obligations and to manage the affairs of the company. Harmony complies with the Promotion of Access to Information Act of 2002. All Harmony's shareholders and stakeholders have access to the website-based information manual at [www.harmony.co.za](http://www.harmony.co.za).

## Sustainable development reporting

Harmony recognises that financial reporting is only one facet of its responsibility to its stakeholders and that reporting on the economic, social and environmental impacts of the company, the so-called "triple bottom line" is an important part of its responsibility to its shareholders and other stakeholders and to society as a whole. Harmony has for the fifth consecutive year, produced a separate Sustainable Development Report. As is recommended by King Report III and in line with best practice, Harmony has adopted the GRI's G3 guidelines as the basis for its sustainable development reporting.

The company is committed to incremental levels of reporting in line with GRI. In FY10, an independent assurance of key sustainability indicators was again undertaken by external auditors PricewaterhouseCoopers for the second consecutive year. In FY10, the company self-declared a B+ level of reporting, which was confirmed by the external auditors and will be submitted to GRI for an independent review.

In FY10, the group submitted a response to the Carbon Disclosure Project's CDP7 questionnaire. The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation which holds the largest database of corporate climate change information in the world. The data is obtained from responses to CDP's annual Information Requests, issued on behalf of institutional investors, purchasing organisations and government bodies. Since its formation in 2000, CDP has become the gold standard for carbon disclosure methodology and process, providing primary climate change data to the global market place. Harmony's response is available at [www.cdproject.net](http://www.cdproject.net).

## Reporting in compliance with the Mining Charter

As a South African company, Harmony recognises the importance and value of compliance with the MPRDA and the Mining Charter, and provides an annual report on its compliance to the Department of Mineral Resources. A summary report dealing with the status of the various issues required by the Charter is provided in the company's Sustainability Report at [www.harmony.co.za/sd/reports/2010](http://www.harmony.co.za/sd/reports/2010) and also at the back of this report on pages 353 to 354.

## Awards and recognition

Harmony again qualified for the JSE's Socially Responsible Index – see [www.jse.co.za](http://www.jse.co.za). In 2010, Harmony received an award from the Professional Management Review (PMR) of Africa acknowledging its contribution to economic growth and as the best mining company in the Free State province.

## Sponsor

As required by the listing requirements of the JSE Limited, JP Morgan is Harmony's appointed sponsor.

## Harmony's corporate governance practices in compliance with NYSE (Section 303A.11)

Harmony's NYSE 303A.11 disclosure may be found on the company's website at [www.harmony.co.za](http://www.harmony.co.za) under the heading Corporate Governance. Foreign private issuers, such as Harmony, must briefly highlight any significant ways in which their corporate governance practices differ from those followed by US-listed companies in terms of the NYSE Listing Standards.