REMUNERATION REPORT

"To ensure peak performance and that our business objectives are responsibly met, it is imperative that employees and directors of the company are fairly rewarded."

Vishnu Pillay Chairman remuneration committee

Dear shareholder

I am pleased to submit the Remuneration Report as part of Harmony's Integrated Annual Report 2018. To ensure peak performance and that our business objectives are responsibly met, it is imperative that employees and directors of the company are fairly and responsibly rewarded. The remuneration committee plays an important role in ensuring fair, equitable and responsible remuneration practices.

As evidenced by the Remuneration Policy (Part 1) and Implementation Report (Part 2), significant progress has been made in addressing company performance and the topical issues of a living wage, diversity and pay equality internally. Our aim is to ensure that a process is in place to keep these issues in the forefront and to address any inconsistencies that deviate from the norms of good governance.

Gold mining in South Africa

The South African gold industry is maturing and shrinking with annual gold production declining from 198 tonnes to 138 tonnes during the period 2009 to 2017[1]. Against the multiple challenges of increasing mining depth, rising costs and a volatile rand/gold price, South African gold mines are under pressure to deliver a reasonable margin after all-in sustaining costs are considered. As a result, around 75% of gold mines operating in South Africa today are unprofitable[2]. Despite these challenges Harmony remains committed to a "living wage" approach for its employees.

For a detailed account of the overall remuneration packages of Harmony's lower level employees (category 4 – 8), please refer to page 120 of this Remuneration report.

Financial and operational performance

Against this background, and in keeping with its mandate from the board, the executive team has, despite all odds, achieved a significant outcome for FY18. The team has delivered an improvement of 13% on its total lost-time injury frequency rate (LTIFR), increased its gold production by 13%, increased its underground recovered grade from 5.07g/t to 5.48g/t and improved the all-in sustaining cost for the year from R516 687/kg to R508 970/kg.

Further to our improved operating performance, and with the board's support, Harmony concluded the US$300 million acquisition of the Moab Khotsong mine and related assets from AngloGold Ashanti Limited. This acquisition helped raise full year gold output, assisted in lowering group costs and boosted grades mined. It has significantly enhanced our operating flexibility and contributed positively to cash generation for the group.

Harmony's social responsibility

In 2017, I made reference to "living wages" for our entry level workers. The reduction of inequality remained a top priority with a focus placed on "living wages" for entry-level workers. Managing the wage gap included finding innovative ways in which the company may be able to assist workers in addressing their most pressing basic financial concerns. This calls for innovative thinking at all levels and by all role players.

In this remuneration report we expand on the concept of a "living wage" and how it is being addressed by Harmony in an effort to improve the lives of our employees through the provision of improved living conditions, better access to physical and social services, health care and education and training. See pages 120 and 129 of this Remuneration report.

Harmony's remuneration philosophy is aligned with the following Sustainable Development Goals:

- 1 NO POVERTY
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCE INEQUALITIES

[1] http://www.goldwagenegotiations.co.za/facts-figures
[2] http://www.thisisgold.co.za/component/jdownloads/send/2-fact-sheets/19-the-state-of-the-gold-industry

2018 wage negotiations

The 2018 round of wage negotiations in the gold sector began on 11 July 2018, between the Minerals Council (representing four gold mining companies) and the four trade unions: Association of Mine Workers and Construction Union (AMCU), National Union of Mineworkers (NUM), United Association of South Africa (UASA) and Solidarity. We reached a three-year wage agreement on 3 October 2018, effective from 1 July 2018, with the NUM, UASA and Solidarity.

The increase in the standard rate of pay for the first year is R700 for category 4-8 employees and 6.3% for miners, artisans and officials. The living out allowance will increase annually by R100 from 1 September 2018. We are grateful to the unions, employees, the Minerals Council and the Commission for Conciliation, Mediation and Arbitration for the constructive manner and spirit in which the negotiations were concluded. Refer to *www.goldwagenegotiations.co.za* for more details.

Gender and race equality

Harmony's remuneration policy is to remunerate based on an individual's ability, skills and knowledge. Men and women, irrespective of their race, are paid equally for equivalent roles. There is no differentiation in remuneration based on gender, race or any other arbitrary reason. The gender distribution for all employment categories is more fully discussed in *Part 2* of this Remuneration report. The overall number of females represented in the organisation's workforce is low. Harmony is systematically addressing this discrepancy by employing a greater number of women at the underground operations. For more, refer to *Employee engagement*.

Fair and responsible pay

Remunerating executives fairly and holding them accountable for the success of the business is in the interests of all stakeholders, including employees, the community at large and business partners and suppliers. The "living wage" approach for junior workers aims to underpin the concept of fair and responsible pay.

While average levels of executive pay remain high relative to lower level employees, and are viewed as excessive by labour and the general public, increases in guaranteed executive pay have generally remained subdued and are below those granted to lower level employees as part of the company's continuing efforts to reduce the pay-gap.

In FY18, an average increase of 6% to guaranteed remuneration packages for non-unionised employees and 7.5% for unionised employees had been approved and agreed.

In order for the committee to more efficiently track the income dispersion between high and low income earners, a comprehensive exercise has been undertaken to determine the company's Gini co-efficient. Based on the analysis, it was concluded that Harmony has a more favourable level of income dispersion (0.33) when compared to the South African national all industries (0.43) as well as the South African mining industry (0.42). Both the national and mining industry Gini co-efficients were calculated on an on-target benchmarked total reward basis, whereas Harmony's Gini co-efficient was calculated on an actual total reward basis.

Changes to Harmony's short- and long-term incentive plans

As noted last year, the key focus area for the committee during FY18 was to continue and finalise the review of our short- and long-term incentive plans currently in place for management and executive employees. In consultation with our shareholders and employees, a number of challenges have been identified with the current plans. Our remuneration consultants provided the committee with an overview of current best practice trends in the market and we, as a result, have come a long way in designing a simplified, market-related total incentive plan comprising a long-term deferred share plan and a short-term annual cash payment (the Total Incentive Plan). This revised plan will be implemented from 1 July 2019, subject to shareholder approval of the new proposed deferred share plan at the upcoming annual general meeting. For more information, refer to the Notice of Meeting in the *Report to shareholders 2018* and *Part 1* of this *Remuneration report*.

King IV principles

The remuneration committee continues to review local and global remuneration trends and our remuneration strategy.

At the 2017 annual general meeting, the non-binding, advisory vote on the remuneration policy was supported by more than 98% of the votes exercised on the resolution. Considering that 83% 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 be complacent and the remuneration committee is committed to continuous improvement in remuneration practices in the best interests of the company and its stakeholders. The committee is satisfied that the remuneration policy has achieved its stated objectives for the year.

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

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.

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).

I remain grateful to the Board, remuneration committee members and executive directors for their support and commitment during 2018.

Vishnu Pillay
Chairman, remuneration committee
25 October 2018

PART 1: FY19 REMUNERATION POLICY

Harmony's reward strategy underpins our business strategy of safely producing profitable ounces and increasing our margins.

In order to achieve this, we rely on experienced, skilled teams who live our values and maintain stakeholder relationships, in growing profits, and in maintaining a sustainable company.

Our remuneration policy has been designed with our business strategy in mind – to attract and retain these experienced, skilled teams, and to motivate them to deliver and achieve our key business goals. To ensure that this happens, we need to be certain that all elements of our remuneration and wider reward offerings are aligned and market competitive.

In determining remuneration, the remuneration committee takes into account shareholders' interests as well as the financial health and future of the company.

GENDER AND RACE EQUALITY

Harmony's remuneration policy is to remunerate based on an individual's ability, skills and knowledge. Men and women, irrespective of their race, are equally paid for equivalent roles. There is no differentiation in remuneration based on gender, race or any other arbitrary ground.

FAIR AND RESPONSIBLE PAY

Harmony is committed to the concept of a "living wage" which is based on the philosophy of fair and responsible pay. It embodies our efforts to improve the lives of our employees by enabling them to improve their living conditions and to have better access to physical and social services, health care and education and training. For more information, refer to *Employee engagement* and *Socio-economic performance*.

REMUNERATION MIX AT HARMONY

Harmony chooses to adopt an integrated approach to rewarding its employees.

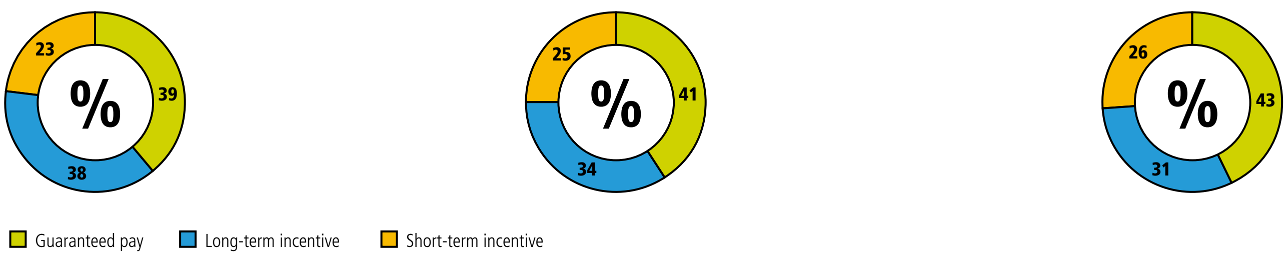
Management employees

The table below illustrates the desired outcome of the total remuneration package for management, based on achieving targeted performance. The guaranteed pay, short-term incentives and long-term incentives are expressed as a percentage of total remuneration.

The compositions of total remuneration outcomes for FY18 illustrated below:

On target pay mix:

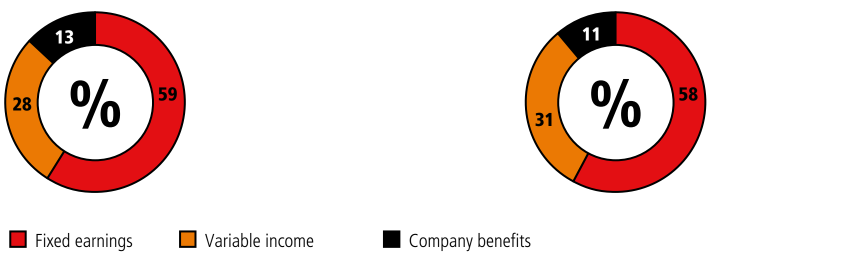
Chief executive officer | **Financial director, executive director and prescribed officers** | **Executives**



Category 4-8 employees

Average monthly wages and benefits

Category 4 underground employee (entry level) | **Category 8 underground employee**



Each component includes the following:

Fixed earnings: Basic pay, service increment, 13th cheque, living out allowance

Variable income: Average overtime, shift allowance, average bonus, meal allowance, Unemployment Insurance Fund/skills development levy, insurance benefit

Company benefits: Employer provident/pension fund and medical aid

Key elements of Harmony's remuneration structure (management employees)

Reward elements	Remuneration strategy
Guaranteed pay	In reviewing and approving levels of guaranteed pay, the committee ensures that the guaranteed pay portion of remuneration is aligned with similar roles in the market sector in which we operate and the contribution made by employees. To compete effectively for skills in a challenging employment market, we identify the target market against which to benchmark guaranteed pay. This target market includes those organisations or companies that employ similar skills sets to those which we require. Comparisons are made predominantly with the mining and resources sectors to ensure that Harmony remains competitive. Harmony aims for guaranteed pay levels relative to the median of the target market. Guaranteed pay is inclusive of contributions by the company to a retirement fund and a medical aid scheme.
Short-term incentive	The short-term incentive scheme provides for bonus payments that are: • based on team performance against annual targets that are reviewed annually, modified by a personal performance rating for executive management • paid twice a year for all management employees in corporate, central services, medical services and central operations (including executive directors and prescribed officers) • paid quarterly for designated shaft management team members and regional operations management teams • paid monthly for mining and engineering crews The targets on which bonus payments are based are derived from the company's business plan which is developed in terms of the company's strategic objectives for the year. For executive management, the measures and weightings are as follows:

Performance drivers	Weighting
Gold produced	40%
Total cost (working cost + capital expenditure excluding royalties)	30%
Underground grade	30%

Payment parameters

To achieve a minimum qualification for a bonus, Harmony must achieve at least 95% of the business plan.

On-target performance will result in a total bonus of 60% of guaranteed pay.

Above-target performance is capped at 100% of guaranteed pay as illustrated below:

% of business plan achieved	% of 6-month guaranteed pay	Parameter
<95	0	
95	40	Threshold
100	60	Target
105	100	Maximum
>105	100	

Key elements of Harmony's remuneration structure (continued)

Reward elements	Remuneration strategy
Short-term incentive (continued)	**Safety as a modifier** Safety performance is applied as an adjustment in the calculation of our short-term incentive bonuses. The company's lost-time injury frequency rate for the total South African business plan is used to measure Harmony's safety performance. If the planned safety target is achieved, 10% will be added to the overall percentage bonus paid. If the company does not achieve its safety target, up to 10% will be deducted from the overall percentage bonus paid as per the gradation scale illustrated below:

Achievement against business plan	% added or deducted from overall bonus percentage*
100	10%
95	5%
90	0%
85	-5%
80	-10%

**Linear interpolation between these points*

Personal performance modifier:
The personal performance percentage will be calculated according to an executive manager's personal performance measured against objectives set out in that executive's performance management contract as follows:

Guaranteed pay x group performance against plan x personal performance percentage (0% – 150%)

Reward elements	Remuneration strategy
Long-term (share-based) incentive	The Harmony share plan (the plan) consists of share appreciation rights (SARs), performance shares and restricted shares. Employees eligible for participation in the plan include executive directors, executive management and management. Non-executive directors do not participate in the plan. There is no repricing or surrender or re-grant of any offers. Share awards are not granted in a closed period and no backdating of awards is allowed. Rewards are settled in shares, although participants may receive, via our share scheme administrators, cash from the sale of these shares, less tax payable. The main elements of the share plan and performance conditions are summarised below. **Share appreciation rights** Eligible employees received annual allocations based on a percentage of their guaranteed pay, which vest in equal thirds on the third, fourth and fifth anniversaries of such allocations and lapse in the sixth year. The value or reward that accrues is based on the positive appreciation of the share price over time (compared to the issue price) and continued employment. The company has acknowledged shareholders' sentiment with regard to the issuing of share appreciation rights. Share appreciation rights were last allocated in November 2014 (FY15). Existing share appreciation rights will continue until they expire in terms of the provisions agreed to on each allocation.

Key elements of Harmony's remuneration structure (continued)

Reward elements	Remuneration strategy
Long-term (share-based) incentive (continued)	**Performance shares**

Performance shares

Eligible employees receive annual conditional awards of a maximum number of performance shares based on a percentage of guaranteed pay and remuneration category. The conditional award vests after three years, if and to the extent that performance conditions have been satisfied and is subject to the minimum shareholding requirement described below. The conditional awards that do not vest at the end of the three-year period will be forfeited.

Awards made since November 2015 will be measured on the total shareholder return of the company over a three-year period and will be capped at the maximum vesting percentage of 100%. The total shareholder return vesting criteria will comprise two components:

- 50% is based on absolute performance which takes into account the value of the company's share price growth and the value of dividends paid over the measurement period
- 50% is based on the relative performance of the company compared to that of the JSE Gold Index over the measurement period

Absolute performance (share price growth):

Performance	Achievement	Vesting*
Full (stretch)	100%	100%
Target	80%	80%
Threshold	45%	0%

**Linear interpolation will apply between levels*

Relative performance (company performance compared to JSE Gold Index):

Performance	Achievement	Vesting*
Full (stretch)	40%	150%
Target	0%	40%
Threshold	-5%	0%

**Linear interpolation will apply between levels*

Details of the awards made during FY18 can be found in *Part 2* of this Remuneration Report.

Restricted shares

The share plan allows for restricted shares and matching performance shares to be granted to eligible employees at the discretion of the board, based on past performance. The board determines the quantum and balance between restricted shares and matching performance shares.

Restricted shares vest three years from the grant date. If the grant is not exercised, partially or fully at the time, these shares remain restricted for a further three years and are supplemented by a matching grant of restricted shares. The restricted shares and the matching restricted shares are then settled after the end of a further three-year period.

We acknowledge the sentiments of shareholders with regard to restricted shares and our last grant of restricted shares was made in 2012 and will finally vest in November 2018.

Key elements of Harmony's remuneration structure (continued)

Reward elements	Remuneration strategy
Long-term (share-based) incentive (continued)	**Minimum shareholding requirement** We have encouraged executive management to retain performance shares when they vest and a minimum shareholding requirement was introduced to achieve this during November 2016. In terms of the approved minimum shareholding requirement, compulsory lock-up of shares would have become applicable in FY20. The minimum shareholder requirement has been revised as part of the new total share incentive plan to be proposed to shareholders at the 2018 annual general meeting. **Share plan limit** The approved aggregate number of shares that may be acquired by participants in the long-term incentive plan, together with any other share plan or scheme are 60 011 669 shares as approved by the members of the company at an annual general meeting held on 1 December 2010. To date, Harmony has issued 15 690 083 of these approved shares. The aggregate number of shares that may be acquired by any one participant in terms of the long-term incentive plan together with any other share plan or scheme approved by the members shall not exceed 2 100 000 shares. To date, none of the participants has acquired an aggregate of more than 2 100 000 shares.
Tlhakanelo Employee Share Trust	The Tlhakanelo Employee Share Trust had a life of five years. The first allocation date was on 31 August 2012 and the first vesting date on 15 March 2013. The fifth and final vesting date was 15 March 2017. With the consent of the board of Harmony, the Trustees of the Trust had resolved to terminate the Trust in accordance with the provisions of the Trust Deed. The Trust was finally wound up in August 2017. At the special general meeting held on 1 February 2018, the shareholders approved the issue of 6.7 million authorised but unissued ordinary shares to the new Harmony Employee Share Option Trust.

BOARD REMUNERATION (NON-EXECUTIVE DIRECTORS)

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 their work load, time commitment, expertise and preparation time expected of each non-executive director.

Harmony's philosophy regarding the remuneration of non-executive directors is to ensure that they are fairly rewarded for their contribution to the company's overall performance.

Non-executive directors' fees are reviewed annually to ensure that they remain competitive. In line with the recommendations of King IV, our non-executive directors are paid a retainer for board meetings and an attendance fee for every board meeting attended. Non-executive directors also receive a retainer for serving on a committee. In addition, a per day ad hoc fee is paid for special meetings or attending to company business.

Non-executive directors do not receive share options or other incentive awards correlated with the share price or group performance as these may impair their ability to provide impartial oversight and advice.

The proposed fees for FY19 are set out in the notice of annual general meeting in the *Report to shareholders 2018*.

CONTRACTS, SEVERANCE AND TERMINATION

Executive directors and executive managers have employment contracts with Harmony which include notice periods of up to 90 days. There are no balloon payments on termination, automatic entitlement to bonuses or automatic entitlement to share-based payments other than in terms of the company's approved share incentive plans.

NON-BINDING ADVISORY VOTE

Shareholders are requested to cast non-binding advisory votes required by King IV on Part One and Part 2 of this remuneration report. For more information refer to the notice of the annual general meeting in the *Report to shareholders 2018*.

In the event that either the remuneration policy or the implementation report, or both are voted against by 25% or more of the voting rights exercised at the 2018 annual general meeting, the committee will in good faith and with the best reasonable effort engage with its shareholders to ascertain the reasons for the dissenting votes and appropriately address legitimate and reasonable objections and concerns raised which may include amending the remuneration policy, or clarifying or adjusting the company's remuneration governance and/or processes.

STAKEHOLDER FEEDBACK

We maintain open communication channels with our stakeholders, listen to feedback and take action where this is deemed to be in the best interests of the company.

PROPOSED HARMONY TOTAL INCENTIVE PLAN, 2019

Introduction

With the assistance of remuneration specialists and in consultation with our employees and shareholders, the remuneration committee considered key changes to the long- and short-term incentive plans against market practice.

The following challenges with the current long- and short-term incentive plans were identified:

- Inconsistent vesting due to the volatility of the share price;
- The appropriateness of performance conditions in a dynamic single commodity industry

We have found that institutional investors want the following attributes to be considered within incentive schemes:

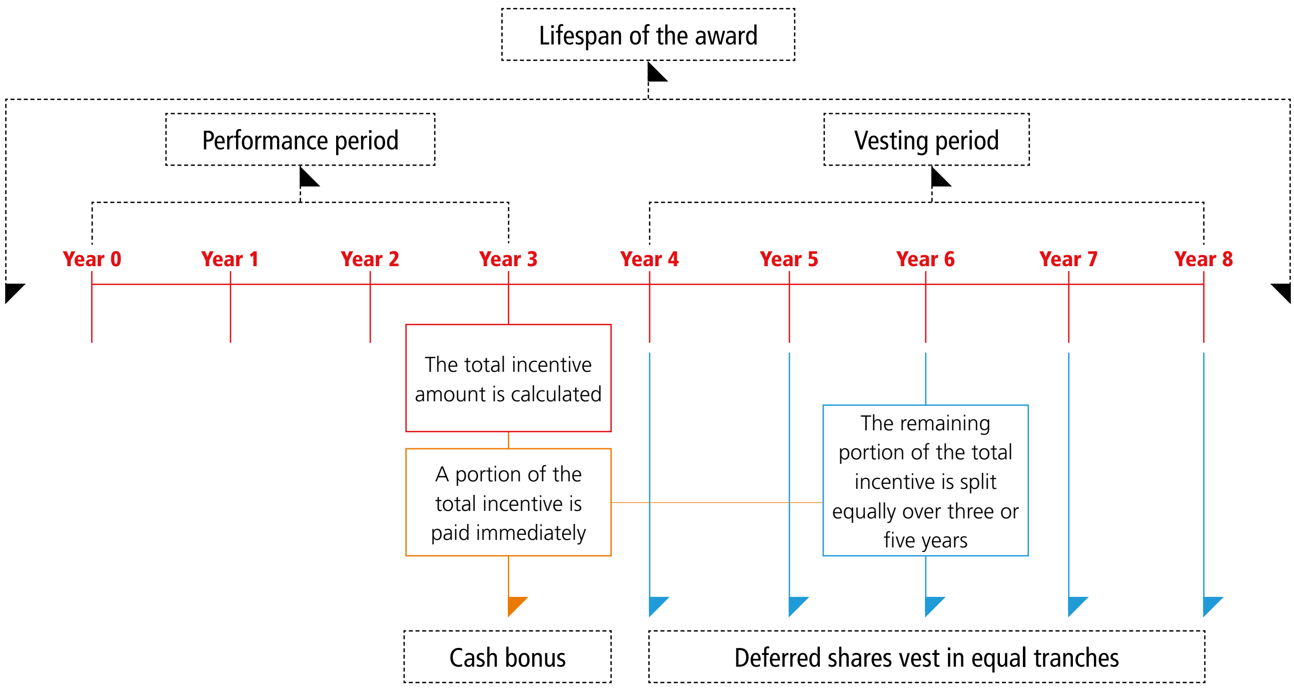
- Longer vesting periods (between three and five years) for long-term incentives;
- Simpler variable pay plan
- Plan that encourages share ownership by senior executives
- Clear linkage between pay and performance
- Incentive metrics that better encourage improved sustainability, the generation of free cash flow and capital efficiency
- Incentive measures that mitigate the impact of gold price volatility and other measures that fall beyond the sphere of management's influence

The committee and the board have, as a result, resolved that the short- and long-term incentive plans be replaced with a simplified, market-related total incentive plan (the total incentive plan) to be implemented from 1 July 2019, subject to the approval of the Deferred Share Plan (the DSP) by shareholders at the annual general meeting to be held on 7 December 2018. Refer to the Notice of meeting in the *Report to Shareholders 2018*.

Key features of the total incentive plan:

- A single, combined short- and long-term incentive plan, which represents the group's variable pay offering
- It is simple, transparent and driven entirely by performance against critical, short-, medium- and long-term performance measures
- It comprises:
  - an annual cash payment (paid immediately at the award date)
  - deferred shares (for eligible employees graded as E-band and above), governed by the rules of the DSP
- Performance measures under the total incentive plan are assessed either over one year or a three-year trailing period
- The scheme will be cost neutral compared to the previous scheme
- Awards of deferred shares vest over three or five year periods (depending on the employment level of the participant), which incentivises decision making that promotes long-term sustainability
- The issue and allotment of new shares are limited. A maximum of 5% of issued shares can be used in settlement of awards under the DSP
- The minimum shareholding requirement will continue to apply to prescribed officers (senior executives), aligning their interests more closely with those of shareholders
- Participation in the share incentive has been reduced, resulting in less dilution
- A reduction in the weighting of performance measures linked to the gold price (a factor outside of management's control)
- It introduces a relevant balance of measures on the scorecard (shareholder value, financial and operational indicators, growth and sustainability)
- It incorporates relevant regulatory requirements (e.g. forfeiture King IV)
- It allows for greater accountability for performance over a longer period;
- It endears management to a company that has a clear growth strategy

Key design features of the total incentive plan



Balanced scorecard

The balanced scorecard result will be determined based on a number of key short- and long-term company performance measures (to be measured over the performance period), which will be reviewed and defined annually with appropriate weightings.

Each metric in the balanced scorecard is weighted relative to performance. Each metric has a threshold, target and stretch parameter:

- threshold (minimum requirement to earn at 40%)
- target (minimum requirement to earn at 60%)
- stretch (minimum requirement to earn at 100%)

Distinct weightings will be applied to the group, the South Africa operations and the South-East Asia operations, on a basis that best reflects their underlying focus areas.

The balanced scorecard weighting components for the three distinct groups are presented in the table below.

Weighting of components in the balanced scorecard

	Scorecard component	Group	South Africa operations	South-East Asia operations
Shareholder value	Total shareholder return (absolute)	8.34%	6.67%	6.67%
	Total shareholder return (relative to the JSE Gold Index)	8.33%	6.67%	6.67%
	New: Total shareholder return (relative to the FTSE Gold Mines Index)	8.33%	6.66%	6.66%
Financial and operational	Production	20%	35%	35%
	Total production cost (South Africa operations) and (new) all-in sustaining cost (South-East Asia operations)	15%	20%	20%
	New: Free cash flow	10%	–	–
Growth	New: Development	–	10%	10%
	New: Additions to mineral reserves	10%	–	–
	New: Project execution (for future measurement)	–	–	–
Sustainability	Safety performance: Lost-time injury frequency rate (LTIFR)	15%	15%	15%
	New: Environment, social and governance (ESG)	5%	–	–
Total		**100%**	**100%**	**100%**

The balanced scorecard will be applied to eligible employees as follows:

- **Group:** Prescribed officers, executives in the office of the chief executive officer and all off-shaft services operational managers (South Africa)
- **South Africa operations:** Operational executive managers and all on-shaft operational managers
- **South-East Asia operations:** Operational executive managers and all operational managers

The shareholder roadshows and employee engagements held to discuss the proposed new total incentive plan and balanced scorecard were constructive with positive feedback and dialogue.

Some questions posed by shareholders during the consultations have been addressed as follows:

Shareholder feedback	Harmony's response
Shareholders expressed a preference for longer vesting periods for long-term incentives	In the new plan, the vesting period for deferred shares have been increased to five years for prescribed officers (including executive directors).
Shareholders expressed a concern that the previous 2006 plan was allotted 60 011 669 shares and that another 5% (approximately 25 million shares) of the issued shares (for purposes of the new deferred share plan) will be added to that number	The plan limit of 60 011 669 shares is only applicable to the 2006 Harmony Share Plan and the Tlhakanelo Employee Share Option Plan (the Old Plans). To date 15 690 083 of these shares have been issued. No further awards will be made under the Old Plans (as the Old Plans are in the process of being "wound down"). It is anticipated that a large number of the unissued shares under the Old Plans will be used to settle the historic 2015, 2016 and 2017 awards that vest. We are therefore requesting approval for the directors to allot and issue up to 25 000 000 ordinary shares in order to enable the company to fulfill its obligations under the new deferred share plan. No shares authorised under the Old Plans will be issued under the new deferred share plan.
Shareholders expressed support for malus and clawback policies	Clawback and forfeiture of award ("malus") provisions have been included in the new deferred share plan.
Shareholders asked that the company consider including Return on Capital Employed (ROCE)	Harmony measures total share price performance and cash flow. Project execution will be measured when we embark on a major project (ie. Wafi-Golpu). The success of a project can only be measured over an extended period of time.

The rules of the deferred share plan are included in the Notice of meeting in the *Report to Shareholders 2018* available on the company's website at *www.harmony.co.za*

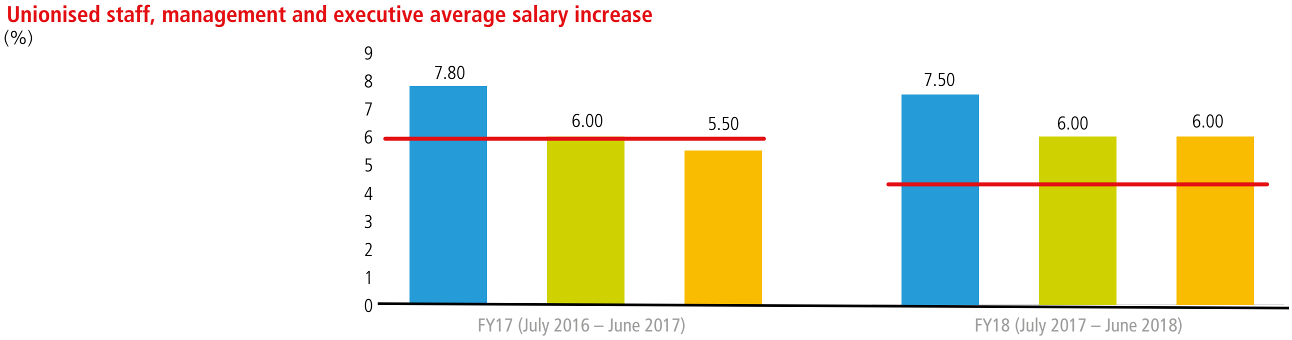
PART 2: IMPLEMENTATION REPORT ON THE POLICY APPLICABLE IN FY18

INCREASES TO GUARANTEED PACKAGE DURING THE YEAR UNDER REVIEW

An assessment of executive remuneration, and short- and long-term incentives was undertaken during FY18.

Taking into consideration the prevailing market conditions, affordability and shareholders' expectations, an average increase of 6% to guaranteed remuneration packages of executives and management was made during FY18. Illustrated below are the average percentage increases awarded during FY17 and FY18 to executives, management and unionised staff:

Unionised staff, management and executive average salary increase



	FY17	FY18
Unionised staff (July every year)	7.80	7.50
Management (January every year)	6.00	6.00
Executives (August every year)	5.50	6.00
Consumer price index	6.05	4.53

SHORT-TERM INCENTIVE PAYMENTS DURING THE YEAR UNDER REVIEW

During the year under review, achievement levels against the targets for the executive short-term incentive scheme were as follows:

First period FY18 (July to December 2017)

Company performance measures	Weighting	% of plan achieved	Weighted %
Total kilograms	40	104	36.8
Total cost (capped at 105%)	30	106	30
Grade	30	100	18
Weighted average	–		84.8
Lost-time injury frequency rate adjustment*		107	–
Percentage of six-months' guaranteed pay**			84.8

* *Lost-time injury frequency rate improved but the component was forfeited because of the fatal accidents*

** *Personal percentage performance modifier:*
The personal performance modifier determined for all executive management was a 100%.

Second period FY18 (January to June 2018)

Company performance measures	Weighting	% of plan achieved	Weighted %
Total kilograms	40	101	27.2
Total cost	30	101	20.4
Grade	30	104	27.6
Weighted average	–		75.2
Lost-time injury frequency rate adjustment		101	+10
Percentage of six-months' guaranteed pay**			85.2

** *Personal percentage performance modifier:*
The personal performance modifier determined for all executive management was a 100%.

LONG-TERM INCENTIVES AWARDED DURING THE YEAR UNDER REVIEW

Share appreciation rights:

No further allocations of share appreciation rights have been made since 2014.

Performance shares:

Performance shares were awarded to eligible participants in November 2017. The performance measure applicable to the performance awards is based on Harmony's total shareholder return over a three-year period. The vesting criteria comprise two components, namely, absolute and relative performance with vesting capped at 100%.

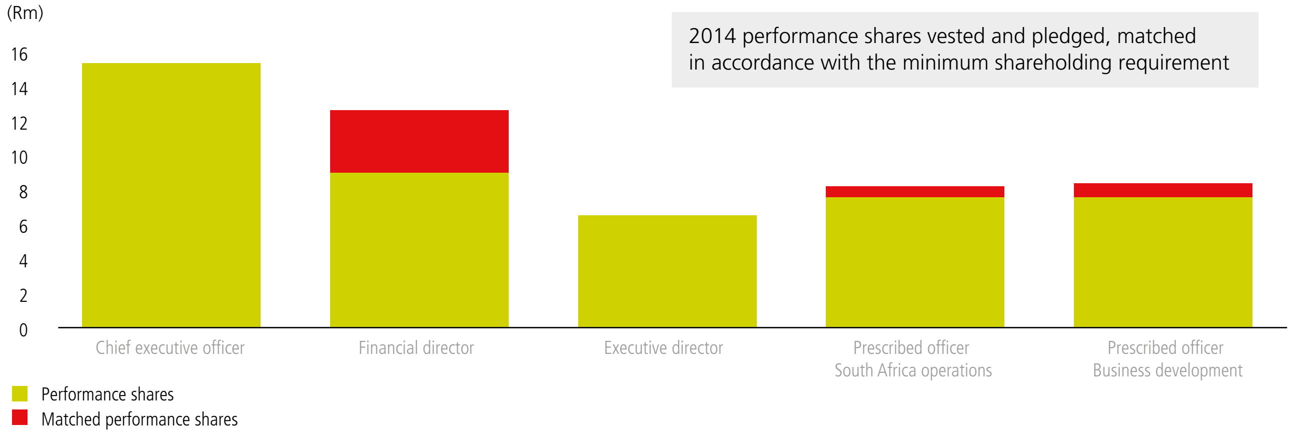
Matched performance shares:

Performance shares that vested and were voluntarily pledged in accordance with the minimum shareholding requirement were matched with additional performance shares.

The number of grants awarded for each executive director and prescribed officer is as set out in the table at the end of this section.

The values at date of grant for awards made during FY18 are illustrated below, assuming a 100% vesting:

Market value at award date



VESTING OF LONG-TERM INCENTIVES DURING THE YEAR UNDER REVIEW

During the year, the following awards in terms of the long-term incentive plan vested in November 2017:

- **Share appreciation rights allocated in November 2014**

  The 2014 allocation vested in November 2017 and can be exercised in equal thirds on the subsequent anniversaries of the vesting. The value or reward that accrues is based on the positive appreciation of the share price over time and continued employment.

- **Performance shares awarded in November 2014**

  The vesting percentage of performance shares was based on the total shareholder return of the company compared to that of the gold index over the full three-year period

This resulted in a total vesting of 68% of performance shares awarded in November 2014.

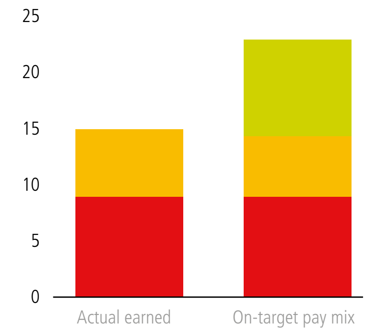
TOTAL REMUNERATION OUTCOMES

The composition of total remuneration outcomes for FY18 are illustrated below.

Management employees

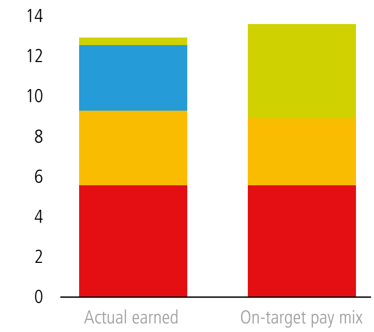
Chief executive officer

(Rm)



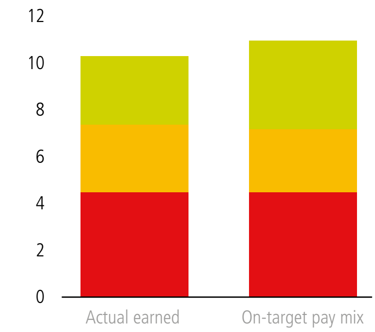
Financial director

(Rm)



Executive director

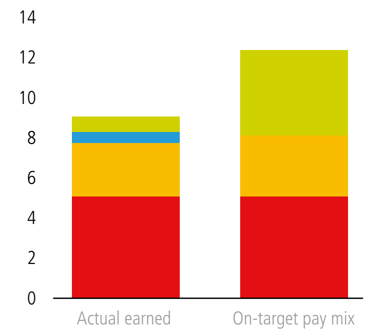
(Rm)



Guaranteed pay · Short-term incentive · Long-term pledge incentive value* · Long-term incentive

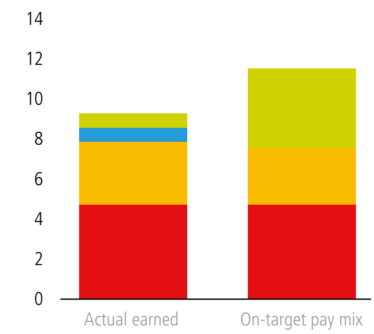
Prescribed officer: South Africa operations

(Rm)



Prescribed officer: business development

(Rm)



Guaranteed pay · Short-term incentive · Long-term pledge incentive value* · Long-term incentive

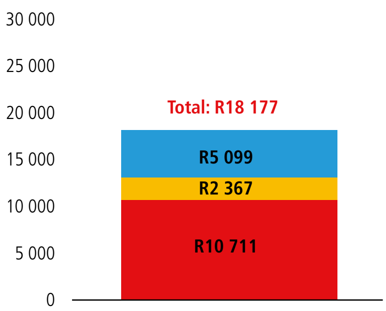
* *Value of shares pledged toward minimum shareholding*

Category 4-8 employees – our commitment to a "living wage"

The average wages and benefits of underground employees for FY18 are illustrated below:

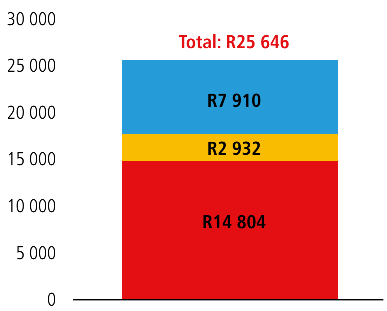
Category 4 underground employee (entry level)

(R)



Category 8 underground employee

(R)



Fixed earnings · Company benefits · Variable income

Each component includes the following:

Fixed earnings: Basic pay, service increment, 13th cheque, living out allowance

Company benefits: Employer provident/pension fund and medical aid

Variable income: Average overtime, shift allowance, average bonus, meal allowance, Unemployment Insurance Fund/skills development levy, insurance benefit

GENDER EQUALITY

The tables below illustrate the gender distribution for employees for all employment categories during FY18.

South Africa

Occupational category	Total workforce	Male		Female	
		Number	(%)	Number	(%)
Board	15	13	87	2	13
Top (executive management)	7	5	71	2	29
Senior management	114	84	74	30	26
Middle management	568	442	78	126	22
Skilled technical workers	4 961	4 129	83	832	17
Semi-skilled workers	10 047	9 152	91	895	9
Unskilled workers	16 820	13 479	80	3 341	20
Total	**32 532**	**27 304**	**84**	**5 228**	**16**

Papua New Guinea and Australia

Occupational category	Total workforce	Male		Female	
		Number	(%)	Number	(%)
Top (executive management)	7	7	100	0	0
Senior management	27	23	85	4	15
Middle and junior management	373	325	87	48	13
Skilled technical workers	631	561	89	70	11
Core and critical skills	383	321	84	62	16
Total	**1 421**	**1 237**	**87**	**184**	**13**

It is evident that the overall representation of females in the organisation is low.

FAIR AND RESPONSIBLE PAY

In FY18, an average increase of 6% in guaranteed remuneration packages for non-unionised employees and 7.5% for unionised employees was approved.

Unionised employees have consistently received above-inflation increases for the past six years.

NON-EXECUTIVE DIRECTORS' FEES

During May 2018, the remuneration committee considered an industry benchmark on non-executive directors' fees. On recommendation of the remuneration committee, the board proposed an increase in fees of 6% for all non-executive directors to be considered for approval by the shareholders at the forthcoming annual general meeting. For more information on the notice of the annual general meeting, refer to the *Report to shareholders 2018*.

Directors' emoluments (R000)

	FY18					FY17
Name	[1] **Directors' fees**	**Salaries and benefits**	**Retirement savings and contributions**	[2] **Bonuses paid**	**Total**	**Total**
Non-executive directors						
Dr Patrice Motsepe	**1 288**	–	–	–	**1 288**	1 150
Joachim Chissano	**489**	–	–	–	**489**	610
Fikile De Buck	**1 255**	–	–	–	**1 255**	1 080
Ken Dicks	**653**	–	–	–	**653**	682
Dr Simo Lushaba	**817**	–	–	–	**817**	828
Cathie Markus [3]	–	–	–	–	–	438
Modise Motloba	**1 399**	–	–	–	**1 399**	1 142
Mavuso Msimang	**660**	–	–	–	**660**	582
Karabo Nondumo	**762**	–	–	–	**762**	796
Vishnu Pillay	**803**	–	–	–	**803**	622
Max Sisulu [4]	**125**				**125**	–
John Wetton	**1 053**	–	–	–	**1 053**	1 040
André Wilkens	**870**	–	–	–	**870**	721
Executive directors						
Frank Abbott	–	**5 404**	**571**	**3 976**	**9 951**	7 534
Mashego Mashego	–	**3 951**	**533**	**2 879**	**7 363**	5 597
Peter Steenkamp	–	**7 656**	**1 291**	**5 969**	**14 916**	11 232
Prescribed officers						
Beyers Nel	–	**4 741**	**697**	**2 854**	**8 292**	6 577
Phillip Tobias	–	**4 495**	**574**	**3 357**	**8 426**	6 238
Johannes van Heerden [5]	–	**6 104**	**249**	**3 539**	**9 892**	7 650
Total	**10 174**	**32 351**	**3 915**	**22 574**	**69 014**	**54 519**

[1] *Directors' remuneration excludes value added tax*

[2] *Reflects amounts actually paid during the year*

[3] *Resigned as non-executive director on 9 February 2017*

[4] *Appointed as non-executive director on 31 January 2018*

[5] *Salary is paid in Australian dollars and is influenced by movements in the exchange rate*

EXECUTIVE DIRECTORS AND MANAGEMENT SHARE INCENTIVES

As at 30 June 2018

	Executive directors						Prescribed officers						Other			
	Peter Steenkamp		Frank Abbott		Mashego Mashego		Johannes van Heerden		Beyers Nel		Phillip Tobias		Other management		Total	
Movements on share incentives	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)
Performance shares																
Opening balance at 1 July 2017	932 423	n/a	1 275 104	n/a	757 564	n/a	757 564	n/a	486 916	n/a	505 248	n/a	33 133 754	n/a	37 848 573	n/a
Awards granted	596 427	n/a	348 815	n/a	251 722	n/a	293 554	n/a	293 554	n/a	293 554	n/a	12 050 182	n/a	14 127 808	n/a
Matched awards granted[1]	–	n/a	141 075	n/a	–	n/a	–	n/a	24 933	n/a	31 166	n/a	81 455	n/a	278 629	n/a
Awards exercised/pledged	–	n/a	(141 075)	n/a	(101 807)	n/a	(101 807)	n/a	(24 933)	n/a	(31 166)	n/a	(3 472 679)	n/a	(3 873 467)	n/a
– Average sales price	–	n/a	–	24.56	–	24.72	–	24.56	–	24.56	–	24.56	–	35.20	–	32.85
– Gain realised on awards exercised and settled (SA rand)		–		–		2 516 669		2 500 390		612 357		765 440		135 473 327		141 868 183
Awards forfeited and lapsed	–	n/a	(66 387)	n/a	(47 908)	n/a	(47 908)	n/a	(48 397)	n/a	(60 496)	n/a	(5 683 163)	n/a	(5 954 259)	n/a
Closing balance at 30 June 2018	**1 528 850**	**n/a**	**1 557 532**	**n/a**	**859 571**	**n/a**	**901 403**	**n/a**	**732 073**	**n/a**	**738 306**	**n/a**	**36 109 549**	**n/a**	**42 427 284**	**n/a**
Restricted shares																
Opening balance at 1 July 2017	–	n/a	100 544	n/a	62 776	n/a	62 776	n/a	40 084	n/a	–	n/a	435 232	n/a	701 412	n/a
Awards granted	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a
Awards exercised	–	n/a	(16 000)	n/a	(16 000)	n/a	(16 000)	n/a	(8 000)	n/a	–	n/a	(64 000)	n/a	(120 000)	n/a
– Average sales price	–	n/a	–	24.63	–	24.63	–	24.63	–	24.63	–	n/a	–	24.63	–	24.63
– Gain realised on awards exercised and settled (SA rand)		–		394 071		394 071		394 071		197 035		–		1 576 282		2 955 530
Awards forfeited and lapsed	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	(30 416)	n/a	(30 416)	n/a
Closing balance at 30 June 2018	**–**	**n/a**	**84 544**	**n/a**	**46 776**	**n/a**	**46 776**	**n/a**	**32 084**	**n/a**	**–**	**n/a**	**340 816**	**n/a**	**550 996**	**n/a**
Share appreciation rights																
Opening balance at 1 July 2017	–	n/a	139 362	33.97	101 180	34.39	101 180	34.39	76 580	34.01	46 850	18.41	12 011 545	32.60	12 476 697	32.60
Rights accepted	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a
Rights exercised	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	(794 351)	n/a	(794 351)	n/a
– Average sales price	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	24.37	–	24.37
– Gain realised on awards exercised and settled (SA rand)		–		–		–		–		–		–		19 362 208		19 362 208
Rights forfeited and lapsed	–	n/a	(6 585)	104.79	(5 361)	104.79	(5 361)	104.79	(4 620)	104.79	–	n/a	(1 812 559)	78.46	(1 834 486)	52.86
Closing balance at 30 June 2018	**–**	**n/a**	**132 777**	**56.61**	**95 819**	**56.31**	**95 819**	**56.31**	**71 960**	**56.31**	**46 850**	**18.41**	**9 404 635**	**50.11**	**9 847 860**	**50.20**
Gain realised on awards exercised (SA rand)		–		394 071		2 910 740		2 894 461		809 392		795 440		156 411 817		164 185 921

EXECUTIVE DIRECTORS AND MANAGEMENT SHARE INCENTIVES continued

As at 30 June 2018

	Executive directors						Prescribed officers						Other			
	Peter Steenkamp		Frank Abbott		Mashego Mashego		Johannes van Heerden		Beyers Nel		Phillip Tobias		Other management		Total	
Outstanding awards (listed by allocation date)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)	Number of awards	Average price (SA rand)
Performance shares	**1 528 850**		**1 557 532**		**859 571**		**901 403**		**732 073**		**738 306**		**36 109 549**		**42 427 284**	
16 November 2015	–	n/a	736 809	n/a	455 758	n/a	455 758	n/a	236 220	n/a	236 220	n/a	17 829 438	n/a	19 950 203	n/a
17 February 2016	512 000	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	512 000	n/a
29 November 2016	420 423	n/a	330 833	n/a	152 091	n/a	152 091	n/a	177 366	n/a	177 366	n/a	6 950 408	n/a	8 360 578	n/a
15 November 2017	596 427	n/a	489 890	n/a	251 722	n/a	293 554	n/a	318 487	n/a	324 720	n/a	11 329 703	n/a	13 604 503	n/a
Restricted shares	**–**		**84 544**		**46 776**		**46 776**		**32 084**		**–**		**340 816**		**550 996**	
16 November 2012	–	n/a	21 136	n/a	11 694	n/a	11 694	n/a	8 021	n/a	–	n/a	85 204	n/a	137 749	n/a
16 November 2015 (2012 award – matching shares)	–	n/a	63 408	n/a	35 082	n/a	35 082	n/a	24 063	n/a	–	n/a	255 612	n/a	413 247	n/a
Share appreciation rights	**–**		**132 777**		**95 819**		**95 819**		**71 960**		**46 850**		**9 404 635**		**9 847 860**	
16 November 2012	–	n/a	16 204	68.84	11 694	68.84	11 694	68.84	8 021	68.84	–	n/a	1 079 897	68.84	1 127 510	68.84
15 November 2013	–	n/a	52 951	33.18	38 212	33.18	38 212	33.18	26 459	33.18	–	n/a	3 735 292	33.18	3 891 126	33.18
17 November 2014	–	n/a	63 622	18.41	45 913	18.41	45 913	18.41	37 480	18.41	46 850	18.41	4 589 446	18.41	4 829 224	18.41
Closing balance at 30 June 2018	**1 528 850**		**1 774 853**		**1 002 166**		**1 043 998**		**836 117**		**785 156**		**45 855 000**		**52 826 140**	

[1] *Performance shares granted in terms of vested awards pledged pursuant to the minimum shareholding requirement*