

CHAIRMAN'S VISION



“Gold continues to be viewed as a safe-haven investment. We remain positive on the outlook for gold in the prevailing uncertain and volatile macro environment. We believe this rising trend will continue.”

DR PATRICE MOTSEPE
Chairman

DEAR SHAREHOLDERS AND STAKEHOLDERS

The Covid-19 pandemic significantly affected Harmony’s operations, gold production and employees in the last quarter of the financial year to June 2020 (FY20), following the South African government’s imposed temporary closures on underground mines as part of the nation-wide lockdown.

Harmony has successfully contained the spread of the virus throughout its operations in collaboration with the Department of Mineral Resources and Energy, labour unions, the Minerals Council South Africa and our employees. All our employees are now back at work and we have resumed full production.

The impact of the pandemic reduced gold production by 11% compared to the previous year, resulting in a loss in revenue of approximately R4 billion (US\$255 million), turning a potential profit of more than R3 billion (US\$192 million) to a net loss for the period of R850 million (US\$54 million).

Despite these challenges, Harmony delivered on the strategic growth objectives set in FY16, which are, *inter alia*, to:

- increase production to around 1.5Moz per year
- add quality ounces to reduce all-in sustaining costs

The acquisition of Mponeng and Mine Waste Solutions from AngloGold Ashanti Limited (AngloGold Ashanti) will increase our production by

350 000 ounces a year to more than 1.5Moz and improve our profit margins. We thank our shareholders for participating in the equity capital raise of US\$200 million in June 2020 to fund the acquisition of these assets.

We recorded a remarkable increase in our share price, which was 126% higher year on year by end June 2020, resulting in a market capitalisation of R43.3 billion (US\$2.5 billion). Harmony was also included in the FTSE-JSE Africa Top 40 in September 2020.

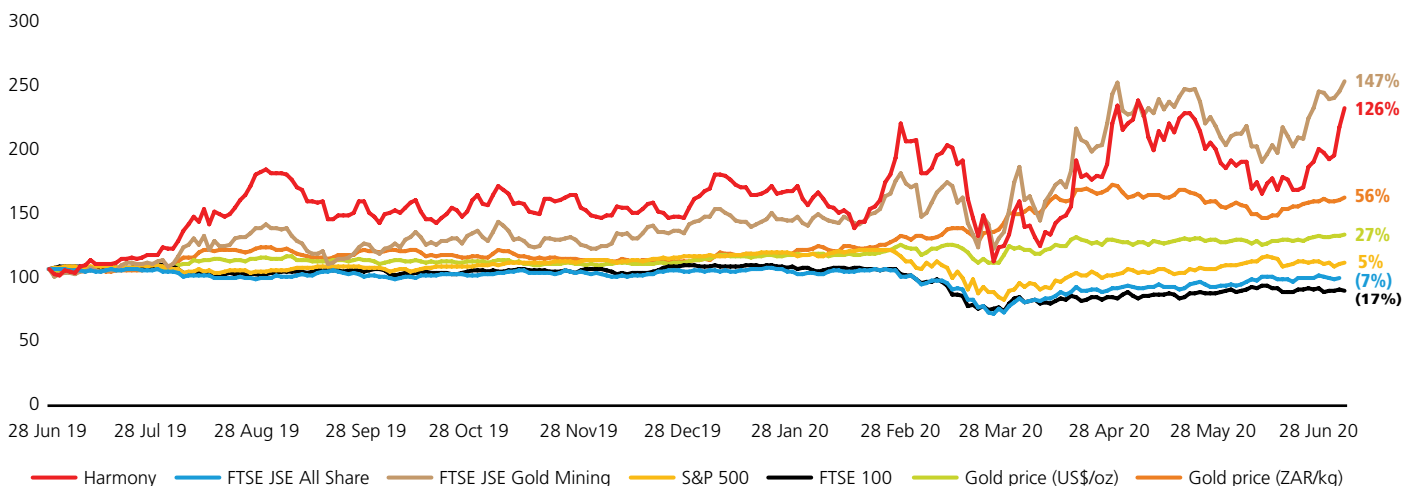
Gold continues to be viewed as a safe-haven investment. We remain positive on the outlook for gold in the prevailing uncertain and volatile macro environment. We believe this rising trend will continue. For Harmony, this comes at an opportune time as we assume ownership of the Mponeng and Mine Waste Solutions assets from AngloGold Ashanti.

We remain committed to organic and acquisitive growth. Harmony will continue to focus on securing the renewal of Hidden Valley’s mining licence and the special mining lease for the Wafi-Golpu joint venture in Papua New Guinea.

Maintaining a safe and healthy work environment

The safety and health of all our employees is our primary responsibility. We are committed to ensuring that the work environment is safe and that every employee goes home, every day, in a healthy condition.

SHARE PRICE PERFORMANCE IN VARIOUS INDICES – JUNE 2019 TO JUNE 2020



Source: Factset

Regrettably, six employees died during the year in work-related incidents. We extend our sincere condolences to their families, friends and colleagues. The proactive behavioural safety journey we embarked upon in 2016 to improve the culture of safety continues to be our key strategic imperative.

Investing in our employees

We provide work for approximately 40 000 employees. Most of our employees reside in communities surrounding our operations and our relationships with our employees and their representative trade unions are good and constructive.

Despite the increased demands of Covid-19, we continued to allocate resources for the health and well-being of our employees and invested approximately R458 million (US\$29 million) in employee training, development and career advancement.

Harmony's commitment to its host communities

We recognise that the improvement in the living conditions of our host communities is vital to the stability and sustainability of our business. Our local community development projects include recent land donations in the Free State and the restoration of provincial roads in Welkom and Virginia.

The pandemic created a new range of challenges for our host communities, particularly for those communities most in need. We focused on providing Covid-19 public awareness campaigns, many of which were extensions of awareness campaigns directed at our employees. We also provided food, hygiene products and funded income-generating projects such as the manufacture of masks.

In FY20, we invested R112 million (US\$7 million) in community development and upliftment projects, and corporate social investment. In addition to allocating resources which were focused on Covid-19, we concentrated on providing infrastructure and supporting enterprise development for small, medium and micro businesses.

In both South Africa and Papua New Guinea, we supported agricultural projects which were led by women and the youth. In the past two years, R49 million (US\$3 million) was invested in agricultural projects in our host communities.

Harmony pays significant taxes and royalties in the countries where we operate, with total contributions of about R248 million (US\$16 million) in South Africa and about R94 million (US\$6 million) in Papua New Guinea in FY20. We also paid R11.7 billion (US\$744 million) in wages and salaries, and spent R14.2 billion (US\$907 million) on local procurement.

For more information about our socio-economic development initiatives, see *Socio-economic development – uplifting communities*.

The South African gold-mining industry

In calendar year 2019, the South African industry employed 95 130 people and paid R24.3 billion (US\$1.7 billion) in wages, salaries and employee benefits. With total gold sales of R72.6 billion (US\$5.0 billion), the industry contributed R361 billion (US\$25 billion) to the country's gross domestic product (GDP).

Harmony was established approximately 70 years ago and continues its strategy in South Africa of acquiring mature mines, extending their lives, saving jobs and creating sustainable value. This is a very important and essential role in uplifting and improving the living conditions and standard of living of many South Africans.

Our commitment to the environment and its resources

In FY20, Harmony continued to apply global good practice in managing our scarce natural resources with initiatives recognised by global agencies.

Climate change is one of the most critical global challenges of our time and will have a lasting impact on businesses, communities and the world. We are committed to continue participating in the global response to reduce carbon emissions and mitigate the physical impacts of climate change.

Reducing our carbon footprint remains an important focus. In South Africa, we are well advanced in our efforts to seek augmenting national grid power with renewable alternatives.

We have made good progress in reducing the volumes of potable water used in our processing systems by substituting this with treated grey water and improving the efficiency of our recycling circuits. Containing dust from tailings dams continues to be addressed through ongoing vegetation and mining land is being rehabilitated for redevelopment.

For more on our environmental management activities, see *Environmental management and stewardship*.

Commitment to good governance

Our board formulates robust governance standards and ensures that these are enforced in order to conduct our business ethically and in line with good global practice.

The range and depth of expertise on Harmony's board has been invaluable as we navigate the unprecedented Covid-19 pandemic and the current social, political, economic and environmental challenges.

During the year under review, we appointed Ms Boipelo Lekubo to the board as our financial director, succeeding Mr Frank Abbott. I welcome Boipelo to the board and would like to express our gratitude to Frank Abbott for the outstanding leadership he provided as our finance director.

On 30 September 2020, we announced the resignations of Mr Ken Dicks and Mr Max Sisulu as independent non-executive directors. We thank Max and Ken for their contribution during their tenure and wish them all of the best.

For further details, refer to the *corporate governance review* on page 128 of this report.

My gratitude

It has been a particularly demanding year in the face of Covid-19. It is a credit to our employees that they have adapted very well to the unusual Covid-19 challenges and its impact on their work environment.

My deep gratitude goes to our employees, our host communities, our shareholders and all other stakeholders for their support and cooperation over the past financial year.

I would also thank our chief executive officer, Peter Steenkamp, and his management team for their leadership, hard work and contribution to the success and growth of Harmony.

Dr Patrice Motsepe
Chairman

23 October 2020