

SOCIAL AND ETHICS COMMITTEE CHAIRMAN'S REPORT

APPROACH TO SUSTAINABILITY



Modise Motloba

Independent non-executive
deputy chairman

Chairman, social and ethics committee

As the chairman of the social and ethics committee, I am again honoured to report on the matters within this committee's mandate for the year ended 30 June 2015, in accordance with the Companies Act 71 of 2008 (the Act). This committee is established in terms of section 72 and regulation 43 of the Act and complies with its requirements and those regulations pertaining to the composition and functions of a social and ethics committee. As a statutory requirement, our social and ethics committee is established by the board and fulfils its functions on behalf of Harmony and its subsidiary companies. For more information on the composition of this committee, refer to the Corporate Governance section on page 172.

The committee is cognisant of its duties and is committed to aligning Harmony with the socio-economic transformational agendas of our host countries. We aim to leave lasting legacies for our employees, for our operations' host communities and for the countries in which we operate.

PURPOSE AND ROLE

As a committee, we assist the board in ensuring that Harmony remains a committed and responsible corporate citizen. This is done by overseeing and monitoring the company's policies and activities on public safety, health, social investment, economic investment, labour relations, ethics, government relations and environmental management. The terms of reference of this committee are available at www.harmony.co.za/sustainability/governance#policies.

The social and ethics committee is confident that during the past financial year it complied with the legal, regulatory and other responsibilities assigned to it by the board.

APPROACH TO SUSTAINABILITY

Sustainable development is woven into the way we do business. It is at the core of Harmony's strategy and value proposition.

At Harmony, we work to ensure that we leave lasting legacies, tangible impacts that extend beyond the lives of our mines and that they are aligned with the legitimate expectations of our stakeholders. We continue to interact with our various stakeholders and aim to satisfy their needs to the best of our ability. The process of communicating and engaging with our stakeholders helps to develop and sustain mutually beneficial relationships.

In terms of our stakeholder engagement policy, the subject of our engagement is determined by those matters that are of material significance to our stakeholders, and is based on a thorough understanding of their views, needs, perceptions and expectations. Our five core values underpin all stakeholder engagement. The social and ethics committee has reviewed the stakeholder engagement policy to ensure that it remains up to date and relevant in the current climate in which our company is operating.

We appreciate that our business is long-term and that our presence within, and our commitment to, our host communities will span the next few decades. We also recognise, that social, economic, political and environmental risks are becoming increasingly challenging and significant, and that Harmony must succeed in creating value for all its stakeholders.

ACTIONS IN FY15

The committee, which undertakes its duties with accountability both to the board and to the company's stakeholders, met five times during the past financial year and attended one site visit during the year. The committee's key activities are summarised in the corporate governance report on page 172.

PUBLIC SAFETY

The board reviewed the committee's responsibility in terms of the Act with regard to the monitoring of public safety and in future, the committee will receive and review quarterly reports on public safety from management. The committee is, however, satisfied that during FY15, the technical committee (as duly mandated by the board), sufficiently monitored and interrogated the company's continued efforts to improve employee safety – Harmony's top priority. The technical committee ensured we were fully informed regarding policy interventions underpinning our safety strategy and we are comfortable that this robust strategy will continue to deliver the expected improvements in safety across the group. For a detailed discussion on safety, please refer to pages 58 to 64 of this report.

MINING CHARTER TARGETS

The Mining Charter was developed to assist in transforming the South African mining industry with 2014 set as the deadline for final compliance.

Harmony submitted reports per mining licence to the Department of Mineral Resources on its progress made in achieving targets specified by the Mining Charter. The reports focused on eight pillars, namely reporting, ownership, housing and living conditions, procurement and enterprise development, employment equity, human resources development, mine community development, sustainable development and growth.

Harmony's reports to the Department of Mineral Resources underscored our commitment to transformation and demonstrated good performance against all of the key parameters measured. Our key challenges in FY15 were that we were unable to comply fully with the targets for housing and living conditions and for procurement spend on services for the Doornkop mining licence. For more information refer to page 98 of this report.

When it comes to transforming our workforce, we have met all the group-wide targets, with the appropriate number of historically disadvantaged South Africans employed at all levels of management as well as of women in mining. We are currently undertaking additional work to ensure that we are fully transformed at an operational level too. For more on this see page 85.

To formalise our commitment to the Mining Charter, we have produced and adhered to social and labour plans for each of our operations. In the financial year under review, we continued to deliver projects in line with both our commitments and with the expectations of the regulators and our host communities. For more on our social and labour plan projects see page 87.

Although amendments to the Mineral and Petroleum Resources Development Act had been approved by parliament, the proposed bill was returned to the National Assembly for further review by the President in February this year, on the advice of the then Minister of Mineral Reserves. The outcome of the related review of the Mining Charter has also been postponed. While we await further announcements, Harmony continues to negotiate with government through the Chamber of Mines, which is representing the gold mining sector.

BUILDING RELATIONSHIPS WITH OUR EMPLOYEES

We endeavour to have sound, lasting relationships with our employees, who make up the Harmony family. The safety and well-being of our employees remains paramount with safety interventions and proactive healthcare being our main focus. Harmony finds that engaged employees who share a common vision for the company and for the country are more successful in delivering the objectives of the company. Therefore communications at all tiers in the organisation were enhanced to sustain dialogue within the company to ensure that our operations were peaceful during the past year. We recognise that employee engagement is a material issue and remain vigilant and proactive in this regard. For more on our employee relations see page 79.

On 2 October 2015, Harmony signed a three-year wage agreement with all unions except with the Association of Mineworkers and Construction Union. As the agreement was reached with unions representing the majority of employees at Harmony, the agreement was extended to all employees.

SOCIAL AND ETHICS COMMITTEE

CHAIRMAN'S REPORT CONTINUED

Our commitment to engage honestly and appropriately extends to all relevant stakeholders. For more on our stakeholder engagement see page 52.

ENVIRONMENTAL MANAGEMENT

Environmental management, particularly relating to our rehabilitation plans, remains central to sustainability. Our resources, much like the lifespan of our business, are not infinite.

This year saw the continuation of the rehabilitation programme which further reduces our total mining footprint, progression of the bio-energy project, development of solar parks and the establishment of a partnership for agriculture in respect of food security. All these projects are designed to deliver ecological benefits while supporting the socio-economic imperatives of job creation and entrepreneurial development.

ASSURANCE AND REPORTING

Each year we review issues across the group to establish how relevant they are to the reporting period. This assists in identifying our material issues and our sustainability-related key performance indicators which, in turn, affect our level of assurance. The current review again indicated that our assurance levels are more than adequate but, in an effort to improve them steadily, we have decided to move local economic development and employment equity from a limited level of assurance to a reasonable level of assurance. In addition, the total number of incidents and accidents was added to the list of key performance indicators to be assured on a limited basis.

Papua New Guinea is included in the annual sustainability assurance scope, except where it is explicitly excluded. For FY15, Papua New Guinea was excluded for assurance of the housing and living conditions, procurement spend, number of certified silicosis cases, number of people trained for critical positions and employment equity key performance indicators.

This year we continued with the voluntary disclosure guidelines of the Global Reporting Initiative as we believe, particularly in areas relating to sustainability, this continues to add value to our reporting. Consequently, our online integrated report is produced in line with G4 recommendations.

I confirm that Harmony did not incur any material fines, convictions or penalties in any of the areas that fall within the mandate of the committee. There was also no material non-compliance with any legislation, regulations or codes within these areas during FY15.

ETHICS

We believe ethical conduct is a prerequisite for doing business. There is a direct correlation between sustainable business success and consistent ethical behaviour. The continued success of our company depends on the highest levels of integrity across all aspects of our business. We want all our stakeholders to view Harmony as a company they can trust – therefore we are unequivocal about our values and the way in which these values find expression in our daily behaviour. Following the latest financial year-end, our code of ethics and code of conduct were developed further and updated during August 2015 to renew our commitment and responses to the challenge of unethical conduct in business. For more on these codes refer to page 180 of this report.

THANKS

We continue to make considerable progress on our journey toward sustainable development with tangible benefits for all stakeholders. The commitment of our people to safety, health, governance and environmental issues is commendable and for that I thank you. My sincere appreciation goes to members of the social and ethics committee and the board for their continued and invaluable guidance, support and input.

Modise Motloba

Chairman: social and ethics committee

23 October 2015