



HARMONY™

Sustainable development report 2012





Harmony sustainable development report 2012

Harmony Gold Mining Company Limited (Harmony) is **one of the world's leading gold mining companies**, operating in **South Africa and Papua New Guinea (PNG)**.



Children in the library at Bottom Primary School

Forward-looking statements

Private Securities Litigation Reform Act

Safe Harbour Statement

This report contains 'forward-looking statements' within the meaning of section 27A of the Securities Act of 1933, as amended, and 21E of the Securities Exchange Act of 1934, as amended, that are intended to be covered by the safe harbour created by such sections. These statements may be identified by words such as 'expects', 'looks forward to', 'anticipates', 'intends', 'believes', 'seeks', 'estimates', 'will', 'project' or words of similar meaning. All statements other than those of historical facts included in this report are forward-looking statements, including, without limitation: (i) estimates of future earnings, and the sensitivity of earnings to the gold and other metals prices; (ii) estimates of future gold and other metals production and sales; (iii) estimates of future cash costs; (iv) estimates of future cash flows, and the sensitivity of cash flows to the gold and other metals prices; (v) statements regarding future debt repayments; (vi) estimates of future capital expenditures; and (vii) estimates of reserves, and statements regarding future exploration results and the replacement of reserves. Where the company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward-looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, gold and other metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, project cost overruns, as well as political, economic and operational risks in the countries in which we operate and governmental regulation and judicial outcomes. The company does not undertake any obligation to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Scope of this report

This sustainable development report (in printed and online versions) covers the financial year from 1 July 2011 to 30 June 2012 (FY12). In line with its commitment to the principle of integrated reporting, Harmony Gold Mining Company Limited (Harmony or the company) has incorporated its broader social, environmental and economic performance throughout this report in line with the requirements of the King Report on Governance for South Africa (King III).

The aim of this report is to give all our stakeholders – shareholders, investors, employees, suppliers, regulatory authorities and governments around the world – an informative description of Harmony's business and operations, their impacts and the sustainable value we create.

This report has been compiled using the G3 guidelines of the Global Reporting Initiative (GRI) and King III. Operational and financial information in this report covers FY12, with comparative data for information. Financial information in this report is aligned with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the South African Companies Act 2008 and the Listings Requirements of the JSE Limited.



Detailed information on Harmony, including its regulatory filings, press releases, stock exchange announcements and quarterly reports are available on our corporate website: www.harmony.co.za

*All use of \$ or dollar refers to US dollars, unless otherwise stated.
All use of K refers to the currency of Papua New Guinea (kina).
All production volumes are reported in metric tonnes (t) unless specifically referred to as imperial tons.*

Feedback

We welcome your feedback to make sure we are covering the things that matter to you.

Go to www.harmony.co.za for the feedback form, or scan the code below with your mobile device.



Navigation of this report

How to get the most out of our sustainable development report



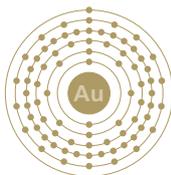
We have allowed some repetition to avoid interrupting your reading too often, but we've also provided cross-references. This icon tells you where you can find related information in our report.



This icon tells you where you can find more information online at www.harmony.co.za.



These QR code links will take you to information suitable to view on your mobile device. Download an application for your phone, take a picture of the code and the relevant page will open in your browser window.



An electron shell diagram for gold, the 79th element in the periodic table.

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We measure, we measure up, we deliver

Corporate profile

Harmony sustainable development report 2012

Harmony clearly understands that delivering long-term value is a process of interlocking elements – both financial and non-financial. **The balance between these elements is captured in our new company values and will guide our performance in future.**

In South Africa, more particularly in the world-renowned Witwatersrand Basin and Kraaipan Greenstone Belt, the company has ten underground mines and one open-pit mine and several surface operations. In PNG, Harmony has a 50% interest in the Morobe Mining Joint Ventures (MMJV), which includes Hidden Valley, an open-pit gold and silver mine (opened in 2010), the exciting Wafi-Golpu project, and extensive exploration tenements. Outside the joint venture, Harmony's own exploration portfolio focuses principally on highly prospective areas in PNG.

Significant capital expenditure in recent years has accessed the company's extensive resources and extended the lives of its mines.

We have made good progress in getting the company where we want it to be – producing better-quality ounces. Hidden Valley in PNG is now an operating mine, Harmony's first greenfields offshore development; in South Africa we have Kusasalethu, Doornkop and Phakisa projects in build-up. Mines such as Tshepong, Masimong, Target, Bambanani, Unisel, Evander and Joel have also been positioned to deliver on their production targets.

Harmony has invested a great deal in expanding its production base in South Africa and PNG. PNG has become one of the world's premier new gold regions. As part of Harmony's strategy to diversify internationally, we have increased our exploration expenditure significantly over the last three years.

Golpu's grade is 0.9% copper and 0.63g/t gold confirming it is one of the highest-grade copper-gold porphyry systems in south-east Asia. These excellent results validate our long-held belief that PNG is a company-changing region for Harmony. On a 100% basis, Golpu alone now hosts a resource of 1 000Mt, containing 20.3Moz of gold and 9.0Mt of copper (65Moz on a gold-equivalent basis).

Our resource base in PNG now represents 14% of Harmony's total gold resources (or 27% of the resource on a gold equivalent basis), in line with Harmony's strategy to increase its geographic diversification.

¹Including discontinued operations.

²Gold equivalent based on US\$1 400oz Au, US\$3.50lb Cu at 100% recovery for both metals.

In South Africa, a surface exploration drilling campaign is under way at Masimong 5 shaft, east of a major north/south trending fault but within the present mining right. The first phase started in October 2011 with two drill holes completed to 1 800m below surface, intersecting both the B reef and Basal reefs. Another two holes are expected to be completed in October 2012. A second-phase exploration drilling programme will be considered depending on interpretation of final phase 1 results.

In FY12, Harmony produced 1.27Moz¹ of gold (FY11: 1.30Moz¹). The company employed 40 257 people, largely in South Africa, of whom 34 187 were full-time employees and 6 070 contractors (FY11: 39 440 people, including contractors).

At 30 June 2012, Harmony reported attributable gold equivalent mineral reserves of 52.9Moz² (FY11: 41.6Moz) and attributable gold mineral resources of 150.2Moz² (FY11: 163.9Moz).

Harmony's corporate headquarters are in Randfontein, South Africa.

AWARDS AND RECOGNITION



Various third parties have acknowledged Harmony for its achievements in the past year. We received the following acknowledgements:

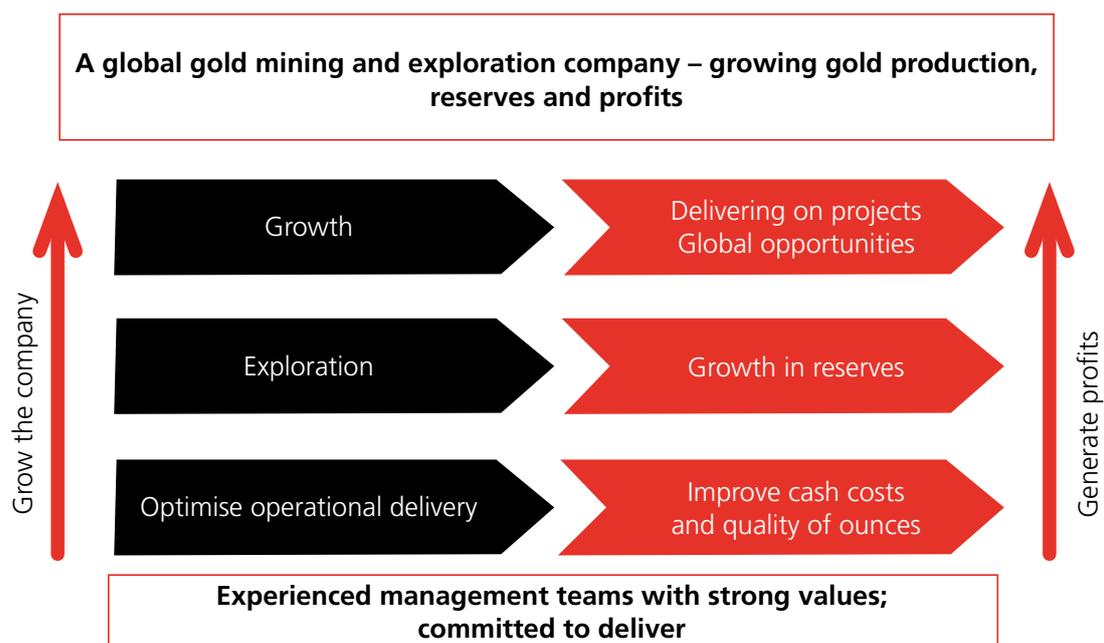
- Govan Mbeki Human Settlement Awards 2012
- SAMREC for the best reporting of Resources and Reserves by a mining or exploration company listed on the JSE Limited
- Harmony wins six out of seven safety awards at the MineSAFE 2012 Industry Awards
- 4th in Carbon Disclosure Project
- Qualified for the Nedbank BGreen Fund
- Included in JSE Socially Responsible Investment Index for 6th consecutive year
- Department of Mineral Resources Millionaire's Award for Safety – Doornkop 1 000 000 fatality free shifts
- International recognition of the significance of the Wafi-Golpu Cu-Au resource expansion through invitation at various international forums
- Harmony's International Mining Insurance Underwriters rating above global industry average.

Strategy

The Harmony of 2012 is **well-positioned to deliver on its strategy** of creating a global gold mining and exploration company:

- Leading in safety, health and our environmental responsibilities
- Making a meaningful contribution to a sustainable society
- Operational excellence in South Africa and Papua New Guinea
- Committed workforce – investing in our people through education, training and community upliftment
- Living our values
- Company-changing exploration
- Building world-class mines
- Growing our relationships, our leadership, our gold production, our reserves and profits
- Committed to measure, measure up and deliver

Our strategy is to produce 1.7 million safe and profitable ounces of gold by 2016. We are on track to meet this target, as detailed in the chairman's letter and chief executive officer's review in the integrated annual report. For the next five years, our focus is to grow the company and generate profits based on the strategic pillars shown below.



Our values

Harmony sustainable development report 2012

The values derived from the company-wide survey will guide us as we develop a common culture for the Harmony of today – one **based on our ability to measure, measure up and deliver on the business of gold mining**

Harmony launched a three-year culture alignment programme in September 2011. The key purpose is to create one Harmony culture that supports the strategic requirement to improve productivity and safety performance, and indirectly improve share performance.

The culture alignment programme comprises three phases:

Phase 1: Leadership shaping – executive and senior leadership defining a desired Harmony culture and brand strategy – in support of the company's standardisation strategy. Defining an employee value proposition is also a key outcome of this phase.

Phase 2: Leadership empowerment – empowering executive, senior and mid-level leadership with coaching skills to build a common Harmony culture (BreakThrough programme). Also key is measuring leadership growth against the new Harmony values through a 360° assessment process.

Phase 3: Staff engagement – communicating and engaging with all Harmony employees to improve alignment and bottom-up participation. A group-wide culture survey was run in December 2011 to collectively define the new Harmony

values. A representative sample of 1 972 employees participated in the survey, and then in a series of feedback workshops.

Milestones to date

The five Harmony values, plus supporting leadership behaviours, were chosen through an inclusive process: *safety, accountability, achievement, connectedness* and *honesty*. The culture survey results were used to engage all key stakeholders including organised labour, so that the Harmony values belong to everyone:

- Refreshed brand strategy aligns internal employee engagement to external stakeholder engagement
- Employee value proposition defines the expectations and responsibilities of being a Harmony employee
- Staff engagement strategy and planning to engage all Harmony employees, motivating behaviour aligned to the Harmony values
- Launch of the coaching leadership style (BreakThrough) programme and 360° measurements for the top tier of leadership, empowering them to set an example by firstly living the Harmony values and secondly to coach the supporting leadership behaviours.



Initiatives launched post year-end include:

- Announcing the Harmony values through multiple communication channels; both improved existing channels and new channels
- Implementing employee workgroup programme to enable all our employees to contribute to and engage on how we create value for all stakeholders of the business. This is a key initiative which is aligned to the Chamber of Mines' MOSH culture transformation charter requirements
- Implementation of the staff engagement plan.

WE MEASURE OURSELVES AGAINST OUR VALUES	WE MEASURE UP TO OUR VALUES BY LIVING THESE BEHAVIOURS
No matter the circumstances, safety is our main priority	 <ul style="list-style-type: none"> • Safety starts with me • I behave safely in everything I do – zero harm, zero accidents, zero fatalities • I am always alert to my colleagues' safety
We are all accountable for delivering on our commitments	 <ul style="list-style-type: none"> • I take pride in what I do • I deliver on time • I am trustworthy
Achievement is core to our success	 <ul style="list-style-type: none"> • I am passionate about achieving our targets • I believe in excellence • I strive for high performance
We are all connected as one team	 <ul style="list-style-type: none"> • I am as dependent on you as you are on me • I take time to build relationships • I strive to be humble
We uphold honesty in all our business dealings and communicate openly with stakeholders	 <ul style="list-style-type: none"> • I willingly share information • I test for understanding • I am courageous with the truth



Human gold at every level

Embodying Harmony's values, the Be Inspired series highlights the commitment of extraordinary people working in different divisions across the company. These interviews are broadcast to the workforce and available as podcasts on the company intranet.

The golden thread throughout the series is that, in return for their contributions, Harmony offers rich opportunities for development, underlining its determination to unlock the full potential of its people – its human gold. The extracts in this report showcase the depth and breadth of talent in our company.



Workers at work at Tshepong



Making mattresses with recycled foam

Key features 2012

Harmony sustainable development report 2012

→ Strategy

- Excellent progress on strategy of optimising asset portfolio and building low-cost, high-grade mines
- Exploration in PNG increases geographical diversification. Gold equivalent reserve ounces in PNG now represent 42% of Harmony's total reserves
- Two dividends paid, amounting to R431 million (US\$59 million)
- Improved safety

→ Safety and health

- Harmony won six of seven awards at the annual MineSAFE conference, underpinning encouraging results from major safety initiative
- Improved safety performance rates (FIFR and LTIFR)
- Healthcare facilities expanded

→ Community

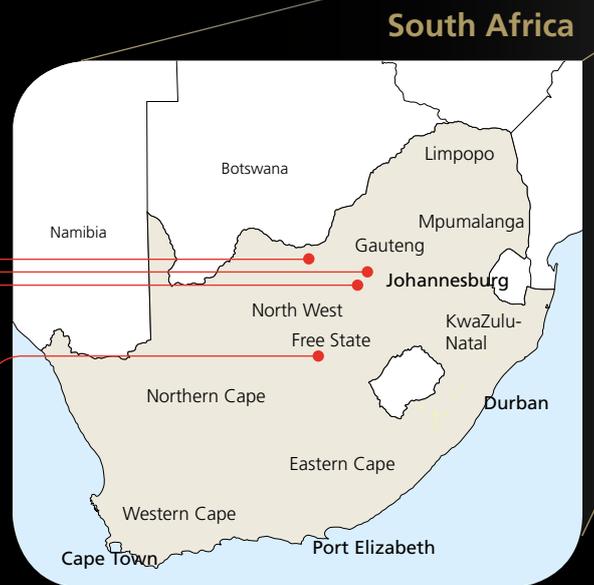
- In South Africa, R50 million (US\$6.4 million) spent on local economic development projects and R10 million (US\$1.3 million) on corporate social responsibility projects
- In PNG, R14.6 million (US\$1.8 million) spent on community programmes
- Preferential procurement expenditure in South Africa totalled R2.3 billion (42% of total discretionary expenditure) and K431 million (41%) in PNG

→ Environment

- Executing group-level environmental strategy focusing on standards, reporting and auditing
- Effective implementation of energy efficiency and climate change policy catapults Harmony to fourth place in Carbon Disclosure Project 2011 from 17th in 2010
- Free State rehabilitation programme reduces group environmental liability by around R100 million
- Success of PNG programme for community access to clean water



Production of
1.27 Moz gold



- Kalgold
- Doornkop
- Kusasaletu
- Bambanani, Joel, Masimong, Phakisa, Target, Tshepong, Unisel
- Other surface resources

Net profit of
R2.65 billion
(US\$341 million)



Gold equivalent reserve ounces in PNG now represent 42% of Harmony's total reserves.

→ Labour practices and human rights

- Employee share option scheme launched, benefiting around 33 000 employees
- Steady progress on employment equity in South Africa: HDSAs made up 43% of management
- In PNG, effective communication ensured through representative committees

→ Operations

- OHSAS 18000, ISO 14001 and ISO 9000 certification received for Harmony 1 plant, Phakisa, Tshepong, Masimong, Target plant and Target 1 post year-end
- Short interval controls introduced
- Underground grade down 4% at 4.42g/t
- Production of 1.27Moz (including discontinued operations)
- Operations in build-up showed an 8% improvement
- Commissioning phase almost complete on build-up mines
- Wafi-Golpu Resource at 1.2bn tonnes of mineralised material
- Golpu Reserves were increased to 450Mt after pre-feasibility study

→ Financials

• **Net profit for the year of R2.65 billion (US\$341 million)**

(FY11: net profit of R617 million/US\$86 million; FY10: loss of R192 million/US\$24 million)

• **Basic earnings per share at 614 SA cents (USc79)**

(FY11: 144 SA cents/USc20; FY10: loss of 46 SA cents/USc6)

• **Headline earnings of 565 SA cents per share (USc74)**

(FY11: 223 SA cents/USc31; FY10: loss of 7c (USc1))

• Dividend* of 90 SA cents per share total dividends (FY11: 60 SA cents; FY10: 50 SA cents)

• Operating margin of 35% (FY11: 26%; FY10: 26%)

Key statistics 2012

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		FY12	FY11
Operating performance			
Ore milled	000t	18 792	19 280
– Underground	000t	7 524	7 170
– Surface	000t	11 268	12 110
Gold produced ¹	kg	39 642	40 535
	000oz	1 275	1 303
– Underground	kg	33 314	33 627
	000oz	1 071	1 081
– Surface	kg	6 328	6 908
	000oz	203	222
Operating costs	R/kg	270 918	226 667
	US\$/oz	1 085	1 009
Yield	g/t	2.11	2.07
– Underground	g/t	4.42	4.60
– Surface	g/t	0.56	0.57
Financial performance			
Revenue ²	R million	15 169	11 596
	US\$ million	1 953	1 659
Production costs ²	R million	9 911	8 504
	US\$ million	1 276	1 218
Total procurement spend: black economic empowerment	R million	2 254[#]	2 267
Operating profit ³	R million	5 258	3 092
	US\$ million	677	441
Operating margin	%	35	27
Net profit for the year ⁴	R million	2 645	617
	US\$ million	341	86
Total basic earnings per share ⁴	SA cents	614	144
	US cents	79	20
Total headline earnings per share ⁴	SA cents	565	223
	US cents	74	31
Capital expenditure ⁴	R million	3 226	3 036
	US\$ million	414	436
Exploration spend	R million	500	324
Dividend spend	R million	431	214
Market performance			
Average gold price received	R/kg	419 492	307 875
	US\$/oz	1 680	1 370
Exchange rate	R/US\$	7.77	6.99

¹ 36kg/1 157oz capitalised (2011: 621kg/19 967oz).

² Prior-year figure re-presented to exclude discontinued operations.

³ Operating profit is comparable to the term production profit in the segment report in the annual financial statements and not the operating profit line item in the income statement.

⁴ Includes discontinued operations.

[#] Assured by independent auditors.

Note: All statistics are for total Harmony unless otherwise stated.

		FY12	FY11	FY10
Occupational health and safety				
FIFR – fatal injury frequency rate				
– South Africa	per million hours worked	0.16	0.17	0.21
– PNG		0.00	0.22	0.20
LTIFR – lost-time injury frequency rate				
– South Africa	per million hours worked	6.67 [#]	8.32	7.73
– PNG		0.45	0.45	0.70
South Africa				
– Shifts lost due to occupational illness and injury		24 979	27 539	27 254
– Noise-induced hearing loss (NIHL) compensated cases		101	365	442
– Silicosis cases identified		909 [#]	747	881
– New TB cases reported		906	1 201	1 302
– Number of people on HAART		4 066	2 902	3 226
People				
Number of employees and contractors		40 257	39 440	40 226
Employment equity (previously disadvantaged South Africans in management)	%	43 [#]	42	40
Number of people in single rooms		1 757 [#]	3 100	**
Number of people sharing		10 574 [#]	7 925	**
Number of people in critical skills positions trained		74 [#]	**	**
Community				
South Africa				
– Corporate social responsibility projects	Rm	10	14	23
– Local economic development	Rm	50	70	59
PNG				
Harmony Group LED	US\$m	1.8	1.5	1.1
Harmony Group LED				
	Rm	64.5 [#]		
Environment				
Mineral waste (volume disposed)	000t	20 888 [#]	**	**
Land disturbed and available for rehabilitation	km ²	9 779	**	**
Total electricity use				
– Group	000MWh	3 370 [#]	3 534	3 764
CO ₂ emissions	000t CO ₂ e	3 365	3 715	4 532
Water used for primary activities	000m ³	38 011 [#]	37 608	46 182
Cyanide use				
– Group	t	11 097	9 983	9 598
Funding and guarantees for rehabilitation and closure				
	R million	2 386	2 466	2 391
Mineral reserves				
– Gold equivalent reserve ounces	Moz	52.9	43.9	50.4

[#] Assured by independent auditors.

* Scope 1 data in FY10 was over-estimated due to a unit discrepancy

** not previously reported

Material issues

Harmony sustainable development report 2012

Harmony uses the principle of integrated reporting for its 2012 suite of reports. We recognise that integrated reporting combines our financial and non-financial performances to provide a holistic view of the company by explaining the cause and effect of various issues affecting the bottom line.

Our aim is to continuously improve communication with all stakeholders, to build up a formal, approved record of our financial and non-financial performance, and to comply with the listings requirements of the various stock exchanges on which Harmony is listed.



The social, environmental, governance and economic aspects of our business, and the opportunities and challenges these present, are detailed throughout this report, reflecting our commitment to report in line with the Global Reporting Initiative (GRI). This report is also available online www.harmony.co.za.



Certain key performance indicators have been assured by the auditing firm PricewaterhouseCoopers, and the assurance statement appears on pages 152 to 154.

We have identified our most material issues in this report. This is the culmination of a thorough process that follows workshops that were done discipline by discipline and regular feedback from stakeholders. Harmony's performance in FY12 and targets for FY13 are tabulated below.

Governance and economic sustainability



The economic dimension of sustainability concerns the impact Harmony has on the economic conditions of its stakeholders and on economic systems at local, national and global levels. The company's economic imperatives in turn are achieved within a framework of sound corporate governance. Accordingly, we report on these areas in a combined section in the report.

Governance



ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
<p>Establishment and maintenance of board and management structures</p>	Harmony's solid governance structure is regularly reviewed to ensure we comply with legislation and standards in the countries in which we operate and with the stock exchanges on which Harmony is listed.	Ongoing compliance
<p>Implementation of good practice in governance and reporting</p>	In line with our primary listing on the JSE Limited, disclosure is guided by the new South African Companies Act 2008, JSE regulations and King III. We also comply with the regulations of other exchanges where Harmony is listed, the US Securities and Exchange Commission (SEC) and the Sarbanes-Oxley Act of 2002. We use an integrated approach that combines financial and non-financial reporting, and our sustainable development disclosure is aligned with GRI and King III.	Continual improvement
<p>Integrity and ethics</p>	A code of ethics governs our behaviour, while an ethics committee meets quarterly to monitor ethical behaviour within Harmony.	Continual improvement
<p>Compliance with legislation</p>	No significant fines were paid by the company in any areas of operation in FY12, and no actions were brought against the company for anti-competitive behaviour, anti-trust or monopoly practices.	Ongoing compliance
<p>Risk management and mitigation</p>	Under a formal risk policy framework and risk management structure, primary risks identified in FY12 are covered on page 32 and in Form 20-F. Appropriate levels of due diligence are applied before finalising significant contracts. The precautionary approach is used in planning and developing new projects, in line with relevant legislation and good practice.	Ongoing adoption of best practice and alignment with King III

Economic sustainability



ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
<p>→</p> <p>Economic context and relevance</p>	<p>Harmony is one of the world's leading producers of gold, and South Africa's third largest. Regionally, Harmony has an even bigger impact, for example in South Africa's Free State province where mining accounts for a significant portion of provincial GDP. In FY12, the company employed over 40 000 people.</p>	<p>To continue playing a meaningful role in the regional economies where we operate</p>
<p>→</p> <p>Producing safe, profitable ounces</p>	<p>Regrettably, Harmony recorded 15 fatalities during the year – see safety discussion overleaf. Total gold production of 1.27Moz (39 642kg) – production during the year was affected by mine closures, safety stoppages and underperformance at some mines.</p>	<p>We aim to produce 1.7Moz of gold by FY16. Equally, we aim to achieve this target safely – eliminating all fatal accidents</p>
<p>→</p> <p>The gold market</p>	<p>Gold remains a desirable product and we expect the price to be around US\$1 800/oz in our next financial year, especially with continued global uncertainty. Harmony remains highly exposed to the R/US\$ exchange rate, as most operations are in South Africa.</p> <p>While our earnings are in dollars the exchange rate impacts our revenue in rands. The rand weakened against the dollar throughout FY12, leaving the company with strong margins.</p>	<p>We remain positive on gold. However, the gold price and exchange rate are not within our control. Our strategic plans for FY13 are based on a gold price of R340 000/kg (an exchange rate of R7.55/US\$ and a gold price of US\$1 400/oz)</p>
<p>→</p> <p>Investing in the future</p>	<p>In FY12, we continued restructuring our asset base in line with our strategy to deliver 1.7 million safe, profitable ounces by 2016. We invested R3.2 billion in our mines and our attributable mineral reserves including gold equivalents totalling 52.9Moz across South Africa and Papua New Guinea. On exploration alone we invested R500 million in the past financial year.</p>	<p>Ongoing development of mines: R4.1 billion allocated for capital expenditure and R453 million for exploration and Golpu pre-feasibility study in FY13</p>
<p>→</p> <p>Economic transformation and empowerment</p>	<p>Harmony complies in all material respects with the South African Mining Charter's requirement on empowerment through partnerships and the sale to HDSA companies of interests in the company and its underlying operations. To date 28% of production is attributable to HDSA interests.</p> <p>Contracts are in place with PNG landowner groups for a range of services. We continue to offer business development opportunities to landowners as Hidden Valley moves towards full production and more opportunities become available.</p>	<p>Ensure Harmony complies to charter expectations for 2014 while promoting continuous improvement</p> <p>Ensure ongoing dialogue with stakeholders and seek opportunities to enhance community development</p>

Material issues continued

Harmony sustainable development report 2012

Social performance



Harmony has an impact on the social environment in which it operates. This report includes comprehensive discussions on safety, occupational health and well-being, labour practices and community issues.

Safety



ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13																						
<p>→</p> <p>Eliminating accidents by managing risk and ensuring appropriate structures, systems and training are in place</p>	<p>Regrettably, 15 employees lost their lives in mine-related incidents in FY12 (FY11: 16).</p> <p>In South Africa, the FIFR improved to 0.16, and the LTIFR to 7.29 per million hours worked. Both exceed targets set for the year, and there are encouraging early signs of behavioural improvement from the major safety initiative under way (page 49).</p> <p>Lost-time injury frequency rate (LTIFR) FY03 – FY12 (SA only)</p> <table border="1"> <caption>Lost-time injury frequency rate (LTIFR) FY03 – FY12 (SA only)</caption> <thead> <tr> <th>Fiscal Year</th> <th>LTIFR</th> </tr> </thead> <tbody> <tr><td>FY03</td><td>24</td></tr> <tr><td>FY04</td><td>19</td></tr> <tr><td>FY05</td><td>15</td></tr> <tr><td>FY06</td><td>16</td></tr> <tr><td>FY07</td><td>15</td></tr> <tr><td>FY08</td><td>13</td></tr> <tr><td>FY09</td><td>9</td></tr> <tr><td>FY10</td><td>8</td></tr> <tr><td>FY11</td><td>7</td></tr> <tr><td>FY12</td><td>7.29</td></tr> </tbody> </table> <p>In PNG, with no fatalities recorded, the FIFR was 0 per million hours worked, while the LTIFR was 0.45, significantly above the target set.</p>	Fiscal Year	LTIFR	FY03	24	FY04	19	FY05	15	FY06	16	FY07	15	FY08	13	FY09	9	FY10	8	FY11	7	FY12	7.29	<p>FIFR: 0 LTIFR SA: 5.99 LTIFR PNG: 0.77 LTIFR Harmony: 5.68</p>
Fiscal Year	LTIFR																							
FY03	24																							
FY04	19																							
FY05	15																							
FY06	16																							
FY07	15																							
FY08	13																							
FY09	9																							
FY10	8																							
FY11	7																							
FY12	7.29																							
<p>→</p> <p>Reducing falls of ground</p>	<p>Falls of ground account for a large portion of all lost-time injuries in Harmony. Our new ground control strategy consolidates efforts to prevent fall-of-ground incidents and accidents, and promotes an even safer and more stable underground environment.</p> <ul style="list-style-type: none"> There were 2 gravity-related fall-of-ground fatalities in FY12 (FY11: 3) and 1 seismic-related fall-of-ground fatality in FY12 (FY11: 2). 	<p>Fall-of-ground injury frequency rate of 1.60 per million hours worked</p>																						
<p>→</p> <p>Addressing the issue of illegal miners in South Africa</p>	<p>Illegal or criminal mining activities endanger the safety of both company employees and criminals. Harmony again proactively addressed illegal mining activities by liaising with the authorities, unions, private security companies, local businesses and affected communities.</p> <ul style="list-style-type: none"> In FY12, our focus on communicating the risks and consequences of illegal mining and fraud to our own workforces paid off and our zero-tolerance approach has seen the number of employees dismissed for related offences rising from 133 in FY11 to 153. 	<p>Eliminate illegal mining as far as practically possible</p>																						

Occupational health and well-being



ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
<p>→</p> <p>Occupational lung diseases, including silicosis</p>	<p>In FY12, the implementation of a number of operational controls in South Africa resulted in the gradual downward trend of recent years.</p>	<p>We aim to have no new cases of silicosis among previously unexposed individuals</p>
<p>→</p> <p>Pulmonary tuberculosis and other HIV-related illnesses</p>	<p>Harmony's integrated healthcare approach takes a broader view of chronic diseases managed by the company. In FY12:</p> <ul style="list-style-type: none"> • TB rate declined by 24%, with 906 cases diagnosed. Multidrug-resistant TB cases dropped to 33 (63 in FY11 vs 49 in FY10) • 29% of employees were tested for HIV and 55% received counselling; 9 861 individuals were tested (FY11: 7 009); current uptake rate of VCT has increased to 55%. Over the past three years, 47 758 HIV/Aids tests have been performed in Harmony • 4 066 employees participated in the HAART programme (FY11: 2 902). 	<p>Continual improvement</p>
<p>→</p> <p>Noise-induced hearing loss (NIHL) and use of protective equipment</p>	<p>South Africa: In FY12, 346 cases of NIHL were identified (FY11: 420), with 101 cases compensated.</p> <ul style="list-style-type: none"> • We have issued personalised hearing protection devices to over 22 000 employees and 2 900 contractors • All rock drills, fans and mechanical loaders exceeding stipulated noise levels have been silenced. Good progress was made on silencing air hoists (90%) and diamond drills (91%). 	<p>Meeting the industry target to prevent any hearing loss of more than 10% remains a challenge for Harmony</p>
<p>→</p> <p>Heat stress</p>	<p>Extensive refrigeration and ventilation systems at all operations ensure heat stress management parameters are well within legislated limits and continually improve the safety and productivity of people exposed.</p> <ul style="list-style-type: none"> • In FY12, 20 472 heat tolerance tests were conducted (FY11: 26 948). 	<p>Ensure continued testing as per our code of practice for thermal stress</p>
<p>→</p> <p>Healthcare</p>	<p>In PNG, medical centres at Hidden Valley, Wafi and Wau provide full-time primary healthcare and occupational health surveillance to employees, dependants and the local community.</p> <ul style="list-style-type: none"> • In FY12, 18 840 health contacts were made at all MMJV medical centres (FY11: 15 216) and 1 826 employees were treated for malaria. 	<p>Ongoing surveillance for potential occupational illnesses. Roll out integrated strategy on TB, malaria and HIV – building on systems already in place</p>

Material issues continued

Harmony sustainable development report 2012

Labour practices 		
ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
<p>→</p> <p>Steady progress on employment equity</p>	<p>Harmony's policy is to recruit local employees where possible and ensure no discrimination against foreign migrant labour.</p> <ul style="list-style-type: none"> At 43%, Harmony exceeds the South African Mining Charter target of HDSAs comprising 40% of management. 	<p>Mining Charter:</p> <ul style="list-style-type: none"> Top and senior management: 30% Middle and junior management: 40% Core and critical skills: 30%
<p>→</p> <p>Hostel de-densification process; accommodation and living conditions</p>	<p>Our housing strategy in South Africa has a dual thrust: promoting home ownership and integrating mining communities into local structures. Core to this is upgrading hostels into single occupancy or family units.</p> <ul style="list-style-type: none"> Masimong and Tshepong completed in FY12 To date, over 18% of our employees have moved from hostels to single or family accommodation, while five old hostels are being converted to create 1 000 family units by 2014. 	<p>Hostel project will continue until FY15, when 240 units in our Gauteng operations will be converted at a total estimated cost of R46.6 million.</p> <p>In the Free State, the Unisel and Phakisa hostel upgrades will be completed at an estimated total cost of R23 million</p>
<p>→</p> <p>Promoting skills development and employment in our communities</p>	<p>In South Africa and PNG, the mining industry is a significant employer. More importantly, given the shortage of sector-specific skills in both regions, the industry is a material source of funding for skills development.</p> <p>In South Africa:</p> <ul style="list-style-type: none"> We have registered 225 mining learnerships (43 from the communities), 51 artisan learnerships (seven from local communities), 19 service persons and 354 services learnerships for hostel cooks and supervisors We offered 35 students bursaries in different mining disciplines We offered 249 employees study assistance to further their studies in different disciplines 127 employees attended the supervisory development programme 24 tertiary students accommodated for experiential training 20 students selected for Harmony Bridging School 438 employees or proxies received portable skills training 968 employees and community members attended ABET at a cost of R47 million – Harmony literacy rate is up from 25% in FY09 to 50% in FY12 72% of our South African workforce received some form of training at a cost of R245 million; 97% of those trained were HDSAs and 13% women. <p>In PNG:</p> <ul style="list-style-type: none"> 15 employees attended ABET classes Training and mentoring benefited 74% of locally recruited employees 14 students from local university engaged to monitor aspects of geology and environmental management. 	<p>Mining Charter: 5% of payroll by 2014</p>

Labour practices continued

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
<p style="text-align: right;">→</p> <p>Promoting sound and constructive employee relations</p>	<p>Harmony recognises the right of all employees and contractors to freedom of association and adheres to collective bargaining agreements relevant to the countries of operation.</p> <p>In South Africa:</p> <ul style="list-style-type: none"> • Employee share option scheme launched benefiting around 33 000 employees • 89% of workforce unionised • Six days lost to labour action in FY12 • Two-year wage agreement signed, including profit sharing, after five-day strike across gold mining sector early in FY12. <p>In PNG:</p> <ul style="list-style-type: none"> • Very low rates of unionisation, no industrial action in FY12 • Effective communication ensured through representative committees, 89% of workforce represented by internally resourced employees • 14% of workforce now women • First three-year training plan developed and submitted to Department of Labour for approval. 	<ul style="list-style-type: none"> • Maintain and improve relationships with employees and their recognised unions • Prevent or minimise production losses due to labour action • Promoting profit-share incentive <ul style="list-style-type: none"> • Maintain and improve relationships with PNG employees and representative committees • Local employees comprise 96% of PNG workforce by FY13 • 17% of PNG workforce to be women by FY13

Community



ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
<p style="text-align: right;">→</p> <p>Adding value – optimising the available budget to ensure maximum benefits for our communities</p>	<p>In South Africa:</p> <p>Harmony's corporate social responsibility (CSR) and local economic development (LED) activities span four key areas – education; socio-economic development; sports, arts and culture; and black economic empowerment (BEE) support – in its mining and labour-sending communities.</p> <ul style="list-style-type: none"> • CSR encompasses broader community development and includes national socio-economic development programmes such as mathematics and science development. Some R10.2 million spent in FY12 (FY11: R14 million) • LED initiatives are aligned with the Mining Charter, MPRDA and Codes of Good Practice for the Minerals and Mining Industry. In FY12 Harmony spent almost R50 million (FY11: R70 million) on LED projects. <p>In PNG:</p> <p>Harmony's socio-economic development programmes are aimed at addressing priorities in health, education, agriculture and infrastructure.</p> <ul style="list-style-type: none"> • Clean water facilities provided for six communities • Teacher training for almost 400 primary and elementary school teachers. 	<p>Continue to implement CSR and LED programmes in line with the company's policy and in compliance with the Mining Charter</p> <p>Continue to implement programmes in line with agreements, including:</p> <ul style="list-style-type: none"> • Business management training • Collaboration with government, donors and NGOs in HIV, TB, malaria awareness and prevention programmes

Material issues continued

Harmony sustainable development report 2012

Community continued

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
<p>→</p> <p>Affirmative procurement especially promoting business with HDSAs and local communities</p>	<ul style="list-style-type: none"> Black economic empowerment (BEE) procurement expenditure in South Africa in FY12 of R2 254 million (42% of total discretionary spend) split between: <ul style="list-style-type: none"> – capital above target (20%) at 22% – services below target (50%) at 32% – consumables above target (25%) at 46% Harmony's enterprise development centres in Welkom, Soweto and Carletonville support affirmative procurement, making it easier for BEE suppliers to conduct business with the company. 	<p>Continue affirmative procurement strategies in compliance with Mining Charter targets:</p> <ul style="list-style-type: none"> • 20% for capital • 50% for services • 25% for consumables
<p>→</p> <p>Stakeholder engagement – developing and promoting sound and responsive internal and external relationships</p>	<p>Strategic and ongoing engagement with stakeholders in South Africa ensures Harmony's LED priorities are stakeholder-driven and guided by an engagement process involving municipalities, communities, the DMR, NGOs and governments of the labour-sending countries of Lesotho and Mozambique.</p> <p>Extensive PNG community engagement programmes address concerns on environmental impacts of the mine, particularly Watut River sedimentation issues.</p> <ul style="list-style-type: none"> • First year with an external stakeholder advisory panel in place to advise the Hidden Valley operations team on environmental improvement projects. 	<p>Continue as per SLP strategic plan until 2015</p> <p>Continue to work with the stakeholder advisory panel and PNG regulatory authorities on implementing environmental improvement programmes at Hidden Valley mine</p>

Environment



ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
<p>→</p> <p>Water management</p>	<p>As our South African operations use extensive amounts of water, a group-wide campaign is under way to reduce consumption of fresh water and optimise reuse of process water.</p> <ul style="list-style-type: none"> • Of total water used, 50% was recycled. <p>Water is the most significant resource used by MMJV in PNG.</p> <ul style="list-style-type: none"> • Every effort is being made to reduce the amount of fresh water used, and increase the quantum of treated recycled water • Significant progress in reducing mine-related sediment in Watut River. 	<p>Working from FY08 baseline, over five years we aim to:</p> <ul style="list-style-type: none"> • Reduce fresh water consumption by 2% • Increase recycled water by up to 5% <p>Long-term targets for FY14 to FY20 are subject to board approval at end FY13</p>

Environment continued

ISSUE	PERFORMANCE IN FY12	OBJECTIVES AND TARGETS FOR FY13
<p>→</p> <p>Land-use: concurrent rehabilitation and financial provision</p>	<p>As a responsible mining company, we are committed to enhancing rehabilitation at our operations and continuously identify land for rehabilitation to a sustainable alternative use.</p> <p>In South Africa:</p> <ul style="list-style-type: none"> • Total rehabilitation liability estimated at R2.25 billion in June 2012 while total funding coverage was R2.38 billion. The rehabilitation liability coverage is 106% • Rehabilitation plan and strategy for decommissioned operations in Free State implemented • Concurrent rehabilitation under way at Deelkraal, Evander Winkelhaak plant, Kalgold, Brand, Merriespruit, St Helena, President Steyn, and Virginia 2 shaft and plant. <p>In PNG:</p> <p>A high-capacity nursery on site is hardening over 20 000 seedlings, with 30 000 planted in 2012.</p>	<ul style="list-style-type: none"> • 100% provisioning for environmental liability • Group aggregate target is a 3% reduction of liability by 2013
<p>→</p> <p>Legal compliance</p>	<p>In line with our strategy of meeting and exceeding legislative compliance, we are implementing appropriate environmental management systems at all operations. These will also ensure environmental management is addressed in a formal, systematic approach.</p> <ul style="list-style-type: none"> • To date, ISO 14001 systems have been implemented at nine operations • In FY12, self-assessment tools and standards were developed for implementation at all operations • No environmental fines or sanctions were received in FY12. <p>In PNG, integrated sustainable business management system on track for certification to ISO 14001 and other relevant international safety and community standards.</p>	<p>Implementation of environmental management systems continues at remaining long-life operations and action plans to address all high-risk impacts are under way</p> <p>Roll out integrated sustainable business management system across MMJV operations</p>
<p>→</p> <p>Carbon footprint reduction</p>	<p>Harmony is focused on reducing the use of fossil fuels and developing initiatives to mitigate and manage greenhouse gases (GHGs) to reduce its carbon footprint. All greenfields and brownfields projects consider the impact of climate change in their design and planning.</p> <ul style="list-style-type: none"> • Fifth response to Carbon Disclosure Project (CDP) submitted: in FY11 Harmony ranked fourth among companies on the JSE Limited. <p>Total scope 1 and 2 emissions in South Africa decreased by 8%, mainly due to efficiency initiatives.</p> <p>Total scope 1 emissions in PNG decreased by 70% as the operation ramps up and as a result of connection to the hydro powered grid.</p>	<p>Continued implementation of energy efficiency initiative</p> <p>Group aggregate target for CO₂ reduction: 15% by 2013 (2005 base year)</p> <p>Explore renewable energy initiatives</p>
<p>→</p> <p>Radiation – rehabilitating legacy sites</p>	<p>Radiation is a potential risk at certain sites in South Africa. Radiation is well controlled at our sites through systematic, systemic, and operational controls and barriers.</p> <ul style="list-style-type: none"> • Regional public impact assessments were recently completed at Evander, Kusasaletu and Doornkop. 	<ul style="list-style-type: none"> • Rehabilitation of Joint Metallurgical Services plant will begin in FY13 • Rehabilitation research and development to be initiated in FY13



YOU are the gold



Waiting room at Masimong 5 Medical Centre

Wellness Centre

Harmony completed renovations to a building belonging to the municipality in Kutloanong to create a wellness and multi-purpose facility in June 2011. The centre is already being used for the benefit of the surrounding community. Support services are being provided in the discussion rooms and offices for people affected, and infected, by HIV/Aids.

The centre can accommodate youth organisations such as Kutloanong Unemployed Youth (KUYI) and offices have been set aside for ward councillors. Illiterate elderly people can learn to read and write at the centre while career guidance will be offered to youngsters. The centre will be run by a non-profit organisation, Mosamaria, and the Matjhabeng Municipality. Harmony's total cost between October 2010 and June 2011 was R521 000.

Harmony completed renovations to a building belonging to the municipality in Kutloanong to create a wellness and multi-purpose facility in June 2011 at a total project cost of **R521 000.**

Harmony's approach to sustainability

Harmony sustainable development report 2012



Modise Motloba
Chairman:
Social and ethics committee

“Each year, we review **material issues** within each of the disciplines to evaluate their **appropriateness and relevance in the reporting year**, and to identify additional material issues that warrant reporting, including **sustainability-related key performance indicators and levels of assurance.**”

Harmony's approach to sustainability

Harmony firmly believes mining contributes to the greater well-being of the society in which it operates while ensuring minimum impact to that environment. Equally, we believe mining can contribute to embedding sustainability for enduring value through:

- Job creation
- Skills development, education and training
- Economic upliftment
- Value creation
- Poverty alleviation
- Corporate social investment
- Local economic development
- Social and economic transformation
- Infrastructure development.

At all times, therefore, to secure Harmony's future for the benefit of all stakeholders, we strive to balance economic development with environmental protection and social responsibility within a robust governance framework.

In the past five years, we have concentrated on embedding sustainable development practices in our business strategy, understanding that while corporate citizenship is both a moral responsibility and a condition of our mining licences, this duty rests on the inextricable link between profitability and sustainability.

To integrate sustainable development as part of the way we do business, we have woven it into organisational business processes and practices. We concentrated on building systems (including ISO systems, group standards for environment and safety, and standardising processes and definitions) to embed these in the culture and values of Harmony, and our leadership approach.

Integrating sustainable development into our business strategy, and good practice into our operating standards, is a cornerstone of Harmony's global expansion – a marketplace where we are measured against robust world-class standards.

Guided by our vision for sustainable development – zero harm to people and the environment while enabling and empowering the societies within which we operate – we have recorded notable successes in recent years. For society, these include proactive healthcare, improved safety strategy, share ownership for our employees, creating value for communities as far afield as Papua New Guinea and the Free State. Environmentally, we have reduced our carbon emissions, initiated pioneering rehabilitation processes, and linked our PNG operations to hydropower.

To maintain this momentum, we have reviewed our sustainable development framework and set targets for the short, medium and long term to 2018. This framework fully considers the myriad of challenges faced by a global mining company in the 21st century, including:

- Reducing fatalities and internalising the required behavioural changes to adhere to good safety practice
- Meeting community needs and expectations within the broader socio-political landscape of our operating countries
- Increasingly stringent legislation
- The impact on business of implementing carbon balances and carbon taxes

- Climate change and designing for future access
- From a safety perspective, physical barriers and the ability to separate workers from high exposures
- People – we understand that our future rests on the skills that drive our operations. Our focus on training and development, transformation, empowerment and partnerships ensures we maximise the potential of every person in our workforce and, where possible, extend these benefits into our communities.

In addressing these challenges, Harmony is increasingly focusing on technological innovation and proactive initiatives to pre-empt the challenges of the future.

Sustainable development framework

Our framework is based on the governing principles of the International Council of Minerals and Metal (ICMM) (www.icmm.com) and expressed in various Harmony policies and position statements.

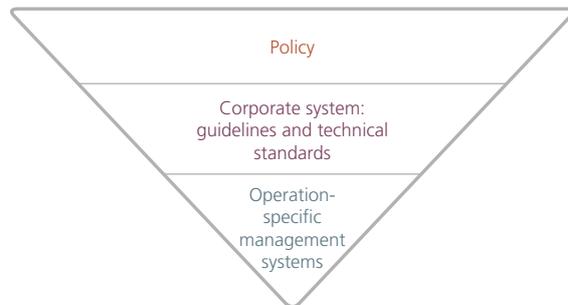


Sustainable development governance

The social and ethics committee of the board oversees policy and strategies on safety, occupational health, environmental management, employee health and well-being, corporate social responsibility, human resources and ethics.

Responsibility for implementing these policies vests with the management team and specific executives for each discipline.

Discipline-specific policies, in turn, are supported by a series of guidelines and standards underpinning the development of site-specific management systems.



Policies and principles underscoring sustainable development in our business

The tenets of the safety and health policy focus on:

- Ensuring management leads by example and creates the enabling environment for driving continuous improvement
- Effecting a behavioural shift to make safety foremost among our people, both on and off the job
- Ensuring high safety exposures are managed through focused strategies, including fall-of-ground, and trucks and tramming activities.

Our corporate social responsibility policy commits to:

- Contributing to the areas of science and mathematics
- Socio-economic development of local communities influenced by our activities in line with municipal integrated development plans
- Enhancing broad-based local and community economic empowerment and enterprise development
- Supporting art, culture, sport and recreation.

Harmony's approach to sustainability reporting continued

Harmony sustainable development report 2012

Harmony's environmental stewardship and material stewardship policy is underpinned by our commitment to:

- Prevent pollution wherever we operate or minimise, mitigate and remediate harmful effects of our operation on the environment
- Comply with all applicable host-country environmental regulations
- Promote active partnerships with government, community, labour and other relevant organisations for environmental protection and conservation at international, national, regional and local levels
- Drive continual improvement through environmental management systems focused on:
 - Setting and achieving targets that promote efficient use of resources and reduce environmental exposure; reporting on progress to relevant internal and external stakeholders
 - Managing hazardous substances safely and responsibly
- Contribute to protecting biodiversity, considering ecological values and land-use aspects in investment, operational and closure activities
- Ensure transparent communications with our communities on environmental issues.

Our climate change and energy efficiency policy focuses on:

- Establishing Harmony's carbon footprint from mining and processing activities
- Optimising electrical energy and carbon resource consumption and therefore efficiency in operations while identifying opportunities to improve the energy mix
- Improving energy efficiency by continuously establishing and implementing effective energy management programmes that support mining operations while providing a safe and healthy work environment
- Promoting efficient use of renewable and non-renewable carbon resources
- Reducing greenhouse gas emissions, measuring progress and reporting results
- Developing appropriate responses to climate change by adaptation and mitigation
- Encouraging continuous energy conservation by employees in their work and personal activities
- Engaging governments in developing policies and strategies to address energy efficiency and greenhouse gas reduction.

The human resources function is geared to:

- Maintaining and upholding principles of fairness and employment equity policy and practice through personalised development and training to empower individuals to contribute to the company and society in general
- Recognising and capitalising on the rich diversity of our people while ensuring local communities have preferential recruitment opportunities
- Ensuring we respect the customs, traditions and needs of local people as Harmony expands its geographic footprint
- Our labour practices are governed by the Labour Relations Act framework that outlaws malpractices such as child labour
- All Harmony employees have freedom of association – we recognise the value of organised labour to business improvement
- Determining conditions of service at a central collective bargaining level.

Reporting and disclosure is an essential component of our framework

We disclose performance voluntarily using guidelines from the Global Reporting Initiative (GRI). Harmony has a self-declared B+ rating, which means we report fully on at least 20 performance indicators, including some from the GRI's mining sector supplement, across the disciplines of economic, environment, human rights, labour, society and product responsibility. In the past we have monitored, measured and reported on up to 57 indicators. In this report, our disclosure covers 64 indicators (GRI index on page 137). We are also concentrating on improving the quality of our disclosure through standardisation, more effective systems and continual progress.



Each year, we review material issues within each of the disciplines noted above to evaluate their appropriateness and relevance in the reporting year, and to identify additional material issues that warrant reporting, including sustainability-related key performance indicators and levels of assurance.

In addition to reporting against GRI guidelines, Harmony also measures its South African operations against the Mining Charter scorecard and must comply with a number of targets. Progress during the year is recorded on page 146.



Assurance

Harmony's business is changing; we aspire to be a more global company with world-class assets, following responsible and sustainable practices. Accordingly, we have intensified our focus on elements underpinning the sustainability of our business. One of these elements is reputational capital.

Reputational capital is vital to business today. One approach to building this is through the credibility of integrated reporting. This is mirrored in the trend by financial institutions and others for greater disclosure of sustainability issues.

Responding to these trends and aligning with industry good practice, Harmony is advancing its assurance programme. This is evident in our approach in FY12 versus last year:

- We are progressively increasing the number of indicators assured to bring Harmony in line with industry good practice
- On the journey of continuous improvement, management is progressively advancing selected material indicators from *limited* to the more stringent *reasonable* assurance. Based on the outcomes of previous audits, in this cycle we have elevated two indicators to a reasonable level of assurance.

Outlook

We have made considerable progress on our journey toward sustainable development with tangible benefits for all stakeholders – from houses, to hospital beds to seedlings and potable water. This is a process to which we are deeply committed – by consulting with stakeholders, setting targets and measuring progress, we are delivering on our promises.

Modise Motloba

Chairman: social and ethics committee

Harmony sustainable development scorecard

Indicator	Target 2013	Met/ on track	Target 2018	Page
Ownership	26% HDSA ownership of credits of company	✓	26% HDSA ownership of credits of company	38
People empowerment	40% HDSA in management by 2013	✓	40% HDSA in management by 2018	9 and 87
Socio-economic development	1% of profit after tax	x	Maintain 1% profit after tax	9 and 91
Training and development	Group aggregate: 5% HRD expenditure as percentage of payroll	x	To be determined	79
Number of fatalities/FIFR	Group aggregate: 0. Milestone target 0.03 per million hours worked	x	To be determined	9 and 52
Silicosis	0 new cases in industry novices from 2008 based on current diagnostic testing	✓	0 new cases based on current diagnostic testing	9 and 62
NIHL	No deterioration in hearing greater than 10% among occupationally exposed individuals	✓	No deterioration in hearing greater than 10% among occupationally exposed individuals	61
	Total noise emitted by all equipment in any workplace must not exceed 110dB(A) at any location	✓	Total noise emitted by all equipment in any workplace must not exceed 110dB(A) at any location	61
Environmental significant incidents	0	✓	0	124
All sites with emissions >100 000tpa CO ₂ e required to have and maintain energy conservation plans by 2012	80% of sites above threshold that have energy conservation plans	✓	100% of sites above threshold that have energy conservation plans	9 and 113
Aggregate group target for reduction in energy consumption/tonnes treated	10% by 2013 from 2005 base year	✓	* Proposed 3% from 2013 base year	9 and 113
Aggregate group target for GHG reduction per tonnes treated (including slimes)	5% by 2013 from 2005 base year	✓	* Proposed 3% from 2013 base year	119
All sites to have biodiversity action plans by 2012	80% of sites with plans	x	* 100% of sites with plans, implemented as planned	126
Aggregate group target: Increased affected water consumption	5% improvement by 2013 from 2008 base year	✓	* Proposed 5% improvement by 2020 from 2013 base year	104
Aggregate group target: Fresh water consumption reduced per tonne milled	2% improvement by 2013 from 2008 base year	✓	* Proposed 4% improvement by 2020 from 2013 base year	104
Aggregate group target: Land available for rehabilitation	5% reduction of land available for rehabilitation	**	* Proposed 5% reduction of land available for rehabilitation from 2013 base year	9 and 125

* Proposed target for environmental management submitted to social and ethics committee for approval in final quarter of FY13 (April to June) and may be subject to change.

** Monitoring this performance indicator for the first time. Compliance will be disclosed in FY13.

Legend: – Compliant x – Not compliant

CASE STUDY: Tailoring our sustainability approach to Papua New Guinea's unique needs

These benefits will stimulate additional, indirect benefits in Morobe Province. These are estimated at K45 million per annum, increasing the overall level of benefits by 25% to K228 million per annum.



Supporting the production of coffee and cocoa

In FY12, Harmony and its joint-venture partner in Papua New Guinea commissioned a study of the scope of benefits being provided by mining and exploration activities in the region, specifically Hidden Valley mine. This benefit stream analysis has provided valuable insight, enabling the partners to:

- Quantify the magnitude and allocation of benefits derived from the mine to date
- Predict the magnitude and allocation of benefits prior to mine closure
- Assess the likely effectiveness of mine benefits in contributing to social and economic development
- Provide recommendations to improve the allocation of benefits and/or improve their effectiveness.

National benefits

The mine is expected to produce, on average, around 270 000 ounces of gold and 3.6 million ounces of silver annually. This should generate annual revenue of K820 million (based on a gold price of US\$1 000/oz and silver price of US\$25/oz).

Although expecting to contribute around one quarter of PNG's gold production by 2015, the mine's impact at national level is expected to be relatively modest: increasing GDP by 2%, exports by 5% and government revenue by less than 1% (based on macro-economic projections between 2011 and 2015).

Provincial benefits

Within Morobe Province, the mine is expected to generate direct benefits averaging K183 million annually for 15 years (encompassing both the construction and operational phases). The benefits include:

Procurement from the province	66%
Wages and other benefits for provincial employees	12%
Statutory benefits* (royalties, compensation payments, TCS expenditure and grants from national government)	14%
Support provided by MMJV (benefit share agreement and other community assistance)	8%

** The level of statutory benefits depends on commodity price changes, particularly gold. Other benefits are not generally sensitive to changes in gold or silver prices.*

These benefits will stimulate additional, indirect benefits in Morobe Province. These are estimated at K45 million per annum, increasing the overall level of benefits by 25% to K228 million per annum.

Income levels and equality

Income levels in mine area villages are set to average around K6 500 per capita over the life of the mine. Although contributing to future generation trusts, the relatively short period of mining, and level of contributions, will mean that these trusts will not be able to sustain income levels after mine closure. Certain local governments will also face a substantial decline in income levels post closure.

A number of initiatives are providing a more equitable share of benefits in Bulolo District and Morobe Province in general. These are summarised below.

Strategies to promote broad-based growth (and reduce income inequality)

Strategies to promote equitable development	Progress in implementing strategies
Maximising local employment and training	Employees from Morobe Province represent 52% of the Hidden Valley workforce and 48% of the contractor workforce
Maximising procurement of local goods and services	24% of total goods and services have been procured from the province since July 2008
Ensuring payments to provincial and local governments are used effectively and contribute to social and economic development	The Morobe Project Management Unit (MPMU) has been established as the channel for government grants to be transferred to the province
Supporting infrastructure development and promoting opportunities for local people to produce and market goods and services	Considerable work has been completed on the Wau-Bulolo Highway and supporting production of coffee and cocoa

Due to these strategies, the benefits of Hidden Valley mine are being spread throughout the province. The MPMU has begun implementing its mandate to ensure government grants are received and used effectively.

Community assistance

MMJV has prepared a community and regional development plan, and allocated over K15 million in the past year to a wide range of projects, including roads and bridges, water supply, education, agriculture and health. MMJV also provides the following support:

- Grants to Nakuwi landowner association
- Educational support and sponsorship
- Donations to a range of community organisations.



Sambio SIYB training graduation ceremony



YOU are the gold



Employees become shareholders!

New shareholders

Under the Tlhakanelo employee share ownership plan, around 33 000 long-serving Harmony employees now own a stake in the company and will benefit from its growth.

Following lengthy negotiations with our recognised unions, the structure of Tlhakanelo incorporates a minimum payout guarantee with a maximum payout ceiling.

In this way, employees share in the company's success but enjoy a measure of protection during less favourable economic conditions.

More than **33 000** employees became shareholders in August 2012 with a potential stake of 2.9% in Harmony. This is tangible recognition of the importance of the people who sustain our business.

Governance and economic sustainability

Harmony sustainable development report 2012

Governance



Strategic approach	Progress
<ul style="list-style-type: none"> Proactively addressing industry challenges 	Cooperative approach to discussing safety, health, labour and environmental issues and socio-economic development with stakeholders
Strategic targets	Progress
<ul style="list-style-type: none"> Maintain the solid governance structure that underpins our licence to operate 	Structures further enhanced

Material issues*

- Establish and maintain board and management structures
- Maintain good practice in governance and reporting
- Integrity and ethics
- Comply with legislation
- Risk management and mitigation

*The section on Harmony's approach to sustainability details how we identified our material issues.

Complying with legislation

Harmony's solid governance structure is regularly reviewed to ensure we comply with legislation and standards in our operating countries and with the stock exchanges on which Harmony is listed. A detailed discussion on corporate governance appears in the integrated annual report.

No significant fines were paid by the company in any areas of operation in FY12, and no actions were brought against Harmony for anti-competitive behaviour, anti-trust or monopoly practices.



Harmony's response to recent attempts to institute a class action in terms of silicosis is detailed on page 63.

Governance practices and reporting

Harmony remains committed to applying and upholding the highest corporate governance practices. The company's disclosure practices and policies are guided by the South African Companies Act 71 of 2008, requirements governing its primary listing on the JSE Limited (JSE) and the King Report on Governance for South Africa, 2009, and King Code of Governance Principles, 2009 (collectively King III).

Harmony's 2012 integrated annual report combines financial and non-financial reporting. This report has been developed in line with the requirements of both King III and the Global



Reporting Initiative (GRI G3) (see Scope of report on inside cover).

Stakeholder engagement

We recognise the importance of responding to the challenges of stakeholder engagement given that our sustainability depends, among others, on demonstrating responsible corporate citizenship. Throughout this report, there is evidence that Harmony uses its financial and human resources to make a significant contribution to developing its host communities, local and district municipalities, labour-sending communities and the wider communities in countries where we operate.

In different ways, stakeholders grant Harmony its licence to operate – economically, socially and environmentally.

Harmony encourages ongoing interaction with stakeholders at all levels, including shareholders. Through formal and informal processes (see section below), we have identified our stakeholders as:

- Shareholders
- Employees and their representatives
- National, regional and local government, and regulators
- Industry organisations, such as the Chamber of Mines
- Customers and suppliers
- Partners
- Media and analysts
- Academia
- Non-governmental and community-based organisations
- General public in communities where we operate.

We aim for continuous improvement which includes strengthening our stakeholder engagement processes. Accordingly, we appointed an executive director: government relations to ensure adequate and effective dialogue between the company and its stakeholders.

During the year, a group-wide stakeholder policy and framework was developed to provide a company framework for the continuous improvement and expansion of stakeholder engagement initiatives. This was presented to the board for approval after year end.

Aligned to the strategic intent and core values of the company, the stakeholder engagement framework recognises the continuous challenges faced by Harmony, and the mining industry in general, to maintain a constant level of interaction with different stakeholder groups and facilitate the meaningful contribution of all to the company's business.

Accordingly, the proposed stakeholder engagement policy and framework considers the intentions, content, stipulations and contributions contained in:

- Harmony's strategic plan
- The Harmony corporate social responsibility policy
- The preferential procurement policy
- The MPRDA
- Mining Charter
- Social and labour plans
- King III
- DTI codes of good practice
- PNG localisation plan.

To ensure proactive and transparent stakeholder engagement, Harmony uses two principal means of communication. The first is direct engagement, including organised dialogues, round-table discussions, bilateral meetings, internal surveys and regular engagement with local communities at each operation. The second is indirect engagement, including the use of external benchmarks and standards that are designed to reflect and address societal expectations.

At operational level, all our mines identify, prioritise and engage stakeholder groups with the potential to affect their operational, sustainability or financial performance. For example:

- Ad hoc engagements with local farmers, especially in the Free State, on areas of concern, and opportunities for mutual benefit
- Regulators, departments of mineral resources and water and environmental affairs – discussions on performance, compliance and potential partnerships for mutual benefit
- Kalgold has hosted a number of regulator visits to apprise institutions of the mine's continued commitment to driving safe responsible production. Focus group meetings with government, unions, local farmers' unions and the local municipality were held to engage key stakeholders on the company's intentions in rehabilitating the D-zone pit
- Engaging with local housing department and chamber of commerce in the Free State.

The corporate office is responsible for strategic engagements while the regional team ensures engagement with provincial legislature including the premier and members of the executive council (MEC), both through direct and indirect engagement. Harmony has a very strong presence among regulators and communities including:

- Local economic development (LED) projects – project implementation teams
- We have committees that focus on implementing social and labour plans (SLP) projects in the municipal areas that play host to our operations. Participants in these committees include the LED departments of municipalities, DMR and Harmony members
- We also have project-specific steering committees that involve all relevant stakeholders
- We participate in forums dealing with integrated development programmes and local economic development
- Provincial and district authorities as well as local municipalities invite Harmony to various other forums, eg economic and land development summits, climate change summit and spatial development forums. We are invited to participate in almost all developmental initiatives in the area
- We interact with mayors at least once a quarter or when required, and there is continuous engagement with members of the mayoral committees (MMCs) especially those who head portfolios related to our activities, eg LED, housing and social services.

PNG has comprehensive community engagement programmes including those associated with the Hidden Valley mine, communities living along the Watut River and those associated with our Wafi-Golpu exploration activities.

In addition to regular community consultation and engagement, a PNG team is overseeing implementation of the sustainable community development programme.

This is focused on providing greater educational support, enhanced agricultural skills, improved health programmes and community facilities such as sanitation and water supplies.

These programmes are being developed in partnership with the Morobe provincial government to ensure long-term sustainability and lasting benefits for people affected by the company's operations.

Harmony's website is a valuable source of information for all stakeholders. Additionally stakeholders are invited to engage with board members at any forum as directors encourage meaningful engagement.

In FY12, concerns were raised in the South African host communities of Thabong, Kutloanong and Masilo regarding recruitment and employment at Harmony operations, contributions to social development and procurement of goods and services. Working through the mayors of

Matjhabeng and Masilonyana local municipalities, we are engaging with these communities to develop sustainable solutions. Given the spates of unrest in mining communities, we also participate in the Chamber of Mines committee where common approaches to similar industry challenges are discussed. The company's overarching strategic and multi-faceted approach is evident in the Masimong internship programme (page 79), enterprise development centres in Gauteng and Free State (page 40) and a recruitment process focused on local communities (page 75). In PNG, senior executives are directly involved in meeting with stakeholder groups to develop mutually beneficial solutions to identified issues.



Communities

We interact with various community-based organisations (CBOs), non-governmental organisations (NGOs) and other entities in communities. When requested, we attend community meetings and present our socio-economic development initiatives or share any other information communities might seek.

We communicate our contribution to local communities through various media, including radio and press, and community meetings, continually encouraging dialogue with local communities and their feedback.

Each of our operations has a community complaints register allowing communities to raise concerns and issues or make recommendations to the mine.

Harmony has in the past year again engaged with many of the following organisations:

- Free State Development Corporation
- Industrial Development Corporation (IDC)
- DMR – mineral regulation and health and safety
- Ward councillors
- Provincial government
 - Human settlements
 - Education
 - Police, roads and transport
 - Economic development, tourism, and environmental affairs
 - Sport, arts, culture and recreation
- Lesotho consulate.

In PNG, an external stakeholder advisory panel provides independent advice to the joint venture on environmental and related community impacts from Hidden Valley mine. In establishing the panel, we have honoured a commitment made in 2010 to continually review sediment and related issues affecting the Watut River. The panel's key objectives include assistance in formulating and implementing appropriate environmental policies and strategies, and recommending and reviewing the results of relevant technical studies and investigations. Members have been appointed for an initial term of two years, and comprise five Papua New

Guineans, including two prominent local women and one Australian. Each member is a specialist with extensive and best-practice experience in environmental and social issues in PNG.

Engaging with stakeholders on environmental issues

Harmony is affected by public policy both locally and internationally. As such, the company is increasingly participating in climate change policy discussions, either directly or through industry associations.

Through the Chamber of Mines, Harmony continuously provides input on industry-wide environmental issues. These include legislative reform, the proposed carbon tax, and lobbying with Eskom and the National Energy Regulator of South Africa (Nersa) on issues such as security, supply and the cost of electricity. Harmony serves on three committees at the Chamber of Mines – the environmental policy committee, gold producers' forum and the executive forum. All three committees are involved in negotiating with government on climate change policy and its impact on business.

In this reporting year, Harmony's chief executive officer and executive director responsible for government and other stakeholder relations met with various government ministers and officials to identify the impact that climate change policy will have on the mining industry, and how the industry can absorb such a risk.

Harmony is also a member of the industry task team, a Chamber of Mines initiative, on climate change and is driving discussions with government and treasury on the impact on business of carbon policy.

Governance and company structures

In August 2011, the board resolved that the sustainable development committee be replaced by a social and ethics committee to comply with the provisions of the Companies Act 71 of 2008 (the Act). In May 2012, the board also resolved that the empowerment committee be dissolved into the social and ethics committee. In line with the Act, this committee has a statutory duty to monitor many matters previously addressed by the empowerment committee. The social and ethics committee is chaired by an independent non-executive director. Apart from its statutory responsibilities, the committee's role is to supplement, support, advise and provide guidance on the effectiveness of management's initiatives in terms of sustainable development and empowerment. The committee considers key issues for sustainability: occupational health, HIV/Aids, social investment, labour relations, community development and environmental management. Safety issues are included in the mandate of the technical committee. The social and ethics committee, however, has a statutory duty to monitor public safety.

The committee's six members met five times in FY12. The chief executive officer and executive managers are invited to attend these meetings. The committee undertakes site visits as part of its investigations and reviews. Committee members are encouraged to attend training sessions relevant to each committee's area of responsibility.

Ultimately, responsibility for the company's performance and progress against set objectives lies with the board of directors; a report from the chairman of the social and ethics committee is a standard agenda item at board meetings.

Board composition

Harmony has paid specific attention to the composition of the board to ensure it reflects the objectives set by the company and is thus sustainable. These include:

- Representation by historically disadvantaged South Africans (HDSAs) and women. Two of Harmony's non-executive directors are women, and eight directors are drawn from groups considered to be HDSAs. Harmony considers the gender and racial mix of the board when appointing directors
- The board includes individual and group performance in considering the remuneration of executive management. This includes non-financial indicators on social and environmental performance
- The performance of the board and its committees is evaluated annually. In FY12, the fourth board self-assessment exercise was carried out by external consultant, KPMG, with each director completing a questionnaire. This service was rendered by KPMG, independent of services supplied as internal auditors of the company. A full report based on the findings of this evaluation was circulated to the board and improvements will be made where necessary.

More information is available in the Corporate Governance section of the integrated annual report and on



www.harmony.co.za.

Support for external initiatives

Harmony is highly influenced by public policy, both locally and internationally. As such, the company is increasingly participating in and influencing government policy, either directly or through the Chamber of Mines. Harmony also participates in lobbying with Eskom and Nersa on issues such as security, supply and cost of electricity and potential carbon taxes.

In FY12 Harmony, directly and through the Chamber of Mines, actively participated in reviews of key mining legislation, for example:

- Housing and living conditions standard
- Revisions to the Mining Charter
- Amendments to the Labour Relations Act.

Through the Chamber of Mines, Harmony continuously provides input on public policy development, especially legislative issues that affect or govern the mining industry. The company also lobbies on environmental legislative reform such as the inclusion of mining environmental management in the Department of Water and Environmental Affairs (DWEA); changes to financial provision guidelines; and the new carbon tax. Harmony has participated in the Wonderfontein Spruit Catchment Forum through the Mining Industries Group, and has been involved in finalising the remedial action plan report – an initiative between government, industry and civil society.

Integrity and ethics

Harmony's code of ethics (refer to www.harmony.co.za) commits the company, its employees and contractors to adhere to a set of values in adopting the highest ethical standards, free from conflicts of interest.



Prior to appointing new employees, various screening and where relevant clearance checks are performed. In addition, security checks are conducted on all employees appointed to work in high-security areas such as our gold plants.

All employees must sign a copy of the code of ethics when appointed. The code is published on the Harmony website and on the company's intranet.

The social and ethics committee is establishing a regulatory framework to assist the board in reaching and monitoring high standards of social and ethical conduct. The committee will also monitor adherence to the requirements of King III on ethical leadership and corporate citizenship on behalf of the board.

An ethics committee was established six years ago by the executive committee to monitor the ethical culture and standards of integrity in Harmony, and reports to the social and ethics committee of the board. The ethics committee meets quarterly, and assesses declarations of interest in terms of the code as well as reports from the white-collar crime committee. In the prior period, the code was reviewed in line with the provisions of King III and approved by the board in October 2011. It will again be reviewed against Harmony's updated values in FY13.

Harmony encourages employees to anonymously report suspected breaches of the code using the Khuluma line, the company's whistle-blowing or crime line (0800 811 811). The crime line is managed by an external security contractor and is accessible 24 hours a day. During the year, two alleged irregularities were reported via the crime line. The matters were investigated which revealed that the allegations were unfounded.

The board charter specifically considers conflicts of interest, advising how these must be declared and dealt with at board level. Directors are required to declare any interests and potential areas of conflict at every board meeting in line with the provisions of the Act and the various exchanges on which Harmony is listed.

Combating fraud in the company

In tandem with the drive to familiarise employees with the company's code of ethics, Harmony has sophisticated measures in place to combat unethical or criminal behaviour, including:

- Robust financial controls to ensure payments to suppliers cannot be fraudulently diverted.

To combat theft of gold-bearing material from some gold plants, we have a camera surveillance control room monitoring our plants on a 24-hour basis from a remote site as far away as 400km.

Overall, trends are firmly down for all categories of white-collar crime and theft measured over the past four years.

Political donations

In FY12 donations totalling R7 million were made in South Africa and K350 000 (US\$165 345) in PNG.

Risk management

Harmony has a coordinated risk management approach to establish, coordinate and drive the risk management process throughout the organisation. The main risks identified in FY12 are described in more detail in the integrated annual report (risk management section).

Risk factors are assessed from both a financial loss and reputational point of view, although it is easier to quantify the financial aspect. Considered from a sustainability perspective, a different aspect of these risks is highlighted. This section should, therefore, be read in conjunction with the section on Harmony's approach to sustainability reporting.

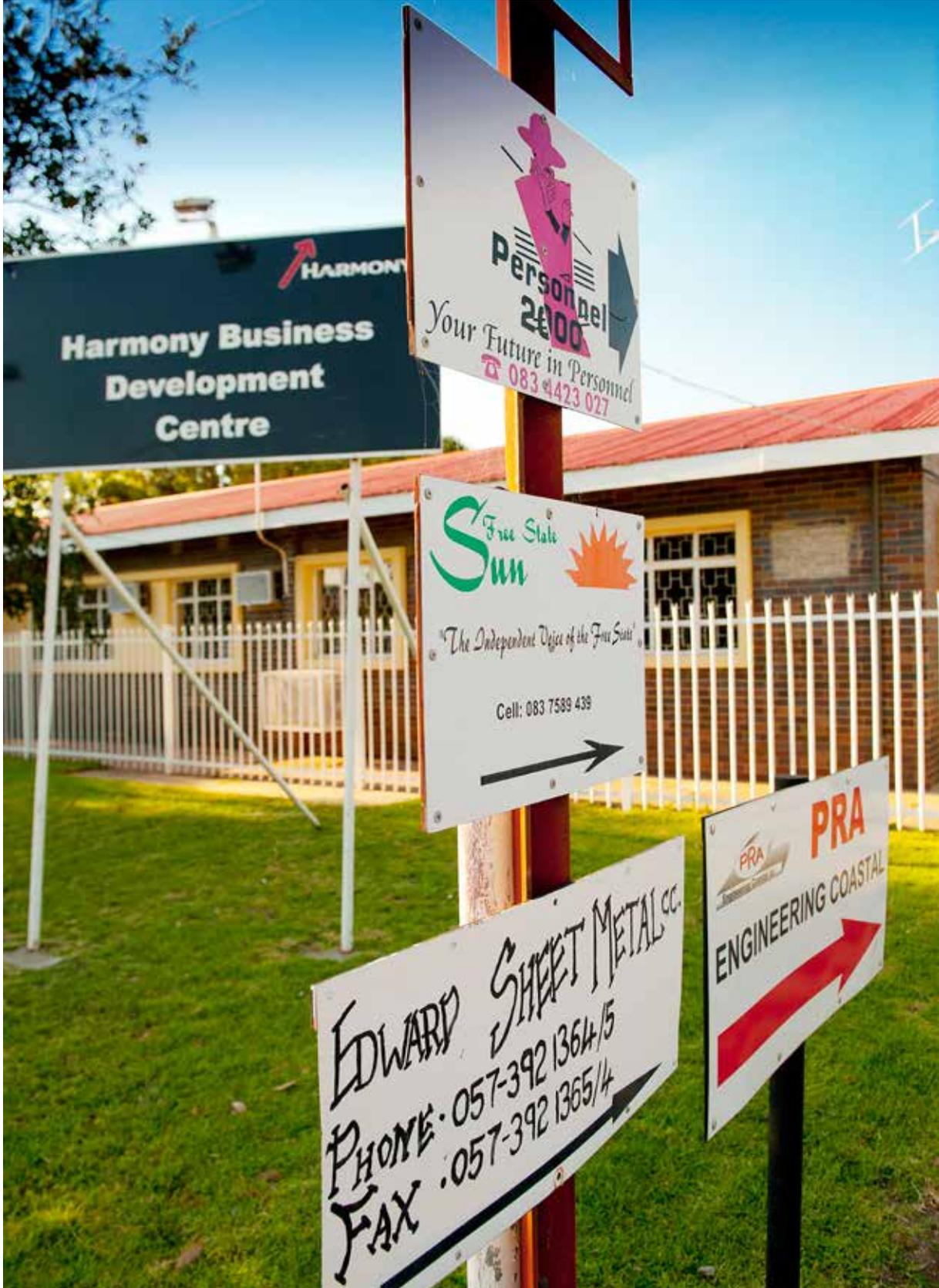
We evaluate relevant categories of risk which includes safety, health, environment and human rights risks. A precautionary approach is addressed in planning and developing new projects, in line with relevant legislation and good practice. We also evaluate the levels of due diligence applied before engaging in significant contracts.

The main risk factors identified are:

- Safety risks (Safety, page 12)
- Gold price and foreign exchange fluctuations (Economic sustainability, page 11)
- Financing, integrating and managing acquisitions, explorations, new developments, large capital projects (Economic sustainability, page 11)
- Acquiring and discovering quality ore reserves (Exploration, integrated report, page 116)
- Major environmental incidents (Significant environmental incidents, page 124)
- Competition for key human resources (Labour, page 14)
- Potential liability for occupational health diseases (page 13)
- Socio-economic, political and regulatory changes (Governance practices, page 10)
- Compliance with corporate governance and public disclosure requirements (Governance practices, page 10)
- Labour disputes/labour unrest.



Management is rolling out a refined risk management approach which will enable Harmony to further increase the value created for its shareholders, employees, customers, regulators and society. Progress against the refined risk management approach will be continually monitored and formally reported to the audit and risk committee.



Promoting small business at the Harmony Business Development Centre

Governance and economic sustainability continued

Harmony sustainable development report 2012

Economic sustainability



Strategic approach	Progress
<ul style="list-style-type: none"> To play a meaningful role in the regional economies where we operate To generate value for shareholders 	Cooperative approach with stakeholders on safety, health, labour and environmental issues and socio-economic development
Strategic targets	Progress
<ul style="list-style-type: none"> Restructure asset base to meet 2016 target of 1.7 million safe profitable ounces Generate earnings that fund dividends and growth 	<ul style="list-style-type: none"> Rand Uranium sold, agreement for sale of Evander signed, Bambanani restructured Proceeds from disposals available for Wafi-Golpu in Papua New Guinea

Key features#

- Total gold production of 1.27Moz (39 642kg) resulting in revenue of R16 574 million (US\$2 134 million) and operating margin of 36%
- Capital expenditure of R3 226 million (US\$414 million) and exploration expenditure of R500 million (US\$64 million)
- Training and development investment of R245 million in South Africa and R3.2 million in PNG (page 79)
- BBBEE procurement expenditure of R2 254 million (42% of total expenditure) in South Africa



Material issues*

- Economic context and relevance
- Producing safe, profitable ounces
- The gold market
- Investing in the future
- Economic transformation and empowerment

Includes revenue from Evander production.

* The section on Harmony's approach to sustainability reporting details how we identified our material issues.

Economic context

Harmony is a significant participant in global gold markets, in the South African economy and in the economies of provinces in which it operates. Harmony is one of the world's leading producers of gold, and South Africa's third-largest gold producer. Regionally, Harmony has an even bigger impact, for example in South Africa's Free State province where mining accounts for over 90% of provincial GDP.

While South African gold production has declined in recent years, Harmony remains an important contributor to

economic activity and employment in the provinces where it operates: Gauteng, North West, Mpumalanga and Free State, as well as neighbouring labour-sending areas. At present, Harmony is one of few gold producers with a solid growth pipeline and rising grade profile, underpinning management's expectations for an increasing contribution to gold production in South Africa.

The direct and indirect employment we create is another indicator of Harmony's economic contribution. In FY12, the company employed 40 257 people – a substantial portion of



Belt attendant at our Free State operations



Gawie Herholdt, group effectiveness manager, is accountable for organisational development and talent management, which include leadership development. "Whether you are a driller or manager, you are equally important to Harmony. Mining is about people – a mine shaft is just concrete and steel. What we are looking for in our leaders of today and tomorrow is potential – we want to help you develop that potential fully. We are looking for people with passion – those who bring their hearts to work, not just their hands and heads; those who know their jobs and how these fit into the bigger picture. And we are finding them, every day."

the workforces in the South African and PNG gold mining industries as a whole.

Producing safe profitable ounces
Operating and financial performance in FY12

Harmony delivered a satisfactory performance for the year, characterised by several important milestones and developments detailed in the quarterly reports and the integrated annual report.

Key features of our financial performance in FY12 include:

- Total gold production of 1.27Moz (39 642 kilograms)
- Average gold price received of R419 492/kg (US\$1 680/oz)

- Revenue* generated of R16 574 million (US\$2 134 million)
- Capital expenditure of R3 226 billion (US\$414 million)
- Net profit for the year of R2 645 million (US\$341 million)
- Operating margin of 35%.

At 30 June 2012, Harmony's market capitalisation was R33 billion (US\$4 billion).

The trend of Harmony's revenue stream over the past six years reflects successful restructuring to focus on safe, profitable ounces. While this had a temporary effect on production, the benefits are evident in our financial and safety performances for the year.

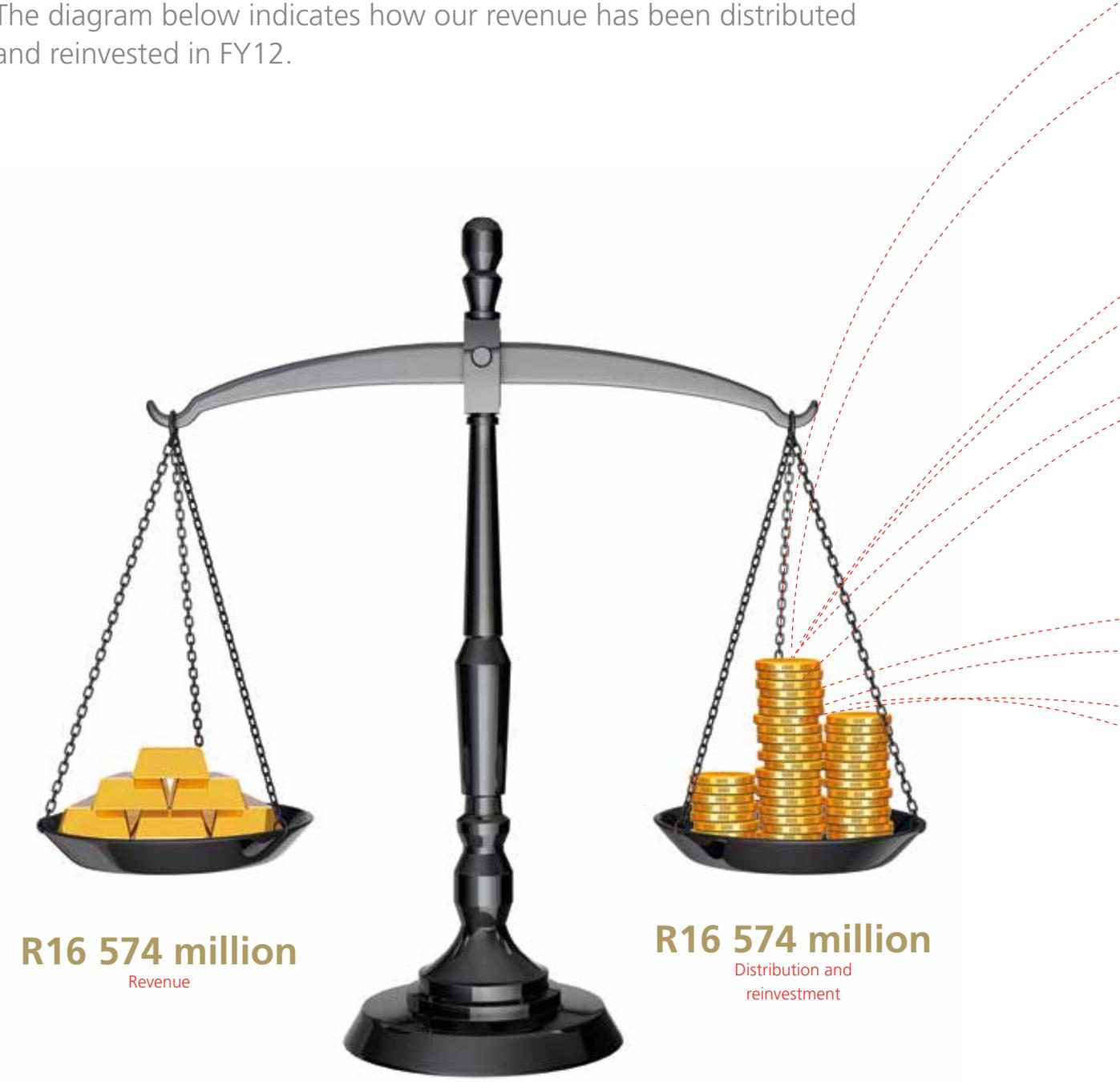
* Includes revenue from Evander production

Continuing operations – Revenue (R billion): FY06 to FY12

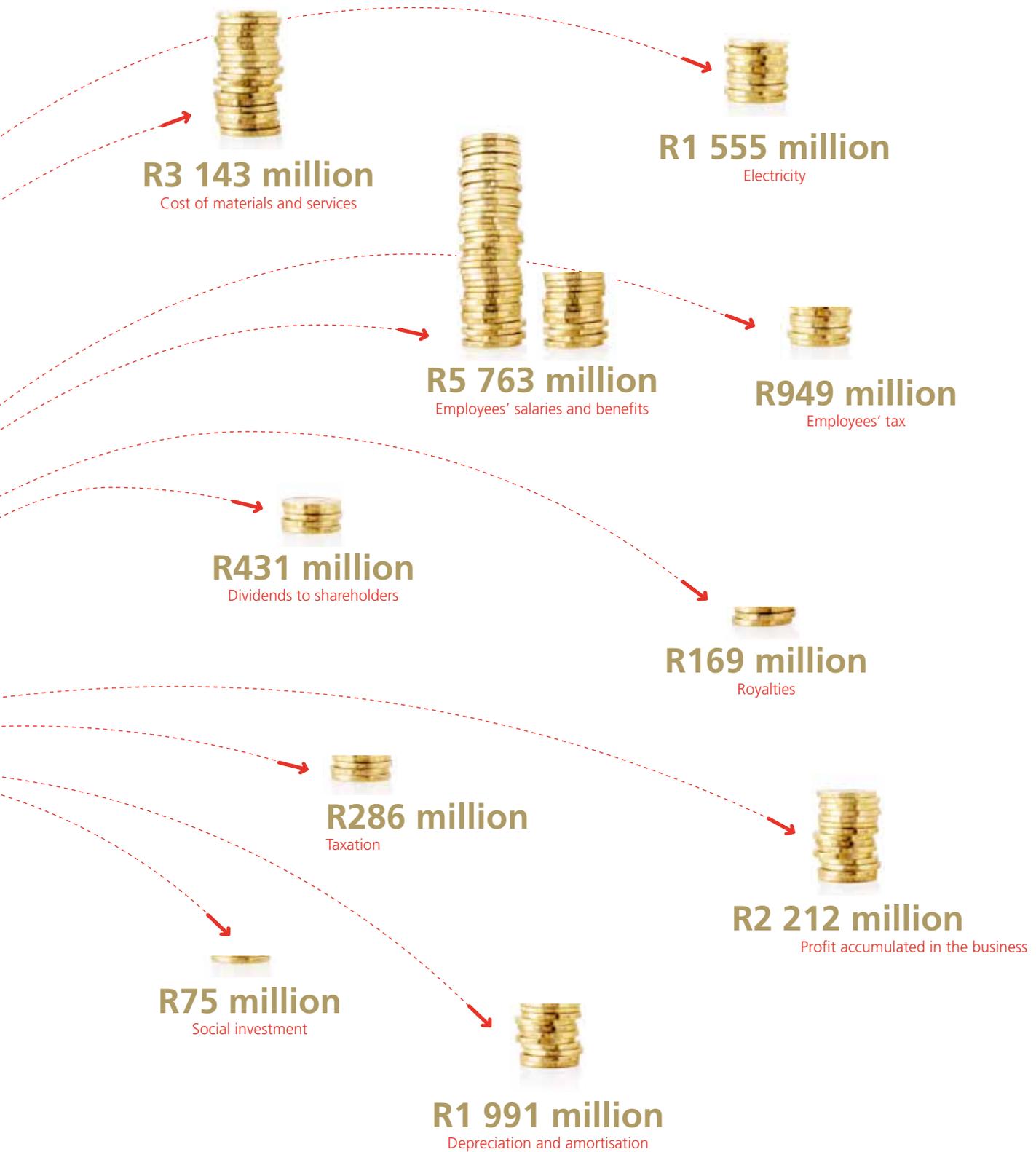


Distribution and reinvestment of revenue

Harmony plays an important role in the lives of its employees, communities, government, suppliers and other stakeholders. The diagram below indicates how our revenue has been distributed and reinvested in FY12.



Note: Figures include Evander



Governance and economic sustainability continued

Harmony sustainable development report 2012

Adding value

Harmony's value-added statement for FY12 includes a breakdown of payments made to government. No significant assistance was received from government in South Africa or PNG.

The gold market and exchange rate

Harmony's average R/US\$ exchange rate used for FY12 was R7.77 while the average gold price received was R419 492/kg (US\$1 680/oz).

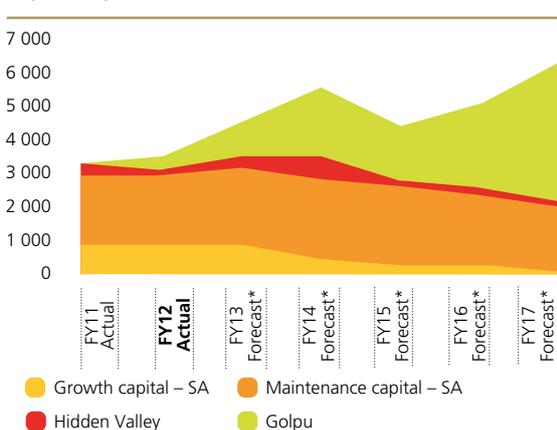
Gold remains a desirable product and we expect the price to remain strong in our next financial year, especially with continued global uncertainty (refer to Chairman and CEO reports in our integrated annual report). Harmony remains highly exposed to the R/US\$ exchange rate, as most of our operations are in South Africa. While our earnings are in dollars the exchange rate impacts our revenue in rands. The rand weakened against the dollar throughout FY12, leaving the company with strong margins.

Harmony's strategic plans for FY13 are based on a gold price of R340 000/kg (US\$1 400/oz) and an exchange rate of R7.55/US\$. We follow a slightly more conservative approach to the gold price in our planning in line with SEC regulations.

Investing in the future

Our growth strategy focuses on acquiring long-life assets that offer higher grades and we regularly assess opportunities in Africa and south-east Asia that could fit the Harmony portfolio. Stringent criteria govern any possible acquisition, including the requirement that any acquisition should complement the substantial asset base currently under management and add value to the company's highly competent team of employees.

Capital expenditure (Rm)



*Future costs are estimated in real terms.

In FY12, we continued restructuring our asset base in line with our strategy to deliver 1.7 million safe, profitable and sustainable ounces by 2016. Key steps to improve the quality of Harmony's portfolio included:

- Ongoing investment in development at Phakisa, Kusasaletu, Doornkop, Tshepong and Hidden Valley mines, confirming their robust life-of-mine plans and reserves
- Ongoing exploration in PNG, including 7 700km² of wholly owned exploration tenements
- Excellent drilling results at Wafi-Golpu, validating our confidence that this world-class asset will be the next mine in the area
- Entering into an agreement to sell the Evander operation.

Harmony's capital expenditure totalled R3.2 billion in FY12, largely on growth projects in South Africa and developing Hidden Valley mine in PNG. In total, Harmony has invested R20.2 billion on capital projects in the past six years.

Economic transformation and empowerment

Harmony's ongoing commitment to economic transformation and empowerment in South Africa and PNG is evidenced by:

- **Equity ownership by historically disadvantaged South African (HDSA) interests in the company.** The objective of the mining charter is to facilitate meaningful participation of HDSAs in the mining and mineral industry. Harmony has achieved this objective by entering into a number of transactions with HDSAs, both at a shareholder and operational level. These transactions resulted in our effective ownership as defined by the mining charter to be 28% as at 30 June 2012. One of these transactions culminated in African Rainbow Minerals (ARM) becoming one of our largest individual shareholders. ARM's shareholding is 14.7% as at 30 June 2012. Harmony has launched the Tlhakanelo Employee Share Ownership Plan during FY12 which resulted in more than 33 000 employees becoming eligible to be shareholders with a potential stake of 2.9% in Harmony
- **Empowerment and transformation of the procurement base in South Africa,** by developing small, medium and micro enterprises (SMMEs) that are broad-based black economically empowered (BBBEE), and based in the provinces of operation as well as by doing business with large BBBEE companies. Harmony's procurement processes and expenditure are governed by our group strategy and policy. BBBEE companies, particularly local companies, receive preference in awarding contracts. To view the policy refer to www.harmony.co.za.



- **Contracts awarded by Morobe Mining Joint Ventures (MMJV)** to the company owned by three landowner groups – Nauti, Kwembu and Winima – for catering, fuel haulage, general freight, plant hire, security, labour hire and bus services. MMJV continues to comply with the memorandum of agreement on the Hidden Valley project by offering business development opportunities to landowners. These opportunities will increase as the mine moves towards full production.

Implementing affirmative procurement Material issues

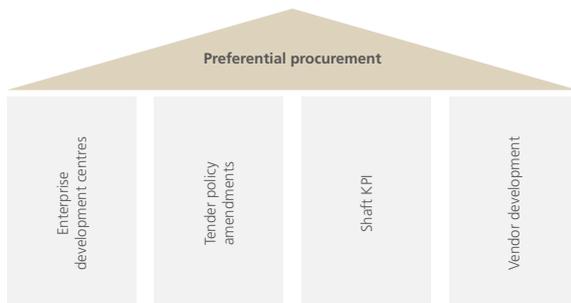
- Small base of qualifying suppliers with the requisite skills
- Conflicting standards, definitions and regulations between government departments.

Harmony's preferential procurement strategy has been refined to comply with South African legislation and deliver maximum benefits for qualifying suppliers. Preferential procurement is just one element of a broader supply chain strategy focused on supporting the company's business short- and long-term goals (see integrated annual report).

Harmony's multifaceted supply chain strategy is supported by eight strategic pillars



Harmony preferential procurement strategy



The revised preferential procurement strategy includes:

- Opening regional enterprise development centres that will make it easier for SMME suppliers from the local community to deal with Harmony to sustain themselves financially. This will be done in a number of phases:
 - Physical infrastructure – buildings, furniture and equipment
 - Centre staffing
 - Centre procedures and systems
 - Commodity set-asides
 - Vendor database development
 - Regular reviews
 - HDSA supplier identification for development
- Tender policy amendments to enhance Harmony's ability to meet charter requirements through HDSA procurement
- Measuring each shaft's performance (shaft key performance indicators) on HDSA spend against targets in the new charter scorecard
- SMME HDSA compliant vendor development that will enable suppliers to deliver services and goods at acceptable standards.

Harmony remains committed to progressively transforming its procurement practices and performance.

Our revised preferential procurement strategy promotes expenditure with companies recognised as BBBEE entities under the revised Mining Charter (September 2010). Targets set in the charter's scorecard are being adopted for each operation in Harmony. This will result in Harmony only claiming procurement spend for suppliers complying with the ownership requirement described in the charter as follows: "BBBEE entity means an entity of which a minimum of 25% + one vote of share capital is directly owned by HDSA as measured in accordance with flow-through principle".

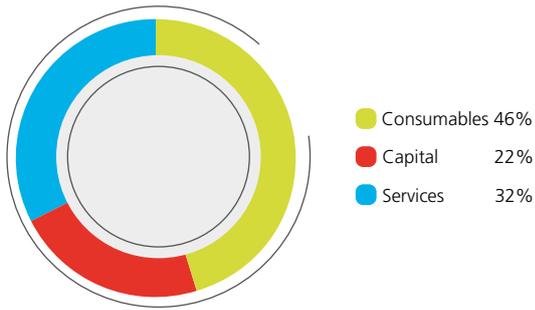
Harmony's procurement expenditure with BBBEE entities in FY12 was R2 254 million (42% of total discretionary expenditure including the value of overhead spend) (FY11: R2 267 million or 42% of total discretionary spend).

Governance and economic sustainability continued

Harmony sustainable development report 2012

Harmony's BBBEE spend by category for 2012 as defined by the new Mining Charter is shown below:

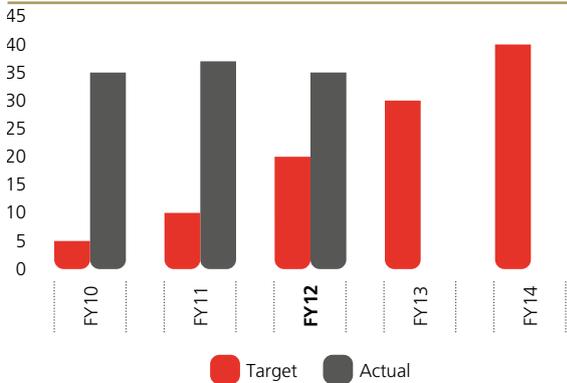
Spend distribution



BBBEE procurement performance against Mining Charter scorecard targets

* Based on DMR reporting period January 2012 to date

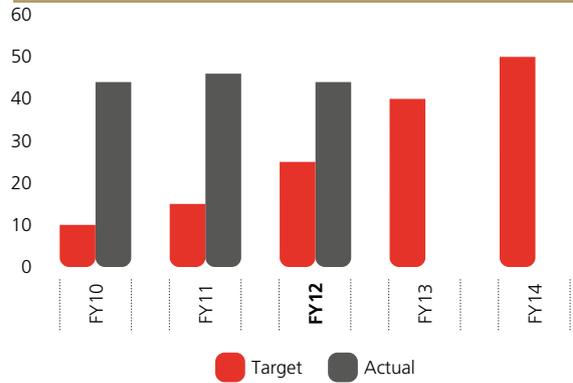
YTD BBBEE entity capital spend: FY10 to FY14



YTD BBBEE entity services spend: FY10 to FY14



YTD BBBEE entity consumables spend: FY10 to FY14



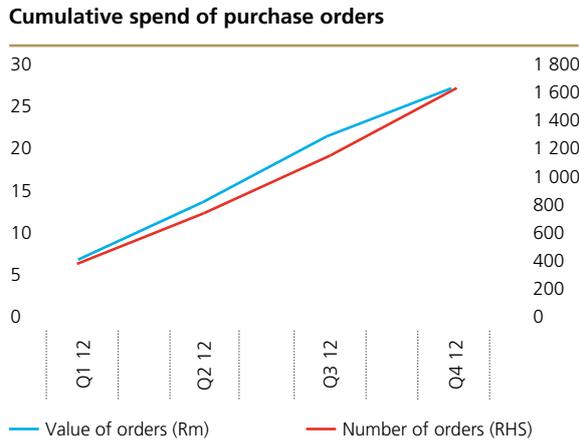
Harmony continues to face various challenges in achieving its affirmative procurement targets given the limited skills in the supplier base. We have also faced challenges in dealing with BBBEE companies not familiar with tax law, health and safety requirements, and other issues. We are addressing these shortcomings through our enterprise development programmes and enterprise development centres.

Harmony's enterprise development centres, now operating in Welkom and Soweto, are structured to support affirmative procurement and make it easier for qualifying suppliers to do business with Harmony. The development of the centres is being implemented in two phases:

- In phase 1 (complete), we developed a database of local 100% black-owned suppliers and documented their competencies. The business development centres alert these suppliers to new opportunities from Harmony and assist them with tender and vendor processes. Suppliers are also assisted in executing their orders to ensure efficiency, and in forming joint ventures with traditional suppliers
- Phase 2 incorporates skills assessments, business development, providing business facilities and administrative support to local 100% black-owned suppliers
- To date, 57 suppliers have benefited from this service.

Complementing the centres in Welkom and Soweto, a new centre is to be developed in Carletonville.

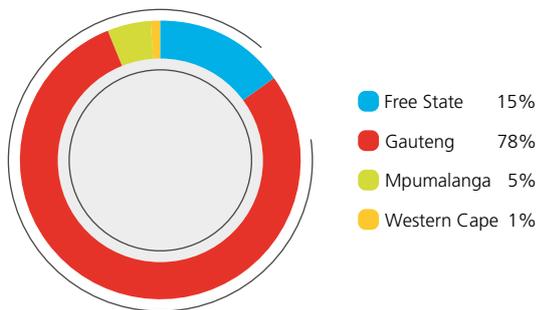
The cumulative number and value of set-aside purchase orders placed by the centres are shown below:



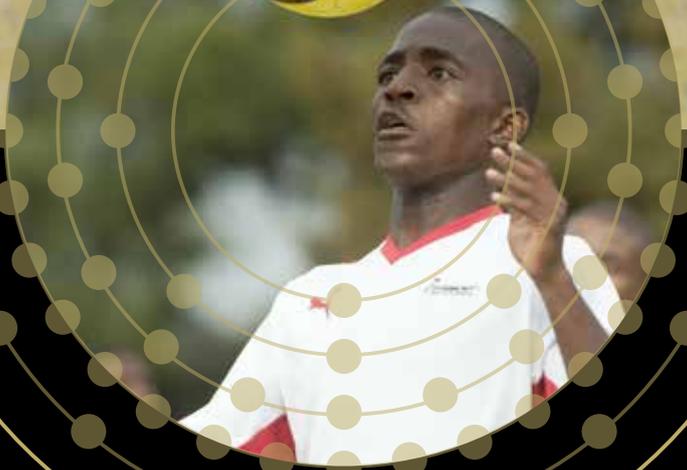
The third challenge involves the Mining Charter requirement of multinational support for socio-economic development. The definition of a multinational supplier was established and this status was captured for 56 suppliers on the enterprise resource planning (ERP) system for reporting purposes. Harmony will now be able to negotiate participation with the relevant suppliers and further develop the system to track these commitments.

Our procurement BBBEE entity expenditure in South Africa shown below:

BBBEE entity spend per province



In PNG, in terms of agreements with local authorities, landowners and communities, we endeavour to issue contracts to local citizens wherever possible. During the year, contracts valued at R431 million were awarded to local companies for activities ranging from environmental rehabilitation to electrical maintenance. Over 40% of our discretionary expenditure is spent in PNG and the bulk of that in Morobe Province.



YOU are the gold



Soccer practice at the Harmony Sports Academy

Harmony Sports Academy

The Harmony Sports Academy was established to identify and recruit talented young soccer and rugby players from previously disadvantaged backgrounds and provide them with opportunities to realise their potential.

With a scientific approach to sport, a well-trained management team and professional coaches, the Virginia-based academy has produced more than 500 students and a significant number of successful sportsmen since opening in January 2003.

The academy accommodates 70 young players annually from various parts of the Free State as well as other areas in South Africa where Harmony is active. Boys are recruited at the end of Grade 9 or in the under-16 age group and attend the last three years of their schooling (that is Grade 10, 11 and 12) at the academy. Every year several bursaries are awarded to

graduates of the academy to enable them to further their studies.

Apart from sport and subjects centred on sports management, youngsters learn life skills and creative problem solving. The aim is for students to leave the academy not only as competent sportsmen but also as well-rounded individuals, ready for university, for participation in professional sports or for positions in the sports industry.

**The Virginia-based academy
has produced more than
500 students.**

Social performance

Harmony sustainable development report 2012

Safety



Strategic approach

Progress

- Production lost in any quarter will not be recovered at the expense of safety.
- Ongoing

Strategic targets

Progress

- Reduce lost-time injury frequency rate to 5.99 in South Africa and 0.77 in PNG
- Reduce fatalities to zero.
- South Africa: 7.29
- PNG: 0.45
- Material indicators showing a decrease, with encouraging results from major long-term safety initiative.

Highlights

- Harmony won six of seven safety awards at the annual MineSAFE conference
- Lost-time injuries down 12%
- No fatalities at PNG
- Doornkop reached 5 million and Masimong 2 million fall-of-ground fatality-free shifts, an industry achievement
- Integrated strategy reduces fall-of-ground fatalities by 40%.

Material issues*

- Eliminating accidents by managing risk and ensuring the appropriate structures, systems and training are in place
- Reducing fall-of-ground
- Addressing the issue of illegal miners in South Africa
- Given its remote location and challenging terrain, safety management at Hidden Valley presents risks that are different to our South African mines. The key issues are:
 - Earthworks and tree cutting
 - Slinging (helicopter function)
 - Vehicles
 - Isolation
 - Working at heights
 - Fall-of -ground.

*The section on Harmony's approach to sustainability details how we identified our material issues.

Management approach

Harmony's objective is to eliminate all work-related injuries and illness. To accelerate the execution of our safety and health strategy and further improve safety performance in South Africa, we created an executive position for safety and health in August 2011. The appointed executive has over 18 years' experience in the mining industry and a good understanding of underground conditions and the working environment to which our underground workers are exposed. Each operation is monitored monthly using a formal review system, while major safety issues are reviewed annually during the health and safety workshop.

Our safety strategy includes behavioural aspects, competency training and development, as well as research and new technologies. We believe safety in the workplace can be addressed only through a cooperative approach that ensures the right infrastructure is in place – from systems and planning, to communication and training. We also believe management and employees must accept joint responsibility for their actions. It is therefore imperative that the working environment empowers people – management, supervisors, workers and union representatives – to stop work and withdraw from the mining area when they feel it is unsafe, or prevent others from acting in an unsafe way.

Equally, safety is about attitudes and mindsets. We have renewed our focus on implementing, communicating and reinforcing safety in the workplace, and created a centralised safety function to coordinate initiatives between regions and mines.

Guided by an occupational health and safety policy, our cooperative health and safety management framework involves the active participation of management, unions and DMR representatives at all levels, and is aligned with the Mine Health and Safety Act (MHSA).

Safety is a key performance indicator for management and a key component of performance reward for our people. Historically, these bonuses were based on reactive performance measures – we are now developing ways to assess performance on proactive measures.

In line with Harmony's 2013 milestones, safety management and performance targets have been set, and integrated into the performance parameters at each operation. The 2013 safety milestone is a fatality rate of 0.03 per million hours worked, as agreed by the CEOs of all mining companies and the Mine Health and Safety Council at the 2003 industry safety summit. At Harmony, the steady improvement in the lost-time injury frequency rate (LTIFR) is encouraging and proves that the foundation of better safety performance built over the last five years remains intact. Although the long-term trend for both fatalities and LTIFRs is firmly downwards, we accept that we have some way to go to reach these goals. Early results from the major safety initiative under way are encouraging, as detailed in the body of this section.

To achieve our primary objective of eliminating work-related injuries and illness, health and safety remains an agenda item on all union and management engagements. We are making progress with taking healthcare to the operations by introducing health hubs and primary healthcare facilities – a two-day health symposium was held with all recognised labour unions in the final quarter to address the company's health strategy and improve our employee wellness profile. To date, we have recorded almost a 3% improvement in absenteeism.

Health and safety committees are in place at all operations, as required by the MHSA, and full-time health and safety stewards and health and safety representatives have been appointed. There were 61 full-time health and safety stewards in place at the South African operations in FY12. These committees comprise management and elected employee representatives to ensure the active participation of our people in safety and health management. All safety representatives receive additional training in line with revised Mining Qualifications Authority (MQA) standards. The committees meet monthly to discuss employee health and safety issues, and formal health and safety agreements are in place at all operations to deal with related issues.

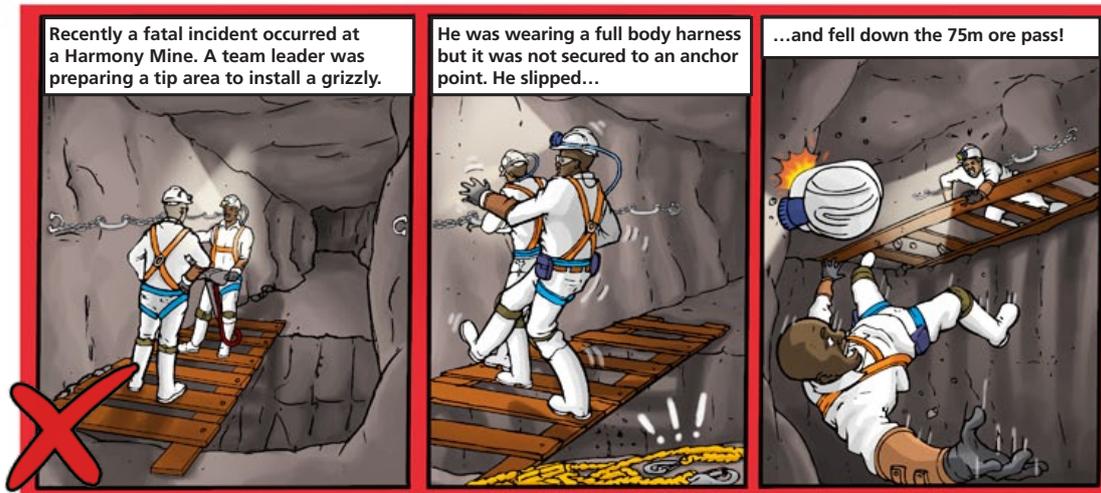
Safety performance at Hidden Valley in PNG is monitored by Harmony's regional executive committee. As this is a line management responsibility, safety managers at each operation report through steering committees to this executive committee, which in turn reports to the Harmony executive committee, social and ethics committee and technical committee of the board. Safety strategy is guided by Harmony's health and safety policy.

One example of our health and safety communication strategy

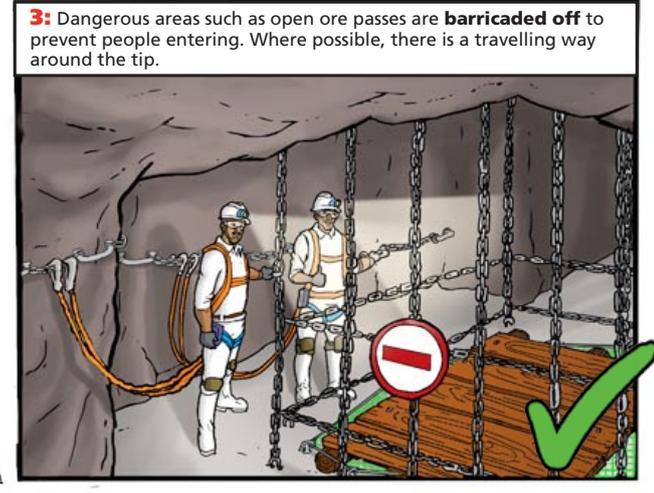
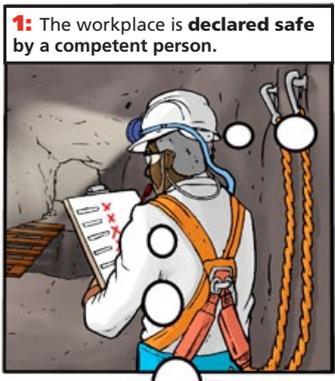


HEALTH AND SAFETY TALK

ISSUE #1 - SAFETY AROUND ORE PASSES
NOVEMBER 2011



THIS IS HOW WE PREVENT THESE TYPES OF INCIDENTS:



Our approach

Providing safe and healthy workplaces is a priority for Harmony, and we continued to focus on eliminating workplace injuries and work-related ill health during the year.



The social and ethics and technical committees of the board monitor health and safety performance and set high-level targets (see material issues on page 10). Appropriate structures and systems are in place in South Africa and in PNG to address safety and health and employee well-being.

Regrettably, 15 employees died in mine-related incidents in FY12 at our South African operations (FY11: 16 including one at PNG). We again extend our condolences to their families, friends and colleagues and reiterate our commitment to reaching our goal of zero fatalities.

Objectives for FY13

In South Africa, focus areas will include:

- Implementing an improved group occupational health and safety management system
- Alignment and roll-out of safety culture programme
- Continuation of group safety audits
- Implementing leading practices in:
 - Preventing fall-of-ground
 - Operating rail-bound equipment
 - Dust elimination
 - Noise control.

In PNG, the focus will be on:

- Further strengthening the solid relationship between management and the Hidden Valley workforce, in the best interests of all stakeholders
- Visible felt leadership
- Safe act observation programme (behaviour-based safety)
- Establishing life-saving rules
- Focus on closing out incident investigations timeously
- More structured incident investigations (ICAM)
- Managers' monthly inspections
- Supervisor weekly inspections.

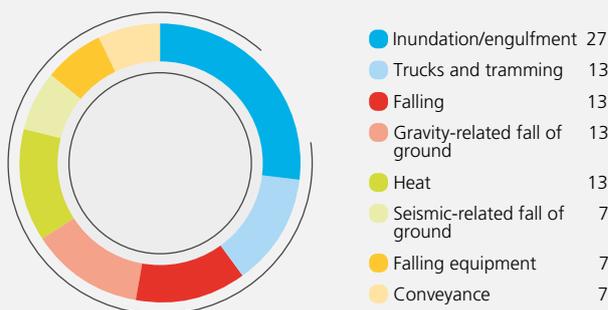
In memoriam

Harmony pays tribute to those who lost their lives at work in FY12:

Date	Individual	Occupation	Operation and cause
7 July 2011	Matoane Thabana	Locomotive guard	Unisel – struck by guard car
12 July 2011	Andries Bhambatha	Water jet operator	Tshepong – struck by fall of ground
26 September 2011	Domingos Chivure	Team leader	Evander 8 – fell down orepass
27 September 2011	Petrus Steyn Willem Momberg	Proto team members	Evander 8 – overcome by heat
4 November 2011	Sipho Makhoba	Engineering assistant	Kusasaletu – caught between cage and loading platform
8 November 2011	Mzwabantu Wanga	Engineering assistant	Evander Services – struck by falling equipment
16 November 2011	Simiao Macuacua	Water jet operator	Kusasaletu – struck by fall of ground
29 November 2011	Carlos Siteo	Scraper winch operator	Tshepong – struck by fall of ground
4 January 2012	Zanekhaya Meteawdaba	Belt attendant	Doornkop – inundated by mud
25 January 2012	David Ntsihlele	Engineering assistant	Doornkop – engulfed by water
29 January 2012	Lisene Rankopane	Boilermaker aide	Bambanani – fall from shaft headgear
12 March 2012	Johannes Leepile Zukisa Mentile	Winch operators	Kusasaletu – inundated by broken ore
10 May 2012	Narciso Matusse	Engineering assistant	Evander 7 – struck by guard car

CASE STUDY: Major focus on falls of ground

Causes of fatal accidents in South Africa (%)



Training at Doornkop

Actual performance for FY12 was encouraging with Evander and Target 1 completing the year without a fall-of-ground injury

As falls of ground account for a large portion of all lost-time injuries in Harmony, we developed a holistic strategy to address this issue.

The Harmony ground control strategy formalises and consolidates all efforts to prevent fall-of-ground incidents and accidents, and to promote an even safer and more stable underground environment. The strategy is divided into two main components, ground behaviour and ground control.

- Ground behaviour deals with the strategic aspects of mine design to prevent or minimise damage to rock around mining excavations. Knowledge of the mining environment and ground stability, together with an understanding of in-situ and induced stress regimes, guides the optimal plan for each condition. Fundamental to this plan is integrating support systems in the overall mine design and monitoring rock mass response
- Ground control deals with operational aspects of the mine to protect personnel and equipment from fall-of-ground incidents. This is the hazard identification and treatment system where support elements, layout standards and procedures are implemented through training, supervision and management systems that address all requirements.

Central to this approach are components that deal with behavioural aspects, competency training and development, research and new technologies.

In the first quarter of the review period, we began rolling out this formal strategy as part of a three to four-year programme that includes virtual training in identifying rockfall-related risks. While early results were encouraging, results for the year were mixed against a target to reduce the fall-of-ground injury frequency rate to 1.42 per million hours worked. Actual performance for FY12 was 2.06, with Evander and Target 1 completing the year without a fall-of-ground injury. Internal audits were conducted at operations recording unacceptably high fall-of-ground injury frequency rates. Most operations are retraining production crews on safe-making practices, with intensified supervision.

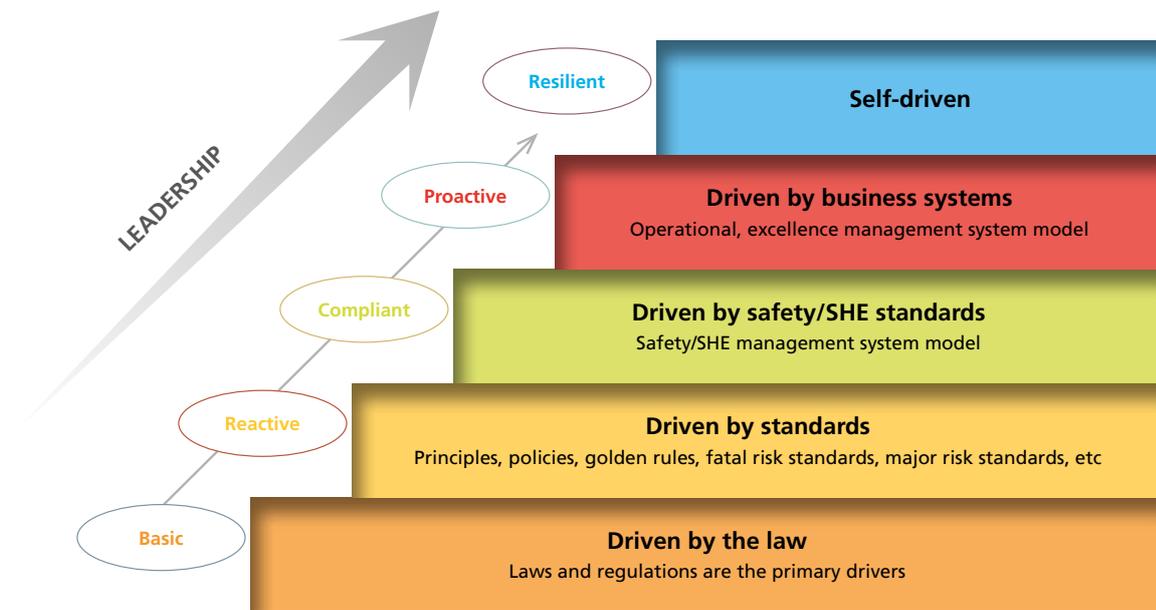
Our Joel mine is the pilot site for a triggered accident response plan under the Chamber of Mines' MOSH initiative. To date, potential rock fall hazards have been identified and catalogued and a reference book developed to assist underground supervisors in hazard identification. All supervisors at Joel completed hazard identification and treatment training through the e-learning medium as part of developing leading practice.

In addition, we completed the chamber's MOSH adoption process on early morning examinations and 'making safe' procedures at all operations. The demonstration stage of in-stope bolting and netting at Kusasaletu was completed and the industry-wide roll-out workshop held in February 2012, with 150 participants representing all major and junior mining groups. Joel mine served as a MOSH demonstration site during the year for triggered accident response plans, with a workshop held post year-end to share findings.

Revised approach to safety in South Africa

The journey to zero harm

Harmony adopted a journey model and, as part of our long-term strategy, we aim to improve our health and safety management systems to a fully proactive level of maturity through our revised approach to safety in South Africa.



Harmony scoops safety awards

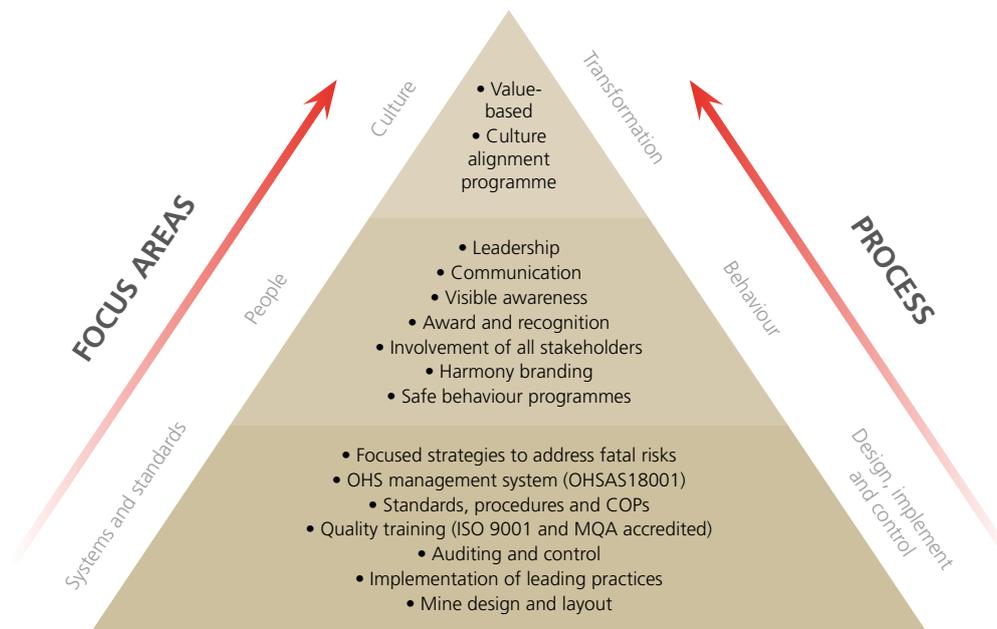
Harmony operations received six out of seven safety awards in the gold mining category at the MineSAFE 2012 industry awards day in August 2012.

The MineSAFE conference is an annual event, supported by the Department of Mineral Resources and hosted by the Association of Mine Managers of South Africa (AMMSA), the South African Institute for Mining and Metallurgy (SAIMM) and the South African Collieries Managers Association (SACMA). The competition stretches across South Africa's mining industry and is based on year-on-year improvements in lost-time injury frequency rates.

A combined first place was awarded to Harmony's Target 1 and Target 3 operations. Kalgold, Kusasalethu and Doornkop followed with second, third and fourth places respectively and Evander and Bambanani took sixth and seventh places.

These awards reflect the hard work, dedication and cooperation towards improving safety of every employee in our company. Equally important, the support of our unions and the DMR is vital in achieving and maintaining these improvements.

To create a culture where health and safety is the first priority



Focused on improving safety culture

Since 2008, Harmony has recorded steady improvement on all safety indicators, but the pace of improvement needs to be accelerated to achieve our short and long-term objectives. The gap between our current safety performance, 2013 industry milestones and our goal of zero harm underpinned a step change in our approach in the review period.

The revised Harmony occupational health and safety strategy focuses on ensuring the foundation for a healthy and safe environment is in place, and recognises the importance of leadership and employee attitudes towards health and safety. The diagram above outlines this strategy and focus areas to achieve a culture where health and safety are the first priorities and zero harm our goal.

The basics, at the bottom of the diagram, are the foundation of our strategy, and stem from an in-depth understanding of the operational health and safety risks at every Harmony site. Risks are controlled through mine design and planning processes, and implementing standards, codes of practice and procedures. To ensure standards are effectively implemented, employees undergo skills training at our training centres and workplace competency assessments. Underground supervision and audits ensure these standards are firmly in place.

Initiated by the chief executive officer, over the past ten months Harmony has instituted a focused and multifaceted

drive to catapult the company from a reactive to proactive approach by improving the safety culture across all operations:

- A high-level internal review
- A short-term action plan was developed
- A gap audit with field verification was completed
- A Harmony culture alignment programme is being implemented
- Integrating both the safety management standards (management systems) and safety culture initiatives (people) to function as one strategy as illustrated above.

External gap audit

The first step towards a more sustainable safety performance is to improve our safety management framework. IRCA Global – an internationally recognised company with expertise in the field of safety, health, environmental and quality management – was contracted to perform a gap audit against global standards in Harmony's South African operations. Nine operations received total scores above 80%, and five received three or four-star ratings by international standards. However, common critical shortcomings in safety management identified during the audit were:

- Quality of issue-based and continuous risk assessments
- Managing change
- Technical planning in terms of risk
- Managing close-out actions
- Leadership controls.

Following the review, an improved safety framework for Harmony is being developed and aligned to world best practice (OHSAS 18001). We plan to roll this out over the next 12 to 18 months in tandem with appropriate training.

Internal safety audits

In the short term, a high-level internal safety audit team of mining and safety experts was established in the third quarter. The team's main objective is to verify conditions in risk areas at Harmony operations and establish the effectiveness of existing management systems to ensure the safety of employees. The team will also review the implementation level of strategic health and safety programmes and standards at all operations. The first audit was completed at Joel in the third quarter, and it will take some six months to cover all South African operations. Each audit report is reviewed by the chief executive who ensures gaps are effectively addressed.

Safety overview

Harmony's safety initiatives during the review period are aligned with the culture transformation framework agreed between industry stakeholders (DMR, Chamber of Mines and organised labour).

In PNG, the joint venture partners continue to make good progress in developing a sustainable business management system aligned to ISO standards. After the ISO 14001 phase 1 certification audit in 2012, the system will be externally audited every two to three years against these standards. The partners also developed a crisis and emergency plan during the period.

Identifying and managing workplace hazards is an important element in improving safety performance in PNG, with site-level risk assessments ensuring each job is completed safely and efficiently. In addition, the hazard identification and risk assessment (HIRA) approach is being successfully

implemented, supported by ongoing training and coaching. Performance is measured against agreed indicators.

In FY12, field-level risk assessments were successfully rolled out at Hidden Valley mine and the top ten risks for each section identified. This was accompanied by further education for the workforce, and specific training for high-risk aspects such as defensive driving. Following a safety management plan review with all contractors in the prior year, specific safety performance indicators were developed for each contractor as per the requirements of the PNG Mineral Resources Authority (MRA) and monitored monthly by safety managers during the review period. The benefits are expected to result in an improved LTIFR for the new financial year.

At the Wafi-Golpu site, a dedicated manager is developing the health and safety management plan. Site-specific controls have reduced vehicle incidents, while improved drainage and monitoring processes are reducing the potential for landslides.



Safety is about attitude

In mining, particularly deep-level gold mining, the most sophisticated technology and mechanised operations depend, literally, on the human touch. When Harmony's executive for safety and health, Alwyn Pretorius, was interviewed for the company's Be Inspired series, he clearly articulated the importance of attitude in safe operations. By combining the right attitude to safety with the collective decades of mining expertise within Harmony, we are beginning to change behaviour – long acknowledged as the foremost challenge to safe mining.

Alwyn, a father himself, believes leading people can be as fulfilling as raising a child. "When you see how people develop and grow to succeed in what they do, it makes you proud to be in one team. Like raising a child, it is not always sunshine and roses – mining operations go through difficult times and good leaders emerge during these tough times, as good fathers do."

During his 20-year mining career, Alwyn has lived through the emotional challenges caused by the tragic loss of life in mine accidents. "These and other experiences transformed my mindset about safety and I eventually convinced myself in 2006, when I was general manager at Kusasaletu, that it is possible to mine without injuries and occupational illnesses.

"Our challenge in Harmony is to transform the mindset of every employee into believing the same. I believe the most common risk in our work environment – apart from rocks, moving machines, dust and noise – results from changes caused by the dynamic nature of mining processes and the rock mass surrounding the workplace. How we manage the risk associated with these changes often determines the outcome from a health and safety point of view. Even in daily life this holds true – think about your everyday experience in traffic: accidents mostly happen when something unexpected happened. We cannot stop changes from happening but we can manage them by assessing the associated risks and possible consequences. This will enable us to take proactive actions to prevent or mitigate these risks."

The major safety initiative under way in Harmony is defined by clear short, medium and long-term targets. With the correct attitude, Alwyn believes these targets are achievable. "Everyone in Harmony can contribute by truly making safety your first priority. This will help create a culture where everyone takes responsibility for their own and their fellow workers' safety and health. In the short term I believe we can improve Harmony's safety performance by 50%, meaning we can halve the number of injuries, deaths and illnesses. I also dream about a quarter where all Harmony employees returned home safely. In the long term, I believe zero harm is possible and that we can operate without accidents and occupational illnesses, as recently proved by individual sections and even whole operations.

"When Graham asked me if I want to take up this challenge, I did not think twice because I truly believe we can make Harmony one of the safest mining companies globally."

Safety performance

As part of the proactive safety focus in South Africa, we have instituted 'white flag' days at individual operations, marking shifts free from injury. A major milestone was achieved at Kusasaletu shaft, which recorded 28 consecutive white flag days in July 2012 (see page 54 for other notable achievements). In addition, we are reviewing our safety incentive structures to focus on rewarding proactive safe behaviour, as opposed to reactive processes.

The South African operations' fatal injury frequency rate (FIFR) improved by 6% year on year to 0.16 (FY11: 0.17) and the lost-time injury frequency rate (LTIFR) improved to 7.29 (FY11: 8.32) per million hours worked. In PNG, the FIFR improved to 0.00 (FY11: 0.22), while the LTIFR was 0.45 (FY11: 0.45).

A total of 24 979 shifts were lost due to occupational injury in South Africa (FY11: 27 539), and 76 in PNG, year-on-year

improvements of 9% and 32% respectively. Shifts lost are a useful indication of the severity of occupational injuries (Harmony allocates 90 shifts lost for each fatality).

The primary causes of fatal accidents in FY12 were inundation/engulfment (27%), trucks and tramping (13%), falling (13%), gravity-related fall of ground (13%), heat (13%), seismic-related fall of ground (7%), falling equipment (7%) and conveyance (7%). Fatal injuries related to falls of ground and trucks and tramping improved by 40% and 33% respectively from the prior year.

All occupational hygiene and safety personnel are trained as OHSAS 18001 lead auditors. The MHSC target of training 2% of the workforce annually as health and safety representatives was also achieved during the year.

Rail-bound equipment (RBE) audits were conducted at eight operations during the year. These verified compliance to the

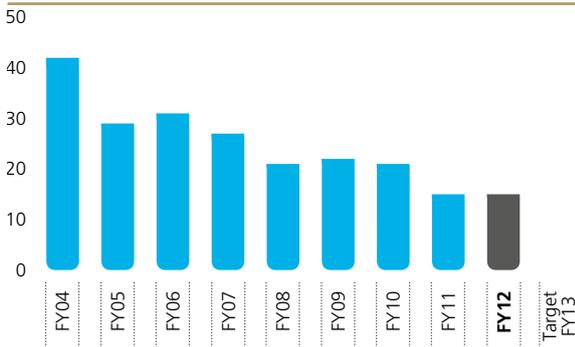


RBE code of practice, and specifically focused on locomotive conversions and rail conditions to comply with SANS 10339 specifications.

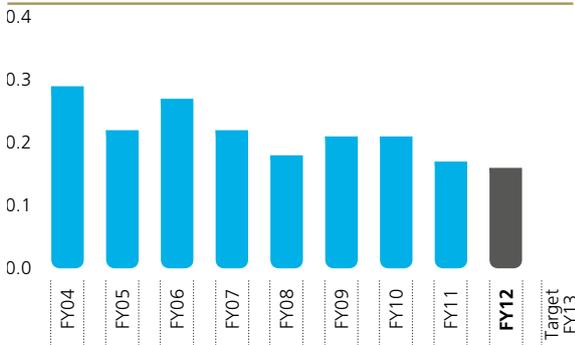
Safety literacy remains a material issue. To address this, e-learning programmes (spanning safety and refresher training) are in place at Masimong, Tshepong, Phakisa, Target and Doornkop. In addition, pictorial briefs are used at shaft level and we are implementing virtual reality training to improve risk identification.

In South Africa, the DMR remains vigilant about ensuring compliance with safety legislation. Harmony continues to work closely with the department to resolve issues, minimise safety stoppages and ensure that all safety standards are implemented and enforced at our operations. In FY12 Section 54 stoppages (for safety) by the DMR resulted in an estimated 1 570kg of lost gold production for Harmony.

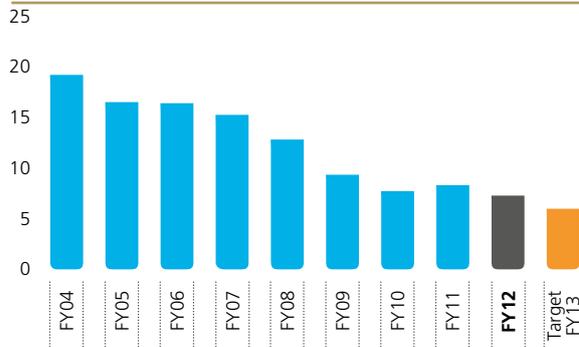
Fatal injuries – SA operations



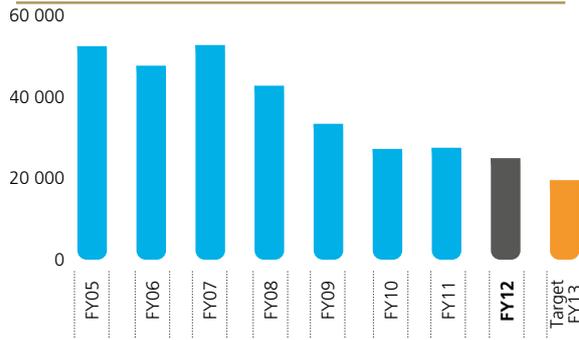
Fatal injury frequency rate – SA operations



Lost-time injury frequency rate – SA operations



Occupational injury shifts lost – SA operations



HARMONY IN BRIEF

APPROACH TO SUSTAINABILITY

OUR PERFORMANCE IN 2012

COMPLIANCE

Social performance continued

Harmony sustainable development report 2012

Safety achievements during the year

Many individual operations recorded excellent safety improvements during the year. Notably, Oppenheimer hospital and Kalgold reached 4.5 and 2.5 million fatality-free shifts respectively while Doornkop, Kusasaletu and Masimong achieved 5 million, 2.5 million and 2 million fall-of-ground fatality-free shifts respectively.

Fatality-free shifts	Fall-of-ground fatality-free shifts
<p>1 000 000</p> <ul style="list-style-type: none"> • Kalgold plant • Evander total operations • Target 1 	<p>+1 000 000</p> <ul style="list-style-type: none"> • Target 1 and 3 • Evander • Unisel • Target 1
<p>1 250 000</p> <ul style="list-style-type: none"> • Free State commercial services and transport • Harmony 1 plant 	<p>+1 500 000</p> <ul style="list-style-type: none"> • Bambanani • Phakisa
<p>1 500 000</p> <ul style="list-style-type: none"> • Sir Albert medical centre • Doornkop shaft • Phakisa 	<p>+2 000 000</p> <ul style="list-style-type: none"> • Masimong
<p>1 700 000</p> <ul style="list-style-type: none"> • Doornkop total operations 	<p>+2 500 000</p> <ul style="list-style-type: none"> • Kusasaletu
<p>2 500 000</p> <ul style="list-style-type: none"> • Kalgold total operations 	<p>+5 000 000</p> <ul style="list-style-type: none"> • Doornkop
<p>4 500 000</p> <ul style="list-style-type: none"> • Oppenheimer hospital 	



Estelle Cilliers joined Harmony in 1998 as a shaft accountant and held various positions, including mine manager and general manager at Bambanani, before being appointed group services manager for our Free State operations. Her responsibilities include security and, since 2007, she has played an important role in reducing the illegal mining risk. "Making a contribution in the mining industry is about planning and teamwork. I've been fortunate to work with great leaders and colleagues, and learned the importance of knowing your strengths and weaknesses and how to balance these. Above all, take responsibility and be accountable."

Criminal mining

In South Africa, illegal mining remains a concern at many Free State gold operations, not only Harmony mines. In addition to significant safety and health risks for our own employees and for the illegal miners, there is a substantial associated cost in terms of destroyed assets and infrastructure, security, and loss of skills (if employees are involved). Ultimately, this impacts on investment and job creation.

Illegal mining is a complex issue, and there is no simple solution. We are encouraged by the rising level of cooperation between mine managers, authorities, unions, employees, communities and non-governmental organisations.

We are doing everything reasonable and practical to address illegal mining proactively. We continue to liaise with the DMR, the South African Police Service (SAPS), Justice Department, private security companies and affected communities. In

2010, the charge for illegal mining was amended from petty to serious by the Department of Justice and Correctional Services. We believe that prison sentences as opposed to negligible fines are a stronger deterrent.

Harmony is making good progress in combating illegal mining. While these criminal activities continued on both surface and underground operations, enhanced access control and underground security processes are proving effective. We continue to focus on communicating the risks and consequences of illegal mining and fraud to our own workforces, and our zero-tolerance approach has seen the number of employees dismissed for related offences rising from 133 in FY11 to 153 in the review period. In the past five years, the trend is downwards, reflecting both the security measures in place and growing awareness of Harmony's zero-tolerance approach.

Target mine – true team work

Target received four special awards in the 2012 Harmony leadership conference, adding medals for best progress in productivity, profitability and quality over six months to the CEO Special Award. In addition, on 29 February 2012, Target reached 1 000 000 fatality-free shifts – a particularly significant milestone for every person at the mine.

Many things are clearly being done exceptionally well at Target. At every level, Target's workforce ascribes this to continuous focus and teamwork – the power of people working together towards a common goal.

Mining, particularly gold mining, is not an easy endeavour. It is a risky business from all points of view – health and safety challenges presented by the occupational environment, fluctuation of the gold price due to factors outside the control of mine management, technological demands and even political influences. To remain on course in such circumstances requires exceptional organisation structures in which ordinary people can achieve outstanding results.

The team members at Target cite a mindset and culture that revolve around health, safety and achievement, as reflected in the mine's aspirations statement:

- *To be the healthiest and safest team*
- *To create an environment where people can come to work happy, confident, proud and with a positive attitude*
- *To be the best mine and team to work for, to own and to lead*
- *Our people to be recognised and rewarded for excellent achievements*
- *To create profits which will attract investors for growth*
- *To positively influence our families and the community to become proud and prosperous.*

As a result, the people at Target are positive and motivated. Participation is another performance driver, with examples of collective decision-making at various levels across the mine. This generates buy-in from employees and a commitment to implement plans and achieve the envisaged results. Equally, an open-door culture encourages stakeholders to freely express their opinions, leading to consensus and commitment.

The ability to collectively plan a critical path across the short, medium and longer term flows from this participative culture and rests on a mature and skilled workforce. Through adequate planning, problem areas are eliminated while providing the flexibility to effectively and collectively deal with contingencies as they arise. A good example is the ore reserve management capabilities at Target where personnel who understand the reserves can ensure appropriate action is implemented in good time.

These foundational attitudes support a willingness to be innovative and take on new challenges. Gold mining requires people who can deal sensibly with a variety of situations every day. At Target, examples include the underground use of vehicles at very deep levels, continuous improvement programmes involving the entire workforce, and the Target health hub (see case study on page 70). All these projects require solid thinking, initiative and determination, contributing to the efficient functioning of Target mine.

Target is an interesting example of an organisation that can change and transform itself to shape the environment in which it operates, while adapting to that environment. This is being achieved through dynamic leadership at all levels, particularly the example set by senior management. This was clearly demonstrated by a Target general manager, Carel Joubert, at a recent management meeting where a new initiative was being discussed, when he cited the words of Thomas Edison: *Opportunity is missed by most people because it is dressed in overalls and looks like work.*



Social performance continued

Harmony sustainable development report 2012

Occupational health and employee well-being



Strategic approach	Progress
<ul style="list-style-type: none"> • Drive productivity by reducing occupational illnesses 	<ul style="list-style-type: none"> • TB cases reduced by 24%
Strategic targets	Progress
<ul style="list-style-type: none"> • Meet milestone targets on silicosis: <ul style="list-style-type: none"> – 95% of all exposure measurement results for crystalline silica below 0.1mg/m³ – By December 2013, no new cases of silicoses among previously (before 2008) unexposed individuals • Meet milestone targets on noise-induced hearing loss: <ul style="list-style-type: none"> – No deterioration of hearing greater than 10% among occupationally exposed individuals (from 2008) – By December 2013, no equipment in any workplace will exceed 110db(A) 	<ul style="list-style-type: none"> • While Harmony has made significant progress on all major indicators, current trends indicate that meeting 2013 industry milestones for both noise and dust will be challenging

Highlights

- In South Africa, solid progress in proactive healthcare strategy, and compliance with DMR standards
- 39% improvement in number of SA employees counselled on HIV/Aids
- 24% reduction in new SA tuberculosis cases
- Major community health programme launched in PNG with international NGO partner

Material issues*

- Occupational lung disease, including silicosis
- Attempted class action suit relating to silicosis (page 63)
- Pulmonary tuberculosis and other HIV-related illnesses
- Noise-induced hearing loss (NIHL) and use of protective equipment
- Heat stress



*The section on Harmony's approach to sustainability details how we identified our material issues.

Management approach

Occupational health follows an approach of sustained continuous improvement.

In compliance with the Mine Health and Safety Act (MHSA), medical surveillance continues at the company's four medical surveillance centres. A total of 47 894 medical surveillance examinations were conducted in FY12 (FY11: 53 412) including entry examinations (for new employees), annual examinations, exit (end of service) examinations, and out-of-cycle examinations (for transfers, for example). In PNG, 18 840 health contacts were made at all MMJV medical centres (FY11: 15 216).

Harmony aligns its reporting on occupational health statistics to international standards such as the International Labour Organisation (ILO) code of practice on recording and notification of occupational accidents and diseases, as well as the MHSA. Where employees are diagnosed with a compensable occupational illness, Harmony submits details on their behalf to the relevant bodies, depending on the illness and associated legislation. Harmony contributes annually to these bodies:

- The Medical Bureau for Occupational Diseases – a statutory body responsible for certification and compensation under the Occupational Diseases in Mines and Works Act of 1973
- Rand Mutual Assurance Company – an industry body providing compensation under the Compensation for Occupational Injuries and Diseases Act of 1993.

In Papua New Guinea, the joint-venture partners use an integrated business information system, a web-based application that provides numerous administrative functions for health, safety, risk management and human resources as a foundation for sustainable business management. This includes a medical register that tracks and reviews each patient's progress from initial health contact throughout the treatment process. Key elements of the group occupational health management strategy included:

- Fit for work (pre-employment medicals, return to work assessments, drug and alcohol testing, etc)
- Injury management (treatment, rehabilitation, management of workers' compensation, etc)
- Emergency response (emergency response team, ambulance, etc)
- Occupational health management (noise, dust, vibration, biological hazards, heat stress, fatigue, radiation, etc)
- Health awareness and lifestyle programmes (HIV/Aids, malaria, tuberculosis, diabetes, alcohol, smoking, nutrition, etc).



Happiness Mawele became a Harmony bursar after completing her matric at Kgothlang Senior Secondary School in 2006. She completed a national diploma in computer systems engineering, supplemented by in-service training at Harmony in the IT department. Happiness is currently part of our healthcare department, where she assists with monitoring, testing and training for the new IT system, specifically the medical surveillance module.

Occupational health objectives in FY13

- Ensure compliance to and awareness about wearing personalised hearing protection
- Complete equipment silencing
- Implement identified industry leading practices to eliminate dust exposure
- Increase awareness of occupational health risks through electronic learning medium
- In PNG, develop an integrated strategy, aligned with the Millennium Development Goals, on TB, malaria and HIV – building on systems already in place.

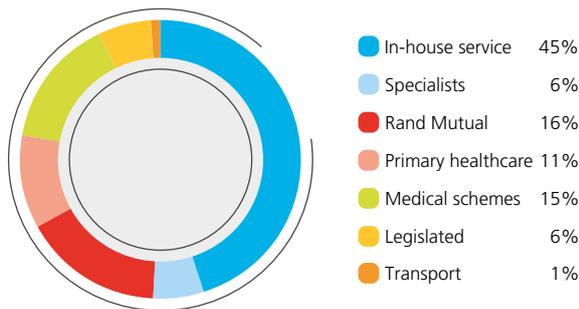
Social performance continued

Harmony sustainable development report 2012

We value the health and well-being of all our employees and the communities affected by our activities. As such, we focus on preventing all illnesses – from occupational illnesses to lifestyle diseases such as hypertension, diabetes and HIV – through ongoing medical surveillance, active case finding, early detection and treatment as part of an integrated managed healthcare system. As part of our strategy, we participate in state initiatives such as TB and HIV programmes.

Harmony Healthcare provides tertiary, secondary and primary healthcare as well as occupational health services to around 80% of its employees through company-managed healthcare facilities and preferred provider arrangements. In South Africa, the annualised cost of healthcare delivery is around 10% of Harmony's total labour cost.

Distribution of healthcare delivery costs



Company-owned facilities currently include two private hospitals, two private pharmacies and shaft-based medical stations. Casualty departments at the private hospitals continue to provide 24-hour emergency services to local communities and to company employees.

The health and well-being of the balance of Harmony employees, their dependants and contractors is ensured through medical aid membership or third-party service providers as part of their employment benefits.

For the review period, the former medical station at Target operated as a fully fledged health hub, providing an integrated, proactive healthcare service. The Target health hub (see page 70) is a particularly good example of a proactive and integrated pilot project to bring primary, occupational and wellness services closer to the mine. This model and approach is being rolled out at other mines in the company to improve the quality of healthcare, reduce the cost of centralised healthcare services and improve labour availability and productivity.

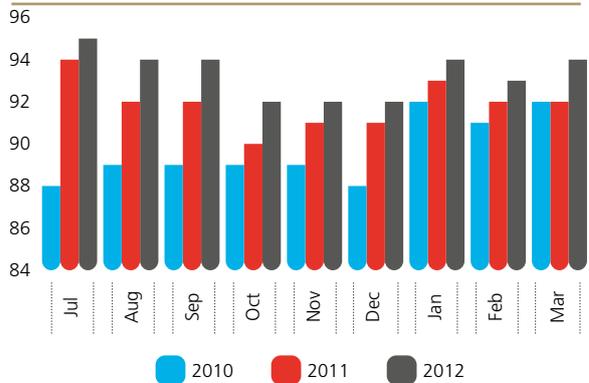


In the first of these roll outs, the Evander health hub opened in February 2012 with a celebratory health day supported by the DMR. Encouraging indicators include an absenteeism rate below the company average and strong employee support for proactive initiatives focused on wellness.

Harmony Healthcare continues to entrench a proactive strategy, focused on preventative healthcare. Integrated individual healthcare is now provided to employees, supported by management information systems that enable the company's healthcare team to monitor and track the risk profile of individuals in terms of health and well-being. This forms the basis of individual disease management plans which are continually reviewed to assess progress. In addition, ongoing training for healthcare professionals is producing significant long-term benefits.

This healthcare initiative supports Harmony's strategy to ensure continued health improvements and is leading to notable improvements in employee attendance and workplace productivity.

Healthcare strategy results in improved labour availability: FY10 to FY12 (%)



Managing absenteeism is a dedicated focus area in Harmony at present. Absenteeism across the company declined to 5% during the year (FY11: 6%), while absenteeism due to illness decreased by 2.7% at mine level. Acknowledging the potential economic and social impact of a rising absenteeism rate, we are making good progress with establishing multidisciplinary attendance and absenteeism review boards at shaft level to proactively manage sick absenteeism and absenteeism related to psychosocial issues. Benchmarking Harmony against its peers and companies of similar scale, we have set 3.5% as an acceptable sick absenteeism rate. In keeping with wellness and fitness to work, an amended return to work strategy is being introduced for piloting and roll out in future.

In PNG, medical centres at Hidden Valley, Wafi and Wau provide full-time primary healthcare and occupational health surveillance to employees, dependants and the local community. While the Wau centre is only available to dependants and community members for emergencies, four community health facilities provide services at Babuaf near Wafi and Nauti, Kwembu and Winima near Hidden Valley.

Harmony leadership healthcare pledge on World Aids Day, 1 December 2011

Safety and health is our first priority and we, as the leadership of Harmony, accept our joint challenge and responsibility to:

- Lead the employees of Harmony towards a zero harm culture by active participation and support of occupational health and safety initiatives and strategies
- Ensure continuous improvement in health and well-being at Harmony
- Implement and improve healthy workforce initiatives such as the increase in the awareness, prevention and treatment of chronic diseases, especially TB/HIV and Aids.

We therefore pledge to join hands with thousands of others to fight the spread of HIV and Aids and, in pledging this, we promise that:

- We will know our HIV status
- We will take personal responsibility for our safety and healthcare
- Knowing our status will provide us an opportunity to have quality of life.

We hereby commit to encourage the entire Harmony workforce to be voluntarily counselled and tested in a confidential and non-discriminatory environment by 1 December 2012. Our progress report is on page 67.

Our safety, our health, our status, our responsibility!



Risk areas

In South Africa, the primary occupational health risk areas in FY12 were noise-induced hearing loss (NIHL), occupational lung disease including silicosis, tuberculosis (TB) and other HIV-related illnesses and heat stress. In PNG, primary health risks at Hidden Valley were again upper respiratory tract infections (URTIs) and malaria, neither of which are occupational illnesses. However, given the impact on our workforce and communities, we have invested considerable financial and human resources in proactively combating these conditions.

In South Africa, we are implementing a R17 million safety, health, environmental risk and quality assurance system to improve our ability to manage the safety and health information of our employees. Staged implementation of the customised occupational health module began in August 2011 and the safety phase is scheduled for later in 2012. The new system integrates health and environmental exposure data, in turn providing the basis for improved medical surveillance data for analysis, monitoring and reporting.

Harmony is also working to meet the DMR's increased expectations. While most issues have been successfully addressed, returning to work after a leave of absence has been raised as a concern by the department. Harmony's integrated return-to-work after absenteeism framework has been accepted by the DMR and will be implemented in due course. This focus on individual health risk factors is a joint effort by human resources and healthcare officials under the auspices of professional case managers based at our operations. This reviewed strategy has wider implications for the company, as it affects all employees and contractors. The impact will be assessed during the pilot in 2012.

Based on results of an occupational hygiene assessment conducted at the Hidden Valley operation in 2009, activities do not exceed regulatory standards. The assessment spanned respirable dust, respirable crystalline silica and noise monitoring. It was conducted according to occupational hygiene practice and Australian standards for noise and dust monitoring (AS 2985-2004 and AS 1269.1-1998).

Proactive healthcare Decentralised healthcare pilot

An integrated drive on TB, HIV and wellness produced encouraging results during the year. Through the decentralised pilot intervention at Kusasaletu, 92 defaulters were re-enrolled on ART treatment, and 47% of primary healthcare visitors referred for psychosocial matters to the social worker based at Kusasaletu. In terms of VCT counselling and uptake, Kusasaletu has the highest rate in the company, underscoring the importance of professional and dedicated staff in taking full control of the process.

CASE STUDY: Kusasalethu curbs absenteeism

Central to the success of Kusasalethu's absenteeism strategy is an approach that makes management of sick absenteeism and abuse of sick-leave entitlement the joint responsibility of medical staff and all stakeholders.



Workers at Kusasalethu

Voluntary non-attendance at work without valid reason is a major challenge for any organisation, and Harmony is no exception. However, the Kusasalethu team – comprising medical station staff, management and unions – is implementing a successful strategy to curb absenteeism.

During the year under review, Kusasalethu achieved a milestone with a significant drop in the number of employees absent per day. This reflects a strategy where the medical team manages sick leave, knows its patients, maintains the focus on service delivery and provides appropriate treatment. At present, the mine has a 4.18% absenteeism rate – well ahead of many other Harmony shafts. The next milestone is 2.5% on the progressive sick absenteeism rate.

Central to the success of this strategy is an approach that makes management of sick absenteeism and abuse of sick-leave entitlement the joint responsibility of medical staff and all stakeholders. In practice, this means operational management, union leadership and other related parties have equal responsibility to ensure compliance with company policies and ascertain that employee behaviour and attitudes are aligned with the long-term vision of the mine.

Above all, the team believes this success reflects employees' appreciation of the care and respect accorded to them as individuals. This approach will be rolled out through a focused work management programme, where best practices are adopted and shared with the entire operation.

ART treatment

At year-end, 4 066 employees were on HAART treatment at an average cost of R475 per person per month or close to R23 million per annum.

VCT campaigns

Pre-counselling and VCT are offered through ongoing interventions at all Harmony healthcare centres. Over the past three years, 47 758 HIV/Aids tests have been performed in Harmony for employees, contractors and some community members. VCT has been introduced at all occupational health centres as part of the occupational health screening process and is aligned to the return-to-work after absenteeism strategy.

CASE STUDY: Harmony female clinic at EOH, Welkom

The clinic is available to all women on Harmony's workforce, irrespective of their medical insurance status.

Three years ago, in response to the changing demographic mix in its workforce, Harmony established a unit focused on women's issues at the Ernest Oppenheimer clinic in the Free State region. Evident in the growing number of visitors, this has been very well received by our staff members, who prefer the attention of knowledgeable female medical practitioners and nursing staff. During the review period, 623 women attended the antenatal clinic, while 103 used the post-natal clinic facilities; 139 women had gynaecological examinations. The family planning facility dispensed oral and injectable contraceptives to 141 women and 34 women elected to be sterilised.

Importantly, in line with Harmony's integrated and proactive approach to healthcare, 242 women were examined for early signs of uterine, cervical or breast cancer, with ten requiring surgery after a positive diagnosis.

The clinic is available to all women on Harmony's workforce, irrespective of their medical insurance status.

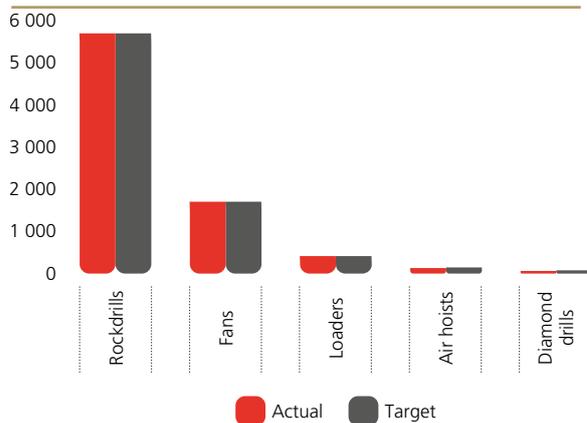
Noise-induced hearing loss

Harmony is committed to industry milestones for NIHL under the auspices of the Mine Health and Safety Council (MHSC):

- After December 2008, the hearing conservation programmes implemented by industry must ensure no deterioration in hearing greater than 10% among occupationally exposed individuals – to monitor compliance to this milestone, Harmony implemented an early hearing loss managerial instruction in December 2008, which is diligently complied with
- Total noise emitted by all equipment in any workplace must not exceed 110dB(A) at any location (includes individual pieces of equipment) by December 2013 – the graph alongside indicates engineering equipment that emits noise levels above 110dB(A) and has been fitted with sound attenuators. In addition, the baseline survey to identify noise levels of individual pieces of equipment is continually updated as new information becomes available from routine occupational hygiene inspections.

Silencing programme – stage of completion

Noise-induced hearing loss strategy



Social performance continued

Harmony sustainable development report 2012

The hearing conservation programme at Harmony includes issuing individually moulded hearing protection devices for working areas with high noise levels. This includes all categories of underground employees and selected categories for surface occupations.

To date, we have issued a total of 25 062 personalised hearing protection devices, 22 128 units for mine employees and 2 934 to contractor employees.

South Africa: NIHL compensated

The project initiated at Oppenheimer Hospital in the Free State three years ago to detect NIHL (5% to 10% hearing loss) early is now available at the healthcare facilities. This project is monitored through annual audiograms for all employees exposed to noise risk at work.

In FY12, the number of NIHL cases compensated dropped to 101 (FY11: 365). The industry target to prevent any hearing loss of more than 10% remains a challenge for Harmony.

CASE STUDY: Setting the standards in hearing protection

In addition to normal hearing tests, Harmony has instituted personal hearing protection devices based on oto-acoustic emission to detect early deterioration annually before actual hearing loss occurs.

In tandem with issuing devices, comprehensive training and coaching is taking place to help affected workers identify early signs and seek treatment.

Harmony is the first South African mining group to adopt this practice.



Oto-acoustic emission test being administered

Occupational lung disease

Silicosis and TB are the two primary occupational lung diseases in the gold mining industry in South Africa and long-term concerns for Harmony. Chronic obstructive airways disease does occur, but less frequently.

Silicosis

Silicosis is linked to long-term exposure to high quartz silica dust and can cause increased susceptibility to TB. Under the auspices of the MHSC, Harmony is on track to meet the following milestones:

- December 2008 – 95% of all exposure measurement results were below the occupational exposure limit for respirable crystalline silica of $0.1\text{mg}/\text{m}^3$ – compliance improved steadily through the year to 90.3%, but below the milestone requirement. Every measurement above $0.1\text{mg}/\text{m}^3$ is investigated and actions taken to reduce dust exposure at each site
- From December 2013 – using present diagnostic techniques, no new cases of silicosis among previously unexposed individuals (not exposed before 2008, or entering the industry in 2008) – this milestone is monitored by the compensation department, in-house technology and Rand Mutual Assurance.

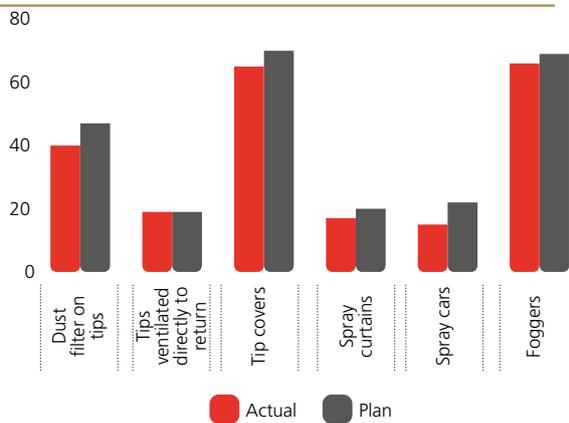
All Harmony operations are benchmarked to ensure uniform comparisons from a phased strategy on silica dust management:

- **Reducing dust in intake airways**

Harmony is implementing fogger systems at strategic areas underground and using spray cars in intake airways to allay dust as part of the strategy to reduce dust exposure.

Both systems are Chamber of Mines MOSH initiatives on silicosis and have been adopted by shafts in addition to other control measures as shown below:

Engineering controls implemented to eliminate dust



The MOSH team and suppliers are currently evaluating different spray cars for dust allaying as those currently deployed in shafts have water-pressure problems, resulting in poor sidewall coverage of airways.

- **Increased focus on silica dust exposure**

Dust-sampling frequency was increased from the compulsory 5% minimum to 10% in the prior year to improve the confidence level of sampling results. The new central laboratory was commissioned in November 2011 and is capable of handling the increased sampling requirement. A new guideline for airborne pollutants was issued late in the period as part of a mandatory code of practice. Due to erratic quartz concentrations, ranging from 12% to 34.8%, Harmony has embarked on a new strategy in which all operations are evaluated against the same (higher) pollutant concentration of 34.8%. The time-weighted average value of all samples must thus not exceed 0.29 to ensure the occupational exposure of 0.1mg/m³ is not exceeded. This will ensure that operations are more focused on controlling actual dust levels instead of pollutant concentrations only. Reporting actual dust-load levels has the added advantage of timeously identifying inoperative engineering controls.

- **Awareness through formal training on airborne pollutant exposure**

Focused training includes the importance of watering down procedures, good ventilation and wearing respirators/dust masks where required.

In FY12, 909 suspected (submitted) cases (FY11: 747) were reported to the Medical Bureau of Occupational Diseases, and 161 cases certified (FY11: 392). The annual rate for certified silicosis cases can fluctuate as a result of any backlog at the reporting authority.

Silicosis is publicly receiving heightened attention, given a recent court case against a major mining group by a former employee. Harmony, as a member of the Chamber of Mines, is participating in processes to address issues relating to historical silicosis cases.

On 23 August 2012, Harmony and all its subsidiaries were served with court papers entailing an application by three former employees requesting the South Gauteng High Court to certify a class action. In essence, the applicants want the court to declare them as representing a class of people for purposes of instituting an action for relief and to obtain directions as to what procedure to follow in pursuing the relief required against Harmony. Harmony has retained legal counsel in this regard and, on 5 September 2012, the company served and filed its notice of intention to oppose the application as it believes the applicants cannot form part of a class as, according to their own averments, they worked at different operations. At this stage and in the absence of a court decision on this matter, it is uncertain whether the company will incur any costs related to silicosis claims in the near future. Due to the limited information available on any claims and potential claims and the uncertainty of the outcome of these claims, no estimation can be made for the possible obligation.

Tuberculosis

TB hampers the health and productivity of workers (absenteeism, treatment costs, compensation, allocated resources, etc) and there is increasing pressure on the gold mining industry to reduce its incidence. While the trend for TB across the industry is gradually declining, the incidence is still unacceptably high. We continue to liaise and cooperate with local departments of health on specific TB training for nursing staff, and the additional resources required to improve our collective management of this disease.

Social performance continued

Harmony sustainable development report 2012

In line with the World Health Organisation (WHO) and the national TB strategic plan in South Africa, Harmony's comprehensive TB control programme includes early case findings, directly observed therapy short-course (DOTS), chemotherapy and a radiological TB screening project. Harmony exceeds the national plan in certain respects such as:

- Identifying early TB resistance – 426 PCR/GeneXpert tests conducted, and 4 031 culture tests carried out

- Investigative diagnostic tests for early detection – 9 557 AFB tests conducted
- Ultraviolet lights for infection control – to date over 790 ultraviolet lights have been installed in a phased programme targeting risk exposure areas at our mines
- Annual X-rays of employees exposed to dusty work environments for early TB detection
- Ongoing monitoring and education.

Overview of the TB reality in South Africa

South Africa is ranked third in TB prevalence in the world, after China and India. This highlights the concerning status of this disease and stresses the importance of South Africa being among leading teams in finding a solution.

Studies in the South African mining industry have shown that some crucial interventions will continue to reduce TB infections and mortality rates further:

- Reduce treatment delay
- Better diagnostics
- Maximise antiretroviral treatment (ART) coverage
- Better preventative therapy
- Tackling infections and reinfection
 - Work environment
 - Social environment
 - Labour-sending areas.

Harmony is showing positive trends in reducing TB prevalence and mortality rates, with acceptable treatment success rates. Our approach covers several initiatives:

- All newly diagnosed TB cases will be withdrawn from work by revoking the certificate of fitness. In addition, GeneXpert/PCR is now considered for early identification of TB cases
- ART starts by identifying HIV-positive individuals through an intensified programme of voluntary counselling and testing and participation. Our aim is to engage with 100% of our population on HIV/Aids matters within the next 12 months
- INH (Isoniazid) prophylaxis was debated, since this only covers individuals when taking it. The current prescribed duration is six to nine months, which is also the Harmony approach. Lifelong treatment may be considered, but research is under way to assess this
- We do trace infections and reinfections in the workplace and communities, but there is still room for improvement on this aspect, as it needs a multi-stakeholder approach.

As required by the national plan, the company prepares TB registers, which are regularly inspected by regional health authorities. Lessons from benchmarking differences to identify best practices are ongoing, for example standardising initial hospital admissions of all TB cases. External research into these benchmarking differences will be implemented.

Despite high HIV infection levels, our initiatives are paying off in a declining TB rate. Reflecting a significant reduction of 24%, 906 cases were diagnosed (FY11: 1 201).

Contractors are currently referred to state facilities for TB treatment and excluded from the calculation above. For optimal infection-control measures, it would be preferable to fully manage all TB cases, including contractors. As such, the

TB management programme will be extended to contractors in FY13. The return-to-work policy being implemented later this year will affect contractors in terms of sick note management and this, in turn, will allow for better control of contract-worker TB, certificates of fitness and potential cross-infection of Harmony employees.

Harmony conducted mass screening campaigns across the company in March 2012 to mark World TB Day and a month-long awareness drive. Over 10 000 employees were screened for TB-related symptoms during this campaign. The Masimong complex in Welkom successfully hosted the Free State provincial TB day, which included a visit by the MEC for health, and Harmony management participated in the TB day hosted by Driefontein Mine in Carletonville.

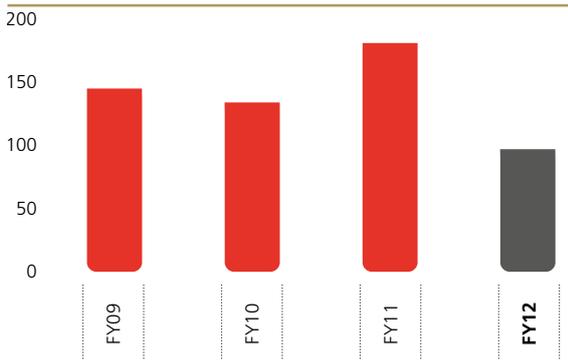
In addition, a drive to identify latent cases by taking histories of persistent coughing, weight loss, loss of appetite and night sweats is under way in line with the national tuberculosis strategic plan.

Multidrug-resistant TB (MDR TB) is a growing concern for the industry; treatment is costly and protracted (eg 18 months' treatment means many more shifts lost), affected employees face a slim probability of returning to work that involves risk, and the disease has a higher mortality rate despite treatment.

Following a retrospective study of MDR TB in FY10 that set a baseline for future strategies to reduce incidence, results since the fourth quarter of FY11 appear to indicate a reversing trend.

Multidrug-resistant TB

MDR TB incidence (rate per 100 000)



With 33 cases of MDR TB diagnosed in FY12 (FY11: 63), the incidence rate of 97/100 000 (FY11: 181/100 000) is down 46%. This is the lowest in the last four years. At year-end, there were 95 employees on MDR TB treatment compared to 90 at the end of FY11, reflecting the protracted treatment period.

MDR TB cases are also identified using sophisticated technology (GeneXpert/PCR – polymerase chain reaction) tests where needed and treated as soon as possible at specialised state MDR TB hospitals, supported by in-hospital supervision and outpatient follow-up later in the programme.

MDR TB's association with HIV is almost 100%, reinforcing the proactive integration of HIV and TB treatment (and data management) being developed in the company. Quality patient and data management and monitoring remain a universal challenge in TB management.

South Africa: new cases of TB

TB incidence – new cases (rate per 100 000)



New cases of TB are declining steadily as a result of the multi-faceted TB management programme, including a more integrated treatment approach to HIV/Aids.

In the prior year, Harmony had facilitated specific research on TB preventive treatment under the auspices of Aurum Health. Some 20 000 employees from various mining groups were enrolled and data analysis began in the second half of 2011. Results appear to indicate that mass INH (Isoniazid) prophylaxis in the mine setting on its own was not effective in impacting on TB control.

Community health

In FY12, our PNG health team continued to work closely with key stakeholders involved in delivering health programmes in Wau/Bulolo and Huon districts. Although there are many stakeholders who are willing to assist where possible, they are constrained by logistical and financial issues.

MMJV also conducted a community health patrol programme spanning Upper Watut to Middle and Lower Watut communities to assess their general health and social determinants such as their environment health and accessibility to health services. We visited 11 villages and neighbouring communities and saw 1 900 sick people, ably supported by officers from NARI, National Department of Health and Angau Hospital.

MMJV conducted immunisation coverage for the three Hidden Valley landowner villages (Nauti, Kwembu and Winima) and assisted Huon Gulf and Bulolo districts with their national immunisation programmes.

CASE STUDY: UV light air filtration system in Harmony buses

Given that TB is transmitted by droplet infection, the best infection control measure is to address the air we breathe.



Fan and air ducting system on Harmony bus.

To provide an innovative, proactive approach in curbing TB, Harmony has developed an approach based on best-practice principles and evidence-based medicine. This is reinforced by a commitment to integrate HIV/TB services at all levels in the company.

Given that TB is transmitted by droplet infection, the best infection control measure is to address the air we breathe. Our current infection control protocols include using appropriate facemasks, ultraviolet (UV) lights and hygiene education, particularly about coughs.

UV light air sterilisation project

Effective UV lighting has a proven beneficial effect on some viruses and bacteria, including tuberculosis. As such, Harmony's UV light installation initiative is aimed at areas that might predispose employees to infections, including crowded areas like waiting rooms, buses and dining rooms. The project was phased in from 2008.

Phase 1 – medical facilities

To sterilise high-risk areas where ill people gather, such as hospitals, to date we have installed 427 UV lights in all identified areas in Harmony medical departments. Since then, we have recorded a continual decline in TB rates. Although installing UV lights is only part of our strategy to address the TB infection rate, we believe this has had a material impact in reducing the infection rate.

Phase 2 – shafts

Continuing the disinfection programme initiated in 2009 using risk assessment findings for each mine, we installed UV lights at shafts, mainly in waiting areas. To date, 449 UV lights have been installed at shafts across the company. This phase is ongoing as new areas are identified.

Phase 3 – transport

This phase followed a conceptual discussion with the vendor for UV lighting in the first two phases. However, there was no UV light model suitable for vehicles at that time, although the proximity of people – including ill people – on our buses made it a logical extension.

To counter this challenge, Harmony's supply chain manager worked closely with the vendor to pioneer a working prototype on a company bus. The outcome – personnel carriers fitted with UV lights and a special fan and air ducting system to disperse and circulate sterilised clean air inside the bus – is the first of its kind in the South African mining industry.

The first bus was fitted out in August 2011. Laboratory tests assessed the number of viable cells present in the bus after installing UV lights, and results showed an average reduction of 72%. This is a significant reduction, and in line with Harmony's drive to reduce airborne diseases, such as TB, spreading from one employee to the next while being transported in a confined space such as a personnel carrier or bus.

Heat stress

Extensive refrigeration and ventilation measures are in place at all operations where temperatures are above normal working ranges. These heat-tolerance testing and acclimatisation programmes support and protect employees exposed to excessive heat in the workplace. In FY12, 20 472 heat tolerance tests were undertaken (FY11: 26 948).

A new heat tolerance screening chamber at Evander has improved efficiencies and complies with regulations. A new heat tolerance screening centre was commissioned early in the period to serve Doornkop and Kusasaletu.

Upper respiratory tract infections

Hidden Valley is some 3 000 metres above sea level but most employees are from lower, warmer areas. This regular altitude change contributes to respiratory ailments, mostly due to viral infections.

Some 5 428 employees were treated for these complaints in the period (FY11: 4 605). A programme has been developed to educate the workforce about these complaints, as well as gastro-intestinal hygiene, and is being rolled out across the operations.

Malaria

PNG is a high-malaria zone with over 1.5 million cases identified each year by the World Health Organisation (WHO). We support provincial programmes to eradicate the source, including spraying sites, distributing treated mosquito nets and providing treatment regimes.

There has been a significant increase in malaria cases at Wafi-Golpu during the year, most probably because of construction work on the portal road, which is next to a swamp. The use of insecticide-impregnated clothing was rolled out in the second half of FY12. Fogging and residual spraying is being implemented more aggressively, especially in low-altitude project areas such as Wafi-Golpu, Lae and Wau.

During the year, a malaria-prevention programme was developed, spanning workplace and community issues. We have also stepped up education about symptoms and are developing vector control programmes both on site and in surrounding communities. Clinic staff have completed additional training programmes to ensure they are capable of diagnosing malaria correctly.

In FY12, 1 871 employees were treated for malaria (FY11: 1 466).

In addition, the joint-venture partners are working with a non-profit partner, Oil Search Health Foundation (OSHF, page 71) to combat major community and employee health risks. The objective is to develop a plan to bring preventive medical treatment for the major employee illnesses (eg malaria, TB and gastro-intestinal) closer to the source of the problem. This will be done cost-effectively, and in a way that avoids the joint venture becoming the owner and operator of local community hospitals and clinics.

HIV/Aids

Harmony has developed a comprehensive and appropriate response to HIV/Aids over a number of years. Managing this pandemic is a critical component of our approach to sustainable development, given the significant impact on our employees, their dependants, and local and labour-sending communities in South Africa. It manifests in higher absenteeism, reduced performance and loss of skills to the company, as well as the economic burden on households when the breadwinner becomes ill or dies. There is also an increased financial load on state healthcare facilities.

In South Africa, the HIV prevalence level among employees in our group in 2012 declined to an estimated 24.4% from 2009 estimates of 27.2%, based on best-available state information and empirical modelling undertaken for the company in the review period. No prevalence testing may be undertaken by law. The model continues to suggest that prevalence levels in Harmony will decline over the next ten years due to multiple factors including:

- Increased awareness and testing
- Increased counselling and education
- Downward revision of national estimates
- Early introduction of antiretroviral drugs
- Culminating in a reduced infection rate.

We recognise that the following pillars are important in managing HIV/Aids:

- Health promotion strategy aimed at changing attitudes towards HIV and Aids using education and awareness programmes
- Preventative strategy to avoid or eliminate the threat of HIV and Aids as well as associated health risks, and to significantly reduce the number of new cases
- Evidence-based curative interventions to ensure appropriate treatment of all employees diagnosed with HIV and optimum outcomes at the point of care
- Monitoring compliance with treatment plans for affected individuals.



Social performance continued

Harmony sustainable development report 2012

HIV/Aids continues to be managed at three levels in Harmony:

- At clinical level – HIV symptoms are managed at our healthcare facilities
- Company-wide and mine-specific initiatives – shaft-based HIV/Aids committees are an integral part of health and safety committees, which meet monthly
- Group policy and practice level – monitored by a healthcare specialist.

The programme is managed by an external provider using qualified registered professional nurses and protocols aligned with the South African Department of Health, WHO and the HIV Clinicians Society of Southern Africa.

We use an integrated healthcare approach, where the focus on HIV/Aids is part of a wider range of chronic diseases managed by the company. Because the co-infection rate between TB and HIV/Aids is high, all healthcare workers pay special attention to the needs of immune-compromised employees. In FY12, nursing staff and HIV coordinators attended an in-house training programme on HIV clinical skills and basic counselling skills, sponsored by the Provincial Aids Council.

Voluntary counselling and testing (VCT) facilities, information and education are vital elements of our prevention campaigns. Equally, we focus on early detection as early intervention greatly increases the likelihood of long and healthy lives for employees. Harmony's approach – that HIV/Aids is a chronic illness and should be managed as such (like diabetes or hypertension) – has had a positive impact on the response to VCT.

In December 2011, we embarked on a year-long campaign targeting 100% VCT participation among our employees. An average of 53% of the Harmony workforce was reached over the past 12 months, with 9 861 individuals tested (FY11: 7 009). Although we are making progress in terms of counselling, only 55% of employees counselled have confirmed their status, reflecting the ongoing stigma attached to the pandemic. Over the past three years, 47 758 HIV/Aids tests have been performed in Harmony.

To ensure consistent results throughout the company in terms of VCT and uptake, we are focusing on the role of health educators, peer educators and implementing an appropriate framework for an employee assistance programme.

We continue to encourage HIV-positive employees to participate in Harmony's wellness programme. This includes counselling on lifestyle choices and nutrition, treating opportunistic infections and ART. All employees have access to ART, either through group healthcare facilities or private medical aid schemes. State-funded facilities in South Africa also provide ART and some employees seek treatment there because of the stigma associated with the disease.

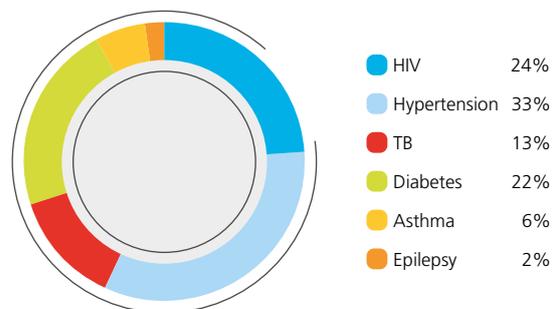
Harmony supports the national HIV counselling and testing (HCT) campaign and extended this to all primary healthcare facilities and occupational healthcare centres as an ongoing service in recent years.

In FY12, 4 066 employees participated in the highly active antiretroviral therapy (HAART) programme (FY11: 2 902).

Managing other diseases

At year-end, 49% of employees were on some form of treatment for chronic conditions. The most prevalent of these is hypertension.

Chronic disease profile – total workforce



As part of our integrated approach to healthcare, we have set specific objectives for managing the most common diseases outside HIV and TB (hypertension, diabetes, cholesterol, asthma, epilepsy) detailed on the following page.

Occupational health

- Use technology to develop an integrated input and risk-flagging system to manage chronic diseases through certificates of fitness. This will improve the management of defaulters and reduce safety risks
- Post-employment TB management has been strengthened through a home-based care programme that follows up all cases who exited our workforce while on treatment
- Concentrate on developing appropriate demographics across our workforce
- Integrate sick leave and certificate of fitness through return-to-work strategy
- Yearly VCT testing at occupational centres with the aim of 100% participation by December 2012, and a monthly promotion campaign to encourage employees to know their status.

Prevention, promotion and education

Harmony's health initiatives during the year focused on the so-called big five diseases and are aligned with the national health calendar. The e-learning module of the formal Harmony induction programme has been modified to cover these diseases. Other initiatives and objectives include:

- Quarterly pamphlets: covering HIV, TB and the big five diseases
- Monthly management healthcare memorandum in line with national health calendar
- Shaft-based health and safety topics focus on the big five
- Health workers will be trained to help them recognise the most prevalent diseases
- Screening at all medical centres focuses on the big five diseases at all visits
- Harmony buses are branded to educate employees on HIV matters and promote VCT
- Education via podcast with TB and HIV covered in the second quarter
- Education via an LCD monitor that educates employees while working underground
- Disease management interventions
- Quality assurance is being strengthened to monitor the big five diseases against national core standards. In addition, we are decentralising HIV clinics to the shafts to encourage close individual monitoring by healthcare professionals.

Labour-sending areas

During the year, we engaged the Lesotho government on pressing healthcare issues. These included cross-border TB management challenges and a validation system for sick notes provided by local doctors. Harmony will be the pilot for the Chamber of Mines health source referral system to improve cross-border communications and referrals.

Radiation

Radon exposures on all Harmony operations are well under control through systematic, systemic and operational controls and barriers. The maximum exposure incurred at Harmony during the five-year period starting 2007 is 52.5mSv (the dose limit is 100mSv in five years and a maximum 50mSv in a single year). The remaining exposures exceeding 50mSv indicated below are a result of incorporating exposures incurred at previous employers.

The company achieved an average compliance index of 83% during 31 inspections and audits conducted by the NNR at our operations. Areas of concern raised by the NNR at our Free State operations in most instances relate to illegal mining activities.

Operation	Average compliance index (%)	Number of inspections and audits
Doornkop	90	3
Evander	100	3
Freegold*	65	2
Joel	92	3
Kusasaletu	80	5
St Helena	74	3
Steyn North	100	2
Steyn South	92	3
Target 1	63	4
Virginia	79	3
Total	83	31

*Includes Tshepong, Bambanani, Eland, Kudu, Sable, Phakisa and Nyala.

CASE STUDY: Target health hub – from aspirations to reality

Given the success of the Target health hub, this approach can now be implemented at other Harmony mines.



Waiting area at Target health hub

After capital expenditure of R1.7 million and six months in planning, preparation and commissioning, the Target health hub is perceived as a significant investment by Harmony in the well-being of employees.

This is a particularly good example of mine management being prepared to host a pilot project to bring primary, occupational and wellness services closer to the mine on a proactive and integrated basis. Given the success of the Target health hub, this approach can now be implemented at other Harmony mines to improve the quality of healthcare, reduce the cost of healthcare services and improve productivity as Target did with its notable improvements:

- An increase of 4% in labour availability – translating into an average of 79 additional employees being continually available for work
- An integrated health and safety structure reporting to a new line function – an occupational, environmental, health and safety manager – providing improved synergy between health, safety and associated functions
- Optimising the healthcare educator's role through training, revised responsibilities and job descriptions in cooperation with the union NUM
- Introducing psychosocial aspects as part of examinations at the hub
- Improved emergency response capabilities through upgraded emergency care facilities and equipment
- Establishing a compliance and comprehensive healthcare monitoring capability by introducing a case management function
- Close cooperation with DMR in planning and commissioning the health hub
- More efficient dispensing procedures for chronic medication to ensure compliance and reduced time in healthcare processes
- Introducing innovative technology to share X-ray images with doctors and specialists
- Rationalising processes for scheduling certificate-of-fitness and heat tolerance screening assessments, further reducing time spent on healthcare processes
- Eliminating the inconvenience, cost and unproductive time of transporting employees between Target and healthcare facilities in Welkom
- Creating a health hub operating manual with appropriate job descriptions, policies, operating procedures as well as system and process structures.

Medical treatment using the social business model

The company's non-profit health development organisation, Oil Search Health Foundation (OSHF), is a leader in PNG and the Asia Pacific region in developing low-cost, but highly effective community programmes that improve the health of the community while significantly lowering illness and absenteeism rates within its operations. OSHF has tackled these and other medical issues so successfully using its social business model that it was appointed the World Health Organisation (WHO) recipient fund manager in PNG.

The social business model is called Marasin Stoa Kipa (MSK, literally meaning medicine store keeper). Its primary objective is to improve access to diagnosis and treatment for malaria, TB and other common diseases through quality-assured diagnosis and pre-packaged treatment, delivered at the village level.

The MSK strategy is aligned with PNG National Department of Health programmes including the national malaria control strategic plan (2009 to 2013), national health plan (2011 to 2020) and medium-term development strategies. It supports community-based health development initiatives such as 'healthy island' and village health volunteer programmes. MSK also meets international objectives of the Roll Back Malaria campaign, by improving access to treatment through home management of malaria (WHO, 2005) and UN Millennium Development Goals, such as poverty reduction, gender equity and reducing malaria incidence.

The project facilitates social empowerment for women, who have proven to be the more successful participants. Based on the evidence of earlier trials, women with a primary school education, married with children, and who may have been excluded from other small business opportunities can join the project. They receive training, continued monthly support and financial incentives from selling goods and services – to deliver a community service for a social good.

The OSHF conducted field visits to our communities during the year and has developed a draft plan, in cooperation with the joint venture, for implementing the MSK model in our host communities. The plan includes key performance indicators and identifies an exit strategy after five years for both OSHF and MMJV. Under the MSK model, the local clinic will be sustained in the longer term by the community, national department of health and the provincial government.

The joint venture medical manager will be responsible for coordinating this programme and ensuring appropriate monitoring data is collected, especially relative to employee communities. This will facilitate the effective management of the programme and communicating success.

Social performance continued

Harmony sustainable development report 2012

Labour practices and human rights



Strategic approach

Progress

- Create a culture where people become more connected and engaged in living the vision and values of Harmony
- Comprehensive engagement with employees has generated bottom-up commitment to common goals

Strategic targets

Progress

- Drive productivity by employing an experienced team of people to deliver value for stakeholders well into the future
- On track

Highlights

- Roll-out of organisational culture alignment project
- Skills audit completed
- Local youth recruitment and development pilot project at Masimong – will be rolled out to other operations in FY13
- Five hostels being converted to create 1 000 family units by 2014

Material issues*

- Retain +40% representation by historically disadvantaged South Africans (HDSAs) in all management levels
- Accelerate the hostel de-densification process in South Africa to achieve one person/room target in 2014
- Roll out the local youth skills development initiative in South Africa
- Progressively increase investment in human resource development towards 5% target by 2014
- Attract and retain key technical and managerial skills
- Manage sick absenteeism and other unavailable labour components
- Complete restructuring processes (Bambanani and healthcare services)
- In PNG:
 - Targeted technical and core skills training programmes
 - Leadership development and coaching programmes
 - Targeted attraction of skilled and motivated employees

* The section on Harmony's approach to sustainability details how we identified our material issues.



Gladys Gqodwana first met the Harmony team as a contract cleaner in 2004. Through hard work and determination, she has capitalised on the development opportunities Harmony offered to complete several courses and progress to the payroll department. Most recently, she has enrolled for a national diploma course in payroll administration. "Dedication and going beyond the call of duty is the secret to success. If you go the extra mile, the sky's the limit because this is a company that develops people to their greatest potential."



Hamilton Moemi joined Harmony as a plant helper at Kalgold in 1998. Today he is the human resource leader at Joel. "People do not care about how much you know, but about how much you care for them."

Management approach

Guided by group policies and a central human resources and employee relations function, meeting the multifaceted needs of our people is integral to line management at Harmony's operations. Given the imperatives in South Africa and the mining industry to entrench diversity and equal opportunity, our approach to attracting, retaining and developing historically disadvantaged South Africans and women is a priority. In PNG, we focus on recruiting landowners and local citizens.

Progress on employment equity and transformational issues is monitored by the social and ethics committee of the board, which meets quarterly.

Given our objective to have motivated and competent employees, we have identified four underlying goals:

- Introducing an organisational culture alignment programme
- Attracting and retaining employees with high potential
- Continuously developing employees to address skills shortages and improve efficiency
- Maintaining an effective employee performance management system.

The organisational culture alignment project was initiated in the third quarter and had gathered substantial momentum by year-end. The process of rolling out the new corporate values generated by a comprehensive survey across the company began in April 2012.

Core to our approach in South Africa and PNG are basic human resource values such as competitive remuneration principles, progressive employee relations, integrated systems and professional administration services. These are the foundation to reaching our operational objectives.

In PNG, we are focused on attracting and retaining both externally recruited employees and locally recruited employees.

Objectives in FY13 and beyond

- Talent management plan and software roll-out programme
- Productivity improvement initiatives
- Standardisation of HR policies and processes
- Completion of ABET programme (2015).

The Harmony workforce

The Harmony of 2012 is an amalgam of several mergers and acquisitions in recent years, each of which brought valuable assets and skills into the fold. As a result, Harmony has an experienced and capable management team and a solid succession pipeline. To entrench our cohesion as a group, in September 2011 we initiated a three-year culture alignment programme comprising three phases:

- **Leadership shaping** – the executive team defined the strategies against which a single Harmony culture will be built and measured. Key outputs include a leadership brand definition, a refreshed brand strategy, a staff engagement strategy, a final set of group values and an employee value proposition.
- **Leadership empowerment** – ensuring senior management has the ability to coach the defined Harmony leadership brand using a cascading approach down through their teams. Eleven executives and 70 senior managers will participate in a BreakThrough programme, allocated in a number of groups across three years, which began in June 2012. The 20-day programme of seven

courses will be rolled out over 12 to 18 months per group. It includes three 360° leadership assessments and eight executive coaching sessions to track individual leadership growth. This assessment process will be integrated into wider talent management processes.

- **Employee engagement** – as part of phase 3 of the culture alignment programme, employee engagement includes several key outputs: an annual culture survey that prompts employees to voice and provide input into the current Harmony organisational culture as well as the desired culture; various short- and long-term employee engagement tactics and strategies (which include rolling out Harmony values to all levels in the organisation), and lastly to create a bottom-up engagement approach through the employee workgroups programme aimed at all levels. These initiatives run in parallel to entrench those behaviours aligned with the desired Harmony culture.

Social performance continued

Harmony sustainable development report 2012

The effectiveness of this programme will be monitored through specific indicators including annual company-wide culture surveys for the next three years.

In tandem, Harmony runs an active recruitment and retention programme, regularly benchmarked against industry practice to remain competitive. Enhancements to our conditions of employment in March 2012 included leave, long-service awards, retirement age and electronic payslips. Specific bonuses are paid for key skills and employees who enhance the company's demographic profile.

New Harmony values shape a common culture

The values derived from the company-wide survey will guide us as we develop a common culture for the Harmony of today:



No matter the circumstances, SAFETY is our main priority



We are all ACCOUNTABLE for delivering on our commitments



ACHIEVEMENT is core to our success



We are all CONNECTED as one team



We uphold HONESTY in all our business dealings and communicate openly with stakeholders

Employee benefits

As a competitive and contemporary employer, we acknowledge that our people are our human gold, and reward them commensurately. Certain benefits and remuneration are governed by legislation and collective bargaining platforms. In general, Harmony employees receive a range of benefits, including:

- Leave, bonuses, housing allowances, medical aid, funeral benefit, provident/pension fund
- Share incentive scheme for management
- Employee share ownership plan announced in March 2012 (page 86).



Employee benefits and salaries at Harmony are governed by legislation or collective bargaining agreements in South Africa. Full-time employees receive more benefits than contractors in South Africa and PNG.

Further details are included in the remuneration strategy in the integrated annual report.

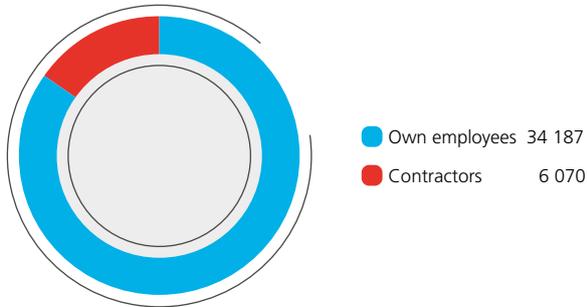
At the end of June 2012, Harmony employed 40 257 people, including MMJV and contractors (FY11: 41 656 people, including contractors).

Harmony workforce

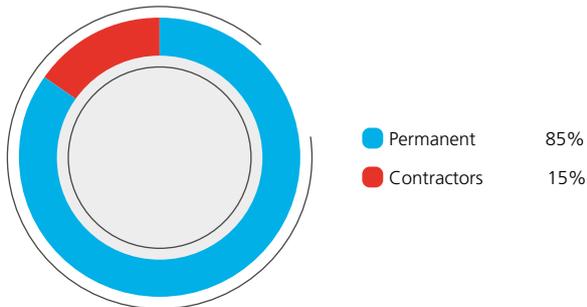
	Jun 12	Jun 11
Mine employees	34 187	35 903
Contractors and labour hire	6 070	5 753
Total in service	40 257	41 656

In South Africa, the company's employee complement was 39 994 for the year (FY11: 39 266), 85% of whom were permanent employees and 15% contractors. Permanent numbers declined by 410 employees mainly due to downscaling at Bambanani. Contractor employees rose by 1 138 due to increased activities in the Free State plants and build-up phases at Doornkop and Phakisa.

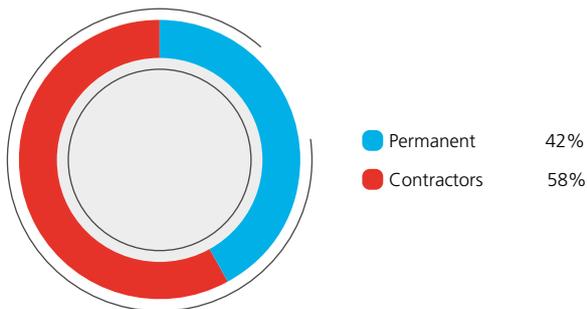
Group employees



South Africa



PNG



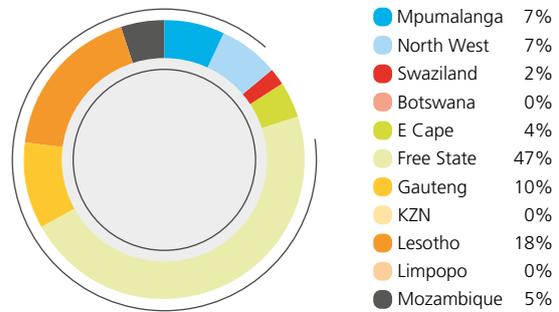
The restructuring process at Bambanani mine was well managed, with only 284 employees retrenched out of a possible 2 268. This process was concluded by year-end. Of those retrenched, 166 were compulsorily retrenched, and 118 opted for voluntary retrenchment. Almost 2 000 employees were redeployed or retrained and transferred to other Harmony operations, mainly Doornkop and Phakisa in line with their production build-up.

In PNG, the staff complement of 4 510 includes MMJV employees (FY11: 4 540). Of these, 1 905 (42%) were permanent employees and 2 605 (58%) were contractors. Contractors at PNG are for construction projects and their contracts expire as these are completed.

Recruitment and turnover

Five years ago, Harmony implemented a strategy to attract and retain key employees. We focus on local communities in recruiting employees, with over 60% of the South African workforce derived from these communities and 89% in PNG.

South Africa: Workforce composition by labour-sending area



Excluding contractors

We continue to monitor employee turnover indicators closely, given the challenge of skills shortages in South Africa and the particular need to develop the skills of HDSAs and women for our industry.

Total staff turnover for the year decreased to 7.4% (FY11: 10%). This has dropped from 18% in FY09, reflecting the success of our retention initiatives.

In South Africa, the turnover level was 7.4% with 2 972 employees leaving the company. The main reasons for separation in FY12 were voluntary retrenchments (13%), dismissals (23%), medical incapacitation (28%), resignations (13%) and other (23%).

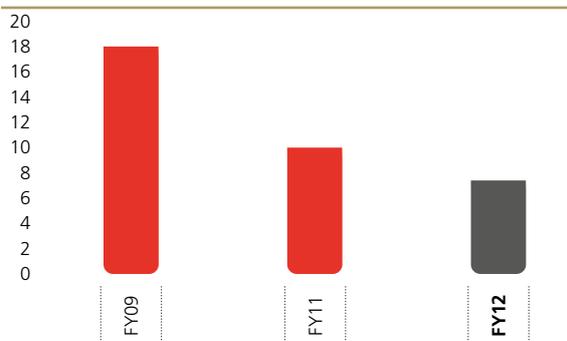
In PNG and Australia, 342 employees (18%) left the company in FY12, primarily due to resignations (69%) and dismissals (31%).

Turnover among female employees remained low across the company in FY12 at 8.7% and 16% in South Africa and PNG/Australia respectively. This number is not representative, however, owing to the lower numbers of female employees across the company.

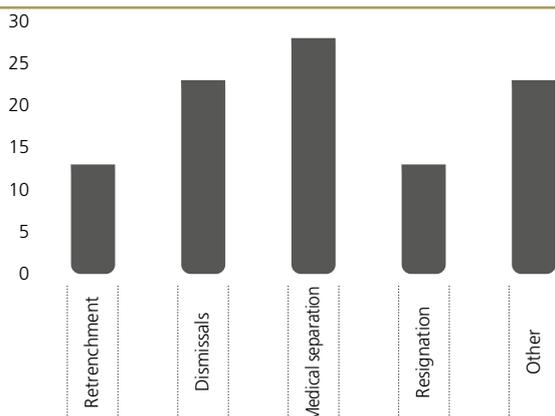
Social performance continued

Harmony sustainable development report 2012

Labour turnover – RSA: FY09 to FY12 (%)



Labour turnover reasons – RSA: FY12 (% of total staff turnover)



Accommodation and living conditions

Harmony’s housing strategy in South Africa has a dual focus: promoting home ownership and integrating mining communities into local structures.

Core to this strategy is upgrading hostels and the hostel de-densification project. We have again made good progress with the hostel project over the past year, aiming to create privacy in single-sex hostels over the next two years.

In the Free State, the Masimong 4 hostel project was completed in the prior year (case study page 77), while the Tshepong project was completed by the end of June 2012. The hostel occupancy rate was further reduced during the year.



In line with the company’s focus on promoting home ownership, employees who do not reside in company hostels earn a living-out or housing allowance. At present, over 18 000 employees (just under 50% of the workforce) have elected to receive this allowance.

Since March 2010, 18% of Harmony’s employees have moved from hostels to single or family accommodation. This is down from 25% last year, primarily due to the restructuring at Bambanani, where we saved 2 000 jobs by redeploying workers to other operations but have had to house many of them in hostels temporarily.

A further five hostels are being converted into 1 000 family units by 2014. This project will continue until FY15. By then, 240 units in our Gauteng operations (70 at Kusasalethu, 70 at Evander and 100 at Doornkop) will have been converted at a total estimated cost of R46.6 million, while in the Free State, the Unisel and Phakisa hostel upgrades will be completed at an estimated total cost of R23 million. The Merriespruit 3 and Steyn 2 hostel upgrades were included in the feasibility study in FY12. These are likely to begin in FY14.

For all developments, Harmony donates the land, funds the construction of infrastructure such as power and water, manages the project and monitors quality.

As part of the focus on living conditions, Harmony’s catering manager and dietician monitor and audit outsourced suppliers to ensure a balanced diet for hostel residents.

In PNG operations, exploration camps are used while employees are on duty. Employees, however, return to their homes as a work roster enables them to spend significant time at home.



The playground at the Masimong 4 hostel project

CASE STUDY: Affordable housing for our people and communities

This is the first initiative undertaken as a public-private project between Harmony and the Free State Department of Human Settlements for the benefit of the Matjhabeng Local Municipality.



Dormant mining hostels have been converted to quality family rental units

Harmony has embarked on a programme involving the local municipality and provincial Department of Human Settlements to convert dormant mining hostels in the central South African goldfields region into quality family rental units. By forming these sustainable villages within a low-income community and using only local suppliers of goods and services, we aim to support economic growth and provide a catalyst for future developments in this area, ensuring sustainable job creation and community upliftment.

Public-private partnership

This is the first project undertaken as a public-private project between Harmony and the Free State Department of Human Settlements for the benefit of the Matjhabeng Local Municipality. The total cost of R300 million was shared by Harmony and the department. The model will now be replicated in other mining areas, transforming redundant mining assets for the benefit of broader stakeholder communities and, ultimately, the nation. Once developments are complete, these assets will be transferred to the local municipality.

This initiative reflects Harmony's commitment, as a primary employer in the area, to contribute to economic stability by identifying projects that will support the local economy, and to assist in providing quality rental accommodation in line with government guidelines.

In transforming these single-quarter units, special care was taken to ensure:

- The conversion of hostels into sustainable and acceptable villages, providing quality living environments
- A structured approach so that viable and integrated suburbs are created to form part of the surrounding urban framework.

Masimong 4, although close to other township suburbs, is just 9km from the Welkom central business district and will form part of the greater Welkom municipal area, including its connection to the existing municipal infrastructure network. Of the 460 residential units, 120 units are reserved for Harmony employees.

In designing the bachelor, one, two and three-bedroom family units, and in line with our environmental policy, we were able to accommodate most of the existing structure and reuse much of the existing materials on site.

- Existing pavers from the original roads were reused in drying yards
- Existing pre-fabricated walls were reused to complete the perimeter wall or to enclose drying yards
- Old reservoir was resealed and reused to form part of the irrigation network
- Most demolished brickwork was cleaned and reused in fire walls or non-load bearing areas
- All existing buildings were included to minimise loss of usable space and provide further functional space
- Existing open space was incorporated, giving residents free access to all open spaces (in the complex and on the perimeter). All within easy walking distance, with pedestrian and cycle networks, these open spaces provide essential areas for cultural activities and social interaction while creating natural habitats for flora and fauna.

Social performance continued

Harmony sustainable development report 2012

As the urban renewal of areas surrounding the complex forms part of the municipal spatial development framework, the design of Masimong 4 included amenities that would ensure sustainability and natural flow to the public:

- Small commercial centre
- Recreational and sports area
- Local clinic
- Crèche
- Church
- Taxi rank
- Workshop facilities for people with disabilities.

The complex was designed in six clusters, with biometric (fingerprint) control access to each cluster providing a safe environment with play areas on established lawns. Each unit is equipped with a stove, washing machine and built-in cupboards, while each cluster has a washing room, communal lounge and study area for children.

A property management company was established to manage the complex, with Harmony providing support for two years to ensure sustainable service levels.

Community participation

By specifying a targeted procurement policy for the project, we ensured only local enterprises were employed. This also created the opportunity for emerging enterprises to obtain more exposure to larger-scale projects.

Each cluster was awarded to a local BEE company and all purchases were done locally as far as possible. Of the ten contractors used, seven were BEE companies and three of these were owned by historically disadvantaged South Africans. The remaining suppliers provided electrical, landscaping and TV cabling services.

In total, Masimong 4 created 3 100 jobs during construction and 50 permanent positions.

Energy and resource efficiency

In designing Masimong, we applied the Harmony environmental principles of efficient use of resources.

As existing buildings had large pitched roofs, this was ideal for installing solar heating to ensure an abundant supply of passive solar energy. While this was not the most economically feasible option at the outset of the project, it did contribute to keeping rentals cost effective by using alternative energy. Each unit also has a prepaid municipal electricity meter to promote a managed approach to electrical use and minimise wastage.

Water is sourced from the municipal system. Each unit has a prepaid water metering system, ensuring minimal wastage. Existing boreholes were used and reused, with an existing reservoir on site providing sustainable irrigation.

We were delighted to receive the regional Govan Mbeki Human Settlements Award for 2012 for the best rental housing project. While these awards showcase the excellent work done by the Department of Human Settlements and promote best practices in delivering on its core mandate, they honour roleplayers in the housing value chain that have committed to partnering with government in building sustainable human settlements and making the millennium development goals achievable by 2014. Harmony was a finalist in the national competition.



Promoting skills development and employment in communities

In the Free State, mining dominates the make-up of GDP, and the industry therefore plays a vital role in creating employment. Harmony is rolling out a youth development strategy which entails training and equipping the youth from local communities around its mining operations in all the entry-level skills required by the mines. These youths will then be recruited as vacancies arise at these operations.

An internship programme is part of Harmony's talent development initiatives. Graduates from different South African universities are recruited either directly or indirectly through the MQA grant system and placed on the internship programme for up to two years to gain necessary practical work experience in various core mining-related disciplines. Most of these graduates are HDSAs and drawn from local communities where the company operates. Once these learners have completed the internship programme, Harmony exercises its option to offer candidates permanent employment.

Beyond practical work experience, the programme also equips candidates with business management and leadership skills to prepare them for future managerial roles.

In line with our drive to offer experiential training to students from various institutions to do their mandatory practicals to complete their qualifications, in FY12 Harmony accommodated 24 learners. Of these, Harmony offered a bursary to one learner, employed two, extended the training programme for four others, and offered learnerships to four. The balance could not be absorbed given the lack of available opportunities.

As a result of extending some of the students' experiential training programmes, Harmony currently has six students and we are planning to take on a total of 14 students for FY13.

Training and development

A key sustainability objective in recent years has been to recruit, develop and retain employees through various initiatives. Integral to achieving this objective is regularly managing the performance and careers of our people. Throughout Harmony, employees are evaluated and rewarded for individual and team performance on input and output for which they are directly responsible.

In line with Harmony's goal of investing in training and developing current and potential employees, and in addition to numerous internal training initiatives, 72% of our workforce received some form of training in FY12 at a cost of R245 million (FY11: 70% of workforce, cost R220 million). Around R6 million of this was specifically directed at employees with critical and scarce skills. To facilitate transformation in the company, 97% of employees trained in FY12 were HDSAs, and 13% were women.

To address skills needs and retain employees at our PNG operations, mentoring and skills development programmes continued in FY12. Equally, as south-east Asia operational requirements grow, recruitment is a strong focus.

We tailor our programmes to the training and development needs of our people. As such, disciplines and skills covered in these programmes include mining, engineering, metallurgy, ore reserve management, human resources, occupational hygiene, supervisory development, change management, leadership development, and other technical and skills training.

We also address specific skills issues in South Africa, including adult basic education and training (ABET), and skills development and learnership programmes. To supplement our training initiatives, we have the Harmony Bridging School, leadership and supervisory development, and provide bursaries and study assistance to current and prospective employees.

CASE STUDY: Harmony honours cultural heritage

The St Helena cemetery was established by the mine in 1951 on municipal ground, near Welkom, Free State. After recent vandalism damaged steel crosses, brass nameplates, precast walls and gravesites, Harmony stepped in.

Harmony recognises and respects the cultural value of the cemetery and has voluntarily undertaken to maintain the site each year – a pledge that was sincerely welcomed by the community.



Graves from the early 1950s are being rehabilitated after neglect and theft

ABET

To address the level of basic education in the workforce, four ABET centres at Harmony run full-time and part-time classes. These centres employed four superintendents, 42 full-time and 11 part-time facilitators in FY12. A total of 968 employees and community members were enrolled for ABET in FY12, including classes offered to people in the community, at a cost of R47 million.

We are concerned about the drop in enrolment (-20% in FY11) as well as the lower pass rate. Management has initiated discussions with organised labour to jointly investigate challenges that led to the reduced pass rates. Among the initiatives already being explored to improve the pass rate for 2013 is reviewing the number of learning areas covered per level in line with what the industry offers.

Across Harmony, the ABET pass rate improved from 25% in FY09 to 73% in FY11, but declined to 60% in FY12, while the literacy rate has risen from 25% in FY09 to 50% in FY12. There is major commitment from all parties to continue improving the literacy level in coming years, given its impact on safety.

Our PNG operations are in the early stages and Hidden Valley has just completed its second year of production. As such, we currently only offer part-time ABET courses. During the year, 15 employees attended ABET classes. As our PNG-specific training programme is further developed, the ABET offering will progress in tandem. In FY12, over K868 000 (R3.2 million) was spent on training and development.

CASE STUDY: Proving the sky is the limit

Finding talent is one thing – turning it into human gold requires effort and commitment from both sides.



Finding talent is one thing – turning it into human gold requires effort and commitment from both sides as Gladys Gqodwana has so convincingly proved. Gladys is currently one of Harmony's payroll clerks and has come a long way through hard work and determination. She completed her matric at Orlando High School and, in 2004, started at Harmony's Melrose Arch offices as a contract cleaner. By the end of that year, she had proven her willingness to such an extent that she was permanently employed and sent for further training at Agate College, where she received a certificate of competence in telephone techniques and reception training. "When I got to Agate, I realised I could do the course faster and save the company money." Gladys did just that, completing the three-month course in a record three weeks, and became Harmony's switchboard operator. In 2007, when the Melrose Arch offices closed, she was one of the first to be transferred to the Randfontein offices.

After further training and a national certificate in payroll administration services, she was offered a position in the payroll department. Most recently, Gladys has enrolled for a diploma course in the payroll field to enhance her skills in an area she clearly enjoys.

Gladys is also an athlete and has participated in 12 races to date. With Harmony sponsorship, she has won four gold medals and completed a trio each of the gruelling Comrades and Two Oceans marathons.

"My message to all employees is that dedication and going beyond the call of duty is the secret to success because Harmony is a company that develops its people to their greatest potential. My life has changed completely because I proved that I took pride in my job, however humble, and I used the mentors, opportunities and networks in Harmony to develop my potential – inside the company and on the road in my Harmony kit."

Social performance continued

Harmony sustainable development report 2012

Skills development

In South Africa, Harmony representatives actively participate and interact with the Mining Qualifications Authority (MQA) on various committees and sub-committees regarding skills and career development for its employees. In August 2011, Harmony was granted full accreditation as a training provider by the MQA. Kalgold was included in this accreditation – as a surface mining operation.

In PNG, the three-year training plan for our three joint ventures was formally presented to the national training council in the third quarter of the year. The council was very supportive of our processes and intentions to localise key positions within this period. The three-year training plan covering our exploration activities was due for renewal at the end of the review period.

Given the ongoing shortage of heavy equipment operators at PNG and the joint venture's obligations to the memorandum of agreement, we began training and mentoring locally recruited employees from the landowner areas of Hidden Valley in FY10. Technical training using equipment simulators installed in the prior year has proved beneficial. In addition, we are using students from the local university to help in monitoring aspects of geology and environmental management. These activities count towards experiential training and were expanded in 2012.

Bridging School

Harmony's Bridging School supports mathematics and science at Grade 12 level for previously disadvantaged school leavers to improve their final results. This will enable them to further their studies at tertiary level and ultimately be permanently employed. Some follow the learnership route, increasing the number of learnerships in the company.

In FY12, 20 students were selected to participate in the programme from communities around Harmony operations. This brings the total to 320 learners to date. Of the 19 FY11

candidates, one was offered a bursary, nine were admitted to mining learnerships, and the balance enrolled in the engineering learnership.

Learnerships

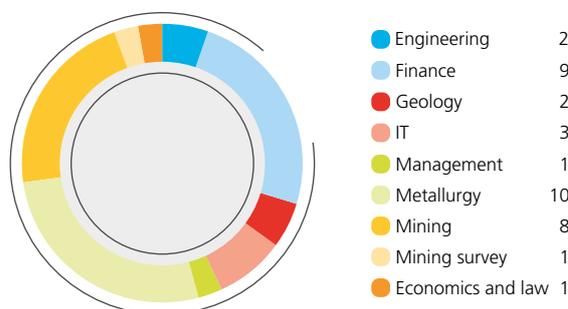
For FY12, Harmony had 649 learnerships at different levels of their developmental programmes; 295 were in core disciplines and 354 in services learnerships, primarily in the fields of hostel supervisions and food preparation.

Bursaries

The Harmony bursary programme was established in 2001, principally to help historically disadvantaged matriculants embark on tertiary studies for future mining careers. There is an annual intake of 16 South African students and the focus is on the technical fields of mining, engineering, ore reserve management and metallurgy for the Harmony talent pool.

To date, we have employed 37 graduates from our bursary scheme, with minimal turnover – eight have progressed to management positions in technical and business fields.

Employed bursars by discipline



For FY12/13, Harmony is supporting 35 new and existing bursars at a cost of R3.4 million at various South African tertiary institutions, 18 of whom are from communities around Harmony mines.

Bursary students – FY12

	Ore reserve							Total
	Mining	Engineering	management	Metallurgy	HR	Finance	Medicine	
Existing	11	3	4	1	0	4	0	23
New intake	5	1	2	2	1	0	1	12
Total	16	4	6	3	1	4	1	35

Eleven students are due to complete their studies at the end of 2012 and join Harmony in 2013. Over and above the bursary scheme to students, Harmony also had 249 employees participating in the study assistance programme during the review period, at a cost of R2.6 million to the company.

Study assistance – FY12

Disciplines	Total	Male	Female
Central services	50	23	27
Corporate	5	2	3
Engineering	73	50	23
Environmental control	5	4	1
Finance	15	9	6
Health and safety	10	7	3
Human resources	29	18	11
Information technology	6	5	1
Medical services	23	10	13
Metallurgy	6	5	1
Mining	16	12	4
Ore reserve management	11	8	3
Total	249	153	96

Talent management

Harmony's human resources professionals are finalising a talent management programme that includes assessments and performance results for management.

They are also developing a talent management database for all managers and high-potential employees in the Harmony talent pipeline.

As part of this process, individual development plans have been completed, as have succession plans. The team is conducting multidisciplinary staff development panels, and spearheading the integration of human resources development practices with remuneration practices.

Leadership development programme

Now in its third year, Harmony's leadership development programme is well established and had three confirmed intakes for FY12. The programme is facilitated by the University of Johannesburg and specifically aimed at two management levels, namely senior and middle. By calendar year-end, 346 of the targeted 480 Harmony managers will have completed this programme. All indications from classroom feedback and reports from operations are that this programme is producing benefits at individual, group and operational level.

In PNG, the leadership development programme started in 2010 was initially aimed at supervisors at Hidden Valley. During the review period, we continued developing key performance indicators, while management and employee appraisal training began at Hidden Valley for all managers, superintendents, coordinators and supervisors. The key objective of this programme is to equip all line supervisors with team management skills. In the new financial year, formal leadership training will be rolled out.

Supervisory development programme

The supervisory development programme, which began in April 2009, is facilitated by Maccaulei Learning Academy. Learners attending this skills programme (72 credits at NQF level 4) are developing risk management, team leader and managerial skills as first-line supervisors such as shift overseers and foremen. There were six intakes in FY12 involving 127 candidates. Harmony has around 3 000 supervisors and, in time, 50% will attend this programme.

Social plan programme

In terms of the social plan framework agreement (2003) between Harmony and the National Union of Mineworkers (NUM), employees can elect to nominate a dependant (proxy) to receive training.

Portable skills training

Harmony has an ongoing programme to provide alternative skills to employees (both current and retrenched employees) through its social and labour plan. This enables people to move beyond Harmony's business and cushions the impact of unavoidable retrenchments for economic reasons or when our mines reach the end of their lives.

The alternative skills acquired give these employees access to employment opportunities in other sectors of the economy outside mining, and promote a culture of self-employment to improve quality of life.

During the year, 438 employees or proxies were trained (around 27% were proxies – dependants of mine employees). Since the execution of Harmony operations' mining licences, some 3 372 employees have been trained in portable skills. The range of basic skills provided in FY12 cuts across economic sectors, ranging from information technology (computer literacy), electrical, welding and plumbing to servicing light motor vehicles, clothing manufacture and forklift operation.

Social performance continued

Harmony sustainable development report 2012

Portable skills training conducted in FY12

Mine	Number of employees (or proxies) trained			
	Target 2013	Target 2012	FY12	FY11
Bambanani and Steyn 2	97	292	96	130
Doornkop	146	186	–	–
Evander	–	na	–	83
Joel	77	130	27	76
Kalgold	13	–	–	–
Kusasaletu	237	210	–	12
Masimong	149	196	78	–
Phakisa	188	–	–	–
Target 1 and 3	155	62	37	51
Tshepong	233	374	193	56
Unisel	85	196	7	83
Virginia*	–	196	–	47
Total	1 377	2 112	438	538

* Virginia shafts were closed.

The ongoing challenge we face with this programme is to encourage more employees to volunteer to enrol for courses in their own time. To promote the benefits of the programme, our operations are initiating various campaigns.

Human rights

Respect for human rights is entrenched in the company's values and explicitly catered for in human resources policies, charters and contracts of engagement. This is closely monitored by human resources and community engagement managers at operational level.

As a South Africa-based company, Harmony abides by the human rights conventions of the International Labour Organisation (ILO) as contained in the South African Constitution. This process is monitored by the social and ethics committee. In addition, certain human rights requirements are built into contractual arrangements with new suppliers.

No incidents of discrimination were reported in South Africa or PNG in FY12.

The South African Constitution also prohibits forced, compulsory or child labour. None of Harmony's operations are at risk and no contraventions of these principles were alleged or reported in FY12.

Our approach to collective bargaining is detailed hereafter.

Promoting sound and constructive employee relations

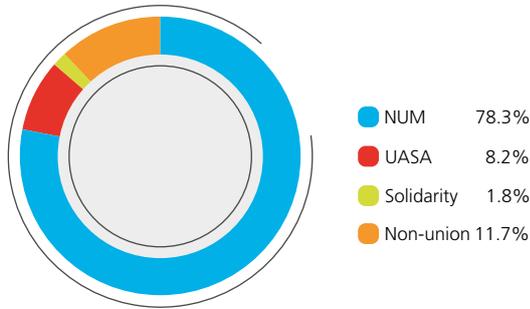
We recognise the right of all employees and contractors to freedom of association and adhere to collective bargaining agreements in each country of operation. There are long-established relationships with organised labour at all operations and there is no significant risk of jeopardising freedom of association and collective bargaining. Further, Harmony has no exposure to any possibility of forced or compulsory labour due to internal processes and controls.

Employee relations in South Africa are guided by the Labour Relations Act as well as by company and mine-based recognition agreements.

Harmony recognises three labour unions in South Africa: the National Union of Mineworkers (NUM), United Association of South Africa (UASA) and Solidarity. The majority of the South African workforce (almost 89%) is unionised and a further 2% is covered by agency shop (or collective) agreements.

There are no active unions at MMJV and Harmony PNG sites. Industrial relations at the Hidden Valley site are currently managed by the employee representative committee (ERC). This ensures regular communication between management and employees through monthly committee meetings. Issues raised at these meetings are recorded and promptly addressed. Programmes to increase the committee's effectiveness included training and coaching by external consultants. There was no industrial action at PNG during the year.

Union representation – South Africa: FY12



Harmony lost six production days to labour action during the review period, which included a national one-day strike called by Cosatu.

Wage negotiations are conducted in a centralised industry forum under the Chamber of Mines. A two-year industry wage agreement is in place to June 2013, which includes profit sharing.

At Harmony specifically, we have introduced an employee profit share scheme under which over R18 million has been equally shared among participating employees over the past six months. This could rise to R36 million in FY13, depending on performance.

A highlight of the review period was the implementation of an employee share ownership plan governed by the Tlhakanelo Employee Share Trust. Under this scheme, 4 288 000 scheme shares and 8 576 000 share appreciation rights will be made available for offers to qualifying employees based on years of service (see case study on page 86). Scheme participants benefited from the dividend declared post year-end.



Harmony continues to negotiate changes to wages and other conditions of employment through recognised collective bargaining structures. Each year, negotiations with unions span a wide range of issues. In FY12, these included:

- Wellness and retirement
- Training and development
- Housing and transport
- Women in mining.

The success of these initiatives underlines the effective engagement processes in place and the solid relationship between Harmony management teams and the unions.

Other issues currently being discussed with unions include:

- Establishing a bargaining council for the gold mining industry. This has not been finalised and it is envisaged that it will be concluded by the next round of wage negotiations scheduled for 2013
- Discussions on co-designing arrangements for the effective use of mining assets
- Issues around developing young people living in communities close to mining operations.

CASE STUDY: More than 33 000 employees to become shareholders

With the launch of Tlhakanelo, we tangibly recognise the importance of employees who sustain our business – the people who are, in essence, our human gold.



In August 2012, Harmony issued awards under its employee share ownership plan (ESOP), known as Tlhakanelo, through which around 33 000 employees will participate in direct ownership of the company. Based on the number of shares in issue at 31 December 2011, Tlhakanelo could account for ownership of 2.9% of the company, enhancing Harmony's black economic empowerment (BEE) status further.

Tlhakanelo is a R1 billion share incentive and share appreciation rights scheme, in terms of which nearly 4.3 million ordinary shares at par value in the share capital of the company and around 8.6 million share appreciation rights have been offered to qualifying Harmony employees. All non-management employees will benefit from the scheme, based solely on length of service at allocation date.

Following lengthy negotiations with NUM, UASA and Solidarity over the proposed employee share option plan, the final format incorporates a minimum payout guarantee, accompanied by a maximum payout ceiling per share appreciation right.

As example, a qualifying employee will receive either a guaranteed minimum payout of R3 600 (R18 x 200 share appreciation rights), or the maximum payout of R6 400 (R32 x 200) over the five-year period. The employee will also receive the full market value of the ordinary shares, which at an average market price of about R100, would amount to R10 000 for the 100 ordinary shares over the five-year period.

It will be overseen by the Tlhakanelo Employee Share Trust, with trustees comprising both management and union representatives.

With the launch of Tlhakanelo, we tangibly recognise the importance of employees who sustain our business – the people who are, in essence, our human gold. This plan not only benefits our employees, but has also demonstrated and enhanced our close relationship with our unions.

Steady progress on employment equity

Harmony's policy is to recruit local employees as far as possible. However, the company's policies and procedures ensure there is no discrimination against foreign migrant labour. Foreign labour at Harmony's operations comprises 27% of the total workforce in FY12 (FY11: 27%).

Employment equity practices and initiatives in South Africa are guided by legislation and the MPRDA. This promotes equal opportunity by eliminating unfair discrimination and implementing affirmative action for women in mining and HDSAs in management. Harmony has a diversity management programme in place to encourage and embrace diversity across the company. The company reports its employment equity plan and progress to the departments of labour and mineral resources annually.

HDSAs in management

Harmony's recruitment policy is aligned to its employment equity policy objectives to:

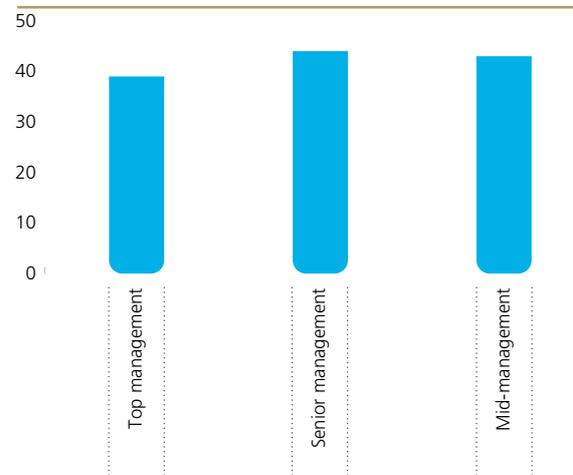
- Pursue a diverse workforce for continued growth and competitiveness
- Create a culture that embraces diversity and change
- Promote equitable representation in all occupational categories and levels in the workforce
- Provide reasonable accommodation for people with disabilities and women
- Implement affirmative action and positive measures to redress employment imbalances and achieve equality among employees.

Group employment equity in management

Occupational level	Total employees		Designated		Non-designated	
	Actual	%	Actual	%	Actual	%
Top executive management	13	5	39	8	62	
Senior management	112	49	44	63	56	
Professionals, mid-management	605	260	43	345	57	
Total	730	314	43	416	57	

Accordingly, Harmony's recruitment, development and retention initiatives are focused on HDSAs in line with Mining Charter requirements. In South Africa, Harmony improved its employment equity status in management levels over the past year to 43% from 42% in the prior year. This is a commendable achievement, given the shortage of HDSA management skills in the country.

South Africa: HDSAs in management (%)



Social performance continued

Harmony sustainable development report 2012

In South Africa, 8 988 employees (27%) comprised foreign labour in FY12.

Most employees in Harmony's talent pools are HDSAs identified as candidates for management-level jobs. These employees are assessed, coached and mentored, and exposed to discipline-specific development panel interviews. These talent pools are presented to senior management and executives at the annual strategic planning session (see page 83).



Harmony's social and labour plans (SLPs) make provision for recruiting interns from local communities. These interns – usually qualified, but unemployed – are recruited by Harmony, with the assistance of local municipalities, for one year to gain practical experience. After acquiring workplace skills, deserving candidates are offered permanent employment where vacancies exist. Currently, five internship employees have progressed to management trainee ranks and this number will increase significantly over the next few years.

Harmony continues to implement various initiatives to meet its SLP targets and it does so in collaboration with its regional partners.

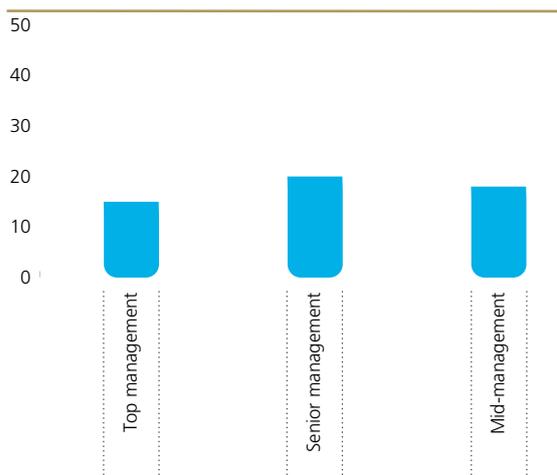
Localisation

In terms of diversity and equal opportunity, PNG operations are governed by a three-year training plan lodged with the Department of Labour for approval in separate documents for each operation: Hidden Valley joint venture, Wafi-Golpu joint venture and the exploration joint venture.

Under this plan and for the company to have externally resourced employees, the joint ventures must ensure locally resourced employees are continuously trained and succession is managed. The first set of plans was approved in January 2011.

The succession target of less than 4% permanent externally resourced employees at PNG is on track. The leadership development programme conducted in the first quarter of FY12 will ensure the target is achieved by 2013.

South Africa: women in management (%)



Women in management

Occupational level	Total employees*		Women		Men	
	Actual	%	Actual	%	Actual	%
Top executive management	13	15	2	15	11	85
Senior management	112	20	22	20	90	80
Professionals, mid-management	606	18	107	18	489	81
Total	731	18	131	18	590	81

* The total employees column includes foreigners, while the split between women and men excludes foreigners to align with South African reporting standards.



Miriam Libas the first female miner at Harmony's Joel mine

In South Africa, Harmony has established a fully fledged women in mining programme aimed at:

- Analysing existing policies to ensure that women employees are accommodated
- Gender sensitivity awareness
- Mainstreaming women through training, statistical analysis and research
- Ensuring affirmative action programmes represent women
- Conducting continuous empowerment workshops to ensure the emancipation of women
- Monitoring and evaluating company policies to advocate for change.

Reflecting good practice, the representation of women across the Harmony group in FY12 was 12% (3 951 women) (FY11: 11.5%). At certain operations the 10% target has been exceeded. The group percentage of women in management was 18% (FY11: 6%) in the core disciplines of engineering, mining, ore reserve management and metallurgy.

Women's forums at every operation ensure their active participation, and empower women about workplace issues.

These forums are also facilitating effective communication between women and management.

At Hidden Valley the percentage of women has risen to 14%, closer to the national average of 15%. All efforts are focused on achieving the 2013 target of 17%.

There is no difference between salary scales for men and women at Harmony.

Social and labour plans and local economic development

Harmony has a number of local economic development (LED) projects in communities around our mining operations and in major labour-sending areas (page 91). These include developing small and medium enterprises, school and medical facilities, sustainable human settlement projects such as partnerships in new housing developments and converting hostels into family units.



Social performance continued

Harmony sustainable development report 2012

Working with our communities



Strategic approach	Progress
<ul style="list-style-type: none"> Delivering value on social initiatives in all areas where the company operates 	<ul style="list-style-type: none"> Comprehensive engagement with employees has generated bottom-up commitment to common goals
Strategic targets	Progress
<ul style="list-style-type: none"> Meeting commitments in our social and labour plans that underpin our licence to operate 	<ul style="list-style-type: none"> With most of the company's new-order mining rights granted in 2007, commitments against our social and labour plans are 50% complete

Highlights

- In South Africa we spent R60.1 million in FY12; R49.9 million on local economic development projects and R10.2 million on corporate social responsibility projects
- In PNG, R14.6 million (US\$1.8 million) spent on community programmes

Material issues

- Adding value – optimising the available budget to ensure we obtain maximum benefits for our communities
- Demand for preferential procurement – developing skills to broaden the pool of qualified bidders among HDSA businesses, women and local communities
- Transformation – accelerating the pace of transformation in the company at all levels
- Compliance – developing corporate social responsibility and local economic development strategies that fulfil our role as a responsible corporate citizen
- Stakeholder engagement – developing and promoting sound and responsive internal and external relationships
- Community relations in PNG

Management approach

As a company, we recognise that we play an important role in the communities in which we operate and from which we draw our employees. We are committed to the sustainable socio-economic development and well-being of these communities given that mining operations have a limited lifespan. Our strategic objective therefore is to remain relevant to mining and labour-sending communities by contributing to community development that is sustainable long after mining operations have ceased.

Corporate social responsibility (CSR) is an integral part of doing business today, reflecting a global thrust to integrate corporate citizenship into sustainable business practices. In the mining industry in South Africa and PNG, community development is part of our licence to operate while King III emphasises that social reporting is critical to both corporate citizenship and governance.

Harmony has embraced a credible methodology to measure, independently and objectively, the true impact of CSR on our standing as a good corporate citizen. Our revised CSR policy for group operations recognises the need for socio-economic development in South Africa and PNG, starting with the broader communities in which we operate, as well as our labour-sending communities in South Africa – Lesotho, Eastern Cape province and Mozambique. This policy includes local economic development (LED) initiatives executed in terms of the Mining Charter, MPRDA regulations and codes of good practice for the minerals and mining industry. In PNG, we comply with local legislation, licence conditions and agreements with associated communities and landowners.

Guided by a stakeholder management approach in implementing Harmony's CSR programme, these activities fall under the mandate of the social and ethics committee of the board. In South Africa, these projects and programmes are considered, approved and monitored by a CSR committee. Due to the different socio-economic dynamics in Papua New Guinea, this responsibility vests with the chief executive officer for Harmony operations in Australasia (or PNG) and his executive management team, within the ambit of company policy.



Serame Maetle – a product of both Harmony’s bridging school and bursary programme – is a chartered accountant in our tax and reporting department. His long road to the prestigious CA qualification underscores the calibre of this man who says, “My future is not dependent on my current circumstances. The way you see yourself determines the way you are going to act, so I have the chance to change my future.”

Harmony’s corporate social responsibility initiatives are concentrated in four focus areas:

Education

Education is important in developing any society. Harmony recognises the critical role education will play in the transformation of South Africa and PNG as they become increasingly competitive in the global economy.

Harmony will particularly support the fields of science and mathematics in line with the nature of our business. We will also identify sustainable initiatives focused on building and supporting education systems and processes in South Africa and PNG, including infrastructure.

Socio-economic development

Harmony has been involved in socio-economic development throughout its stages of growth. We will continue to invest in health promotion, job creation and elimination of poverty, and community safety.

We continue to partner with municipalities or local communities around our mining operations and major labour-sending areas to identify areas of need in line with local integrated development plans. We also partner with other stakeholders, including non-governmental organisations in South Africa and PNG, which are active in socio-economic development.

Harmony also recognises the importance of partnership with all spheres of government. Several group initiatives benefit from the active involvement of government departments, such as our affordable housing developments in the Free State (page 76).



Broad-based black economic empowerment, enterprise development and localisation

Harmony undertakes to contribute to developing small or emerging businesses in our mining communities and major labour-sending areas. In South Africa, the emphasis is on broad-based black economic empowerment (BBBEE) support and businesses that produce goods and services that may be used by Harmony operations. In PNG, we support transformation, empowerment and localisation processes in line with the relevant mining law and agreements with landowners in our mining communities.

Arts, culture, sports and recreation

We recognise that arts, culture, sports and recreation are part of the soul and history of a nation. Accordingly, we continue

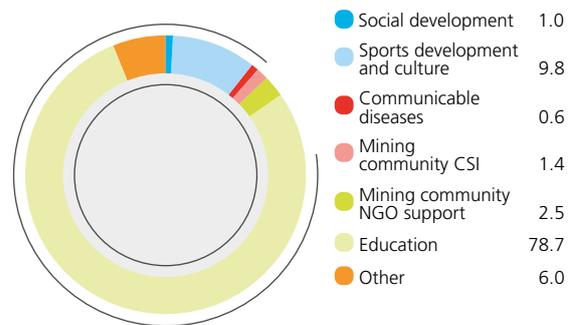
to invest in these areas, forming partnerships with various organisations to identify opportunities that will benefit communities and the country.

Harmony will also actively identify other areas for involvement and funding, depending on the nature of the need and benefit to society, especially mining communities and major labour-sending areas. In balancing operational and societal needs, we will focus on projects linked to the requirements of the Mining Charter and legislation in both South Africa and PNG.

Given the broader scope of functions in a group context, the CSR department has been restructured to further enhance accountability and management information.

LED is budgeted as part of each operation’s strategic plan as per its mining right in terms of the Mining Charter and its social and labour plans (SLPs).

CSR spend by focus area (%)



Identifying and implementing sustainable local economic development initiatives, such as enterprise and community skills development, remain a priority. This is in line with Harmony’s business philosophy and good corporate citizenship, and in complying with its social licence to mine commitments.

In South Africa, social and labour plans (SLPs) are in place for each of Harmony’s mining rights in line with the requirements of the Mining Charter. LED programmes form part of the requirements of the various SLPs for the benefit of Harmony’s mining and labour-sending communities and are aligned with the integrated development plans of local municipalities where our mines operate.

Social performance continued

Harmony sustainable development report 2012

Beyond meeting these obligations, we remain committed to developing and applying CSR and LED strategies that form part of our role as a responsible corporate citizen.

We focus on four key areas – education; socio-economic development; sports, arts and culture; and support for

broad-based black economic empowerment (BBBEE) – in our communities. However, our corporate social responsibility extends to broader community development and national programmes such as mathematics and science development.

In FY12 Harmony spent R49.9 million on LED projects in South Africa (FY11: R69.7 million), focused on:

Project	Objectives	Beneficiaries and investment
Taxi rank in Kutloanong	In an equal joint venture with the local municipality, Harmony has constructed a taxi rank for the convenience of commuters. The municipality has applied to the Department of Cooperative Governance and Traditional Affairs for funding to provide water and electricity to the site. Departmental officials were impressed by their site visit and have promised to provide feedback on this application as soon as possible.	<ul style="list-style-type: none"> • Making commuters' lives much easier by providing shelter and convenience shopping on site • Investment: R3.5 million
Harmony Jewellery School	Education and training in jewellery design and manufacturing, fully funded by the company. A number of jewellery students who have completed their training enrol for other diploma courses offered by the Central University of Technology at the complex under a partnership with Harmony. By year-end, the school had two qualified goldsmiths for the first time. The students again exhibited and sold their gold jewellery at the prestigious Design Indaba in Cape Town during the year, with the school featured in the event magazine. The school also displayed its wares at the Goldfields Mall in Welkom, generating orders from existing and new clients. In tandem with developing a five-year plan, the focus is on securing MQA accreditation so that the school can provide learnerships and other programmes under the auspices of that body. Following an assessment, we await confirmation that the MQA has allocated a graduate development programme to the school for the next financial year, starting in July 2012. The school has enhanced its systems and procedures to meet ISO 9001 quality standards ahead of an audit for temporary accreditation in the new financial year.	<ul style="list-style-type: none"> • In FY12, 46 (FY11: 55) students were enrolled at the jewellery school, 10 with Harmony bursaries • FY12 investment: R2.5 million
Brick-making project	In Masilonyana municipality, Harmony and two other mining companies in the area initiated a R3 million project, with Harmony contributing one third to date. The project produced its first batch of bricks late in the prior year which are being used to construct an administration office and ablution facilities on site. The rest will be sold to the open market. The primary markets for these bricks are expected to be the Department of Human Settlements for its low-cost housing programme and paving roads in municipal towns. The municipality is currently negotiating offtake agreements.	<ul style="list-style-type: none"> • Local residents • Investment to date: R1 million
Internship programme	This programme caters for internal and external bursars and students who need practical work and industry experience to meet the requirements of their academic qualifications.	<ul style="list-style-type: none"> • 64 students
Solar geysers	Working with the City of Johannesburg, Harmony has installed 100 solar geysers at Slovoville next to the Doornkop operations, primarily to benefit needy residents.	<ul style="list-style-type: none"> • Elderly residents, people with disabilities and child-headed households • Investment to date: R820 000
Soweto and Welkom business centres	These centres are managed by Harmony to develop and enhance the business and management skills of owners of small, medium and micro enterprises (SMMEs). In the past year, a third centre was opened in Carletonville.	<ul style="list-style-type: none"> • SMME owners • FY12: orders totalling R27.2 million

Project	Objectives	Beneficiaries and investment
Community centre	In Khutsong, an old beer hall was transformed into a community centre focused on small income-generating businesses. Construction was completed by March 2012. In addition to 30 people employed in the early phases, the centre is expected to provide a platform for SMMEs to sell their wares once completed. Merafong City local municipality is finalising the businesses that will become tenants after the handover in April 2012.	<ul style="list-style-type: none"> • 30 people employed, sales venue for 30 SMMEs • Investment: R3.57 million
Educational support	In Soweto, Harmony has funded the construction of two classrooms and a library at Bottom Primary School. Computers for the library were installed and operational by June 2012.	<ul style="list-style-type: none"> • School learners • Investment: R900 000
Educational support	At Muzi Muhle Primary, behind one of Evander's hostels, renovations to the school were completed during the year. We are now renovating one block of the unused hostel complex to provide additional classrooms.	<ul style="list-style-type: none"> • School learners
Embalenhle bakery project	Construction began on this project in July 2012. The bakery will create 40 direct and indirect jobs, with bread sold to local spaza shops, schools as part of feeding schemes, and Evander hostel.	<ul style="list-style-type: none"> • 40 jobs created, school feeding schemes
Community skills and SMME development centre	A community skills and SMME development centre is being constructed at Kraaipan, near Kalgold. Scheduled for completion in November 2012, the project has created numerous jobs during construction.	<ul style="list-style-type: none"> • 30 jobs created during construction
Livestock farming	In the Eastern Cape, Harmony is working with the Mineworkers Development Agency as implementing agent for the Ntlenzi Woolgrowers Support Programme. The aim is to introduce a non-threatening way of making livestock farmers realise the economic value and potential in their livestock by producing quality wool for sale. This is done through training programmes like shearing, weighing, sorting and packaging wool for farmers managing over 5 500 sheep. The farmers are also offered business skills training. The provincial Department of Rural Development and Agrarian Reform is a partner on this programme, offering training to the farmers.	<ul style="list-style-type: none"> • 374 farmers and 5 618 sheep on the programme • Investment to date: R1.3 million
Labour-sending area, Lesotho	In Lesotho, Harmony's largest source of labour outside South Africa, we completed the second phase of Nyakosoba-Harmony high school in the rural part of Maseru district to serve nearby villages. This involved building and equipping a science laboratory at a cost of R1 million. At Mahobong, in the district of Leribe, we have completed a project to supply water to six villages and the local clinic, benefiting around 5 000 people and creating 250 jobs in these communities. In the second half of FY12, we handed over a similar project in Thabana Tso'ana in Mafeteng that has rehabilitated the water system supplying four villages.	<ul style="list-style-type: none"> • Some 500 learners • Water projects benefit 5 000 people and created 250 jobs • Total educational investment: R3.5 million
Labour-sending area, Mozambique	The Mozambique Agricultural Farm Training Centre and Abattoir project, in partnership with the Joaquim Chissano Foundation, provides practical training for agricultural students at tertiary institutions and farmers in the community. The first phase of the project involved refurbishing the Marracuene abattoir some 28km from Maputo. Training in meat processing, selling cattle and business acumen has enhanced the local community's ability to generate income. Following the major investment in this project in FY11, benefiting some 500 students and the local community, Harmony disbursed additional funds to the Chissano Foundation in FY12 to build more classrooms and dormitories for agricultural students.	<ul style="list-style-type: none"> • 500 students and local community • Investment to date: R3.5 million

Social performance continued

Harmony sustainable development report 2012

Corporate social responsibility (CSR)

Harmony's CSR priorities in FY12 were again aimed at implementing programmes in mathematics, science, engineering and technology development.

In addition, we ensure CSR programmes address the key social issues faced by our communities. These include HIV/Aids education, research and vaccine development, addressing key South African socio-economic developmental issues such as enterprise development, and contributing to educational infrastructure and support programmes in labour-sending communities.

Our policy is to identify CSR programmes through stakeholder engagement and partnerships with the Chamber of Mines' Community Development Forum, NGOs with specific expertise aligned to Harmony's CSR policy, communities/beneficiaries, government departments, relevant municipalities, education institutions such as schools and universities, and the governments of Lesotho, Mozambique and Swaziland.

Formal agreements are signed with each NGO to guide relationships and responsibilities, backed by quarterly progress reports. To provide strategic direction and support, Harmony is represented on the boards of these NGOs.

New programmes valued at over R250 000 are approved by the CSR committee which reports quarterly to the social and ethics committee and the Harmony board.

In FY12, Harmony spent R10.2 million (FY11: R14 million) on CSR projects, with key projects focused on:

- Social development
- Sports development and culture
- Communicable diseases
- Community support
- Education support.

National Business Initiative (NBI)

Harmony School Intervention Project

Funded by Harmony, this project seeks to apply whole school development principles in ten schools across two districts near our operations in Gauteng (West Rand) and Free State (goldfields region). The project has its origins in the Education Quality Improvement Partnership (EQUIP programme) of the NBI. The approach to designing the Harmony project encompassed an intensive process of selecting, profiling and engaging with targeted schools in these districts.

Whole School Development Programme

The vision and goal of this initiative is to improve the performance of learners in programme schools over three years so they acquire the skills and knowledge to live and function independently as economically active adults in local, national and global contexts.

The programme is also aimed at equipping senior and middle school managers, teachers and school governors to engage in strategies, methods, tasks and activities that deliver effective learning and teaching in their institutions.

The programme is now in the second of an initial three-year phase, and the full impact can only be assessed at the end of that period.

Harmony has a three-year sponsorship agreement with the NBI, which expires in September 2012. Of a total sponsorship commitment of R5.3 million, Harmony has to date contributed R4 million towards the programme.

South African Agency for Science and Technology Advancement (SAASTA)

This business unit of the National Research Foundation (NRF) is collaborating with Harmony to increase the pool of learners today who will become the scientists and innovators of tomorrow.

Among other strategies, SAASTA spearheaded the National Science Olympiad to improve learner participation and performance in mathematics, physical and life sciences to increase the science, engineering and technology human capital in South African and SADC countries. Harmony has been the main sponsor for SAASTA's National Science Olympiad since September 2009.

In that period, over 88 200 learners have participated with some 70% coming from rural areas and disadvantaged communities.

About 22 500 learners from 530 schools from South Africa and four SADC countries (Lesotho, Namibia, Zimbabwe and Malawi) participated in the 2012 National Science Olympiad in March, and over 6 100 did well.

To ensure that talent in science, engineering and technology (so-called SET subjects) is identified and nurtured, tracking studies were conducted (in 2010 and 2012) to assess the impact of the Olympiad. A total of 20 364 learners participated in the National Science Olympiads, including 3 152 Grade 12 learners.

The 2010 study targeted only the top 200 Grade 12 learners who participated in the Olympiad in 2009 (ie 100 in the physical science stream, and 100 in the biology stream). Out of these 200 learners, 162 were successfully tracked: 139 were registered for first-year studies at institutions of higher education while 23 were not able to further their studies.

A second or follow-up tracking study targeting the same group was conducted in March 2012. This revealed that only 99 of the 162 tracked learners were in their second (15%) and third (85%) year of study in the following fields:

- 27 in engineering
- 24 in bachelor of science (BSc)
- 21 in medicine
- 12 in bachelor of commerce (BCom)
- 6 in information technology
- 5 in actuarial science
- 4 in other fields (not science, engineering and technology).

Harmony has a three-year sponsorship agreement with SAASTA, which expires in August 2012. This contribution will go a long way towards addressing human capital development in South Africa, especially in the critical areas of science, engineering and technology. Our total investment to date is R7.5 million. Going forward, Harmony will enter into a one-year agreement with SAASTA which will be reviewed annually.

South African Mathematics Foundation (SAMF)

SAMF is an initiative of the Association for Mathematics Education of South Africa (AMESA) and the South African Mathematics Society (SAMS). Its activities include teacher and learner programmes, publishing teacher and learner support materials, popularising mathematics and promoting public interest in mathematics research in South Africa. SAMF also ensures the combined skills, know-how and capabilities of the members of all three societies are used professionally.

Harmony continues to sponsor performance improvement in mathematics in high schools. SAMF in turn oversees teacher training programmes and the Mathematics Olympiad across all schools in the country, as well as subject development targeting learners and teachers in Harmony's mining communities.

In FY12, Harmony contributed R2.5 million (FY11: R2 million) to this project. This was partly used to sponsor the entries of over 1 800 learners from previously disadvantaged communities to the first round of the Maths Olympiad in March 2012.

South African Mathematics Olympiad (SAMO)

Over 59 000 learners from 884 schools nationwide entered the Olympiad, including over 20 000 learners from Dinaledi and those adopted by professional bodies. This is almost 10 000 more than last year. The top 11 juniors (Grades 8 and 9) and top 10 seniors (Grades 10 to 12) of the third round were selected as national medallists. Encouragingly, public schools performed well, with 12 learners from nine public schools in the top group.

South African Mathematics Olympiad Training Programme

This is a free distance-learning (correspondence or online) course in mathematical problem-solving, aimed at developing the mathematical ability of promising learners and improving the results of Maths Olympiad participants. The programme can also be used to train learners who are not currently participating in the Olympiad and encourage them to participate in the following year. About 800 learners registered to participate in the programme in January 2012.

The programme provides valuable experience which is also useful for university entrance exams, since many of these now include Olympiad-style questions. The best participants also have the opportunity to represent South Africa at two major international mathematical olympiads: the International Mathematical Olympiad (IMO) and the Pan-African Mathematical Olympiad (PAMO).

International Mathematical Olympiad (IMO)

The IMO is regarded as the world championship in mathematics for high school students.

In FY12, Harmony sponsored three training camps and the team's travel expenses to The Netherlands. The six-strong South African team came home with one silver and two bronze medals – the country's best performance in the IMO since 2004. South Africa was ranked 41st in the world, with the top countries, in order, being China, America and Singapore.

Harmony Adopted Schools

This programme operates in areas where Harmony has mining operations, and is designed to pilot innovative ways of identifying learners with talent and potential. These learners are then nurtured to improve their mathematical performance and increase enrolments of disadvantaged learners in science, engineering and technology careers. Accordingly, initiatives to support learners from selected schools include:

- Youth African Mathematics Olympiad
- Harmony teacher development project
- One cash bursary of R10 000 to the best FET learner
- Intensive tuition in mathematics by well-qualified teachers appointed by SAMF.

Educators from each school nominated teachers to attend the Harmony teacher development programme: 38 teachers attended the course and 24 passed. Unfortunately there were problems with some adopted schools and representatives from six adopted schools did not attend the course.

The best 20 learners (Grades 10 to 12) received supplementary tuition (Saturday classes) and additional resource material.

The current pass rate is over 77%, well above the 2010 national mathematics achievement standard of 47% in the senior certificate examination.

The best Harmony learner was Sininga Thabang from Moletsane. He received a cash bursary of R10 000 and is studying building engineering at the University of Johannesburg.

Harmony Teacher Development Project

This programme provides hands-on training for teachers by exposing them to a variety of problem-solving strategies and techniques. This training is also expected to enhance teachers' skills in solving Olympiad-type problems. In turn, this will result in an improved appreciation for solving mathematical problems by learners.

The Sports Trust

In FY11, Harmony invested R2.1 million in installing multipurpose sport courts in three of its mining communities (ie Carletonville, Doornkop and Virginia), using The Sports Trust as implementation partner. Installation and training in these communities was completed by The Sports Trust in 2011, with additional training on well-being and performance testing in the same year.

The first court was handed over last year at Mamello Secondary School in Virginia and in 2012 the second sports court was handed over at Badirile High School in Khutsong. The third sport court is to be handed over later in the year. The courts cater for basketball, netball, tennis, volleyball and five-a-side soccer (futsal) as well as wheelchair sports.

The multipurpose sports court facilities will be used by nine other surrounding schools (two secondary and seven primary schools) and the community's local clubs (see case study).

In FY12, Harmony contributed R1 million for further development of sport and recreation, supporting its strategic objectives to contribute effectively to socio-economic community development while developing South Africa's future sporting talent.

Student volunteer partnerships

The Sports Trust has a partnership with the University of the Western Cape (UWC) and the German University of Sport to place four student volunteers at two Harmony-funded sport courts – two at Mamello High School, Virginia, and two at Badirile High School, Carletonville. This six-week programme will help achieve sustainable sport infrastructure and programmes.

Students in Free Enterprise (SIFE)

In today's competitive marketplace, SIFE's leadership in producing effective, responsible business talent is one of its primary goals. This complements Harmony's approach to seek new opportunities and strategies to enhance our socio-economic development activities.

Harmony remains the platinum sponsor of the SIFE programme. Through this financial support, Harmony supports sustainable initiatives that tackle the real transformational and socio-economic development of the country's future (business) leaders – our youth.

Aligned with Harmony's commitment as part of the broader communities in which it operates, SIFE South Africa has received support to pursue socio-economic development and the upliftment of those in need.

While the SIFE South African university student teams are focused on sustainability of their teams and projects, Harmony is playing a significant role in developing the country's future business leaders. SIFE currently covers 27 institutions of higher learning with over 2 200 active team members.

In FY12, its seventh year of involvement with SIFE South Africa, Harmony contributed R2 million (FY11: R2 million) while SIFE Swaziland and Lesotho have been beneficiaries for five years and three years respectively.

As part of the sponsorship, Harmony supported a special challenge focused on local economic development in which SIFE SA teams partnered with local municipalities to tackle priority LED areas. In Swaziland, Harmony co-sponsored a borehole initiative with ten communities benefiting from fresh water supplies since June 2012.

With the support of Harmony, the national champion team from the University of KwaZulu-Natal represented South Africa in the 2011 SIFE World Cup competition, and proudly reached the semi-finals to rank among the top 16 teams globally. The UNISWA Kwaluseni team represented Swaziland at this event in Kuala Lumpur, Malaysia in October.

LED projects planned for FY13

- Waste recycling (Welkom, Free State): establishing site, installing containers, training and marketing – budget R4 million. Anticipated job creation of 500, benefiting local schools, communities and reducing environmental impact through recycling. Ultimately, this could become a manufacturing facility based on recycling, creating jobs and providing an economic boost for the region
- Taxi rank (Meloding hostel, Free State): as part of the hostel conversion, a proposed heritage site and taxi rank – budget R4 million
- Virginia Sport School: this section 21 initiative is fully operational and forms part of the Harmony Sports Academy. The intention is to create a development arm for sport, particularly rugby, for high school students and enable the local school to advance to the premier section of the schools rugby league
- Virginia Jewellery School: awaiting MQA audit and confirmation of discretionary grants to begin offering learnerships by the end of calendar 2012.

Several other projects are at various stages of development – all are based on optimal community involvement, job creation and local economic development.

CASE STUDY: Sports courts for all

The development of these facilities followed intensive engagement with the Merafong and Khutsong communities, which identified the need for improved sports, science and computer facilities.



The multi-purpose sports court at the Badirile High School

In April 2012, Harmony handed over various sports, educational and commercial facilities to the Merafong (formerly Carletonville) and Khutsong communities. These facilities represent investment of some R5 million by Harmony in both corporate social responsibility and local economic development projects.

The facilities are close to Harmony's Kusasaletu operation, and include:

- A multi-purpose sports court: this facility, built at a cost of R625 000 and developed in partnership with The Sports Trust, local and national government departments, is situated at Badirile High School, Khutsong. It will cater for basketball, netball, tennis, volleyball and five-a-side soccer (futsal) as well as wheelchair sports
- Refurbished and equipped science laboratories and computer centre: four laboratories at Badirile High School were renovated, upgraded and equipped with the latest laboratory equipment while 26 computers and three printers were purchased for the school's computer centre at a cost of R800 000
- Khutsong Business Centre: this community business centre, developed at a cost of R3.5 million, will be handed over to the Merafong City Local Municipality to manage. The centre will provide accommodation for 30 small, medium and micro enterprises, including manufacturers and traders. It will also house a medical surgery.

The development of these facilities followed intensive engagement with the Merafong and Khutsong communities, which identified the need for improved sports, science and computer facilities at the local high school and for a community business centre. These were initiatives we were most willing to support, since it is vitally important we give our young people the tools required to help them succeed in life, both economically and socially.

CASE STUDY:

Merging projects for maximum benefit

By adopting schools in areas where we have mining operations, we are able to identify learners with talent and potential and pilot innovative ways to improve their mathematical performance.



Learners with talent and potential are identified and innovative ways are found to improve their mathematical skills

In 2011, we re-evaluated the Harmony supplementary tuition project and the Harmony Mathematics Olympiad support initiative. Based on the findings, we have merged these projects into the Harmony adopted schools project. As part of the process, schools were reappraised based on performance. Those that have underperformed or not cooperated over the past three years and Dinaledi schools were not considered for reselection.

Working with the Department of Basic Education, we have identified suitable schools and appointed a well-qualified mathematics educator through the South African Mathematics Foundation. To date, six schools have been adopted:

- **Secunda:** Highveld Park High School, KI Twala Secondary School and Sizwakele Secondary School
- **Welkom:** Eldoret Secondary School, JC Motumi Secondary School and Rearabetswe Secondary School.

Unfortunately, we were unable to conclude the process for the Soweto district of education and, after consulting with relevant stakeholders, we are approaching Carletonville district as an alternative.

By adopting schools in areas where we have mining operations, we are able to identify learners with talent and potential and pilot innovative ways to improve their mathematical performance, ultimately increasing enrolments of disadvantaged learners in science, engineering and technology careers. The Harmony adopted schools project will harness the resources and experience of other group projects, including the Maths Olympiad and teacher development project*. In addition, the best FET (further education and training) learner will receive a cash bursary of R10 000.

* Harmony's teacher development project provides hands-on training by exposing teachers to a variety of problem-solving strategies and techniques, for application in the classroom and in solving Olympiad problems. In turn, this has improved learners' appreciation for solving mathematical problems. Teachers can register for actual or DVD courses.

In PNG, Harmony continues to build long-term partnerships with government and established NGOs to develop non-income-generating activities beyond the mine itself for surrounding communities, and to mitigate mine impacts on communities along the Watut River. In line with the objective of generating sustainable benefits for these communities, in FY12 the focus remained on health, education, agriculture and infrastructure.

During the year, a formal trust was established to ensure equitable distribution of benefits among stakeholders. We are establishing and training village planning committees in mine landowner communities to empower them to work with this trust as well as ward and local government development committees. A board of governors has been set up – by year-end the board had approved a number of projects for mine villages, including a truck and small-scale sawmill for each village to assist with housing projects.

Given the scale of disagreement between different landowner communities and between villages, and slow progress of resolving these ahead of local elections later in 2012, the MMJV is trialling a community grievance management system. At present, primary issues of concern relate to compensation, land, environment, accidents/damage, health, safety/security, business development and community projects. To ensure an accurate assessment of stakeholder concerns, teams from Hidden Valley, Wafi-Golpu and our regional exploration operations are participating in this trial.

Health

As we continue our community capacity-building programmes, the MMJV has signed memorandums of understanding with Bulolo and Huon district health services to assist in paying the wages of community health workers at the three aid posts at three mine villages at Hidden Valley mine. We are working on finalising the other memorandums of understanding for villages around our Wafi project.

This interim arrangement is purposely to support communities in accessing basic health services around these two project areas until community health workers are entered on the Department of Health payroll.

MMJV is working with its local communities to select candidates from Hidden Valley mine villages to take entry tests to attend community health worker schools.

In recent months, MMJV supported training for more village birth attendants. A total of 138 village birth attendants were trained for the Huon Gulf and Bulolo districts, with very good support from the health services personnel of both districts.

Given the importance of developing partnerships, MMJV started the Angau Hospital and provincial health partnership programme with the first visit of provincial and hospital senior managers to Wau and Bulolo health centres.

The team is also working closely with the Oil Search Health Foundation on a community malaria control programme (page 71).



Water supply and sanitation

In PNG, 35 water supply and sanitation projects were under way in FY12. Five of these, namely Saksak/Mango Block, Leklu (Upper Watut), Sambio 3, Witipos (Middle Watut) and Namboga (Wafi-Golpu) were completed and commissioned. A further four projects are in construction phase: Neranda/Erowa Creek/Tontomia, Yokua (Upper Watut) and Sambio 1, Taiiek (Middle Watut) and Bavaga (Wafi-Golpu).

Projects that have moved from engineering design to procurement phase include Dambi, Galawo, Sanang, Gawapu, Dangkal, Gomoats, Samsam, Biamena and Piu (Middle Watut), Hekeng (Wafi-Golpu) and Mankitawa (Upper Watut).

Feasibility studies have been completed for Heyu, Hikinangowe and Ayati (Upper Watut). The Society, Manianda and Aibingka (Upper Watut) villages also had their existing water supply systems reviewed.

Eleven new projects have been identified in the Wafi-Golpu region and will be implemented in FY13.

Education

In the prior period, the MMJV education assistance programme was developed in coordination with the Morobe provincial and Bulolo and Huon Gulf district educational authorities. Components of this programme include school-fee assistance for communities, education infrastructure, teaching aids and teacher training. More than K788 000 has been spent on these projects. The lower expenditure in the review period reflects the cost of building kits for classrooms and teachers' houses purchased in FY11.

Since 2010, 1 513 children have been supported at a cost of over K589 338 through the school-fee subsidy programme. In FY12, 327 students attending 58 institutions throughout Morobe Province were covered, at a cost of over K128 000. This provides a 50% subsidy on Grade 7 to 12 tuition fees, rising to 100% for high achievers. Additional students are being sought through community skills surveys in the MMJV operational footprint.

As proper facilities make a difference to any child's learning process, in FY11, Hidden Valley agreed to fund new educational facilities for six high and primary schools in the region. Under this agreement, Bulolo Technical School received one double classroom and teacher's house, Baiyune High School received two double-storey classrooms, Sambio Primary School two teachers' houses and Manianda Primary School a double classroom.

During the review period, Grace Memorial Secondary School, Gabensis Primary School and Malangta Primary School each received a two-storey double classroom. Work on the final school was completed post year-end, when the new K400 000 double classroom at Wau Upper Primary was handed over.

The joint-venture partners also supported teacher training for 72 primary school teachers in Huon Gulf district and 301 elementary school teachers in Bulolo and Huon Gulf districts during the year as part of our ongoing focus on education.

Agriculture

The agricultural unit of the MMJV community and regional development team, in close partnership with Niugini Coffee Tea and Spice Company (formerly under Mainland Holdings) and PNG Coffee Industry Corporation (CIC) Morobe branch, continued to assist coffee farmers in Biangai and Upper Watut communities near Hidden Valley mine to increase their annual coffee production through training, extension services and material support. The primary objective is to increase income levels in the community and reduce dependency on mining-related activities.

Extension and awareness trips were conducted to Biangai and Upper Watut coffee-farming communities to strengthen farming and management skills acquired in FY11 training programmes. These initiatives have also reaffirmed MMJV's commitment to revitalise coffee farming activities through an increased farmer base and access to better markets. Farmers in each community were organised into forming coffee cluster groups comprising a number of family units that will assist with distributing tool kits and materials, establishing nurseries, baseline information tracking and updates, and monitoring and evaluation. To date, 77 cluster groups have been registered and established in 23 villages in the Biangai and Upper Watut areas, with plans to include another two villages with landowner clan members.

Another 73 coffee pulper machines have been bought at a cost of K30 000. These will be distributed, along with basic operation and maintenance training, to all cluster groups in the two regions. This will bring the total number of hand pulpers distributed to 90, with a contingency of 10 machines to cater for farmers with bigger harvests. In all, MMJV expects to distribute 100 hand pulpers to farmers of Biangai and Upper Watut.

Working with partners, MMJV also completed a participatory rural appraisal and planning exercise for 16 villages in the Upper Watut area. Through this exercise, issues relating to coffee husbandry practices in Upper Watut areas were identified. The ensuing report outlines an activity plan, resources required and costs involved in training and coordinating coffee improvement activities in these locations. The project is a joint partnership between the Coffee Industry

Corporation Limited (CIC) and MMJV to revitalise coffee programmes in the latter's footprint communities.

In total, MMJV spent K55 000 in FY12 and is working closely with PNG CIC to bring coffee extension and development work to these footprint communities to optimise the benefits for stakeholders.

During the year Lower Watut cocoa farmers, with assistance from the MMJV agricultural team, completed constructing five cocoa fermentries in the local community to boost production. Two of these were constructed by the Huon Gulf district community. In the final quarter, the Lower Watut Farmers Cooperative was launched, focused on cocoa production and sales for its 900 members. Our partner, PNG Cocoa Coconut Institute, successfully completed two integrated pest and disease management and livelihood programmes for 69 farmers in the Lower Watut.

Farmers were also assisted with building materials to repair existing fermentation and storage sheds. In the recent past, the company has helped farmers establish 26 cluster nurseries with over 100 000 high-yielding cocoa seedlings, and provided continuous extension support through specialists and joint-venture officers. Cocoa dryers for three Lower Watut villages (Uruf, Mafanazo and Chiats) were purchased in FY11 to increase production of quality cocoa. Our investment in FY12 is K188 000.

In FY12, we began working with Australian NGO, Business for Millennium Development (B4MD), and other stakeholders to explore value-added opportunities for Morobe cocoa and increase the income to cocoa farmers in the Lower Watut. A business and marketing place for the Watut chocolate project was presented to prospective investors in April 2012.

Support for aquaculture initiatives continued in FY12 to improve family nutrition. The Mumeng Inland Fish Farmers Cooperative was launched towards year-end with 172 members. Working with the Morobe Fisheries Management Authority (MFMA) and the cooperative, we completed inland aquaculture training sessions for Upper Watut communities and Biangai villages. These communities, and others, continue to show keen interest in fish farming, with over 140 participants. A post-harvest and handling training programme was conducted for 76 Middle Watut fish farmers. We will continue to work with MFNA to optimise the benefits of its inland fish farming/aquaculture programme.

The company has been working with the government's Small Business Development Corporation (SBDC) to provide business management training for coffee, cocoa and fish farmers, both mine landowners and non-landowners, who are part of PNG's sustainable community development programme. In FY12, this training programme was conducted for another 336 participants at a cost of K180 000. This training is a first for many in the villages, and critical in identifying the core

issues facing existing and aspiring entrepreneurs. Going forward, MMJV is developing further initiatives to encourage entrepreneurial approaches to moving away from subsistence levels.

Infrastructure

Hidden Valley's infrastructure programme focuses mainly on constructing, repairing and upgrading new and existing roads, bridges, educational facilities, health facilities and water supply in the three landowner villages (Nauti, Kuembu and Winima) and impacted communities along the Watut River corridor. In the prior year, major maintenance works were done on the Nauti and Winima villages' access roads, and repair and protection works on the Watut Society and Leklu bridges deck and abutments.

Engineering survey and site investigations have been completed for footbridge sites at Samsam, Sambio and Taiiek in the Middle Watut region and Venembeli and Henkeng in the Wafi exploration region. Construction is expected to begin in early FY13. Once completed, these bridges will give

communities better access to services including schools, health, communication, business and gardens.

In the prior year, the access road and footbridge at Nauti (landowner village) were upgraded. The Society and Leklu bridges were repaired.

In FY12, maintenance was completed on the Nauti access road and urgent maintenance work on the Winima village access road began in April 2012. Over K1 million was spent on landowner villages' access roads in the review period.

Expenditure to date exceeds K3.28 million (US\$1.5 million).

Building institutional capacity

MMJV continued to provide technical assistance to the Morobe Projects Management Unit. Specialist assistance was provided to help the unit establish governance systems and with its application to the national Department of Planning for special support grant funds totalling K11 million for government-related social and infrastructure.

CASE STUDY: Health programmes in PNG

Assessing different illness and disease patterns in mine villages and impacted areas along the river.



Nurse from Angau Hospital visits a mine village

During the year, the community health team and partners from Angau Hospital, national department of health and National Agricultural Research Institute (NARI), conducted a multi-sectoral health patrol into 13 Hidden Valley landowner villages spanning Upper, Middle and Lower Watut communities.

The objectives included:

- Assessing different illness and disease patterns in mine villages and impacted areas along the river
- Conducting a situational analysis of social determinants affecting the efficient delivery of health services in different areas
- Introducing and promoting the government's healthy island concept.

The patrol attended to over 1 000 cases, with primary ailments being arthritis, myalgia, pelvic inflammatory disease among women, and malaria. Common illnesses found among children included pneumonia, worms, ear infections and malaria. Over 50 cataract cases were reviewed and options for follow-up visits by specialist doctors are being evaluated.



YOU are the gold



Clearing old mine sites

Restoring land

As a responsible mining company, we focus on enhancing rehabilitation at our operations, especially land that we can rehabilitate to a sustainable alternative use with benefits for local communities.

Apart from creating employment as part of the rehabilitation process, we are also actively rehabilitating unused land to generate value to society through, for example, bio-energy projects that reduce dependency on fossil fuels.

Securing the future through significant rehabilitation programmes which are under way in the Free State.

Environmental performance

Harmony sustainable development report 2012

Environmental performance



Strategic approach

- Proactively address industry challenges
- Reduce the environmental footprint associated with all operations

Progress

- Rehabilitation programme reduces environmental liability by R100 million. Pioneering work in alternative energy field

Strategic targets

By 2013 (from 2005 base year)

- Reduce fresh water consumption by 10%
- Reduce CO₂ emissions 15%

Progress

- On track
- On track

Highlights

- Roll-out of group environmental strategy focusing on standardisation, reporting and auditing
- Integrated ISO 9000, OHSAS 18000 and ISO 14001 certification awarded at Phakisa, Tshepong, Masimong, Target shaft and plant, Harmony 1 plant
- In the Free State – rehabilitation of decommissioned sites reduces environmental liability and releases tracts of land for alternate use. To add value to the liberated land, feasibility studies are under way on propagating biodiversity crops and generating bio-energy
- Fourth place in Carbon Disclosure Project
- Energy reduction successes led to carbon trading initiative
- In PNG, good progress in reducing environmental impacts on Watut River

Material issues*

- Water management: ensuring optimal use of fresh and recycled water
- Land-use: ensuring concurrent rehabilitation, returning available land to a state that supports value creation
- Improving legal compliance
- Carbon footprint reduction
- Radiation: rehabilitating legacy sites

* The section on Harmony's approach to sustainability details how we identified our material issues.



Work in progress at a rehabilitation site in Welkom

Management approach

Harmony recognises the impact of its business on surrounding communities and natural environments. We also understand these impacts may affect the long-term sustainability of our business.

Following a recent review of the company environmental strategy, key environmental risks have been identified and management systems determined to control and reduce these risks. Based on environmental assessments at our various operations, objectives and targets are tracking implementation of these management methods and risk-reduction performance.

Our revised strategy is closely aligned with the principles of our environmental policy and legislation in the countries in which we operate. The strategy aims to ensure compliance, continually improve the effectiveness of our environmental management systems (EMSs), prevent pollution and maintain awareness of our environmental responsibilities among employees, contractors and suppliers.

Harmony's board has approved the policy that supports the strategy to optimise environmental performance by:

- Managing the environment as an integral part of our business
- Focusing on the effectiveness of risk controls
- Reducing our environmental liability
- Creating a sharing, learning, challenging and innovative environmental culture in Harmony. Environmental compliance is monitored through internal and external audits.

To ensure consistency across the group, technical and performance standards and guidelines have been developed. During the year, new or revised group standards were issued for:

- Water management
- Rehabilitation management
- Mineral and non-mineral waste management
- Climate change
- Air quality management
- Mine closure
- Environmental reporting procedure and management systems.

These standards are being incorporated into operational environmental management systems and implemented via the ISO 14001 system.

Ultimate oversight for environmental strategy and performance in Harmony rests with the social and ethics committee of the board. In addition to an executive environmental manager, an environmental leadership committee drives environmental improvement strategically at group level, which cascades down to the operations. At each operation, general managers are accountable for environmental performance, and each operation develops annual environmental management plans to identify opportunities to improve compliance and minimise pollution.

To support our objective of continuous improvement, performance indicators have been developed and linked to specific monetary incentives at each level of responsibility for meeting environmental targets, and maintaining Harmony's reputational value.

Environmental management framework



Environmental performance continued

Harmony sustainable development report 2012

Integrating energy management into our business strategy

Harmony's long-term business strategy (post 2015) is focused on optimising long-life assets and developing our greenfields operations. The environmental strategy supports our business strategy, particularly from a carbon-management perspective through:

- **Rebalancing asset portfolio**

Harmony's asset portfolio will be rebalanced by closing energy-intensive operations and developing assets with lower carbon intensities. This strategic decision was made to secure a constant reliable lower-carbon energy supply, and to minimise the impact of increased energy costs and potential exposure to carbon tax. Although this is part of our long-term strategy, we have already closed four shafts where payable reserves were not meeting rising energy demands

- **Optimising the supply mix to achieve a balance between fossil fuel and renewable energy**

We are pursuing increased use of renewable energy at our PNG operations, subject to the technical and economic feasibility of those projects. For example, the business philosophy at Wafi-Golpu is to promote renewable energy such as hydropower and biodiesel over conventional fossil fuel-based power generation

- **Implementing energy efficient policies**

Post 2015, Harmony will continue its short-term strategy of identifying and pursuing energy efficiency and load-shifting projects.

Objectives in FY13

A number of risks are emerging in the environmental field, ranging from carbon tax to dual reporting between government departments, water targets for the mining industry and new legislation. Accordingly, we have reprioritised our objectives to ensure compliance:

- Move to zero-discharge (closed-loop) system within five years for most operations
- Process-water recycling to reduce freshwater intake (reduction of water footprint)
- Optimising mineral and non-mineral waste management
- Reduce environmental incidents, particularly water discharge and incidental overflow, and dust management
- Energy efficiency and renewable energy projects (biodiversity-energy and solar)
- Land management – accelerating the rehabilitation programme.



Jabu Mabena, Harmony's human resource leader, has an advanced diploma in labour law, a certificate in advanced negotiation skills and, interestingly, in Japanese language proficiency. Jabu believes that the key to becoming a leader is to "take initiative, ask for assistance when you need to, admit when you are wrong irrespective of the position. In that way, your colleagues will forgive and respect you. If you have dreams and goals to better yourself, treat obstacles as a stepping stone, pick yourself up when you fall down and do not get discouraged by setbacks. Stay focused and you will achieve your goals."

Environmental management and auditing

In line with Harmony's strategy of ensuring legislative compliance, appropriate environmental management systems are being implemented at all operations to ensure a formal, systematic approach (see ISO 14001, implementation on page 108).



As required by the MPRDA, environmental management programmes (EMPs) have been drawn up for each operation, submitted and approved by the DMR. These plans are amended when necessary and resubmitted to the department. In 2011, an addendum to Kalgold's EMPR was submitted which included a detailed closure plan for D-zone pit. This is being considered for approval. Similarly, an addendum was produced for the temporary stockpiling of low-grade ore at Kalgold.

Integrated water use licences were submitted for all operations as early as 2006. While Evander received its

new-order water use licence in the prior period, the mine submitted an amendment in October 2011 to accommodate changes in operational controls given the four-year delay between application and approval. Doornkop was issued a draft licence in May 2012. Kusasaletu's licence is envisaged to be issued by November 2012. After initially submitting an application in 2006, Kalgold resubmitted its water use licence application in August 2011 with a commitment from the Department of Water Affairs to evaluate this application urgently.

Other key legislation for the company includes compliance with the National Environmental Management Act (NEMA), National Water Act (NWA) and the National Nuclear Regulator (NNR) Act. Harmony has received an exemption from the nuclear regulator's certificate of registration process as radiation levels are quite low for Kalgold.

Harmony received no environmental fines or sanctions in FY12. Issues being addressed at present include:



- Approval for the rehabilitation strategy for Kalgold's D-zone pit. Harmony had submitted a proposal to rehabilitate the pit into a strategic water resource. This is currently under review by the DMR and Harmony has made financial provision for this option as requested (page 126)
- Dust pollution: the DMR in the Free State region has received a community request to reduce dust exposure. Although Harmony's monitoring results have been within compliance limits, we have undertaken a number of additional mitigation measures to further reduce emissions
- Unlicensed storage of low-grade ore at Kalgold: Harmony has submitted an EMPR addendum for approval to construct temporary low-grade ore stockpiles within Kalgold's mining right.

In PNG, implementation of MMJV's sustainable business management system progressed well during the year, with Hidden Valley implementing many of the environmental management system elements, in preparation for the ISO 14001 phase 1 certification audit before the end of calendar 2012.

When fully implemented, this system will meet the requirements of ISO 14001 and other relevant international safety and community standards.

Environmental training and awareness is fully integrated into the business through a presentation to new Hidden Valley employees at induction and a monthly environment topic for the entire workforce. In addition, front-line leadership training courses include an environment component.

The PNG Department of Environment and Conservation (DEC) commissioned a third-party compliance audit of Hidden Valley mine two years ago to address stakeholder concerns about sedimentation impacts on the Watut River. This led to the development of a DEC-approved environmental improvement plan to address compliance concerns and appointment of an external stakeholder advisory panel.

The Hidden Valley joint-venture partners are systematically implementing the environmental improvement plan to the satisfaction of the DEC and local landowners. During the period, good progress was made in addressing issues identified in the audit and, by year-end, only eight of 40 required actions were being completed. Some of these are longer-term projects that will require plans to be completed and submitted to the DEC, with ongoing review reports.

The Hidden Valley project's relationship with key stakeholders remains good and the joint-venture partners continue to be guided by advice from the external stakeholder advisory panel and technical advisory committee.

CASE STUDY: External stakeholder advisory panel in PNG

Each of its five members is a subject specialist with extensive experience in environmental and social issues, and best practice, in PNG.



Panning in the Hidden Valley's Watut River

The panel was formed in FY11 to provide independent advice to the joint venture on environmental and related community impacts. Each of its five members is a subject specialist with extensive experience in environmental and social issues, and best practice, in PNG.

The panel has endorsed the programme under way to manage Hidden Valley's purported impacts on the Watut River. Numerous recommendations on community development opportunities by the panel have been taken under advisement by Hidden Valley management in developing optimal solutions.

During the year, a panel member conducted an independent review of a fish-kill event in the Lower Watut and Markham River after adverse publicity linking this to Hidden Valley activities. The member concluded there was no evidence linking Hidden Valley to this event.

Environmental performance continued

Harmony sustainable development report 2012

ISO 14001 implementation

Three years ago, Harmony reviewed its strategy on ISO 14001, and all operations now comply with these standards while all new and long-life assets will be ISO-certified within the next two years.

This approach is aligned to our business strategy for building on growth and long-term assets. As a few of our assets are reaching the end of their lives, implementing a certification system adds only short-term value. At these operations (such as Deelkraal and Winkelhaak), we are designing and implementing closure plans in line with ISO 14001 principles.

Long-life assets that will benefit from continuous improvement were prioritised for certification. These include: Doornkop, Evander 8, Kusasalethu, Kalgold, Bambanani, Unisel, Masimong, Phakisa, Tshepong, Target 1 and 3, Joel and all new projects.

In FY11, Doornkop plant and Kusasalethu were certified to ISO 14001 standards. Evander shaft was certified in the first quarter of FY12, with certification for its plant and tailings facility planned for September 2012. Kalgold was certified in the first quarter. Tshepong, Phakisa, Masimong, Target plant and Harmony 1 plant received ISO 14001, OHSAS 18000 and ISO 9000 certification by year-end. Implementation at other operations is ongoing, and action plans to address all high-risk impacts are under way. For stakeholder engagement refer to page 28.



Our PNG operations are on track for certification in FY13.

Importance of ISO certification

ISO 14001 is a series of environmental standards developed by the global governing body, the International Organisation for Standardisation (ISO). ISO 14001 promotes a systematic management approach to environmental management rather than a product-by-product or end-of-pipe approach. In addition, due to its broad and flexible nature, it is easier for companies to design an environmental management system (EMS) to suit their individual processes and operations. ISO 14001 requires an organisation to develop an EMS and is the only standard against which a company is registered and audited.

The primary benefits of ISO 14000 EMS certification are significant, far outweighing the substantial monetary and management investment required to implement, and include:

- Improved cost savings and waste reduction
- Consumer/public goodwill
- Reduced liabilities through risk management
- Strengthened regulatory compliance
- Reduced permit modification and processing time
- Enhanced ability to compete in the global marketplace.

Responsible use of resources

Continuing our strategy of managing available resources effectively and responsibly, group aggregate targets have been set for energy, fresh water use, waste management and recycling:

Target for 2013	Progress
<ul style="list-style-type: none"> • Each operation exceeding 100 000t CO₂e emissions must develop and maintain energy conservation plans by 2013 	<ul style="list-style-type: none"> • Plans detailed in energy section
<ul style="list-style-type: none"> • Group aggregate energy consumption target – 10% less per tonne milled (from 2008 base year) 	<ul style="list-style-type: none"> • Harmony has recorded a total reduction of 58% (0.16t CO₂e) in CO₂e per tonne milled in 2012 compared to a base of 2008 (0.44t CO₂e per tonne milled)
<ul style="list-style-type: none"> • Reduce aggregate group fresh water consumption by 5% by 2013 (baseline FY08) 	<ul style="list-style-type: none"> • Harmony reduced fresh water consumption by 64% in 2012 (38 011 mega litres) measured against a baseline of 2008 (104 763 mega litres)
<ul style="list-style-type: none"> • Group aggregate water recycling target – 5% by 2013 (baseline FY08) 	<ul style="list-style-type: none"> • Achieved 50% improvement on recycling as measured against the total water requirement
<ul style="list-style-type: none"> • Reduce group aggregate CO₂ emissions by 15% by 2013 (from FY05 baseline) 	<ul style="list-style-type: none"> • 11% reduction in group CO₂ emissions in FY12

During the year, new or revised group standards were developed for implementation spanning:

- Water management
- Rehabilitation management
- Mineral and non-mineral waste management
- Climate change
- Air quality management
- Mine closure
- Environmental reporting procedure and management systems.

In the coming year, implementation of these standards will be closely monitored to ensure we meet our environmental targets, and effectively manage our environmental exposures.

Water

Harmony's operations use significant amounts of water, and access to this resource underpins the growth of our assets. Although we have an adequate supply at present, water is fast becoming a competitive resource.

The risks and opportunities identified in internal risk assessments conducted in FY12 are directly linked to Harmony's business strategy. These results show that the major climate change risk currently facing the company is a change in rainfall patterns and the attendant risk of water supply.

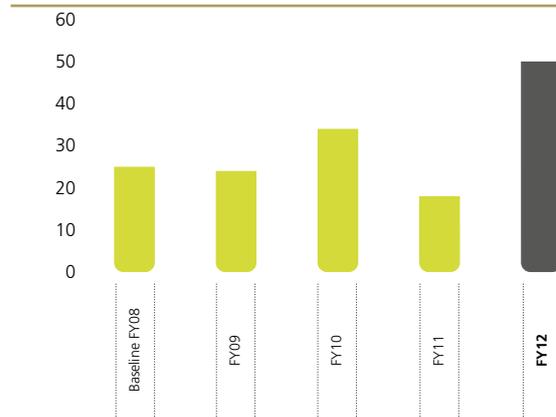
Intermittent water supply could pose a significant threat to the operational continuity of Harmony's mines and thus has the highest impact on the profitability of our business. For example, in the reporting year, Kalgold stopped operations for three weeks due to a lack of water supply. Harmony has since adjusted its strategy to reduce its dependency on existing groundwater infrastructure.

A group-wide campaign to reuse processed water and optimise water retreatment is producing excellent results.

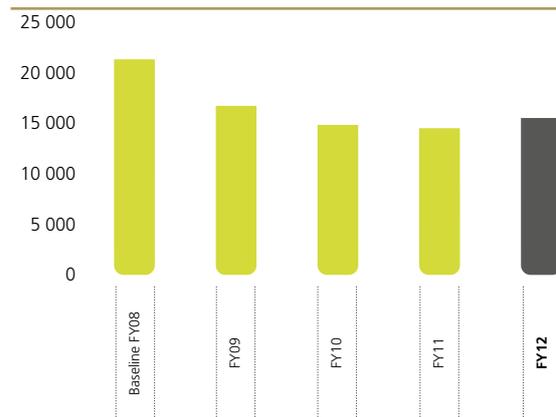
Water use for primary activity (000m³)



Percentage of water recycled



Potable water from external source (000m³)



Our South African operations do not draw water directly from surface sources such as rivers, except for Kalgold which draws water from the aquifer. Water is sourced from:

- Bulk water service providers and municipalities
- Surface water run-off
- Water that ingresses into deep-level mining operations and is then pumped to surface
- Recycled water
- Boreholes.

Total water used for primary activities in FY12 increased to 38 011 000m³ (FY11: 37 627 000m³), because of the inclusion of PNG. Numbers are therefore not comparable. Of the total volume of water used during the year, 50% was recycled (FY11: 18%).

We have set long-term targets to FY18 to reduce water used for primary activities and potable water by 10%, while

Environmental performance continued

Harmony sustainable development report 2012

increasing the amount of water recycled by 10% based on the average performance in each indicator across FY09 to FY12. These are preliminary targets and subject to board approval.

The Far West Rand Dolomitic Water Association deals with a number of water-related issues in the area, including remediating the impact of radiation in the Wonderfonteinspruit catchment. Through Kusasaletu, Harmony is a co-opted member of the association because Kusasaletu's mining area is next to the Oberholzer and Boskop/Turffontein dolomite compartments (with the former compartment being partially dewatered, but not the latter). Due to changing regulatory requirements, and the need to consider water entering cavities left when mining ceases, the association is reviewing its constitution and aligning this with current legislative requirements. Accordingly, the focus will be on two main outcomes:

- A fully funded regional closure strategy based on a holistic (social, economic, environmental, safety) risk assessment setting out all risks and opportunities and the involvement required from government
- Optimising management of the association to maximise asset value and minimise liability.



Acid mine drainage is not an issue for Harmony (page 124). There is some potential for acid mine drainage decanting at Kusasaletu and possibly Doornkop, but only at closure, and

Harmony is participating in regional closure forums to ensure this is appropriately managed.

We are concentrating on improving our understanding of the groundwater and surface water regimes. In recent years, geo-hydrological assessments were undertaken in the Free State region, at Evander, Kalgold and Doornkop. In terms of acid mine drainage, the studies confirm there is no risk of decant from these operations, Evander or Kalgold. From the perspective of surface water pollution, rehabilitation is being prioritised at the joint metallurgical scheme site and the acid plant site in the Free State, as well as at decommissioned shafts in the Free State, Winkelhaak and Deelkraal plants.

Water is discharged from our Doornkop operation in line with the conditions of a directive and is currently being licensed. Based on the draft licence, Doornkop complies with its licensing conditions. An intensive water-monitoring programme is in place and reporting to the regulator takes place routinely.

During the year, we recorded a few instances of discharge into a riverine environment (page 124). These were immediately addressed, and steps taken to monitor and manage any impact.



Harmony SA and PNG: Water used and recycled

(000m ³)	Target FY13	FY12	FY11	FY10	FY09	Baseline FY08
Water used for primary activities	36 111	38 011	37 627	46 182	32 971	104 763
Potable water from external sources	14 743	15 519	14 509	14 840	16 721	21 323
Non-potable water from external sources	21 368	22 492	22 163	10 570	16 249	83 429
Surface water used	972	1 023	1 601	2 978	111	55 088
Groundwater used	20 396	21 469	22 096	25 665	15 742	28 352
Water recycled in process	40 254	38 337	8 266	25 107	10 491	34 521

In PNG, average rainfall of around 3m each year, coupled with annual evaporation of about 1m and steep unstable topography, creates significant water management challenges for Hidden Valley mine:

- Rainfall run-off must be controlled to prevent erosion and sediment run-off to the river system
- Site-water use must be conserved to limit volumes of contaminated waste water discharged into the river system (including sewage effluent and discharge water from the tailings storage facility).

Conserving process water is particularly important at Hidden Valley because discharge water must first be treated to remove cyanide, and then filtered through activated carbon to remove contaminants. Water is only discharged to maintain a small ponded area on the tailings storage facility which, in turn, is necessary to maintain the integrity of the dam. The minimum volumes of raw water are therefore drawn from the river system for key processes. When combined with high rainfall and low evaporation, this draw creates a high positive water balance, which necessitates a high rate of discharge from the tailings storage facility and limits opportunities to recycle process water. Minimising raw-water use is also important to protect the project during occasional El Niño droughts when available river water is greatly reduced.

As a result of the strong focus on limiting raw-water use, the associated draw for the process plant at Hidden Valley mine reduced during the year, from 1 561 000m³ in 2011 to 1 011 522m³ in 2012.

With the required authorisation from the DEC, Hidden Valley has significantly reduced the ponded water level to achieve the design-specified tailings beaches. In addition, a spell of dry weather accelerated the schedule to lift the dam wall for better overall compliance.

PNG Watut River water quality

Constructing the Hidden Valley mine has contributed to sedimentation in the Watut River system and raised concern in downstream communities living on the river banks. Accordingly, two years ago, MMJV commissioned studies to assess current and future impacts on this river system. These sediment, biology and acid mine drainage characterisation studies confirmed the impact on the Watut River, partly from activities at Hidden Valley and partly from other sources along the river.

An experienced team, supported by an independent advisory committee, is managing a range of remedial actions that includes ongoing assessments of the river, riverine biology and aquatic life.

MMJV's 2011 annual environmental report, as submitted to the DEC, highlighted a number of performance improvements at Hidden Valley compared to the prior year. Notably, sediment emissions were halved and there was no

deterioration in levels of dissolved metals at the Nauti compliance point.

Since 2010, we have made significant progress in reducing mine-related sediment in the river. Initiatives during the review period included:

- Scheduled water quality monitoring at all Hidden Valley local and operational sites continued throughout the year, in line with commitments in the environmental management plan
- Ongoing implementation of the erosion control and sediment reduction plan
- Hidden Valley pit dewatering and sediment reduction programme initiated late in 2011
- Removing large volumes of ponded water from the TSF to reduce pond size to design parameters
- Ongoing operation of the lime dosing system and cyanide destruction plant to ensure acceptable water quality at the Nauti compliance point
- Completion of gap analysis and road map for creating working closure plan.

Numerous parallel studies are under way to manage our impact on the Watut River, including:

- A technical workshop on acid mine drainage in March 2012 – there are no serious acid mine drainage issues in the river system at present. To prevent any possible occurrence in future, the team is developing a strategy for properly engineered waste rock dumps combined with an acid mine drainage treatment system
- A scoping study was completed on installing a river titration system in the Upper Watut River – this would provide an exact measure of river acidity under various conditions, including rainfall flush events and, in turn, enable the effectiveness of waste rock dump liming strategies to be determined
- Forest dieback (from flooding caused by sediment deposition, only partly caused by Hidden Valley) studies in the Lower Watut River were completed at year-end
- An ongoing hydrobiology monitoring programme on ecosystem recovery in the upper Watut.

Waste management

Harmony generates both mineral and non-mineral waste during mining and processing operations. By effectively managing this waste, we limit the environmental impact of our activities and reduce our operating costs and risks, while supporting improved environmental performance and our biodiversity and water programmes.

A comprehensive strategy allows us to improve our understanding of the true cost of dealing with waste, which in turn helps in planning new projects and closure.

Environmental performance continued

Harmony sustainable development report 2012

In line with our environmental policy, Harmony has mineral waste, non-mineral waste and hazardous materials guidelines, which are implemented via each operation's environmental management system. These standards cover all aspects of waste management from initial generation through handling, storage and transport to recycling, treatment or disposal.

Mineral waste

Mineral wastes include waste rock and tailings facilities. Waste rock comprises soils or bedrock removed to access ore during mining. Tailings are the ground-up rock and process

water left after gold has been extracted from the ore. In many cases, there is residual economic value in mineral waste, as with our Phoenix reclamation exercise (below).

Mineral wastes are typically produced in very large volumes, with a potential impact on land through handling and storage. Usually permanently stored on site, most mineral wastes are considered inert, despite being chemically altered through the metallurgical process. Those that are chemically reactive or radioactive must be appropriately handled to protect people, wildlife and water quality.



The Brand A tailings facility is currently being reclaimed. This involves resludging and pumping material to the metallurgical plant for processing. Historically, tailings facilities were not considered environmentally friendly areas; our aim is to reclaim down to red soil and leave an environmentally friendly footprint for redevelopment

We manage the potential environmental impacts of mineral waste by:

- Minimising the quantity of material to be stored and thus limiting the waste's disturbed footprint
- Ensuring storage sites are physically and chemically safe, and well engineered
- Practising progressive rehabilitation by returning impacted land to productive use after mining.

Careful management of mineral waste is critical to reducing costs while maximising the recovery of ore minerals and metals. Given the large volumes of material involved, any improvements in mineral waste management can have significant savings – from daily savings via reduced energy consumption to minimising future closure costs.

The benefits of effective waste management

Adjacent to our Free State operations, Phoenix is successfully retreating tailings from regional storage facilities to extract residual gold. With around 7Mt of reserves available in rock dumps around these operations, Phoenix is processing a growing volume of material each year, averaging 5Mt in the review period, yielding 822kg of gold.

By reprocessing old dumps (for our own account and third parties), we decrease the environmental liability to Harmony and other mining companies, and reduce the cost of maintaining these dumps and mitigating their environmental impact. Importantly, reprocessing enables us to minimise dust and water emissions, and consolidate waste into new dumps constructed in line with good environmental practice.

Non-mineral waste

Non-mineral waste generally comprises materials that support our processing operations, from used oil, tyres, batteries and office waste, to more specialised waste streams. Because non-mineral waste is produced in much smaller volumes than mineral waste, it can be managed through recycling, off-site treatment and disposal, or on-site landfills.

To limit the potential impact of non-mineral waste, we aim to reduce the volume and hazard of these wastes by reusing and recycling where possible, and ensuring responsible storage, treatment and disposal for the balance.

In PNG, at the beginning of the fourth quarter, the Hidden Valley environment department initiated a clean up of the mine site. Prior to this, the mine area held up to 250 tonnes of waste, including recyclable metals. In line with our policy of preferential procurement, we arranged for the key landowner participant to form a joint venture with a reputable scrap recycling company, based in Lae, to undertake the task. This task was successfully accomplished by the end of June.

Energy management

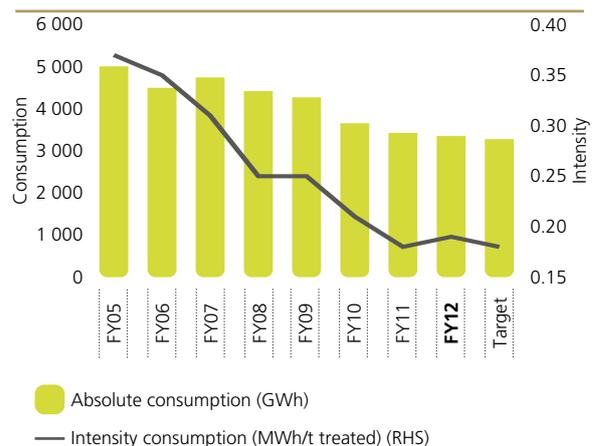
Strategic targets	Progress
<ul style="list-style-type: none"> Reduce energy consumption by 10% by 2013 (from FY08 base year). Reduce CO₂ emissions by 15% by 2013 (from FY05 base year). 	<ul style="list-style-type: none"> On track On track
Strategic decision <ul style="list-style-type: none"> Identify opportunities to supplement current energy supply and promote an alternative energy mix to support efficiencies and the growth of our operations (deepening projects). 	Long-term targets (FY18) <ul style="list-style-type: none"> 5% reduction on average performance of FY09 to FY12 for absolute electricity consumption, and 10% reduction in intensity, subject to board approval.

The company's energy comes largely from electricity drawn from South Africa's power utility, Eskom, which in turn is primarily driven by coal-fired power stations.

Hoisting, cooling and ventilation systems all need electrical power, making Harmony a major user of electricity. Energy is therefore a significant and growing portion of our operating costs, given rising electricity tariffs.

After the electricity supply crisis in 2008/2009, domestic tariffs have increased steadily and are scheduled to rise further in the year ahead. After 27% and 25% hikes in FY10 and FY11 respectively, tariffs rose by a further 15% in the review period. These cumulative increases have catapulted energy efficiency from an environmental consideration to a business imperative.

Harmony group – total electricity: FY05 to FY12



CASE STUDY: Energy improvement initiatives in FY12

In addition ten more energy saving initiatives were implemented, outside the Eskom DSM process, resulting in demand reduction of 14.81MW and 10 984MWh per month.



Kusasaletu energy-saving project

Harmony's revised energy efficiency and climate change policy and strategy www.harmony.co.za was approved two years ago, articulating the company's commitment to energy efficiency and continuous improvement.



As a result of spiralling electricity costs, South Africa's electricity supply constraint and Harmony's commitment as a responsible corporate citizen, the focus to improve energy efficiency and mitigate climate change impacts is ongoing.

In the prior financial year, nine energy efficiency projects were implemented, resulting in a load reduction of 21.38MW and energy savings of 10 626MWh per month:

- Kusasaletu water supply optimisation – 1.6MW and 1 140MWh pm
- Kusasaletu cooling auxiliaries – 1.5MW and 763MWh pm
- Evander optimisation of compressed air – 1.52MW and 864MWh pm
- Evander 8 pumps evening peak load shifting – 2.4MW energy neutral
- Phakisa optimisation of compressed air – 1.5MW and 782MWh pm
- Nyala compressor manager evening peak load clipping – 2.4MW and 221MWh pm
- Masimong optimisation of compressed air – 1.5MW and 763MWh
- Bambanani optimisation of compressed air – 1.96MW and 1 410MWh pm
- Heat pumps for hostel hot water supply – 7MW and 4 583MWh pm.

In addition ten more energy saving initiatives were implemented, outside the Eskom DSM process, resulting in demand reduction of 14.81MW and 10 984MWh per month:

- Ceased water pumping at Harmony 3 – 7.8MW and 5 610MWh pm
- Ceased water pumping at Brand 5 – 2.7MW and 1 960MWh pm
- Pump load shifting project at Eland shaft – 2.8MW and energy neutral
- Replace Masimong cooling plant with energy efficient absorption chillers – same MW consumed with more cooling
- Implementation of online pump efficiency monitoring – no demand reduction, pumping fewer hours and 2 334MWh saving pm
- Upgrading Evander 7 compressor – 1.5MW and 1 080MWh pm
- Energy efficient lighting installations – ongoing
- Installing energy management system and sub-metering, monthly reviews and analyses of power consumption and energy savings opportunities
- Upgrading Doornkop subvertical winder with energy efficient electrical motor starter
- Stopping Nyala shaft main surface ventilation fans – 2MW and 1440MWh pm (July 2012).

Harmony has also committed to 12 DSM projects scheduled for completion by FY14 with a load reduction of 33.85MW during evening peak times and 12 318MWh per month.

Other identified energy efficiency improvement projects are at various stages of evaluation. Given the capital requirements and long lead times to implement engineering interventions (12 to 18 months), it is clear engineering interventions alone will not be sufficient to improve energy efficiency to achieve Harmony's commitment. Most of the identified projects require replacing old technology with energy efficient technology which will require more capital input from Harmony. Accordingly, stringent project management principles are applied to select and approve individual projects.

In FY12, Harmony reduced its electricity consumption in South Africa by 74.4GWh and emissions by 74 400t CO₂e (FY11: consumption down 48.5GWh, emissions down 48 500t CO₂e).

Current energy efficiency projects

Projects to enhance energy efficiency that were voluntarily implemented during the review period are summarised below. The expected lifetime of all projects is until the end of life-of-mine, or until new technology, with better returns and savings, is developed and implemented. Collectively, these are expected to reduce electricity use by 5.7% and decrease Harmony's scope 2 emissions by some 165 993t CO₂e.

Description	Estimated annual CO ₂ e savings
<p>Harmony compressed air energy efficiency project</p> <p>In June 2011, Harmony began implementing compressed air energy efficiency projects at Bambanani, Evander, Masimong and Phakisa to reduce its total energy consumption by 11GWh per year.</p> <p>Compressed air is used in mines for pneumatic drilling, instrumentation, refuge bay ventilation and air agitation. This project involved installing surface and underground compressed air control valve units and hydraulic equipment. This makes it possible to monitor, optimise and automatically control mine compressed air demand. This reduced the amount of compressed air required, which in turn lowered electricity consumption by the compressors. As such, the project directly reduces Harmony's scope 2 emissions, supporting our emission reduction target.</p> <p>Harmony is registering this as a carbon credit project under the clean development mechanism of the United Nations framework convention on climate change.</p>	34 445
<p>Masimong surface refrigeration plant</p> <p>In September 2011, Harmony installed a new surface refrigeration plant to reduce Masimong's electricity consumption by 8.5GWh per year (by displacing compressed air originally used to meet part of the mine's cooling demand). The plant was constructed to provide ventilation and cool air temperature in 5 shaft. Since the new plant reduces the amount of electricity required to meet Masimong's cooling demand, the project reduces Masimong's scope 2 emissions.</p>	8 797
<p>Harmony hostel hot water system</p> <p>In July 2011, Harmony initiated an energy efficiency project at its South African hostels and change houses. This involved optimising energy used for water heating at these facilities by installing solar heaters, heat pumps and using waste heat from compressors. The project reduces electricity used for conventional water heating (geysers) by 56GWh per year, reducing Harmony's scope 2 emissions and carbon footprint.</p>	57 414
<p>Harmony main fan vane control and load clipping</p> <p>Harmony uses main surface fans in all operations to circulate large volumes of air underground. The project to improve the energy efficiency of these fans at its South African operations began in October 2011. This involves installing rotational inlet vane controls at each main fan to reduce the volume of air flow when mining activities are minimal. The project reduces Harmony's electricity consumption by 6GWh per year and hence scope 2 emissions. It will also reduce Harmony's carbon footprint.</p>	5 925
<p>Harmony energy efficient ventilation fan project</p> <p>In October 2011, Harmony began implementing an energy efficient ventilation fan project at Kusasalethu, Bambanani, Doornkop, Evander, Masimong, Phakisa, Target and Joel to reduce total energy consumption by 59.4GWh per year.</p> <p>The project involves replacing the current impellers used in underground auxiliary fans with more energy efficient impellers. This will reduce electricity drawn by each fan by 30%, while delivering the same air flow and pressure as current fans. The project will be implemented over 12 months, and fans will continuously be repaired and replaced to optimise their operational lifetime.</p> <p>This project is expected to reduce Harmony's electricity consumption (and scope 2 emissions), supporting our scope 2 emission reduction targets. Harmony is registering this as a carbon credit project under the clean development mechanism of the United Nations framework convention on climate change.</p>	58 512

Environmental performance continued

Harmony sustainable development report 2012

In FY12, total electrical energy use dropped 5.7% to 3 354 273MWh (FY11: 3 428 706MWh) for our South African operations. Total Harmony consumption was 3 370 000MWh.

Given our five growth projects to increase production, resource use – water, energy, timber, cyanide and other chemicals – is likely to increase in the next few years. Our focus is therefore on improving the efficiency with which we use resources for a positive impact on both the environment and cost of production.

A national improvement target of 12% by 2015 was set in South Africa's 2005 energy efficiency strategy. As industrial and mining companies are the largest users of energy in South Africa, these sectors have a final energy demand reduction target of 15% by 2015. While this target is currently voluntary, it is effectively mandatory given the 10% demand reduction imposed by Eskom after the electricity crisis.

Reflecting our commitment to reducing energy consumption, we have worked closely with Eskom to manage electricity use and peak demand. This includes demand-side management (DSM) strategies to reduce electricity consumption in peak periods such as early morning and late afternoon. This involves measures such as timing pumping to coincide with cheaper off-peak periods, making more efficient use of Eskom tariffs that reward load-shifting, and improving the efficiency of pumping operations.

In the prior year, nine DSM energy efficiency projects were implemented, resulting in a load reduction of 21.38MW and energy savings of 10 625.87MWh per month. In addition, ten other energy-saving initiatives were implemented outside the Eskom DSM process, resulting in demand reduction of 14.81MW and 10 984MWh per month:

Harmony has committed to 12 DSM projects scheduled for completion in FY14 with a load reduction of 33.85MW during evening peak times and 12 318MWh per month:

Mine/region	Initiative	Monthly saving
Gauteng region	Fans integrated guide vane control	3.6MW and 312MWh
South region	NIX	5.88MW and 1 411MWh
All production shafts	Underground ventilation fans	6.85MW and 4 194MWh
Hostel rooms	Space heating	2.8MW and 1 512MWh (winter months only)
Kusasaletu	Underground carbon jet fan	1.8MW and 1 380MWh
	Compressor evening peak load clipping	2.8MW and 258MWh
Unisel	Compressor evening peak load clipping	2.95MW and 179MWh
Steyn 2	Shaft optimisation of compressed air	1.5MW and 763MWh
Saaiplaas plant	Energy efficient compressor project	1.17MW and 843MWh
Masimong	Compressor move	1.5MW and 763MWh
Tshepong	Optimisation of compressed air	1.6MW and 846MWh
Tshepong	Optimisation of water supply	1.4MW and 704MWh

In FY12, Harmony reduced its South African electricity consumption by 74.4GWh and emissions by 74 400t CO₂e. The challenge for the future is therefore to create an enabling environment and allocate adequate resources to achieve our goals and commitments. Total electricity generated from diesel in FY12 at PNG was 32 000MWh (FY11: 105 015MWh). The decrease reflects Hidden Valley's partial connection to the national power grid in the prior year.

Hidden Valley was connected to the new hydropower transmission line, part of the PNG electricity grid, in the third quarter of the prior year. While Hidden Valley is currently only drawing 65% of its requirements from the national grid, this is reducing reliance on diesel-generated power on site and the amount of fuel that needs to be trucked to this remote site. Management is cautiously confident of securing a higher percentage of grid power in FY13, with the target of 95% hydro power within the next two years.

In terms of energy efficiency, the Hidden Valley plant was designed using the latest technology to ensure optimal use of energy: photovoltaic switches control general lighting, all motors have energy efficient design and, in the SAG mill (which is the biggest user of power), 10MW is equipped with a slip recovery drive that recovers load losses and regenerates power back into the local grid when the mill is operating below optimum efficiency.

In constructing the Wafi-Golpu site, we are drawing on lessons learned at Hidden Valley and elsewhere to develop a design tailored to be as environmentally friendly as possible – with world-class health, safety, procurement and community elements. All design criteria promote the use of renewable energy options over conventional power generation, while the design of plant and infrastructure is characterised by energy efficiency and conservation.

Renewable energy initiatives and carbon trading

The National Energy Regulator of South Africa (Nersa) approved the renewable energy feed-in tariff (REFIT) guidelines in 2009. Despite ongoing debate on certain issues in these guidelines, this is expected to stimulate the development of renewable energy in the country once it becomes more financially feasible to invest in alternative energy options.

At present, Harmony is considering a number of renewable energy projects.

Of the renewable and alternate energy projects under consideration, Harmony's priorities are:

- Green housing – DSM approved
- Bio-energy – Harmony has reached the feasibility stage of a project to develop biomass capability in the Free State. The intention is to convert rehabilitated land as part of the provincial rehabilitation initiative into value-creating opportunities for local communities (see case study on page 122)
- Solar park – the proposed Harmony Solar Park aims to develop solar capability at Kalgold to feed into the Eskom grid. This proposal is progressing through the next round of government bids (see case study on page 118)
- Photovoltaic – pre-feasibility study under way for 2 x 1MW photovoltaic power plants.

Viewed collectively, the full spectrum of renewable energy and energy efficiency projects being considered could reduce CO₂e emissions by 635 000t over the next two years, but many of these would require alternate funding to execute timeously. Accordingly, Harmony and Nedbank are registering three projects under the clean development mechanism for carbon trading.

The objective of carbon trading is to maximise the financial gain from energy-saving initiatives, while building our reputation as a good corporate citizen and responsible environmental steward.



CASE STUDY: Harnessing the sun in South Africa

Studies on the project at Mafikeng in North West province propose an initial size of 18 megawatts, with potential to more than double that to 40 megawatts.



A solar installation showing sheep being used to maintain the grass

We have made solid progress with plans for a solar power plant in the north of South Africa. This is an important development as electricity accounts for about 10% of our cost in producing each ounce of gold. At present, South Africa faces a lack of generating capacity that has forced domestic companies to cut electricity use, and it will be some years before local utility Eskom's massive infrastructure-build programme comes on stream.

As such, the proposed solar park at Kalgold underscores our belief that mining can provide the platform for economic, environmental and social development. We have partnered with four institutions to establish an 18MW photovoltaic plant – this will be submitted into the next round of the government bidding process in August 2012 and, if successful, construction could begin in the second half of FY13.

Against a background of a growing population, rising urbanisation rates and the state's electrification programme, the restricted capacity of the national grid was highlighted in January 2008, when gold, platinum and other mines were stopped for about five days as demand overshot capacity, causing national blackouts. The cost to the fiscus and the private sector was significant.

Beyond security of supply, Harmony believes the private sector has a valuable role to play in developing clean energy mechanisms, and meeting national and global imperatives for low-carbon economies. In addition to company-wide energy reduction and efficiency initiatives, Harmony is assessing ways to put some of the land it owns in South Africa to use in generating energy and improving the security of power supplies.

Harmony is part of a group including Fluor Corp's local unit that expects to submit a proposal for approval under the government's renewable energy power programme in 2013.

Studies on the project at Mafikeng in North West province propose an initial size of 18MW, with potential to more than double that to 40MW. At present, output is projected to start in 2014.

Climate change and greenhouse gas emissions

Scope of Harmony's specific climate change risk management process

Apart from identifying and including climate change in the company's business risk profile, Harmony has another documented process that considers climate risks and opportunities separate from other business risks and opportunities.

The scope of the process is a broad climate change risk assessment that includes weather-related risks, reputational risks and potential regulatory risks. This assessment also involves recognising and prioritising any opportunities arising from identified risks. This process is formalised and annually reviewed to assist management and the board to address systematic categories of climate change risk associated with Harmony's business operations.

As part of Harmony's 2012 climate change risk management process, a specific climate change weather-related risk assessment was completed. This covered the risks to which Harmony's mining operations (both underground and opencast), communities and supply chains are exposed as a result of different weather events. The events covered in this risk assessment included: increased storm intensity; prolonged wet periods; prolonged dry periods; higher maximum temperatures; more hot days; lower minimum temperatures; wind; hail; and snow.

Harmony recognises the direct impact of climate change on its business, and the correlation between climate change and increased greenhouse gas (GHG) emissions. As such, our short-term business strategy (2012 to 2014) is to reduce GHGs emitted at our operations by improving energy efficiency and augmenting our energy supply with renewable resources.

Guided by the specific climate change risk management process (see sidebar), we are also focusing on reducing the use of fossil fuels and developing initiatives to mitigate and absorb GHGs to reduce our carbon footprint.

During the year, we recorded a very solid performance in reducing carbon emissions in South Africa to meet our internal targets of 15% by 2013, with an actual reduction of 8% (FY11: 18%).

In FY12, Harmony submitted its fifth response to the Carbon Disclosure Project (CDP). The year-on-year progress is most encouraging: in FY10, we scored 74 to rank 17th among 71 companies. In FY11, our performance and disclosure catapulted the company into fourth place, and on to the Carbon Disclosure Leadership Index for the first time with a score of 91. Harmony's high score in the leadership index, coupled with six years of carbon footprint experience and external emissions verification, also means we are well-placed to meet South Africa's mandatory GHG reporting, which will come into effect in October 2013. Our submission is available at www.cdproject.net and at www.harmony.co.za/sdcdp-response.asp.

The countries in which Harmony operates – South Africa and PNG – are non-Annex I countries and do not have emission-reduction targets under the Kyoto Protocol in the first commitment period, ending 2012. Harmony's exposure to Australian legislation is limited as the operations we owned there have been sold or are under care and maintenance.

PNG's national office of climate change and environmental sustainability is studying the potential for future economic growth to be driven by renewable energy. Along with other Pacific Island countries, PNG has adopted a framework for action on climate change 2006 to 2015 and a disaster risk reduction and disaster management framework for action. The implications of these structures on Harmony's operations in PNG have not yet been established and studies are ongoing.

The introduction of an emissions trading system in Australia, known as the carbon pollution reduction scheme, has been delayed until 2013. This will enable the Australian government to assess the level of global action on climate change after the first phase of the Kyoto Protocol expires in 2012.

Although this change in policy direction in Australia reduces the impetus for carbon-emission reduction in the country in the short term, other non-regulatory risks, mostly substantial projected electricity price increases, remain significant drivers for achieving emission reductions in Australian operations.

Harmony is developing a framework for an internal GHG management strategy, including standardised emission measurements and estimation techniques at PNG. GHG emissions in PNG are only direct and treated as scope 1 emissions as they were all derived from diesel generators. Electricity purchased stems from a green hydropowered station.

Environmental performance continued

Harmony sustainable development report 2012

South Africa's approach to climate change

Following recent environmental summits, including the one hosted in South Africa in 2011, South Africa has committed to 30% clean energy by 2025, aiming for the country's GHG emissions to peak by 2020 to 2025, plateau for a decade and then decline by 40% by 2050. These targets were set out in the National Climate Change Response Policy, endorsed by cabinet in October 2011.

In line with this aim, the country's key carbon-emitting sectors, including energy and transport, have until October 2013 to finalise 'carbon budgets' and appropriate strategies to support these targets. Adopting a carbon budget model reflects government's acceptance of the relative energy and carbon intensity of the economy and the need to create the setting required for industries to make the transition to a more carbon-constrained environment.

The Minister of water and environmental affairs noted that government would actively consult with industry on developing carbon budgets to identify an 'optimal combination' of mitigation actions to strike a balance between South Africa's socio-economic imperatives, especially creating and preserving jobs, as well as the need to manage climate change impacts and contribute to global efforts to stabilise GHG concentrations.

In February 2012, the South African finance minister announced that a carbon tax would be implemented in the financial year spanning 2013 to 2014. The proposal is to implement the tax at a fairly low level, and define a rising price path over time – at this stage.

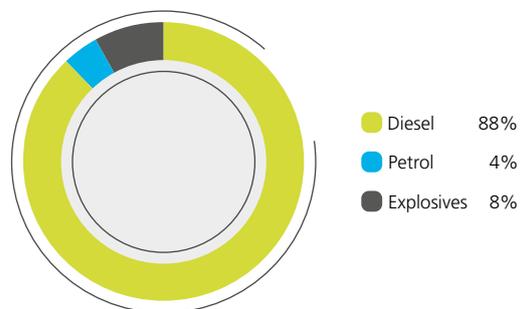
While Harmony is not conceptually opposed to using financial instruments as incentives in reducing emissions, we are concerned about the potential impact on the industry's competitiveness. We are working with both the industry task team on climate change and the Chamber of Mines to understand the implications for our business and optimal mechanisms to further promote emission reduction.

Most of our GHG emissions relate to electricity, which accounts for around 10% of operational costs in South Africa. GHG emissions regulation that would increase the price of energy, within reason, will not affect Harmony as significantly as regulation that stipulates emission thresholds, or sets technology standards that may threaten the security of energy supply.

Given that our current mines have a life expectancy of up to 25 years, capital projects are under way to sustain and increase production at the Phakisa, Doornkop, Kusasaletu, Tshepong and Hidden Valley operations. Our aim is to raise production to 1.7Moz by 2016. These expansions would extend our mining operations by 10 years or more, by which time GHG regulations are expected to be a permanent feature of the global economy. Future climate change regulation will therefore need to be considered for all Harmony's extensions and acquisitions. As company policy, all greenfield and brownfield projects are required to consider the impact of climate change in their design and planning.

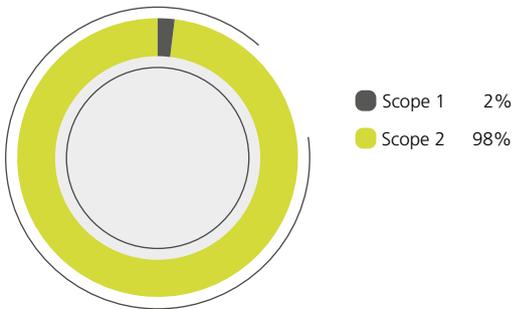
Harmony's total scope 1 and 2 emissions in FY12 were 3 365 000 tonnes CO₂e (FY11: 3 715 000 tonnes CO₂e), a significant decrease of 9% mainly due to energy efficiency initiatives. These emissions are mostly indirect and stem from electricity used and purchased from Eskom.

Harmony group scope 1*



* Direct emissions (emissions from which the organisation combust fuel such as petrol, diesel and explosives)

Harmony group scope 1 and 2#



Indirect emissions (emissions from which another organisation combusts fuel on our behalf such as Eskom burning coal to generate electricity).

Tonnes CO₂ per tonne milled



Landscaping and planting trees at Masimong Housing project

CASE STUDY: Bio-energy project

Harmony is actively rehabilitating unused land to generate value to society, focusing on transforming impacted land into bio-crop generating land.



Beet tuber root developing at the bio-energy project near Virginia

Globally, South Africa is among the top 20 emitters of carbon dioxide (CO₂) but in Africa, the country leads the emissions tables. Among South African companies, national power utility Eskom leads, as to be expected given the country's coal-fired electricity grid. Despite Harmony's emissions being a fraction of companies in the top five, we are committed to identifying viable sources of alternative energy that also generate benefits for the immediate community.

Given the history of the mining industry in South Africa, vast tracts of old mining land present considerable potential for constructive rehabilitation. Harmony is actively rehabilitating unused land to generate value to society, focusing on transforming impacted land into bio-crop generating land which, in turn, can be processed into bio-energy, to reduce dependency on fossil fuels.

Harmony is at the early stages of a study on growing crops for a potential biofuels plant near Virginia, in South Africa's central Free State province. We plan to use some of the output to replace diesel and polyfuel at our nearby mines, and may sell the rest to farmers.

The pre-feasibility study has been completed, showing this bio-energy project could sustainably yield 5MW of renewable energy. The project offers multiple benefits: for the company, it could sustainably reduce our carbon footprint and supplement our social and labour plans in the area; for the community, it offers income-generating opportunities by cultivating non-food energy crops while rehabilitating mining land.

At this stage, studies indicate that energy beet would be the preferred crop and anaerobic digestion the preferred process. This would optimise yield and land use with the least amount of water.

Primary and secondary uses for the energy produced could include electricity, thermal energy (heating, cooling and food processing) and liquid energy (polyfuel, petrol and diesel).

The project provides a vehicle for social empowerment through employment, skills transfer, training and income opportunities. Current projections indicate the project could employ 200 people full-time and accommodate an additional 200 community-based small-scale farmers.

A feasibility study is now under way, which will include more detailed risk assessments against stringent project criteria. This is expected to take around 12 months.

Materials used

The primary materials used are rock and ore, liquefied petroleum gas (LPG), grease, cyanide, fuels, and lubricating and hydraulic oils.

Harmony SA and PNG: Materials used by operations

(000t/l)	FY12	FY11	FY10	FY09 ³
Rock mined (ore and waste)	34 868	30 250	31 037	11 291
Ore mined	14 010	12 063	12 336	6 137
Waste rock recycled	8 191	3 200	1 763	5 855
Slimes recycled	6 955	5 236	7 306	13 868
LPG (t)	0,55	0.62	0.60	0.22
Grease	51	22 ¹	182	0.41
Cyanide	11	8	8	6.30
Petrol and diesel	30 135	44 788 ²	51 826	6 554
Lubricating and hydraulic oil	2 457	2 206	3 986	3 357

¹ Decrease reflects the switch to a more efficient type of grease and enhanced data integrity for Kusasalethu operation.

² Increase reflects enhanced data integrity from operations, especially Evander.

³ South African data only.

Harmony SA and PNG: Waste management

(000t)	FY12	FY11	FY10
Accumulated tailings in tailings dams (active and dormant)	1 433 760*	6 039	4 635
Accumulated in waste rock dumps	165 085*	82 751	4 635
Non-mineral waste		298	0.51
Hazardous to landfill		–	–
Hazardous to incineration		–	–
Scrap steel	10.355*	8.973	0.12
Scrap timber	2.128*	1.963	1.877
PVC	0.486*	0.276	0.257

* New KPI for South Africa in FY12. FY11 and FY10 only PNG.

Risk mitigation

Harmony has appropriate risk management practices and mitigation measures in place to prevent or minimise any impact on the environment. Specific concerns include managing cyanide use, discharge of water to the environment, addressing acid mine drainage, and understanding and developing plans to deal with climate change.

Product responsibility

Unusually among the precious metals, gold is both a commodity and monetary asset. Theoretically, almost all gold ever mined is available for use or recycling. Given its precious and enduring qualities gold is rarely wasted, with around 15% of the metal consumed each year recycled.

Annual demand for gold comes from:

- The jewellery market
- Industrial sector (electronics, dentistry and other industrial and decorative applications)
- Investment.

Harmony's gold is marketed and sold by Rand Refinery to customers around the world, mainly in India, China, the Middle East and the USA.

Harmony is not directly involved with product labelling, providing service information or dealing directly with customers, and therefore undertakes no customer satisfaction surveys. No incidents of non-compliance with regulations, voluntary codes or related to health and safety impacts concerning the provision and use of gold were identified at Harmony in FY12.

Gold is a benign product with no significant health or safety impacts. Mining activities, however, can affect the health and safety of employees, communities and the environment. Harmony is involved in various initiatives to ensure the health, safety and livelihoods of its employees and communities, and safeguard the environment in which it operates.

As Harmony does not directly market its product, marketing communications, customer privacy and compliance issues do not apply. Harmony's investor relation activities include marketing the company to current and potential investors, in line with relevant legislation and the listing requirements of the stock exchanges on which the company's shares are quoted. No related complaints were received in FY12.

Environmental performance continued

Harmony sustainable development report 2012

Significant environmental incidents

Significant incidents are classified as those with an impact outside Harmony's boundaries that may cause irreparable harm, and may require considerable expenditure to remedy (table below).

Significant environmental incidents reported in FY12 included:

- Kusasalethu – return water dam overflow after failure of mill return water pumps
- Doornkop – shaft sewage overflow following cable theft
- Kalgold – failure of French drain during contracted maintenance work
- Kalgold – unauthorised stockpile of low-grade ore
- Evander (Kinross) – return water dam overflow into Grootsspruit after heavy rainfall

- Steyn 9 – municipal sewage being discharged into dam, which resulted in an overflow into the receiving environment
- Saaiplaas – slimes delivery pipeline burst
- Section 55 issued by DMR on dust pollution.

All these issues are being addressed through our environmental management plans.

A few localised environmental incidents were reported in PNG in FY12, but most were not considered significant as they had no effect on the ecosystem. One category 3 incident (moderate impact) involved a landslip next to a drill rig. All incidents were fully addressed.

Severity level	Mitigation costs	Environmental impact	Natural environment	
			Reputational impact	Legal impact
5	<R3 million	Very significant impact on highly valued species, habitat or ecosystem	International condemnation	Potential director liability
4	<R1 million	Significant impact on sensitive species, habitat or ecosystem	National and international concerns – NGO involvement	Very significant fines or prosecutions
3	<R500 000	Serious medium-term environmental effects	Serious adverse media attention – locally/nationally	Major breach of regulation – possible directive
2	<R250 000	Moderate short-term effects but not affecting ecosystem function	Local complaints and possible media attention	Breach of regulation with investigation
1	<R100 000	Limited damage to minimal area of low impact	Local complaints	Low-level non-compliance

Cyanide

Harmony is a signatory to the International Cyanide Management Code for the manufacture, transport and use of cyanide in the production of gold (the cyanide code). Developed by the United Nations' Environment Programme and International Council on Mining and Metals (ICMM), this is a voluntary industry programme for companies involved in producing gold using cyanide.

Harmony has committed to comply with the code at all its major gold operations. To date, all metallurgical plants, except Joel and Kalgold, have been certified as compliant. Kalgold is currently refurbishing its carbon-in-leach tanks at the plant. Once this is complete, it will reapply. Joel plant was initially meant to be decommissioned and thus started the certification process late. It is scheduled for certification in March 2013.

Harmony used over 11 000 tonnes of cyanide during the year (FY11: 8 333 tonnes, excluding PNG).

As both Harmony and Newcrest are signatories to the cyanide code, Hidden Valley mine is preparing for certification in due course. Since commissioning the processing plant in FY10, measured cyanide concentrations have complied with environment permit limits at the Nauti Village compliance point.

Acid mine drainage

Acid mine drainage, also known as acid rock drainage, refers to the outflow of acidic water from usually abandoned or operational metal or coal mines. However, other areas where the earth has been disturbed by mining activities may also contribute acidic water to the environment.

There were again no specific risks to Harmony from acidic water in FY12. All operations manage their fissure water and there is minimal risk of acidic water reaching the environment. For closed operations, the risk has been assessed and no threat established. Where there is a risk of rising water levels and potential impact to the ore reserves of other operations or to the environment, water is pumped to the surface.

The company is, however, working closely with regional partners to identify the longer-term risks of acid mine drainage and to establish sustainable solutions.

KOSH acid mine drainage

In the North West province, Harmony carried a third of the costs of pumping and treating fissure water in the Klerksdorp, Orkney, Stilfontein and Hartbeesfontein (KOSH) Basin for nearly five years. This followed a directive from the Department of Water Affairs. Once the land in question was sold to another mining group in 2009, Harmony requested the department to withdraw the directive given that the relevant section (section 19) of the National Water Act does not provide for holding people responsible for pollution in perpetuity once they are no longer connected to the land.

After the department refused to withdraw the directive, Harmony lodged an application in the High Court to have this set aside.

The case was heard in October 2011 and judgment handed down in June 2012. The judge dismissed Harmony's application to have the directive set aside and made no order on cost, stating his view that Harmony was not a frivolous litigant as it "... raised constitutional issues of importance aimed at vindicating a constitutional principle of legality". Harmony has applied for leave to appeal. Potential exposure to the company is around R30 million plus ongoing treatment costs of approximately R15 million annually.

Radiation

Radiation is a potential risk at most gold mines. At Harmony, surface radiation management is geared to reducing the affected footprints, especially of legacy sites, to support legal compliance and reduce environmental liability. The area of focus is close to the Joint Metallurgical Scheme (JMS) site which has been earmarked for rehabilitation. Harmony has concluded a contract for rehabilitation of high radiation dose areas using conventional rehabilitation techniques.

Rehabilitation will start in FY13. Additionally, Harmony will partner with the University of the Free State to trial alternative, more environmentally friendly methods, including phyto-remediation, to rehabilitate lower dose contaminated land. If successful, this would be breakthrough research for the industry, resulting in a marked decrease in the rehabilitation liability from radiation impacts.

Land management

Ensuring we have appropriate closure plans and funding mechanisms in place is a priority for Harmony. As such, rehabilitation and closure is planned from concept stage for new operations or greenfield projects and during the life-of-mine for existing operations.

As a responsible mining company, we focus on enhancing rehabilitation at our operations and continuously identifying land that we can rehabilitate to a sustainable alternative use. Where feasible, we are refurbishing infrastructure for use by local communities. For decommissioned operations, we develop comprehensive closure plans that are submitted to the regulators for consideration and approval.

Harmony: Rehabilitation

(ha)	Total land disturbed and not yet rehabilitated		
	Total land managed	Opening balance	Closing balance
Tshepong and Matjhabeng	3 187	1 442	1 440
Virginia, Merriespruit, Masimong, Saaiplaas, Brand, Unisel	7 688	3 788	3 665
Evander	7 883	2 229	2 229
Kusasaletu and Deelkraal	5 113	895	865
Bambanani	2 752	839	823
St Helena	2 882	396	382
Target	423	251	251
Kalgold	3 991	932	805
Joel	2 162	135	135
Doornkop	913	385	385
ARM	1 683	421	421
Pamodzi N & S*	2 188	537	492
PNG	4 150	553	544
Total	45 015	12 803	12 437

* Will be incorporated into Target and Bambanani in FY13

Harmony has around 45 015 hectares of land under management within mining rights (including 3 820 hectares of land pending transfer to Rand Uranium) and disturbed areas under rehabilitation. None of Harmony's producing operations are located in areas of high biodiversity value, either inside or outside protected areas, and none of our operations affect IUCN Red List species.

The total rehabilitation liability was determined at R2.37 billion in June 2012 while funding (including bank guarantees) is R2.38 billion. Harmony is one of few mining companies where rehabilitation liabilities are fully funded in advance.

We continue to identify opportunities to reduce surface radiation exposures by removing defunct infrastructure and rehabilitating sites.

A rehabilitation strategy for decommissioned operations in the Free State was implemented in FY12. This programme is geared toward reducing environmental liability, eliminating potential safety and health exposures for both our people and society in general, as well as assisting the provincial authorities in meeting socio-economic imperatives, particularly job creation.

Environmental performance continued

Harmony sustainable development report 2012

By year-end, the following infrastructure had been rehabilitated, creating employment for over 230 local residents in the process:

- Virginia 2 shaft, plant and hostel
- Brand 1, 2 and 3 shafts
- Saaiplaas plant
- St Helena 2 shaft and hostel, 4 shaft and plant
- Steyn 1 shaft
- Freddie's 7 shaft.

The rehabilitation of the Steyn and Virginia plants is ongoing. In addition, Evander Winkelhaak plant is being rehabilitated.

These cost-neutral initiatives have reduced the total group liability by around R100 million or 3%. Further initiatives under way to reduce the liability include:

- Reclaiming waste rock dumps
- Slimes retreatment through Saaiplaas plant.

The NNR approved the radiological clearance report of 300ha of land at the Evander operation in July 2012.

These initiatives have entrenched stakeholder awareness of Harmony's commitment to social and environmental stewardship.

In terms of DMR legislation, Kalgold has an approved environmental management programme report (EMPR) aligned to the Mineral and Petroleum Resources Development Act. While the EMPR rehabilitation strategy requires all pits to be converted into a strategic water resource for the district, the DMR stipulated that pits must be backfilled with 'all mining waste'. Harmony believes this pit has far more value socially by being converted into a strategic water resource for a very water-scarce community. As such, Harmony submitted an EMPR addendum for the proposed solution.

Kalgold was requested to top up its financial contributions to satisfy the liability associated with the strategic water resource rehabilitation option.



Land is a significant resource in PNG, given the mountainous terrain that characterises large areas of the country. Land clearing is managed through a permit process that requires approval from the environment and community affairs department before any clearing can take place. PNG's focus for this financial year is to optimise and augment, where necessary, data monitoring and management as information integrity is key to managing our environmental/sustainable development exposures.

Hidden Valley uses a strategy of progressive rehabilitation. An on-site high-capacity nursery is hardening 21 000 seedlings for field planting after planting 30 000 in the first half of 2011.

A closure plan has been developed for Hidden Valley, with a provision for rehabilitation and closure liabilities of US\$52.7 million.

Hidden Valley mine is not in a biodiversity protected area, but five 2011 IUCN Red List species could potentially occur in the area. These include a vulnerable and decreasing species of tree kangaroo (*Dendrolagus dorianus*); an endangered and decreasing species of tree kangaroo (*Dendrolagus goodfellowi*); the vulnerable and decreasing nectar bat (*Syconycteris hobbit*); the vulnerable and decreasing harpy eagle (*Harpyopsis novaeguineae*) and the critically endangered and decreasing long-beaked echidna (*Zaglossus bruijnii*). None of these species has, however, been confirmed from the area and there is no evidence that Hidden Valley mine has impacted critical habitat.

Harmony has strategies in place to manage impacts on biodiversity, including the implementation of an environmental management system aligned with ISO 14001, and ongoing rehabilitation activities that will restore the habitat for native species. As part of this approach, most sites have developed biodiversity action plans in terms of which they are steadily removing alien and invasive plant species. In addition, in the Free State, a nursery has been established on ground, rehabilitated earlier, to cultivate indigenous species that will be used to repopulate affected or remediated land.



The first step in rehabilitating land is to demolish surface infrastructure to restore the land to a predetermined use

Mine rehabilitation in South Africa

The risk inherent in abandoned mines is not unique to South Africa. In every country with a mining history, government has had to assume responsibility for a problem that carries attendant risks of air pollution, continuous combustion, contaminated groundwater, sinkholes and more.

After decades of minimal obligations placed on mine owners to rehabilitate land after mining ceased, legislation in 1991 strengthened requirements to rehabilitate land and made it a condition to have closure plans. In 2004, new legislation (MPRDA) introduced the concept of sustainable development and financial provision for rehabilitation.

Today, many mines are making significant financial provisions and establishing foundations to assist mining communities after closure. Many, like Harmony, are exceeding legislated standards to minimise the environmental impact of their operations while ensuring a sustainable community. Sadly, others are not.

The first step in rehabilitating land is to demolish surface infrastructure to restore the land to a predetermined use. The second is to find uses for the land to create jobs, portable skills and generally uplift the community.



There is huge demand for land and job-creation projects around Welkom. Some beneficial uses we have identified for former mining areas include a sport academy and training centres (page 79), commercial housing developments (page 76) and biodiversity-energy projects (page 122).

Mining groups also inherit substantial rehabilitation responsibilities through mergers and acquisitions. In Harmony's case, this was the result of a past policy of buying and turning around old mines.



Most of our older shafts are around Welkom, Free State. We have closed several in recent years as they reached the end of their economic life, with workers offered the option of moving to our newer mines. We have established an asset management forum as a separate business unit, which is now responsible for 38 closed sites. A particular issue with these sites is that they present a way for illegal miners to get underground. While criminal mining is a national problem being addressed by Harmony and other mine owners, government and the police services (page 54), we are also aggressively plugging shafts to prevent access as well as commencing with rehabilitation of these areas.



Rehabilitating land is a key priority for Harmony



YOU are the gold



Harmony makes bursaries available to committed students at the Virginia Jewellery School

Virginia Jewellery School

The first such facility in the Free State, Harmony's Jewellery School was inaugurated in Virginia in November 2000 as an initiative to regenerate declining economic activities in the province's goldfields. The project centres on training previously disadvantaged people in jewellery design and manufacturing, while also developing marketing and entrepreneurial skills.

Equipped with some of the best training laboratories in southern Africa, the school, which is situated in premises provided by Harmony, offers courses at National Qualification Framework Levels 2 and 3 in terms of the development programme of the Mining Qualifications Authority (MQA). Learners then have the option to complete Level 4 or to enrol for a three-year National Diploma in Jewellery Design and Manufacturing, offered at this facility by the Central University of Technology (CUT).

In addition to providing training in jewellery manufacturing and design, the course prepares students to seek work in existing jewellery manufacture or to start their own businesses. Students also receive training in rapid prototyping systems, in association with the university's Faculty of Engineering, Information and Communication Technology.

Each year Harmony makes bursaries available to committed students who want to work in the jewellery industry but cannot afford the necessary courses. Currently there are eight students on bursaries who are studying for the CUT diploma.

GRI guidelines (G3)

Harmony sustainable development report 2012

Harmony discloses performance voluntarily using guidelines from the Global Reporting Initiative (GRI). We have a self-declared B+ rating, which means we report fully on at least 20 indicators, spread across our economic, environment, human rights, labour, society, and product responsibility performance.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile disclosures OUTPUT	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15		Report on all criteria listed for level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17		Same as required for level B	
	G3 Management approach disclosures OUTPUT	Not required	Report externally assured	Management approach disclosures for each indicator category	Report externally assured	Management approach disclosures for each indicator category	Report externally assured
	G3 Performance indicators and sector supplement performance indicators OUTPUT	Report on a minimum of 10 performance indicators, including at least one from each of: economic, social and environmental		Report on a minimum of 20 performance indicators at least one from each of: economic, environmental, human rights, labour, society, product responsibility		Report on each core G3 and sector supplement* indicator with due regard to the materiality principle by either: (a) reporting on the indicator or (b) explaining the reason for its omission	

Source: GRI Sustainability Reporting Guidelines

*Sector supplement in final version

We are also guided by the GRI mining sector supplement which requires the extractive industry to report on a minimum of five additional indicators specific to the business. Of 11 indicators, in this report Harmony has selected five for the following reasons:

- Amount of land disturbed or rehabilitated – appropriate for a mining group
- Biodiversity has become very topical
- Total amount of overburden, rock tailings and sludges, and associated risks
- Number of strikes and lockouts exceeding one week's duration by country
- Sites where resettlement took place and the number of households resettled in each.

This report is aligned to GRI G3 guidelines. In addition to reporting against GRI, Harmony measures its South African operations against targets in the Mining Charter scorecard (page 146).

South African Mining Charter compliance

The South African Mining Charter was originally developed in terms of section 100 of the Mineral and Petroleum Resources Development Act (MPRDA), No 28 of 2002, to transform the mining industry by requiring applicants for mining rights to comply with certain empowerment principles for their rights to be granted. The revised charter, launched in 2010, emphasises a target of 26% black ownership of the country's mining assets by 2014.

Harmony has new-order mining rights for all its operations. In line with the charter, all our operations have social and labour plans (SLPs) with targets that have been developed with employees, communities and the DMR. Harmony reports to the DMR annually on its performance against these targets.

G3 content index – Mining and metals sector supplement – GRI application level B+**STANDARD DISCLOSURES PART I: Profile disclosures**

Profile disclosure	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
1. Strategy and analysis					
1.1	Statement from the most senior decision-maker of the organisation.	Partially	Message from the chairman of social and ethics committee page 20		Further details in Harmony integrated annual report 2012 – chairman and CEO reviews
1.2	Description of key impacts, risks, and opportunities.	Fully	Material issues page 10; risk management page 32		
2. Organisational profile					
2.1	Name of the organisation.	Fully	Inside front cover		
2.2	Primary brands, products, and/or services.	Fully	Corporate profile page 2; economic sustainability page 34		
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	Corporate profile page 2		Further details in integrated report – operational review, exploration overview
2.4	Location of organisation's headquarters.	Fully	Corporate profile page 2; inside back cover		
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	Corporate profile page 2		
2.6	Nature of ownership and legal form.	Fully	Governance page 28		Integrated report: investor relations page 312
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	Page 2, 6, 28		
2.8	Scale of the reporting organisation.	Fully	Corporate profile page 2; economic sustainability page 34		
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Not	Not applicable		No significant changes
2.10	Awards received in the reporting period.	Fully	Corporate awards page 2		

GRI guidelines (G3) continued

Harmony sustainable development report 2012

Profile disclosure	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
3. Report parameters					
3.1	Reporting period (eg fiscal/calendar year) for information provided.	Fully	Scope of this report inside front cover		
3.2	Date of most recent previous report (if any).	Fully	Scope of this report inside front cover		
3.3	Reporting cycle (annual, biennial, etc).	Fully	Annual		
3.4	Contact point for questions regarding the report or its contents.	Fully	See integrated report – Investor relations page 106		
3.5	Process for defining report content.	Fully	Material issues page 10; message from the chairman page 20, stakeholder engagement page 28		
3.6	Boundary of the report (eg countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	This report covers all wholly and jointly owned Harmony operations		
3.7	State any specific limitations on the scope or boundary of the report. (See completeness principle for explanation of scope.)	Not	Not applicable		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	Fully	No changes		Integrated annual report
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI indicator protocols.	Partially	Data measurement techniques are explained for assured indicators in the relevant sections and in the glossary		
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement (eg mergers/acquisitions, change of base years/ periods, nature of business, measurement methods).	Fully	Any restatements are fully explained in the relevant sections		
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not	Not applicable		
3.12	Table identifying the location of the standard disclosures in the report.	Fully	Page 132		
3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	Message from the chairman of social and ethics committee page 20		

Profile disclosure	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
4. Governance, commitments and engagement					
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Fully	Governance page 28		See integrated report for detailed corporate governance review
4.2	Indicate whether the chair of the highest governance body is also an executive officer.	Fully	Governance page 28		See integrated report for detailed corporate governance review
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Fully	Governance page 28		See integrated report for detailed corporate governance review
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	Governance page 28; stakeholder engagement page 28		See integrated report for detailed corporate governance review
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	Fully			See integrated report – corporate governance page 167, remuneration report page 176
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Fully			See integrated report – corporate governance page 167,
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	Fully	Message from the chairman page 20; governance page 28		See integrated report – corporate governance page 167
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Fully	Values page 5, message from the chairman page 20		
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Fully	Message from the chairman page 20; governance page 20		

GRI guidelines (G3) continued

Harmony sustainable development report 2012

Profile disclosure	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
4. Governance, commitments and engagement continued					
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Fully	Message from the chairman page 20; governance page 28		See integrated report – corporate governance page 167
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Fully	Material issues page 10; economic sustainability page 34		See integrated report – exploration review page 116
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	Fully	Governance page 28 – 31; stakeholder engagement page 28		
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; or views membership as strategic.	Fully	Governance page 31; stakeholder engagement page 28		
4.14	List of stakeholder groups engaged by the organisation.	Fully	Stakeholder engagement page 28		
4.15	Basis for identification and selection of stakeholders with whom to engage.	Fully	Stakeholder engagement page 28		
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	Stakeholder engagement page 28		
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	Partially	Stakeholder engagement page 28	Proprietary information	Certain stakeholder relationships are governed by negotiated agreements, which are confidential

STANDARD DISCLOSURES PART II: Disclosures on management approach (DMAs)

MMSS DMAs	Description	Reported	Cross-reference/ Direct answer	Further comments
DMA EC	Disclosure on management approach EC			
Aspects	Economic performance	Fully	Economic sustainability page 34	Integrated report: management reviews pages 32 to 43
	Market presence	Fully	Economic sustainability page 34	Integrated report: our company at a glance page 22
	Indirect economic impacts	Partially	Economic sustainability page 34; working with our communities page 90	Not all indirect impacts are easily quantifiable
DMA EN	Disclosure on management approach EN			
Aspects	Materials	Fully	Environmental performance page 105	
	Energy	Fully	Environmental performance page 106	
	Water	Fully	Environmental performance page 105	
	Biodiversity	Not		
	Emissions, effluents and waste	Fully	Environmental performance page 105	
	Products and services	Fully	Environmental performance page 105	
	Compliance	Fully	Environmental performance page 105	
	Transport	Not	Environmental performance page 105	
	Overall			
DMA LA	Disclosure on management approach LA			
Aspects	Employment	Fully	Labour practices and human rights page 73	
	Labour/management relations	Fully	Labour practices and human rights page 73	
	Occupational health and safety	Fully	Safety and health page 45	
	Training and education	Fully	Labour practices and human rights page 73	
	Diversity and equal opportunity	Fully	Labour practices and human rights page 73	

GRI guidelines (G3) continued

Harmony sustainable development report 2012

MMSS DMAs	Description	Reported	Cross-reference/ Direct answer	Further comments
DMA HR	Disclosure on management approach HR			
Aspects	Investment and procurement practices	Fully	Economic sustainability page 34	
	Non-discrimination	Fully	Labour practices and human rights page 73	
	Freedom of association and collective bargaining	Fully	Labour practices and human rights page 73	
	Child labour	Fully	Labour practices and human rights page 73	
	Forced and compulsory labour	Fully	Labour practices and human rights page 73	
	Security practices			
	Indigenous rights	Not fully	Mostly applicable in PNG, page 24	
DMA SO	Disclosure on management approach SO			
Aspects	Community	Fully	Message from the chairman page 20; working with our communities page 90	
	Artisanal and small-scale mining	Fully	Page 90	
	Resettlement	Partially	Labour practices and human rights – accommodation and living conditions page 76	5% of workforce affected by restructuring
	Closure planning	Fully	Environmental performance page 105	
	Grievance mechanisms and procedures	Fully	Stakeholder engagement page 28	
	Emergency preparedness	Fully	Safety and health page 45	
	Corruption	Fully	Governance page 31	
	Public policy	Fully	Governance page 28	
	Anti-competitive behaviour	Fully	Governance page 31	
	Compliance	Fully	Governance page 28; Mining Charter scorecard page 146	Integrated report: corporate governance page 167
DMA PR	Disclosure on management approach PR			
Aspects	Materials stewardship	Fully	Environmental performance page 105	
	Customer health and safety	Partially	Environmental performance – product responsibility page 123	
	Product and service labelling	Not	Not applicable	
	Marketing communications	Not	Not applicable	
	Customer privacy	Not	Not applicable	
	Compliance	Not	Not applicable	

STANDARD DISCLOSURES PART III: Performance indicators

Performance indicator	Description	Reported	Cross-reference/ Direct answer
Economic			
Economic performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	Economic sustainability page 34; labour practices and human rights page 72; working with our communities page 90
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Partially	Environmental performance page 119. Harmony does not fully disclose the impact of climate change given that much of this is not quantifiable at this stage. Climate change is closely monitored as part of our enterprise-wide risk management process
EC3	Coverage of the organisation's defined benefit plan obligations.	Fully	Integrated report, note 28 to financial statements
EC4	Significant financial assistance received from government.	Not	Not applicable
Market presence			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Partially	Labour practices and human rights – employee benefits page 74. To attract and retain the required skills, Harmony pays competitive wages. For most of the workforce, these are negotiated with unions and is thus fair and competitive
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation.	Fully	Economic performance page 39. Assured by PwC
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	Fully	Labour practices and human rights – employment equity, transformation page 87
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	Working with our communities, social and labour plans, local economic development, page 91 – 101
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Partially	Working with our communities page 91 – 101. While these impacts are comprehensively understood and monitored, Harmony operates under licence conditions and this information is considered sensitive

GRI guidelines (G3) continued

Harmony sustainable development report 2012

Performance indicator	Description	Reported	Cross-reference/ Direct answer
Environmental continued			
Materials			
EN1	Materials used by weight or volume.	Fully	Environmental performance page 123
EN2	Percentage of materials used that are recycled input materials.	Partially	Environmental performance pages 109 – 127. Disclosure currently limited to recycled water, steel and alternative sources of energy supply. There are limited opportunities to use recycled input materials, given the nature of our business
Energy			
EN3	Direct energy consumption by primary energy source.	Fully	Environmental performance page 116. Assured by PwC
EN4	Indirect energy consumption by primary source.	Partially	Page 113 – 117
EN5	Energy saved due to conservation and efficiency improvements.	Fully	Environmental performance page 113 – 117
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	Environmental performance page 113 – 117
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Fully	Environmental performance page 113 – 117
Water			
EN8	Total water withdrawal by source.	Partially	Environmental performance page 109 – 112
EN9	Water sources significantly affected by withdrawal of water.	Not	Harmony discloses but does not quantify water sources as this is not deemed material. Our focus is on reducing raw water use, and results are on page 110
EN10	Percentage and total volume of water recycled and reused.	Fully	Environmental performance page 110
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Not	Not applicable
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Not	Not applicable
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	Fully	Environmental performance, land management page 125

Performance indicator	Description	Reported	Cross-reference/ Direct answer
EN13	Habitats protected or restored.	Partially	Environmental performance page 125. Harmony has, through its EMPR undertaken biodiversity assessments on all its sites. Management plans are in place through the ISO programme and in accordance with the sites' biodiversity action plans
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	Partially	Environmental performance page 106. Harmony has biodiversity action plans in place for all operations
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.	Fully	Biodiversity action plans in place for all operations
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Partially	Environmental performance page 126. The possible presence of certain species in our PNG operations is regularly monitored
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight.	Fully	Environmental performance page 119
EN17	Other relevant indirect greenhouse gas emissions by weight.	Fully	Environmental performance page 119
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Fully	Environmental performance page 119
EN19	Emissions of ozone-depleting substances by weight.	Not	Not applicable
EN20	NOx, SOx, and other significant air emissions by type and weight.	Not	Not applicable
EN21	Total water discharge by quality and destination.	Fully	Environmental performance page 109. All water is treated to prescribed standards before being responsibly discharged. Harmony aims to move to a zero-discharge (closed loop) system within five years. Harmony also reports on environmental incidents which would have resulted in discharges direct or indirect beyond the mining area
EN22	Total weight of waste by type and disposal method.	Partially	Environmental performance page 112. Through the implementation of ISO 14001, Harmony will improve its reporting on non-mineral waste. Currently the emphasis is on managing mineral waste and hazardous waste with mineral waste management being well documented in this report
MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks.	Partially	Environmental performance page 112. An initiative is under way to optimise waste management, which will include quantifying waste. Harmony aims to move to a zero-discharge (closed loop) system within five years. Assured by PwC
EN23 COMM	Total number and volume of significant spills.	Fully	Environmental performance page 124. Harmony discloses all significant spills as determined by our criteria for defining significant spillages.

GRI guidelines (G3) continued

Harmony sustainable development report 2012

Performance indicator	Description	Reported	Cross-reference/ Direct answer
Environmental continued			
Emissions, effluents and waste continued			
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Not	Not applicable
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	Not	Not applicable
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Not	Not applicable
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Partially	Environmental performance page 123. Recycling initiatives for gold take place via national and international industry bodies
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Fully	Zero fines, page 107
Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	Fully	Environmental performance, carbon footprint page 119
Overall			
EN30	Total environmental protection expenditures and investments by type.	Partially	Environmental performance, land management page 125
Social: Labour practices and decent work			
Employment			
LA1	Total workforce by employment type, employment contract, and region.	Partially	Labour practices and human rights page 75. Harmony splits workforce figures between own employees and contractors, by region
LA2	Total number and rate of employee turnover by age group, gender, and region.	Partially	Labour practices and human rights page 75
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Fully	Labour practices and human rights page 74

Performance indicator	Description	Reported	Cross-reference/ Direct answer
Labour/management relations			
LA4	Percentage of employees covered by collective bargaining agreements.	Fully	Labour practices and human rights page 84
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Not	Conditions of employment are specified in collective agreements
MM4	Number of strikes and lockouts exceeding one week's duration, by country.	Fully	Labour practices and human rights page 85
Occupational health and safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	Fully	Safety and health page 45
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Fully	Safety and health page 52. Assured by PwC (LTIFR and silicosis)
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	Safety and health page 58
LA9	Health and safety topics covered in formal agreements with trade unions.	Fully	Safety and health page 58
Training and education			
LA10	Average hours of training per year per employee by employee category.	Partially	Labour practices and human rights page 79. Harmony will break down training hours once data is standardised across operations. Assured by PwC
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	Labour practices and human rights page 79, 80, 83
LA12	Percentage of employees receiving regular performance and career development reviews.	Partially	Labour practices and human rights page 73. Additional disclosure will be possible once systems are standardised in FY13

GRI guidelines (G3) continued

Harmony sustainable development report 2012

Performance indicator	Description	Reported	Cross-reference/ Direct answer
Social: Labour practices and decent work continued			
Diversity and equal opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Partially	Harmony only quantifies the split between own employees and contractors in compliance with the Employment Equity Act and Mining Charter targets. However, diversity indicators are closely monitored against targets. See also Mining Charter scored page 146 and Integrated report
LA14	Ratio of basic salary of men to women by employee category.	Fully	Labour practices and human rights page 89
Social: Human rights			
Investment and procurement practices			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Partially	Economic sustainability page 39. Harmony will be able to quantify this once standardised processes are in place
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Partially	Economic sustainability page 39. Harmony will be able to quantify this once standardised processes are in place
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	Fully	Labour practices and human rights page 84. Harmony will be able to quantify this once standardised processes are in place
Non-discrimination			
HR4	Total number of incidents of discrimination and actions taken.	Fully	Labour practices and human rights page 84. Zero incidents in FY12
Freedom of association and collective bargaining			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Fully	Labour practices and human rights page 85. All Harmony operations recognise the right to freedom of association
Child labour			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	Fully	Labour practices and human rights page 84
Forced and compulsory labour			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour.	Fully	Labour practices and human rights page 84

Performance indicator	Description	Reported	Cross-reference/ Direct answer
Security practices			
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	Not	Harmony will be able to quantify this once standardised procedures are in place
Indigenous rights			
MM5	Total number of operations taking place in or adjacent to indigenous peoples' territories, and number and percentage of operations or sites where there are formal agreements with indigenous peoples' communities.	Partially	This only applies to our PNG operations at present, specifically Hidden Valley, which is governed by a memorandum of agreement between the joint venture, government and indigenous people or landowners
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.		Zero. See above
Social: Society			
Community			
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	Fully	Working with our communities page 90
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples.	Partially	In PNG, there have been no disputes between the company and landowners. The state is dealing with landowners on ownership issues in terms of land
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes.	Partially	In PNG, grievance mechanisms are in place, but have not been required to date
Artisanal and small-scale mining			
MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.	Not	In PNG, no such activities occur on site, although the joint venture is running educational programmes with nearby artisanal miners to maximise their opportunities while minimising the environmental impact
Resettlement			
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	Not	Not applicable

GRI guidelines (G3) continued

Harmony sustainable development report 2012

Performance indicator	Description	Reported	Cross-reference/ Direct answer
Social: Society continued			
Closure planning			
MM10	Number and percentage of operations with closure plans.	Fully	Environmental performance – land management page 125. All Harmony operations have closure plans, which are reviewed regularly
Corruption			
SO2	Percentage and total number of business units analysed for risks related to corruption.	Partially	Governance page 31. Harmony has a stringent code of ethics, which is rigorously enforced. Reflecting our zero-tolerance approach, there are several mechanisms to report suspected irregularities and every incident is fully investigated
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.	Not	Harmony will be able to quantify this once standardised procedures are in place
SO4	Actions taken in response to incidents of corruption.	Fully	Governance page 31. Reflecting our zero-tolerance approach, there are several mechanisms to report suspected irregularities and every incident is fully investigated
Public policy			
SO5	Public policy positions and participation in public policy development and lobbying.	Fully	Governance – stakeholder engagement page 28
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Fully	Governance page 32
Anti-competitive behaviour			
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	Fully	Governance page 31. Zero actions
Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Fully	Governance page 31. Zero fines
Social: Product responsibility			
Materials stewardship			
MM11	Programmes and progress relating to materials stewardship.	Partially	Environmental performance page 123. Partial disclosure as only certain elements are under Harmony's control
Customer health and safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Partially	Environmental performance page 123. Partial disclosure as only certain elements are under Harmony's control

Performance indicator	Description	Reported	Cross-reference/ Direct answer
Social: Product responsibility continued			
Customer health and safety continued			
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	Not	Not applicable
Product and service labelling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Not	Not applicable
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	Not	Not applicable
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Not	Not applicable
Marketing communications			
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Not	Not applicable
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Not	Not applicable
Customer privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not	Not applicable
Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Not	Not applicable

South African Mining Charter scorecard

Harmony sustainable development report 2012

2012 scorecard for the broad-based socio-economic mining empowerment charter

Element	Description	Measure
Reporting	Has the company reported level of compliance with the charter for the calendar year	Documentary proof of receipt from the department
Ownership	Minimum target for effective HDSA ownership	Meaningful economic participation Full shareholder rights
Housing and living conditions	Conversion and upgrading of hostels to attain the occupancy rate of one person per room.	Percentage reduction of occupancy rate towards 2014 target
	Conversion and upgrading of hostels into family units	Percentage conversion of hostels into family units
Procurement and enterprise development	Procurement spent on BEE entity	Capital goods
		Services
		Consumable goods
	Multinational suppliers' contribution to the social fund	Annual spend on procurement from multinational suppliers
Employment equity	Diversification of the workplace to reflect the country's demographics to attain competitiveness	Top management (board) Senior management Middle management Junior management Core skills
Human resources development	Developing requisite skills, including support for South African-based research and development initiatives intended to develop solutions in exploration, mining, processing, technology efficiency (energy and water use in mining), beneficiation as well as environmental conservation	HRD expenditure as percentage of total annual payroll (excluding mandatory skills development levy)
Mine community development	Conduct ethnographic community consultative and collaborative processes to delineate community needs analysis	Implement approved community projects
Sustainable development and growth	Improvement of the industry's environmental management	Implement approved environmental management programmes (EMPs)
	Improvement of the industry's mine health and safety performance	Implementation of tripartite action plan on health and safety
	Utilisation of South African-based research facilities for analysis of samples across the mining value	Percentage of samples in South African facilities
Beneficiation	Contribution towards beneficiation (effective from 2012)	Added production volume contributory to local value addition beyond the baseline

* To date, approximately 28% of production was attributable to HDSA interests.

Compliance target by 2014	Progress achieved by	
	Compliance target 2012	Actual 2012
Annually		June 2012
26%		28%
26%		28%
Occupancy rate of one person per room	Hostels <ul style="list-style-type: none"> • Number of people sharing = 10 574 • Number of employees accommodated in single quarters (one person per room) = 1 757 • Harmony is converting old hostels to create 1 000 family units by 2014 Housing <p>Harmony facilitates home ownership by donating land, funding infrastructure and services, and monitoring construction of housing units in mixed-use developments (ie retail, residential and community infrastructure). The award-winning Masimong 5 development was officially opened in FY12.</p>	
Family units established		
30%	20%	22%
60%	50%	32%
40%	25%	46%
0.5%	With the definition of a multinational supplier now established, Harmony will negotiate participation with relevant suppliers and develop an appropriate system to track these commitments.	
40%		44%
40%		28%
40%		52%
40%		44%
40%		27%
5%	4%	3.8%
Up-to-date project implementation		50% complete
100%	Harmony conducts EMP performance assessments every two years. Integrated ISO 14001 and OHSAS 18000 certification now in place at ten operations, ensuring compliance with licence conditions and best practices. Implementation at other operations is ongoing.	
100%	Safety management and performance targets have been set and integrated into performance parameters at each operation. Meeting certain industry milestones remains a challenge for Harmony.	
100%	Environmental monitoring at SA laboratories	100%
Section 26 of MPRDA (% above baseline)		See page 129 for Harmony-driven beneficiation initiatives



South African Mining Charter scorecard continued

Harmony sustainable development report 2012

Certain milestones were agreed between government, organised labour and mining companies represented by the Chamber of Mines. To track progress towards these milestones, certain measures were added to the Mining Charter scorecard for 2012:

- Industry target: zero rate of fatalities and injuries. *In the gold sector: by 2013, achieve safety performance levels equivalent to current international benchmarks for underground metalliferous mines, at least*
- Industry target: elimination of silicosis
- Industry target: elimination of noise induced hearing loss (NIHL)

Measure	Achieved current year	Target			
		2011	2012	2013	2014
Implementation of culture transformation framework	Not applicable for 2011 reporting period	N/A ¹	N/A ¹	N/A ¹	100%

- The gap analysis between Harmony's systems/programmes and the minimum standards and activities contained in the culture transformation framework was completed during the year, along with required adjustments to our systems/programmes. The gap analysis was led by senior Harmony executives and included the participation of worker representatives
- Harmony piloted a health and safety leadership assessment in 2012 which included senior management and used the leadership tool developed by the Chamber of Mines
- Harmony reports to the DMR on its progress in implementing the framework

Measure	Achieved current year	Target			
		2011	2012	2013	2014
Percentage of employees embarking on OHS representative training	5.5%	2%	4%	6%	8% (= 40 000 for industry)

- In 2011 Harmony trained 560 occupational health and safety representatives. Since January 2009, the company has trained over 2 000 OHS representatives

Measure	Achieved current year	Target			
		2011	2012	2013	2014
Percentage of leading practices from MOSH learning hub investigated for implementation	100%	100%	100%	100%	100%

- Harmony participates and supports the MOSH learning hub on all task teams and at different levels. Our Kusasaletu and Joel mines also served as demonstration mines for different leading practices
- Harmony implemented leading practices for entry examination and making-safe fall-of-ground prevention at all mines
- The applicability of the leading practice for fogger/mist sprays was analysed and installed in high-risk areas, with 36 units installed to date
- In 2011, the following leading practices were investigated: netting and bolting; hearing protection device – selection tool; training and awareness material and footwall and sidewall treatment using investigation tools developed by the Chamber of Mines. These tools address the relevance of the practice as well as minimum standards on leadership support, worker involvement, training, resourcing and monitoring
- By following an incremental process in instituting these leading practices, Harmony is currently at different stages of implementation at its mines
- The leading practice on proximity detection for moving machinery has been partially implemented at Harmony mines. Proximity detection of people is still being investigated

¹ Only reportable in calendar years.

Measure	Achieved current year	Target			
		2011	2012	2013	2014
Percentage of research findings from the MHSC investigated for implementation	100%	100%	100%	100%	100%

- Harmony investigated several research findings using tools developed by the Chamber of Mines, including a risk-based approach to enhancing support systems in Bushveld Complex underground mines; NIHL and silicosis audit tool; and thermal stress

Measure	Achieved current year	Target			
		2011	2012	2013	2014
Percentage of mandatory occupational health reports submitted	100%	100%	100%	100%	100%
Adherence to HIV/Aids and TB guidelines	Yes	Yes	Yes	Yes	Yes

Mandatory reports	Submitted (Y/N)
Medical reports	
• Annual medical reports	Yes, all operations
Hygiene reports	
• Particulars personal exposure	Yes, all operations quarterly
• Personal noise exposure	Yes, all operations quarterly
• Thermal stress	Yes, all operations for heat and cold stress

Company TB guidelines should be compliant to:	Signed off TB policy? (Y/N)	Date TB policy signed	Annual TB programme reviews? (Y/N)	Date review done
NTBCP	Yes	February 2012	Yes	November 2011
DMR TB Guidance Note	Yes	February 2012	Yes	November 2011

HIV guideline should be compliant to:	Signed off HIV policy? (Y/N)	Date HIV policy signed	Report on HCT uptake report? (Y/N)	Report submitted to COM
HIV/Aids National Guidelines	Yes	February 2012	Yes	No

Glossary of terms and acronyms

Harmony sustainable development report 2012

ABET	Adult Basic Education and Training
AMD	Acid mine drainage – outflow of acidic water formed by mining activity and egress of water following contact with certain types of orebodies and host rock
ART	Antiretroviral Therapy
BBBEE	Broad-based black economic empowerment, a socio-economic process aimed at the economic transformation of South Africa by increasing the number of historically disadvantaged South Africans (HDSAs) participating in the economy
CO ₂ emissions	Total CO ₂ emissions calculated from direct emissions generated from petrol and diesel consumption and indirect emissions generated by electricity consumption; expressed in tonnes
Critical skills training – number of people trained in 2011/2012	<p>The following disciplines are defined as core skills:</p> <ul style="list-style-type: none"> • Mining • Engineering • Ore Reserves • Metallurgy <p>The critical skills within these disciplines are:</p> <ul style="list-style-type: none"> • Mining – General Manager; Mine Manager; Mining Manager • Engineering – Engineers; Junior Engineers • Ore Reserves – ORM; HOD – Geology, Survey & Planning; Section Geologist/Senior Geologist; Section Surveyor/Mine Surveyor/Senior Shaft Surveyor; Section Geostatistician/Senior Geostatistician (Geological Technician); Section Planner/Senior Planner; Surveyors/Geotechs • Metallurgy – Plant Manager; Senior Metallurgist
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
DMR	Department of Mineral Resources, South Africa
Electricity purchased (kWh)	Electricity purchased from the supplier during the reporting period. This should include all electricity purchased by source (fossil fuel, nuclear, hydroelectric, wind, solar, etc). It should exclude electricity generated by the operation itself and electricity supplied to the third parties such as communities and businesses
Employment equity in management in South Africa	<p>For HDSA we refer to the following: black people males and females; and white women EE is measured in the bands D, E and F, where:</p> <ul style="list-style-type: none"> • Top management (F band) • Senior management (E band) • Middle management (D4-D5) • Junior management (D3-D1) • Core and critical (E-D1 management levels in under core disciplines) <p>EE is reported as a percentage of the total employed per band</p>
EMP	Environmental Management Programme
EMPR	Environmental Management Programme Report
Energy consumption	Energy use calculated from electricity purchased and diesel and petrol consumed during the reporting period
ESOP	Employee Share Ownership Plan
FIFR	Fatal injury frequency rate, the number of fatalities per million man hours worked
GDP	Gross Domestic Profit
HDSAs	Historically disadvantaged South Africans – all people and groups who were previously discriminated against on the basis of race, gender and disability as defined by the MPRDA
HIV	Human Immuno Deficiency Virus
Housing and living conditions – conversion from sharing to single occupancy rooms	The number of employees that share a room in Harmony's company accommodation, and the number of employees that have single rooms in Harmony's company accommodation. This is calculated by comparing the total physical hostel design capacity (room numbers) versus the total number of hostel occupants. This gives the total average occupancy rate per hostel. An average of greater than one person confirms that the occupant is sharing accommodation
ISO 14001	Published in 1996 by the International Organisation for Environmental Standardisation, it specifies actual requirements for an environmental management system (EMS)
King III	King Report on Corporate Governance for South Africa published in 2010

Land disturbed and land available for rehabilitation (km ²)	Total land footprint disturbed and the land footprint used for ongoing or future mining activities
Local Economic Development (LED) spend/Community spend in PNG	Local economic development project spend that is linked to the licence of each mine. All costs relating to community development initiatives and housing projects qualify as LED spend
Lost Time Injury Frequency Rate (LTIFR)	<p>An LTI is a work-related injury that calls for medication, treatment, medical checks, reviews and subsequent days off work. This injury or illness incapacitates the injured employee from performing his/her normal occupation on the next scheduled work day or shift. Where logistic/administration issues resulted in a dressing case becoming a lost-time injury, all relevant documentation, evidence and statements must be obtained, recorded and filed.</p> <p>The calculation for the lost-time injury frequency rate (LTIFR):</p> <ul style="list-style-type: none"> Actual lost-time injuries x 1 000 000/hours worked <p>The calculation for hours:</p> <ul style="list-style-type: none"> Actual shifts worked x 9 (this is throughout Harmony for consistency to assume every person works nine hours)
Mining Charter	Broad-based social-economic empowerment charter for the South African mining industry. The goal is to create an industry that reflects the promise of a non-racial South Africa
MHSA	Mine Health and Safety Act (No 29 of 1996)
MMJV	Morobe Mining Joint Ventures
MOSH	Mining Industry Occupational Safety and Health
MPRDA	Minerals and Petroleum Resources Development Act (No 28 of 2002)
MQA	Mining Qualifications Authority, a sector education training authority for the mining and minerals sector whose mission is to facilitate and promote human resources development
NBI	National Business Initiative
NGO	Non-Governmental Organisation
NIHL	Noise-induced hearing loss reported as the number of new cases identified and submitted for compensation during the reporting period
NNR	National Nuclear Regulator
NUM	National Union of Mineworkers
PNG	Papua New Guinea
Preferential procurement – BEE total spend (ZAR)	Procurement spend collected from the Harmony ERP system's payment register, which is only the spend value spent with suppliers that hold a valid BEE certificate, and comply with the minimum HDSA ownership of 25%, or more. Reporting is aligned with the requirement of the revised Mining Charter of September 2010, and only the portion of the spend value that is defined as discretionary is included
Silicosis – number of new cases identified in 2011/2012	The number of new cases of pure silicosis submitted by the doctor in the 2011/2012 financial year. Cases where other conditions are present, specifically Tuberculosis (TB), are not included in this number
SLPs	Social and labour plans aimed at promoting employment and advancing the social and economic welfare of all South Africans while ensuring economic growth and socio-economic development as stipulated in the MPRDA
SMMEs	Small, Medium and Micro Enterprises
TB	Tuberculosis
VCT	Voluntary Counselling and Testing
Volumes of mineral waste disposed (tonnes)	Rock and tailings waste generated and removed to landfill and tailings dams
Water used for primary activity (kilolitres)	The total make-up or new water that is drawn into the boundaries of the reporting organisation from all sources (including surface water, groundwater, rainwater and municipal water supply) for use for mining and processing-related activities including use by contractors. This definition excludes: internally recycled water, water discharged to receiving environment and supply to third parties such as communities and businesses
WHO	World Health Organisation

Assurance report

Harmony sustainable development report 2012

Independent assurance report to the directors of Harmony Gold Mining Company Limited

We have been engaged by the Directors of Harmony Gold Mining Company Limited ("Harmony") to perform an independent assurance engagement in respect of selected identified sustainable development information included in Harmony's 2012 Sustainable Development Report for the year ended 30 June 2012 ("the Report"). This report is produced in accordance with the terms of our contract with Harmony dated 19 March 2012.

Independence and expertise

We have complied with the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a team of health, safety, environmental and assurance specialists with experience in sustainability reporting.

Scope and subject matter

The subject matter of our engagement is the Group level data except where specified otherwise, and the related level of assurance that we are required to provide are as follows:

Reasonable assurance

- The following identified sustainable development information in the Report was selected for an expression of reasonable assurance:
 - a) Electricity purchased (kWh) (Page 9)
 - b) Preferential Procurement in South Africa – BEE total spend (South African Rands) (Page 8)

Limited assurance

- The following identified sustainable development information in the Report was selected for an expression of limited assurance:
 - a) Housing and living conditions in South Africa – conversion from sharing to single occupancy rooms (Page 9)
 - b) Local Economic Development (LED) spend (South African Rands) (Page 9)
 - c) Water used for primary activity (kilolitres) (Page 9)
 - d) Volumes of mineral waste disposed (tonnes) (Page 9)
 - e) Lost Time Injury Frequency Rate (LTIFR) (Page 9)
 - f) Silicosis – number of new cases identified (Page 9)
 - g) Critical skills training – number of people trained (Page 9)
 - h) Employment equity in management in South Africa (Page 9)

We refer to this information as the "Subject Matter Selected for Reasonable Assurance" and the "Subject Matter Selected for Limited Assurance", respectively, and collectively as the "Selected Identified Sustainable Development Information".

We have not carried out any work on data reported for prior reporting periods except for data that was included in the prior year's assurance scope, nor have we performed work in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Selected Identified Sustainable Development Information.

Respective responsibilities of the Directors and PricewaterhouseCoopers Inc.

Harmony's Directors are responsible for the selection, preparation and presentation of the Selected Identified Sustainable Development Information in accordance with Harmony's internally defined procedures set out in the Glossary of terms and acronyms on Page 150 (the "Reporting Criteria") and for the development of the Reporting Criteria. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the Selected Identified Sustainable Development Information that are free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent conclusion, based on our assurance procedures, on whether the Subject Matter Selected for Reasonable Assurance has been prepared, in all material respects, in accordance with the Reporting Criteria.

We further have a responsibility to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Subject Matter Selected for Limited Assurance is not stated, in all material respects, in accordance with the Reporting Criteria.

This report, including the conclusions, has been prepared solely for the Directors of Harmony as a body, to assist the Directors in reporting on Harmony's sustainable development performance and activities. We permit the disclosure of this report within the Report for the year ended 30 June 2012, to enable the Directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and Harmony for our work or this report save where terms are expressly agreed and with our prior consent in writing.

Assurance work performed

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board ("ISAE 3000"). This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain either reasonable or limited assurance on the Selected Identified Sustainability Information as per the terms of our engagement.

Our work included examination, on a test basis, of evidence relevant to the Subject Matter Selected for Reasonable Assurance. It also included an assessment of the significant estimates and judgements made by the Directors in the preparation of the Subject Matter Selected for Reasonable Assurance. We planned and performed our work so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the Subject Matter Selected for Reasonable Assurance.

Our work in respect of the Subject Matter Selected for Reasonable Assurance included the following procedures:

- reviewing the processes that Harmony have in place for determining the Selected Identified Sustainable Development Information included in the Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Selected Identified Sustainable Development Information;
- conducting interviews with management at corporate head office;
- evaluating the data generation and reporting processes against the Reporting Criteria;
- performing key controls testing and testing the accuracy of data reported on a sample basis at seven of the 13 operational sites; and
- reviewing the consistency between the Selected Identified Sustainable Development Information and related statements in Harmony's Report.

Our procedures relating to the Subject Matter Selected for Limited Assurance primarily comprised:

- reviewing the processes that Harmony have in place for determining the Selected Identified Sustainable Development Information included in the Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Selected Identified Sustainable Development Information;
- conducting interviews with management at corporate head office;

- evaluating the data generation and reporting processes against the Reporting Criteria;
- performing key controls testing and testing the accuracy of data reported on a sample basis at four of the 13 operational sites; and
- reviewing the consistency between the Selected Identified Sustainable Development Information and related statements in Harmony's Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Selected Identified Sustainable Development Information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the Selected Identified Sustainable Development Information in order to design procedures that are appropriate in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Report in the context of the Reporting Criteria.

In particular, where the information relies on factors derived by independent third parties such as laboratory test results, our assurance work has not included examination of the derivation of those factors and other third party information.

Conclusions

Reasonable assurance

Based on the results of our procedures, in our opinion, the Subject Matter Selected for Reasonable Assurance for the year ended 30 June 2012, has been prepared, in all material respects, in accordance with the Reporting Criteria.

Limited assurance

Based on the results of our procedures nothing has come to our attention that causes us to believe that the Subject Matter Selected for Limited Assurance for the year ended 30 June 2012, has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Other matter

The maintenance and integrity of Harmony's website is the responsibility of Harmony's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on the Harmony website.



PricewaterhouseCoopers Inc.

Director: Wessie van der Westhuizen

Registered Auditor
Johannesburg
25 October 2012

Your feedback is important to us – it will help shape the content of the next report to ensure the information remains relevant to all our stakeholders. Simply complete this form and send to Corporate@harmony.co.za.

1 Personal details

Name: * _____
 Organisation: _____
 Tel: * _____
 Fax: _____
 E-mail address: * _____
 Postal address: _____

2 What is your association with Harmony?

Employee
 Analyst
 Shareholder
 Journalist
 Community member
 Non-governmental/community-based organisation
 Student
 Business partner
 Supplier
 Government representative
 Other – please specify: _____

6 What are your areas of interest in this report?

Economic performance
 Social performance
 Safety and health
 HIV and Aids
 Employment
 Community
 Environmental performance

7 Were our material issues and responses clearly communicated?

Yes
 No

3 How did you become aware of our report?

Via the company website
 E-mail link sent to you
 Through the media
 Other – please specify: _____

8 Did you use the Global Reporting Initiative GRI guidelines as a reference?

Yes
 No

9 Does the fact that the report is independently assured give you confidence on the accuracy and relevance of the information?

Yes
 No

4 Have you read any of Harmony's previous reports?

Yes
 No

10 Do you have any other comments on the report?

5 How would you describe the report?

Too much information
 Not enough information
 Other – please specify: _____

* Required.

Directorate and administration

Harmony sustainable development report 2012

Harmony Gold Mining Company Limited

Corporate office
Randfontein Office Park
PO Box 2, Randfontein, 1760
South Africa
Corner Main Reef Road and Ward Avenue
Randfontein, 1759
South Africa
Telephone: +27 11 411 2000
Website: www.harmony.co.za

Directors

PT Motsepe* (chairman)
M Motloba*^ (deputy chairman)
FFT De Buck*^ (lead independent director)
GP Briggs (chief executive officer)
F Abbott (financial director)
HE Mashego (executive director)
JA Chissano*¹^
KV Dicks*^
Dr DS Lushaba*^
C Markus*^
M Msimang*^
J Wetton*^
AJ Wilkens*
* *Non-executive*
^ *Independent*
¹ *Mozambican*

Investor relations

E-mail: harmonyIR@harmony.co.za
Henrika Basterfield
Investor Relations Manager
Telephone: +27 11 411 2314
Fax: +27 11 692 3879
Mobile: +27 82 759 1775
E-mail: henrika@harmony.co.za
Marian van der Walt
Executive: Corporate and Investor Relations
Telephone: +27 11 411 2037
Fax: +27 86 614 0999
Mobile: +27 82 888 1242
E-mail: marian@harmony.co.za

Company secretary

Riana Bisschoff
Telephone: +27 11 411 6020
Fax: +27 11 696 9734
Mobile: +27 83 629 4706
E-mail: riana.bisschoff@harmony.co.za

South African share transfer secretaries

Link Market Services South Africa (Proprietary) Limited
(Registration number 2000/007239/07)
13th Floor, Rennie House
Ameshoff Street
Braamfontein
PO Box 4844
Johannesburg, 2000
South Africa
Telephone: +27 86 154 6572
Fax: +27 86 674 4381

United Kingdom registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom
Telephone: 0871 664 0300 (UK)
(calls cost 10p a minute plus network extras,
lines are open 09:00 to 17:30, Monday to Friday)
or +44 (0) 20 8639 3399 (calls from overseas)
E-mail: shareholder.services@capitaregistrars.com

ADR depository

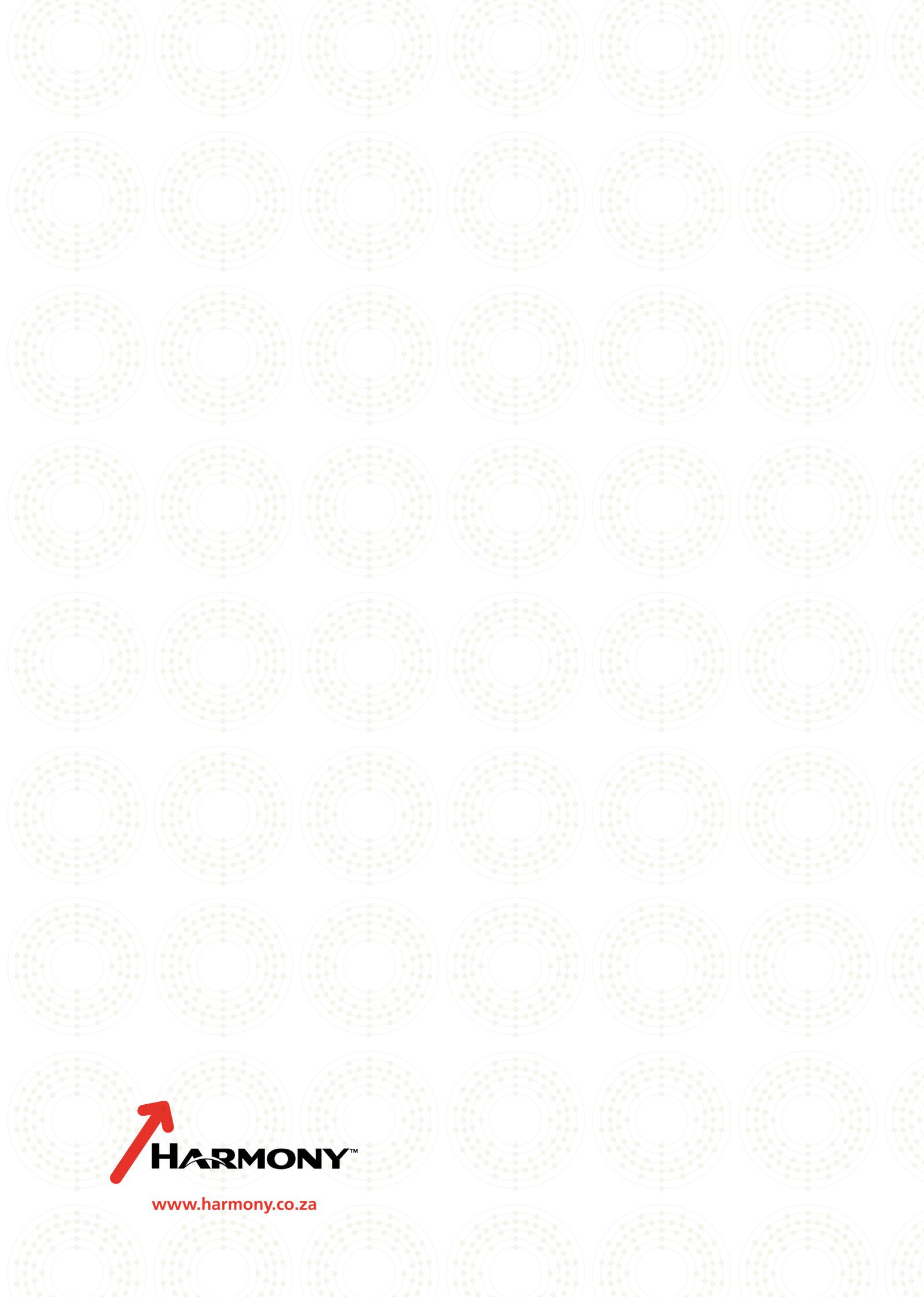
Deutsche Bank Trust Company Americas
c/o American Stock Transfer and Trust Company
Peck Slip Station
PO Box 2050
New York, NY 10272-2050
E-mail queries: db@amstock.com
Toll free: +1-800-937-5449
Int: +1-718-921-8137
Fax: +1-718-921-8334

Sponsor

JP Morgan Equities Limited
1 Fricker Road, corner Hurlingham Road
Illovo, Johannesburg, 2196
Private Bag X9936, Sandton, 2146
Telephone: +27 11 507 0300
Fax: +27 11 507 0503

Trading symbols

JSE Limited: HAR
New York Stock Exchange, Inc: HMY
Euronext, Brussels: HMY
Berlin Stock Exchange: HAM1
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Incorporated in the Republic of South Africa
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