



# SUSTAINABLE DEVELOPMENT

**Meeting  
the Mining  
Charter**

**Making safety  
a priority**

**Progress on  
West Rand decant**





# Golden *opportunity*

Our mining operations in South Africa cover vast tracts of land. Where others might see this as an environmental liability, we see this as an opportunity to rehabilitate historically degraded areas or to find alternative land uses and to create employment.



# CONTENTS

<b>In short:</b> News round-up for the year Corporate profile	<b>2</b>	<b>Special report:</b> Hear no evil	<b>35</b>
<b>Editorial:</b> Mining companies can be sustainable A letter from Acting CE Graham Briggs	<b>4</b>	<b>Feature:</b> Dealing with HIV/Aids	<b>36</b>
<b>Feature:</b> Making a meaningful contribution – A review of our economic performance	<b>6</b>	<b>Special report:</b> Harmony funds trials for ground-breaking HIV/Aids vaccine	<b>40</b>
<b>Special report:</b> AuTEK Biomed: a role for gold in combating disease	<b>11</b>	<b>Feature:</b> Delivering to our stakeholders – Corporate responsibility	<b>41</b>
<b>Feature:</b> Good environmental performance makes business sense – a review of the year	<b>12</b>	<b>Special report:</b> Building capacity in rural areas	<b>45</b>
<b>Special report:</b> Resolving the Western Basin Decant conundrum	<b>20</b>	<b>Special report:</b> City year – a youth programme benefiting volunteers	<b>48</b>
<b>Feature:</b> The people of Harmony	<b>22</b>	<b>Special report:</b> Students develop entrepreneurship – and benefit communities	<b>49</b>
<b>Special report:</b> Harmony Bridging School – opening the door of opportunity	<b>29</b>	<b>Feedback form</b>	<b>51</b>
<b>Feature:</b> Safety and health a priority	<b>30</b>	<b>GRI index</b>	<b>52</b>
<b>Special report:</b> Be aware. The Sindile Mosha campaign	<b>34</b>	<b>Compliance with the Mining Charter Scorecard</b>	<b>53</b>
		<b>Glossary of terms</b>	<b>54</b>

## About this report

This Sustainable Development Report covers the 2007 financial year (1 July 2006 to 30 June 2007) and reports on activities during this period to Harmony's broader stakeholder groups. These include our employees, their families and union representatives, our shareholders and the exchanges on which we are listed, government departments and regulators, our communities, our partners, suppliers and customers, non-governmental organisations (NGOs) and indeed society in general.

Harmony has continued to grow during the year under review, and has continued to restructure to position itself optimally for the future. Details of the changes that have taken place during the year may be found in the annual report which is available at [www.harmony.co.za](http://www.harmony.co.za).

While the bulk of our operations and employees, and hence impact, are located in South Africa, increasingly the company's operations in Papua New Guinea are coming on line. This report reflects this increased emphasis.

The G3 reporting guidelines of the Global Reporting Initiative (GRI) have been followed in the preparation of this report, which is produced at the same time as the annual report and is available on the accompanying CD and on our website. Printed copies of the Sustainable Development Report are available on request from the contact persons listed on the back page of this report.

The person responsible for the compilation of this report is:

Marian van der Walt  
Company Secretary  
Tel: +27 11 411 2037  
Fax: +27 0 866 140 999  
Email: [sustainability@harmony.co.za](mailto:sustainability@harmony.co.za)



# IN SHORT

## HARMONY A SIGNATORY TO CYANIDE CODE

June 2007

Harmony was accepted as a signatory to the International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold (the Cyanide Code). The code is a voluntary industry initiative, developed under the auspices of the United Nations Environmental Programme and the International Council on Mining and Metals, to promote the responsible management of cyanide in the gold mining industry. See more information on the code at: [www.cyanidecode.org](http://www.cyanidecode.org).



## ALL SLPS SUBMITTED TO DME



Harmony has developed social and labour plans (SLPS) in accordance with the Mineral and Petroleum Resources Development Act in support of the company's application for new order mining rights. In total, 13 SLPs have been compiled in close association with a broad group of stakeholders with interests in Harmony's operations, or in the areas from which Harmony's employees are drawn. Harmony remains in constructive discussions with the DME in respect of the SLPs and is confident that the plans that are being implemented as part of the SLP process will have a meaningful and positive impact on Harmony's communities in years to come.

## ISO 14001 IMPLEMENTATION UNDER WAY

Implementation of an ISO 14001-based environmental management system is scheduled to be completed by 2012, through a three-phase approach. Four key Harmony sites – Doornkop, Elandsrand, Target and Phakisa – have been chosen as pilot sites prior to the full-scale implementation at all operations.



## HARMONY FUNDS GROUND-BREAKING HIV VACCINE

November 2006

Harmony contributed R1.8 million to a consortium committed to funding the first emerging country trials of an HIV/Aids therapeutic vaccine to take place in South Africa. An Australian biotechnology company has used innovative technology, in the form of immunotherapy, to create the VIR201 HIV/Aids vaccine.

With HIV/Aids having already claimed more than 28 million lives on the African continent, there is a growing need for companies with interests and operations in South Africa to assist in combating the disease.

Other members of the funding consortium are: BHP Billiton, Gold Fields Limited, Lonmin, Mitsubishi, Nippon, Sumitomo Metal Mining and Rio Tinto.

## KEY STATISTICS

# 48 126

employees across  
the group

# R4 billion

paid to employees in benefits

Empowered procurement spend –

# 37%

# R1.4 billion

allocated to environmental  
trust fund



CORPORATE PROFILE

Harmony is the world's fifth largest gold producer, operating 22 individual mines and projects in three countries, South Africa, Australia and Papua New Guinea (PNG). In FY07, Harmony generated a turnover of R10.7 billion and produced 2.3Moz of gold, primarily from its operations in South Africa.

The group's R1.2 billion capital growth campaign in South Africa and PNG involves the development of five large-scale projects which will collectively exploit 20 million life-of-mine ounces.

Our South African operations are managed in three categories:

- Quality assets include the Evander shafts, Randfontein Cooke shafts, Target, Tshepong and Masimong.
- Growth projects include Doornkop South Reef project, Elandsrand, Phakisa, the new mine project and the Tshepong decline project.
- Leveraged assets include Bambanani, Joel, St Helena, Harmony, Merriespruit, Unisel, Brand and Orkney.

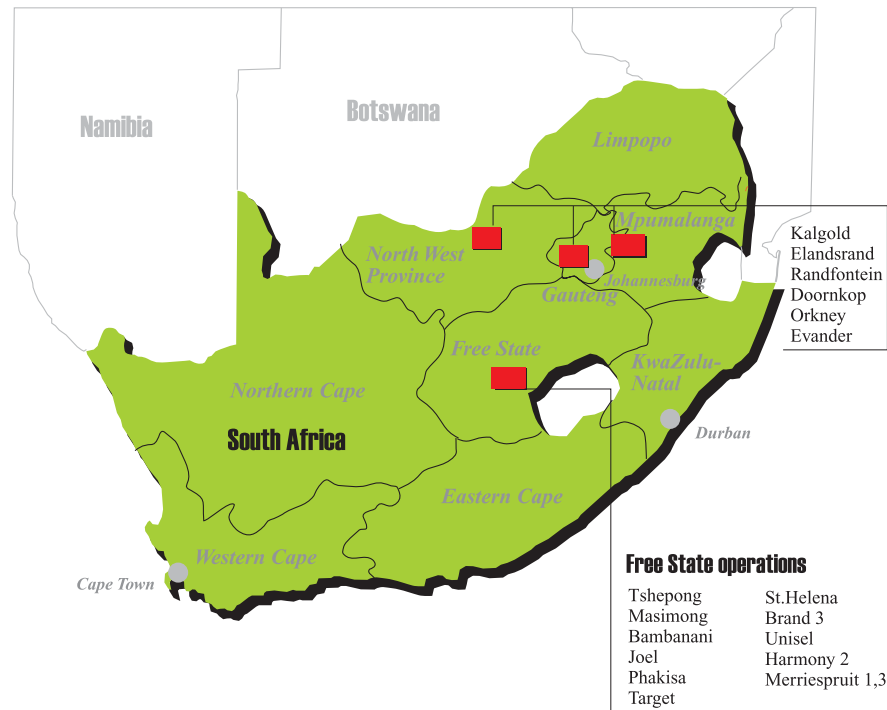
In addition, there are a number of surface operations, including Kalgold, and the Phoenix project.

In FY07, Harmony's assets in Australia were the South Kal and Mt Magnet operations.

Harmony announced the sale of South Kal on 31 July 2007.

Current projects in PNG are Hidden Valley and Wafi/Golpu.

Harmony's global exploration programme continues with activities focused on southern Africa and PNG.



# MINING COMPANIES CAN BE SUSTAINABLE

## A letter from Acting CE, Graham Briggs

### Dear stakeholder

This is the second year that we have produced a separate Sustainable Development Report. Published simultaneously with our annual report, this document is an indication of our commitment to reporting to the broader audience of stakeholders, and not just the shareholders to whom our annual report is addressed.

The 2007 financial year has once again been a challenging one for Harmony. Our annual report provides a great deal of detail on the operational issues encountered, highlights of the year and the difficulties we faced as well as our plans for the year ahead.

In the pages that follow, we discuss the primary issues faced by the group, and sometimes by the mining industry as a whole, in terms of the three spheres of sustainable development: economic, environmental and social. Those that were key for Harmony during the year are discussed below.

Our safety performance improved year-on-year, with both the Lost Time Injury Frequency Rate (LTIFR) and Fatal Injury Frequency Rates (FIFR) having declined. However, it remains a matter of great concern and regret to us that 27 people lost their lives in work-related accidents during the year. We have reiterated our position that we seek – in fact, demand – zero fatalities at our operations. A new programme emphasising behaviour-based safety performance, launched in 2006, was rolled out at the South African operations during the year (page 34) and we plan to report on improved performance in FY08.

Despite the fact that financially, this was a difficult year for Harmony, the company

continued to create and distribute value. Foremost amongst those who benefited were the 55 733 people (48 126 permanent employees and 7 617 contractors) who received wages and benefits from the company (R4 billion in FY07). A full value-added statement appears on page 7 of this report.

We remain committed to the transformation of our company and country, particularly in the South African context, and have actively sought to exceed the minimum levels of compliance indicated in the Mining Charter. Our response to the Mining Charter, and the way in which we deal with issues such as Black Economic Empowerment (BEE), preferential procurement, training and development programmes, employment equity and the promotion of women in mining, provide a great deal of insight into how we are integrating these practices into our business. In FY05, we received mining rights conversions for three of our operations – one of the first companies to do so. We have submitted our applications for the conversion of the remaining mining and prospecting licences and have had constructive interaction with the Department of Minerals and Energy (DME) on these, which we anticipate achieving in FY08.

Harmony strives to be a good corporate citizen, and to fulfil its responsibilities to the communities within which it operates and from which it draws its employees. We do this through our Local Economic Development (LED) programmes (which form part of the Social and Labour Plans (SLPs) that we have agreed with the DME and our Corporate Social Investment (CSI) initiatives (which have been selected by the company). In FY07

Harmony spent some R20 million on CSI projects and around R75 million on LED. See page 42 for further details.

By their very nature, mining operations (through the use of water and energy, disturbance of the land surface, emissions to air and water and the use of materials such as cyanide) have an impact on the environment in which they operate. We discuss these in the environmental section on page 12. A number of exciting developments have taken place during the year:

- In June 2007, Harmony was accepted as a signatory to the International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold (the Cyanide Code). The code is a voluntary industry programme developed by the United Nations Environment Programme (UNEP) and the International Council on Mining and Metals (ICMM) for companies involved in the production of gold using cyanide. The aim of the code is to promote responsible management of cyanide, enhance the protection of human health and minimise environmental impacts.
- Second, we have made a good start in understanding our greenhouse gas emissions: we participated in the Carbon Disclosure Project's pilot survey in 2007 and our response is publicly available as part of that survey.
- Third, we have formed a new unit within our environmental department to look at the business case for turning current environmental liabilities into assets. This is not the impossible task that it might at first appear, given, for example, our extensive landholdings and our internal capability for re-treating old tailings dams.

The report that follows has been developed in line with the GRI guidelines for sustainability reporting. We are committed

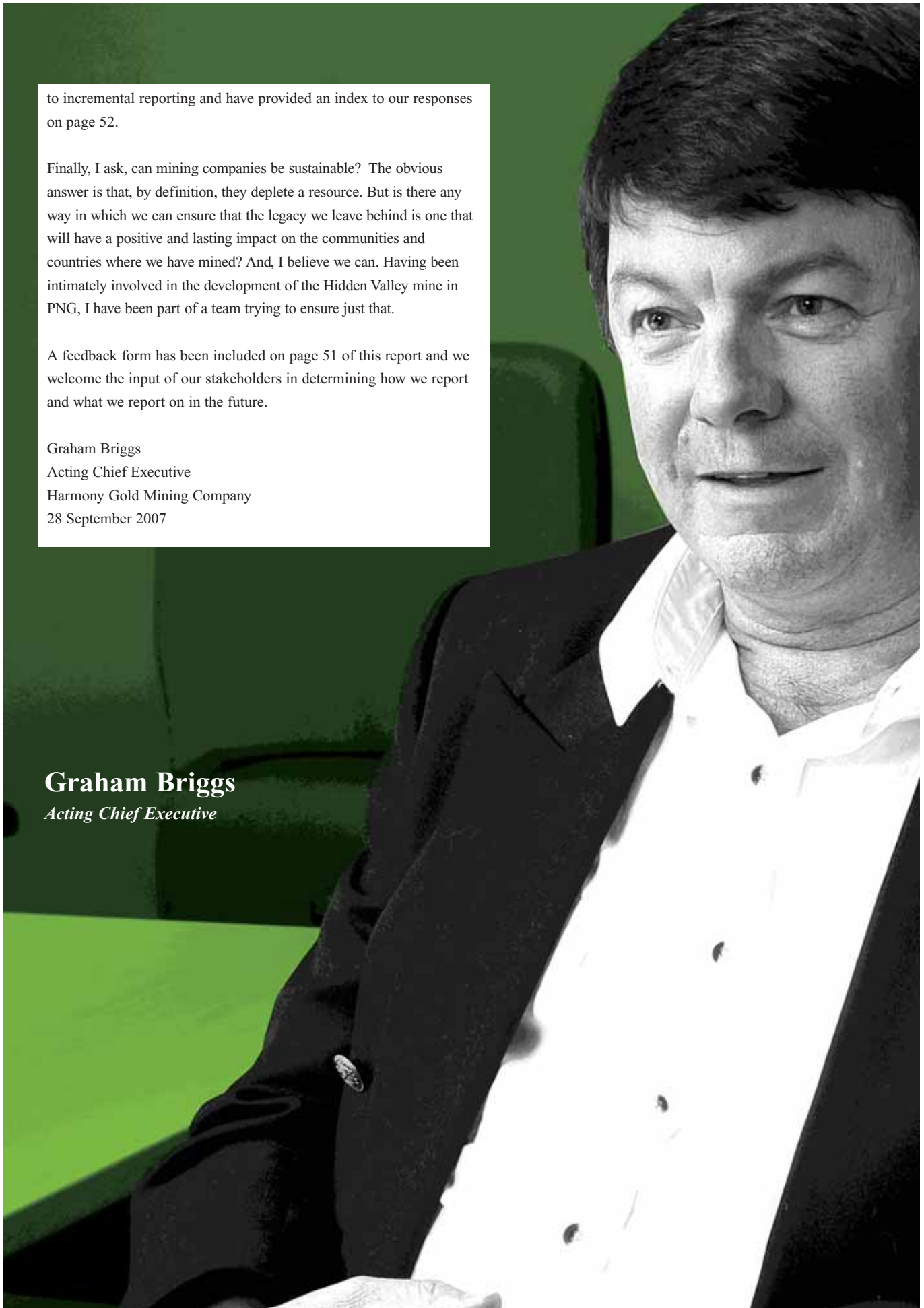
to incremental reporting and have provided an index to our responses on page 52.

Finally, I ask, can mining companies be sustainable? The obvious answer is that, by definition, they deplete a resource. But is there any way in which we can ensure that the legacy we leave behind is one that will have a positive and lasting impact on the communities and countries where we have mined? And, I believe we can. Having been intimately involved in the development of the Hidden Valley mine in PNG, I have been part of a team trying to ensure just that.

A feedback form has been included on page 51 of this report and we welcome the input of our stakeholders in determining how we report and what we report on in the future.

Graham Briggs  
Acting Chief Executive  
Harmony Gold Mining Company  
28 September 2007

**Graham Briggs**  
*Acting Chief Executive*





*Feature article*

# MAKING A MEANINGFUL CONTRIBUTION

A review of our  
economic performance

## Contents

## Page no

Adding value	7
Black economic empowerment	7
Political donations	9
Beneficiation	9
Mining rights conversion	10
<i>Special report: AuTEK Biomed</i>	11



Harmony understands that the economic success of the company is more than a direct measure of its financial success. While the annual financial statements presented in the annual report indicate the financial position of the company and its performance during the year, the value-added statement (presented below) is a better indication of the performance of the company in a broader sense.

## Adding value

Our economic impact is one which has a material effect on:

- employees and contractors who work at the company's operations in South Africa, Australia and PNG;
- shareholders in the company, who are located around the world;
- suppliers of goods (capital and consumable) and services;
- customers who buy the company's gold;
- national, provincial and local governments, who receive taxes and levies, both in the form of corporate tax paid by the company and income tax paid by employees, and with whom we work to meet the social obligations of the company;
- suppliers of utilities such as water and electricity;
- the families of employees, both in the

areas surrounding the company's operations and in the major labour-sending areas; and

- the communities in these areas, where employees or their families spend money earned at the company's operations.

## Black economic empowerment

Harmony is proudly committed to being a driver of black economic empowerment (BEE) in South Africa, as envisaged by the Minerals and Petroleum Resources Development Act (MPRDA) and the South African Mining Charter. We believe that empowerment should take place at a number of levels:

- at the ownership level, through partnerships, and sales to BEE companies and broad-based empowerment entities of the shares in the company and its operations;
- through the recruitment, development and promotion of our current and newly recruited employees;
- through the development opportunities that we offer and facilitate both within the communities around our operations and in labour-sending areas; and
- through our support for and development of BEE companies through our preferential procurement practices.

## BEE through equity transactions

Increased participation through equity ownership, both of the company as a whole and of joint ventures at operational level, is a key component of Harmony's BEE strategy.

The Mining Charter requires that South African companies transfer 15% of their equity ownership to BEE companies by 2009, and 34% by 2014.

Harmony has made significant progress towards this target and estimates that 34% of total ounces produced in FY07 are BEE-attributable. Irrespective of the imperatives of the Mining Charter, Harmony believes that BEE is an essential component of doing business in South Africa.

## The way forward

Harmony believes that it has gone beyond compliance by ensuring that its historically disadvantaged South African (HDSAs) partners are truly empowered, and that its company is largely managed by an HDSA board and that it continues to engage with black shareholders and/or partners to find more opportunities to invest in BEE transactions and involve HDSA partners.

Harmony will continue to embrace empowerment as part of its growth strategy and acknowledges that empowerment forms a fundamental part of its business into the future.

## Preferential procurement

Harmony believes that procurement plays a pivotal role in transforming the South African economic landscape and that, by engaging all the company's supply chain and competence, we can create sustainable business opportunities to fuel the broader national employment engine beyond the required five-year period.

Our plan is aimed at increasing the money spent each year on procurement from broad-based black economic empowerment (BBBEE) suppliers over an initial period of five years. Because sustainability in a small, micro and medium-enterprise (SMME) world entails much more than just the creation of opportunities, the plan also includes the development and mentoring of enterprises with potential.

## Harmony Gold Mining Company Limited and its subsidiaries

Value-added statement for the year ended 30 June

	FY07		FY06	
	Rm	%	Rm	%
Sales of gold	9 148		6 823	
Less: cost of material and services	(2 866)		(1 916)	
Value added from trading operations	6 282	97	4 907	96
Income from investments	197	3	201	4
<b>Total value added</b>	<b>6 479</b>	<b>100</b>	<b>5 108</b>	<b>100</b>
<i>Distributed as follows:</i>				
<b>Employees (including directors and management)</b>				
Salaries, retirement and other benefits	4 000	75	3 666	86
<b>Providers of capital</b>				
Dividends to shareholders	(7)	(0)	(5)	(0)
Interest on borrowings	515	10	436	10
<b>Government</b>				
Taxation	(249)	(5)	(141)	(3)
<b>Total distributions</b>	<b>4 260</b>	<b>80</b>	<b>3 956</b>	<b>93</b>
Retained for reinvestment:				
Depreciation and amortisation	863		939	
Impairment of assets	(134)		(216)	
Profit/(loss) accumulated in the business	353		(425)	
Total reinvested	1 082	20	298	7
<b>Total distribution including re-investment</b>	<b>5 342</b>	<b>100</b>	<b>4 254</b>	<b>100</b>

### Harmony's BEE transactions

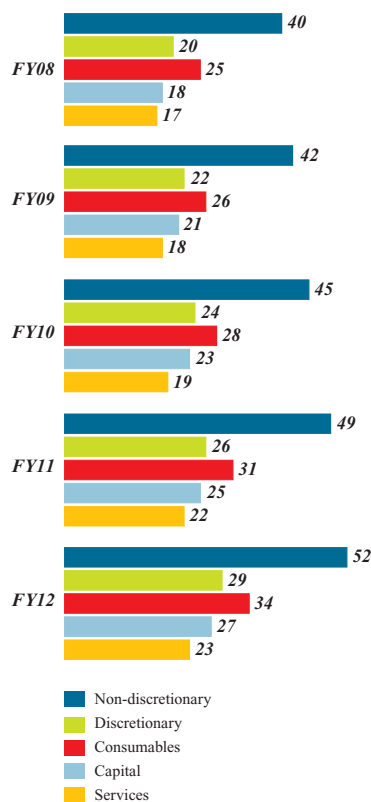
Date	Transaction
February 2002	6.4% of equity in Harmony purchased by Simane, a BEE holding company*
May 2002	10% of ownership of Elandskraal sold to Khumo Bathong Holdings (KBH), a BEE mining company**
January 2003	26% of mineral rights associated with Doornkop sold to African Vanguard Resources
September 2003	Merger with ARMgold, South Africa's only listed, black-owned mining company
October 2004	The Avmin/ARM transaction***
April 2005	ARM/BBEE Trust***
September 2007	Sale of Orkney shafts to Pamodzi Gold

\* Simane sold its holding in Harmony

\*\*Note: Harmony repurchased KBH's 10% stake, at that company's request, for a consideration of R210m. KBH used the R119m remaining after payment of the original debt to Harmony to fund its further participation in the mining industry.

\*\*\* See the Directors' Report of the Annual Report.

Group: BBBEE procurement targets (%) FY08-FY12



Harmony has a group procurement strategy and policy (see our website) that governs and optimises the company's external spend. It is also an explicit group strategy to reduce the number of suppliers to the organisation, but at the same time to enhance the sustainability and regional representation of the companies that do business with Harmony.

Harmony has pro-actively, since FY03, been spearheading procurement transformation and reported an empowered procurement spend of 37% for FY07 (FY06: 36%).

The company measures its procurement empowerment efforts according to the BBBEE classifications as published in the DTI Codes of Good Practice. The group BBBEE target is to procure 45% of every rand that the organisation spends externally with BBBEE suppliers by the end of FY09.

The organisation's day-to-day procurement activities are co-ordinated from the operational procurement nerve centres situated in Randfontein and Welkom, with small decentralised nodes in and near Evander, Carletonville, Doornkop and Mafikeng in order to meet regional procurement empowerment targets as effectively as possible. The Orkney

operations are serviced by the centres in Randfontein and at Doornkop.

After an extensive overview of definitions and classifications during FY07, it became apparent that in order to comply with these targets, we had to change the way in which information was structured and reported. Previously, capital procurement was not distinguished from services and consumables, and no distinction was made between discretionary and non-discretionary expenditure. To this extent, definitions have now been developed, systems capacity has been realigned and appropriate reporting will be in place for FY08.

When Harmony engaged with role players in 2005 with regard to understanding and structuring support to Harmony vendors, a number of concerns were raised and acknowledged. Interaction with a broader base of suppliers, issues relating to process, product and service quality, funding, initiation of BBBEE businesses in industries where transformation was slow, facilitating partnerships, operational support and the knowledge of Harmony's internal processes were the most prominent. For it to make a measurable difference, the business development function has had to play a role in structuring businesses; providing opportunities and funding; liaising with all the relevant departments in government, parastatals and the private sector; assisting with the quality of delivery; and paying within a special conditions framework.

Subsequently, also in FY07, Harmony changed its business development strategy to focus on enabling SMMEs to be effective value-adding and sustainable suppliers to Harmony. BBBEE verification is a cornerstone in this process.

Going forward, the Harmony business development centres will be pivotal in developing and operating a mentorship programme aimed at identifying SMME developmental needs, engaging in the capacity-building process and, ultimately, monitoring progress. The aim will be ultimately to develop Harmony SMMEs to participate in the national economy, rather than being reliant on Harmony as the sole procurer.



For target and measurement purposes the following definitions will apply:

- *Services procurement:* All external procurement of goods that include a labour component or are made up only of a labour component including repairs
- *Consumable procurement:* The external procurement of goods
- *Capital goods procurement:* All service and consumable procurement of a capital nature (as per group accounting capital definitions)
- *Discretionary expenditure:* All expenditure that is not classified as non-discretionary expenditure
- *Non-discretionary expenditure:* Expenditure from monopolistic parastatal and parastatal-like organisations (for all intents and purposes Eskom and the respective Water Boards)

*In PNG, local (national and provincial)*  
Suppliers now account for nearly 50% of procurement spend.

## Political donations

Harmony's policy (see website) on political donations is clearly defined and takes

cognisance of the fact that the democratic process in South Africa needs to be stimulated and supported. A board sub-committee reviews all applications for political donations prior to each national election and awards these on an equitable and proportional basis to all contesting parties. No donations were made in FY07.

## Beneficiation

Harmony has continued to participate in the Chamber of Mines Working Group on beneficiation to be able to:

- determine the capacity of the country for beneficiation, the resources required, the support to be given and the economics involved; and
- understand the basis for beneficiation required in terms of the Mining Charter.

A baseline will be set and specific targets will be determined once there is greater clarity on this at an industry level.

Harmony's involvement in beneficiation during FY07 extended to:

- support for the Harmony Jewellery School in Virginia in the Free State;
- support for Project AuTEK; and

- Orpheo, a manufacturing and retail jeweller in Johannesburg.

During 2006, Harmony's Musuku Refinery in the Free State was closed due to economic circumstances. The company's South African product is being refined by leading South African refiner, Rand Refinery Limited.

## Project AuTEK

Project AuTEK is a collaborative research project between Mintek, a South African researcher in the metallurgical field, and the South African gold mining industry. Harmony joined AngloGold Ashanti (then AngloGold) and Gold Fields as a project sponsor in 2002.

The project involves research for alternative uses for gold in such fields as catalysis, nanotechnology and biomedicine. (*See special report on page 11.*)



## HARMONY APPLICATIONS TO CONVERT OLD ORDER MINING RIGHTS TO NEW RIGHTS

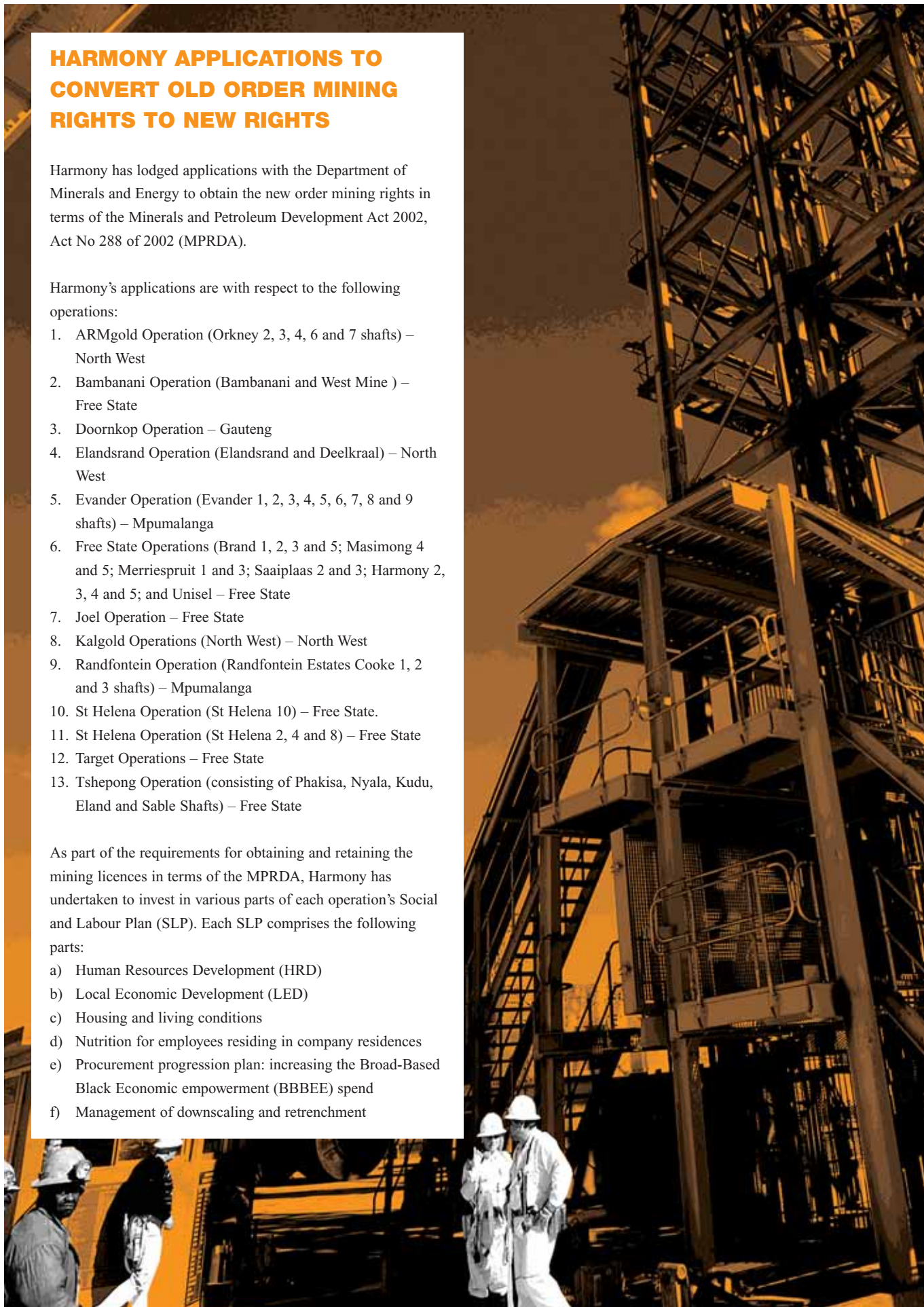
Harmony has lodged applications with the Department of Minerals and Energy to obtain the new order mining rights in terms of the Minerals and Petroleum Development Act 2002, Act No 288 of 2002 (MPRDA).

Harmony's applications are with respect to the following operations:

1. ARMgold Operation (Orkney 2, 3, 4, 6 and 7 shafts) – North West
2. Bambanani Operation (Bamabanani and West Mine) – Free State
3. Doornkop Operation – Gauteng
4. Elandsrand Operation (Elandsrand and Deelkraal) – North West
5. Evander Operation (Evander 1, 2, 3, 4, 5, 6, 7, 8 and 9 shafts) – Mpumalanga
6. Free State Operations (Brand 1, 2, 3 and 5; Masimong 4 and 5; Merriespruit 1 and 3; Saaiplaas 2 and 3; Harmony 2, 3, 4 and 5; and Unisel – Free State
7. Joel Operation – Free State
8. Kalgold Operations (North West) – North West
9. Randfontein Operation (Randfontein Estates Cooke 1, 2 and 3 shafts) – Mpumalanga
10. St Helena Operation (St Helena 10) – Free State.
11. St Helena Operation (St Helena 2, 4 and 8) – Free State
12. Target Operations – Free State
13. Tshepong Operation (consisting of Phakisa, Nyala, Kudu, Eland and Sable Shafts) – Free State

As part of the requirements for obtaining and retaining the mining licences in terms of the MPRDA, Harmony has undertaken to invest in various parts of each operation's Social and Labour Plan (SLP). Each SLP comprises the following parts:

- a) Human Resources Development (HRD)
- b) Local Economic Development (LED)
- c) Housing and living conditions
- d) Nutrition for employees residing in company residences
- e) Procurement progression plan: increasing the Broad-Based Black Economic empowerment (BBBEE) spend
- f) Management of downscaling and retrenchment



*Special Report:*

## AuTEK BIOMED: a role for gold in combating disease

Project AuTEK is a highly successful joint venture established in 2000 between Mintek (the South African metallurgical and minerals research science council) and the gold mining industry. Its objective is to research and develop new industrial applications for gold. Harmony joined AngloGold Ashanti (then AngloGold) and Gold Fields as a project sponsor in 2002. Harmony has contributed R6.9 million to the project to date, and its financial contribution in FY07 amounted to R3.1 million.

A section of the project called AuTEK Biomed, jointly funded by Harmony Gold and Mintek, focuses on developing new types of metal-based therapeutic agents, with an emphasis on diseases such as cancer, malaria and HIV/Aids. "These were selected as being the major health threats facing the African continent," explains project leader Dr Judy Caddy of Mintek. "Precious metals, especially gold, are well known for their excellent biocompatibility, hence their value in biomedical research."

During 2006 and 2007, the project team collaborated with seven local universities, while the core in-house research team grew from three researchers to six.

AuTEK Biomed's HIV BSL II biomedical laboratory was fully commissioned in June 2006 through funding received from the Technology and Human Resources for Industry Programme (THRIP). Additional THRIP funding allowed for the acquisition of a nuclear magnetic resonance (NMR) instrument, which will be commissioned in early 2008. Other opportunities are being investigated via networking and collaborative approaches to funding agencies

and large pharmaceutical companies, with the emphasis on HIV research.

As part of the cancer research programme, more than 170 compounds have been screened so far for anti-tumour activity, with some 30% showing promising activity. Structure-based design has resulted in an increase in the 'hit rate' (activity plus selectivity) to 10%. (Compounds are initially screened to determine whether or not they are inhibitors, i.e. whether they display activity. Once confirmed as inhibitors, they are further screened for selectivity. A compound displaying both activity and selectivity is referred to as a 'hit'.)

The pharmacological work is largely undertaken at the universities of Cape Town, the Western Cape and Pretoria, with synthetic efforts taking place in-house and at the universities of Cape Town, Johannesburg, and KwaZulu-Natal. Structure-activity relationship (SAR) profiling, which involves determining the targets the drugs are attacking and then comparing their structures, and ultimately assigning certain features to being responsible for certain modes of attack, is now in progress. Confirmatory studies are being undertaken on four series of compounds. Key partners have been identified in the United States, and it is hoped they will assist with the further development of key candidates. This involves taking selected compounds from initial in vitro studies through to pre-clinical and then clinical investigation.

Under the HIV programme, more than 100 compounds were screened in the past year (the majority of them in-house). Of these,

19 interesting candidates have been identified through initial in vitro screens. This constitutes a very early stage of investigation and research initiatives have been put into place to build on this preliminary data.

Steady progress has also been made in the anti-malarial programme which, like the cancer programme, is also largely university-based. More than 40 non-metal compounds have been prepared, and complexation to gold is in progress. Initial data from screening tests are expected in the last quarter of calendar 2007. Complexes prepared from this part of the research programme are aimed at malaria treatment. It is hoped that the complexation to gold will have a similar effect to that observed with cancer therapies, ie that it will enhance activity and/or selectivity, in addition to possibly addressing resistant strains of malaria through structural modifications. To date, the AuTEK biomedical programme has produced two PhD and three MSc graduates. A further eight PhD, six MSc and four post-doctoral candidates are currently registered. Work under the programme has won seven awards, and resulted in 100 contributions to professional journals and conferences, of which 49 were international.

The coming financial year is expected to be an exciting one with increased efforts in-house on the HIV programme, tackling aspects of design, synthesis and modelling.

Preparations for a cancer provisional patent are under way in collaboration with the University of Pretoria and filing is anticipated in the last quarter of 2007. The end of 2007 will see a further three PhD and four MSc graduates.



*Special report*

# GOOD ENVIRONMENTAL PERFORMANCE MAKES BUSINESS SENSE

– a review of the year

Contents	Page no
Introduction	13
How we manage	13
Compliance	13
Implementing ISO 14001	14
Contractor and supplier management	14
Environmental incident reporting	14
Financial provision	14
Stakeholder engagement	14
Primary environmental issues	15
Looking forward	19
<i>Special report: Resolving the Western basin decant conundrum</i>	20



## Introduction

Harmony recognises that the long-term sustainability of our business depends on the way in which we manage our assets and their impact on our communities, and surrounding natural environments. By its very nature, mining has an impact on the environment. We have a responsibility not only to comply with environmental legislation permits but to ensure that disturbance to the natural environment and local communities is minimised as far as possible. Good environmental practices make good business sense for many reasons.

In South Africa, our operations and land holdings cover extensive tracts of historical mining areas that have been degraded over the past 100 years by mining and other industries. As Harmony has acquired many of its operations from other mining companies, frequently towards the end of their lives, many of the environmental obligations we face are legacies that have developed over many decades.

In PNG, on the other hand, our operations are in the start-up phase and Harmony is working to ensure that the environmental impact is minimised through the use of modern environmental management techniques which were not available when our South African operations were developed.

## How we manage

Our group environmental policy guides the way in which we manage our impacts on the natural environment at an operational level. All of our operations are subject to the various environmental laws, rules and regulations in place in the countries and regions in which they are situated.

Responsibility for the management of operational environmental issues falls under the operational directors, who are supported by line management in the various regions. A central specialised Environmental Management Function (EMF) guides environmental policy, monitors performance and assists in the implementation of best practice.

We continually promote improved environmental awareness across the company

## Green money

As part of Harmony's focus on the bottom line, we have looked very carefully at our environmental policies, practices and performance during the year in an attempt to understand the key drivers in this part of the business and how we can become better at managing them.

We have come to the clear understanding that, while there are definite legal and moral imperatives to our environmental programmes, they also make good business sense, for the following reasons.

Excellent environmental performance means:

- savings – from energy and water usage, to other materials;
- reduced environmental liabilities;
- the ability to obtain closure certificates for our operations;
- increased value (and alternative uses) for our land holdings;
- the creation of local employment opportunities.
- compliance with our SLPs; and
- building our reputation (and hence market value).

through a number of internal marketing exercises. This is an integral part of the implementation of ISO14001.

## Compliance

The South African operations are managed in accordance with the Environmental Management Plans (EMPs) that have been established at company/mining licence level and have been reviewed and approved by the DME. Consideration is given in these plans to the permits required from other government departments, including among others the Department of Water Affairs and Forestry (DWAF), the National Nuclear Regulator (NNR) and the Department of Environmental Affairs and Tourism (DEAT). All environmental permits have been reviewed and will be aligned as required.

EMPs typically identify individual impacts, mitigation measures and rehabilitation requirements throughout the life cycle of every operation. The review and, in some cases, the revision of these EMPs during the year is required in terms of the MPRDA. Harmony completed the process of reviewing its EMPs within the MPRDA during FY07, as part of its mineral rights conversion process.

Internal compliance assessments conducted by the EMF have indicated that the operations are generally compliant with their environmental obligations. In areas where non-compliance is recorded, the

compliance assessment process, along with formal risk assessment, is used to identify mitigation actions and priorities. Pleasingly, a general increase in compliance was reported during the year.

## PNG

At the Hidden Valley operations in PNG, an amendment to the environmental permit reflecting project improvements identified in the updated feasibility study was approved as a minor amendment by the Department of Environment and Conservation in November 2006. The EMP has been approved and an acid rock drainage and waste dump strategy was submitted to the Department of Environment and Conservation in March 2007, along with a South Dump design report.

A number of environmental studies have been undertaken as part of the Wafi/Golpu pre-feasibility study including base line sampling for:

- Meteorology;
- Surface water quality; and
- Hydrology.

The baseline sampling programme has been completed as planned, under the guidance of experienced PNG environmental consultants. There have not been any environmental survey results which indicate that the development of the Wafi/Golpu mine could be jeopardised on environmental grounds. In addition to the

baseline monitoring programmes, preliminary waste rock characterisation has been completed. Both ore and waste material is indicated to be acid forming, and as such all future feasibility design work will be required to take acid generation into consideration. It is intended to develop an Environmental Impact Statement (as required to gain approval to develop the mine) during the next phase of the project.

## Implementing ISO 14001

In FY06 Harmony committed itself to the implementation of an ISO 14001-based environmental management system (EMS) across its operations and is committed to external certification of its compliance to this standard. While good progress has been made, the implementation of this management system has not been a simple task given the size and complexity of the group's South African operations. Implementation is scheduled to be completed by the end of 2012, through a three-phase approach.

### Phase 1

To ensure that good and rapid progress is made, four key Harmony sites – Doornkop, Elandsrand, Target and Phakisa – have been selected to lead the way in the rapid implementation of ISO 14001. These four sites cover the complete spectrum of underground mining (deep level, major shaft deepening projects and highly mechanised operations), and therefore highlight the environmental issues likely to be encountered at these and other South African operations. These operations are scheduled to complete ISO 14001 implementation by October 2008, with certification to be achieved six months later.

### Phase 2

The implementation process at the balance of the operations is scheduled to proceed as follows:

Evander operations: June 2009  
Welkom operations: April 2010  
Randfontein operations: December 2010  
Virginia operations: June 2011  
Kalgold operations: May 2012  
Village Main Reef: Sept 2012

### Phase 3

ISO 14001 Certification of these operations is planned to take place six months after implementation of the system has been completed.

The second and third phase implementation schedules may change if environmental issues are encountered during the first phase.

## Contractor and supplier management

The group's contractors and suppliers are required to comply with Harmony's environmental policy, and compliance with all legal requirements is part of negotiated contracts. In terms of ISO 14001, a more detailed contractor screening process will be required and this will be implemented as part of the ISO 14001 roll-out process.

## Environmental incident reporting

Significant environmental incidents are reported to the Chief Executive and, where appropriate, to the Sustainable Development Committee of the Board when they occur, and formally in quarterly and annual reports. Significant incidents are defined as those that have an impact outside the company boundaries, which may cause irreparable harm, or require significant expenditure to remediate.

In South Africa, incidents involving water are reported using a specific water-related incident reporting system as required in terms of Regulation 704 of the National Water Act.

Water-related incidents in South Africa during FY07 are reported on page 17.

## Financial provision

Harmony makes financial provision, in a format prescribed by law, to cover the anticipated closure costs of its operations, including the associated rehabilitation.

South African mining companies are required to establish and maintain rehabilitation funds to make provision for carrying out their obligations such as covering the costs of rehabilitation and pollution control, and contingency liability. Currently, seven

independent environmental rehabilitation trust funds exists within Harmony. The total provided in the trust funds as at 30 June 2007 was R1.395 billion (R107 million more than in the previous year).

The overall increase in the rehabilitation liability of 25% year-on-year is due to a number of factors, including a 7% increase attributable to inflation. The remaining 18% increase is due to inclusion of new radiation and post-closure monitoring requirements. Before this year, the former had not been taken into account but, after standardising across the group, this now forms part of Harmony's annual review requirements.

## Stakeholder engagement

Harmony takes its relationships with its stakeholders very seriously, and especially with respect to environmental issues. We recognise that the effects of our activities on the natural environment have the potential to impact upon stakeholders' lives if not well managed. In addition to being responsive to calls and queries from community members, Harmony attempts to address issues proactively through mine site programmes and representation on formal environmental bodies.

### Government environmental forums

Harmony is represented on several government environmental forums established by the DME and DWAF. We have also assisted in establishing catchment management agencies in our areas of operation, which are outlined below.

- **Mpumalanga:** Evander gold mines is a member of the Waterval Forum. The Waterval River catchment area forms part of the Upper Vaal River Catchment. Evander is also represented in the Forum Management Committee and quarterly meetings are held in order to discuss water and pollution issues related to the catchment. Biannual public meetings are also held in order to inform the public and community of the issues discussed during the year.
- **Free State:** The Sandvet Catchment Management Committee, in which Harmony participates, works with DWAF and manages the water resources in the area.

- *Randfontein:* The Wonderfonteinspruit/ Loopspruit Forum was recently reconstituted as part of the Kromdraai Catchment Area Working Group. Harmony participates within this structure.
- In the Randfontein, Carletonville and Klerksdorp, Orkney, Stilfontein, Hartbeesfontein (KOSH) areas we participate in parallel structures (namely the Western Basin Technical Working Group, the Far Western Basin Government Task Team and the KOSH Water Task Team) that focus on regional mine water issues.

These forums, which deal mainly with issues surrounding water, allow for public participation as required by the various regulators.

## Primary environmental issues

Harmony takes an active role in:

- improving efficiency in using our resources, with a particular focus on water, energy and materials;
- eliminating or reducing our emissions,

effluents and waste, with a particular focus on water, dust and greenhouse gas emissions; and

- implementing and maintaining best practices in managing our extensive land portfolio.

### Efficient use of resources: water, energy and materials

Given Harmony's current involvement in five growth projects, the objective of which is to increase production, it is likely that our resource usage – water, energy, timber, cyanide, and other chemicals – will increase in the next few years. Our focus is therefore on improving the efficiency with which we use these resources. Improving efficiency will also have a positive effect on costs.

#### Water

Our operations make extensive use of water. They are generally based in countries where water is a scarce resource and this scarcity is likely to increase in years to come, as will the cost of the water that we purchase from external suppliers. Harmony has embarked on a group-wide campaign to re-use process water and optimise water retreatment.

Total consumptive use of water is in line with the total rock mined sources previously from non-potable sources. A 4% reduction in potable water indicates a positive trend (Schedule on page 16).

A number of large shafts have ceased operation, hence the decline in the volume of water recycled.

#### Energy

Energy consumption by our operations has a significant indirect environmental impact. South Africa's national energy utility, Eskom, is largely driven by coal-fired power stations. Energy is also a significant component of our cost base, with some R780 million spent on energy consumption in South Africa alone in FY07. Thus, efforts to reduce consumption and improve efficiencies are a key area of focus in our efforts to reduce costs.

On underground mines, electricity consumption on average accounts for 15% of costs. Cooling and ventilation systems, in particular, require significant amounts of electrical power.

## Financial contributions

Trust Fund Name	Contributions from	FY06 Trust Fund balance (R000)	FY07 Trust Fund balance (R000)	FY07 Rehabilitation liability (R000)
Bambanani, Joel, Matjhabeng and Tshepong Rehabilitation Trust Fund	Bambanani, Joel, Matjhabeng and Tshepong mines	669 837	731 397	768 376
Harmony Gold Environmental Trust Fund	Kalgold, Randfontein Estates, Harmony Gold Mine and Evander Gold Mines	387 048	408 836	875 580
ARM Rehabilitation Trust	Orkney and Welkom operations	54 454	59 274	113 509
St Helena Rehabilitation Trust Fund	St Helena	57 098	65 222	48 520
AVGOLD Nature Conservation Trust Fund	Target Mine	31 701	35 312	31 321
Elandsrand and Deelkraal Rehabilitation Trust Fund	Elandsrand and Deelkraal operations	87 153	94 575	104 498
<b>Total</b>		<b>1 287 291</b>	<b>1 394 616</b>	<b>1 941 804</b>



We have actively engaged with Eskom in Demand-Side Management (DSM) strategies to reduce the general impact of our operations.

DSM projects aim to reduce electricity consumption during peak electricity periods daily, such as early morning and late afternoon.

This initiative involves measures such as timing pumping to consume electricity in cheaper off-peak periods, making more efficient use of Eskom tariffs that reward load-shifting, and improving the efficiency of pumping operations. The latter includes the installation of sophisticated equipment and variable-speed pump motors that reduce the surge in power consumption when a pump is started.

While the software needed to support these systems is complex and costly to develop and implement, savings can be significant as demonstrated by the drop in electrical energy consumed considering the 18% increase in rock mined.

In order to regulate energy consumption levels of sizable equipment, Harmony has installed a control and monitoring system (electricity management system) and low energy lighting systems are being implemented at operations.

Our power management system is now operational; additional resources have been dedicated to energy saving, with a full-time team dedicated to managing the energy project. The team's strategic mandate is the analysis of consumption in all areas (energy, water) and the overall aim is to reduce the company's environmental footprint.

Harmony's total energy consumption from all sources shows an increase of 10% for an equivalent increase of 18% in total rock mined. Energy used per tonne mined amounted to 663J/t for FY07, compared with 713J/t for FY06.

#### Energy usage in PNG

In May 2007, Harmony signed an agreement with PNG Power Limited (PPL) to supply the Hidden Valley project with electricity. PPL

will construct new transmission lines and infrastructure in order to supply hydro-electricity from the Yonki Dam. Hydro-electric power is one of the most effective means available to generate green energy. In addition, generation costs are significantly lower than the diesel generator alternative.

#### Materials (including cyanide)

The table on page 19 indicates some of the materials used by the group during the year under review. Again, materials usage has a significant impact on costs and the environment, and efficient usage forms an important part of our overall management programme.

Harmony uses many approaches to avoid excess wastage. An example of efforts to minimise environmental impacts is the use of waste from tailings retreatment as underground backfill support and road-fill.

In June 2007 Harmony was accepted as a signatory to the International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold (the Cyanide Code). The Cyanide Code is a voluntary industry programme developed by the United

Nations Environment Programme (UNEP) and the International Council on Mining and Metals (ICMM) for companies involved in the production of gold using cyanide. The aim of the Code is to promote responsible management of cyanide, enhance the protection of human health and minimise environmental impacts. As part of the Cyanide Code initiative we are now monitoring cyanide consumption.

## Emissions, effluents and waste

### Dust

Dust released from our various operations can negatively affect the quality of the ambient air and measures are put in place to minimise its impact.

Dust-related complaints from interested and affected parties have substantially reduced since September 2006, after intensive efforts by the company to reduce pollution from this source and to engage with stakeholders.

In addition, the establishment of side slope vegetation on the Kinross tailings dam began in July 2007, and a site meeting was recently scheduled regarding the vegetation of the side slopes of the Winkelhaak slimes dam.

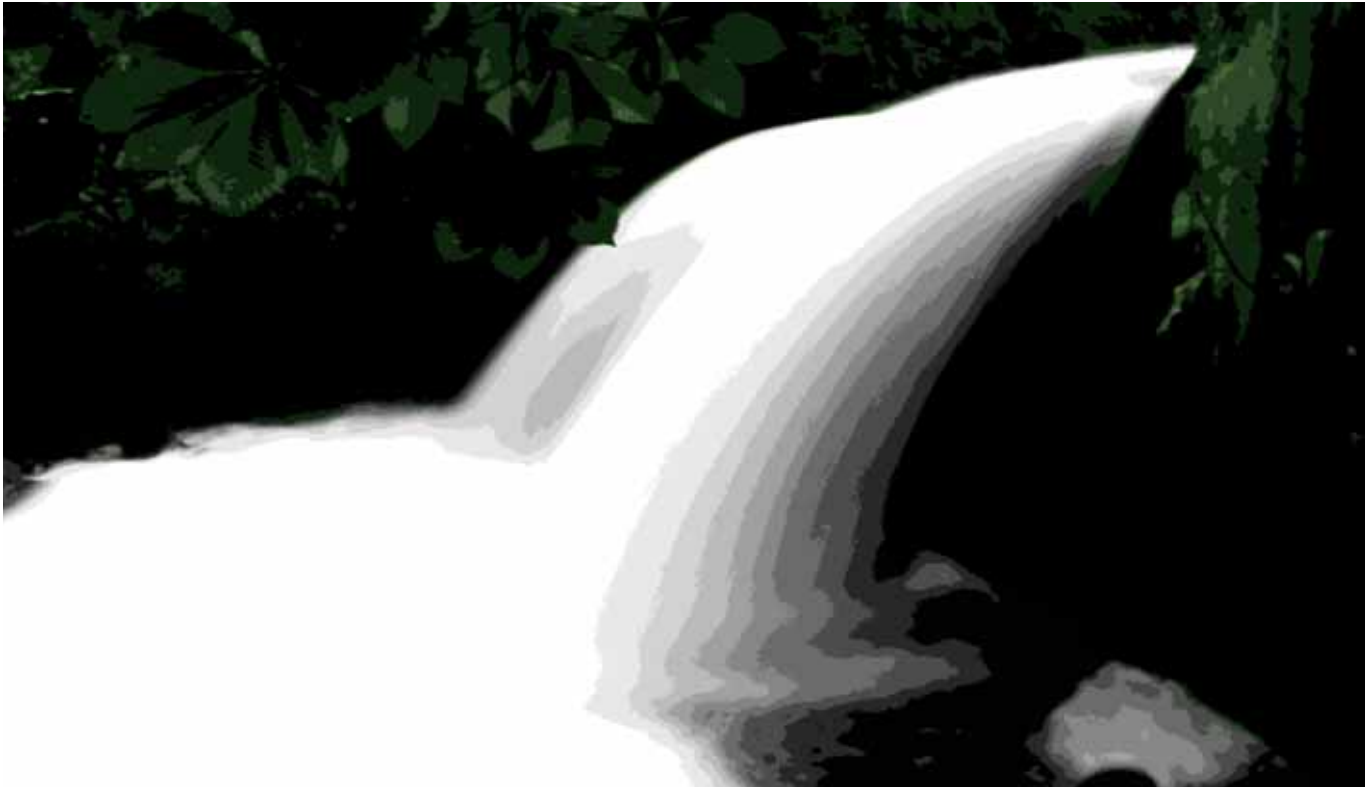
#### Water consumed (units = 1 000m<sup>3</sup>)

	South Africa		
	FY06	FY07	% change
Water used for primary activities (unit)	84 891	101 024	19
Potable water from external sources	23 886	22 972	(4)
Non-potable water from external sources	61 005	78 052	28
Surface water used	38 646	53 795	39
Groundwater used	22 358	24 545	19
Water recycled in the process	53	29	(83)

*It is important to note the definitions of the water uses listed above:*

1. *Water use for primary activity:* Consumptive use for plants, shaft, etc – that is, global water input
2. *Potable water from external source:* Metered, invoiced as supplied by bulk water supplier – ie: Sedibeng, Randwater, Midvaal
3. *Non-potable water from external source:* Boreholes, fissure, rain water and river water – i.e.: all other sources other than 2 above
4. *Surface water used:* Rainwater, rivers and dams (external, not dams fed from underground)
5. *Groundwater used:* boreholes and fissure.
6. *Water recycled in process:* Return water to plant, and water to underground for drilling and cooling
7. *A number of large shafts have ceased operations, hence the decline in the volume of water recycled.*

*Note: Potable and non-potable water = total consumptive use of water for primary activity  
Surface water and groundwater = non-potable water from external sources*



Harmony has recently implemented a dust suppression project in Randfontein, which comprises three phases:

- Short-term: Ridge ploughing is currently being carried out on Slimes Dams 39 and 40/41. Palliatives (binding agents to suppress dust) are being applied on Slimes Dams 39, 40/41 and Sand Dump 20. The success of applying palliatives in suppressing dust is currently under review and should be completed by September 2007.
- Medium-term: Contour walls on Slimes Dams 39, 40/41 are being maintained. The contour walls on Dam 39 will be vegetated during the coming growing season. Dam 40/41 is to follow once Dam 39 is completed.
- Long-term: Recycling of these dams and dumps is envisaged. Recycling of Sand Dump 20 is planned to increase at the end of 2007. Reclamation of the other slimes dams is still in the pre-feasibility stage. Where dumps will not be reclaimed, vegetation will be maintained on the dams.

In order to understand dynamics of dust generation in the Free State area, an independent consultant was contracted to undertake a full environmental risk analysis (quantitative and qualitative data) consisting of:

- theoretical identification of relevant environmental hazards from slime/mine dams/dumps;
- a tailings dam hazard assessment, the findings of which will be used to develop and implement a comprehensive monitoring system;
- collection and analysis of bulk samples to validate all theoretical assumptions; and
- environmental monitoring in all relevant identified areas over a period of four months during the windy season, from August until November, to qualify and quantify theoretical identified hazards and calculate the risks associated with these.

The results from this risk analysis exercise will be finalised in December 2007 and will provide a better platform from which to make an informed decision about the future environmental programme of monitoring. The results will also be used to draft future environmental programmes.

#### **Water**

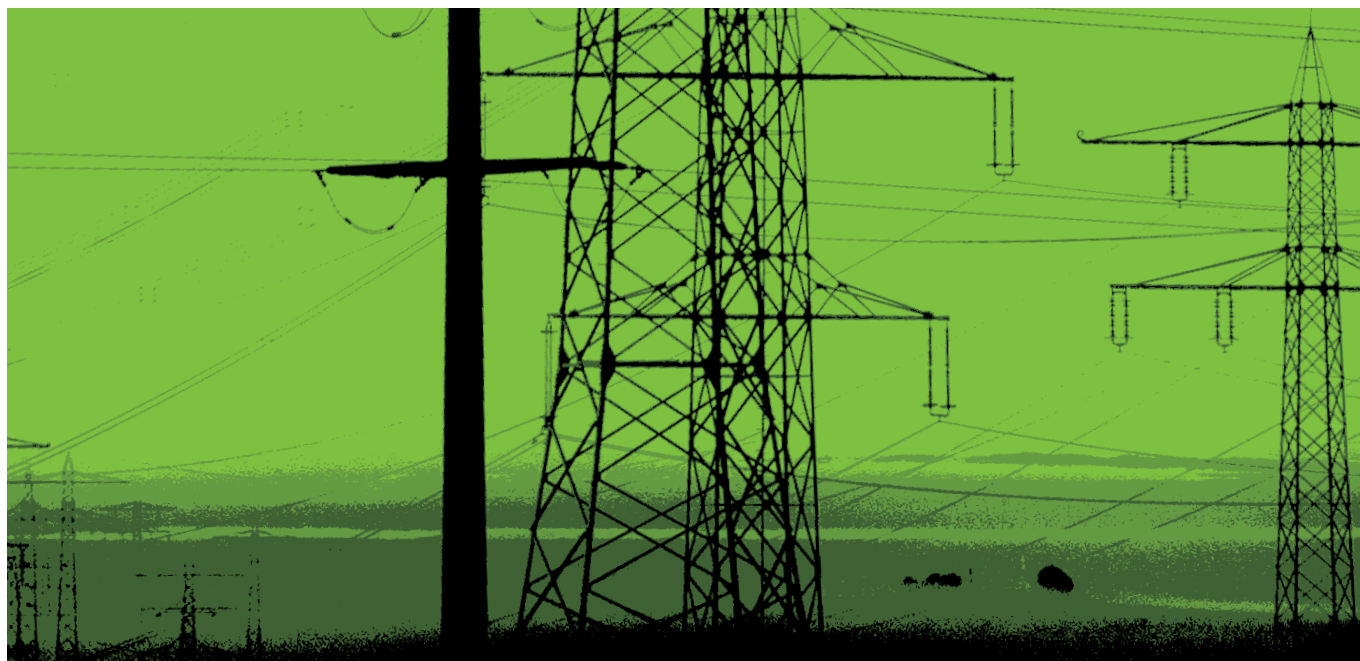
Water management and the prevention of pollution are key concerns across our operations. Ground and surface water are

checked regularly to minimise potential risks in the form of spillages or contamination with specific initiatives being undertaken.

- *Wonderfonteinspruit (Randfontein):* Sediment from the Wonderfonteinspruit is currently being systematically sampled to identify locations of potentially hazardous levels of metals and radioactivity. The results from this study will be collated with results from studies carried out on the lower Wonderfonteinspruit by other mining companies, in order to understand an holistic water management solution for the entire catchment area.

Two other significant issues which bear mention are Robinson Lake and the KOSH issues.

- *Robinson Lake (Randfontein):* Robinson Lake has for many years been used as a storage facility for excess process water from the Randfontein operations. Harmony has a servitude registered over this body of water, for this purpose. The long-term plan is to rehabilitate the area, as soon as the



#### Energy used at operations (unit = J)

	South Africa	
	FY06	FY07
Energy from electricity purchased (unit)	1.42 x 10 <sup>16</sup>	1.57 x 10 <sup>16</sup>
Energy generated from diesel and petrol	6.55 x 10 <sup>8</sup>	4.25 x 10 <sup>8</sup>
Renewable energy used	Nil	Nil
Total energy consumed	1.42 x 10 <sup>16</sup>	1.57 x 10 <sup>16</sup>

#### Total CO<sub>2</sub> emissions from activities FY06

Source	CO <sub>2</sub> emissions in metric tons
Grid power use	4 261 185
Business kilometres	3 686
Fuel use	84 942
Natural gas	690 000
CO <sub>2</sub> tons	5 039 813

entire volume of water from the decant can be treated in a sustainable manner, without requiring intermittent storage. Various technologies are currently being evaluated as potential sustainable treatment options.

- **KOSH:** Harmony shares responsibility with other mining companies in the area, to collect, remove and re-use or dispose of water emanating in the KOSH areas. (See special report on page 20.)

#### Water and waste management in PNG

A report on acid rock drainage and waste dump management has been prepared and submitted to the relevant authorities in PNG. Monitoring of the impact of construction on both the Wabut and Bulolo catchment areas continued and additional water samples were taken and analysed to fully assess any potential

impact. Baseline monitoring and water sampling also continued as part of the Wafi/Golpu feasibility programme.

#### Greenhouse gas emissions

Harmony is committed to using resources in a responsible manner and, with climate change being an increasingly contentious issue. Harmony conducted an audit on our greenhouse gas emissions which have been reported to the Carbon Disclosure Project (CDP). The CDP is a non-profit organisation which has been established to highlight effects of climate change to corporations and their shareholders, regarding the implications of climate change.

The company's final submission can be found at [www.cdproject.net/response](http://www.cdproject.net/response). A summary of CO<sub>2</sub> emissions is given in the table above.

#### Land management, including biodiversity

##### Land management

Harmony's operations across South Africa hold title to some 48 916ha of land. Although the company holds surface and freehold rights over a vast area, only a fraction of it is used for mining.

In an effort to turn to account the company's extensive land holdings and, at the same time, to limit liabilities at the end of mine lives, Harmony has established a new unit within the environmental discipline, which will focus exclusively upon rehabilitation services. Once land has been rehabilitated it may be developed further in line with spatial development frameworks and LED plans contained within the company's SLPs.

In the Evander area in Mpumalanga, where Sasol coal deposits overlay Harmony workings, there is common cause for concern.



**Materials used at operations (by weight or volume)**

	South Africa		Australia/PNG*	
	FY07	FY06	FY07	FY06
Rock mined (ore and waste) (000t)	23 685	19 922	17 680	
Ore milled (000t)	14 029	12 871	2 961	Complied with
Waste rock recycled (000t)	1 375	759	n/a	Australian
Slimes recycled (000t)	1 763	279	1 936	environmental
LPG (000t)	0.32	0.15		laws.
Grease (000t)	0.37	0.519	24.82	
Cyanide (000t)	9.65	Not reported	1 708	
Fuels (000l)	11 875	18 344	11 379	
Lubricating and hydraulic oil (000l)	2 166	3 270	168	

\*Complied with Australian environmental laws

**Waste management (000 tonnes)**

	South Africa		Australia/PNG*	
Mineral waste	FY07	FY06	FY07	FY06
(a) Accumulated tailings in tailings dams (active and dormant)	1 759 972	3 082 000*	241 227	Complied with
(b) Accumulated in waste rock dumps	126 087	202 936	777 000	Australian
				environmental laws.
<b>Non-mineral waste</b>				
(a) Hazardous to landfill	Nil	Nil	n/a	
(b) Hazardous to incineration	Nil	Nil	n/a	
<b>Low-level radioactive waste generated</b>				
(a) Scrap steel	9.8	11.40	n/a	
(b) Scrap timber	7.2	0.88	n/a	
Percentage of materials used that are recycled	Nil		n/a	

\*Complied with Australian environmental laws

Number reported for Free State in 2006 was over-stated.

A technical working group, comprising representative from both parties, has been formed and meets on a regular basis to progress the issues. Issues of concern are the potential for water decant once either or both respective mining operations cease, and the location of Harmony's tailings dam.

The Sasol-Harmony co-operation extends to the best land use in the region for all infrastructure, including the optimal positioning of slimes dams.

Further groundwater studies will be undertaken by a mutually agreed, independent consultant.

**Biodiversity – South African operations**

Mining can pose a threat to the biodiversity of the regions in which it operates. While

many of Harmony's current mining operations in South Africa are underground (and therefore cause less surface disturbance than open-pit mining) or in areas that have historically been affected by mining, the effects are monitored and mitigated where possible. None of Harmony's operations is adjacent to or in a protected area. An issue of concern, however, is the impact of the West Rand water decant on the Krugersdorp Game Reserve and on the Cradle of Humankind (see special report on page 21).

**Land management in PNG**

Service agreements were signed during the year with a local landowner group for the revegetation of the access road to Hidden Valley. As part of the process, three trial plots were planted to assist in identifying grasses and other plant species suitable for

sustainable revegetation of the access road and other disturbed areas. The bulk of the revegetation programme should continue during FY08.

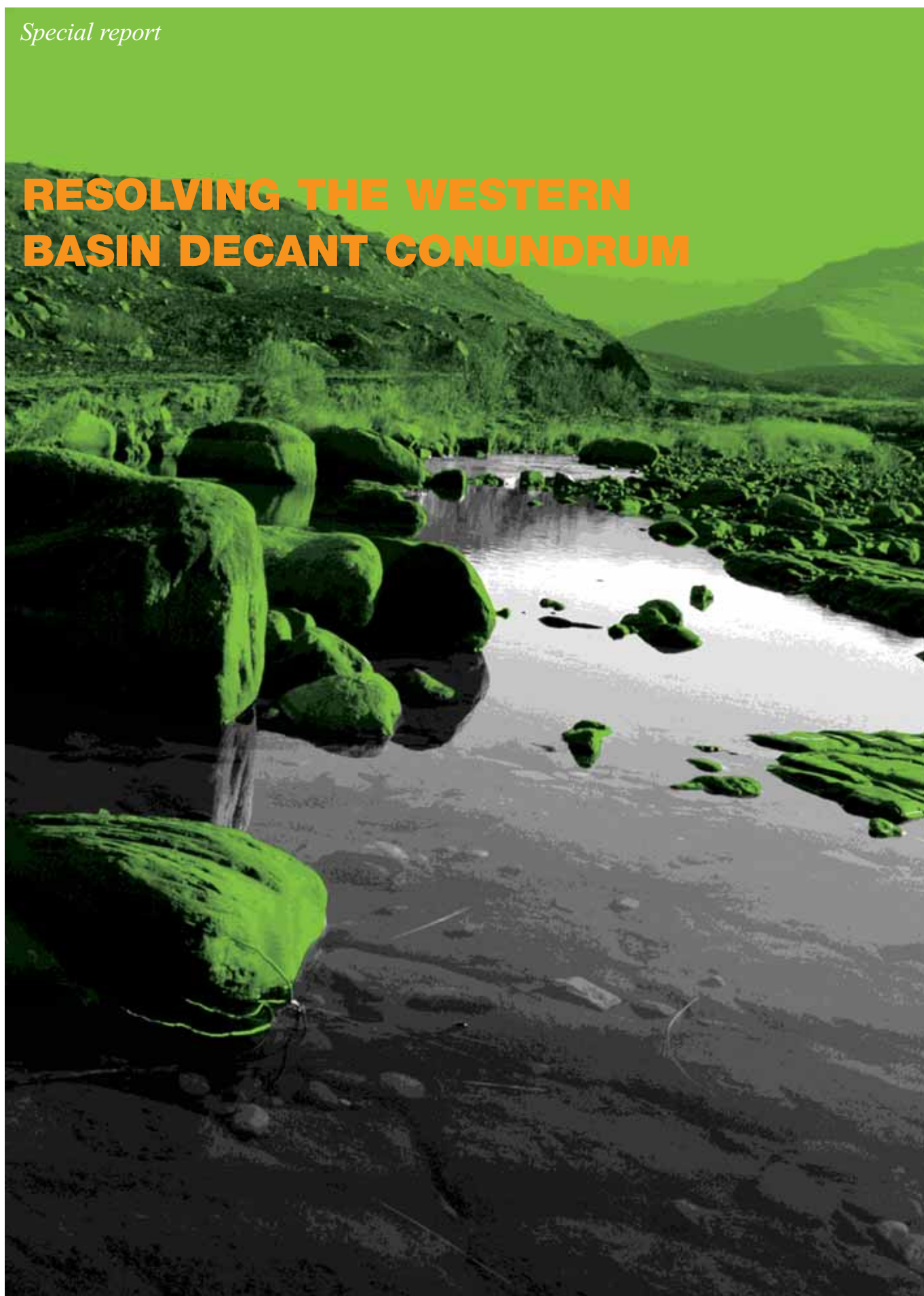
**Looking forward**

A few important areas have been identified by the environmental management team as key objectives for FY08. These include:

- improving environmental awareness across the group;
- reducing the company's environmental footprint;
- successful implementation of ISO 14001 in target areas;
- reducing environmental liabilities and incidents; and
- strengthening the human resources skills base of Environmental Management practitioners.

*Special report*

## RESOLVING THE WESTERN BASIN DECANT CONUNDRUM



## Resolving the Western Basin Decant Conundrum

One of the most critical environmental impacts of mining, especially in water-scarce South Africa, is the issue of contaminated water originating from mine shafts and underground workings flowing into surface water resources.

One of the areas in South Africa where acid mine drainage and decanting mine water has been a concern is the Western Basin in the Randfontein area of Gauteng, where a number of interconnected gold mines, that have been owned and mined by various companies over the past century, have left behind numerous shafts and cavities underground which have filled up with water over the years. As this water fills the voids left from mining it becomes acidic and dissolves a number of heavy metals, becoming enriched with sulphates (salts). The resultant solution requires treatment to acceptable standards before discharge to the environment.

Of great concern to Harmony specifically, is the Western Basin where mine water has been decanting from this combination of disused operations within the company's Randfontein operations boundary. Harmony has incurred costs of around R100 million from 2002 to the end of FY07. These costs include the capital and operational expenses necessary to pump and treat this decanting water, as in terms of the National Water Act (NWA) the owner of the land is responsible for containing and/or treating the polluted water. While this water is an accumulation of water emanating from the mines in the area, the fact that it finally decanted on Randfontein Estates property meant that Harmony was immediately held liable to take action – which, as a

responsible corporate citizen, the company did in 2002.

The apportionment of liability for pumping and treatment costs in these types of situations where current multiple owners have inherited connections to adjacent defunct mines has always been a contentious issue with no clear lines of responsibility emerging.

For example, in 2005, AngloGold Ashanti, the world's third biggest gold producer, took court action against Stilfontein and fellow-miner DRDGOLD in an effort to keep them paying to pump water from closed mines in the KOSH area, as AngloGold Ashanti's own mines nearby were in danger of flooding.

Companies are now required to establish funds in advance to pay for the costs of closing mines, but Stilfontein did not have enough money to pay for the continuation of pumping and sought liquidation instead. A directive from DWAF ordered AngloGold Ashanti, Harmony, DRDGOLD and Stilfontein to share the cost of pumping water from the area in North West Province commonly referred to as KOSH (Klerksdorp, Orkney, Stilfontein and Hartebeesfontein).

The issue in the Randfontein area has not been entirely resolved.

To review and combat this very serious problem, the Western Basin Technical Working Group (WBTWG) which is chaired by DWAF was formed, and comprises representatives from Harmony, the DME, the Gauteng Department of Agriculture, Conservation and Environment (GDACE), Mogale City, the Council for Geoscience, independent consultants and other interested and affected parties.

A water treatment plant was installed progressively from 2002 to pump and treat this polluted mine water. The plant is located some 4.5km upstream from the decant point and treats the water to acceptable standards given the current treatment technologies available. This treatment process costs in the order of R1.5 million per month and treats between 12 and 17 Ml/day.

In August 2007, the report of a visit by the Parliamentary Portfolio Committee on Water Affairs and Forestry to the province of Gauteng praised efforts by Harmony to improve the quality of water discharged from its plant. Members of Parliament visited the Western Basin water treatment facility and noted a marked improvement in the quality of the game reserve water, with flora re-growing and fauna returning to the area.

Another major development arising from the water decant concerns, is the formation of a two-tiered water utility company, in an effort to turn this water liability into a sustainable opportunity. The West Basin Environmental Corporation (WBEC) is a Section 21 water company, established by DRDGOLD, Mintails SA and Harmony, which, through a separately formed utilities company, Western Utilities Corporation (WUC), intends to pilot a plant to treat the water to an industrial quality. WUC will develop and operate a number of pilot plants on several water projects while investigating the viability of sustainable solutions to the water problem. The WUC treatment plant will be established to reduce the void level of polluted water to the Environmental Critical Level (ECL), treat the acid mine drainage at its source and preserve the water resources in the area.



Feature

# THE PEOPLE OF HARMONY

## Contents

## Page no

Introduction	23
Harmony as an employer	23
Employee benefits	24
Social plans and future forums	24
Training and development	24
– Adult Basic Education and Training	24
– Mining and other skills development programmes	25
– Learnership programmes	25
– Business Leadership Development Programme	25
– Bridging School	26
– Bursary and study assistance programme	26
Employment equity	27
– Promotion of HDSAs	27
– Women in mining	27
– Localisation	27
– Migrant labour	27
Human rights	27
Accommodation and living conditions	28
– Accommodation	28
– Nutrition	28
<i>Special Report: Harmony Bridging School</i>	29

## Introduction

In this section, we discuss Harmony as an employer, our approach to labour practices and human rights, safety and occupational health, and the philosophy behind our corporate social investment and participation in the economic development of the countries in which we operate.

In South Africa, Harmony is a strong supporter of the transformation process. We are committed to complying with the requirements of the MPRDA and the Mining Charter.

## Harmony as an employer

Harmony is a significant employer in the mining sector in South Africa and will, over the next few years, employ more people in PNG.

At the end of June 2007, Harmony's total employee complement was 55 733 (FY06: 54 537), made up of 48 126 permanent employees (87%) and 7 617 contractors (13%).

Labour turnover was 5.9% during the year, with 2 789 people leaving the group for a range of reasons.

It should be noted that the sale of the Orkney shafts in South Africa and South Kal in Australia will have an impact on employee numbers in FY08, although Harmony's growth projects will also create a number of new jobs in the years to come.

Harmony's approach is characterised by flat management structures. A system of

continuous operations (CONOPS), introduced where appropriate and with the agreement of organised labour, has ensured the creation of about 15% more jobs than would have been the case with a traditional cycle of shifts. (CONOPS is a working arrangement whereby operations run every day of the year except for recognised public holidays.)

## Relationships with employees and unions

As is the case at all mining companies in South Africa, relations with employees and organised labour at Harmony are regulated by legislation covering the prescribed minimum levels of compensation and benefits; trade union access and membership; the right to strike; mandatory compensation in the event of termination for operational reasons; affirmative action policies and programmes; compensation for occupational illness or injury on duty; and the provision and financing of training programmes.

The major unions recognised by Harmony are: the National Union of Mineworkers (NUM), the United Association of South Africa (UASA), Solidarity and the South African Equity Workers Association (SAEWA).

The minimum notice period required in respect of organisational change affecting 50 or more employees is governed by the Labour Relations Act in South Africa. Section 189A of the Act allows for a 60-day notice and consultation period regarding any proposed restructuring or organisational change.

## Union representation at South African operations

	FY07	FY06
Collective bargaining fund	5.1%	7%
No union	7.9%	7%
UASA	7.7%	8%
Solidarity	1.9%	2%
SAEWA	0.1%	0%
NUM	77.4%	76%

In June 2007, the South African Chamber of Mines (COM) began negotiations on behalf of member gold mining companies with the three labour unions recognised in the gold mining industry, the NUM, the UASA and Solidarity. The negotiations were extensive and dealt with more than 60 items. A two-year wage agreement was reached at the end of August and included:

- A minimum wage of R3 000.00 per month for entry level underground workers;
- A significant increase in wages for entry level surface workers;
- An annual wage increase of 8.5% for category 4 to 8 workers in FY08 and an increase of Wage CPIX + 1% with a guaranteed minimum of 8% in FY09.
- An increased wage offer for other employees of 8%;
- An improved wage increment for surface and underground artisans in short supply;
- A new basic wage for rock drillers of at least R4 000 by July 2008;
- An increase in the living out allowance from R1 000 per month to R1 200 by September 2008;
- Agreement that a performance management system will be introduced

## Employment statistics

	Employees		Contractors		Total		% change
	FY07	FY06	FY07	FY06	FY07	FY06	
South Africa	47 431	48 283	7 019	5 287	54 440	53 570	1.7
Australia	251	204	408	416	659	620	6.3
PNG	444	274	190	83	634	347	9.8
<b>Total</b>	<b>48 126</b>	<b>48 761</b>	<b>7 617</b>	<b>5 786</b>	<b>55 733</b>	<b>54 537</b>	<b>1.7</b>

- for middle level management in the bargaining unit;
- Agreement on a mechanism to ensure that the terms of service of contractors are in line with generally acceptable conditions of service; and
- An undertaking to review the production bonuses of all employees.

During negotiations, the COM indicated that the employers would like to reach an agreement which has a balance between employee expectations and the long-term viability of the industry. We believe that this agreement has met those twin objectives as well as taking into account the cyclical nature of the industry and declining production levels. The agreement, coming as it did amid threats of widespread industrial unrest and high expectations among employees that were fuelled by a favourable gold price, is testimony to the mature relationship which now exists between Harmony and the unions as well as to the skill of the negotiators.

In line with common practice in the area, the Australasian operations are not unionised. Wages and conditions of employment are set in terms of industry benchmarking and individual performance contracts.

## Employee benefits

Harmony's remuneration philosophy is underpinned by its performance culture: a belief that ordinary people can deliver extraordinary results through coaching, empowerment and teamwork. Harmony's human resources systems and processes are designed to recognise and reward performance.

Harmony provides employees with a comprehensive remuneration package, including leave, annual or performance bonuses, housing, medical aid and retirement funding.

In South Africa, many of these are governed by legislation or collective bargaining agreements, and are provided to all employees. Share incentive schemes are in place for management staff, defined as Mine Overseer level and above.

In South Africa, Harmony's employees belong to various co-contributory pension and provident funds. The company's liability in terms of pension funds is limited to its annually determined contributions, while provident funds are funded on a money accumulation basis through employer and employee contributions fixed when the funds were constituted. Employees in PNG also participate in defined contribution arrangements. Full details of retirement benefit obligations can be found in the annual report.

## Social plan and future forums

Social plans have been developed for each of Harmony's South African operations. The aim of these plans is to work constructively with unions and plan for the enhancement of the life of each operation, to develop ways of boosting profitability (and hence employment) and to ensure that, should retrenchments be necessary, every opportunity is found to transfer employees within the group or retrain employees for alternative income-generating activities. The social plans also encompass some of our corporate social investment activities around our operations and in labour-sending areas. Collective social plan activities are undertaken by the Future Forums which have been set up at each operation.

## Training and development

Harmony spends a significant amount of resources on training and development of current and future employees. These initiatives include, among others, Adult Basic Education and Training (ABET), mining and other skills development programmes, learnership programmes, our Business Leadership Development Programme, our Bridging School, and our bursaries and study assistance programme. In FY07, our total group training and development budget was R109.9 million. Of this, R94.5 million was spent in South Africa, R2.4 million in Australia and R13 million in PNG. On-the-job training is an important building block in our overall

training programme but can obviously not be quantified in monetary terms.

## Adult Basic Education and Training

ABET and Further Education and Training (FET) are outcomes-based education programmes for adults wanting to begin or complete their basic education. It is estimated that the current literacy level within Harmony's South African operations is in the region of 40%, reflecting the importance of these programmes.

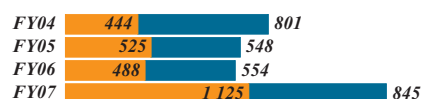
While the Mining Charter requires that Harmony provide category 3 to 8 employees with the opportunity to become functionally literate by 2009, Harmony has gone beyond this requirement and set as its own strategic objective the achievement of a fully literate workforce by 2015. An agreement on the provision of ABET and FET was signed on 16 September 2006, by the NUM and Harmony. This agreement makes provision for 3% of all employees to be on full-time ABET classes and an additional 8% to be in part-time ABET going forward.

In FY07, a total of 1 970 learners participated in both full-time and part-time ABET classes at a cost to the company of some R30.4 million (FY06: 924 learners, at a cost of R24.1 million). The company is well-resourced, with some 114 ABET/FET facilitators being employed by the group, and 72 classrooms having been made available. Successful ABET students receive financial incentives as specified by the Mine Qualifications Authority (MQA).

### ABET students in FY07 – from pre-ABET to Level 4

Centre	Full-time	Part-time
Evander	75	145
Randfontein	99	79
Elandsrand	64	174
Orkney	46	37
FSG	408	294
Welkom W	0	223
Harmony 2	153	173
<b>Total</b>	<b>845</b>	<b>1 125</b>

### ABET and FET enrolment: FY04-FY07





### Mining and other skills development programmes

Annual workplace skills development plans and training reports are submitted to the MQA each year and identify Harmony's skills needs going forward and hence our training requirements. Training is conducted in line with the standards set by the National Qualifications Framework (NQF).

Harmony's in-house training centre is ISO 9001-accredited and meets the requirements of the MQA. Training and development initiatives cover the core disciplines of mining, engineering and metallurgy, as well as safety and health, and are focused on the skills development of historically disadvantaged South Africans (HDSAs). Of the total number of people who undertook training at our training centre in FY07, 94% were HDSAs and 7.8% were women.

### Learnership programmes

Learnership programmes are established in terms of the Skills Development Act, the objectives of which are the development and improvement of workplace skills. Learnerships lead to recognised qualifications, are approved by the relevant Sector Education Training Authority (SETA) and are registered with the Department of Labour. Participants in Harmony's learnership programmes are trained, while employed by the company, in the theoretical and practical aspects of specific mining and engineering disciplines. As at the end of FY07, 498 learnership candidates were enrolled in the following disciplines: mining (260); management (13); payroll (39); and engineering (186). Of the total of 498 candidates enrolled, 95% are HDSAs and 20% are women.

### Business Leadership Development Programme

Harmony's Business Leadership Development Programme, which is run in conjunction with the University of the Witwatersrand, is an intensive seven-month programme that coaches promising candidates in respect of the competencies required for our business leaders of tomorrow. Study areas include strategic management, coaching development, people management, financial management, business acumen, internal marketing, change and diversity management and lifestyle skills such as self-motivation and discipline. What makes this programme unique is that there is a high degree of involvement with Harmony's current operations and business leaders, in order to ensure that candidates are exposed to real situations. In FY07, we spent some R1.6 million on this programme (FY06: 1.5 million). To date, a



total of 195 people have participated (or are currently participating) in this programme, 27% of whom are HDSAs, and 14% women.

### Bridging School

Established in 1996, Harmony's Bridging School has been a significant success story for the group, with 237 successful participants having been employed by the company on completion of the programme.

The programme is aimed at assisting historically disadvantaged matriculants in improving their final Senior Certificate results over a period of 10 months so as to enable them to further their studies or to obtain a tertiary qualification. The

programme is open to candidates from the communities surrounding our operations, from labour-sending areas and to the dependants of our employees.

*(See special report on page 29 for further information.)*

### Bursaries and study assistance programme

Bursaries in the fields of mining, engineering, geology, surveying, sampling, metallurgy and accounting are awarded annually to talented HDSAs who cannot afford a tertiary education. In all, 14 new applicants were awarded bursaries this past year at a total cost to Harmony of R1.5 million (FY06: 12 at a cost of

R1.2 million). Currently, 40 bursars are studying in five disciplines. About 80% of all bursars are HDSAs. All students who graduated in FY06 joined Harmony in departments relevant to their fields of study.

In PNG, Harmony awards bursaries on an annual basis to employees' and landholders' children to further their education.

During FY07, 117 students at primary and secondary level have been provided with educational support. One Harmony employee is being sponsored at tertiary level, and is pursuing studies in the human resources field.

### Training and development statistics – South Africa

	FY04	FY05	FY06	No	FY07 %HDSA	% Women
Junior engineering programme	20	10	10	11	64	19
Mine manager programme	44	28	25	28	32	0
Mine overseer programme	20	7	14	46	72	2
Advanced miner course	52	14	93	89	65	5
Miner programme	125	80	108	147	76	24

### Employment equity – South Africa, as per FY06 the submission in terms of the Employment Equity Act

	FY06 Total	% HDSA	% women	Total	FY07 % HDSA	% Women
Executive (incl directors)	14	29	21	13	23	17
Senior management	220	35	13	114	36	21
Professionals	1 359	87	27	409	38	17
Technically skilled	6 979	68	6	8 230	68	8
Operators, clerks and others	34 720	99	4	38 662	99	8
<b>Total</b>	<b>43 282</b>	<b>93</b>	<b>5</b>	<b>47 431</b>	<b>93</b>	<b>8</b>

Harmony’s study assistance programme is available to all interested employees for assistance to study at tertiary institutions in fields relevant to the company’s business. In FY07, 142 employees participated in this programme as a cost to the company of some R0.58 million (FY06: 117 employees at a cost of R0.48 million).

Employment equity

Harmony annually publishes its employment equity plan and reports regularly on its progress.

The Empowerment Committee of the Board meets on a quarterly basis and is responsible for monitoring progress in employment equity and transformational issues. At mine level, employment equity committees have been established as part of the Human Resources Development Committees and meet with organised labour on a monthly basis.

Promotion of HDSAs

The objective of the South African Employment Equity Act is the promotion of equal opportunity and fair treatment through the elimination of unfair discrimination, and the implementation of affirmative action measures to redress the imbalances of the past. The Mining Charter requires that HDSA employees make up 40% of management by 2009.

Women in mining

The Mining Charter requires that 10% of the total workforce is made up of women by 2009 and Harmony is confident of achieving this target.

At the end of June 2007, women in mining (defined as both core and non-core

disciplines) numbered 3704, or 7.8% of the workforce. (FY06: 2 249 women or 5%).

The challenge to involve women in mining, created by The Mining Charter and the MPRDA, calls for enormous commitment from all Harmony players. Going beyond compliance in terms of Women in Mining, poses challenges.

The focused recruitment of women has continued, and although we have not had much success in retention, measures have been taken to ensure that women are attracted to and remain in the company.

Accommodation and change-house facilities have been renovated to cater for our female employees. A great deal of progress continues to be made on these facilities.

Empowerment workshops have been conducted at Elandsrand, Evander, Joel and the Cooke Shafts. These workshops enable women at all levels to take an active role in managing their careers and enhancing their professional development. Sexual Harassment Policies are in place and sexual harassment officers have been identified and selected. The nominated individuals will be sent for sexual harassment and counselling training.

Crèche Facilities are being considered at Bambanani.

Pregnancy policies are in place to protect the rights of women in Harmony.

A Women in Leadership degree programme is set to be launched. This degree programme is aimed at women in Harmony who are in management and are interested in the additional qualification of a degree.

The major outcome of this programme is the coaching and mentoring of younger female employees.

Localisation

Employees in PNG are largely drawn from local landowner groups. Expatriate employees are only employed when needed for specialist knowledge or skills. A programme is in place to train local replacements for all expatriates, and a three-year localisation plan has been submitted by Harmony to the PNG National Government.

Migrant labour

Harmony does not discriminate against foreign labourers. Foreign labour representation (that is, employees whose permanent residence is outside South Africa) at Harmony’s operations currently comprises 32% of the total workforce (FY06: 38%). Further, 17% of Harmony’s employees are defined as migrant (FY06: 18%), that is employees whose permanent residence is outside of the province in which they are employed.

Human rights

Human rights are enshrined in the South African Constitution by which Harmony, as a company domiciled in South Africa, is bound. Harmony is also bound by South Africa’s endorsement of various International Labour Organization (ILO) principles relating to forced, compulsory or child labour. Freedom of association is provided for in South African labour legislation.

Origin of employees

	Number	%
South Africa	47 286	100
Within province of operation	39 247	83
Outside of province of operation	8 039	17
Outside		
South Africa	15 176	32
Swaziland	1 243	2.6
Botswana	192	0.4
Lesotho	9 989	21.1
Mozambique	3 752	7.9

Women at Harmony

	Number of women	% women	Total employees
Top management	2	17	12
Senior management	25	21	117
Professional and middle management	72	17	409
Junior and skilled staff	673	8	8 231
Semi-skilled staff	2 932	7.5	38 662
Total staff	3 704	7.8	47 431



**Employee accommodation**

	Free State	FreeGold	Orkney	Elands- rand	Rand- fontein	Evander
Total employees	11 200	13 700	2 100	5 300	5 500	5 800
Housing allowance (employees)	3 217	5 405	1 287	1 270	2 168	1 175
No of company houses	489	615	325	205	510	34
Employees in company accommodation	4%	4%	15%	4%	9%	1%
Employees in receipt of housing allowances	29%	39%	61%	24%	40%	20%

**Accommodation and living conditions****Accommodation**

Harmony's housing strategy is underpinned by the philosophy of promoting home ownership and the integration of mining communities into local structures. Harmony will, with effect from January 2008, actively strive to facilitate the development of Harmony owned vacant land and unoccupied hostels into family accommodation for the benefit of its employees. This will be achieved through consultation and co-operation with organised labour and appropriate local and regional government structures.

Housing forums are in place at all operations and provide the mechanism for employee consultation and involvement.

An independent survey was commissioned in 2004 to establish employee needs and preferences with regard to housing. The report findings showed that, while nearly half (47%) of employees interviewed indicated a preference for owning or renting family accommodation in the areas surrounding the mining operations, the

remaining 53% preferred to reside in hostel accommodation. Most of the latter category indicated a preference for an upgraded hostel system allowing a greater degree of personal privacy and dignity. Harmony has accordingly set itself two objectives regarding hostels: addressing infrastructure improvement, and meeting employees' stated preferences for enhanced privacy and quality of life by achieving lower room densities through hostel upgrading and conversion. Currently, there are on average, three to four occupants per room, through the initiatives discussed above, it is planned to reduce this to two occupants per room over the next five years.

The feasibility of converting some unoccupied hostels into family accommodation for sale to employees is also being investigated. Numbers will be determined by the level of employee demand for such accommodation, and prices will be determined by the cost of establishing the units. The intention will be to break even rather than to make a profit.

Going forward, the increasing value and uptake of accommodation allowances is expected to reduce hostel occupancy by

some 5% a year. The number of hostel units is expected to remain unchanged between FY07 and FY09.

The cost of hostel maintenance in FY07 amounted to R10 million, and this is scheduled to increase to R10.7m in FY08 and R11.3m in FY09.

A number of employees still reside in company-owned or subsidised accommodation, ranging from 1% of the total workforce at Evander to 15% at the Orkney operations. Percentages of employees who have opted to receive a housing allowance range from 20% to 61%.

**Nutrition**

Catering in the hostels is the responsibility of mine personnel, with the exception of four units in Randfontein, where it has been outsourced.

Quality control of catering in all hostels is outsourced to a qualified dietician. Menus are aligned with recognised guidelines and updated regularly.



The Harmony Bridging School Programme in Virginia was established in 1996, with the objective of helping historically disadvantaged matriculants to bridge the gap between their results and their potential. Candidates are selected from the areas surrounding Harmony's operations (Randfontein in Gauteng, Evander in Mpumalanga, and the Free State) and from labour-sending areas. Dependants of Harmony employees are eligible for selection.

The post-matric programme offers tuition in mathematics, physical science, accounting and personal development. In addition to that, learners are equipped with life skills and trained to obtain their driving licences, computer qualifications and a first aid certificate. A total of 20 students are selected each year for the 10-month programme, which is staffed by five qualified educators.

The annual budget of R1.2 million is spent on tuition fees, accommodation, equipment and administration. Says Ammie van der Walt, Manager: Resources and Talent Development at Harmony: "The role of the Bridging School Programme is linked to the company's retention strategy: we provide the company with a talent pool of people who are better prepared for the business world through education, training and development. We have found from experience that students who have completed the programme are more assertive and better able to compete in the workplace."

Since its formation in 1996, the programme has regularly achieved a 100% pass rate with an average of 15% improvement on the students' national certificate results.

In total 237 students have completed the programme since inception. 95% of these

students are still working at Harmony, with many of them having been able to find work in their specific fields of interest.

However, with all the successes, there have been challenges and difficulties from time to time. "The greatest of these is motivating students to be successful and to understand Harmony's business philosophy and ethics," says Ammie. "Some students lose interest during their studies and consider dropping out; nevertheless, in the 11 years of the school's existence, we have only had three students who did not finish the programme. In general, the learners recognise that the bridging school offers them a career and a life-changing opportunity."

*Feature*

# SAFETY AND HEALTH A PRIORITY

## Contents

## Page no

### Safety

Safety management	31
Safety performance	31
Objectives for FY08	31

### Occupational health

Occupational diseases in South Africa	32
Medical surveillance	32
Noise induced hearing loss	32
Silicosis	33
Tuberculosis	33
Occupational health in Australia	33
Occupational health in PNG	33

### Special reports:

<i>Be aware – The sindile Mosha campaign</i>	34
<i>Hear no evil</i>	35

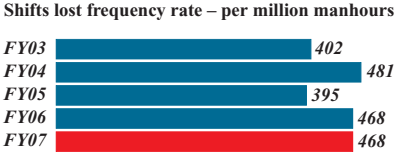
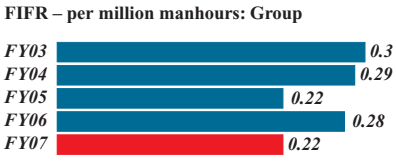
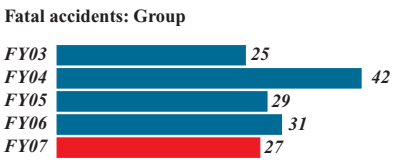


Safety

The provision of safe and healthy workplaces is one of Harmony’s key priorities, and the elimination of all workplace injuries is a strategic focus area. Following a regression in the company’s safety performance in South Africa in FY06, an immediate high-level review was instituted. Actions taken as a consequence of this include the recruitment of highly qualified personnel to staff a new safety management service focused on compliance with standards. Each shaft and surface area is audited three or four times per year, covering compliance with legal and company standards and physical conditions. The initial audits provide operational management with targets from which to plan a path of continuous improvement.

Safety management

Reviewing safety performance is the responsibility of a central corporate safety team reporting to the Sustainable Development Committee of the Board. The committee also reviews safety targets and programmes. As prescribed by South African legislation, employees are actively involved in the management of health and safety through the appointment of health and safety representatives and the establishment of health and safety committees at all mines. At the end of



FY07 38 such committees were in place representing 100% of eligible employees. Health and safety topics falling within the terms of reference of the committees include: Personal Protective Equipment (PPE); committee management; participation of worker representatives in safety audits and investigations; training and education; complaint mechanisms; the right to refuse unsafe work; problem-solving arrangements; and commitment to targets and performance.

Safety performance

After the regression experienced in the previous financial year, it is pleasing to note that, in the year under review, safety performance improved both in terms of fatalities and lost time injuries.

It is with great regret, however, that the company reports that there were 27 fatalities as a result of accidents in FY07 (FY06: 31), all of these at the company’s South African operations. Harmony extends its sympathy to the families and friends of those who lost their lives.

The Fatal Injury Frequency Rate (FIFR), expressed as a rate per million manhours, declined from 0.28 to 0.22, an improvement of 21%. Falls of ground remain the principal cause of fatalities, accounting for nearly half of the deaths during the period under review.

The Lost Injury Frequency Rate (LTIFR) per million manhours for the South African operations declined by 12% to 15.26 (FY06: 17.29), an encouraging improvement after a regression in 2006 had halted the positive trend achieved since 2002. In Australia, the LTIFR was 4.8, compared with 2.8 in FY06.

During FY07, a total of 55 661 shifts were lost as a result of occupational injury (FY06: 47 827), which is a rate of 468 per million man hours, the same as in FY06.

In South Africa, a significant area of focus for FY07 has been the attention to continued risk-based management and falls of ground. Also, a great deal of emphasis has been placed on the continued implementation of the Sindile Mosh

behaviour-based safety campaign. (See special report on page 34.)

Safety performance in Australia

In Australia, both operations focussed on several specific areas of systems development, with an emphasis on the development, and implementation of surface mining training, assessment documentation and the development of training path ways.

Safety performance in PNG

Slips, trips and falls were the main causes of injury in FY07. A proactive management initiative has begun to monitor injury trends and develop and implement appropriate training materials. A safety management system, which is compliant with the Australian Standard AS4804 – occupational health and safety system is currently being reviewed.

Now that the Hidden Valley operations has shifted from purely construction and exploration to include mining activities, a full time Safety Manager has been appointed. A number of safety personnel attended safety training during the year, and a training and gap analysis matrix, along with a training schedule has been produced.

A separate training course has been prepared and conducted for Security Officers at Hidden Valley, who are part of the Emergency Response Team on the use of fire-fighting equipment. Advanced First Aid and Occupational First Aid training will be undertaken during the year ahead as part of the company’s induction programme.

Objectives for FY08

The company’s stated target is to achieve zero fatalities, and to improve lost-time injury frequency rates by at least 10% per year per individual operation. In South Africa, this target was exceeded between FY06 and FY07. Detailed objectives are shown below:

- LTIFR: 9.29 (11.2% improvement)
- RIFR: 6.49 (7.3% improvement)
- FIFR: 0.00 (21.4% improvement).

Occupational health

The status of employee health and well-being within Harmony forms part of the

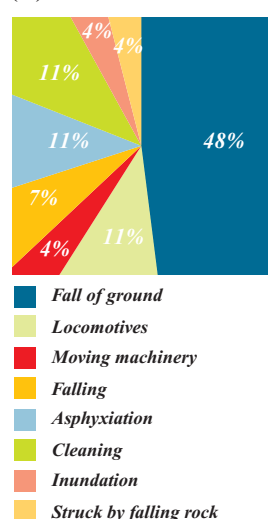
### Number of medical surveillance examinations (Harmony employees excluding contractors – South Africa)

Entry		Exit		Transfer and periodic	
FY07	FY06	FY07	FY06	FY07	FY06
5 375	2 371	1 756	3 540	29 779	33 810

### Occupational disease statistics – South Africa: new cases detected (rates per 1 000 employees)

NIHL		Pulmonary TB		OLD/silicosis	
FY07	FY06	FY07	FY06	FY07	FY06
8	22	42	25	32	25

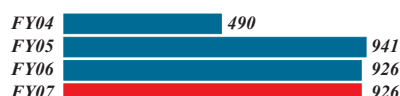
South Africa: Causes of fatalities (%)



South Africa: LTIFR – per million manhours



South Africa: Number of cases submitted for compensation for NIHL



South Africa: Number of TB cases identified



terms of reference of the Sustainable Development Committee. It is Harmony's policy to provide all employees with health care comparable with private clinic or hospital standards. The company's facilities range from 24-hour emergency units to world-class surgical facilities.

### Occupational diseases in South Africa

Harmony has a range of programmes in place to reduce the incidence of occupational disease, and these are reported on in more detail below. HIV/Aids, while not a compensable occupational disease, presents a significant health risk to employees and their families, and Harmony has implemented a number of measures to manage the pandemic (see page 37).

In South Africa, the most significant occupational diseases are occupational lung disease (OLD), a particular threat to employees working underground where silica dust is present, and noise induced hearing loss (NIHL). Pulmonary tuberculosis (TB) is a significant occupational risk in silica-exposed employees. TB in turn is closely associated with HIV, as the weakened immune system associated with HIV increases the likelihood of opportunistic infections including TB.

### Medical surveillance

Occupational health statistics are collected and reported in accordance with the requirements of the Mine Health and Safety Act (MHSA). This reporting protocol is in line with the International Labour Organization (ILO) Code of Practice on the Recording and Notification of Occupational Accidents and Diseases.

Occupational medical surveillance examinations (on engagement, periodically and on exit from the company's employment) are required by the MHSA. Within Harmony, these are carried out at the company's occupational health centres.

Harmony is committed to achieving the targets in respect of NIHL and silicosis agreed for the gold mining industry at the 2005 Health and Safety Summit.

These targets are:

- **OLD:** 95% of all respirable crystalline silica measurements to be below the occupational exposure limit of 0.1mg/m<sup>3</sup> by 2008;
- **silicosis:** by 2013, no new cases to occur in previously unexposed employees; and
- **NIHL:** by 2008, no deterioration from baseline greater than 10% to occur in noise-exposed employees. Noise emission of all equipment to be below 110 db(A) by 2013.

Should an employee be found to have a classified occupational disease the company submits, on the employee's behalf, the employee's details to the Medical Bureau for Occupational Diseases (MBOD). The MBOD is a statutory body, responsible for both certification and compensation in terms of the Occupational Diseases in Mines and Works Act, 1973, to which Harmony contributes. As a result of the intensive testing and identification of occupational disease cases, the details of 3 298 employees were submitted to the MBOD in FY07 (FY06: 2 228), which is an increase of 39% on the previous year.

### Noise-induced hearing loss

Exposure of employees to noise levels above 85 dB(A) over an extended period of time may lead to a loss of hearing.

Harmony's noise management strategy rests on the two pillars of engineering controls and personalised hearing protection. Harmony's Code of Practice for noise management was submitted to and accepted by the DME in FY06. This code is supportive of the industry level commitments mentioned above.

During FY07, work continued on silencing rockdrills and muffling fans. As part of



Harmony's overall attention to developing an ergonomically better workplace, a number of alternative drill options have been evaluated including the possibility of converting to lighter, quieter electric rockdrills.

Personal hearing protection devices (HPDs) are issued to employees who are regularly exposed to noise levels greater than 110 dB(A) (*See special report on page 35*).

### Silicosis

Silicosis is linked to long-term exposure to silica dust, which is found in the deep-level underground mining environment in South Africa. Lung damage caused by silica dust also plays a major role in the development of TB. Measures to prevent exposure to silica dust include the implementation of sound ventilation principles, designs and practices; comprehensive watering down procedures; wet-drilling; dust suppression, using equipment such as water spray filters, and cyclones; low-velocity ventilation over conveyor belts and increasing the time

between blasting and re-entry to the workplace.

In addition, dust respirators are issued as Personal Protective Equipment (PPE) to employees at high risk of exposure. Formal training is provided to all employees on an annual basis regarding airborne pollutant exposure and the subsequent associated health effects.

### Tuberculosis

Harmony has a comprehensive TB control programme in place, aligned with the World Health Organization's guidelines, which rests on the following four principles:

- early case finding;
- Directly Observed Therapy (DOT);
- short-course chemotherapy; and
- a radiological TB screening programme.

Altogether, 1 450 new cases of TB were detected in FY07, compared with 1 675 in FY06. Harmony's work in this area was greatly enhanced by the commissioning of

digital x-ray equipment which has enhanced both the number of patients that may be tested, the speed with which this may be done and the storage and retrieval of records.

### Occupational health in Australia

Occupational health monitoring continued at all Australian sites during the past year. All current levels monitored (dust, lead, asbestos, mine air, etc) are within recognised guidelines.

### Occupational health in PNG

Harmony has employed an expatriate occupational hygienist as its safety co-ordinator in PNG. During FY07, programmes to address identified occupational health challenges were developed. In particular a Fitness for Work policy was developed and implemented during the year and a general notice relating to Harmony's policy on the chewing of betel nut and the use of alcohol. Harmony provides assistance to the Wafi clinic in the form of medical supplies and information about major health issues.



*Special report*

While there are many dimensions to safety in the workplace – mine design, mine support standards and seismic monitoring for example – it is widely accepted that human behaviour plays a critical role. This realisation led to the implementation of Harmony's Sindile Mosha behaviour-based safety initiative, developed in FY06 and rolled out to all the company's South African operations in FY07.

The Sindile Mosha (meaning 'safety' and 'mongoose' in seSotho, Xhosa and Zulu) concept rests on four pillars:

- leadership commitment to and support for safety;
- engagement and training of the workforce;
- teams taking ownership of the process; and
- effective communication through consultation.

"In analysing workplace accidents, we realised that 70% of these could be attributed to behavioural causes," says Group Safety manager Ray Constable. "These could range from neglecting to inspect workplace support before starting work to not wearing personal protective equipment (PPE)."

Behaviour-based safety refers to the process of involving workers in defining the ways in which they are most likely to be injured, and seeking their involvement and obtaining their buy-in, through their own behaviour and observation of their co-workers, in reducing and ultimately eliminating at-risk behaviour.

Why is behaviour so important? "At-risk behaviour can be reduced or eliminated through a proactive approach of communication, consultation and education," says Constable. "Once the unsafe behaviour has resulted in an accident, of whatever severity, the process of identifying causes and eliminating repetition becomes a reactive one. Behaviour-based safety is part of a broad philosophy of managing risk so that accidents are prevented before they happen, rather than analysed after the event."

Why the mongoose? The behaviour of mongoose groups in nature is well-known: a 'safety observer' is placed in a prominent spot to oversee the activity of the community while they carry on with their normal daily activities. This individual's sole responsibility is to look out for predators or potential dangers, and warn the community so that they can take cover.

"We wanted to reinforce this mindset in the workplace," says Ray. The slogan 'I am committed to looking after my buddy' became one of the cornerstones of the campaign.

Roll-out of the campaign began at Bambanani in June 2006, and was extended to the other operations at monthly intervals. Roll-out was completed for underground operations in February 2007 and the campaign will be rolled out to surface areas in September. Unions and associations were fully involved in the process.

"We didn't want this to be a 'head office' intervention," says Constable. "For this reason, teams at mine level were given a great deal of freedom in how they implemented the concept. Initially, a high-level audit team provided a service to the operations in helping them to 'flag' workplaces that, through analysis, had been shown to reflect poor safety results and conditions."

During their inspections, the audit team assessed working places, systems in place and relevant documentation. Through a system of green, amber and red lights, workplaces were identified as safe for normal work, at low risk or at high risk. Only the legal compliance officer or member of the management team could restart work in the presence of an amber or red light respectively.

Workplace teams then carried the concept forward. Employee rights and duties regarding workplace safety, as set out in the Mine Health and Safety Act (sections 22 and 23) were reinforced through comprehensive team briefings and discussions.

"Sindile Mosha is perfectly integrated with the characteristics of a world-class safety culture," says Constable. "Individual responsibility, empowerment and actively caring for one another becomes part of workplace culture; safety norms become part of all employees' values; and everyone is willing, able and enabled to 'go beyond the call of duty' to ensure compliance with safety standards."

Results so far are encouraging. "Obviously, Sindile Mosha is not the only factor in improvement, but we're convinced it's played an important part," says Constable.

Special report



# HEAR NO EVIL

The provision of a safe and healthy working environment is a cornerstone of Harmony's employment philosophy. The company's hearing conservation programme, implemented as part of the mandatory Code of Practice for Noise Management submitted to the DME, is an important part of this approach.

Noise Induced Hearing Loss (NIHL) – one of the most common but most easily preventable occupational illnesses affecting mineworkers – results from prolonged exposure to noise of specific intensity and duration. Where average noise levels over a working day exceed 85 dB(A), employers are required (in terms of the Mine Health and Safety Act) to implement a hearing protection programme: so employees who are exposed to such noise levels are considered to be in high-risk occupations. Above 110 dB(A), regular exposure longer than one minute, if no hearing protection is used, carries a risk of permanent hearing loss.

Harmony reports good progress in this area over the year under review. In FY07, the incidence of NIHL was 8, compared with 22 in FY06. According to Group Safety manager Ray Constable, the improvement is attributable to two principal causes. "NIHL can be reduced or prevented through engineering

controls, such as silencing fans or muffling rockdrills, or through focusing on behavioural issues such as the correct use of hearing protection devices."

A notable development in FY07 was the completion of the programme to issue Personalised Hearing Devices (PHDs), known as noise clippers, to all employees. "PHDs are moulded precisely to fit each individual's ear channel: they are thus more comfortable to wear and guarantee greater noise reduction, at an effective level of 20 dB(A) compared with the 12 dB(A) obtained with conventional equipment," says Constable. The new system is also proving more cost-effective, as daily replacements are no longer required, and facilitates more comprehensive record keeping.

Implementation was completed in November 2006. Employees have been trained through regular safety meetings in the importance and correct use of the devices, and refresher training is provided annually when new PHDs are issued. Topics covered in the initial and refresher training include: understanding the causes of NIHL; recognising hazardous noise; recognising the symptoms of over-exposure to hazardous noise; the advantages and limitations of hearing protection devices, as well as their selection, fitting, use and maintenance; an

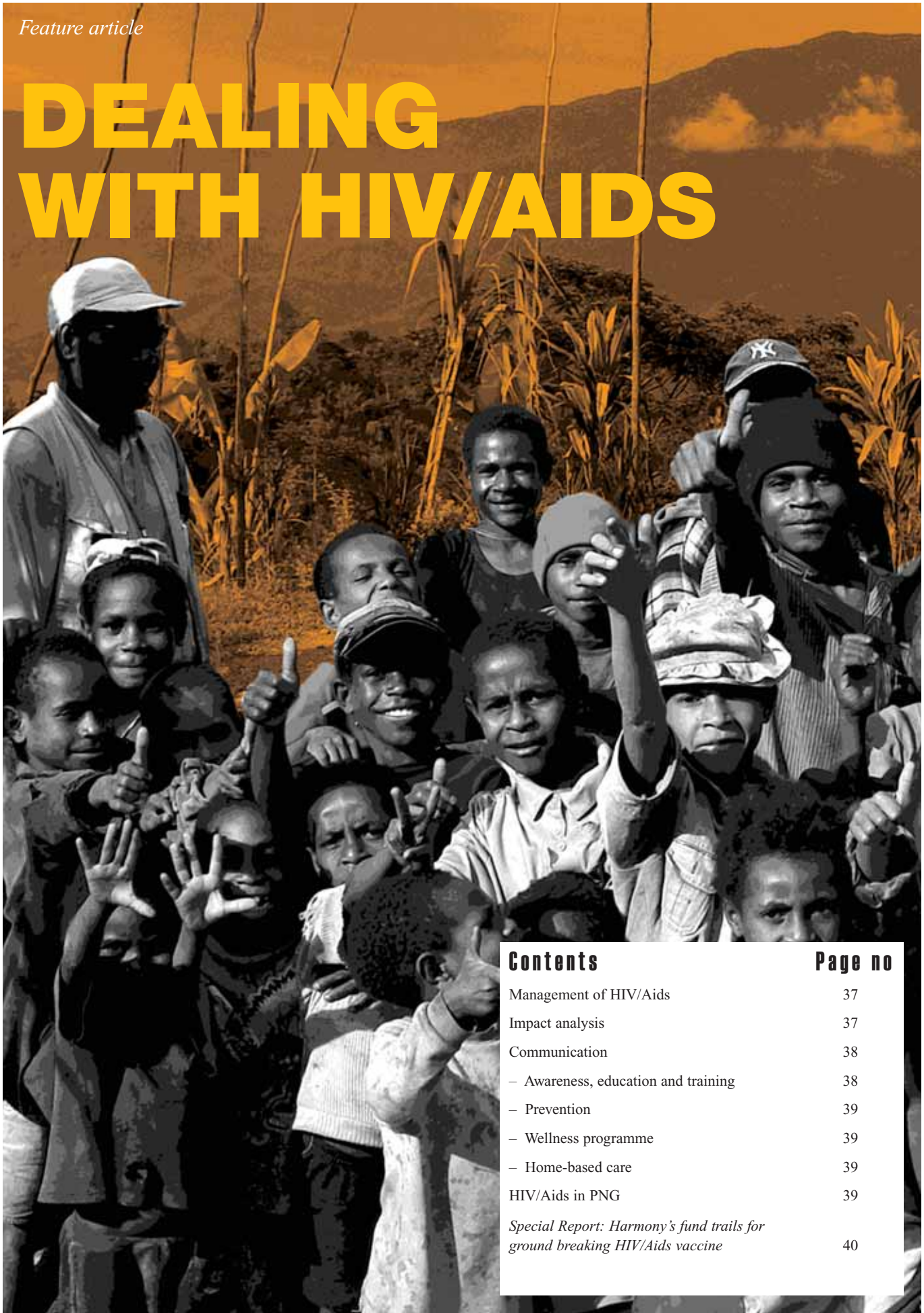
explanation of noise measurement procedures; and the requirements of the hearing conservation programme.

A comprehensive training programme for supervisors is also in place. "Ongoing education is important," says Constable. "It is easy to ignore NIHL in its early stages, as it is painless and has no obvious symptoms. Early – and temporary – warning signs include excessive fatigue and buzzing or ringing in the ears. Exposure to loud noise may result in temporary hearing loss lasting from a few minutes to a few hours: each time a Temporary Threshold Shift (TSS) occurs, a certain degree of permanent loss results."

Comprehensive audiometric testing supports the hearing conservation programme. The objective of audiometric testing is the early identification of NIHL, and the prevention of deterioration. Baseline and annual audiograms are carried out for all employees who may be assigned to tasks with potential exposure to elevated noise levels.

As part of agreed industry-wide health and safety targets, no deterioration from baseline greater than 10% should take place in the hearing of individuals in noise-exposed occupations.





Feature article

# DEALING WITH HIV/AIDS

Contents	Page no
Management of HIV/Aids	37
Impact analysis	37
Communication	38
– Awareness, education and training	38
– Prevention	39
– Wellness programme	39
– Home-based care	39
HIV/Aids in PNG	39
Special Report: Harmony's fund trails for ground breaking HIV/Aids vaccine	40



Management of HIV/Aids

The management of HIV/Aids is seen as a critical part of Harmony’s approach to sustainable development, reflected in the fact that HIV/Aids forms part of the charter of the Sustainable Development Committee of the Board.

The total allocated budget for Harmony’s HIV/Aids programme in FY07 was R20 million (FY06: R14 million). The increase is largely attributable to the roll-out of the proactive Voluntary Counselling and Testing (VCT) campaign.

The philosophy underlying Harmony’s approach to HIV/Aids is to reassure HIV-positive employees that contracting the disease is not a death sentence, but is one of a number of chronic conditions, such as hypertension or diabetes, that can be managed successfully once it has been identified.

What does make HIV/Aids unique is the long period of latency which characterises the illness as affected individuals move through the various recognised states of HIV infection, from sero-conversion, through asymptomatic, to being Aids-sick. Recent medical research indicates the beneficial effect upon the immune system of earlier intervention. In accordance with these findings, the criteria for the administration of highly active anti-retroviral therapy (HAART) have been revised.

In line with its stated intention to lessen the stigma still associated by many people with the disease, a number of modifications have been made (most recently in 2006) to Harmony’s agreement with organised labour regarding the management of HIV/Aids in the workplace. The agreement was originally signed in 2002 with the NUM and UASA. In the longer term, Harmony’s intention is to move from an HIV/Aids-specific policy to a holistic set of policies and procedures for dealing with all chronic, manageable conditions. As a first step, HIV/Aids co-ordinators are now known simply as health co-ordinators.

A further development in Harmony’s holistic approach to health care is the conclusion of an agreement with a health practitioner, who is also registered as a traditional healer in terms of the Traditional

Health Practitioners Bill and will be retained by Harmony on a part-time basis to provide traditional health services to employees who request this and also to provide an advisory service to management.

All staff with access to confidential information are required to sign a confidentiality pledge. In terms of the agreement, the normal disciplinary and grievance procedures are used to handle any complaints raised in respect of HIV/Aids-related victimisation or discrimination, or any violation of confidentiality. To date, no HIV/Aids-related grievances have been recorded. As part of its long-term plans, Harmony’s intention is to move towards a ‘culture of testing’, in which individuals feel free to come forward for testing without fear of negative consequences.

The company’s HIV/Aids programme is managed by the Group Medical Officer (HIV/Aids) who reports to the HR Executive, supported by line management and external consultants as required.

A quarterly meeting of internal stakeholders is also held, with progress reports submitted to the Sustainable Development Committee of the Board.

The Harmony Council, an internal group-wide bargaining/engagement forum for management and unions, was involved throughout in strategy formulation and implementation.

Impact analysis

Harmony’s overall strategy for managing the risks associated with HIV/Aids is

informed by the findings of impact analyses, regularly updated. HIV prevalence is actuarially modelled through these analyses: in line with an industry-level agreement with the NUM, no prevalence or incidence tracking studies are carried out.

The first two impact analysis studies were completed (by the Health Monitor Company, a recognised service provider in this field) in 2003 and 2005. Harmony’s intention is to repeat these at two-yearly intervals.

The objectives of the impact analysis studies are: to support informed management decisions in the development of its response to the epidemic as it evolves; to provide support in reporting the impact of the epidemic on the sustainability of the company’s operations; and testing and validation of the assumptions used by regularly checking them against actual experience. This will, in time, enable assumptions to be supported with empirical evidence.

The report on the study findings also sets out estimates of the demographic and cost impact of the epidemic on the company and its employees.

Key findings of the most recent available report (July 2005) may be summarised as shown in the table below (costs were projected assuming a consumer price inflation rate of 6% and a medical inflation rate of 7.5%, and then discounted to present values).

Looking ahead – the impact of HIV/Aids	
Estimated prevalence in SA – all employees as at July 2005	30%
Estimated future prevalence	Declining from 30% in 2005 to 17% in 2019
Aids-related deaths	Declining from 854 in 2005 to 235 in 2019
Projected costs attributable to HIV/Aids (including: medical costs; paid sick leave; lost productivity; funeral leave; training and replacement; disability processing; cost of treatment programmes)	Declining from R212m in 2005 to R104m in 2019
Above projected costs as a percentage of payroll costs (employee numbers estimated to decline from 44 981 to 21 337)	7.4% in 2005, rising to a peak of 8% in 2013-2014, and declining again to 7.5% in 2019

### Recipients of Harmony: HIV/Aids interventions

Programme recipients	Education and training		Counselling		Prevention / risk control		Treatment	
	Yes	No	Yes	No	Yes	No	Yes	No
Employees	X		X		X		X	
Employees' families (local)	X		X			X		X
Employees families (labour-sending areas)		X	Yes, if can travel to company's health centres			X		X
Community	X		X			X		X

## Communication

Harmony invests time and effort in marketing and communicating its HIV/Aids programme to employees. This aspect is managed in partnership with unions and associations.

A number of HIV/Aids communication channels are in place, including regular slots on Harmony FM, the company's internal industrial theatre group, posters, newsletters and the use of branded and trained groups of peer educators.

Supervisors receive regular training in issues related to managing HIV/Aids in the workplace, and HIV/Aids awareness is incorporated into induction training for all new employees.

The DME and the Chamber of Mines also hold tripartite meetings, with representatives of government, management and organised labour, for feedback and joint planning. The annual Mining Industry Summit is also a forum for the dissemination of relevant information. Harmony recently became a member of the South African Business Council for HIV/Aids (SABCOHA), and this also serves as a platform for feedback to the business community.

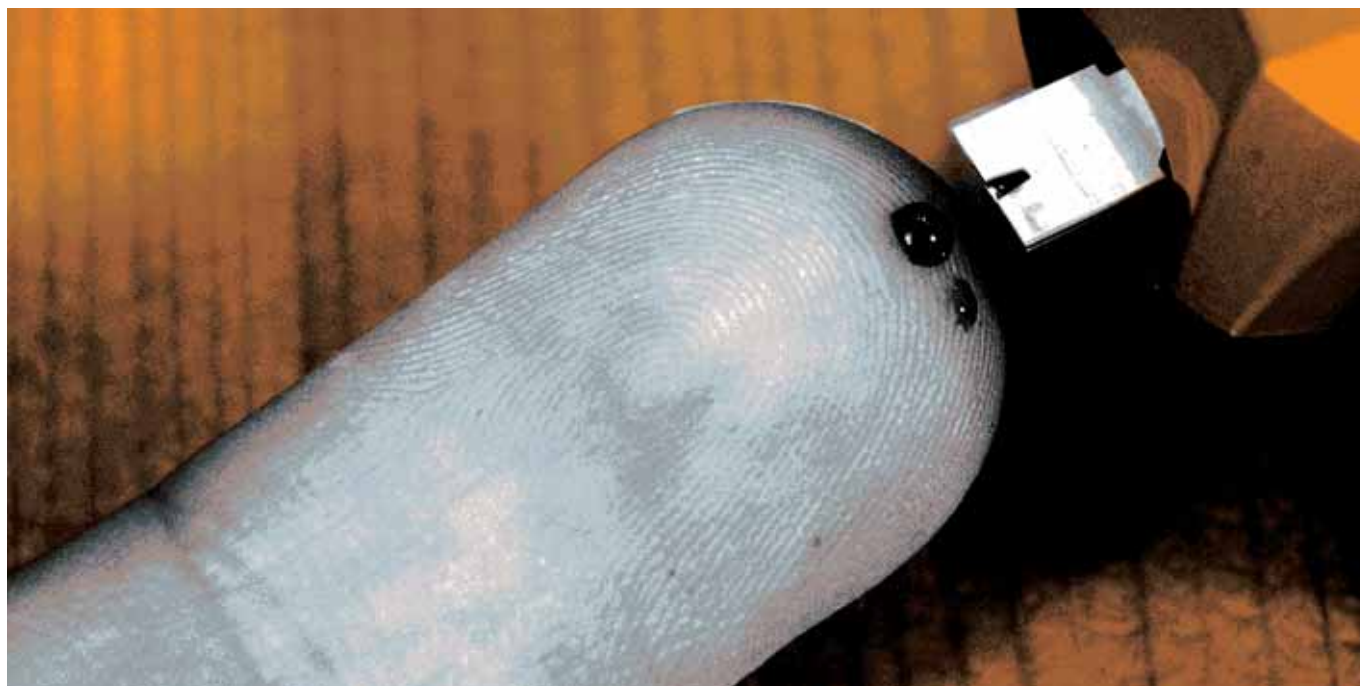
The following important components underpin Harmony's approach to HIV/Aids:

- awareness, education and training;
- prevention;
- the wellness programme, including the provision of HAART; and
- home-based care.

## Awareness, education and training

This component of the programme focuses on imparting awareness of the causes of transmission of the HIV virus and of the importance of healthy lifestyle principles, including nutrition, an important aspect given that 60% of Harmony's employees still reside in hostels. Menus in the company's hostel canteens are drawn up in consultation with a qualified dietician and are designed to provide optimal nutrition taking into account occupational energy expenditure and local food preferences.

Awareness-related campaigns are held at the operations on at least a quarterly basis, planned to coincide with such nationally and internationally recognised events as World Aids Day.



Peer group educators (PGEs) play a critical part in workplace education programmes, and by the end of FY07 Harmony's ratio of trained PGEs to employees stood at 1:30, in line with the targets agreed to in FY06, which compares favourably with ratios achieved in FY06 and FY05 (1:60 and 1:90 respectively). All PGEs undergo comprehensive training through the relevant NGO. An area of concern in the year under review, however, has been an increasing turnover among the PGE group, resulting in a ratio of practising (as opposed to trained) PGEs of 1:50. This issue is currently under investigation.

Harmony also has 10 employees living openly with HIV/Aids in the workplace, compared with 12 in FY06. These employees have played an important role in removing the remaining fear of victimisation and stigma. In addition, Evander has entered into an agreement with the Treatment Action Campaign (TAC) which will support and counsel employees who choose to live openly and positively with HIV/Aids. TAC also provides input to Harmony's HIV/Aids programme when needed.

## Prevention

VCT, condom distribution and the treatment of sexually transmitted infections (STIs) are the key success drivers in this part of the programme.

VCT is the essential prerequisite for prevention of transmission of the HIV virus, and for treatment and care of those infected. Harmony's proactive and systematic approach to informed consented voluntary counselling and testing (ICVCT) was launched at Evander in July 2006, and constituted the principal step forward in FY07. CareWays, a recognised provider in the field, has been retained to implement VCT. To date, over 60% of eligible employees have come forward for testing. In line with Harmony's strategy of managing HIV/Aids as one of a number of chronic

conditions, VCT does not operate from dedicated facilities but is integrated within the company's health services infrastructures.

Both male and female condoms are distributed free of charge in Harmony's workplaces. Condom distribution, together with the monitoring of relevant statistics, forms part of the responsibilities of the PGEs.

Screening for STIs, with the appropriate treatment where necessary, is offered at the occupational health centres to employees returning from leave. As part of a collaborative project between USAID, provincial governments and a number of mining companies including Harmony, various community-based organisations continue to provide screening and treatment to women at high risk in the areas surrounding Harmony's operations.

Finally, post-exposure prophylaxis is offered with appropriate counselling to rape victims and for the prevention of mother to child transmission, including the provision of HAART for the newborn child

## Wellness programme

This includes ongoing counselling regarding lifestyle and nutrition, treatment of opportunistic infections and (since 2003) the provision of HAART. As noted earlier, Harmony's treatment protocols now provide for HAART to be prescribed earlier than formerly. Employees have the choice of obtaining HAART-related medication through their respective medical aid schemes or through Harmony's health care centres.

A total of 418 employees joined the HAART programme in FY07, bringing the total number of employees receiving HAART to 1 721. (FY06: 1 303).

## Home-based care

Harmony is a significant contributor to the mining industry's home-based project, established in 2002 and run by Teba. In all,

home-based care is provided to 306 people. The project operates among former mineworkers, who have retired through ill-health, in the major labour-sending areas and has two principal objectives: training family members and volunteers in the provision of home-based care and training family members in activities such as the growing of foodstuffs.

Although it has faced a number of challenges – associated with poor roads and infrastructure, the long distances to be covered in rural areas and the difficulties associated with recruiting home caregivers – the project has operated successfully in the Eastern Cape, Lesotho and Mozambique, and was extended to Swaziland in April 2007.

The small numbers of patients involved in Northern KwaZulu-Natal (three here as compared with 127 in the Eastern Cape at the end of FY07) have made this section of the project difficult to manage cost effectively, and a decision was taken during 2007 to outsource this.

## HIV/Aids in Papua New Guinea

During FY07, VCT was vigorously promoted, assisted by the distribution of a VCT leaflet developed by the National Aids Council. At the WAU Health Centre, VCT was introduced in December 2006, and uptake from the community improved during the year. Harmony also assisted the Morobe Provincial Government with the organisation of a 10-day training course for HIV/Aids counsellors. As most HIV/Aids programs are run in conjunction with government and NGOs, the company does not incur any direct costs.

The HIV/Aids Workplace Policy for Harmony PNG is expected to be developed during FY08.

## The provision of HAART

Treatment on HAART initiated through company facilities	CY03	CY04	CY05	CY06	CY07
All SA operations	87	459	318	439	418



*Special report*

# HARMONY FUNDS TRIALS FOR GROUND BREAKING HIV/AIDS VACCINE

In November 2006, Harmony became part of a consortium committed to funding the first emerging country trials of an HIV/AIDS therapeutic vaccine, to take place in South Africa. Harmony's contribution during FY07 amounted to R1.8 million.

Australian biotechnology company Virax Holdings Limited (Virax) has used innovative technology, in the form of immunotherapy, to create the VIR201 HIV/AIDS vaccine. Virax's focus is on technology that underpins the development of immune-based therapies – immunotherapy – that use biological signals to direct the immune system to treat disease.

With HIV/AIDS having already claimed more than 28 million lives on the African continent, there is a growing need for companies with interests and operations in South Africa to assist in combating the disease. Harmony acknowledges this, and has joined forces with BHP Billiton (cornerstone investor), Gold Fields Limited, Lonmin Plc, Mitsubishi Materials Corporation, Nippon Mining and Metals Co Ltd, Sumitomo Metal Mining Co. Ltd and Rio Tinto to support the trials.

Harmony representative Dr Zandile Mokgatle explains: "We understand the debilitating impact HIV/AIDS has on our country and we see it as our responsibility to do what we can to help people living with this disease."

Virax has confirmed its commitment to fighting HIV/AIDS with its formation of a South African non-profit organisation, the Theravax Foundation, for corporate donors. Trials will begin as soon as they are authorised by the National Department of Health, which controls clinical trials and the registration of medicines in the country.

The VIR201 vaccine is one of the only therapeutic vaccines based on stimulating the immune system known to have shown a positive effect in suppressing virus levels in HIV-positive participants in fully controlled, regulatory authority approved, clinical trials.

"The project is in the advanced stages of pre-trial planning; trial sites have been identified and the principal investigators, who will be responsible for the management of trial sites on a day-to-day basis, have been carefully selected," said Adjo Mfodwo, CEO of Virax Southern

Africa. "Professor Des Martin, one of South Africa's leading HIV/AIDS clinicians, has been appointed national principal investigator for the project and we have put in place the infrastructure to manage the trials once they start."

The active vaccine will be tested on 140 HIV-positive participants, who will be divided into two groups: the first will be for people who have not received anti-retroviral therapy (ART) for HIV/AIDS and the second will be people who currently are on ART.

"Since trials have not yet begun, Harmony's contribution at this early stage is purely financial," said Mfodwo. "We do however try and maintain very close ties with our donors and we keep them up to date with whatever is happening on the project."

"HIV/AIDS is such a huge sustainability issue within South Africa that many companies have provided financial support for the project," Mfodwo explained. "We hope that this project will be part of a process that will develop a much needed weapon in the fight against HIV/AIDS in southern Africa."



# DELIVERING TO OUR STAKEHOLDERS

## Corporate responsibility

Contents	Page no
Overview	42
Local economic development (LED)	42
Corporate social investment (CSI)	42
Overview of selected projects	42
– Education	43
– Social plan programme	43
– Arts, sport and recreation	43
Community external relations in PNG	44
<i>Special reports:</i>	
<i>Building capacity in rural areas</i>	45
<i>City year youth programme</i>	48
<i>Students develop entrepreneurship</i>	49

## Overview

Harmony strives to be a good corporate citizen. Fulfilling its responsibilities to the communities within which it operates, and from which it draws its employees, is an integral part of its business philosophy. Two broad categories of development projects may be distinguished: local economic development (LED) and corporate social investment (CSI), which are discussed in more detail below.

## Local Economic Development (LED)

The company, through its local operations, works in partnership with government at national and provincial level, with local authorities at district and municipal level (both mining and labour-sending communities) in the formulation and implementation of integrated development plans (IDPs).

LED forms part of the social and labour plans (SLPs) of each mining licence application for the conversion of old order mining rights to new order rights, in terms of the Minerals and Petroleum Resources Act, No 28 of 2008 (MPRDA).

Harmony has identified the following areas for LED support in the mining and labour-sending communities:

- Low cost housing development;
- Establishment of integrated, sustainable human settlements;
- Development of small, medium and micro enterprises (SMMEs);
- Education infrastructure development;
- Mining community bursary fund (36 bursaries in the fields that will benefit mainly municipalities);
- Internship programmes (to benefit students around mining communities);
- Adult Basic Education and Training (ABET) in the mining communities – literacy and numeracy programmes and providing infrastructure to support this;
- Agricultural programmes or small-scale farming programmes;
- Community skills development – focusing on portable skills to enhance job creation;
- Business or industrial development initiatives;
- Job creation projects through environmental rehabilitation;

- Health infrastructure development programmes;
- Infrastructure for SMME and skills development;
- Women and youth development programme;
- Beneficiation infrastructure development programmes;
- Programmes for the promotion of jewellery design and manufacturing skills;
- Specific LED projects in the mining and labour sending communities as per the integrated development plans (IDPs); and
- Undertaking to continuously identify other LED areas with the mining and labour sending communities

During FY07, regular interaction continued between Harmony and government at national, provincial and local level.

Harmony's total financial commitment to LED in FY07/08 is R75 million.

### LED: needs assessment

Projects in support of LED are not static but are reviewed regularly with the relevant stakeholders, especially municipalities, to ensure that optimal economic benefits are achieved. Project review is frequent and continuous, with all stakeholders – at government, municipal and Harmony operational level – all playing a role. In particular, the company endeavours to understand, in conjunction with stakeholders, the needs of the communities in which it operates and to develop the programmes in line with the IDPs of local and regional municipalities'.

## Corporate Social Investment (CSI)

CSI projects differ from LED projects in that they are not necessarily part of government plans locally but have been selected by the company as appropriate for the profile of Harmony, within a specific community which also fulfills the corporate citizenship

strategy. By and large, they also, contribute significantly to social and economic development, poverty eradication and community development in many specific communities across South Africa as a whole.

### Management of CSI

Harmony's CSI committee is responsible for considering, approving and monitoring all the company social responsibility or social investment programmes. The committee, comprising the chief executive, the company treasurer and the executives responsible for corporate affairs, marketing, human resources and investor relations, meet on a monthly or ad hoc basis depending on the urgency of the proposals to be considered. Input is elicited from stakeholders to ensure that projects supported are sustainable, and, where possible, to establish partners for project funding and implementation.

It is current Harmony policy that 1% of net profit be allocated to the CSI Fund each year. Any additional funding required for LED or CSR projects is approved by the Board.

Harmony's development investments are primarily directed at the following areas:

- **education:** Harmony's role focuses on the provision of schools, libraries and laboratories, as well as supporting the teaching and learning of mathematics and science;
- **socio-economic development:** this includes investment in projects associated with job creation, poverty alleviation, the facilitation of black economic empowerment, and promotion of community health and safety;
- **beneficiation:** this includes investment in jewellery manufacturing and skills development initiatives, and finding alternative uses for gold; and
- **the arts, sport and recreation,** in partnership with various sporting organisations.

### Total CSI spend – Rm

Education		Socio-economic development		Beneficiation		Arts, sport and recreation	
FY07	FY06	FY07	FY06	FY07	FY06	FY07	FY06
0.9	1.3	13*	8.4	3	2.8	3.2	3

\* Includes Teba Development projects



Overview of selected projects

An overview of selected CSI projects is given below

Education  
Students in Free Enterprise

See special report on page 49.

SA Mathematics Foundation

Based in Pretoria, the SA Mathematics Foundation (SAMF) was registered in 2004 as a not-for-profit company, by the two professional societies representing mathematics in South Africa, the South African Mathematical Society (SAMS) and the Association for Mathematics Education of South Africa (AMESA). SAMF provides logistical and administrative support to AMESA and SAMS, and focuses on developing a common approach for the two societies.

Recognising that mathematical skills are vital for the future growth of the South African economy in general – and the mining industry in particular – Harmony has sponsored SAMF since inception, with annual donations of just over R625 000.

A Harmony representative serves on the SAMF Board.

The South African Mathematics Olympiad, which has been in existence since 1966, is one of the major projects now managed under the auspices of SAMF. Harmony has sponsored the Olympiad, through an amount of R350 000 per year, since 2002.

The Olympiad is open to all South African learners between Grades 8 and 12, and is run over three rounds which take place in April, June and September of each year. There are separate junior (Grades 8 and 9) and senior (Grades 10 to 12) categories. The first round of the 2007 Olympiad was held in March, with 31 205 learners from 667 schools competing. The second round, in May, featured 6 270 learners from 475 schools, of whom approximately 200 went through to the final round on 6 September. Awards for the 10 best seniors and junior respectively will be announced at the awards dinner on 13 October 2007.

Harmony also sponsors the South African Mathematics Olympiad Development project. The objective of the project is to assist mathematics teachers to prepare their students for participation in the Olympiad. The programme comprises eight hours of contact teaching and about 12 hours of project work. Harmony’s grant covers all instructor travel and accommodation costs.

Schools and agriculture in the Eastern Cape

See special report, *Building capacity in rural areas*, on pages 45 to 47.

Social plan programme  
Social Plan Trust Fund

The Social Plan Trust Fund has been established in terms of Harmony’s Social Plan Framework Agreement between Harmony and the NUM. As a contingency plan, seed capital amounting to R15 million was put into the Social Plan Trust Fund, with a further R3.5 million to be added annually. Any additional amount that may be required will be added subject to Harmony Board approval. The funds are used to train mineworkers to prepare them for post-mining employment or self-employment.

The trustees of the fund, who comprise representatives from management and labour, are guided in their decision-making by the Social Plan Framework Agreement, Harmony’s Social Plan Trust Deed, and the government’s National Social Plan Policy Guidelines.

Funding is based on equal contributions from Harmony (via the Social Plan Fund) and the Department of Labour’s National Skills Fund for the benefit of South Africans (this benefit excludes employees from the neighbouring countries). Currently, the Social Plan Fund has more than R30 million available for development.

Portable skills training project

The objectives of this project, which was established in 2006, are poverty alleviation and job creation among mineworkers retrenched by Harmony as result of declining production in 2004 and 2005. Because a number of retrenched workers

opted to return home before receiving any training, Harmony contracted Teba Development to identify these former employees and provide them with suitable alternative livelihood training.

To date, training has been provided to over 2 500 former mineworkers or their proxies in micro trading, small-scale chicken farming, vegetable cultivation or an introduction to the prepared food industry. Portable skills selected are aligned with the preferences of the former employees concerned, as well as with any applicable IDP or LED issues in the areas in which they reside.

Retrenched former mineworkers trained to date	
Mozambique	618
Lesotho	521
Free State	773
Eastern Cape	615
<b>Total</b>	<b>2 527</b>

The project’s area of operation comprises the Free State (in the vicinity of mining towns such as Welkom and Virginia, and labour-sending areas such as Botshabelo and Witsieshoek), the Eastern Cape, Lesotho and Mozambique. The project has faced a number of challenges in locating and making contact with former Harmony employees in deep rural areas in a number of provinces and countries.

Arts, sport and recreation  
Harmony Athletics Club

The Harmony Athletics Club was launched in 2001, giving expression to Harmony’s recognition of the important role that sport plays in community and nation building.

From the outset, the club set a clear objective of developing and nurturing young, talented South African athletes to fulfil their potential, and aligning employees and communities by developing road running champions with whom communities could identify.

In FY07, Harmony’s financial support for the club amounted to R1.2 million,

### Harmony Sports Academy

The Harmony Sports Academy, situated in the town of Virginia in the Free State, continues to achieve excellent results in its aim to develop talented soccer and rugby players to levels of excellence. The majority of the players are recruited annually from historically disadvantaged environments and are selected from across the country. The 70 students attend schools in Virginia.

Harmony Sports Academy members have performed well at national and provincial tournaments with exceptionally good representation in provincial teams as well as representation in the various national school sides in both soccer and rugby.

Soccer achievements include winning the National Metropolitan Premier Cup as well as the provincial Coca Cola Cup and the Kay Motsepe under-21 tournament. Three players were selected for the under-17 South African soccer team and two players for the South African under-20 side.

In rugby, 30 players represented the province in the various provincial sides, participating in the different national competitions such as

the under-18 Craven Week and under-16 Grant Khomo week. One student was selected for the under-18 South African Schools Academy team, while Cecil Africa once again represented South Africa as a member of the emerging Springbok seven-a-side team. Cecil also forms part of the Griffons Currie Cup Provincial senior team.

Over the four-and-a-half year existence of the Harmony Sports Academy, a total of 13 soccer players have represented national South African school sides, while 109 rugby players have represented provincial school teams.

### Community and external relations in PNG

The Wafi project receives strong support from both the PNG Government (National and Provincial) and local land owner communities. On-site community participation work has indicated that the vast majority of the local population is positive towards the development of a mine at the site.

Like most PNG mine sites, there are a number of local community groups vying

to be recognised as the rightful traditional owners of Wafi, and therefore want to receive associated benefit once the mine is in operation. Community affairs issues are required to be closely managed throughout subsequent phases of study, construction, and operation of the mine. While most groups in the area are supportive of the mine, it is a convenient leverage point during disputes between groups, and at times operations have been delayed for short periods during the pre-feasibility study stage. The on-site community affairs team has been successful in negotiating suitable resolutions on all occasions that disruptions have occurred. Apart from ongoing liaison work, formal baseline health and nutrition studies, and archaeological studies have been completed during the pre-feasibility study.

While land owner issues are expected to be as difficult as any technical challenges that the project may exhibit, it is considered that satisfactory resolutions can be achieved with all landowner groups. Sufficient time to define and agree such resolutions is one of the biggest risks for the project plan.



*Special report*

# BUILDING CAPACITY IN RURAL AREAS

Harmony draws 30% of its workforce from rural areas, in South Africa and in neighbouring countries, located far from its areas of operation. As part of the company's commitment to supporting those communities from which its employees originate and in which many of the families still reside (so-called labour-sending areas), Harmony has embarked on an active outreach campaign.

"The logistics of contributing meaningfully to social development in such remote areas are daunting," says Corporate Affairs Executive Jackie Mathebula. "We knew that partnerships offered the most feasible route."

This decision led to Harmony becoming a significant contributor – to the value of R12.9 million in FY07 – to an industry partnership with Teba Development. Teba, a service provider to the mining industry, previously focused exclusively on recruitment and now active in a variety of fields, has established a number of stand-alone companies including Teba Development. Funded by the mining industry and other donors, Teba Development contributes its unparalleled network of staff and facilities in the labour-sending areas to the management of a number of community projects.

The majority of these projects focus on health care, education and skills development, reflecting Harmony's belief that sound mines and bodies are essential for the future development of the country and the region.

## Eastern Cape School Project

Established in 2006, this project is based at Lusikisiki and Mbizana in the Eastern Cape. The project's objectives, aligned

with national priorities for education in rural areas, are to help address the backlog of adequately constructed and equipped classrooms in the Eastern Cape.

To participate in the project, school governing bodies apply for assistance from the Harmony Development Fund, through Teba Development, and participate actively in project management. Project activities comprise classroom construction, the development of school gardens, and the installation of safe water and sanitation facilities.

Teba Development, on behalf of Harmony, is responsible for negotiations with the schools and education authorities, for hiring and managing relevant contractors and for final handover of the project to community and government authorities.

Harmony's support for the project in calendar year 2006 amounted to R2.17 million, with four schools selected as beneficiaries, three in Lusikisiki (Magwa and Lungelo Senior Primary Schools and Khanyisa Junior Secondary School) and one – the Qungebe Senior Primary School – in Bizana.

School sites were handed over to contractors during October 2006, with an anticipated project construction period of five months. An average delay of one month was experienced, owing to transport problems and the poor availability of building materials. A stumbling block in the delivery of building materials was the fact that suppliers wanted full settlement before any material was delivered. Teba Development facilitated the settlement of the relevant tax invoices to overcome cash flow issues.

The projects offer a number of benefits, apart from an improved learning

environment: jobs are created during the construction phase for local community members; the provision of safe water and sanitation helps improve the health of learners and surrounding households; nutrition is improved through growing fruit and vegetables in the school gardens; learners acquire gardening skills which can be transferred to their families; and leadership skills are enhanced among local community members and the school governing bodies.

## Agriculture

### Abalimi Phambili Project

The Abalimi Phambili (Farmers' First) project was established in 2002 as a collaborative effort between Harmony, AngloGold Ashanti, Anglo American's Chairman's Fund, Lonmin and the Chamber of Mines. The objectives of the project are to boost agricultural production and improve the lives of retrenched former mineworkers and the communities in which they reside.

The project has been implemented by Teba Development and the Lima Rural Development Foundation. To date, the project has expanded to seven Eastern Cape municipalities from the original three: Umzimkhulu and Umzimvubu in Alfred Nzo district, Mbizana, Ntabankulu, Quakeni, Mhlonto and Port St Johns in the OR Tambo District. (In March 2007, Umzimkhulu was transferred from Eastern Cape to KwaZulu-Natal as part of redemarcation of district municipalities). These are all recognised poverty nodes from where a large number of workers are sourced by the mines.

The second phase of the project, started in 2005, focuses on livestock and specific





staple commodities such as maize and beans. Project targets for the second phase included the creation of a gross return of R19 million for the 1 600 targeted farmers. Targets were exceeded in that 1 800 farmers were recruited to the programme and generated more than R25 million through sales of their commodities by December 2006.

Project training was carried out by practical demonstrations, and three successful Farmer Days were held during 2006.

### **Vegetable farming**

In 2004, Teba Development was asked to facilitate a three-year agricultural project for Harmony. After consultation with a number of district municipalities, it was decided to locate the project in Alfred Nzo District Municipality.

The project was to have two elements: support for irrigation schemes and support for homestead food gardens. For the first project, capital works were funded by Alfred Nzo from its Equitable Share grant from the National Treasury. The Gogela irrigation scheme was identified and Teba Development provided technical support to the farmers on this scheme. A second scheme, the Elubakelo irrigation scheme, was identified, and support was transferred to this scheme in FY07. A total of 27 farmers, farming 12 hectares of irrigation, received technical assistance and revolving credit support.

For the Homestead Food Gardens project, Harmony supported projects in Umzimkhulu wards 1 and 2, and Gogela. A total of 400 households received training and support with irrigation infrastructure, tanks and fencing in 2006-07. Harmony funds a number of projects in the Eastern Cape intended to produce households trained and equipped to grow vegetables, both for their own consumption and to generate income through sales in the local market. The aim is to build on existing skills and introduce new skills through mentorship, building a culture of independence among participants.

Projects established to date include the Umzimkhulu Homestead Gardens project, based in the Umzimvubu and Umzimkhulu municipalities within the Alfred Nzo District Municipality (established in 2004),

and the Mhlonto Food Security project in the Mhlonto Municipality.

Another 200 new beneficiaries of the Umzimkhulu project received training and starter packs in 2006. Of these, 50 vulnerable households selected by the district municipality received irrigation and rainwater harvesting equipment and had their gardens fenced.

A new homestead food garden project was initiated in Mhlonto LM in the OR Thambo district municipality in 2006. The Mhlonto project has the objective of assisting 400 households per year, and currently operates in a number of villages identified as the most disadvantaged in consultation with the local municipality.

DWAF is also a partner in the project and funded the water-harvesting aspects. To date, five households have been provided with tanks in which to store water for irrigation purposes. With a capacity of some 30 000 litres, these tanks will allow households to irrigate their home gardens throughout the dry season.

Farmers are trained in skills necessary for productive farming such as soil enrichment, water management and crop rotation.

Teba Development manages the project on behalf of Harmony, in partnership with the relevant local and district municipalities.

Home-based care

The lack of home-based care (HBC) facilities for former mineworkers in the rural areas who have retired for reasons of ill-health has long been an area of concern in the mining industry. To address this issue, Teba Development's home-based care project was established in 2002 in the Eastern Cape. The project's scope has since been extended to cover northern KwaZulu-Natal, Lesotho and Gaza province in Mozambique, and was successfully rolled out to Swaziland in FY07. The Red Cross Society of Swaziland, the HBC implementation partner in that country, appointed a project co-ordinator in April and services are currently being provided to 18 ex-Harmony clients. An additional 33 former Harmony employees have been

identified and will receive services within the next few months.

Participating mining companies contribute a fee based on the number of their former employees who benefit from the programme: this has helped to ensure the sustainability of the project.

Families of former mineworkers are assisted with training in home-based care, the provision of medicines and palliative care, and through the establishment of support groups within local communities. Training is provided through a network of volunteers, who in turn are recruited and trained by Teba Development. Referrals are also made to other organisations which provide services such as VCT, psychological and rehabilitation services, and ART. Some 100 care supporters and 10 retired nurses are contracted directly by Teba Development, with services also provided through partner organisations.

At the end of FY07, the programme had a total of 1 227 beneficiaries, of whom 340 are ex-Harmony employees, residing in the following areas:

Eastern Cape	193
Lesotho	110
Swaziland	18
KwaZulu-Natal	10
Mozambique	9
<b>Total</b>	<b>340</b>

Some 940 Harmony families out of a total of almost 4 000 households have been assisted in previous years.

Families are also assisted with applying for any grants to which they may be entitled, linkages to clinics for treatment, and training in basic business skills to facilitate small business creation. The growing of vegetables – for the families' own consumption and for income-generation through local sales – is the main focus of the latter area of activity.

Teba Development has faced a number of challenges in the implementation of this project. "In the Eastern Cape, for example, there was no existing volunteer structure to draw on," says Teba Development, Managing Director, David Cooper. "We had

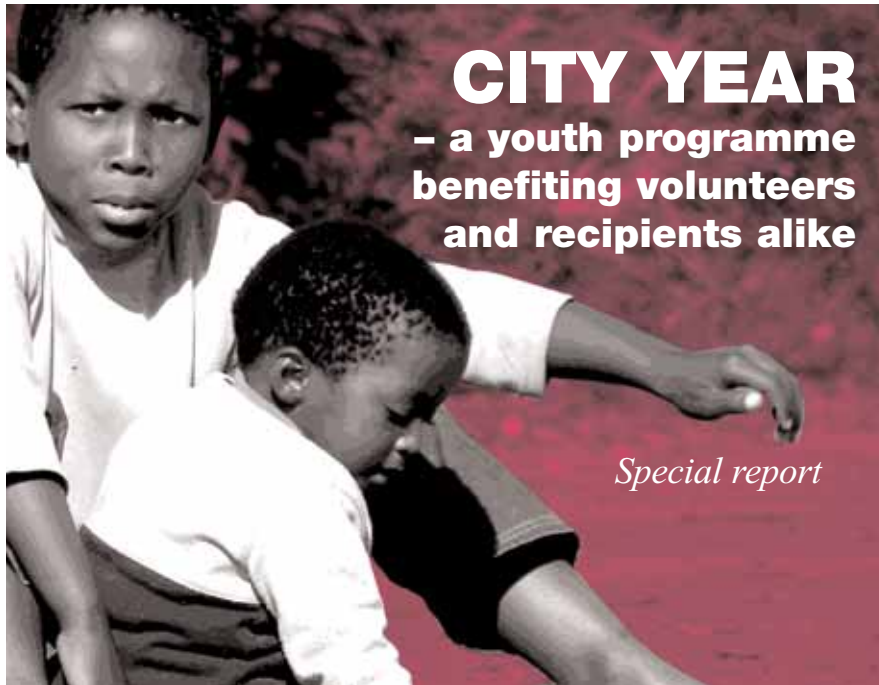
to rely on people coming forward to offer their services, which made accountability problematic. Understandably, volunteers tend to leave if they are offered paid employment elsewhere, so we have faced high turnover levels. The long distances and poor road conditions involved make it difficult for volunteers to keep regular contact with patients in more remote parts of the province."

In KwaZulu-Natal, the small numbers involved led to a decision at inception to outsource the project to two organisations, Sibambisene in Jozini and Isihawu in Eshowe. "The original plan, whereby a home-based care manager met with the two outsourced partners on a monthly basis, did not allow for sufficiently thorough monitoring," says Cooper. A single partner, Lima Rural Development, took over the project in 2007.

Although the home-based care programme is available to all former mineworkers who retired through ill-health, irrespective of their illness, a large number of the patients participating in the project are suffering from Aids-related illnesses. This in itself has led to a number of challenges. "In Lesotho, for example, we found spouses of the former mineworkers expected to be included in the programme," says Cooper. "While this put a strain on resources, we agreed to it because of the risk of re-infection if couples are not treated together." Another cause for concern is the increasing number of orphans and vulnerable children. There are now estimated to be 1 000 orphan-headed households in the project's various areas of operation.

In Mozambique and Lesotho, the project has obtained grants from the National Aids Councils, as well as from the Canadian International Development Agency, and provides care and support to an additional 2 000 households from mineworker sending areas.

Harmony's annual budget for this project is approximately R1.6 million.



## CITY YEAR – a youth programme benefiting volunteers and recipients alike

*Special report*

City Year South Africa is a national youth organisation which has young adults providing after-school assistance to nearly 4 000 learners from Grades 4 to 7 in Gauteng. The programme benefits the volunteers, known as service leaders, as much as it does the children.

The service leaders, aged between 18 and 25, are split into 18 teams and, in partnership with public and private stakeholders, are assigned to primary schools in a number of Johannesburg suburbs and townships, including Berea, Eldorado Park, Jeppestown, Lenasia, Norwood and Soweto, and the mining towns of Carletonville and Randfontein.

The schools were identified in partnership with the Gauteng Department of Education. The After School Programme lies at the heart of City Year's activities. Extensive consultation with the partner schools over the past two years has helped to streamline the programme which now focuses on three key areas: literacy support, life orientation support and assistance in the development of supportive school environments.

City Year is committed to supporting the South African government's efforts in developing its National Youth Service Programme (NYSP) across the country.

The intention of NYSP is to bring community service together with youth development in order to encourage social cohesion and create a better quality of life

for all. It targets young people between the ages of 18 and 35, particularly those with low levels of education and skills who have had minimal opportunities.

Poor literacy levels have been identified as a priority area for improvement by all participating schools as these affect all the other areas of learning. For this reason City Year is working alongside organisations with literacy development expertise in order to enhance levels of reading and writing.

The life orientation component of the After School Programme has been developed with the intention of improving self-esteem and encouraging positive choices. It helps to instil responsible citizenship in young learners through sport, drama and dialogue, and covers HIV/Aids awareness, human rights and study skills.

In order to assist in the development of a supportive school environment, the service leaders work with schools to recognise and help address issues outside of the classroom that have an effect on learners' attendance at school. Resources from within the community and broader society are used to meet the basic material and psycho-social needs of the children. The particular focus on literacy and life orientation by service leaders also enables the promotion and development of encouraging school environments for learners.

The service leaders gain from their participation in the programme as they

acquire accredited training in project management and computer literacy along with in-house leadership development and training in the management of after-school programmes. They are selected from a pool of more than 1 500 applicants on the basis of their leadership potential, ability and willingness to commit to a full year of service, as well as prior experience of volunteer work.

As a registered national youth service programme, City Year is required to ensure opportunities for 70% of programme graduates. City Year proudly reports that 98% of the 2005 service leader group is purposefully employed, continuing with further studies or engaged in micro business enterprises. By mid-March 2007 just over 90% of the 2006 programme graduates had found similarly viable placements. City Year aims to provide worthwhile placements for all 2006 year graduates before the end of 2007.

Harmony sponsored City Year for the first time in FY2007 with a R1m donation. The organisation's Executive Director, Teboho Mahuma, sees the partnership as "a good opportunity for a company such as Harmony to further the good work they are already doing in in the communities in which they operate".

He says: "We did not have to go 'cap in hand' to Harmony. They said 'yes we like what you are doing, let's go for it!', and that for me is true partnership."

Harmony is always searching for the opportunity to embrace new talent. By working together to strengthen a culture of self-help within communities while actively empowering programme participants, City Year is able to provide career-enhancing opportunities. The organisation also makes a R6 000 post-service grant available to graduates who fulfil all the service and training requirements of the programme. Graduates may use the grant to help establish a business or for further study at a recognised institution.

Harmony recognises the value of talent pooling and as a partner of the organisation will be able to recruit City Year graduates for employment. Many graduates will choose to pursue other employment opportunities, but with the knowledge that Harmony's contribution to the City Year programme has made a difference to their lives.



# STUDENTS DEVELOP ENTREPRENEURSHIP

## – and benefit communities

Students in Free Enterprise (SIFE), a not-for-profit organisation established in the United States in 1975, operates internationally in 47 countries including South Africa. The objective of the organisation is to develop entrepreneurial skills in university students by challenging them to develop and implement community outreach projects that address real business and economic issues. Harmony has sponsored SIFE since 2006: its contribution to the project in FY07 amounted to R785 000.

SIFE was established in South Africa at the University of the Free State in 2001 by former student Johan van der Westhuyzen and has grown steadily in popularity. According to Letitia de Wet, Chief Executive Officer of SIFE SA, the number of tertiary level educational institutions participating in the 2007 competition has increased from 13 in 2006 to 17, with team membership increasing from 447 to 831. Over the same period, the number of projects embarked upon by teams participating in the competition has increased by 150%.

The challenge facing SIFE team members is to create genuinely viable economic opportunities for community members both individually and collectively. Teams are led by faculty advisers, and are able to access support from members of the local business community. Five education topics, considered key aspects of free enterprise, are covered by team leaders within each project: marketing economics; success skills; entrepreneurship; financial literacy and business ethics.

At national competition level, teams present the results of their projects and the impact they have made, and are judged by prominent

members of the business community. A key judging criterion is the degree to which their project has successfully created economic opportunity for others. Teams also need to demonstrate the degree to which they have successfully developed and executed a strategy to ensure the long-term sustainability of their team and educational programmes. Ultimately the SIFE National Champion teams advance to the SIFE World Cup.

“The level of participation SIFE has achieved in South Africa confirms that it has taken root in the country, and is making a two-fold contribution: to the socio-economic development of the country and to the personal growth of the participating students,” says De Wet.

The 2007 SIFE South Africa National Competition took place in July at the Emperor’s Palace Convention Centre in Kempton Park, Gauteng. The winning team hailed from the University of Free State: the universities of KwaZulu-Natal and the Witwatersrand achieved second and third place respectively, and Rhodes University achieved a creditable fourth place in its debut year of participation.

The winning team, with 21 students led by SIFE UFS CEO Khanyisa Monakali and mentored by Faculty Adviser Tessa Ndlovu, was selected because of its outstanding community development work, including entrepreneurial, environmental and literacy projects that benefited nearly 2 000 people.

In one project the team introduced a recycling programme. “This has not only been beneficial to the environment but also provides a sustainable income to nine primary schools within the Mangaung

Municipality,” says De Wet. Learners and teachers also received enrichment training about the perils of pollution and solid waste. Another of the team’s projects, known as the Rand IQ project, helped residents of the Lebone Aids orphanage outside Bloemfontein to found several sustainable, profitable businesses.

The winning team will compete at the 2007 SIFE World Cup, to be held from 10 to 12 October in New York City. This event will bring together SIFE national champions (students and faculty) and senior business leaders, as well as the media and other observers. Sponsored by Harmony, with additional support from the US Embassy, the SIFE UFS team is at present preparing to compete at this event.

“Overall, the SIFE Africa teams, under the leadership of Sylvester John, former Vice President: SIFE Africa and now Regional Vice President, Operations, SIFE International have done extremely well,” says De Wet. “In 2005, the University of Zimbabwe became the first African team to win the SIFE World Cup, and the University of the Western Cape won the Spirit of SIFE award; in 2006, the University of KwaZulu-Natal advanced to the semi-finals, and also won the Spirit of SIFE award.”



# Feedback Form

We at Harmony would be very interested getting your feedback on our report.

Name: \_\_\_\_\_

Designation: \_\_\_\_\_

Address: (include this if you wish to receive reports in the future) \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Email address: (include this if you would like feedback from us) \_\_\_\_\_

1. Where did you read our report: ☐ Online ☐ Printed version

2. How did you receive our report? \_\_\_\_\_

3. Did you find this report useful? ☐ Very useful ☐ Moderately useful ☐ Not useful

4. Is there any section that you were particularly interested in? \_\_\_\_\_

5. Is there any section you were not interested in? \_\_\_\_\_

6. What would you like to see more information on in the future? \_\_\_\_\_

7. Do you have any specific questions for us related to Sustainable Development that were not covered in this report? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Thank you for your interest.

Return this feedback form to Marian van der Walt at Harmony on fax: + 27 86 614 0999



## Global Reporting Initiative (GRI)

The schedule below indicates the page number on which the GRI indicators are discussed in full or in part.

VISION & STRATEGY	PAGE
1. Strategy and Analysis	4
2. Organisational profile	3
3. Report profile, scope and boundary and Assurance	1
4. Governance, commitments and engagement	Annual Report
5. Commitment to external initiatives	NR
6. Stakeholder engagement	This report

ECONOMIC	
Core indicators	
Economic performance	
EC1	7
EC2	NR
EC3	24
EC4	NA
Market presence	
EC6	7
EC7	NR
Indirect economic impacts	
EC8	NR
ENVIRONMENTAL	
Materials	
EN1	19
EN2	19
Energy	
EN3	18
EN4	NR
Water	
EN8	16
Biodiversity	
EN11	18
EN12	19
Emissions, effluents and waste	
EN16	18
EN17	NR
EN19	NR
EN20	NR
EN21	19
EN23	17
Products and services	
EN26	NR
EN27	NA
Compliance	
EN28	NR

PRODUCT RESPONSIBILITY	
Customer health and safety	
PR1	NR
Products and services	
PR3	NR
Marketing communication	
PR6	NA
Compliance	
PR9	NA
LABOUR PRACTICES AND DECENT WORK	
Employment	
LA1	23
LA2	23
Labour/management relations	
LA4	23
LA5	23
Training and education	
LA10	NR
Diversity and opportunity	
LA13	26-27
LA14	NR
HUMAN RIGHTS	
Strategy and management	
HR1	NR
HR2	NR
Non-discrimination	
HR4	NR
Freedom of association and collective bargaining	
HR5	23/27
Child labour	
HR6	27
Forced and compulsory labour	
HR7	27
Community	
SOCIETY	
SO1	42
Corruption	
SO2	NR
SO3	NR
SO4	NR
Public policy	
SO5	9
Compliance	
SO8	NR

NA – Not applicable

NR – Not reported

## Self-declared Report Application Level

STANDARD DISCLOSURE		C	C+	B	B+	A	A+
G3 Profile Disclosures	OUTPUT	✓	REPORT EXTERNALLY ASSURED		REPORT EXTERNALLY ASSURED		REPORT EXTERNALLY ASSURED
G3 Management Approach Disclosure	OUTPUT	✓					
G3 Performance Indicators and Sector Supplement Performance Indicators	OUTPUT	✓					

## Compliance with the Mining Charter Scorecard

Notes	Description	Page
1.	<p><b>Human resource development</b></p> <p>Has the company offered every employee the opportunity to be functionally literate and numerate by the year 2005 and are employees being trained?</p> <p>Has the company implemented career paths for HDSA employees including skills development plans?</p> <p>Has the company developed systems through which empowerment groups can be mentored?</p>	24
2.	<p><b>Employment equity</b></p> <p>Has the company published its employment equity plan and reported on its annual progress in meeting that plan?</p> <p>Has the company established a plan to achieve a target for HDSA participation in management of 40% within within five years and is it implementing the plan?</p> <p>Has the company identified a talent pool and is this being fast tracked?</p> <p>Has the company established a plan to achieve the target for the participation of women in mining of 10% within the five years and is it implementing the plan?</p>	27
3.	<p><b>Migrant labour</b></p> <p>Has the company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?</p>	27
4.	<p><b>Mine community and rural development</b></p> <p>Has the company co-operated in the formulation of integrated development plans and is the company co-operating with government in the implementation of these plans for communities where mining takes place and for major labour-sending areas? Has there been effort on the side of the company to engage the local mine community and communities in major labour-sending areas?</p>	42
5.	<p><b>Housing and living conditions</b></p> <p>For company provided housing, has the mine, in consultation with stakeholders, established measures for improving the standard of housing, including the upgrading of hostels, conversion of hostels to family units and promoted home ownership options for mine employees? Companies will be required to indicate what they have done to improve housing, show a plan to progress the issue over time and whether such a plan is being implemented?</p> <p>For company-provided nutrition, has the mine established measures for improving the nutrition of mine employees? Companies will be required to indicate what they have done to improve nutrition and show a plan to progress the issue over time and whether such a plan is being implemented?</p>	28
6.	<p><b>Procurement</b></p> <p>Has the mining company given HDSAs preferred supplier status?</p> <p>Has the mining company identified current levels of procurement from HDSA companies in terms of capital goods, consumables and services?</p> <p>Has the mining company indicated a commitment to progress of procurement from HDSA companies over a three to five year time frame in terms of capital goods, consumables and services and to what extent has the commitment been implemented?</p>	7
7.	<p><b>Ownership and joint ventures</b></p> <p>Has the mining company achieved HDSA participation in terms of ownership for equity or attributable units of production of 15% in HDSA hands within five years and 26% in 10 years?</p>	7
8.	<p><b>Beneficiation</b></p> <p>Has the mining company identified its current level of beneficiation?</p> <p>Has the mining company established its base line level of beneficiation and indicated the extent that this will have to be grown in order to qualify for an offset?</p>	9
9.	<p><b>Reporting</b></p> <p>Has the company reported on an annual basis its progress towards achieving its commitments in its annual report?</p>	This report

## Glossary of terms

The following explanations are not intended as technical definitions, but rather are intended to assist the general reader in understanding certain terms as used in this report.

<b>ABET:</b>	Adult basic education and training
<b>ART:</b>	Antri-retroviral treatment
<b>BEE:</b>	Black Economic Empowerment
<b>BBBEE:</b>	Broad-based black economic empowerment
<b>Beneficiation:</b>	the process of adding value to gold products by transforming gold bullion into fabricated gold products
<b>Charter:</b>	the Broad-based Socio-economic Empowerment Charter
<b>CSI:</b>	Corporate Social Investment
<b>dB(A):</b>	decibels: units of sound measurement
<b>DME:</b>	in South Africa, the Department of Minerals and Energy
<b>DWAF:</b>	in South Africa, the Department of Water Affairs and Forestry
<b>DoL:</b>	in South Africa, the Department of Labour
<b>EMP:</b>	Environmental management programme
<b>FET:</b>	Further education and training
<b>FIFR:</b>	Fatal injury frequency rate, which is the number of fatal injuries expressed as a rate per million man hours worked. Similarly, the acronym LTIFR and RIFR refer to the lost time injury frequency rate and reportable injury frequency rate respectively. Lost time injuries are those which result in any time off work, while reportable injuries result in at least 14 shifts off work.
<b>Greenhouse gas emissions:</b>	gaseous pollutants released into the atmosphere through the burning of fossil fuels and through other avenues that amplify the greenhouse effect, which in turn is widely recognised as the cause of global climate change.
<b>GRI:</b>	Global Reporting Initiative. A multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable sustainability reporting guidelines.
<b>HDSA:</b>	Historically Disadvantaged South African, being South African nationals who, prior to 1994, were disadvantaged whether by convention or legislation. (The definition used by the Department of Labour excludes non-South Africa citizens)
<b>HAART:</b>	Highly active anti-retroviral therapy: medication given when clinically indicated to patients presenting with Aids-related illnesses
<b>HIV:</b>	human immunodeficiency virus
<b>ICMM:</b>	International Council on Mining and Metals
<b>IDP:</b>	Integrated development plan
<b>ILO:</b>	International Labour Organization, a Swiss-based UN agency for the promotion of social justice and human rights
<b>LED:</b>	Local economic development
<b>MQA:</b>	Mining Qualifications Authority
<b>NQF:</b>	National Qualifications Framework, established in terms of the Skills Development Act
<b>NUM:</b>	National Union of Mineworkers (South Africa's largest trade union)
<b>ODMWA:</b>	Occupational Diseases in Mines and Works Act



<b>OLD:</b>	Occupational lung disease. Compensable cases are reported per 1 000 employees.
<b>Rehabilitation:</b>	the process of restoring mined land to a condition approximating its original state
<b>SAEWA:</b>	SA Equity Workers' Union (South African trade union)
<b>SMME:</b>	Small, micro and medium enterprises
<b>Tailings:</b>	finely ground rock from which valuable minerals have been extracted by milling.
<b>Tailing dam/Slimes dam:</b>	dams or dumps created from tailings or slimes.
<b>UASA:</b>	United Association of South Africa (South African trade union)
<b>VCT:</b>	Voluntary Counselling and Testing
<b>Waste rock:</b>	the non-mineralised rock and/or rock that generally cannot be mined economically that is hoisted to the surface for disposal on the surface normally close to the shaft on an allocated dump

## Directorate and Administration

Registration No. 1950/038232/06  
Incorporated in the Republic of South Africa  
ISIN: ZAE000015228

### Directors Executive

G Briggs (Acting Chief Executive)  
F Abbott (Interim Financial Director)

### Non-Executive

P T Motsepe (Chairman)  
J A Chissano  
F T De Buck  
Dr D S Lushaba  
C Markus  
M Motloba  
C M L Savage  
AJ Wilkens

### Company Secretary

M P van der Walt

### Offices Registered

Harmony Main Offices  
Remaining Extent of Portion 3  
of the farm Harmony Farm 222,  
Private Road, Glen Harmony Virginia,  
Free State  
Republic of South Africa

### Corporate

Randfontein Office Park  
Randfontein  
1760  
South Africa

PO Box 2  
Randfontein  
1760  
South Africa

Telephone: +27 (0)11 411 2000

## United Kingdom Secretaries

St James's Corporate Services Limited  
6 St James's Place  
London SW1A 1NP  
United Kingdom

Telephone: +44 207 499 3916  
Fax: +44 207 491 1989

### *Sustainable development contact details and further information:*

For further information on Harmony's sustainable development initiatives, please contact:

### *Marian van der Walt*

#### *Company Secretary*

Tel: +27 11 411 2037  
Fax: + 27 (0)86 614 0999  
Email: marian.vanderwalt@harmony.co.za

### *Amelia Soares*

#### *General Manager Investor Relations*

Telephone: +27 (0)11 411 2000  
Fax:  
Mobile:  
E-mail: amelia.soares@harmony.co.za

### *Lizelle du Toit*

#### *Investor Relations Officer*

Telephone: +27 (0)11 411 2000  
Fax:  
Mobile: +27 (0)82 465 1244  
E-mail: lizelle.dutoit@harmony.co.za



*A man that hoards up riches and enjoys them not  
is like an ass that carries gold and eats thistles*

*Richard Burton*

At Harmony we believe in using our resources to the fullest extent. While sipping pure gold flakes in sparkling wine is undoubtedly a highlight, our programmes to find new and alternative uses of gold is serious business. Our investment of R3 million a year in Project Autek is used to investigate new biomedical applications for gold – to fight diseases like cancer, AIDS and malaria. Now that's turning to account our resources.





[www.harmony.co.za](http://www.harmony.co.za)