As filed with the Securities and Exchange Commission on October 29, 2020

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended 30 June 2020
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report
For the transition period from___ to___
Commission file number: 001 — 31545

HARMONY GOLD MINING COMPANY LIMITED

(Exact name of registrant as specified in its charter)
REPUBLIC OF SOUTH AFRICA
(Jurisdiction of incorporation or organization)
RANDFONTEIN OFFICE PARK, CNR WARD AVENUE AND MAIN REEF ROAD,
RANDFONTEIN, SOUTH AFRICA, 1759
(Address of principal executive offices)

Shela Mohatla, Group Company Secretary
Tel: +27 11 411 2359, shela.mohatla@harmony.co.za, fax: +27 11 696 9734,
Randfontein Office Park, CNR Ward Avenue and Main Reef Road, Randfontein, South Africa, 1759
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Ordinary shares, with no par value per share*	n/a*	New York Stock Exchange*
American Depositary Shares (as evidenced by American Depositary Receipts), each representing one ordinary share	HMY	New York Stock Exchange

* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None
The number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the last full fiscal year covered by this Annual Report was 603,142,706 ordinary shares, with no par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. YES ☒ NO ☐

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "accelerated filer and large accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. YES ☒ NO ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP ☐ International Financial Reporting Standards as issued by the International Accounting Standards Board ☒ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. YES ☐ NO ☐

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This document comprises the annual report on Form 20-F for the year ended June 30, 2020 ("**Harmony 2020 Form 20-F**") of Harmony Gold Mining Company Limited ("**Harmony**" or the "**Company**"). Certain of the information in the Harmony Integrated Annual Report 2020 included in Exhibit 15.1 ("**Integrated Annual Report for the 20-F 2020**") is incorporated by reference into the Harmony 2020 Form 20-F, as specified elsewhere in this report, in accordance with Rule 12b-23(a) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). With the exception of the items so specified, the Integrated Annual Report for the 20-F 2020 is not deemed to be filed as part of the Harmony 2020 Form 20-F.

Only (i) the information included in the Harmony 2020 Form 20-F, (ii) the information in the Integrated Annual Report for the 20-F 2020 that is expressly incorporated by reference in the Harmony 2020 Form 20-F and (iii) the exhibits to the Harmony 2020 Form 20-F that are required to be filed pursuant to the Form 20-F (the "**Exhibits**"), shall be deemed to be filed with the Securities and Exchange Commission ("**SEC**") for any purpose. Any information in the Integrated Annual Report for the 20-F 2020 which is not referenced in the Harmony 2020 Form 20-F or filed as an Exhibit, shall not be deemed to be so incorporated by reference.

Financial and other material information regarding Harmony is routinely posted on and accessible at the Harmony website, *www.harmony.co.za*. No material referred to in this annual report as being available on our website is incorporated by reference into, or forms any part of, this annual report. References herein to our website shall not be deemed to cause such incorporation.

USE OF TERMS AND CONVENTIONS IN THIS ANNUAL REPORT

Harmony Gold Mining Company Limited is a corporation organized under the laws of the Republic of South Africa. As used in this Harmony 2020 Form 20-F, unless the context otherwise requires, the terms "**Harmony**" and "**Company**" refer to Harmony Gold Mining Company Limited; the term "**South Africa**" refers to the Republic of South Africa; the terms "**we**", "**us**" and "**our**" refer to Harmony and, as applicable, its direct and indirect subsidiaries as a "**Group**".

In this annual report, references to "**R**", "**Rand**" and "**c**", "**cents**" are to the South African Rand, the lawful currency of South Africa, "**A$**" and "Australian dollars" refers to Australian dollars, "**K**" or "**Kina**" refers to Papua New Guinean Kina and references to "**$**", "**US$**" and "**US dollars**" are to United States dollars.

This annual report contains information concerning our gold reserves. While this annual report has been prepared in accordance with the regulations contained in the SEC's Industry Guide 7, it is based on assumptions which may prove to be incorrect. See Item 3: *"Key Information - Risk Factors - Estimations of Harmony's reserves are based on a number of assumptions, including mining and recovery factors, future cash costs of production, exchange rates, and relevant commodity prices. As a result, metals produced in future may differ from current estimates."*

This annual report contains descriptions of gold mining and the gold mining industry, including descriptions of geological formations and mining processes. We have explained some of these terms in the Glossary of Mining Terms included in this annual report. This glossary may assist you in understanding these terms.

All references to websites in this annual report are intended to be inactive textual reference for information only and information contained in or accessible through any such website does not form a part of this annual report.

PRESENTATION OF FINANCIAL INFORMATION

We are a South African company and the majority of our operations are located in our home country. Accordingly, our books of account are maintained in South African Rand and our annual financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). This annual report includes our consolidated financial statements prepared in accordance with IFRS presented in the functional currency of the Company, being South African Rand. All financial information, except as otherwise noted, is stated in accordance with IFRS.

In this annual report, we also present "cash costs", "cash costs per ounce", "cash costs per kilogram" "all-in sustaining costs", "all-in sustaining costs per ounce" and "all-in sustaining costs per kilogram", which are non-GAAP measures. An investor should not consider these items in isolation or as alternatives to production costs, cost of sales or any other measure of financial performance presented in accordance with IFRS. The calculation of cash costs, cash costs per ounce/kilogram, all-in sustaining costs and all-in sustaining costs per ounce/kilogram may vary significantly among gold mining companies and, by themselves, do not necessarily provide a basis for comparison with other gold mining companies. For further information, see Item 5: *"Operating and Financial Review and Prospects - Costs - Reconciliation of Non-GAAP Measures"*. We have included the US dollar equivalent amounts of certain information and transactions in Rand, Kina and A$. Unless otherwise stated, we have translated assets and liabilities at the spot rate for the day, while the US$ equivalents of cash costs and all-in sustaining costs have been translated at the average rate for the year (R15.66 per US$1.00 for fiscal 2020, R14.18 per US$1.00 for fiscal 2019 and R12.85 per US$1.00 for fiscal 2018). By including these US dollar equivalents in this annual report, we are not representing that the Rand, Kina and A$ amounts actually represent the US dollar amounts, as the case may be, or that these amounts could be converted at the rates indicated.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of the safe harbor provided by Section 21E of the Exchange Act and Section 27A of the Securities Act of 1933, as amended (the "**Securities Act**"), with respect to our financial condition, results of operations, business strategies, operating efficiencies, competitive positions, growth opportunities for existing services, plans and objectives of management, markets for stock and other matters.

These forward-looking statements, including, among others, those relating to our future business prospects, revenues, and the potential benefit of acquisitions (including statements regarding growth and cost savings) wherever they may occur in this annual report and the exhibits to this annual report, are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set forth in this annual report. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

- overall economic and business conditions in South Africa, Papua New Guinea, Australia and elsewhere (including as a result of the coronavirus disease ("**COVID-19**") pandemic);
- estimates of future earnings, and the sensitivity of earnings to gold and other metals prices;
- estimates of future gold and other metals production and sales;
- estimates of future cash costs;
- estimates of future cash flows, and the sensitivity of cash flows to gold and other metals prices;
- estimates of provision for silicosis settlement and the spread of other contagious diseases, such as COVID-19;
- estimates of future tax liabilities under the Carbon Tax Act (as defined below);

- statements regarding future debt repayments;
- estimates of future capital expenditures;
- the success of our business strategy, exploration and development activities and other initiatives;
- future financial position, plans, strategies, objectives, capital expenditures, projected costs and anticipated cost savings and financing plans;
- estimates of reserves statements regarding future exploration results and the replacement of reserves;
- the ability to achieve anticipated efficiencies and other cost savings in connection with past and future acquisitions, as well as at existing operations;
- fluctuations in the market price of gold;
- the occurrence of hazards associated with underground and surface gold mining;
- the occurrence of labor disruptions related to industrial action or health and safety incidents;
- power cost increases as well as power stoppages, fluctuations and usage constraints;
- supply chain shortages and increases in the prices of production imports and the availability, terms and deployment of capital;
- our ability to hire and retain senior management, sufficiently technically-skilled employees, as well as our ability to achieve sufficient representation of historically disadvantaged persons in management positions;
- our ability to comply with requirements that we operate in a sustainable manner and provide benefits to affected communities;
- potential liabilities related to occupational health diseases;
- changes in government regulation and the political environment, particularly tax and royalties, mining rights, health, safety, environmental regulation and business ownership including any interpretation thereof; court decisions affecting the mining industry, including, without limitation, regarding the interpretation of mining rights;
- our ability to protect our information technology and communication systems and the personal data we retain;
- risks related to the failure of internal controls;
- the outcome of pending or future litigation or regulatory proceedings;
- fluctuations in exchange rates and currency devaluations and other macroeconomic monetary policies;
- the adequacy of the Group’s insurance coverage;
- any further downgrade of South Africa's credit rating; and
- socio-economic or political instability in South Africa, Papua New Guinea and other countries in which we operate.

The foregoing factors and others described under “Risk Factors” should not be construed as exhaustive.

We undertake no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events, except as required by law. All subsequent written or oral forward-looking statements attributable to Harmony or any person acting on its behalf are qualified by the cautionary statements herein.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The selected consolidated financial data below should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements, and the notes thereto, set forth beginning on page F-1, and with Item 3: “Key Information - Risk Factors” and Item 5: “Operating and Financial Review and Prospects”. Historical results are not necessarily indicative of results to be expected for any future period.

Selected Historical Consolidated Financial Data

We are a South African company and the majority of our operations are located in our home country. Accordingly, our books of account are maintained in South African Rand and our annual financial statements are prepared in accordance with IFRS. This annual report includes our consolidated financial statements prepared in accordance with IFRS, presented in the functional currency of the Company, being South African Rand. The selected historical consolidated income statement and balance sheet data for the last five fiscal years are, unless otherwise noted, stated in accordance with IFRS, and have been extracted from the more detailed information and financial statements prepared in accordance with IFRS. The financial data as at June 30, 2020 and 2019 and for each of the years in the three-year period ended June 30, 2020 should be read in conjunction with, and is qualified in its entirety by reference to our audited consolidated financial statements set forth beginning on page F-1. Financial data as at June 30, 2018, 2017 and 2016 and for the years ended June 30, 2017 and 2016 have been derived from our consolidated financial statements, which are not included in this document.

On July 1, 2019, IFRS 16 *Leases* became effective. See note 2 "*Accounting Policies*" and note 28 *"Leases*" in our consolidated financial statements beginning on page F-1.

	Fiscal year ended June 30,				
	2020	2019	2018	2017	2016
	(Rand in millions, except per share amounts, cash costs per kilogram and ounce and all-in sustaining costs per kilogram and ounce)				
Income Statement Data					
Revenue	29,245	26,912	20,452	19,494	18,667
(Impairment)/reversal of impairment of assets	—	(3,898)	(5,336)	(1,718)	43
Operating profit/(loss)	(358)	(2,538)	(4,660)	(944)	1,592
Gain on bargain purchase	—	—	—	848	—
Profit/(loss) from associates	94	59	38	(22)	7
Profit/(loss) before taxation	(595)	(2,746)	(4,707)	(148)	1,581
Taxation	(255)	139	234	510	(632)
Net profit/(loss)	(850)	(2,607)	(4,473)	362	949
Basic earnings/(loss) per share (SA cents)	(164)	(498)	(1,003)	82	218
Diluted earnings/(loss) per share (SA cents)	(166)	(500)	(1,004)	79	213
Weighted average number of shares used in the computation of basic earnings/(loss) per share	535,336,337	523,808,934	445,896,346	438,443,540	435,738,577
Weighted average number of shares used in the computation of diluted earnings/(loss) per share	547,193,989	533,345,964	465,319,405	459,220,318	446,398,380
Dividends per share (SA cents)[1]	—	—	35	100	—
Other Financial Data					
Total cash costs per kilogram of gold (R/kg)[2]	553,513	439,722	421,260	436,917	392,026
Total cash costs per ounce of gold ($/oz)[2]	1,099	965	1,018	1,000	841
All-in sustaining costs per kilogram of gold (R/kg)[2]	651,356	550,005	508,970	516,687	467,611
All-in sustaining costs per ounce of gold ($/oz)[2]	1,293	1,207	1,231	1,182	1,003
Balance Sheet Data					
Assets					
Property, plant and equipment	29,186	27,749	30,969	30,044	29,919
Total assets	44,692	36,736	39,521	38,883	37,030
Net assets	23,375	22,614	25,382	29,291	28,179
Equity and liabilities					
Share capital	32,937	29,551	29,340	28,336	28,336
Total equity	23,375	22,614	25,382	29,291	28,179
Borrowings (current and non-current)	7,718	5,915	5,614	2,133	2,339
Other liabilities	13,599	8,207	8,525	7,459	6,512
Total equity and liabilities	44,692	36,736	39,521	38,883	37,030

1 Dividends per share relates to the dividends recorded and paid during the fiscal year.

2 Cash costs per ounce and per kilogram and all-in sustaining costs per ounce and per kilogram are non-GAAP measures. Cash costs per ounce/kilogram and all-in sustaining cost per ounce/kilogram have been calculated on a consistent basis for all periods presented. Changes in cash costs per ounce/kilogram and all-in sustaining costs per ounce/kilogram are affected by operational performance, as well as changes in the currency exchange rate between the Rand and the US dollar for the US$/ounce measures. Because cash cost per ounce/kilogram and all-in sustaining costs per ounce/kilogram are non-GAAP measures, these measures should therefore not be considered by investors in isolation or as an alternative to production costs, cost of sales, or any other measure of financial performance calculated in accordance with IFRS. The calculation of cash costs, cash costs per ounce and per kilogram, all-in sustaining costs and all-in sustaining costs per ounce and per kilogram may vary from company to company and may not be comparable to other similarly titled measures of other companies. For further information, see Item 5:"*Operating and Financial Review and Prospects-Costs-Reconciliation of Non-GAAP measures*".

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

In addition to the other information included in this annual report and the exhibits, you should also carefully consider the following factors related to our ordinary shares and ADSs. There may be additional risks that we do not currently know of or that we currently deem immaterial based on information currently available to us. Although Harmony has a formal risk policy framework in place, the maintenance and development of which is undertaken on an ongoing basis so as to help management address systematic categories of risk associated with its business operations, any of these risks could have a material adverse effect on our business, financial condition or results of operations, leading to a decline in the trading price of our ordinary shares or our ADSs. The risks described below may, in retrospect, turn out to be incomplete and therefore may not be the only risks to which we are exposed. Additional risks and uncertainties not presently known to us or that we now believe are immaterial (and have therefore not been included), could also adversely affect our business, results of operations or financial condition. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the magnitude or the significance of the individual risks.

The profitability of our operations, and cash flows generated by those operations, are affected by changes in the price of gold. A fall in the gold price below our cash cost of production and capital expenditure required to sustain production for any sustained period may lead to losses and require Harmony to curtail or suspend certain operations

Substantially all of Harmony's revenues come from the sale of gold. Historically, the market price for gold has fluctuated widely and has been affected by numerous factors, over which Harmony has no control, including:

- demand for gold for industrial uses, jewelry and investment;
- international or regional political and economic events and trends;
- strength or weakness of the US dollar (the currency in which gold prices generally are quoted) and of other currencies;
- monetary policies announced or implemented by central banks, including the US Federal Reserve;
- financial market expectations on the rate of inflation;
- changes in the supply of gold from production, divestment, scrap and hedging;
- interest rates;
- speculative activities;
- gold hedging or de-hedging by gold producers;
- actual or expected purchases and sales of gold bullion held by central banks or other large gold bullion holders or dealers; and
- production and cost levels for gold in major gold-producing nations, such as South Africa, China, the United States and Australia.

In addition, current demand and supply affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has retained its value in relative terms against basic goods in times of inflation and monetary crisis. As a result, central banks, financial institutions and individuals hold large amounts of gold as a store of value and production in any given year constitutes a very small portion of the total potential supply of gold. However, as gold has historically been used as a hedge against unstable or lower economic performance, improved economic performance may have a negative impact on the price for gold. Since the potential supply of gold is large relative to mine production in any given year, normal variations in current production will not necessarily have a significant effect on the supply of gold or its price. Uncertainty in global economic conditions has impacted the price of gold significantly since fiscal 2013 and continued to do so in fiscal 2020, and is still relevant as is evidenced by the strategic risk profile of Harmony. COVID-19 has resulted, and may continue to result, in increased volatility.

The volatility of gold prices is illustrated in the table, which shows the annual high, low and average of the afternoon London bullion market fixing price of gold in US dollars for each of the past ten years:

Annual gold price: 2010 - 2020

	Price per ounce (US$)		
Calendar year	High	Low	Average
2010	1,421	1,058	1,225
2011	1,895	1,319	1,572
2012	1,792	1,540	1,669
2013	1,694	1,192	1,411
2014	1,385	1,142	1,266
2015	1,296	1,049	1,160
2016	1,366	1,077	1,251
2017	1,346	1,151	1,253
2018	1,355	1,178	1,268
2019	1,546	1,270	1,393
2020	2,067	1,474	1,749

There was a substantial increase in the price of gold following the outbreak of COVID-19. *See "- HIV/AIDS, tuberculosis and other contagious diseases, such as COVID-19, pose risks to us in terms of productivity and costs"*. On October 22, 2020, the afternoon fixing price of gold on the London bullion market was US$1,901/oz.

While the price volatility is difficult to predict, if gold prices should fall below Harmony's cash cost of production and capital expenditure required to sustain production and remain at these levels for any sustained period, Harmony may record losses and be forced to curtail or suspend some or all of its operations, which could materially adversely affect Harmony's business, operating results and financial condition.

In addition, Harmony would also have to assess the economic impact of low gold prices on its ability to recover any losses that may be incurred during that period and on its ability to maintain adequate reserves. The use of lower gold prices in reserve calculations and life of mine plans could also result in material impairments of Harmony's investment in gold mining properties or a reduction in its reserve estimates and corresponding restatements of its reserves and increased amortization, reclamation and closure charges.

The current COVID-19 pandemic has significantly impacted the global economy and markets over the past several months and may continue to do so, which could adversely affect our business or the trading price of our ordinary shares and ADSs

Since the end of 2019, COVID-19, has spread throughout the world, and the World Health Organization declared the COVID-19 outbreak a pandemic in March 2020. No fully effective treatments or vaccines have been developed as of the date of this annual report, and such development of treatments or vaccines may take a significant amount of time. The COVID-19 pandemic and associated governmental responses have adversely affected workforces, consumer sentiment, economies and financial markets. Such adverse effects, along with decreased consumer spending, have led to a global economic downturn.

The global economy, metal prices, and financial markets have experienced significant volatility and uncertainty due to COVID-19. Our revenue is directly related to the market price of gold and other metals. Metal price volatility causes our revenue to fluctuate from period to period. This price volatility could also cause operators or developers to defer or forgo projects, which could adversely impact our future revenue. Moreover, in the ordinary course of business, we review opportunities to acquire selected precious metal producing companies or assets. Reduced economic and travel activities or illness among our management team as a result of COVID-19 could limit or delay acquisition opportunities or other business activities. In addition, economic volatility, disruptions in the financial markets, or severe price declines for gold or other metals could adversely affect our ability to obtain future debt or equity financing for acquisitions on acceptable terms. Government efforts to counter the economic effects of COVID-19 through liquidity and stimulus programs may be insufficient or ineffective in preventing or reducing the effects of a recession. It is difficult to determine the extent of the economic and market impacts from COVID-19 and the many ways in which they may negatively affect our business and the trading price of our ordinary shares and ADSs.

Foreign exchange fluctuations could have a material adverse effect on Harmony's operational results and financial condition

Gold is priced throughout the world in US dollars and, as a result, Harmony's revenue is realized in US dollars, but most of our operating costs are incurred in Rand and other non-US currencies, including the Australian dollar and Kina. From time to time, Harmony may implement currency hedges intended to reduce exposure to changes in the foreign currency exchange, which it started doing in fiscal 2016 and will continue as long as it is strategically viable. Such hedging strategies may not however be successful, and any of Harmony's unhedged exchange payments will continue to be subject to market fluctuations. Any significant and sustained appreciation of the Rand and other non-US currencies against the dollar will materially reduce Harmony's Rand revenues and overall net income, which could materially adversely affect Harmony's operating results and financial condition. See Item 11: *"Quantitative and Qualitative Disclosure about Market Risk".*

Harmony's inability to maintain an effective system of internal control over financial reporting may have an adverse effect on investors' confidence in the reliability of its financial statements

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the company's financial statements for external purposes in accordance with IFRS as issued by the IASB. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Harmony has invested in resources to facilitate the documentation and assessment of its system of disclosure controls and its internal control over financial reporting. However, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. If Harmony were unable to maintain an effective system of internal control over financial reporting, investors may lose confidence in the reliability of its financial statements and this may have an adverse impact on investors' abilities to make decisions about their investment in Harmony. See Item 15: "*Controls and Procedures*".

Harmony is exposed to the impact of any significant decreases in the commodity prices on its production. This is mitigated by commodity derivatives and hedging arrangements, but as Harmony has limitations for the volume of forward sales, commodity derivatives or hedging arrangements it may enter into for its future production, it is exposed to the impact of decreases in the commodity prices on the remainder of its unhedged production

As a rule, Harmony sells its gold and silver at the prevailing market price. In fiscal 2017, however, Harmony started a commodity derivative program. These contracts manage variability of cash flows for approximately 20% of the Group's total production over a two-year period for gold and 50% for silver. These limits can be amended from time to time. Derivative instruments that protect against the market price volatility of gold and silver may prevent us from realizing the full benefit from subsequent decreases in market prices with respect to gold and silver, however, which could cause us to record a mark-to-market loss, thus decreasing our profits. See Item 11: *"Quantitative and Qualitative Disclosure about Market Risk".*

Harmony's remaining uncovered future production may realize the benefit of any short-term increase in the commodity prices, but is not protected against decreases; if the gold or silver price should decrease significantly, Harmony's revenues may be materially adversely affected, which could materially adversely affect Harmony's operating results and financial condition.

Global economic conditions could adversely affect the profitability of Harmony's operations

Harmony's operations and performance depend on global economic conditions. Global economic conditions remain fragile with significant uncertainty regarding recovery prospects, level of recovery and long-term economic growth effects, and have been further adversely impacted by the COVID-19 pandemic. A global economic downturn may have follow-on effects on our business. These could include:

- key suppliers or contractors becoming insolvent, resulting in a break-down in the supply chain;
- a reduction in the availability of credit which may make it more difficult for Harmony to obtain financing for its operations and capital expenditures or make that financing more costly;
- exposure to the liquidity and insolvency risks of Harmony's lenders and customers; or
- the availability of credit being reduced-this may make it more difficult for Harmony to obtain financing for its operations and capital expenditure or make financing more expensive.

Coupled with the volatility of commodity prices as well as the rising trend of input costs, such factors could result in initiatives relating to strategic alignment, portfolio review, restructuring and cost-cutting, temporary or permanent shutdowns and divestments. Further, sudden changes in a life-of-mine plan or the accelerated closure of a mine may result in the recognition of impairments and give rise to the recognition of liabilities that are not anticipated.

In addition to the potentially adverse impact on the profitability of Harmony's operations, any uncertainty on global economic conditions may also increase volatility or negatively impact the market value of Harmony's securities. Any of these events could materially adversely affect Harmony's business, operating results and financial condition.

A further downgrade of South Africa's credit rating may have an adverse effect on Harmony's ability to secure financing

The slowing economy, rising sovereign debt, escalating labor disputes and the structural challenges facing the mining industry and other sectors have resulted in the downgrading of South Africa's sovereign credit ratings. At the beginning of fiscal 2018, two of the three international ratings agencies, Standard & Poor's and Fitch Ratings, rated South Africa's long-term sovereign credit rating as non-investment grade at BB+, and the third, Moody's, maintained an investment grade rating on South Africa's sovereign at Baa3. On November 24, 2017, Standard & Poor's downgraded South Africa's sovereign credit rating to BB with a stable outlook. In July 2019, Fitch Ratings affirmed its BB+ rating, but the outlook was downgraded to negative. In November 2019, Moody's affirmed its Baa3 rating, but downgraded the outlook to negative. Later that month Standard & Poor's affirmed its BB rating, but downgraded the outlook to negative. On March 27, 2020, Moody's downgraded South Africa's sovereign credit rating to non-investment grade, Ba1, maintaining a negative outlook, citing the unprecedented deterioration in the global economic outlook caused by the rapid spread of COVID-19, which is expected to exacerbate South Africa's economic and fiscal challenges and will complicate the emergence of effective policy responses. On April 3, 2020, Fitch Ratings downgraded South Africa's sovereign credit rating to BB-, maintaining a negative outlook. On April 29, 2020 Standard & Poor's downgraded South Africa's sovereign credit rating to BB-, albeit with a stable outlook. Further downgrading of South Africa's credit ratings by any of these agencies may adversely affect the South African mining industry and Harmony's business, operating results and financial condition by making it more difficult to obtain external financing or could result in any such financing being available only at greater cost or on more restrictive terms than might otherwise be available.

Estimations of Harmony's reserves are based on a number of assumptions, including mining and recovery factors, future cash costs of production, exchange rates, and the relevant commodity prices. As a result, metals produced in future may differ from current estimates

The mineral reserve estimates in this annual report are estimates of the mill-delivered quantity and grade of metals in Harmony's deposits and stockpiles. They represent the amount of metals that Harmony believes can be mined, processed and sold at prices sufficient to recover its estimated future cash costs of production, remaining investment and anticipated additional capital expenditures. Harmony's mineral reserves are estimated based on a number of factors, which have been stated in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("**SAMREC Code**") and the SEC's Industry Guide 7. Calculations of Harmony's mineral reserves are based on estimates of:

- future cash costs;
- future commodity prices;
- future currency exchange rates; and
- metallurgical and mining recovery rates.

These factors, which significantly impact mineral reserve estimates, are beyond Harmony's control. As a result, reserve estimates in this annual report should not be interpreted as assurances of the economic life of Harmony's gold and other precious metal deposits or the future profitability of operations.

Since these mineral reserves are estimates based on assumptions related to factors detailed above, should there be changes to any of these assumptions, we may in future need to revise these estimates. In particular, if Harmony's cash operating and production costs increase or the gold price decreases, recovering a portion of Harmony's mineral reserves may become uneconomical. This will lead, in turn, to a reduction in estimated reserves. Any reduction in our mineral reserves estimate could materially adversely affect Harmony's business, operating results and financial condition.

Harmony's operations have limited proved and probable reserves. Exploration for additional resources and reserves is speculative in nature, may be unsuccessful and involves many risks

Harmony's operations have limited proved and probable reserves, and exploration and discovery of new resources and reserves are necessary to maintain current gold production levels at these operations. Exploration for gold and other precious metals is speculative in nature, may be unsuccessful and involves risks including those related to:

- locating orebodies;
- geological nature of the orebodies;
- identifying the metallurgical properties of orebodies;
- estimating the economic feasibility of mining orebodies;
- developing appropriate metallurgical processes;
- obtaining necessary governmental permits; and
- constructing mining and processing facilities at any site chosen for mining.

Harmony's exploration efforts might not result in the discovery of mineralization, and any mineralization discovered might not result in an increase in resources or proved and probable reserves. To access additional resources and reserves, Harmony will need to complete development projects successfully, including extensions to existing mines and, possibly, establishing new mines. Development projects would also be required to access any new mineralization discovered by exploration activities around the world. Harmony typically uses feasibility studies to determine whether to undertake significant development projects. These studies often require substantial expenditure. Feasibility studies include estimates of expected or anticipated economic returns, which are based on assumptions about:

- future gold and other metal prices;
- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of gold and other metals from the ore; and
- anticipated total costs of the project, including capital expenditure and cash costs.

All projects are subject to project study risk. There is no certainty or guarantee that a feasibility study, if undertaken, will be successfully concluded or that the project the subject of the study will satisfy Harmony's economic, technical, risk and other criteria in order to progress that project to development.

A failure in our ability to discover new resources and reserves, enhance existing resources and reserves or develop new operations in sufficient quantities to maintain or grow the current level of our resources and reserves could negatively affect our results, financial condition and prospects.

The risk of unforeseen difficulties, delays or costs in implementing Harmony's business strategy and projects may lead to Harmony not delivering the anticipated benefits of our strategy and projects. In addition, actual cash costs, capital expenditure, production and economic returns may differ significantly from those anticipated by feasibility studies for new development projects

The successful implementation of Harmony's business strategy and projects depends upon many factors, including those outside our control. For example, the successful management of costs will depend on prevailing market prices for input costs. The ability to grow our business will depend on the successful implementation of our existing and proposed projects and continued exploration success, as well as on the availability of attractive acquisition opportunities, all of which are subject to the relevant mining and company specific risks as outlined in these risk factors.

It can take a number of years from the initial feasibility study until development of a project is completed and, during that time, the economic feasibility of production may change. In addition, there are a number of inherent uncertainties in developing and constructing an extension to an existing mine or a new mine, including:

- availability and timing of necessary environmental and governmental permits;
- timing and cost of constructing mining and processing facilities, which can be considerable;
- availability and cost of skilled labor, power, water, fuel, mining equipment and other materials;
- accessibility of transportation and other infrastructure, particularly in remote locations;
- availability and cost of smelting and refining arrangements;
- availability of funds to finance construction and development activities; and
- spot and expected future commodity prices of metals including gold, silver, copper, uranium and molybdenum.

All of these factors, and others, could result in our actual cash costs, capital expenditures, production and economic returns differing materially from those anticipated by feasibility studies.

Competition with other mining companies and individuals for specialized equipment, components and supplies necessary for exploration and development, for mining claims and leases on exploration properties and for the acquisition of mining assets also impact existing operations and potential new developments. Competitors may have greater financial resources, operational experience and technical capabilities - all of which could negatively affect the anticipated costs, which in turn could have a material adverse effect on our operating results and financial condition.

Harmony currently maintains a range of focused exploration programs, concentrating mainly on a number of prospective known gold and copper mineralized areas in the Independent State of Papua New Guinea ("**PNG**") and the Kalgold open pit operation in South Africa.

In order to maintain or expand our operations and reserve base, Harmony has sought, and may continue to seek to enter into joint ventures or to make acquisitions of selected precious metal producing companies or assets. For example, in 2018 Harmony acquired AngloGold Ashanti Limited's Moab Khotsong and Great Noligwa mines together with other assets and related infrastructure (the "**Moab Acquisition**"), and in February 2020 we announced that we would acquire the remainder of AngloGold Ashanti Limited's South African business, including the Mponeng mine and Mine Waste Solutions (Pty) Limited (the "**Mponeng Acquisition**") with an effective date from October 1, 2020. See below under "*We may experience problems in identifying, financing and managing new acquisitions or other business combination transactions and integrating them with our existing operations. We may not have full management control over future joint venture partners*". However, there is no assurance that any future development projects will extend the life of our existing mining operations or result in any new commercial mining operations. Unforeseen difficulties, delays or costs may adversely affect the successful implementation of our business strategy and projects, and such strategy and projects may not result in the anticipated benefits, which could have a material adverse effect on our results of operations, financial condition and prospects.

Risks associated with pumping water inflows from closed mines adjacent to our operations could adversely affect Harmony's operational results

Certain of our mining operations are adjacent to the mining operations of other companies. A mine closure can affect continued operations at an adjacent mine if appropriate preventative steps are not taken. In particular, this could include the ingress of underground water when pumping operations at the closed mine are suspended. This can result in damage to property, operational disruptions and additional pumping costs, which could adversely affect any one of our adjacent mining operations and, in turn could adversely affect our business, operating results and financial condition.

With the Moab Acquisition, Harmony inherited a two-thirds interest in the Margaret Water Company for all pumping and water related infrastructure at its Margaret Water Shaft. The shaft operates for the purpose of de-watering the Klerksdorp, Orkney, Stilfontein, Hartbeesfontein (**"KOSH"**) basin groundwater in order for Moab Khotsong operations and the mine operated by Kopanang Gold Mining Company Proprietary Limited (the mining company holding the remaining one–third interest in Margaret Water Company) (the only other mining company continuing operating) to remain dry and to prevent flooding of operational areas. Therefore, it remains imperative for the shaft to continue pumping water. Flooding in the future resulting from a failure in pumping and water related infrastructure could pose an unpredicted "force majeure" type event, which could result in financial liability for us, and could have an adverse impact on our results of operations and financial condition. For instance, Harmony has also conducted assessments at its Doornkop and Kusasalethu operation and the assessments conclude that there is a risk of decant post closure. Due to the interconnectivity, any long term water management solution would have to be a regional solution. Although, Harmony has installed water treatment plants at both sites for current treatment needs, which could serve as water plants for final decant should the situation arise, there can be no assurance that such plants will be sufficient to address such risks. There is also a flooding risk at operations acquired as part of the Mponeng Acquisition requiring the continuous pumping arrangement with Covalent Water Company (Pty) Limited to stay in place.

Infrastructure constraints and aging infrastructure could adversely affect Harmony's operations

Mining, processing, development and exploration activities depend on adequate infrastructure. Reliable rail, ports, roads, bridges, power sources, power transmission facilities and water supply are critical to the Company's business operations and affect capital and operating costs. The infrastructure and services are often provided by third parties whose operational activities are outside the control of the Company.

Interference to the maintenance or provision of infrastructure, including by extreme weather conditions, sabotage or social unrest, could impede our ability to deliver products on time and adversely affect our business, results of operations and financial condition.

Once a shaft or a processing plant has reached the end of its intended lifespan, higher than normal maintenance and care is required. Maintaining this infrastructure requires skilled human resources, capital allocation, management and planned maintenance. Although Harmony has implemented a comprehensive maintenance strategy, incidents resulting in production delays, increased costs or industrial accidents may occur. Such incidents may have an adverse effect on Harmony's operating results and financial condition.

Fluctuations in input production prices linked to commodities may adversely affect Harmony's operational results and financial condition

Fuel, energy and consumables, including diesel, heavy fuel oil, chemical reagents, explosives, tires, steel and mining equipment consumed in mining operations, form a relatively large part of the operating costs and capital expenditure of a mining company. Harmony has no control over the costs of these consumables, many of which are linked to some degree to the price of oil and steel.

Fluctuations in oil and steel prices have a significant impact on operating cost and capital expenditure estimates and, in the absence of other economic fluctuations, could result in significant changes in the total expenditure estimates for new mining projects or render certain projects non-viable, either of which could have a material adverse effect on our business, operating results and financial condition.

Disruptions to the supply of electricity and increases in the cost of power may adversely affect our results of operations and financial condition

In South Africa, each of our mining operations depends on electrical power generated by the South African state utility, Eskom Limited ("**Eskom**"), which holds a monopoly in the South African market. Electricity supply in South Africa has been constrained over the past decade and there have been multiple power disruptions. Although during fiscal 2018, the electricity supply in South Africa had seen less pressure than in previous years, Eskom began stage 4 load shedding (the national grid was short of 4,000 MW) again in March 2019. Under Stage 4 load shedding, approximately 80% of the country's demand is met through scheduled load shedding 12 times over a four-day period for two hours at a time, or twelve times over an eight-day period for four hours at a time. In December 2019, following breakdowns in Eskom's generating plants, load shedding rose to stage 6 (the national grid was short of 6,000 MW) and load curtailment was elevated to "essential load requirement", resulting in Harmony having to stop production and withdrawing people from underground. The situation was remedied the following day, but Harmony lost a full day's production as a result of this. Eskom's inability to fully meet the country's demand has led and may continue to lead to rolling blackouts, unscheduled power cuts and surveillance programs to ensure non-essential lighting and electricity appliances are powered off. There is no assurance that Eskom's efforts to protect the national electrical grid will prevent a complete national blackout.

Eskom's aging infrastructure, its need to replace or upgrade its power generation fleet and its deferral of routine maintenance due to financial constraints, may adversely affect electricity supply in South Africa. In addition, Eskom's ability to undertake necessary infrastructure and fleet upgrades, on commercially acceptable terms or otherwise, may be limited by the amount of debt it has outstanding, which has increased from R389 billion in fiscal 2018 to R441 billion on August 1, 2019. Any blackouts or other disruptions to power supply could have a material adverse effect on our business, operating results and financial condition.

Although management has been able to comply with the curtailment requirements in response to the load curtailment events experienced in our 2020 fiscal year and the first quarter of fiscal 2021 without incurring material production losses (the losses suffered were limited to our surface waste rock dump mining volumes), there can be no guarantee that we will be able to comply with such curtailment requirements without incurring material production losses in the future. During the period of load shedding, Eskom used a significant amount of diesel to run its gas turbines and called on large power users to curtail their power demand. In addition, although Eskom applied to the National Energy Regulator of South Africa ("**NERSA**"), which regulates tariffs, for a 19.9% average increase in electricity tariffs for Eskom's 2018/2019 financial year, NERSA granted Eskom a 5.2% electricity tariff increase for this period. Eskom has expressed concern that this increase may not be adequate to prevent future electricity interruptions and indicated that it intends to challenge NERSA's decision not to grant the requested 19.9% tariff increase.

In addition to supply constraints, labor unrest in South Africa has before, and may in future, disrupt the supply of coal to power stations operated by Eskom, or the operation of the power stations directly, and result in curtailed supply. For example, in June 2018, during wage negotiations with the National Union of Mines ("**NUM"**), workers embarked on an illegal strike which resulted in power constraints and load curtailment. Despite the fact that Eskom has adopted a policy of asking households to reduce usage before asking industrial users to do so in order to reduce the economic impact of such disruptions, Eskom has warned that power constraints will continue.

In February 2019, the President of South Africa announced the vertical unbundling of Eskom. While full-state ownership will be maintained, the unbundling is expected to result in the separation of the Eskom's generation, transmission and distribution functions into separate entities, which may require legislative and/or policy reform. It is expected that this process will take time to implement, causing continued poor reliability of the supply of electricity and an instability in prices and a possible tariff increase above inflation, which are expected to continue through the unbundling process. Should Harmony experience further power tariff increases, its business operating results and financial condition may be adversely impacted.

Eskom tariffs are determined through a consultative multi-year price determination application ("**MYPD**") process, with occasional tariff increase adjustments under the Regulatory Clearing Account ("**RCA**") mechanism. In the most recent MYPD process, NERSA granted Eskom tariff increases of 9.4% (later adding an additional 4.4%) for the period 2019 to 2020, 8.1% for the period 2020 to 2021 and 5.22% for the period 2021 to 2022. These increases are subject to multiple adjustments and challenge by NERSA, any of which could result in higher tariffs. For instance, in the latest case, NERSA appealed in August 2020 an earlier court ruling requiring R23 billion in revenue to be added to the 2021/2022 increase, and leave to appeal was granted in October 2020. In addition, NERSA also announced the approval of R3.869 billion from the RCA in costs incurred by Eskom over and above the previously regulated costs. The recovery period from the consumer is yet to be determined. On the basis of external economic advice, Harmony planning for 10% increases in both 2022/2023 and 2023/2024, but there can be no assurance that this will be adequate to meet Harmony's obligations under the tariffs as finally approved.

The South African government provided Eskom with an additional R69 billion bailout over a three-year period, from 2019 to 2021. Eskom subsequently challenged the MYPD, RCA and NERSA's treatment of the bailout as a tariff subsidy in South African court. The South African court dismissed the urgent nature of the Eskom submission, but has not decided on the merits of the case. Should we experience further power tariff increases, our business operating results and financial condition may be adversely impacted.

PNG has limited power generation and distribution capacity, supplied by the state utility, PNG Power. This capacity is increasing but it is subject to disruptions in electrical power supply. Currently, Harmony mines and projects receive 100% of their daily demand from PNG Power, but have the capacity to self-generate by means of own diesel-generated power when required. The cost of this power will fluctuate with changes in the oil price. Disruptions in electrical power supply or substantial increases in the cost of oil could have a material adverse effect on our business, operating results and financial condition.

Also, see Item 5: *"Operating and Financial Review and Prospects - Electricity in South Africa."* and *"Integrated Annual Report for the 20-F 2020 - Managing our Social and Environmental stewardship - Environmental management and stewardship"* on pages 121 to 138.

We may experience problems in identifying, financing and managing new acquisitions or other business combination transactions and integrating them with our existing operations. We may not have full management control over future joint venture partners

In order to maintain or expand our operations and reserve base, Harmony has sought, and may continue to seek to enter into joint ventures or other business combination transactions or to make acquisitions of selected precious metal producing companies or assets. For example, in 2018 Harmony acquired AngloGold Ashanti Limited's Moab Khotsong and Great Noligwa mines together with other assets and related infrastructure in the Moab Acquisition and in February 2020 announced that it would acquire the remainder of AngloGold Ashanti Limited's South African business, including the Mponeng mine and Mine Waste Solutions (Pty) Limited with effect from October 1, 2020.

Acquiring new gold mining operations or entering into other business combination transactions involves a number of risks including:

- our ability to identify appropriate assets for acquisition and/or to negotiate an acquisition or combination on favorable terms;
- obtaining the financing necessary to complete future acquisitions;
- difficulties in assimilating the operations of the acquired business;
- the changing regulatory environment as it relates to the Mining Charter (as defined below) and the general policy uncertainty in South Africa;
- difficulties in maintaining our financial and strategic focus while integrating the acquired business;
- problems in implementing uniform quality, standards, controls, procedures and policies;
- management capacity, and skills to supplement that capacity, to integrate new assets and operations;
- increasing pressures on existing management to oversee an expanding company; and
- to the extent we acquire mining operations or enter into another business combination transaction outside South Africa, Australia or PNG, encountering difficulties relating to operating in countries in which we have not previously operated.

Any such acquisition or joint venture may change the scale of our business and operations and may expose us to new geographic, geological, political, social, operating, financial, legal, regulatory and contractual risks. Our ability to make successful acquisitions and any difficulties or time delays in achieving successful integration of any of such acquisitions could have a material adverse effect on our business, operating results and financial condition.

In addition, to the extent that Harmony participates in the development of a project through a joint venture or other multi-party commercial structure, there could be disagreements, legal or otherwise or divergent interests or goals among the parties, which could jeopardize the success of the project, particularly if Harmony does not have full management control over the joint venture. There can be no assurance that any joint venture will achieve the results intended and, as such, any joint venture could have a material adverse effect on our revenues, cash and other operating costs. See Item 5. "*Operating and Financial Review and Prospects - Liquidity and Capital Resources - Investing*."

Certain factors may affect our ability to support the carrying value of our property, plant and equipment, goodwill and other assets on our balance sheet, resulting in impairments

Harmony reviews and tests the carrying value of its assets when events or changes in circumstances suggest that this amount may not be recoverable and impairments may be recorded as a result of testing performed.

Our market capitalization on any reporting date is calculated on the basis of the price of our shares and ADSs on that date. Our shares and ADSs may trade in a wide range through the fiscal year depending on the changes in the market, including trader sentiment on various factors including gold price. Therefore, there may be times where our market capitalization is greater than the value of our net assets, or “book value”, and other times when our market capitalization is less than our book value. Where our market capitalization is less than our net asset or book value, this could indicate a potential impairment and we may be required to record an impairment charge in the relevant period.

At least on an annual basis for goodwill, and when there are indications that impairment of property, plant and equipment and other assets may have occurred, estimates of expected future cash flows for each group of assets are prepared in order to determine the recoverable amounts of each group of assets. These estimates are prepared at the lowest level at which identifiable cash flows are considered as being independent of the cash flows of other mining assets and liabilities. Expected future cash flows are inherently uncertain, and could materially change over time. Such cash flows are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditures.

As at June 30, 2020, Harmony had substantial amounts of property, plant and equipment, goodwill and other assets on its consolidated balance sheets. Impairment charges of R3,898 million relating to property, plant and equipment and other assets were recorded in fiscal 2019. If management is required to recognize further impairment charges, this could have a material adverse effect on Harmony’s results of operations and financial condition. See Item 5: *“Operating and Financial Review and Prospects - Critical Accounting Policies and Estimates - Impairment of Property, Plant and Equipment”* and “*-Carrying Value of Goodwill.”*

Given the nature of mining and the type of gold mines we operate, we face a material risk of liability, delays and increased cash costs of production from environmental and industrial accidents and pollution compliance breaches

The business of gold mining involves significant risks and hazards, including environmental hazards and industrial accidents. In particular, hazards associated with underground mining include:

- rock bursts;
- seismic events;
- underground fires;
- cave-ins or fall-of-ground;
- discharges of gases and toxic chemicals;
- release of radioactive hazards;
- flooding;
- mining of pillars (integrity of shaft support structures may be compromised and cause increased seismicity);
- processing plant fire and explosion;
- critical equipment failures;
- accidents and fatalities; and
- other conditions resulting from drilling, blasting and the removal and processing of material from a deep-level mine.

Hazards associated with opencast mining (also known as open-pit mining) include:

- flooding of the open-pit;
- collapse of open-pit walls or slope failures;
- processing plant fire and explosion;
- accidents associated with operating large open-pit and rock transportation equipment;
- accidents associated with preparing and igniting of large-scale open-pit blasting operations; and
- major equipment failures.

Hazards associated with construction and operation of waste rock dumps and tailings storage facilities include:

- accidents associated with operating a waste dump and rock transportation;

- production disruptions caused by natural phenomena, such as floods and droughts and weather conditions, potentially exacerbated by climate change;
- dam, wall or slope failures; and
- contamination of ground or surface water.

We are at risk from any or all of these environmental and industrial hazards. In addition, the nature of our mining operations presents safety risks. Harmony's operations are subject to health and safety regulations, which could impose additional costs and compliance requirements. Harmony may face claims and liability for breaches, or alleged breaches, of such regulations and other applicable laws. Any legislative changes relating to financial provisions could add to the costs. The occurrence of any of these events could delay production, increase cash costs and result in financial liability to Harmony, which, in turn, may adversely affect our results of operations and our financial condition.

The nature of our mining operations presents safety risks

The environmental and industrial risks identified above also present safety risks for Harmony's operations and our employees and could lead to the suspension and potential closure of operations for indeterminate periods. Safety risks, even in situations where no injuries occur, can have a material adverse effect on Harmony's results of operations and financial condition. See Item 4: "*Information on the Company - Business Overview - Regulation - Health and Safety - South Africa*" and *"Integrated Annual Report for the 20-F 2020 - Ensuring stability, employee safety and well-being - Safety and health"* on pages 41 to 58.

Illegal and artisanal mining, including theft of gold and copper bearing material, and other criminal activity at our operations could pose a threat to the safety of employees, result in damage to property and could expose the Company to liability

The activities of illegal and artisanal miners, which include theft and shrinkage, could cause damage to Harmony's properties, including by way of pollution, underground fires, operational disruption, project delays or personal injury or death, for which Harmony could potentially be held responsible. Illegal and artisanal mining could result in the depletion of mineral deposits, potentially making the future mining of such deposits uneconomic.

Illegal and artisanal mining (which may be by employees or third parties) is associated with a number of negative impacts, including environmental degradation and human rights abuse. Effective local government administration is often lacking in the locations where illegal and artisanal miners operate because of rapid population growth and the lack of functioning structures, which can create a complex social and unstable environment.

Criminal activities such as trespass, illegal and artisanal mining, sabotage, theft and vandalism could lead to disruptions at certain of our operations.

Rising gold and copper prices may result in an increase in gold and copper thefts. The occurrence of any of these events could have a material adverse effect on Harmony's financial condition on results of its operations.

Harmony's insurance coverage may prove inadequate to satisfy future claims against it

Harmony has third-party liability coverage for most potential liabilities, including environmental liabilities. Harmony may be subject to liability for pollution (excluding sudden and accidental pollution) or other hazards against which we have not insured or cannot insure, including those for past mining activities. Harmony also maintains property and liability insurance consistent with industry practice, but this insurance contains exclusions and limitations on coverage. In addition, there can be no assurance that insurance will be available at economically acceptable premiums. As a result, Harmony's insurance coverage may not cover the claims against it, including for environmental or industrial accidents, pollution or public health emergencies and other events that could disrupt our operations, such as COVID-19, which could have a material adverse effect on Harmony's financial condition.

Harmony's operations may be negatively impacted by inflation

Harmony's operations have been materially affected by inflation. Inflation in South Africa has fluctuated in a narrow band in recent years, remaining within or just outside the inflation range of 3% - 6% set by the South African Reserve Bank. At the end of fiscal 2018, 2019 and fiscal 2020, inflation was 4.6%, 4.5% and 2.2%, respectively. However, working costs, in particular electricity costs and wages have increased at a rate higher than inflation in recent years, resulting in significant cost pressures for the mining industry. See Item 5: "*Operating and Financial Review and Prospects - Operating Results - Electricity in South Africa - Tariffs*". Should Harmony experience further electricity or wage increases, its business, operating results and financial condition may be adversely impacted.

The inflation rate in PNG ended at 4.7% in fiscal 2018 and at 3.7% in fiscal 2019, while the annualized inflation stood at 4.7% at the end of fiscal 2020.

Harmony's results of operations, profits and financial condition could be adversely affected to the extent that cost inflation is not offset by devaluation in operating currencies or an increase in the price of gold.

The socio-economic framework in the regions in which Harmony operates may have an adverse effect on its operations and profits

Harmony has operations in South Africa and PNG. As a result, changes to or instability in the economic or political environment in either of these countries or in neighboring countries could affect an investment in Harmony. These risks could include terrorism, civil unrest, nationalization, political instability, change in legislative, regulatory or fiscal frameworks, renegotiation or nullification of existing contracts, leases, permits or other agreements, restrictions on repatriation of earnings or capital and changes in laws and policy, as well as other unforeseeable risks. The impact of COVID-19 may heighten social tensions and demands, especially near our mines in South Africa, as individuals look to the mining industry for job creation opportunities and other resources and benefits.

It is difficult to predict the future political, social and economic environment in these countries, or any other country in which Harmony operates, and the impact government decisions may have on our business, results of operations and our financial condition.

Actual and potential shortages of production inputs and supply chain disruptions may affect Harmony's operations and profits

Harmony's operational results may be affected by the availability and pricing of consumables such as fuel, chemical reagents, explosives, tires, steel and other essential production inputs. Issues with regards to availability of consumables may result from shortages, long lead times to deliver and supply chain disruptions, which could result in production delays and production shortfalls.

These shortages and delayed deliveries may also be experienced where industrial action affects Harmony's suppliers. These issues could also affect the pricing of the consumables, especially if shortages are experienced. The price of consumables may be substantially affected by changes in global supply and demand, along with natural disasters such as earthquakes, climate change, extreme weather conditions, governmental controls, industrial action and other factors. A sustained interruption to the supply of any of these consumables would require Harmony to find acceptable substitute suppliers and could require it to pay higher prices for such materials. A sustained interruption might also adversely affect Harmony's ability to pursue its development projects.

Any significant increase in the prices of these consumables would increase operating costs and adversely affect profitability, which could adversely affect our results of operations and our financial condition.

Harmony's ability to service its debt will depend on its future financial performance and other factors

Harmony's ability to service its debt depends on its financial performance, which in turn will be affected by its operating performance as well as by financial and other factors, and in particular the gold price, certain of which are beyond the control of the Company. Various financial and other factors may result in an increase in Harmony's indebtedness, which could adversely affect the Company in several respects, including:

- limiting its ability to access the capital markets;
- hindering its flexibility to plan for or react to changing market, industry or economic conditions;
- limiting the amount of cash flow available for future operations, acquisitions, dividends, or other uses, making it more vulnerable to economic or industry downturns, including interest rate increases;
- increasing the risk that it will need to sell assets, possibly on unfavorable terms, to meet payment obligations; or
- increasing the risk that it may not meet the financial covenants contained in its debt agreements or timely make all required debt payments.

The occurrence of any of these events could adversely affect our results of operations and our financial condition.

Harmony's ability to service its debt also depends on the amount of its indebtedness. In order to fund the Mponeng Acquisition, Harmony completed the a placing (the "**Placing**") pursuant to which it issued new ordinary shares for cash which had the effect of reducing net debt at year end. After the end of fiscal 2020, on September 30, 2020, the Mponeng Acquisition closed and the purchase price was paid, which increased the net debt level again. While the COVID-19 pandemic has resulted in higher gold prices and improved cash flow as a result, it also disrupted operations and may continue to do so, which could impact on our ability to repay our debts. In order to conclude the Moab Acquisition in 2018, Harmony increased its indebtedness. In August 2019 Harmony entered into a US$400 million syndicated term and revolving credit facility, with a three year term, that was extended by a further year after the end of fiscal 2020. At June 30, 2020, US $350 million was drawn against this facility. See Item 5: *"Operating and Financial Review and Prospects - Liquidity and Capital Resources - Financing" and "- Outstanding Credit Facilities and Other Borrowings".*

In the near term, Harmony expects to manage its liquidity needs from cash generated by its operations, cash on hand, committed and underutilized facilities, as well as additional funding opportunities. However, if Harmony's cost of debt were to increase or if it were to encounter difficulties in obtaining financing in the future, its sources of funding may not match its financing needs, which could have a material adverse effect on its business, operating results and financial condition.

Uncertainty relating to the nature and timing of the potential phasing out of LIBOR, and agreement on any new alternative reference rates may adversely impact our borrowing cost

LIBOR, the London Interbank Offered Rate, is widely used as a reference for setting interest rates on loans globally. We have used LIBOR as a reference rate on our US$400 million syndicated term loan and revolving credit facility, as well as our US$24 million four-year loan. Combined we had R6,356 million (US$367 million) outstanding on these facilities at year-end.

On July 27, 2017, the UK Financial Conduct Authority, or FCA, which regulates LIBOR, has announced that it intends to stop encouraging or requiring banks or submit LIBOR rates after the end of 2021. There is therefore no guarantee the LIBOR reference rate will continue in its current form post 2021. Various alternative reference rates are being considered in the financial community. The Secured Overnight Financing Rate, has been proposed by the Alternative Reference Rate Committee, a committee convened by the US Federal Reserve that includes major market participants and on which regulators participate, as an alternative rate to replace US dollar LIBOR.

On August 19, 2019, Harmony and a syndicate of local and international lenders entered into a loan facility agreement, pursuant to which Harmony and the lenders agreed that a new reference rate will be agreed upon by mutual consent. However there is no guarantee that a transition from LIBOR to a new reference rate will not result in market disruptions, and possibly result in increases to our borrowing costs, which could have a material adverse effect on its business, operating results and financial condition. See Item 5: *"Operating and Financial Review and Prospects - Liquidity and Capital Resources"*.

Mining companies face strong competition

The mining industry is competitive in all of its phases. Harmony competes with other mining companies and individuals for specialized equipment, components and supplies necessary for exploration and development, for mining claims and leases on exploration properties and for the acquisition of mining assets. These competitors may have greater financial resources, operational experience and technical capabilities than Harmony. Competition may increase Harmony's cost of acquiring suitable claims, properties and assets, which could have a material adverse effect on its financial condition.

We also compete with mining and other companies for key human resources

The risk of losing senior management or being unable to hire and retain sufficient technically skilled employees or sufficient representation by Historically Disadvantaged South Africans ("**HDSAs**") in management positions, may materially impact on Harmony's ability to achieve their objectives.

Harmony competes with mining and other companies globally to attract and retain key human resources at all levels with the appropriate technical skills and operating and managerial experience necessary to continue operating its business. The need to recruit, develop and retain skilled employees is particularly critical with HDSAs and women in mining in South Africa, and the global shortage of key mining specialists, including geologists, mining engineers, mechanical and electrical engineers, metallurgists and skilled artisans has been exacerbated by increased mining activity across the globe. There can be no assurance that Harmony will attract and retain skilled and experienced employees. Should Harmony lose any of its key personnel, its business may be harmed and its operational results and financial condition could be adversely affected. See Item 4. "*Information on the Company - Business Overview - Regulation - Labor Relations*" and *"Integrated Annual Report for the 20-F 2020 - Ensuring stability, employee safety and well-being - employee relations"* on pages 58 to 71.

In PNG, the PNG government ("**PNG Government**") is considering revisions of its local content policy which will severely restrict the utilization of offshore-based "Fly-In, Fly Out" expatriate employees, and prescribe increased levels of participation by locally-owned businesses in the provision of goods and services. If introduced, this will adversely affect the ability of Harmony to engage and retain appropriately skilled human resources, and manage the costs of goods and services to its operations. It will also necessitate the application of additional resources to the construction or provision of housing for residential employees, and the recruiting and training of local landowners and landowner businesses.

Since Harmony's labor force has substantial trade union participation, Harmony faces the risk of disruption from labor disputes and non-procedural industrial action resulting in loss of production and increased labor costs impacting negatively on production and financial results

Despite a history of constructive engagement with labor unions, there are periods when various stakeholders are unable to agree on dispute resolution processes. Disruptive activities on the part of labor, which normally differ in intensity, then become unavoidable. Due to the high level of union membership, which is about 93% among our employees, we are at risk of production stoppages for indefinite periods due to strikes and other disputes, especially wildcat strikes. Inter-union rivalry may increase the risk of labor relations instability. In addition, in South Africa, a variety of legacy issues such as housing, migrant labor, education, poor service delivery and youth unemployment can lead to communities and unions working together to create instability in and around mining operations. During 2020, one of our mines based in the Free State, known as Unisel, will reach the end of its economic and operating life which will result in the discontinuation of mining operation on the mine. The mine employs about 850 employees most of whom are expected to be absorbed into other Harmony operations.

In October 2018, Harmony concluded a three year wage agreement with unions representing the majority of the Company's employees. This agreement was extended to all employees irrespective of union affiliation. The Company has experienced a relatively peaceful labor environment since the conclusion and implementation of the said wage agreement. However we are not able to predict whether we will experience significant labor disputes in future, or what the financial impact of any such disputes may be. See Item 4: "*Information on the Company - Business Overview - Regulation - Labor Relations*", *"Integrated Annual Report for the 20-F 2020 - Ensuring stability, employee safety and well-being - employee relations"* on pages 58 to 71. South African employment law sets out minimum terms and conditions of employment for employees. Although these may be improved by agreements between us and the trade unions, prescribed minimum terms and conditions form the benchmark for all employment contracts. See *"Integrated Annual Report for the 20-F 2020 - Our business context - Stakeholder engagement and material issues"* on pages 31 to 36.

We are required to submit a report under South African employment law detailing the progress made towards achieving employment equity in the workplace. If this report is not submitted, we could incur substantial penalties.

Developments in South African employment law may increase our cash costs of production or alter our relationship with our employees and trade unions, which may have an adverse effect on our business, operating results and financial condition.

In PNG, the workforce is not significantly unionized. However, operations are subject to disruption as a result of actions taken by landowners and occupants of the land within the area of impact of such operations, including the blockading of access routes to the operations. These disruptions generally arise as a result of grievances with regard to the non-distribution by the PNG Government to local communities of mine-derived royalties and other benefits, or in relation to the participation of local businesses in the provision of goods and services to the operations.

In the event that Harmony experiences industrial relations related interruptions at any of its operations or in other industries that impact its operations, or increased employment-related costs due to union or employee activity, these may have a material adverse effect on our business, production levels, operating costs, production targets, operating results, financial condition, reputation and future prospects. In addition, mining conditions can deteriorate during extended periods without production, such as during and after strikes; lower levels of mining activity can have a longer term impact on production levels and operating costs, which may affect our mines' operating life, which could have a material adverse effect on its business, operating results and financial condition.

HIV/AIDS, tuberculosis and other contagious diseases, such as COVID-19, pose risks to us in terms of productivity and costs

The prevalence of HIV/AIDS and other contagious diseases, including COVID-19, in South Africa and PNG poses risks to us in terms of potentially reduced productivity, and increased medical and other costs.

The continued spread of COVID-19 could result in serious illness (including incapacity) or quarantine of Harmony's employees and contractors, which may be exacerbated by employees and contractors working in close proximity to each other in underground and surface mines and living in close quarters. In addition, certain underlying health conditions including conditions which compromise the immune system, such as HIV/AIDS, may worsen the outcomes among the individuals infected with COVID-19. Employee or contractor absences due to COVID-19 or other contagious diseases could lead to labor shortages or instability, which could result in disruptions to Harmony's production (including potential temporary cessation) and increased operational costs. In addition, any action taken by governments or regulators in response to the spread of contagious diseases such as COVID-19 could have a material impact on our operations and lead to an increase in our costs. For example, many countries, including the countries where we operate, have imposed strict travel-related measures such as travel restrictions and have introduced indefinite border closures, lock-downs, bans on public gatherings, curfews and business shutdowns following the global spread of COVID-19. In response to the outbreak, Harmony has taken steps aimed at protecting employees and contractors, including implementing certain travel restrictions.

In line with the directive by the South African government on March 23, 2020, Harmony implemented measures to place its South African operations under temporary care and maintenance during the resultant 21-day lock-down in South Africa (which has been extended beyond its original end date). On April 16, 2020, the South African government published a notice amending certain regulations previously issued in terms of Section 27(2) of the Disaster Management Act, 57 of 2002 (the "**Disaster Management Act**"). The amendments allowed South African mining operations to be conducted at a reduced capacity of not more than 50% during the lock-down and at increasing capacity as determined by directives to be issued by the Minister of Mineral Resources and Energy thereafter. Subsequently, Harmony announced a set of risk-based safety measures designed to resume operations to the prescribed 50% production capacity. Such measures included arranging transport for South African-based employees from their homes in remote areas to their respective areas of work, the implementation of rigorous screening and testing programs as employees return to work, the provision of quarantine facilities for employees who may test positive for COVID-19 and the submission of data collected during screening and testing to the relevant authority.

In PNG, the identification of a positive case at the Hidden Valley mine resulted in the quarantine lockdown of the Hidden Valley mine site and the implementation of a revised roster for its workforce to enable the continuation of site operations. In line with directives issued by the Controller under the PNG National Pandemic Act 2020, Harmony implemented a set of risk-based safety measures designed to enable the safe continuation of operations, including the management of the international and local/regional travel of its workforce, the establishment of three "entry point center" quarantine facilities to manage the safe change-over of rostered staff, the implementation of rigorous screening and testing programs, the provision of personal protective equipment, and the submission of data collected during screening and testing to the relevant authorities.

The continuation of existing measures, or the introduction of additional travel-related restrictions, could result in the inability of Harmony's suppliers to deliver components or raw materials on a timely basis and may limit or prevent Harmony's management and employees and other important third-parties from traveling to, or visiting, Harmony's operations. Further, any lock-downs or mandatory business shutdowns could result in a suspension of Harmony's operations and could bring its business to a standstill. The full extent to which COVID-19 impacts Harmony's operational and financial performance will depend on future developments, which are highly uncertain and cannot be predicted. Any disruption to production or increased operational costs as a result of the spread of contagious diseases, such as COVID-19, HIV/AIDS or tuberculosis, could have a material adverse effect on Harmony's business, operating results and financial condition. See *"Integrated Annual Report for the 20-F 2020 - Ensuring stability, employee safety and well-being - Safety and health"* on pages 41 to 58.

The cost of occupational health care services and the potential liabilities related to occupational health diseases may increase in future and may be substantial

Harmony's operations are subject to health and safety regulations which could impose significant cost burdens. In South Africa, the present Mine Health and Safety Act, 29 of 1996 ("**MHSE**") imposes various duties on mines and grants the authorities broad powers to, among others, close mines which are unsafe or hazardous to the health of persons and order corrective action on health and safety matters. Operations in PNG are subject to similar duties and powers, including under the following laws and regulations: PNG Industrial Safety, Health and Welfare Act 1961, PNG Industrial Safety, Health and Welfare Regulations 1965, PNG Mining Act 1992 (the "**PNG Mining Act**"), PNG Mining (Safety) Act 1977, PNG Mining Safety Regulation 1935 (updated 2006) and PNG Environment Act 2000.

There is a risk that the cost of providing health services, complying with applicable regulations, including the Compensation for Occupational Injuries and Diseases Act, 130 of 1993 (“**COIDA**”) and the Occupational Diseases in Mines and Works Act, 78 of 1973 (“**ODMWA**”), and implementing various programs could increase in future, depending on changes to underlying legislation, legal claims and the profile of our employees. This increased cost, should it transpire, could be substantial, but is currently indeterminate.

Harmony has been subject to numerous claims, including class actions or similar group claims relating to silicosis and other occupational lung diseases, and could be subject to similar claims in the future. For instance, in May 2016, the South Gauteng High Court certified a class action by current and former mineworkers against gold mining companies in South Africa, including Harmony. The action consists of two classes: the silicosis class and the tuberculosis (“**TB**”) class. Each class includes mineworkers and dependents whose parents died after contracting silicosis and/or TB while working at the mines. The certification of the class means that the claimants were able to sue the mining companies as a class. While issues, such as negligence and causation, need to be proved by the claimant on a case-by-case basis, such a ruling could expose Harmony to claims related to occupational hazards and diseases (including silicosis and TB, which may be in the form of an individual claim, a class action or a similar group claim). The Supreme Court of Appeal granted the mining companies leave to appeal against all aspects of the class May 2016 judgment. The appeal hearing before the Supreme Court of Appeal was scheduled to be heard in March 2018. However, the parties agreed to postpone the matter to conclude settlement negotiations. The matter was subsequently settled in May 2018. The terms of the settlement are available on the Harmony website. The settlement was subject to certain conditions, including that an unconditional order of court, sanctioning the settlement agreement to make the settlement agreement an order of court, is obtained from the High Court. Such an order was obtained on July 26, 2019, subject to certain conditions which were subsequently fulfilled, and the settlement became effective on December 10, 2019. Accordingly, the Tshiamiso Trust was created for purposes of administering the settlement funds, with all trustees having been appointed by February 6, 2020. See Item 8: *"Financial Information - Consolidated Statements and Other Financial Information - Legal Proceedings"* and *“Integrated Annual Report for the 20-F 2020 - Ensuring stability, employee safety and well-being - Safety and health”* on pages 41 to 58 for further information. See note 26 *“Provision for silicosis settlement*” to our consolidated financial statements set forth beginning on page F-1.

The Occupational Lung Disease Working Group (**"Working Group"**), was formed in fiscal 2014 to address issues relating to compensation and medical care for occupational lung disease in the South African gold mining industry. The Working Group, made up of African Rainbow Minerals Limited, Anglo American SA, AngloGold Ashanti Limited, Gold Fields Limited, Harmony and Sibanye Gold Limited, has had extensive engagements with a wide range of stakeholders since its formation, including government, organized labor, other mining companies and the legal representatives of claimants who have filed legal actions against the companies.

The members of the Working Group are among respondent companies in a number of legal proceedings related to occupational lung disease, including the class action referred to above. The Working Group is however of the view that achieving a comprehensive settlement which is both fair to past, present and future employees and sustainable for the sector, is preferable to protracted litigation. On July 26, 2019, the Johannesburg High Court approved a R5.2 billion settlement of the silicosis and TB class action suit between the Working Group and lawyers representing affected mineworkers and the settlement became effective on December 10, 2019.

As a result of the ongoing work of the Working Group and engagements with affected stakeholders since December 31, 2016, Harmony provided for its share of the estimated cost in relation to the Working Group of a settlement of the class action claims and related costs. At June 30, 2020 the provision in Harmony's statement of financial position was R892 million. Harmony believes that this remains a reasonable estimate of its share of the estimated cost in relation to the Working Group of the settlement of the class action claims and related costs. The final settlement costs and related expenditure may, however, be higher than the recorded provision depending on various factors, such as, among other things, differences in the number and profile of eligible claimants actually compensated compared to current estimates and fluctuations in foreign exchange rates.

If Harmony or any of its subsidiaries were to face a significant number of additional such claims and the claims were suitably established against it, the payments of compensation to the claimants could have a material adverse effect on Harmony’s results of operations and financial condition. In addition, Harmony may incur significant additional costs, including costs relating to the payment of fees, levies or other contributions in respect of compensatory or other funds established (if any), and expenditures arising out of its efforts to resolve any such claims or other potential actions.

Harmony is subject to the imposition of various regulatory costs, such as mining taxes and royalties, changes to which may have a material adverse effect on Harmony’s operations and profits

In recent years, governments, communities, non-government organizations and trade unions in several jurisdictions have sought and, in some cases, have implemented greater cost imposts on the mining industry, including through the imposition of additional taxes and royalties. Such resource nationalism, whether in the form of cost imposts, interference in project management, mandatory social investment requirements, local content requirements or creeping expropriation could impact the global mining industry and Harmony's business, operating results and financial condition.

South Africa

In December 2017, during its national conference, the African National Congress (**"ANC"**) resolved that as a matter of policy, the ANC should pursue the expropriation of land without compensation, provided that such expropriation is carried out without destabilizing the agricultural sector, endangering food security or undermining economic growth and job creation. In February 2018, the National Assembly assigned the Constitutional Review Committee ("**CRC**"), to review section 25 of South Africa’s Constitution and other relevant clauses to make it possible for the state to expropriate land in the public interest without compensation. On December 4, 2018, South Africa’s Parliament adopted the CRC’s report dated November 15, 2018 in which it recommended that section 25 of South Africa’s Constitution be amended to make explicit that expropriation of land without compensation is a legitimate option for land reform. While the CRC's report recommended that such amendment to South Africa's Constitution be tabled and passed before the South African general elections in May 2019, the ad hoc committee responsible for preparing the bill to amend South Africa's Constitution has not yet submitted a timeline for meetings or public hearings. On March 13, 2019, the CRC announced that the work to amend section 25 of South Africa's Constitution would not be finished before the South African general elections in May 2019 and that consequently the matter would be taken up by Parliament after the elections. In the event that the CRC recommends a Constitutional amendment in favor of expropriation, various procedural milestones would need to occur, including a bill amending section 25 of the Constitution approved by a majority of the National Assembly as well as six of the nine provinces of the National Council of Provinces ("**NCOP**") and signed by the President, among others. The legislative process to give effect to the proposed Constitutional amendment, has not yet been finalized. The National Assembly agreed to re-establish the Ad-Hoc Committee tasked with initiating and introducing the legislation required to amend Section 25 of the Constitution. The Draft Constitution Eighteenth Amendment Bill was published for comment at the end of 2019. The aim of the Draft Bill is to amend the Constitution of the Republic of South-Africa, 1996 so as to provide that where land and any improvements thereon are expropriated for the purpose of land reform, the amount of compensation payable may be nil. The Ad-Hoc Committee needs to report back to the National Assembly by December 31, 2020.

While the South African government has stated that it does not intend to nationalize mining assets or mining companies, certain political parties have stated publicly and in the media that the government should embark on a program of nationalization. For instance, the ANC has adopted two recommended approaches to interacting with the mining industry. While the ANC has rejected the possibility of mine nationalization for now, the first approach contemplates, among other things, greater state intervention in the mining industry, including the revision of existing royalties, the imposition of new taxes and an increase in the South African government's holdings in mining companies. The second approach contemplates the South African government taking a more active role in the mining sector, including through the introduction of a state mining company to be involved in new projects either through partnerships or individually.

The proposed amendment to section 25 of South Africa's Constitution or any legislation resulting in the expropriation of land or greater government intervention could disrupt our operations, which could have a material adverse effect on our business, operating results and financial condition.

The former President, Jacob Zuma, appointed the Davis Tax Committee to look into and review the current South African tax regime, including the mining tax regime. The committee's first interim report on mining, which was released for public comment on August 13, 2015, proposed no changes to the royalty regime but recommended the discontinuation of the upfront capital expenditure write-off regime in favor of an accelerated capital expenditure depreciation regime. In addition, the report recommended retaining the so called "gold formula" for existing gold mines only, as new gold mines would be unlikely to be established in circumstances where profits are marginal or where gold mines would conduct mining of the type intended to be encouraged by the formula. The committee also recommended the phasing out of additional capital allowances available to gold mines in order to bring the gold mining corporate income tax regime in line with the tax system applicable to all taxpayers. In December 2016, following a period of public comment, the committee issued its second and final report to the Minister of Finance, which largely reaffirmed the committee's initial recommendations. The final reports were published in November 2017. The South African National Treasury will continue to consider the committee's final recommendations. It is not clear at this stage which, if any, of the recommendations will be adopted as legislation. Such legislation could, however, have a material adverse effect on our business, results of operations and financial condition.

Papua New Guinea

In PNG, Mining Lease holders must pay royalties to the PNG Government based on production (currently 2%). In addition to the PNG Government's entitlement to royalties, PNG exploration licenses each contain a condition that the PNG Government may, at any time prior to the commencement of mining, acquire a participating interest of up to 30% in any mineral discovery at historical exploration cost. This condition confers on the PNG Government or its nominee the option to take up a direct equity participation in a mining project. The PNG Government has indicated that it intends to exercise its option in full in respect of the Wafi-Golpu project.

The mining regime in PNG is the subject of a comprehensive ongoing review involving various PNG Government agencies. The review includes possible increases to the royalty rate, and the PNG Government's right to acquire an interest in a mine discovery, the percentage extent of such right, the consideration payable for it and the contributions to be made pursuant to it. Harmony, via the PNG Chamber of Mines and Petroleum, has submitted comments on aspects of the review.

In 2014, the PNG Government initiated a review of the tax regime, with a final report issued by the PNG Tax Review Committee in October 2015. Pursuant to the tax regime review, certain adverse changes to the fiscal regime were introduced with effect from January 1, 2017, with the main changes being the introduction of an additional profit tax, the cessation of the double deduction allowance for exploration expenditure, and an increase in the rates of interest withholding and dividend withholding taxes. Further changes, including a capital gains tax, were initially proposed to be introduced from January 1, 2020 and draft legislation has been issued for discussion, however, the PNG Treasury has indicated that no capital gains tax will be introduced before 2022. Harmony, via the PNG Chamber of Mines and Petroleum, has submitted comments on aspects of the draft legislation. Any legislation resulting for such review and any changes to the PNG tax regine could have a material adverse effect on our business, results of operations and financial condition.

Laws governing mineral rights affect our business and could impose significant costs and burdens. Mineral rights in the countries in which we operate could be altered, suspended or canceled for a variety of reasons, including breaches in its obligations in respect of such mining rights

Our operations in South Africa and PNG are subject to legislation regulating mineral rights. Certain of the Company's properties may be subject to the rights or the asserted rights of various community stakeholders, including indigenous people. The presence of those stakeholders may therefore have an impact on Harmony's ability to develop or operate its mining interests.

South Africa

In South Africa, we are governed by the South African Mineral and Petroleum Resources Development Act, 28 of 2002 ("**MPRDA**"). See Item 4: "*Information on the Company - Business Overview - Regulation - Mineral Rights - South Africa - MPRDA"* for a description of the principal objectives set out in the MPRDA.

The MPRDA was promulgated as effective legislation on May 1, 2004 and transferred ownership of mineral resources to the South African people, with the South African government acting as custodian in order to, among other things, promote equitable access to the nation's mineral resources by South Africans, expand opportunities to HSDAs who wish to participate in the South African mining industry and advance socio-economic development. We currently continue to comply with the requirements of the MPRDA. Any failure to comply with the conditions of our mining rights, whether intentional or unintentional, could have a material adverse effect on our operations and financial condition and could result in the cancellation or suspension of our mining rights.

On June 21, 2013, the Minister of Mineral Resources and Energy ("**Minister**") introduced the Mineral and Petroleum Resources Development Amendment Bill, 2013 (the **"MPRDA Bill**") into Parliament. The South African Department of Mineral Resources (as it then was known, but now is referred to as the Department of Mineral Resources and Energy ("**DMRE**")) briefed the National Assembly's Portfolio Committee on Mineral Resources in July 2013. The MPRDA Bill was passed by both the National Assembly and the NCOP on March 27, 2014. In January 2015, the former President, Jacob Zuma, referred the MPRDA Bill back to Parliament for reconsideration and on November 1, 2016, the Portfolio Committee on Mineral Resources tabled non-substantial revisions to the MPRDA Bill in the National Assembly and a slightly revised version of the MPRDA Bill was passed by the National Assembly and referred to the NCOP. On March 3, 2017, the National Assembly passed certain minor amendments to the MPRDA Bill. The National Assembly has referred the MPRDA Bill to the NCOP where the Select Committee has received comments on the draft legislation. The chairperson of the Select Committee had targeted January or February of 2018 to pass the legislation. On February 16, 2018, the President of South Africa, Cyril Ramaphosa, announced that the MPRDA Bill was at an advanced stage in Parliament. However, in August 2018, the Minister announced that, given certain concerns with the MPRDA Bill, his recommendation would be to withdraw it entirely. The South African Cabinet has subsequently supported its withdrawal. While the MPRDA Bill was not formally withdrawn by Parliament, it lapsed on March 28, 2019. Although Parliament has the ability to revive a lapsed Bill, it seems unlikely that it will revive the MPRDA Bill given both the Minister's and Cabinet's support for its withdrawal.

There is a large degree of uncertainty regarding the changes that will be brought about should the MPRDA Bill be revived and made law. Among other things, the MPRDA Bill provides that applicants will no longer be able to rely on the "first come, first served" principle when submitting an application for a right, it seeks to require the consent of the Minister for the transfer of any interest in an unlisted company or any controlling interest in a listed company where such companies hold a prospecting right or mining right and to give the Minister broad discretionary powers to prescribe the levels of minerals required to be offered to domestic beneficiators for beneficiation. We cannot yet determine the full impact that the MPRDA Bill may have on our business and there can be no assurance that such changes will not have a material adverse effect on our operations and financial condition.

Regulations under the MPRDA

On March 27, 2020 the Minister published for implementation amendments to the regulations promulgated pursuant to the MPRDA in 2004 (the "**MPRDA Regulations**" and as amended the "**Amended Regulations**"). The Amended Regulations include the following notable changes:

- Mining right applicants must "meaningfully consult" with landowners, lawful occupiers and interested and affected parties in accordance with the procedures contemplated under the Environmental Impact Assessment Regulations, 2014 (the "**EIA Regulations**"). The office of the Regional Manager is permitted to participate as an observer in these processes.
- Mining right holders must, pursuant to their social and labor plans ("**SLPs**"), contribute to the socio-economic development in the areas in which they operate and labor sending areas (i.e. a local municipality from which a majority of mineworkers are from time to time permanently resident). This requirement may impose obligations on mining right holder to effect measures in communities that are located far away from the mine and / or could give rise to some social issues.
- Although most of the provisions regulating environmental matters have been deleted from the Amended Regulations, those sections dealing with mine closure have been retained but have been amended to state that mine closure must be regulated in terms of the NEMA, the EIA Regulations and the Financial Provision Regulations, 2015. It is anticipated that the Financial Provision Regulations, 2015 will be replaced by a revised regulations following further engagement with the mining industry.
- The appeal process in the MPRDA Regulations has been replaced with a more comprehensive procedure that includes specific time periods within which appellants, respondents and the competent authority must submit appeals, responses or consider appeals (as the case may be). Although there is no guarantee that the parties will comply with these time periods, the time periods intend to hold the parties accountable and to ensure that appeals are resolved in a timely manner.

Mining Charter

On September 27, 2018, the Minister published the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018 ("**Mining Charter III**"), on which date it also became effective, as amended by the notice published in the Government Gazette on December 19, 2018 and read with the Implementation Guidelines for the Broad Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018 ("**Implementation Guidelines"**) published on the same date. It replaces, in their entirety, the original Mining Charter negotiated in 2002 and gazetted in 2004 (the **"Original Charter**") and the "amended" Charter gazetted in September 2010 (the **"Amended Charter**"). Mining Charter III imposes new obligations and increased participation by HSDAs in relation to a mining company's ownership, procurement of goods and services, enterprise and supplier development, human resource development and employment equity requirements. The first annual reporting for compliance with Mining Charter III was on or before March 31, 2020, although on April 11, 2020, the Minister gazetted Directions under the regulations of the Disaster Management Act as part of the measures to address, prevent and combat the spread of COVID-19, which extended the date for submission of the first annual report to June 1, 2020.

While the HDSA ownership requirement in relation to existing mining rights has not increased (provided that Harmony met the 26 percent requirement under the Amended Charter), Harmony may be required to comply with new HDSA ownership requirements in relation to any renewals, consolidations and transfers of its existing rights and any applications for new mining rights. The increased HDSA requirements in relation to employment equity, procurement of goods and services and enterprise and supplier development may result in additional costs being incurred by Harmony, which could have a material adverse effect on our results of operations and financial condition.

While Mining Charter III was effective from September 27, 2018, many of its provisions are vague and untested despite the publication of the Implementation Guidelines. See Item 4: "Information on the Company - Business Overview - Regulation - Mineral Rights - South Africa - The Mining Charter".

On March 26, 2019, the Minerals Council South Africa (previously the Chamber of Mines) ("**MCSA**") filed an application for the judicial review and setting aside of certain clauses of Mining Charter III. The MCSA had engaged in ongoing attempts to reach a compromise with the Minister on certain provisions that are problematic for the industry, and which would be detrimental to its sustainability.

The application aligns with the MCSA's previously stated view that most aspects of Mining Charter III represent a reasonable and workable framework. However, the MCSA's application contends that Mining Charter III does not fully recognize the continuing consequences of previous empowerment transactions, particularly in relation to mining right renewals and transfers of such rights. In August 2020, the current Minister, Gwede Mantashe, withdrew his notice of appeal to the Supreme Court of Appeal in respect of the declaratory order issued in April 2018 by the High Court of South Africa (Gauteng Division). The declaratory order held that black economic empowerment ("**BEE**") ownership transactions should continue to be recognized for regulatory certainty purposes and for the duration of the mining right – even where the BEE partner has sold or transferred part of or all its equity. Harmony cannot guarantee that it will meet all the targets set out by Mining Charter III. Should Harmony breach its obligations in complying with the MPRDA or Mining Charter III, its existing mining rights in South Africa could be suspended or canceled by the Minister in accordance with the provisions of the MPRDA. It may also influence our ability to obtain any new mining rights. Any such suspension or cancellation could have a material adverse effect on our results of operations and financial condition.

Papua New Guinea

In PNG, mining is governed by the PNG Mining Act. All minerals are owned by the PNG Government, which grants rights to explore for or mine such minerals under a concessionary tenement system. Types of tenement include: exploration license; mining lease; special mining lease; alluvial mining lease; lease for mining purpose; and mining easement.

Since 2009, the mining regime in PNG has been the subject of a comprehensive ongoing review involving various PNG Government agencies. The legislation being reviewed includes the PNG Mining Act, PNG Mining (Safety) Act 1977 and applicable regulations. PNG mineral policy and mining-specific sector policies including biodiversity offsets, offshore mining policy, sustainable development policy, involuntary relocation policy and mine closure policy.

Over that period, various draft revisions of the PNG Mining Act have been circulated and submitted to the PNG Chamber of Mines and Petroleum for its comments, most recently in 2018 and 2020. The most recent draft revisions include an increase in the royalty rate, changes to the terms of the PNG Government's right to acquire an interest in a mine discovery, the introduction of a development levy and a waste fee, the introduction of an obligation to maintain production at minimum prescribed levels, a prohibition on non-local "Fly-In, Fly-Out" employment practices, and the introduction of downstream processing obligations. If introduced, and applied to Harmony's operations and projects in PNG, the changes will potentially affect those operations and projects and could have a material adverse effect on Harmony's business, operating results and financial condition.

In May 2019, the Honourable James Marape was appointed Prime Minister of PNG following a vote of no confidence in the previous Government. He committed his Government to a review and restructuring of resource laws, signaling the possible introduction of a new mining act and associated mining and related policies intended to increase the PNG Government's benefits share in mining.

On June 26, 2020 a Mining (Amendment) Act was enacted to require the real-time provision of production and mineral sales data of the PNG Government. On July 16, 2020 a proposed Organic Law on Ownership and Development of Hydrocarbons and Minerals and the Commercialization of State Businesses (the "**PNG Organic Law**") was tabled for reading in Parliament. The PNG Organic Law (if adopted) will materially alter the legislative and regulatory regime governing mining in PNG, including the transfer of ownership of minerals from the State to a State-Owned Entity ("**SOE**") not subject to the PNG Mining Act or the regulation of the Mineral Resources Authority, and the transformation of the methodology of its participation in mining operations from a concessionary to a production sharing regime. The proposed PNG Organic Law is silent on the form and content of the production sharing regime to be entered into, which arrangements it is envisaged will be negotiated by the SOE on a case by case basis.

It is presently uncertain if the PNG Organic Law will be adopted, of (if adopted) whether or how the PNG Organic Law will be applied to Harmony's current operations and projects in PNG. Due to this uncertainty, Harmony is unable to express a view on the likely accounting impact of the changes, save to state that, if the PNG Organic Law is adopted and applied, Harmony's operations and projects in PNG will potentially be affected by the changes, which could have a material adverse effect on Harmony's business, operating results and financial condition.

Laws governing health and safety affect our business and could impose significant costs and burdens

In South Africa, the MHSA requires that employers implement various measures to ensure the safety and health of persons working at a mine as far as reasonably practicable. This obligation is extended to any contractor employees that may be working at a mine. These obligations include the identification and assessment of risk, implementation of codes of practice and standards setting out safe work procedures, proper and appropriate training, supervision, medical surveillance and the provision of safe equipment and personal protective equipment. Further, Harmony must ensure compliance with various licenses, permissions or consents that have been issued to it in terms of the various pieces of applicable legislation.

An employer may be subjected to significant penalties and/or administrative fines for non-compliance under the MHSA and other applicable legislation. Depending on the particular circumstances, litigation (criminal and/or civil) may be instituted against the employer in respect of an accident or incident which has resulted in the injury, death or occupational disease contracted by an employee (or contractor employee). In some of the jurisdictions in which Harmony operate, the regulatory authority also issues closure notices for the operation or parts thereof, following the occurrence of an injury or death threat. In the past, certain of our operations have also been temporarily suspended for safety reasons. Such closure notices or suspensions, if of sufficient magnitude, could have a material adverse effect on our business, operating results or financial condition.

Any further changes to the health and safety laws which increase the burden of compliance on the employer and impose higher penalties for non-compliance may result in Harmony incurring further significant costs, which could have a material adverse effect on our business, operating results and financial condition. In addition, our reputation could be damaged by any significant governmental investigation or enforcement of health and safety laws, regulations or standards, which could also have a material adverse effect on our business, operating results and financial condition.

In PNG, the safety of employees and contractors at Harmony's mining operations is regulated by the PNG Mining (Safety) Act 1977 and the Regulations issued thereunder. In terms of section 6(1)(e)(i) of the Act, the inspector has the power to order the cessation of any part of the operations for such (unlimited) time as he or she considers may be necessary to satisfy the safety provisions of the Act. Such order for cessation can often result in lower or a total stoppage of production resulting in significant financial losses during the cessation.

The mining regime in PNG is the subject of comprehensive ongoing review, including the Mining (Safety) Act and Regulations. Harmony's operations and projects in PNG may be affected by changes to PNG mining safety regime, and the company continues to engage with the PNG Government and relevant regulators on these matters through the offices of the Chamber of Mines and Petroleum, and directly with the PNG Mineral Resources Authority ("**MRA**") and the Chief Inspector of Mines.

We are subject to extensive environmental regulations

As a gold mining company, Harmony is subject to extensive environmental regulation. We expect the trend of rising production costs due to compliance with South African and PNG environmental laws and regulations to continue.

South Africa

In South Africa, the MPRDA and the National Environmental Management Act, 107 of 1998 (the "**NEMA**"), along with various other environmental statutes, regulations and standards regulate the impact of the Company's prospecting and mining operations on the environment. These statutes, regulations and standards are regularly updated, amended and supplemented, imposing additional obligations on mining companies to, among other things, minimize emissions, reduce, re-use and recycle waste and improve the quality of effluent and wastewater discharged from the operations.

Under the MPRDA, a mining holder remains responsible for any environmental liability, pollution, ecological degradation, the pumping and treatment of extraneous water and the sustainable closure of mining operations until such time as the Minister issues a closure certificate. Notwithstanding this, the NEMA states that a mining right holder will remain responsible for these obligations even after a closure certificate is issued.

In South Africa, until such time as a closure certificate is issued, a mining right holder is required to assess annually the environmental liabilities associated with the mining operation (including the pumping and treatment of extraneous water) and put up financial provision for the rehabilitation, closure and ongoing post decommissioning management of negative environmental impacts. This financial provision may be released when the Minister issues a closure certificate. However, he or she may retain a portion of the financial provision in perpetuity for any residual and latent environmental liabilities.

The manner in which the amount of the financial provision is calculated will be regulated under the Financial Provision Regulations, 2015. Prior to this, the amount of financial provision has been calculated pursuant to the DMRE's Guideline Document for the Evaluation of the Quantum of Closure-related Financial Provision Provided by a Mine (the "**DMRE Guidelines**"). The DMRE Guidelines were criticized for undervaluing the costs of environmental rehabilitation thus exposing the DMRE to potential liability in the event that the mining right holder was unable to fulfill its environmental obligations. The proposed Financial Provision Regulations, 2015 place an emphasis on post-closure water pumping and treatment and the need for upfront provision to be set aside for the management of these types of impacts.

The Financial Provision Regulations, 2015 sought to rectify this deficiency by, among other things, including preliminary and general costs in the financial provision calculations, imposing VAT (at 15%) on the total amount, prohibiting the withdrawal of trust funds for concurrent rehabilitation (even in circumstances where the financial provision exceeds the evaluated environmental liability) and ceding a portion of the funds the Minister as security for possible latent and residual post-closure environmental impacts.

Compliance with these obligations would result in a significant increase in the required financial provision and, consequently has been strongly opposed by the mining industry. In response to this opposition, the Department of Environment, Forestry and Fisheries (the competent authority for drafting the Financial Provision Regulations, 2015) ("**DEFF**") undertook to engage further with mining industry and other stakeholders to amend or develop new financial provision regulations. In light of this on-going consultation, the date by which mining companies are required to align their financial provision with the Financial Provision Regulations, 2015 has been extended on three occasions. The most recent extension is until June 2021. As revised draft regulations have not been published in the last year, it is possible that the June 2021 date may be extended further. However, even if new regulations are finalized before that date, it is likely that the financial provision calculation will be more stringent than the calculations under the DMRE Guidelines and the Company will be required to increase its financial provision.

In addition, the Company may also face increased environmental costs should other mines in the vicinity fail to meet their obligations on the pumping or treatment of water. The Company believes that it will realize an additional liability of R37 million for the final closure solution to close the KOSH basin safely and sustainably.

The adoption of these or additional or more comprehensive and stringent requirements, particularly for the management of hazardous waste, pollution of ground and groundwater systems and duty to rehabilitate closed mines, may result in additional costs and liabilities, which could have a material adverse effect on Harmony's business, operating results and financial condition.

Harmony continues to engage with DEFF and the DMRE regarding matters relating to financial provision including the Financial Provision Regulations, 2015, as well as the adjustment of financial provision in respect of the mining operations. There is concern about the ambiguity of the provisions and how they can be operationalized with the prescribed transitional time frames, which may result in misinterpretation, mis-application and potential disputes with DEFF any of which could have a material adverse effect on Harmony's business, operating results and financial condition. See note 25 "*Provision for environmental rehabilitation*" to our consolidated financial statements set forth beginning on page F-1.

Papua New Guinea

Harmony’s PNG operations are subject to the PNG Environment Act 2000, which governs the environmental permitting and regulatory aspects of mining projects. An environmental impact statement is required when projects are likely to have a significant adverse impact on the environment. This statement must be lodged with the PNG Conservation and Environment Protection Authority where, for large projects, it may be forwarded to the PNG Environment Council for review. Public consultation is an integral part of this review.

Compliance with existing or new environmental legislation, which increases the burden of compliance or the penalties for non-compliance may cause Harmony to incur further significant costs and could have a material adverse effect on our business, operating results and financial condition.

A process of legislative review is underway and a number of environmental matters are under consideration. These include a Mine Closure Policy, which contains a mechanism for the provision of financial assurance for mine closure and rehabilitation costs; a Biodiversity Offsets Policy, which includes a mechanism for biodiversity offsets payments to support biodiversity initiatives; and a National Oceans Policy, which considers issues associated with offshore mining and extractive industries and deep sea tailings placement.

Harmony's operations and projects in PNG will be affected by changes to PNG environmental laws, and the company continues to engage with the PNG Government and relevant regulators on these matters through the offices of the PNG Chamber of Mines and Petroleum, and directly with the Conservation and Environment Protection Authority, any of which could have a material adverse effect on Harmony's business, operating results and financial condition.

See “*Integrated Annual Report for the 20-F 2020 - Managing our Social and Environmental Stewardship - Environmental management and stewardship*” on pages 121 to 138 for further discussion on the applicable legislation and our policies on environmental matters.

We face public scrutiny and are under pressure to demonstrate that we pursue sustainable development that benefits the communities and countries in which they operate

As a result of public concern about the perceived ill effects of economic globalization, businesses in general and large international companies such as Harmony, in particular, face increasing public scrutiny of their activities.

Like other mining companies, Harmony is under pressure to demonstrate that while it seeks a satisfactory return on investment for shareholders, other stakeholders including employees, communities surrounding the operations and the countries in which they operate, also benefit from their commercial activities. Such pressures tend to be particularly focused on companies whose activities are perceived to have a high impact on their social and physical environment. The potential consequences of these pressures include reputational damage, legal suits and social spending obligations and investor withdrawal.

Existing and proposed mining operations are often located at or near existing towns and villages, natural water courses and other infrastructure. Mining operations must therefore be designed to mitigate and/or manage their impact on such communities and the environment. As the impacts of dust generation, waste storage, water quality or shortages may be immediate and directly adverse to those communities, poor environmental management practices, or, in particular, adverse changes in the supply or quality of water can result in community protest, regulatory sanctions or ultimately in the withdrawal of community and government support for company operations. Mining operations must therefore be designed to minimize their impact on such communities and the environment, including by changing mining plans, by modifying operations or by relocating the affected people to an agreed location. Responsive measures may also include restoration of the livelihoods of those impacted. In addition, we are obliged to comply with the terms and conditions of all the mining rights we hold.

At our PNG operations, we are required under the PNG Mining Act and PNG Environment Act 2000 to pay landowners regulated levels of compensation for any loss or damage sustained by them arising from our exploration or mining activities. In addition, under a negotiated Memorandum of Agreement ("**MOA**") with the national and provincial government and landowner organizations in 2005, an agreed share of the royalties paid by us to the PNG Government in respect of our mining operation is allocated among local government and landowner groups. Also, the MOA contains agreed national content, localization and social performance plans, which address various aspects of procurement, business development, employment and training and other community support.

Delays in projects attributable to a lack of community support or community-related disruptions or delays can translate directly into a decrease in the value of a project or into an inability to bring the project to, or maintain, production. The cost of implementing these and other measures to support sustainable development could increase capital expenditure and operating costs and therefore adversely impact Harmony's reputation, business, operational results and financial condition.

Compliance with emerging climate change regulations could result in significant costs for Harmony, and climate change may present physical risks to our operations

Climate change is expected to have financial and operational impacts on the Company. Increased global awareness that greenhouse gases ("**GHG**") contribute to climate change has resulted in legislative mechanisms obliging companies to report GHG emissions and implement measures to reduce GHG emissions, and imposing penalties or taxes on GHG emissions. The manner in which these legislative mechanisms will affect the Company are set out in more detail below.

In addition, the Company's operations could be exposed to a number of physical risks from climate change, such as changes in rainfall rates, rising sea levels, reduced water availability, higher temperatures and extreme weather events. Events or conditions such as flooding or inadequate water supplies could disrupt the Company's mining and transport operations, mineral processing and rehabilitation efforts, create resource or energy shortages, damage property or equipment and increase health and safety risks. Such events or conditions could have other adverse effects on our workforce and on the communities around our mines, such as an increased risk of food insecurity, water scarcity and prevalence of disease, all of which could have a material adverse effect on the Company's operations, financial condition and reputation.

Reporting GHG Emissions

In South Africa, the National Greenhouse Gas Emission Reporting Regulations require that the Company register its operations that involve fuel combustion activities associated with mining and quarrying in excess of 10MW(th) and certain other activities associated with the mineral industry. The Company must report its GHG emissions and activity data in respect of these operations in accordance with the Technical Guidelines for Monitoring, Reporting and Verification of Greenhouse Gas Emissions by Industry for each of the relevant GHGs and the Intergovernmental Panel on Climate Change, or IPCC, emission sources by March 31st of each year.

Reduction in GHG

GHGs are emitted directly by Harmony's operations and indirectly as a result of consuming electricity generated by external utilities. Emissions from electricity consumption are indirectly attributable to Harmony's operations.

A number of international measures seeking to mitigate or limit GHG emissions have been ratified by South Africa and PNG, including the Paris Agreement, a treaty negotiated at the Conference of the Parties of the UN Framework Convention on Climate Change in Paris in December 2015 (the "**Paris Agreement**"), pursuant to which member countries set out the manner and period in which they plan to reduce emissions. This commitment or "nationally-determined contribution" is informed by each member countries' circumstances.

Pursuant to South Africa's nationally-determined contribution, GHG emissions will peak in 2020 to 2025, plateau from 2025 to 2035 and decline from 2036 onwards.

PNG's GHG emissions have historically been negligible. However, according to PNG's nationally-determined contribution, economic development in PNG will see an increased reliance on fuel. The PNG Government therefore plans to reduce fossil fuel emissions in the electricity generation sector and transition to 100% renewable energy by 2030, provided that funding is available.

The Carbon Tax Act, 15 of 2019 (the "**Carbon Tax Act**") was enacted to assist South Africa in meeting its objectives under its nationally-determined contribution.

The Carbon Tax Act came into effect on June 1, 2019 notwithstanding that the regulations required for implementation had not then been promulgated. Pursuant to the Carbon Tax Act, a party is liable to pay a carbon tax if it conducts an activity in South Africa resulting in GHG emissions above the threshold set out in Schedule 2 to the Carbon Tax Act. The tax is charged at a rate of R120 per tonne of GHG emissions generated by burning fossil fuels, unintentionally emitting GHGs during the extraction, processing, delivery and burning of fossil fuels for energy production, including from industrial plant and pipelines, and conducting manufacturing processes that chemically and physically transform materials.

The tonnage of GHG in respect of these activities is determined by multiplying GHG emission factors contained in the Schedules to the Carbon Tax Act by the mass of fossil fuels or raw materials used or product produced, as the case may be. Until December 31, 2022 the tax rate will be increased annually by the consumer price inflation ("**CPI**") plus 2%. Thereafter, the rate will increase annually by CPI.

In order to reduce the significant tax that results by multiplying the total tonnage of GHG by R120, the Carbon Tax Act makes provision for various "allowances" which could result in a decrease of the carbon tax payable by up to 95%. These allowances include:

- allowance for fossil fuel combustion;
- allowance for industrial process emissions;
- allowance in respect of fugitive emissions;
- a trade exposure allowance;
- a performance allowance;
- a carbon budget allowance; and
- an offset allowance.

These allowances reduce the effective carbon tax rate to between R6 and R48 per tonne of GHG.

Pursuant to section 19 of the Carbon Tax Act, the Minister of Finance must make regulations regarding:

- the sub-sector GHG emissions intensity benchmark required in order to calculate the performance allowance;
- the manner in which the trade exposure allowance must be determined; and
- carbon offsets.

To date, only the carbon offset regulations have been promulgated. The intensity benchmark regulations and trade exposure regulations are still only in draft form. In respect of carbon budgets, the South African government has undertaken to consult with industry to ensure an “optimal combination” of mitigation actions that 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 stabilize GHG concentrations. The carbon budgeting system under the Carbon Tax Act and the proposed Climate Change Bill published by DEFF on June 8, 2018 (the "**2018 Climate Change Bill**"), however, are at odds with one another and will need to be resolved before the 2018 Climate Change Bill is finalized.

The first carbon tax payment for the period from June 1, 2019 to December 31, 2019 was originally due on July 31, 2020, but has been extended to October 31, 2020 due to the COVID-19 pandemic.

Harmony’s tax liability due to the carbon tax has been provisionally estimated. However, at this time it is not possible to determine the ultimate impact of the Carbon Tax Act on the Company. Nevertheless, the Company has set its internal carbon price (for the South African operations) to match that of the carbon tax. The Company may also be liable for potential pass through costs from its suppliers in the short term from increased fuel prices. The carbon tax on liquid fuels will be imposed at the source. It is estimated that the increased fuel price would be R0.13/liter. This will have an impact on the Company’s operational expenses.

Currently, the carbon tax poses a relatively low cost to the Company until December 31, 2022 after which it is anticipated that the “allowances” discussed above will be reduced and the tax increased. It is also anticipated that carbon taxes will be imposed on electricity usage generated from fossil fuels. The impact of the carbon tax on the Company arising from electricity usage after December 31, 2022 is currently unknown but it is anticipated that it may be between R100 million to R500 million per year from fiscal year 2023 to fiscal year 2030.

The largest portion of GHG emissions is predominantly electricity-related, with electricity expenditure amounting to approximately 15% of the Company’s cash costs in South Africa. While cost management is clearly a strategic issue for the Company, of even greater importance is that energy supply be constant and reliable, given the implications of loss of energy on both production and health and safety. Additional taxes on energy will affect the Company significantly as will regulation that stipulates may include, among others, emission measurement and reduction, audit processes and human resource costs.

Assessments of the potential impact of future climate change regulation are still uncertain, given the wide scope of potential regulatory change in South Africa. Such regulatory initiatives and related costs could have a material adverse effect on the business, operating results and financial condition.

Climate Change legislation and policy

As mentioned above, DEFF published the 2018 Climate Change Bill for public consultation in response to the international commitments made under the Paris Agreement. It aims to address climate change in the long-term by aiming for a climate resilient and low carbon economy in South Africa. Following substantial comments, the 2018 Climate Change Bill is being revised. It is unclear when a new draft will be made available.

PNG’s national Office of Climate Change and Environmental Sustainability is studying the potential for future economic growth to be driven by renewable energy. PNG has adopted a climate change policy but implementation actions to date have been very limited. The implications of the climate change policy on the Company's operations in PNG have not yet been established and while they are not expected to have significant impacts in the near term, there can be no assurance that they will not have a material adverse effect on our business, operating results and financial condition.

See *“Integrated Annual Report for the 20-F 2020 - Managing our Social and Environmental Stewardship - Environmental management and stewardship”* on pages 121 to 138 for disclosure regarding our GHG emissions.

Our operations in South Africa are subject to water use licenses, which could impose significant costs

Under the South African National Water Act, 36 of 1998 ("**NWA**"), a person may only undertake a "water use" subject to a water use license (and the conditions contained therein) issued under the NWA, a general authorization issued by the Minister of Water and Sanitation or in terms of a prior existing water use, such as a water permit issued under the NWA's predecessor, Water Act, 54 of 1954 ("**Water Act**"). Persons undertaking water use under a general authorization or prior existing water use are required to register this use with the Department of Water and Sanitation and are required to comply with the conditions contained in the published general authorization or any conditions contained in any prior existing water use (to the extent there are any).

Our South African operations are predominantly regulated under water permits issued pursuant to the Water Act, with some having been converted to water use licenses under the NWA. Notwithstanding this, the South African operations have elected to convert all prior existing water uses into water use licenses under the NWA to ensure these operations act in accordance with current best practice and water quality standards. Submissions were made as early as 2003 and Harmony has been working closely with the regional directors in the review process.

Some operations have received draft licenses for review and comment before finalization by the regional directors at the Department of Water and Sanitation. Kusasalethu and Kalgold received their final water use licenses. These licenses, however, contain conditions that are impossible to meet and, as a result, we have applied to amend the relevant conditions.

In future, when new water licenses are issued, the Company may need to implement alternate water management measures that may require significant cost implication for our business. We intend to work collaboratively with the regional departments and catchment management agencies to reach a sustainable outcome for both the Company and the water resource.

Failing to comply with the conditions of a water use license may result in the competent authority issuing a compliance notice or directive to the Company instructing it to take measures to correct the non-compliance and, in some instances, to cease operations pending the resolution of the non-compliance. In addition, failing to comply with a water use license is an offense that may result in prosecution. If the Company is successfully prosecuted, the court may impose fines, damages, director and employee liability and imprisonment.

Any of these could have a material effect on our business, operating results and financial condition.

In addition to the licensing requirements mentioned above, the NWA imposes a duty of care on the Company to take reasonable measures to prevent pollution or contamination of water resources. The nature and extent of the reasonable measures will depend on the circumstances of each case. If the Company fails to implement the measures required of it, a directive may be issued by the competent authority instructing the Company to implement certain measures within a prescribed period. Failing to comply with a directive is an offense and may result in prosecution and the penalties contemplated above. In addition, the competent authority could implement the necessary measures and recoup the costs from the Company.

There is a possibility of the South African National Treasury and Department of Water and Sanitation instituting an environmental levy for the management of acid mine drainage ("**AMD**") in future. AMD is a common occurrence on the gold mines of the Witwatersrand Basin. AMD is caused by the exposure of sulfide-rich ore to oxygen and water during the processes of mining, crushing, mineral recovery, and storage of the various waste streams. Any such environmental levy could have a material effect on our business, operating results and financial condition. In addition, the occurrence of AMD at any of Harmony's mines could affect its ability to comply with its water use license requirements.

Obligations in respect of the pumping and treatment of extraneous water must also be addressed in connection with the Company's final closure plans for each of its operations and the Company is responsible for these liabilities until a closure certificate is issued pursuant to the MPRDA and possibly thereafter under the NEMA. This liability is discussed in more details in Item 4: "*Regulation - Law and Regulations Pertaining to Environmental Protections in South Africa - NEMA*".

See *"Integrated Annual Report for the 20-F 2020 - Managing our Social and Environmental Stewardship - Environmental management and stewardship"* on pages 121 to 138.

We may have exposure to rehabilitate potential groundwater pollution, which may include salination, and radiation contamination that may exist where we have operated or continue to operate; implementation of the financial provision regulations may require us to include provision in our financial statements for rehabilitation

Due to the interconnected nature of mining operations at Doornkop, Kusasalethu and Moab Khotsong, any proposed solution for potential flooding and decant risk posed by deep groundwater needs to comprise a regional solution supported by all mines located in the goldfields and the government in the event of legacy issues. As a result, the DMRE and affected mining companies are involved in developing a regional mine closure strategy. In view of limited current information, no reliable estimate can be made for any possible obligations or liabilities for Harmony, which could be material and have an adverse impact on Harmony's financial condition.

See above under "*We are subject to extensive environmental regulations".*

Harmony is implementing the following steps to ensure that funds are available to top up its financial provision, if necessary:

- facilitating concurrent rehabilitation;
- re-purposing infrastructure; and
- accelerated mine closure rehabilitation where operations have reached the end of its geological life.

Should the regulator require the financial provision regulations be implemented in 2021 and/or should the financial provision regulations, as they may be amended, remain onerous, MCSA has indicated that it will exercise its legal options on these regulations on behalf of the mining industry.

Currently, no provision for any potential liability has been made in our financial statements under the Financial Provision Regulations, 2015. If provision needs to be made, and is substantial, this could have a material adverse effect on our results of operations and financial condition.

See *"Integrated Annual Report for the 20-F 2020 - Managing our Social and Environmental Stewardship - Environmental management and stewardship"* on pages 121 to 138.

The use of contractors at certain of Harmony's operations may expose Harmony to delays or suspensions in mining activities and increases in mining costs

Harmony uses contractors at certain of its operations to mine and deliver ore to processing plants as well as for other purposes. At mines employing mining contractors, contracting costs represent a significant proportion of the total operating costs of these operations and the Company does not own all of the mining equipment.

Harmony's operations could be disrupted, resulting in additional costs and liabilities, if the mining contractors at affected mines have financial difficulties, if a dispute arises in renegotiating a contract, or if there is a delay in replacing an existing contractor and its operating equipment to meet business needs at expected cost levels. Increases in contract mining rates, in the absence of associated productivity increases, will also have an adverse impact on the Company's results of operations and financial condition.

In addition, Harmony's reduced control over those aspects of operations which are the responsibility of contractors, their failure to comply with applicable legal, human rights and regulatory requirements, or their inability to manage their workforce or provide high quality services or a high level of productivity could adversely affect Harmony's reputation, results of operations and financial condition, and may result in the Company incurring liability to third parties due to the actions of contractors, which could have a material adverse effect on Harmony's business, operating results and financial condition.

Our jointly-controlled assets may not comply with our standards

Harmony does not have full management control over some of its assets, which are controlled and managed by joint operation participants in accordance with the provisions of their joint arrangements. The control environment of these assets may not align with our management and operating standards, controls and procedures. Failure to adopt equivalent standards, controls and procedures could lead to higher costs and reduced production, which could adversely affect our results of operations and reputation.

Harmony is subject to the risk of litigation, the causes and costs of which are not always known

Harmony is subject to litigation, arbitration and other legal proceedings arising in the normal course of business and may be involved in disputes that may result in litigation. The causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental and health and safety concerns, share price volatility or failure to comply with disclosure obligations. The results of litigation cannot be predicted with certainty but could include costly damage awards or settlements, fines, and the loss of licenses, concessions, or rights, among other things.

In the event of a dispute, Harmony may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in South Africa. An adverse or arbitrary decision of a foreign court could have a material adverse impact on Harmony's financial performance, cash flow and results of operations.

Harmony is subject to numerous claims, including class actions or similar group claims relating to silicosis and other occupational health diseases, and could be subject to similar claims in the future. A settlement in the silicosis class action claims has been reached and a provision for silicosis has been made. A provision of R892 million has been recognized at June 30, 2020 for Harmony's potential cost to settle the silicosis and TB class actions that have been instituted against it in South Africa. Significant judgment was applied in estimating the costs that will be incurred to settle the silicosis class action claims and related expenditure and the final costs may differ from current cost estimates. Management believes the assumptions are appropriate, however changes in the assumptions may materially affect the provision and final costs of settlement. There can be no assurance that the ultimate resolution of this matter will not result in losses in excess of the recorded provision and the ultimate settlement may have a material adverse effect on Harmony's financial position. For further information, see Item 8: "*Financial Information - Consolidated Statements and Other Financial Information - Legal Proceedings*" and "*Integrated Annual Report for the 20-F 2020 - Ensuring stability, employee safety and well-being - Safety and health*" on pages 41 to 58 for further information. See note 26 "*Provision for silicosis settlement*" to our consolidated financial statements set forth beginning on page F-1.

It is possible that additional class actions and/or individual claims relating to silicosis and/or other occupational health diseases will be filed against Harmony in the future. Harmony will defend all and any subsequent claims as filed on their merits. Should Harmony be unsuccessful in defending any such claims, or in otherwise favorably resolving perceived deficiencies in the national occupational disease compensation framework that were identified in the earlier decision by the Constitutional Court, such matters would have an adverse effect on its financial position, which could be material.

Should Harmony be unable to resolve disputes favorably or to enforce its rights, this may have a material adverse impact on our financial performance, cash flow and results of operations.

Breaches in our information technology security processes and violations of data protection laws may adversely impact the conduct of our business activities (national and international)

Harmony maintains global information technology ("**IT**") and communication networks and applications to support our business activities. Our extensive IT infrastructure and network may experience service outages that may adversely impact the conduct of our business activities. This includes potential cybercrime and disruptive technologies. Harmony's vulnerability to such cyber-attacks could also be increased due to a significant proportion of its employees working remotely during the course of the COVID-19 pandemic. The information security management system, or ISMS, protecting Harmony's IT infrastructure and network may not prevent future malicious action, including denial-of-service attacks, or fraud by individuals, groups or organizations resulting in the corruption of operating systems, theft of commercially sensitive data, including commercial price outlooks, mergers and acquisitions and divestment transactions, misappropriation of funds and disruptions to our business operations, the occurrence of any of which could have a material adverse effect on our business and results of operations.

The interpretation and application of consumer and data protection laws in South Africa, the United States and elsewhere are ambiguous and evolving. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with Harmony's data practices. Complying with these various laws is difficult and could cause the company to incur substantial costs or require it to change its business practices in a manner adverse to its business.

It was announced that South Africa's comprehensive privacy law known as the Protection of Personal Information Act, 4 of 2013 (the "**POPIA**") has become effective on July 1, 2020. All processing of personal information must conform with the POPIA's provisions within one year after its commencement - organizations have a 12-month period to be POPIA-compliant by July 1, 2021. Failure to comply with POPIA may lead to penalties and fines between R1 million - R10 million.

On May 25, 2018 the General Data Protection Regulation ("**GDPR**") came into force. The GDPR is an EU-wide framework for the protection of personal data of EU based individuals. The GDPR enhances existing legal requirements through several new rules, including stronger rights for data subjects and mandatory data breach notification requirements, and increases penalties for non-compliance. Failure to comply with the GDPR may lead to a fine of up to four percent of a company's worldwide turnover or up to €20 million.

The failure of a tailings storage facility could negatively impact Harmony's business, reputation, operating results and financial condition

Mining companies face inherent risks in their operation of tailings storage facilities. Tailings storage facilities are engineered structures built for the containment of the uneconomical milled ore residue and water, known as tailings. The use of tailings storage facilities exposes Harmony to certain risks, including the failure of a tailings dam due to events such as high rainfall, overtopping of the dam, piping or seepage failures. The potential occurrence of a dam failure at one of Harmony's tailings storage facilities could lead to the loss of human life and extensive property and environmental damage.

Harmony maintains measures to manage its dams' safety, including compliance with the International Council on Mining and Metals' Tailings Governance Position Statement, Harmony's Code of Practice and undertakes routine reviews by independent consulting companies. Although Harmony has a tailings storage facility management system, the effectiveness of its designs, construction quality or regular monitoring cannot be guaranteed throughout its operations and it cannot be guaranteed that these measures will prevent the failure of one or more of its tailings dams or that such potential failure will be detected in advance. In addition, although Harmony generally requires its partners to maintain such systems, we cannot guarantee that our partners maintain similar safety precautions or monitoring systems on their tailings storage facilities. There is no assurance that any safety measures implemented will prevent the failure of any tailings storage facility.

The failure of a tailings storage facility will lead to multiple legal proceedings and investigations, which could include securities class actions, criminal proceedings and public civil actions (against Harmony or individuals) for significant amounts of damages. Furthermore, the elimination of the "conventional" practice of storing wet tailings (e.g. alternatively filtering, "dry" stacking and compacting the tailings) could require the research and development of new technologies, which could lead to additional large expenditures. As a result of the dam failure in Brazil in 2015 and 2019, and Canada in 2014 (neither of which are associated with Harmony) or as a result of future dam failures, additional environmental and health and safety laws and regulations may be forthcoming globally, including in jurisdictions where Harmony operates, which may ban the storage of wet tailings completely. In addition, changes in laws and regulations may impose more stringent conditions in connection with the construction of tailings dams, particularly with respect to upstream tailings dams which could also be made illegal, the licensing process of projects and operations and increased criminal and civil liability for companies, officers and contractors.

Furthermore, the unexpected failure of a dam at a tailings storage facility could lead to the need for a large expenditure on contingencies and on recovering the regions and people affected, extensive and permanent environmental damage and the payment of penalties, fines or other money damages. The occurrence of any of such risks could have a material adverse effect on Harmony's business, operating results and financial condition. More information about Harmony's management of tailings and waste generally may be found at https://www.harmony.co.za/responsibility/environment/tailings-management.

The upgrade of an integrated Enterprise Resource Planning (ERP) system and Human Resources (HR) system could have an adverse effect on Harmony's results of operations and financial condition

The upgrade and operation of an ERP system as well as the upgrade of the HR system are inherently high-risk initiatives due to the potential for cost and time overruns. In addition, if Harmony experiences difficulties with the upgrade and operation of the systems, the company's ability to pay its employees and to report and manage technical and financial information could be compromised, which could have an adverse effect on the company's results of operations and financial condition. Harmony is currently in the project initiation phase with go-live planned towards the end of the 2022 calendar year.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance

Laws, regulations and standards relating to accounting, corporate governance and public disclosure, “conflict minerals” and “responsible” gold, new SEC regulations and other listing regulations applicable to us are subject to change and can create uncertainty for companies like us. New or changed laws, regulations and standards could lack specificity or be subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty on compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

In terms of Section 404 of the Sarbanes-Oxley Act of 2002 (the “**Sarbanes-Oxley Act**”), we are required to furnish a report by our management on our internal control over financial reporting. The report in this annual report contains, among other matters, an assessment of the effectiveness of our internal control over financial reporting as of the end of the fiscal year, including a statement as to whether or not our internal controls over financial reporting are effective. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act. The requirement to evaluate and report on our internal controls also applies to companies that we may acquire and therefore, this assessment may be complicated by any future acquisitions. While we continue to dedicate resources and management time to ensuring that we have effective controls over financial reporting, failure to achieve and maintain an effective internal control environment could have a material adverse effect on the market’s perception of our business and our stock price. See Item 15: *“Controls and Procedures”* for management’s assessment as of June 30, 2020. In addition to management’s assessment of internal controls over financial reporting, we are required to have our independent registered public accounting firm publicly disclose their conclusions regarding the effectiveness of Harmony’s internal controls over financial reporting.

We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses, which could have a material adverse effect on our business, operating results and financial condition.

Failure to comply with laws, regulations, standards, contractual obligations whether following a breach or breaches in governance processes or fraud, bribery and corruption may lead to regulatory penalties, loss of licenses or permits, negative effects on our reported financial results, and adversely affect our reputation

Harmony operates in multiple jurisdictions, including those with less developed political and regulatory environments, and within numerous and complex frameworks. Our governance and compliance processes may not prevent potential breaches of law, accounting principles or other governance practices.

Harmony’s Code of Conduct and Behavioral Code, among other policies, standards and guidance, and training thereon may not prevent instances of unethical or unlawful behavior, including bribery or corruption, nor do they guarantee compliance with legal and regulatory requirements, and breaches may not be detected by management.

Sanctions for failure by the Company or others acting on its behalf to comply with these laws, regulations, standards and contractual obligations could include fines, penalties, imprisonment of officers, litigation, and loss of operating licenses or permits, suspensions of operations, negative effects on Harmony’s reported financial results and may damage the Company’s reputation. Such sanctions could have a material adverse impact on the Company’s financial condition and results of operations.

Compliance with "conflict minerals" and "responsible" legislation and standards could result in significant costs

Stringent standards relating to "conflict minerals" and "responsible" gold that include the US Dodd-Frank Act of 2010, EU Regulation 2017/821 on supply chain due diligence obligations for self-certification for EU importers of gold originating from conflict-affected and high-risk areas, the Organization for Economic Cooperation and Development Due Diligence Guidelines for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, the World Gold Council Conflict Free Gold Standard and the London Bullion Market Association Responsible Gold Guidance have been introduced.

Any such legislation and standards may result in significant costs to ensure and demonstrate compliance (particularly where standards change rapidly or lack certainty due to court challenges), and may complicate the sale of gold emanating from certain areas. The complexities of the gold supply chain, especially as they relate to "scrap" or recycled gold, and the fragmented and often unregulated supply of artisanal and small-scale mined gold are such that there may be significant uncertainties at each stage in the chain as to the provenance of the gold. As a result of the uncertainties in the process, the costs of due diligence and audit, or the reputational risks of defining their product or a constituent part as containing a "conflict mineral" may be too burdensome for the company’s customers. Accordingly, manufacturers may decide to switch supply sources or to substitute gold with other minerals not covered by the initiatives. This could have a material negative impact on the gold industry, including on our results of operations and financial condition.

Investors in the United States may have difficulty bringing actions, and enforcing judgments, against us, our directors and our executive officers based on the civil liabilities provisions of the federal securities laws or other laws of the United States or any state thereof

We are incorporated in South Africa. Each of our directors and executive officers (and our independent registered public accounting firm) resides outside the United States. Substantially all of the assets of these persons and substantially all our assets are located outside the United States. As a result, it may not be possible for investors to enforce a judgment against these persons or ourselves obtained in a court of the United States predicated upon the civil liability provisions of the federal securities or other laws of the United States or any state thereof. A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action which may be enforced by South African courts provided that:

- the court that pronounced the judgment had jurisdiction to entertain the case according to the principles recognized by South African law with reference to the jurisdiction of foreign courts;
- the judgment is final and conclusive;
- the judgment has not lapsed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that the documents initiating the United States proceeding were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal;
- the judgment does not involve the enforcement of a penal or revenue law; and
- the enforcement of the judgment is not otherwise precluded by the provisions of the Protection of Business Act 99 of 1978, as amended, of the Republic of South Africa.

Investors may face liquidity risk in trading our ordinary shares on the JSE Limited

The primary listing of our ordinary shares is on the JSE Limited. Historically, the trading volumes and liquidity of shares listed on the JSE have been low relative to other major markets. The ability of a holder to sell a substantial number of our ordinary shares on the JSE in a timely manner, especially in a large block trade, may be restricted by this limited liquidity. See Item 9: *"The Offer and Listing - Markets - The Securities Exchange in South Africa.*"

Sales of large quantities of our ordinary shares and ADSs, or the perception that these sales may occur, could adversely affect the prevailing market price of such securities

The market price of our ordinary shares or ADSs could fall if large quantities of ordinary shares or ADSs are sold in the public market, or there is a perception in the marketplace that such sales could occur. Subject to applicable securities laws, holders of our ordinary shares or ADSs may decide to sell them at any time. The market price of our ordinary shares or ADSs could also fall as a result of any future offerings it makes of ordinary shares, ADSs or securities exchangeable or exercisable for its ordinary shares or ADSs, or the perception in the marketplace that these sales might occur. We may make such offerings of additional ADS rights, letters of allocation or similar securities from time to time in the future.

Shareholders outside South Africa may not be able to participate in future issues of securities (including ordinary shares) carried out by or on behalf of Harmony

Securities laws of certain jurisdictions may restrict Harmony's ability to allow participation by certain shareholders in future issues of securities (including ordinary shares) carried out by or on behalf of Harmony. In particular, holders of Harmony securities who are located in the United States (including those who hold ordinary shares or ADSs) may not be able to participate in securities offerings by or on behalf of Harmony unless a registration statement under the Securities Act is effective with respect to such securities or an exemption from the registration requirements of the Securities Act is available. Securities laws of certain other jurisdictions may also restrict Harmony's ability to allow the participation of all holders in such jurisdictions in future issues of securities carried out by Harmony. Holders who have a registered address or are resident in, or who are citizens of, countries other than South Africa should consult their professional advisors as to whether they require any governmental or other consents or approvals or need to observe any other formalities to enable them to participate in any offering of Harmony securities.

US securities laws do not require Harmony to disclose as much information to investors as a US issuer is required to disclose, and investors may receive less information about the company than they might otherwise receive from a comparable US company

Harmony is subject to the periodic reporting requirements of the SEC and the NYSE that apply to "foreign private issuers". The periodic disclosure required of foreign private issuers under applicable rules is more limited than the periodic disclosure required of US issuers. Investors may receive less timely financial reports than they otherwise might receive from a comparable US company or from certain of the Company's peers in the industry. This may have an adverse impact on investors' abilities to make decisions about their investment in Harmony.

As we have a significant number of shares that may be issued in terms of the employee share schemes, our ordinary shares are subject to dilution

We have an active employee share plan that came into effect in 2006. Our shareholders have authorized up to 60,011,669 of the issued share capital to be used for this plan. We have recently approved a Deferred Share Plan as part of our new Total Incentive Plan that came into effect in 2020. Our shareholders have authorized up to 25,000,000 shares of the issued share capital to be used for this plan.

As a result, shareholders' equity interests in us are subject to dilution to the extent of the potential future exercises of the options through these share plans.

We may not pay dividends or make similar payments to our shareholders in the future

Harmony's dividend policy is to pay cash dividends only if funds are available for that purpose. Whether funds are available depends on a variety of factors, including the amount of cash available, our capital expenditures and other current or future anticipated cash requirements existing at the time. Under South African law, we are only entitled to pay a dividend or similar payment to shareholders if we meet the solvency and liquidity tests set out in the Companies Act 71 of 2008 (as amended) including its Regulations (the "**Companies Act**") and our current Memorandum of Incorporation. Cash dividends or other similar payments may not be paid in the future.

On April 1, 2012, a dividends tax ("**Dividends Tax**") was introduced at a rate of 15% (increased to 20% effective from February 22, 2017) on dividends declared by South African companies to beneficial shareholders borne by the shareholder receiving the dividend. This replaced Secondary Tax on Companies. Although the substitution of Secondary Tax on Companies with Dividends Tax may reduce the tax payable on our South African operations, thereby increasing distributable earnings, the withholding tax will generally reduce the amount of dividends or other distributions received by shareholders.

In addition, Harmony's foreign shareholders face investment risk from currency exchange rate fluctuations affecting the market value of any dividends or distributions paid by the Company.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

The information set forth under the headings:

- "-*About this report*" on page 4;
- "-*Corporate profile*" on page 6;
- "-*Business model - how we create value*" on page 8;
- "-*Delivering on our strategy*" on page 11;
- "-*Our business context*" on page 25;
- "-*Delivering profitable ounces - Operational performance*" on pages 72 to 103; and
- "-*Delivering profitable ounces - Exploration and projects*" on pages 104 to 107;

of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference. Also see note 20 *"Investments in Associates"* and note 21 *"Investment in Joint Operations"* of our consolidated financial statements, set forth beginning on page F-1.

In the 2020 fiscal year, we did not receive any public takeover offers by third parties or make any public takeover offers in respect of other companies' shares.

The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC (*www.sec.gov*). As a foreign private issuer, we are exempt from the rules under the Exchange Act that prescribe the furnishing and content of proxy statements to shareholders. Our corporate website is *www.harmony.co.za*.

Recent Developments

Developments since June 30, 2020

- On July 2, 2020 a payment of US$20 million (R340 million) was made on the US$400 million syndicated term loan and revolving credit facility.
- On July 6, 2020 a payment of R300 million was made on the R2 billion four-year syndicated term loan and revolving facility.
- On July 6, 2020 Harmony canceled the US$200 million bridge loan facility it had entered into with a syndicate of lenders on June 16, 2020. No draw-down had been made on the facility at the time of its cancellation.
- On July 8, 2020 a payment of US$20 million (R339 million) was made on the US$400 million syndicated term loan and revolving credit facility.
- During July 2020, the initial three year term of the US$400 million syndicated term loan and revolving credit facility was extended by one year.
- On September 14, 2020, the last condition precedent for the Mponeng Acquisition was fulfilled and closing of the Mponeng Acquisition occurred with effect on October 1, 2020.
- On October 6, 2020 a payment of R600 million was made on the R2 billion four-year syndicated term loan and revolving facility.
- On October 8, 2020 a payment of US$30 million or R497 million was made on the US$400 million syndicated term loan and revolving facility.

B. BUSINESS OVERVIEW

The information set forth under the headings:

- *"-About this report"* on page 4;
- "-*Business model - how we create value"* on page 8;
- "-Delivering on o*ur strategy*" on page 11;
- "-*Our business context*" on page 25;
- "-*Stakeholder engagement and material issues"* on page 31;

- *"-Ensuring stability, employee safety and well-being - Safety and health"* on pages 41 to 58;
- *"-Ensuring stability, employee safety and well-being - Employee relations*" on pages 58 to 71;
- *"-Managing our Social and Environmental Stewardship- Environmental management and stewardship"* on pages 121 to 138;
- *"-Delivering profitable ounces - Operational performance"* on pages 72 to 103; and
- *"-Delivering profitable ounces - Exploration and projects"* on pages 104 to 107;

of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference.

Covid-19

On March 18, 2020, in response to the COVID-19 pandemic, Harmony announced steps aimed at protecting employees and contractors, including implementing certain travel restrictions. In line with the directive by the South African government on March 23, 2020, Harmony implemented measures to place its South African underground operations under temporary care and maintenance during the resultant 21-day lock-down in South Africa (which has been extended beyond its original end date). On April 16, 2020, the South African government published a notice amending certain regulations previously issued pursuant to Section 27(2) of the Disaster Management Act. The amendments which were effective on May 1, 2020, allowed South African mining operations to be conducted at a reduced capacity of not more than 50% during the lock-down and at increasing capacity as determined by directives to be issued by the Minister thereafter. Subsequently, Harmony announced on April 20, 2020 a set of risk-based standard operation procedure ("**SOP**") designed to resume operations to the prescribed 50% production capacity. The SOP included arranging transport for South African-based employees from their homes in remote areas to their respective areas of work, the implementation of rigorous screening and testing programs as employees return to work, the provision of quarantine facilities for employees who may test positive for COVID-19 and the submission of data collected during screening and testing to the relevant authority. As of June 1, 2020, operational restrictions were lifted further to allow the South African mining industry to operate at 100% of its labor capacity. Return to work has progressed smoothly albeit slowly, with the return of foreign nationals to South Africa taking longer than anticipated.

In response to the COVID-19 pandemic, the PNG Government initially declared a State of Emergency (subsequently uplifted) and thereafter enacted the PNG National Pandemic Act 2020 on June 12, 2020. The Act amalgamates existing Acts (e.g. the PNG Public Health Act 1973 and the PNG Quarantine Act 1951) into one overarching piece of legislation to contain and prevent the spread of COVID-19 and other future pandemics. Pursuant to the identification of a positive case in March 2020, Harmony's Hidden Valley mine in Papua New Guinea was temporarily placed in quarantine lockdown, but continued to operate without interruption by the adoption of strict isolation and quarantine control measures at various entry point centers established near the mine. Protocols have been developed to facilitate the safe movement of personnel to and from site during this period.

The future impact of COVID-19 remains uncertain and forecasting Harmony's operating outlook has been complicated by the uncertainty relating to the extent of the COVID-19-related restrictions and the rates at which production may resume at Harmony's operations. For more information on the potential impact of COVID-19 on Harmony's operations, see Item 3: "*Key Information - Risk Factors - Risks Relating to Our Business and the Gold Mining Industry - HIV/AIDS, tuberculosis and other contagious diseases, such as COVID-19, pose risks to us in terms of productivity and costs*" and "*Key Information - Risk Factors -The current COVID-19 pandemic has significantly impacted the global economy and markets over the past several months and may continue to do so, which could adversely affect our business or the trading price of our ordinary shares and ADSs.*"

Capital Expenditures

Capital expenditures for all operations and capitalized exploration incurred for fiscal 2020 amounted to R3,610 million, compared with R5,037 million in fiscal 2019 and R4,571 million in fiscal 2018. During fiscal 2020, capital at PNG accounted for 28% of the total, with Tshepong operations accounting for 26%, Moab Khotsong for 14%, Target 1 for 10%, Doornkop for 8%, Kusasalethu for 5% and Joel accounting for 4% of the total. During fiscal 2019, capital at PNG accounted for 39% of the total, with Tshepong operations accounting for 22%, Moab Khotsong for 11%, Target 1, Doornkop and Kusasalethu each accounting for 6% and Joel accounting for 4% of the total.

The focus of our capital expenditures in recent years has been underground development and plant improvement and upgrades. During fiscal 2020, the capital expenditure was funded from the Company's cash generated by operation. See Item 5: *"Operating and Financial Review and Prospects - Liquidity and Capital Resources".*

We have budgeted approximately R5,057 million for capital expenditures in fiscal 2021. We currently expect that our planned operating capital expenditures will be financed from operations and new borrowings as needed. Details regarding the capital expenditure for each operation is included in the table below.

	Capital expenditure budgeted for fiscal 2021 (R'million)
South Africa	
Kusasalethu	262
Doornkop	476
Tshepong operations	1,174
Moab Khotsong	746
Masimong	41
Target 1	443
Bambanani	72
Joel	178
Unisel	—
Other - surface	235
International	
Hidden Valley[1]	1,376
Total operational capital expenditure	**5,003**
Wafi-Golpu	50
Other international	4
Total capital expenditure	**5,057**

[1] Includes R913 million related to capitalized deferred stripping.

Reserves

As at June 30, 2020, we have declared attributable gold equivalent proved and probable reserves of 36.5 million ounces: 17.4 million ounces gold in South Africa and 19.1 million gold and gold equivalent ounces in PNG. In instances where individual deposits may contain multiple valuable commodities with a reasonable expectation of being recovered (for example gold and copper in a single deposit) Harmony computes a gold equivalent to more easily assess the value of the deposit against gold-only mines. Harmony does this by calculating the value of each of the commodity, then dividing the product by the price of gold. For example, the gold equivalent of a gold and copper deposit would be calculated as follows: ((gold ounces x gold price per ounce) + (copper pounds x copper price per pound)) / gold price per ounce. All calculations are done using metal prices as stipulated in the discussion below. Harmony assumes a 100% metallurgical recovery in its calculations unless otherwise stated. The year-on-year negative variance in mineral reserves is due to the following reasons:

- normal depletion of 1.3 million ounces; and
- a net increase of 0.04 million ounces in reserves.

We use the SAMREC Code, which sets out the internationally recognized procedures and standards for reporting of mineral resources and mineral reserves. We use the term "mineral reserves" herein, which has the same meaning as "ore reserves", as defined in the SAMREC Code. In reporting of reserves, we have complied with the SEC's Industry Guide 7.

For the reporting of mineral reserves the following parameters were applied:

- a gold price of US$1,350per ounce;
- an exchange rate of R14.51per US dollar;
- the above parameters resulting in a gold price of R630,000/kg for the South African assets;
- the Hidden Valley operation and Wafi-Golpu project used prices of US$1,350/oz gold ("**Au")**, US$17.00/oz silver ("**Ag**"), US$10.00/lb molybdenum ("**Mo**") and US$3.00/lb copper ("**Cu**") at an exchange rate of US$0.72 per A$;
- gold equivalent ounces are calculated assuming a US$1,350/oz Au, US$ 3.00/lb Cu and US$17.00/oz Ag with 100% recovery for all metals. These assumptions are based on those used in the 2016 feasibility study; and
- "gold equivalent" is computed as the value of the Company's gold, silver and copper from all mineral resources/ reserves classifications divided by the price of gold. All calculations are done using metal prices as stipulated.

In order to define the proved and probable mineral reserve at our underground operations, we apply the concept of a cut-off grade. At our underground operations in South Africa, this is done by defining the optimal cut-off grade as the lowest grade at which an orebody can be mined such that the total profits, under a specified set of mining parameters, are maximized. The cut-off grade is determined using our Optimizer computer program which requires the following as input:

- the database of measured and indicated resource blocks (per operation);
- an assumed gold price which, for this mineral reserve statement, was taken as R630,000 per kilogram (gold price of US$1,350 per ounce and an exchange rate of R14.51 per US dollar);
- planned production rates;
- the mine recovery factor which is equivalent to the mine call factor ("**MCF**") multiplied by the plant recovery factor; and
- planned cash costs (cost per tonne).

Rand per tonne cash costs of the mines are historically based, but take into account distinct changes in the cost environment, such as the future production profile, restructuring, right-sizing, and cost reduction initiatives.

For the block cave reserve at Golpu (PNG), we used our consultants' proprietary tool called "Block Cave mine optimizing software computer program" to define the optimal mine plan and sequencing.

The open pit reserve at Hidden Valley (PNG) is defined by a pit design based on the optimal output from Whittle open pit optimization software.

See the table below in this section for the cut-off grades and cost per tonne for each operation.

The mineral reserves represent that portion of the measured and indicated resources above cut-off in the life-of-mine plan and have been estimated after consideration of the factors affecting extraction, including mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. A range of disciplines which includes geology, survey, planning, mining engineering, rock engineering, metallurgy, financial management, human resources management and environmental management have been involved at each mine in the life-of-mine planning process and the conversion of resources into reserves. The oreflow-related modifying factors used to convert the mineral resources to mineral reserves through the life-of-mine planning process are stated for each individual operation. For these factors, historical information is used, except if there is a valid reason to do otherwise. Owing to depth and rock engineering requirements at our underground mines, some mines design stope support pillars into their mining layouts which accounts for approximately 7% to 10% discounting. Further discounting relates to the life-of-mine extraction to provide for geological losses.

Our standard for narrow reef sampling with respect to both proved and probable reserve calculations for underground mining operations in South Africa is generally applied on a 6 meter by 6 meter grid. Average sample spacing on development ends is at 2 meter intervals in development areas. For the massive mining at the Target 1 operation, our standard for sampling with respect to both proved and probable reserves are fan drilling with "B" sized diamond drill holes (43mm core) sited at 50 meter spaced sections along twin access drives. The Kalgold opencast operations are sampled on diamond drill and reverse circulation drill spacing of no more than 25 meters on average. Surface mining at South African operations other than Kalgold involves recovering gold from areas previously involved in mining and processing, such as metallurgical plants, waste rock dumps and tailing dams (slimes and sand) for which random sampling is used.

The PNG resources are hosted in large mineralized porphyry intrusions or manifest as higher-level deposits that are related to mineralised porphyry intrusions. Data is gained through diamond drilling using PQ (85.0 mm diameter) down to NQ (47.6 mm diameter) sized core. The core is cut in half, one half sampled at a maximum of 2 meter intervals and the other half stored in designated core storage facilities. Drill spacing at our Hidden Valley operations is typically on less than 20 meter centers for measured category, 20 to 40 meter centers for the indicated category and greater than 40 meters for inferred category material. Due to the nature of the Golpu porphyry mineralization, drill spacing is increased to 100 to 200 meters for indicated and greater for inferred. Assaying for gold is by fire assay and various methods are used for copper and other elements. All assays informing the resource calculation are analyzed at a National Association of Testing Authorities ("**NATA**") accredited commercial laboratory. Extensive quality assurance/quality control work is undertaken and data is stored in an electronic database.

Our mining operations' reported total proved and probable reserves as of June 30, 2020 are set out below:

Operations Gold	Mineral Reserves statement (Metric) as at June 30, 2020 PROVED RESERVES Tonnes (millions)	Grade (g/t)	Gold[1] (000 kg)	PROBABLE RESERVES Tonnes (millions)	Grade (g/t)	Gold[1] (000 kg)	TOTAL RESERVES Tonnes (millions)	Grade (g/t)	Gold[1] (000 kg)
South Africa Underground									
Bambanani	0.6	10.99	6	—	—	—	0.6	10.99	6
Joel	2.9	4.85	14	1.4	4.68	7	4.3	4.80	21
Masimong	0.8	4.26	3	0.0	2.95	0	0.8	4.23	3
Unisel									
Target 1	3.3	4.31	14	1.9	4.23	8	5.2	4.28	22
Tshepong Operations	22.2	5.87	130	4.5	5.48	25	26.7	5.80	155
Doornkop	5.2	5.33	28	4.6	5.03	23	9.8	5.19	51
Kusasalethu	1.8	6.92	13	1.3	7.68	10	3.1	7.24	23
Moab Khotsong	3.1	7.93	25	3.3	8.57	28	6.4	8.26	53
Total South Africa Underground	39.9	5.85	233	17.0	5.92	101	56.9	5.88	334

Operations Gold	Mineral Reserves statement (Metric) as at June 30, 2020 PROVED RESERVES Tons (millions)	Grade (g/t)	Gold[1] (000 kg)	PROBABLE RESERVES Tons (millions)	Grade (g/t)	Gold[1] (000 kg)	TOTAL RESERVES Tons (millions)	Grade (g/t)	Gold[1] (000 kg)
South Africa Surface									
Kalgold	6.7	0.93	6	13.2	1.14	15	19.9	1.07	21
Free State Surface-Phoenix	48.7	0.28	14	—	—	—	48.7	0.28	14
St Helena	108.6	0.27	29	—	—	—	108.6	0.27	29
Central Plant	—	—	—	55.4	0.27	15	55.4	0.27	15
WRD and Tailings	—	—	—	568.5	0.23	128	568.5	0.23	128
Total South Africa Surface	**164.0**	**0.30**	**49**	**637.1**	**0.25**	**158**	**801.1**	**0.26**	**207**
Total South Africa	**203.9**		**282**	**654.1**		**259**	**858.0**		**541**
Papua New Guinea[2]									
Hidden Valley	2.3	1.32	3	14.2	1.61	23	16.5	1.57	26
Hamata	0.0	2.64	0	0.3	1.65	0	0.3	1.65	0
Golpu	—	—	—	200.0	0.86	171	200.0	0.86	171
Total Papua New Guinea	**2.3**	**1.32**	**3**	**214.5**	**0.91**	**194**	**216.8**	**0.91**	**197**
Total	**206.2**		**285**	**868.6**		**453**	**1,074.8**		**738**

1 Metal figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tons and head grades. Metallurgical recovery factors have not been applied to the reserve figures.

2 Represents Harmony's attributable interest of 50%.

Note: 1 tonne = 1,000 kg = 2,204 lbs.

In addition to the gold reserves, we also report our gold equivalents for reserves for silver and copper from our PNG operations. Gold equivalent ounces are calculated assuming a US$1,350/oz for gold, US$3.00/lb copper and US$17,00/oz for silver with 100% recovery for all metals.

Gold Equivalents [2]

Silver	Proved reserves Tonnes (millions)	Gold Equivalents (kg)[1] (000)	Probable reserves Tonnes (millions)	Gold Equivalents (kg)[1] (000)	Total reserves Tonnes (millions)	Gold Equivalents (kg)[1] (000)
Hidden Valley	2.3	1	14.2	6	16.5	7

Copper	Proved reserves		Probable reserves		Total reserves	
	Tonnes (millions)	Gold Equivalents (kg)[1] (000)	Tonnes (millions)	Gold Equivalents (kg)[1] (000)	Tonnes (millions)	Gold Equivalents (kg)[1] (000)
Golpu	—	—	200.0	390	200.0	390
Total Gold Equivalents	2.3	1	214.2	396	216.5	397
Total Harmony including gold equivalents	206.2	286	868.6	849	1,074.8	1,135

In addition to the gold reserves, we also report our attributable reserves for silver and copper from our PNG operations. Metal prices are assumed at US$17.00/oz for silver, US$3.00/lb for copper, and molybdenum at US$10.00/lb.

Papua New Guinea: Other[2]

Silver	Proved Reserves			Probable Reserves			Total Reserves		
	Tonnes (millions)	Grade (g/t)	Gold[1] (000 kg)	Tonnes (millions)	Grade (g/t)	Gold[1] (000 kg)	Tonnes (millions)	Grade (g/t)	Gold[1] (000 kg)
Hidden Valley	2.3	27.37	63	14.2	24.83	352	16.5	25.18	415

Copper	Tonnes (millions)	Grade (%)	Cu[1] (000 t)	Tonnes (millions)	Grade (%)	Cu[1] (000 t)	Tonnes (millions)	Grade (%)	Cu[1] (000 t)
Golpu[2]	—	—	—	200.0	1.23	2,450	200.0	1.23	2,450

South Africa: Other

Uranium	Tonnes (millions)	Grade (kg/t)	U308[2] (Mkg)	Tonnes (millions)	Grade (kg/t)	U308[2] (Mkg)	Tonnes (millions)	Grade (kg/t)	U308[2] (Mkg)
Moab Khotsong Underground	—	—	—	6.5	0.23	1	6.5	0.23	1

1 Metal figures are fully inclusive of all mining dilutions and gold losses, and are reported as mill delivered tons and head grades. Metallurgical recovery factors have not been applied to the reserve figures.
2 Represents Harmony's attributable interest of 50%.
Note: 1 tonne = 1,000 kg = 2,204 lbs.

Our methodology for determining our reserves is subject to change and is based upon estimates and assumptions made by management regarding a number of factors as noted above in this section. Cost per tonne and cut-off grade per operation are as follows.

Operations gold	Underground Operations		Surface and Massive Mining	
	Cut-off grade (cmg/t)	Cut-off cost (R/Tonne)	Cut-off grade (g/t)	Cut-off cost (R/Tonne)
South Africa Underground				
Bambanani	2,303	5,047	—	—
Joel	898	2,500	—	—
Masimong	1,021	2,309	—	—
Phakisa	790	3,114	—	—
Target 1	—	—	3.80	2,250
Tshepong	650	2,826	—	—
Unisel	1,163	2,483	—	—
Doornkop	800	2,408	—	—
Kusasalethu	1,100	3,265	—	—
Moab Khotsong	1,801	4,234	—	—
South Africa Surface				
Kalgold	—	—	0.58	479
Free State Surface	—	—	0.15	48
	Cut-off grade (%Cu)	**Cut-off cost (A$/Tonne)**	**Cut-off grade (g/t)**	**Cut-off cost (A$/Tonne)**
Papua New Guinea				
Hidden Valley	—	—	0.65	34.08
Hamata	—	—	0.65	34.08
Golpu	0.3	26	—	—

Operations silver and copper	Underground Operations		Surface and Massive Mining	
	Cut-off grade (%Cu)	Cut-off cost (A$/Tonne)	Cut-off grade (g/t)	Cut-off cost (A$/Tonne)
SILVER				
Papua New Guinea				
Hidden Valley	—	—	0.65	44.18
COPPER				
Papua New Guinea				
Golpu	0.3	26	—	—

Notes on Cut-off:
1) Surface and massive mining are stated in g/t (g/t is grams of metal per tonne of ore).
2) All SA underground operations are stated in cmg/t (cmg/t is the Reef Channel width multiplied by the g/t which indicates the gold content within the Reef Channel).

Notes on Cut-off cost:
1) Cut-off cost refers to the cost in R/Tonne or A$/Tonne to mine and process a tonne of ore.

Notes on Copper:
1) Cut-off is stated in % Cu.

Notes on Golpu:
1) Cut-off is based on 0.2% copper; molybdenum and gold mined as by-product.

The plant recovery factors for our operations and projects are stated below:

	Plant Recovery Factor (%)
Gold	
Operations	
South Africa Undergound	
Bambanani	95
Joel	95
Masimong	95
Target 1	95
Tshepong Operations	95
Doornkop	96
Kusasalethu	93
Moab Khotsong	97
South Africa Surface	
Kalgold	84
Free State Surface - Phoenix	45
St Helena	45
Central Plant	52
WRD and Tailings	51
Papua New Guinea	
Hidden Valley	88
Hamata	88
Golpu	61
Silver	
Papua New Guinea	
Hidden Valley	61
Copper	
Papua New Guinea	
Golpu	92

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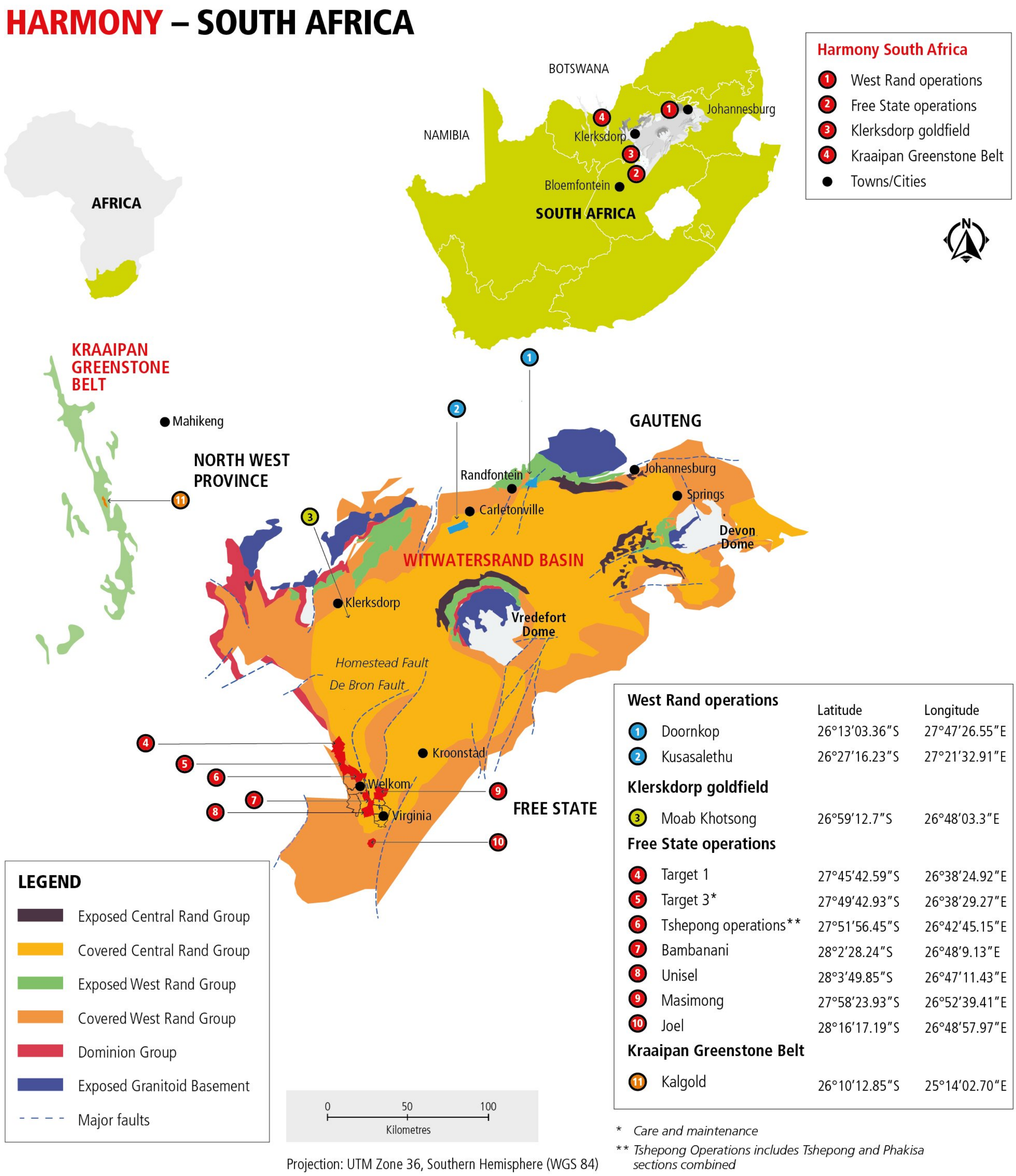
Worldwide Operations

The following is a map of our worldwide operations.



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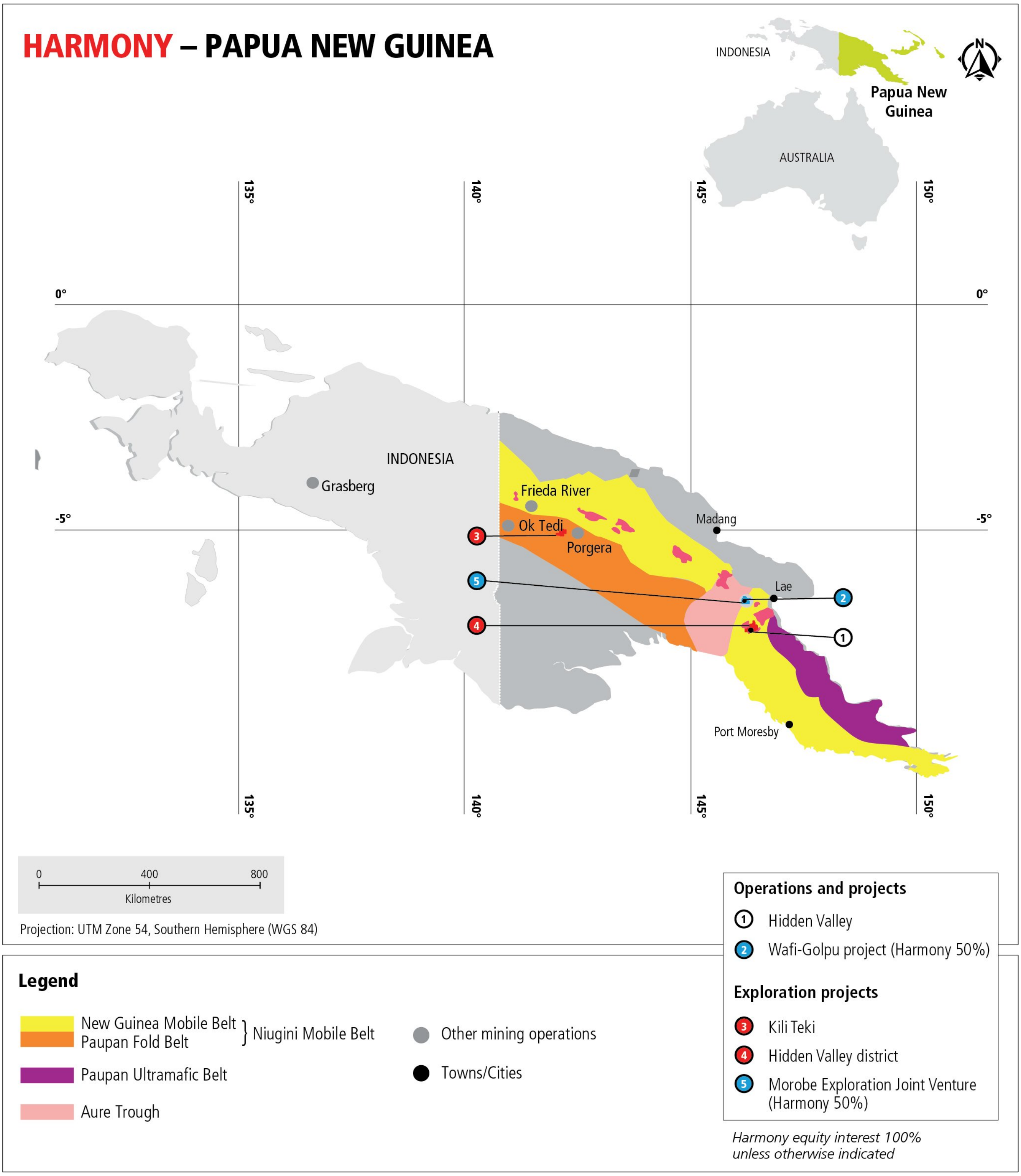


Geology

The major portion of our South African gold production is derived from mines located in the Witwatersrand Basin in South Africa. The Witwatersrand Basin is an elongated structure that extends approximately 300 kilometers in a northeast-southwest direction and approximately 100 kilometers in a northwest-southeast direction. It is an Archean sedimentary basin containing a six kilometer thick stratigraphic sequence consisting mainly of quartzites and shales with minor volcanic units. The majority of production is derived from auriferous placer reefs situated at different stratigraphic positions and at varying depths below the surface in three of the seven defined goldfields of the Witwatersrand Basin.

During fiscal 2018 a feasibility study was completed for Target 3, which remains under care and maintenance. The study will be used in conjunction with our other projects for future decision making on capital allocation and prioritization in Harmony.

Our Papua New Guinean gold production is derived exclusively from our Hidden Valley operation in the Morobe Province of PNG. The Hidden Valley deposit comprises low sulphidation carbonate-base metal-gold epithermal deposits within the Morobe Goldfield. In the mine area, a batholith of Morobe Granodiorite (locally a coarse grained monzogranite) is flanked by fine metasediments of the Owen Stanley Metamorphics. Both are cut by dykes of Pliocene porphyry ranging from hornblende-biotite to feldspar-quartz porphyries. A number of commonly argillic altered and gold anomalous breccias are known, including both hydrothermal and over printing structural breccias. Gold and silver mineralization is contained within carbonate-adularia-quartz sulphide veins, which occur typically as steeply to moderately dipping sheeted vein swarms associated with an underlying thrust in the host .

Our Wafi-Golpu project (also in the Morobe Province of PNG) encompasses the Wafi epithermal gold and the Nambonga and Golpu deposits. The Wafi gold deposit is largely hosted in sedimentary/volcaniclastic rocks of the Owen Stanley Formation adjacent to the Wafi Diatreme. Gold mineralization occurs associated with an extensive zone of pervasive high-sulphidation epithermal alteration distributed around the margin of the Wafi Diatreme. The Nambonga deposit is a mineralized gold-copper quartz vein array and is located approximately one kilometer north of the Golpu deposit. The Golpu deposit is a porphyry (diorite) copper-gold deposit, and is located about one kilometer northeast of the Wafi deposit. The host lithology is a diorite that exhibits a typical zoned porphyry copper alteration halo together with mineralization in the surrounding metasediment. The mineralized body can be described as a porphyry copper-gold “pipe”. The Wafi gold mineralization and alteration partially overprints the upper levels of the Golpu porphyry copper-gold mineralization.

Our Kili Teke deposit is an advanced exploration proposition located in the Hela Province of PNG. The Kili Teke deposit comprises porphyry style copper-gold mineralization hosted in a multiphase calc-alkaline dioritic to monzonitic intrusive complex. Host rocks comprise interbedded siliciclastics and limestone of the Papuan Fold Belt. Uranium-lead zircon age dating highlight Pliocene age dates in the range of 3.5 ± 0.04 Ma (million year) to 3.59 ± 0.07 Ma for emplacement of the mineralized porphyry phases. Late-mineral porphyry phases have been identified in the drilling and impact grade continuity within the deposit, where they intrude and stope out the earlier more mineralized phases. Overall the geometry of the deposit reflects a relatively steeply plunging, pipe like body, with mineralization decreasing away from the central high grade stockwork zones of copper gold mineralization. Intense marbleization and copper-gold skarn mineralization is developed around the peripheral contact with the host sequence, and variably developed skarn mineralization also occurs along internal structural and contact zones within the complex.

Mining and Exploration - Papua New Guinea

Harmony's wholly-owned subsidiary, Morobe Consolidated Goldfields Limited, is the 100% owner of the Hidden Valley mine in Morobe Province. Morobe Consolidated Goldfields Limited has obligations under compensation agreements with landowners, and various employment and training, local business development and supply and procurement obligations under the Hidden Valley MOA entered into with the PNG Government, provincial and local governments and the landowner association in August 2005.

Harmony’s wholly-owned subsidiary, Wafi Mining Limited, holds a 50% interest in the Wafi-Golpu project, through its equal share in various exploration licenses, held together with its co-participant in the WGJV, Newcrest PNG 2 Limited. Both of these companies have obligations under compensation agreements with landowners.

As at June 30, 2020, Harmony’s tenement portfolio in PNG totaled 752.5 square kilometers (all titles excluding mining easements and ancillary mining purpose leases). The tenements form three main project areas: (i) Kili Teke in the Hela Province (Harmony 100% owned), (ii) a package of tenements encompassing the Hidden Valley District in the Morobe Province (Harmony 100% owned) and (iii) a contiguous package of Exploration Portfolio Joint Venture tenure (Harmony 50% owned) in the vicinity of the Wafi and Golpu deposits, also in the Morobe Province.

Harmony, through its wholly-owned subsidiary, Harmony Gold (PNG) Exploration Limited, manages the exploration activities on the tenement holdings mentioned above. Prior to commencement of exploration work programs, the relevant exploration tenement holder(s) enter(s) into compensation agreements with landowners on the relevant exploration licenses, in accordance with the PNG Mining Act.

Permitting the Wafi-Golpu Project

On August 25, 2016, the WGJV submitted an application for a Special Mining Lease (SML 10) under section 35 of the PNG Mining Act, and various other associated mining tenements. A feasibility study update and revised proposals for development was lodged with the MRA on March 20, 2018, and on June 25, 2018 an Environment Impact Study was submitted to the Conservation and Protection Authority under the PNG Environment Act 2000. The feasibility study update provides greater clarity around the infrastructure which will be associated with development of the Wafi-Golpu project, including the recommended use of deep sea tailings placement as the preferred tailings management solution and the construction of a modular designed power plant.

The WGJV continue to engage with the PNG Government to take forward the permitting and approvals process for SML 10 and its other associated tenements in accordance with PNG law. In December 2018, the WGJV participants entered into a Memorandum of Understanding (the "**Wafi-Golpu MOU**") with the State of PNG outlining a negotiation framework, but further e engagement was delayed by an injunction arising from an application for judicial review of the MOU instituted by the Governor of the Morobe Province in which the Wafi-Golpu project is situated. In January 2020, the PNG Government withdrew from the Wafi-Golpu MOU,and consequently the judicial review proceedings brought by the Governor of Morobe Province were dismissed by the PNG National Court and the injunction lifted.

In June 2020, the Prime Minister, the Minister for Mining and the Governor of the Morobe Province publicly announced their commitment to a recommenced permitting process. Since this time, the MRA has convened a development forum between State and Morobe Provincial Government representatives and landowners and local communities, but there has been no engagement with the WGJV. The WGJV participants remain ready to engage with the PNG Government and the relevant regulators. However, at this stage the permitting time line and road map are still to be redefined.

Regulation

Mineral Rights - South Africa

MPRDA

The MPRDA was promulgated as effective legislation on May 1, 2004 and is the primary legislation regulating the mining industry in South Africa. Pursuant to the MPRDA, the South African government is the custodian of South Africa's mineral and petroleum resources and has a duty to administer these resources for the benefit of all South Africans. As a consequence, an owner of the surface rights has no claim to the minerals found in, on or under the surface of his or her land. The MPRDA extinguished private ownership of minerals. The DMRE (previously the Department of Mineral Resources) is the government body which, through its regional offices, implements and administers the MPRDA.

Any person (including the owner of the surface rights) who wishes to exploit mineral resources in South Africa is required to first apply for and obtain the appropriate right under the MPRDA. The Minister is authorized to grant or refuse applications for rights under the MPRDA. Provided that an applicant meets all the requirements relating to the right for which the applicant has applied, the Minister is obliged to grant the right. Once the right is granted in terms of the MPRDA and registered in terms of the Mining Titles Registration Act, 16 of 1967, the holder holds a limited real right in respect of the mineral and the land to which such right relates.

In accordance with the MPRDA, the holder of a mining right must comply with the terms of the right, the provisions of the MPRDA, the environmental authorization (issued under the NEMA), the mining work program and the SLP approved as part of the right. The SLP relates to the obligations placed on the mining right holder to, among other things, train employees of the mine in accordance with prescribed training methodologies, achieve employment equity and human resource development in the mining company, improve housing and living conditions of employees and set up local economic development projects. Compliance with each of the provisions of the MPRDA, environmental authorization, mining work program and SLP is monitored by submission of monthly, bi-annual and annual returns and reports by the holder of the right to the DMRE in accordance with the provisions of the MPRDA and the right. A prospecting or mining right can be suspended or canceled if the holder conducts mining operations in breach of the MPRDA, a term or condition of the right or an environmental management plan, or if the holder of the right submits false, incorrect or misleading information to the DMRE. The MPRDA sets out a process which must be followed before the Minister is entitled to suspend or cancel the prospecting or mining right.

We have been working on our program of licensing since 2004, which involved the compilation of a mineral assets register and the identification of all of our economic, mineral and mining rights. We actively carry out mining and exploration activities in all of our material mineral rights areas in South Africa. In the period following the MPRDA taking effect, we applied for and were granted conversion of all of our "old order" mining rights into "new order" mining rights in terms of the MPRDA.

Our strategy has been to secure all strategic mining rights on a region-by-region basis, which we have achieved as we have secured all "old order" mining rights and validated existing mining authorizations. All mining operations have valid mining rights in terms of the MPRDA and we now have to continue complying with the required monthly, annual and bi-annual reporting obligation to the DMRE.

On June 21, 2013, the Minister introduced the MPRDA Bill into Parliament. The DMRE briefed the National Assembly's Portfolio Committee on Mineral Resources in July 2013. The MPRDA Bill was passed by both the National Assembly and the NCOP on March 27, 2014. In January 2015, the former President, Jacob Zuma, referred the MPRDA Bill back to Parliament for reconsideration and on November 1, 2016, the Portfolio Committee on Mineral Resources tabled non-substantial revisions to the MPRDA Bill in the National Assembly and a slightly revised version of the MPRDA Bill was passed by the National Assembly and referred to the NCOP. On March 3, 2017, the National Assembly passed certain minor amendments to the MPRDA Bill. The National Assembly referred the MPRDA Bill to the NCOP where the Select Committee received comments on the draft legislation. The chairperson of the Select Committee had targeted January or February of 2018 to pass the legislation. On February 16, 2018, the current President of South Africa, Cyril Ramaphosa, announced that the MPRDA Bill was at an advanced stage in Parliament. However, in August 2018, the Minister announced that, given certain concerns with the MPRDA Bill, his recommendation would be to withdraw it entirely. The South African Cabinet subsequently supported the Minister's proposal to withdraw the MPRDA Bill. While the MPRDA Bill was not formally withdrawn by Parliament, it lapsed on March 28, 2019. Although Parliament has the ability to revive a lapsed Bill, it seems unlikely that it will revive the MPRDA Bill given both the Minister's and Cabinet's support for its withdrawal.

Among other things, the MPRDA Bill would:

- *Concentration of rights*

  The MPRDA Bill seeks to introduce a system whereby the Minister invites applications for prospecting rights, exploration rights, mining rights, technical co-operation permit, production rights and mining permits in respect of any area of land. Applicants for rights will no longer be able to rely on the "first come, first served" principle when submitting an application.

- *Ownership of tailings created before May 1, 2004*

  The MPRDA provides that historic tailings are not regulated in terms of the MPRDA; however, the MPRDA Bill purports to amend the MPRDA so as to render historic tailings subject to regulation under the MPRDA, resulting in the South African government gaining custodianship of historic tailings.

- *Transfers in interests in companies*

  The MPRDA Bill seeks to require the consent of the Minister for the transfer of any interest in an unlisted company or any controlling interest in a listed company where such companies hold a prospecting right or mining right.

- *Mineral beneficiation*

  A key change is that the MPRDA Bill seeks to make it mandatory for the Minister to “initiate or promote the beneficiation of minerals and petroleum resources in the Republic of South Africa”. The MPRDA Bill affords the broad discretion over beneficiation, without providing any criteria under which such discretion should be exercised.

- *Issue of a closure certificate*

  The MPRDA Bill envisages that a rights holder will remain liable for any latent or residual environmental and associated damage caused by prospecting and mining operations, even after (and notwithstanding) the issue of a closure certificate by the Minister. This means that a rights holder will no longer be indemnified from liability after the issue of a closure certificate.

There is a large degree of uncertainty regarding the changes that will be brought about in the unlikely event that the MPRDA Bill is revived and made law.

The Mining Charter

The South African government has identified the South African mining industry as a sector in which significant participation by HDSAs is required. One of the objects of the MPRDA is to substantially and meaningfully encourage HDSAs to enter the mineral and petroleum industries and to benefit from the exploitation of the nation’s mineral and petroleum resources. In terms of section 100 of the MPRDA, the Minister was empowered to develop a broad-based socio-economic charter in order to set the framework for targets and time periods for giving effect to these objectives.

Among other things, the Original Charter stated that mining companies agreed to achieve 26% HDSA ownership of South African mining industry assets within 10 years (i.e. by the end of 2014). Ownership could comprise active involvement, through HDSA-controlled companies (where HDSAs own at least 50% plus one share of the company and have management control), strategic joint ventures or partnerships (where HDSAs own at least 25% plus one vote of the joint venture or partnership interest and there is joint management and control) or collective investment vehicles, the majority ownership of which is HDSA based, or passive involvement, particularly through broad-based vehicles such as employee stock option plans.

The Original Charter was subsequently amended by the Amended Charter which included targets and timelines for HDSA participation in procurement and enterprise development, beneficiation, employment equity, human resources development, mine community development, housing and living conditions, sustainable development and growth of the mining industry and reporting (monitoring and evaluation). It required mining companies to achieve the following, among others, by no later than December 31, 2014:

- have a minimum effective HDSA ownership of 26%;
- procure a minimum of 40% of capital goods, 70% of services and 50% of consumer goods from HDSA suppliers (i.e. suppliers in which a minimum of 25% + one vote of their share capital must be owned by HDSAs) by 2014 (exclusive of non-discretionary procurement expenditure);
- ensure that multinational suppliers of capital goods contribute a minimum of 0.5% of their annual income generated from South African mining companies into a social development fund from 2010 towards the socio-economic development of South African communities;
- achieve a minimum of 40% HDSA demographic representation at executive management (board) level, senior management (executive committee) level, core and critical skills, middle management level and junior management level;
- invest up to 5% of annual payroll in essential skills development activities; and
- implement measures to improve the standards of housing and living conditions for mineworkers by converting or upgrading mineworkers’ hostels into family units, attaining an occupancy rate of one person per room and facilitating home ownership options for all mineworkers in consultation with organized labor.

In addition, mining companies were required to monitor and evaluate their compliance with the Amended Charter and submit annual compliance reports to the DMRE. The "scorecard" attached to the Amended Charter made provision for a phased-in approach for compliance with the above targets over the five year period ending on December 31, 2014. For measurement purposes, the scorecard allocated various weightings to the different elements of the Amended Charter. Failure to comply with the provisions of the Amended Charter would, according to its provisions, ostensibly amount to a breach of the MPRDA and could have resulted in the cancellation or suspension of a mining company’s mining rights.

Harmony believes that it had complied with the requirements of the Amended Charter by the December 31, 2014 deadline. *See “Integrated Annual Report for the 20-F 2020 - Managing Our Social and Environmental Stewardship - Mining Charter III Compliance Scorecard”* on pages 138 to 141.

In March 2015, the DMRE prepared an interim report of consolidated results of the self-assessment by reporting companies of compliance with the Amended Charter, reporting relatively broad compliance with the non-ownership requirements of the Amended Charter. However, the DMRE did not report the results of compliance with the HDSA ownership guidelines of the Amended Charter and noted that there was no consensus on certain principles applicable to the interpretation of the ownership element.

On March 31, 2015, the MCSA and the DMRE jointly agreed to approach the North Gauteng High Court to seek a declaratory order that would provide a ruling on the relevant legislation and the status of the Original Charter and the Amended Mining Charter, including clarity on the status of previous empowerment (i.e., HDSA ownership) transactions concluded by mining companies and a determination on whether the ownership element of the Original Charter and the Amended Charter should be a continuous compliance requirement for the duration of the mining right as argued by the DMRE, or a once-off requirement as argued by the MSCA, on the “once empowered always empowered” principle. The MCSA and the DMRE filed papers in court (the "**Main Application**") and the matter was placed on the roll to be heard on March 15, 2016. On February 16, 2017, the High Court postponed the hearing of the application indefinitely to allow the MCSA and the South African government to engage in further discussion on this matter.

The Minister published the Broad-Based Black Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry, 2017 ("**2017 Mining Charter**") which came into effect on June 15, 2017. The MCSA launched an urgent application in the High Court of South Africa, Gauteng Division, Pretoria to interdict the implementation of the 2017 Mining Charter (the "**Interdict Application**") pending a judicial review application on the basis that it was unilaterally developed and imposed on the industry and that the process that was followed by the DMRE in developing the 2017 Mining Charter had been seriously flawed (the "**2017 Review Application**"). However, the Minister and the MCSA reached an agreement on September 13, 2017 under which the Interdict Application did not proceed as the Minister undertook to suspend the 2017 Mining Charter pending the outcome of the 2017 Review Application by the MCSA. The 2017 Review Application was subsequently indefinitely postponed by agreement between the DMRE and the MCSA on the basis that the MCSA had entered into a new round of discussions with the President of South Africa, Cyril Ramaphosa, and the Minister. On February 19, 2018, the Gauteng Division High Court ordered that the DMRE and the MCSA also involve communities affected by mining activities in these new discussions relating to the 2017 Mining Charter.

When the 2017 Mining Charter was published, the MCSA re-enrolled the Main Application for hearing and the High Court hearing was held in December 2017.

On April 4, 2018, the North Gauteng High Court delivered the 2018 Judgement. The effect of the 2018 Judgment is that mining companies are not required to re-empower themselves after their HDSA shareholders have sold out and that the DMRE cannot rely on the provisions of the MPRDA to enforce compliance with the Amended Charter, unless the provisions which the DMRE seeks to enforce were made a term or condition of the mining right. The Court also held that the Minister's promulgation of the Amended Charter did not occur in terms of or in compliance with the duty imposed in terms of section 100(2) of the MPRDA and, as such, the terms of the Amended Charter can have legal consequences or significance only insofar as they are, by any means, reflected in the terms of conditions subject to which the Minister grants a mining right. It also brings the validity and enforceability of any subsequent mining charter into question unless it is legislatively authorized. On April 19, 2018, the DMRE filed a notice of intention to appeal the Gauteng Division High Court’s Judgment but later withdrew its appeal during August 2020.

On September 27, 2018, the Minister published the Mining Charter III on which date it also became effective, as amended by the notice published in the Government Gazette on December 19, 2018 and read with the Implementation Guidelines. It replaces, in their entirety, the Original Charter and the Amended Charter. Mining Charter III imposes new obligations and increased participation by HDSAs in relation to a mining company's ownership, procurement of goods and services, enterprise and supplier development, human resource development and employment equity requirements. The first annual reporting for compliance with Mining Charter III is on or before March 31, 2020, although on April 11, 2020, the Minister gazetted Directions under the regulations of the Disaster Management Act as part of the measures to address, prevent and combat the spread of COVID-19, which extended the date for submission of the first annual report to June 1, 2020.

Some of the material changes introduced by Mining Charter III include:

- in relation to existing mining rights, the continuing consequences of historical black economic empowerment transactions will be recognized and existing right holders will not be required to increase their HDSA shareholding for the duration of their mining right in circumstances where they either achieved and maintained 26% HDSA ownership or where they achieved the 26% HDSA ownership but their HDSA shareholder has since exited;
- in relation to the renewal and transfer of existing mining rights, historical BEE credentials will not be recognized and mining companies will be required to comply with the ownership requirements in relation to new mining rights (see below);
- in relation to new mining rights (granted after September 27, 2018) mining companies must have a minimum of 30% BEE shareholding distributed as follows: a minimum of 5% non-transferable *carried* interest to qualifying employees; a minimum of 5% non-transferable *carried* interest to host communities, or a minimum 5% equity equivalent benefit; and a minimum of 20% to a BEE entrepreneur, 5% of which must preferably be for women; "carried interest" is defined as "*shares issued to qualifying employees and host communities at no cost to them and free of any encumbrances. The cost for the carried interest shall be recovered by a right holder from the development of the asset*";
- applications for mining rights lodged and accepted prior to September 27, 2018, will be processed in terms of the Amended Charter (i.e. with a 26% HDSA ownership requirement) but with a further obligation to increase their HDSA shareholding to 30% within five years of the granting of the right;

- BEE shareholding may be concluded at holding company level, mining right level, on units of production, shares or assets and where is concluded at any level other than mining right level, the flow-through principle will apply;
- the permitted beneficiation off-set of up to 11% against the HDSA ownership requirement contained in the Original Charter and Amended Charter has been reduced to 5% unless it was "claimed" prior to September 27, 2018;
- a minimum of 70% of total mining goods procurement spend (including non-discretionary expenditure) must be on South African manufactured goods, allocated amongst HDSA owned and controlled companies, women and youth owned and controlled companies and BEE compliant companies;
- a minimum of 80% of the total spend on services (including non-discretionary expenditure) must be sourced from *South African* companies, allocated among HDSA owned and controlled companies, women and youth owned and controlled companies and BEE compliant companies;
- mining companies must achieve a minimum representation of HDSAs in the following management positions: 50% on the Board of directors (20% of which must be women), 50% in executive (20% of which must be women), 60% in senior management (25% of which must be women); 60% in middle level (25% of which must be women); 70% in junior level (30% of which must be women) and 60% in core and critical skills. In addition; HDSAs with disabilities must constitute 1.5% of all employees.
- the Minister may, by notice in the Government Gazette, review Mining Charter III;
- the ownership and mine community development elements are ring-fenced and require 100% compliance at all times; and
- a mining right holder that has not complied with the ownership element and falls between levels 6 and 8 of the Mining Charter scorecard shall be in breach of the MPRDA and its mining right may be suspended or canceled in accordance with the provisions of the MPRDA.

While Mining Charter III is now effective, there are transitional arrangements in relation to compliance with the procurement and the employment equity element targets.

On March 26, 2019, the MCSA instituted judicial review proceedings in High Court of South Africa for an order reviewing and setting aside certain provisions of Mining Charter III. The provisions challenged by the MCSA relate to those which, among other things:

- provide that mining right holders must at all times comply with the ownership requirements imposed under Mining Charter III;
- stipulate that the continuing consequences of historic empowerment transactions will not be recognized if existing mining rights are renewed or transferred to third parties;
- impose the procurement thresholds for goods and services; and
- indicate that the Minister may invoke the sanctions prescribed under the MPRDA, if a mineral right holder fails to comply with the threshold requirements imposed under the Charter.

The application aligns with the MCSA's previously stated view that most aspects of the Mining Charter III represent a reasonable and workable framework. However, the MCSA's application contends that Mining Charter III does not fully recognize the continuing consequences of previous empowerment transactions, particularly in relation to mining right renewals and transfers of such rights. According to the MCSA, this constitutes a breach of the declaratory order on the matter issued by the North Gauteng High Court in April 2018. On June 30, 2020, the Court ordered that various mine-affected communities and trade unions are joined as parties to the MCSA's application. This is likely to further delay a decision in the matter, the outcome of which remains uncertain.

On March 27, 2020 the Minister published for implementation the Amended Regulations. The Amended Regulations include the following notable changes:

- Mining right applicants must "meaningfully consult" with landowners, lawful occupiers and interested and affected parties in accordance with the procedures contemplated under the EIA Regulations). The office of the Regional Manager is permitted to participate as an observer in these processes.
- Mining right holders must pursuant to their SLPs contribute to the socio-economic development in the areas in which they operate and labor sending areas (i.e. a local municipality from which a majority of mineworkers are from time to time permanently resident). This requirement may impose obligations on mining right holder to effect measures in communities that are located far away from the mine and / or could give rise to some social issues.
- Although most of the provisions regulating environmental matters have been deleted from the Regulations, those sections dealing with mine closure have been retained but have been amended to state that mine closure must be regulated in terms of the NEMA, the EIA Regulations and the Financial Provision Regulations, 2015. It is anticipated that the Financial Provision Regulations, 2015 will be replaced by a revised regulations following further engagement with the mining industry.
- The appeal process in the MPRDA Regulations has been replaced with a more comprehensive procedure that includes specific time periods within which appellants, respondents and the competent authority must submit appeals, responses or consider appeals (as the case may be). Although there is no guarantee that the parties will comply with these time periods, the time periods intend to hold the parties accountable and to ensure that appeals are resolved in a timely manner.

The Royalty Act

The Mineral and Petroleum Royalty Act 28 of 2008 and the Mineral and Petroleum Royalty Administration Act 29 of 2008 were assented to on November 21, 2008 with the commencement date set as May 1, 2009. However, the date on which royalties became payable was deferred to March 1, 2010. Royalties are payable by the holders of mining rights to the government according to formula based on a defined earnings before interest and tax. This rate is then applied to a defined gross sales leviable amount to calculate the royalty amount due, with a minimum of 0.5% and a maximum of 5% for gold. For 2020, the average royalty rate for our South African operations was 0.97% of the gross sales leviable amount.

The BBBEE Act and the BBBEE Amendment Act

The BBBEE Act, 53 of 2003 (the "**BBBEE Act**"), which came into effect on April 21, 2004, established a national policy on broad-based black economic empowerment with the objective to (i) remedy historical racial imbalances in the South Africa economy and (ii) achieve economic transformation, by increasing the number of black people who participate in the mainstream South African economy. The BBBEE Act provides for various measures to promote BEE participation, including empowering the Minister of Trade and Industry to issue Codes of Good Practice (the "**BBBEE Codes**"), with which organs of state and public entities and parties interacting with them or obtaining rights and licenses from them would be required to comply. The BBBEE Codes were first published in 2007, and were revised in 2013 (although the revisions only came into effect in 2015). The BBBEE Codes sought to provide a standard framework, in the form of a "generic scorecard", for the measurement of BBBEE across all sectors and industries operating within the South African economy and sought to regularize such sectors and industries by providing clear and comprehensive criteria for the measurement of BBBEE.

On October 24, 2014, the BBBEE Amendment Act, 46 of 2013 (the “**BBBEE Amendment Act**”) came into effect. The BBBEE Amendment Act inserted a new provision in the BBBEE Act, whereby the BBBEE Act would trump the provisions of any other law in South Africa which conflicts with the provisions of the BBBEE Act, provided such conflicting law was in force immediately prior to the effective date of the BBBEE Amendment Act. The BBBEE Amendment Act also stipulates that this provision would only be effective one year after the BBBEE Amendment Act is brought into effect, on October 24, 2015. On October 27, 2015, the Minister of Trade and Industry published a government gazette notice declaring an exemption in favor of the DMRE from applying the requirements contained in section 10(1) of the BBBEE Act for a period of 12 months.

There has been some debate as to whether or to what extent the mining industry was subject to the BBBEE Act and the policies and codes provided for thereunder. The BBBEE Codes apply in the absence of sector specific codes which have been agreed to by interested and affected parties active within a specific sector. By way of background, various sectors within the South African economy may negotiate and agree Codes of Good Practice which would govern transformation in that specific sector. In addition, certain codes fall outside of the regulatory framework established by the BBBEE Act and BBBEE Codes promulgated by the Minister of Trade and Industry thereunder. One such sector is the mining industry, where the Original Mining Charter, the Amended Mining Charter and Mining Charter III, which we refer to generally in this section as the "**Mining Charter**")) govern the implementation of BBBEE, among other things, within the mining industry.

For purposes of the BBBEE Act, the Mining Charter is not a "sector code". It is not clear at this stage how the Mining Charter and BBBEE Codes relate to each other. The government may designate the Mining Charter as a sector code, in which case it will be under the auspices of the BBBEE Act. On the other hand, the Mining Charter may remain a stand-alone document under the auspices of the MPRDA and may be subject to the trumping provision, discussed above, to the extent that there is a conflict between the two. This uncertainty may be resolved through either government clarification or judicial attention. The exemption by the Minister of Trade and Industry can be read as confirmation that the Department of Trade and Industry regards the BBBEE Codes as “applicable” to the Mining Industry after the exemption is lifted on October 27, 2016.

On February 17, 2016, the Minister of Trade and Industry published a gazette notice which repealed and confirmed the validity of a number of sector codes. The omission of the Mining Charter from the notice can be interpreted as confirmation that the Mining Charter is not contemplated as a sector code. This supports the interpretation BBBEE Act did not intend to trump the Mining Charter. While it remains to be seen how this will be interpreted, it appears that the BBBEE Act and the BEE Codes will not overrule the Mining Charter in the future and, in any event, our view is that the DMRE is likely to continue implementing the Mining Charter and it is unlikely that the DMRE will begin applying the BBBEE Act and BBBEE Codes in administering the MPRDA, since in order to do so will potentially require an amendment of the MPRDA.

Housing and Living Standards

On December 11, 2019 the Minister published the Housing and Living Conditions Standard for the Minerals Industry (the "**Standard**"). The purpose of the Standard is to ensure that mine employees are provided with adequate housing, healthcare services, balanced nutrition and water. The Standard repeals the previous iteration of the Standard from 2009 and applies to existing and new mining right holders. The underlying purpose of the Standard is to develop decent single and family housing units for mine employees and their families.

Mining right holders are required to develop a housing and living conditions plan taking into account various principles in giving effect to the above objectives including, engaging with all relevant stakeholders, ensuring equity in the implementation and administration of the housing of employees, providing employees with a range of housing options (such as subsidized rental, private ownership, living out allowances and government subsidized ownership) and ensuring that all housing facilities are developed or redeveloped with access to electricity, water and ablutions in accordance with the requisite norms and standards.

Mining right holders have twelve months in which to engage with organized labor, relevant municipalities and the Department of Water and Sanitation regarding mine employee housing and the living conditions that need to be addressed.

Draft Resettlement Guidelines

The Minister published the Draft Mine Community Resettlement Guidelines, 2019 ("**Resettlement Guidelines**") for public comment on December 4, 2019. The Resettlement Guidelines apply to applicants and holders of mining rights, prospecting rights and mining permits pursuant to the MPRDA, which result in the displacement of parties. Resettlement is guided by several fundamental principles including meaningful consultation, gender equality, the avoidance of resettlement, where possible, rules concerning meetings and the protection of existing rights.

Applicants and holders will need to make provision for a Resettlement Plan, Resettlement Action Plan and a Resettlement Agreement. The Resettlement Plan sets out the nature of the project, its expected impacts, the manner in which consultation will be implemented and the various cost implications for the resettlement. The Resettlement Action Plan sets out the specific steps that the holder will need to meet to implement the Resettlement Plan and the Resettlement Agreement records the commitments made by the holder. There are no specific requirements in the Resettlement Guidelines regarding the content of these agreements. However, all stakeholders should be engaged and commit to their respective obligations.

No mining activities may commence until such time as the Resettlement Agreement has been concluded. This includes agreement on the compensation that should be paid to affected parties. Any disputes between the parties regarding the Resettlement Agreement or associated plans, should be resolved between the parties. To the extent that the parties are unable to reach an amicable solution, only then should the Regional Manager-led process in section 54 of the MPRDA be invoked.

Mineral Rights - Papua New Guinea

Mining in PNG is governed by the PNG Mining Act. The Act stipulates that all minerals are the property of the State of PNG and, subject to the Act, all land is available for exploration and mining. The issuance and administration of mining tenements under the PNG Mining Act is effected through the offices of the MRA established under the PNG Mineral Resources Authority Act 2018, and mining operations are administered by the Chief Inspector of Mines under the PNG Mining (Safety) Act 1977. Mineral policy is administered by the Department of Mineral Policy and Geohazards Management, all three branches falling within the PNG Department of Mining.The permitting process can be very time consuming, and (subject to the applicable legislation) there is no assurance that a mining tenement will be granted or extended.

Mining tenements include:

- exploration licenses, issued for a term not exceeding two years, renewable on application for further two year terms subject to compliance with expenditure and other conditions. Each license contains a condition conferring on the PNG Government the right to make a single purchase up to 30% equitable interest in any mineral discovery under the license at a price pro rata to the accumulated exploration expenditure;
- mining leases, issued for a term not exceeding 20 years, renewable on application for up to ten years at the discretion of the PNG Minister for Mining after considering PNG Mining Advisory Board recommendations;
- special mining leases, issued for a term not exceeding 40 years, renewable on application for up to twenty years at the discretion of the PNG Minister for Mining after considering PNG Mining Advisory Board recommendations and subject to the provisions of any mining development contract which may have been entered into between the PNG Government and the tenement holder;
- mining easements; and
- leases for mining purposes.

These tenements generally confer exclusive rights on the holder to exercise their rights thereunder. However, in PNG, citizens have the right to carry out non-mechanized mining of alluvial minerals on land owned by them, provided that an alluvial mining lease is obtained and provided there is not already a mining lease or special mining lease over the subject land.

Almost all land in PNG is owned by a person or group of persons under customary ownership, and is not generally overlaid by landowner title. The customary owners of the land have in some instances been formally identified through the work of the Land Titles Commission. However, there is often considerable difficulty in identifying landowners of a particular area of land because land ownership may arise from both contract and inheritance, and because of the absence of a formal written registration system.

Along with standard corporate and other taxes and levies, mining companies must pay royalties to the State and a levy to the MRA, based on production. Prior to commencing exploration, compensation for loss or damage must be agreed with the landowners. Prior to commencing mining, written agreements must be entered into with landowners dealing with compensation and, in company with the PNG Government as a party, a memorandum of agreement dealing with such other matters as the sharing of royalties and other mining benefits among and between landowner groups and Provincial and local government entities.

Potential Changes to PNG Mining Laws

Since 2009, the mining regime in PNG has been the subject of a comprehensive ongoing review involving various PNG Government agencies. The legislation being reviewed includes the PNG Mining Act, PNG Mining (Safety) Act 1977 and applicable regulations. Mineral Policy and mining-specific sector policies including biodiversity offsets, offshore mining policy, sustainable development policy, involuntary relocation policy and mine closure policy.

Over that period, various draft revisions of the PNG Mining Act have been circulated and submitted to the PNG Chamber of Mines and Petroleum for its comments, most recently in 2018 and 2020. The most recent draft revisions include an increase in the royalty rate, changes to the terms of the PNG Government's right to acquire an interest in a mine discovery, the introduction of a development levy and a waste fee, the introduction of an obligation to maintain production at minimum prescribed levels, a prohibition on non-local “Fly-In, Fly-Out” employment practices, and the introduction of downstream processing obligations. If introduced, these changes will potentially affect Harmony's operations and projects in PNG, in the form of additional restrictions, obligations, operational costs, taxes, levies, fees and royalty payments, and could have a material adverse effect on Harmony's business, operating results and financial condition.

On June 26, 2020 a Mining (Amendment) Act was enacted to require the real-time provision of production and mineral sales data to the State. On July 16, 2020 the proposed PNG Organic Law was tabled for reading in Parliament. The Organic Law (if adopted) will materially alter the legislative and regulatory regime governing mining in PNG, including the transfer of ownership of minerals from the PNG Government to a SOE not subject to the PNG Mining Act of the regulation of the Mineral Resources Authority and the transformation of the methodology of its participation in mining operations from a concessionary to a production sharing regime.The proposed PNG Organic Law is silent on the form and content of the production sharing regime to be entered into, which arrangements it is envisaged will be negotiated by the SOE on a case by case basis.

It is presently uncertain if the PNG Organic Law will be adopted, or (if adopted) whether or how the PNG Organic Law will be applied to Harmony's current operations and projects in PNG. Due to this uncertainty, Harmony is unable to express a view on the likely impact of the changes at the present time. See Item 3. *"Key Information - Risk Factors - Laws governing mineral rights affect our business and could impose significant costs and burdens. Mineral rights in the countries in which we operate could be altered, suspended or canceled for a variety of reasons, including breaches in its obligations in respect of such mining rights"*.

The PNG Chamber of Mines and Petroleum, as the representative industry body, has been collating information from industry participants and engaging with the PNG Government as part of the industry’s response to the review proposals. Harmony is a member of the PNG Chamber of Mines and Petroleum and is represented on the sub-committee of the Chamber.

Health and Safety - South Africa

For many years, the safety of persons working in South African mines and quarries was controlled by the Mines and Works Act, 27 of 1956 and then by the Minerals Act, 50 of 1991, which was replaced by the MHSA**.** The objectives of the MHSA are:

- to protect the health and safety of persons at mines;
- to require employers and employees to identify hazards and eliminate, control and minimize the risks relating to health and safety at mines;
- to give effect to the public international law obligations of South Africa that concern health and safety at mines;
- to provide for employee participation in matters of health and safety through health and safety representatives and the health and safety committees at mines;
- to provide effective monitoring of health and safety measures at mines;
- to provide for enforcement of health and safety conditions at mines;
- to provide for investigations and inquiries to improve health and safety at mines;
- to promote a culture of health and safety in the mining industry;
- to promote training in health and safety in the mining industry; and
- to promote co-operation and consultation on health and safety matters between the South African, employers, employees and their representatives.

One of the most important objectives of the MHSA is to protect the health and safety of all persons at mines and not merely the health and safety of employees. An employer is obliged, in terms of the MHSA and the regulations binding in terms thereof, to protect, as far as reasonably practicable, the health and safety of non-employees (such as visitors to a mine and the public who live in close proximity to the mine) and employees (which includes employees of independent contractors) performing work at a mine. The word “*employer*” in section 102 of the MHSA is defined as the owner of the mine. In turn, an “*owner*” of a mine is defined to include: (i) the holder of the prospecting permit or mining authorization issued under the MPRDA; (ii) if a prospecting permit or mining authorization does not exist, the person for whom the activities in connection with the winning of a mineral are undertaken, but excluding an independent contractor; or (iii) the last person who worked the mine or that person’s successor in title.

The aforesaid subsection was amended by section 30(f) of the Mine Health and Safety Amendment Act, 74 of 2008 by substituting the term “*Mineral and Petroleum Resources Development Act*” for the term “*Minerals Act*.” Under the new system, mining authorizations do not exist. However, taking into account section 12 of the Interpretation Act 33 of 1957, the word “*authorisation*” must be substituted by the words “*mining right or mining permit*.” Accordingly, the holder of the “*mining right or mining permit*” is regarded as the employer for the purposes of the MHSA and the regulations binding thereunder. The employer therefore remains responsible to ensure that applicable provisions of the MHSA and the regulations binding in terms thereof, are complied with to ensure the health and safety of persons, as far as reasonably practicable and to prevent damage to property.

The MHSA prescribes general and specific duties for employers and others, determines penalties and a system of administrative fines, and provides for employee participation by requiring the appointment of health and safety representatives and the establishment of health and safety committees. It also entrenches the right of employees to refuse to work in dangerous conditions.

See "Integrated Annual Report for the 20-F 2020 - Ensuring stability, employee safety and well-being - Safety and health" on pages 41 to 58.

The Mine Health and Safety Inspectorate ("**MHSI**") within the DMRE is responsible for the enforcement of the MHSA and the regulations binding in terms thereof and it also plays an important role in the promotion of health and safety at mines. The MHSI comprises of a Chief Inspector of Mines, Principal Inspectors of Mines for each region and various Inspectors of Mines for each region. Should employers or employees fail to comply with their obligations under the MHSA, the MHSI may take a number of enforcement measures which include the following:

- the issuing of statutory instructions (for example notices in terms of section 54 or section 55 of the MHSA) if an Inspector of Mines has reason to believe that any occurrence, practice or condition at a mine endangers the health and safety of any person at a mine, or alternatively if an Inspector of Mines has reason to believe that a provision of the MHSA has not been complied with. A notice in terms of section 54 of the MHSA may halt all mining operations undertaken at a mine or part thereof. If a mine receives notices in terms of section 54 of the MHSA regularly, the production stoppages and the additional costs incurred as a result thereof, will not only affect the production results of a mine but also the reputation and business of a mine. If, however, a notice in terms of section 54 of the MHSA has been issued unlawfully, the mine may appeal the said notice to the Chief Inspector of Mines. It must be noted that the aforesaid appeal does not suspend the operation of the notice issued in terms of section 54 of the MHSA. To suspend the operation of the notice in the above instance, a mine must lodge an urgent application to the Labour Court (being the court with jurisdiction) requesting the suspension of the operation of the notice issued in terms of section 54 of the MHSA pending the outcome of the appeal to the Chief Inspector of Mines;
- the Chief Inspector of Mines may suspend or cancel certificates of competency issued in terms of the MHSA if the holder of that certificate is guilty of gross negligence or misconduct or has not complied with the MHSA or the regulations binding thereunder;
- a Principal Inspector of Mines may recommend prosecution to the National Director of Public Prosecutions if satisfied that there is sufficient admissible evidence that an offense has been committed. Any person convicted of an offense in terms of the MHSA may be sentenced to a fine or imprisonment as may be prescribed; and
- a Principal Inspector of Mines may, after considering the recommendation of an Inspector of Mines and the written representations of the employer, impose an administrative fine for the failure to comply with, amongst others, the provisions of the MHSA and the regulations binding thereunder. In terms of Table 2 of Schedule 8 to the MHSA, the maximum administrative fine which may be imposed on an employer is one million Rand per transgression. The MHSA does not make provision for any internal appeal against an administrative fine which has been issued unlawfully. However, if a mine receives an administrative fine which has been issued unlawfully, the mine may lodge an application in the Labour Court (being the court with jurisdiction) to review the decision of the Chief Inspector of Mines to impose an administrative fine.

Over and above the aforesaid, investigation and/or inquiry proceedings in terms of the MHSA are instituted by the MHSI following an accident or occurrence at a mine, which results in the death of any person.

In South Africa the COIDA and ODMWA established two statutory systems for the payment of compensation for occupationally related injuries and certain occupationally related diseases. COIDA applies to the compensation of all occupational injuries (including payment of compensation in the event of the death of the injured employee), whether or not it occurs in or outside the mining industry. ODMWA applies to diseases which are defined as "*compensatable diseases*", being primarily occupationally related lung diseases like silicosis. COIDA indemnifies the employer against claims by the employee or his/her dependents for damages incurred as a result of occupational injuries and diseases. However, the Constitutional Court held in *Mankayi v AngloGold Ashanti Limited* 2011 (3) SA 237 (CC) that although COIDA applies to occupational diseases in general, COIDA does not apply in instances where the disease in question is a compensatable disease in terms of ODMWA and which was contracted as a result of the performance of "*risk work*" at a "*controlled mine*". The Court further held that if an employee contracts a compensatable disease as defined in ODMWA, the employee would still be entitled to claim common law damages from the employer.

Health and Safety - Papua New Guinea

PNG has a significant mining industry, and a developing system of occupational health and safety. The PNG Mining (Safety) Act 1977 is the principal legislation, which addresses a range of issues such as working hours, minimum safety and reporting requirements. Other legislation and regulations also apply.

The PNG Mining (Safety) Act 1977 and the Regulations issued thereunder are currently under review as part of the overall review of mining legislation in PNG. See above under "- *Regulation - Mineral Rights - Papua New Guinea*". Harmony continues to engage with the PNG Government through the offices of the Chamber of Mines and Petroleum of PNG, and directly with the PNG Minister for Mining and the Managing Director of the MRA.

See "Integrated Annual Report for the 20-F 2020 - Ensuring stability, employee safety and well-being - Safety and health" on pages 41 to 58.

Laws and Regulations pertaining to Environmental Protection - South Africa

In South Africa, environmental matters are regulated by national, provincial and municipal laws based on the competencies afforded to each of these spheres of government under South Africa's Constitution and relevant legislation. As a result, there are many statutes and by-laws that are applicable to construction, operation, decommissioning and closure of mining operations. The key legislation includes the NEMA, the NWA, the National Environmental Management: Air Quality Act, 39 of 2004, the National Environmental Management: Waste Act, 59 of 2008 (the "**Waste Act**"), the National Nuclear Regulator Act, 47 of 1999, the National Environmental Management: Biodiversity Act, 10 of 2004, the National Heritage Resources Act, 25 of 1999, the Carbon Tax Act and the MPRDA.

This legislation commonly requires businesses whose operations may have an impact on the environment to obtain permits, authorizations and other approvals for those operations. The rationale behind this is to ensure that companies with activities that are reasonably expected to have environmental impacts, can initially assess the extent of the environmental impacts from such activities, as well as to put reasonable and practicable mitigation measures in place to manage these impacts. In addition, businesses and authorities must monitor compliance to ensure that the requirements under the relevant permits, authorization and other approvals are achieved. In addition, the legislation may require compliance with standards or levels for which authorization is not required and impose a duty of care on businesses to ensure that reasonable measures are implemented to prevent pollution or environmental degradation from occurring, continuing or recurring.

NEMA

Section 24 of South Africa's Constitution is the cornerstone of South African environmental law. It affords every person the right to an environment that promotes their health and well-being and places an obligation on the state to create legislation and other instruments to give effect to this right taking into consideration the principles of sustainable development.

In accordance with this obligation, the Minister of Environmental Affairs and Tourism (as he was then) introduced the NEMA. The NEMA is "framework legislation", that is, it provides the core principles and structures in terms of which all environmental legislation and decisions are interpreted, administered and applied. These principles include (but not limited to) the principles of inter-generational equity, the polluter pays principles, the cradle to grave principle and the principle of sustainable development (the "**Section 2 Principles**").

The NEMA introduces environmental management tools aimed at ensuring that the Section 2 Principles are incorporated into all decisions that have an effect on the environment. Chief among these tools is the environmental authorization process. Under section 24(1) of the NEMA, the Minister of Environment, Forestry and Fisheries may identify activities that may not commence without an environmental authorization (the "**Listed Activities**").

The Minister of Environmental Affairs published the EIA Regulations and three lists of Listed Activities (the "**Listing Notices**"). The EIA Regulations contemplate two application processes for an environmental authorization: a "basic assessment" process and a "scoping and environmental impact assessment". The basic assessment is an abridged assessment process that considers the impacts of the proposed activity on the environment, while the scoping and environmental impact assessment is a much more detailed assessment that is reserved for those activities that are expected to have a greater impact on the environment. The activities listed in Listing Notices 1 and 3 trigger a basic assessment process and the activities contained in Listing Notice 2 require the applicant to complete a scoping and environmental impact assessment. The period from the date of application until the granting or refusal of an environmental authorization should take no more than 300 days, excluding any appeal processes that suspends the environmental authorization for the duration of the appeal.

The most recent iteration of EIA Regulations and Listing Notices was published with effect from December 8, 2014, along with various amendments to the NEMA and the MPRDA pursuant to an agreement (referred to as the "**One Environmental System**") concluded between the Minister of Environmental Affairs, the Minister of Mineral Resources and the Minister of Water and Sanitation (as such ministries were then called). In terms of the One Environment System, the DEFF is responsible for the creation of all legislation and regulation relating to the environment. The DMRE however, will be the competent authority responsible with implementing and enforcing this legislation as far as it directly relates to prospecting and mining activities, including the granting of environmental authorization for these activities.

Prior to the One Environmental System, the powers and responsibilities of the DEFF and DMRE overlapped. Any person applying for a prospecting right, mining permit or mining right was required under the MPRDA to conduct an environmental impact assessment and obtain approval (referred to as an Environmental Management Programme or "**EMPr**") from the DMRE. To the extent that the proposed prospecting or mining activities also triggered any listed activities under NEMA and prior versions of the EIA Regulations, an environmental authorization was required from the provincial environmental authorities. In practice, applicants for an EMPr and environmental authorization would conduct one environmental impact assessment and submit the final report to both the DMRE and provincial authority for their respective approvals. This dual system resulted in conflicting conditions with which the applicants were required to comply.

With effect from December 8, 2014, the DMRE became the competent authority in relation to all environmental matters directly related to prospecting, extraction and primary processing of mineral resources, including those ancillary listed activities associated with prospecting and mining operations previously governed by the provincial environmental authorities. Today, any person that seeks to obtain a prospecting right, mining permit or mining right must apply for an environmental authorization from the DMRE. This environmental authorization must be granted before a prospecting right, mining permit or mining right may be granted.

While the One Environmental System has streamlined the environmental authorization process, uncertainty exists (in limited instances) as to whether the DMRE or the environmental authorities are the competent to consider and grant environmental authorizations.

The NEMA requires applicants for environmental authorizations in respect of prospecting and mining to assess the environmental liabilities arising from their mining operations and to put up financial provision (in the form of cash, guarantees or certain insurance policies) to the satisfaction of the Minister. The amount of financial provision is assessed annually and, to the extent necessary, the financial provision is adjusted to the satisfaction of the Minister. If, at any point, the holder of environmental authorization fails to fulfill its obligations under the authorization or in terms of environmental laws, the Minister may call upon the financial provision to implement any necessary measures.

Prior to September 2, 2014, financial provision was regulated under section 41 of the MPRDA read with regulation 53 and 54 of the Mineral and Petroleum Resources Development Regulations (the "**MPRDA Regulations**"). These sections and regulations required that a mining right applicant make financial provision for the rehabilitation of negative environmental impact arising from their mining activities. The initial amount and subsequent increases thereof were determined in accordance with the DMRE Guidelines. Pursuant to the DMRE Guidelines and the MPRDA Regulations, the selected financial provision must cater for the actual costs associated with the premature closing, decommissioning and final closure and post closure management of residual and latent environmental impacts.

With effect from September 2, 2014, section 41 of the MPRDA was deleted and replaced with section 24P of the NEMA. Like section 41 of the MPRDA, section 24P of the NEMA states that the prospecting / mining right holder must annually assess their environmental liability in the prescribed manner and increase the financial provision to the satisfaction of the Minister. The only material difference between section 41 of the MPRDA and section 24P of NEMA is that, in terms of the latter, the prospecting or mining right holder is required to maintain financial provision notwithstanding the issuing of a closure certificate by the Minister, while the former stated that the holder would be absolved of environmental liability once a closure certificate is used.

From September 2, 2014 until November 20, 2015, the amount of financial provision was calculated in accordance with the DMRE Guidelines as the Minister of Environmental Affairs (as she was then) had not published regulations in support of section 24P. The DMRE Guidelines were criticized for undervaluing the costs of environmental rehabilitation thus exposing the DMRE to potential liability in the event that the mining right holder was unable to fulfill its environmental obligations.

On November 20, 2015, the Minister of Environmental Affairs published the Financial Provision Regulations, 2015. The Financial Provision Regulations, 2015 sought to rectify the inadequacies of the DMRE Guidelines by, among other things, including preliminary and general costs in the financial provision calculations, imposing VAT (at 15%) on the total amount, prohibiting the withdrawal of trust funds for concurrent rehabilitation (even in circumstances where the financial provision exceeds the evaluated environmental liability) and ceding a portion of the funds the Minister as security for possible latent and residual post-closure environmental impacts.

Compliance with these obligations would have resulted in a significant increase in the required financial provision and, consequently were strongly opposed by the mining industry. In response to this opposition, the DEFF undertook to engage further with mining industry and other stakeholders to amend or develop new financial provision regulations. In light of this on-going consultation, the date by which mining companies are required to align their financial provision with the Financial Provision Regulations, 2015 has been extended on three occasions. The most recent extension is until June 2021. As revised draft regulations have not been published in the last year, it is possible that the June 2021 date may be extended further. However, even if new regulations are finalized before that date, it is likely that the financial provision calculation will be more stringent than the calculations under the DMRE Guidelines and the Company will be required to increase its financial provision.

Upon the suspension, cancellation, termination or lapsing of a prospecting or mining right, Harmony will have to comply with various regulatory requirements including applying for a closure certificate and will remain liable for compliance with the provisions of various relevant regulations, including any latent significant environmental impacts manifesting post-closure, notwithstanding the issuance of a closure certificate by the DMRE.

Until a closure certificate is granted, the Company is required to obtain and maintain financial provision for rehabilitation. The financial provision quantum is currently determined in accordance with a legal framework that may change materially. Upon the issuing of a closure certificate, the Minister may retain a portion of the financial provision for future latent and residual environmental liabilities.

The commencement of a listed activity without an environmental authorization is an offense but could possibly be corrected by submitting an application in terms of section 24G of the NEMA. There is no guarantee that the competent authority will grant an environmental authorization in terms of this process. They may instruct the applicant to rehabilitate the environment or take any other measures to rectify the unlawful conduct. Even if the authority agrees to grant an environmental authorization, it may only do so after the applicant has paid and an administrative fine. The granting of an environmental authorization under section 24G does not absolve the applicant of potential criminal liability for commencing with an activity without the requisite authorization.

NEMA imposes a statutory obligation on every person who has caused or is likely to cause significant contamination to take reasonable measures in relation thereto. This duty applies retrospectively to contamination caused prior to 1998.

A failure to comply with this duty failing to obtain or comply with an environmental authorization and other offenses may, upon successful prosecution result in significant fines of up to R10 million and/or 10 years imprisonment being imposed. In addition, it may result in damages claims, obligations to rehabilitate the environment, paying the costs of the prosecution and even direction and employee liability.

Waste management

Pursuant to section 19 of the Water Act, the Minister is authorized to publish a list of waste management activities that are likely to have detrimental effect on the environment. No one may commence or undertake a waste management activity except in accordance with the norms and standards created in terms of section 19(3) of the Water Act or a waste management license. The list of waste management activities that have, or are likely to have, a detrimental effect on the environment set out the various activities for which a waste management license is required. A basic assessment is required in respect of those activities listed in Category A and a scoping and environmental impact assessment is required in respect of Category B listed activities.

In respect of those activities listed in Category C, an waste management license is not required but the person seeking to undertake those activities must comply with published norms and standards.

Regulatory uncertainty exists regarding the management and re-processing of residue stockpiles and residue deposits created prior to May 1, 2004. These residue deposits and residue stockpiles fall outside the scope of the MPRDA (and therefore outside the jurisdiction of the DMRE) and, as such, it is not possible to obtain a mining right or a mining permit over such residue stockpiles or deposits. Amendments were included in 2014 that sought to incorporate the reclamation of residue stockpiles and residue deposits within the scope of the Waste Act and within the jurisdiction of the DMRE. The amendments, however, are unclear and it rendering it uncertain whether the DMRE or the DEFF is the competent authority in respect of these residue stockpiles and deposits. This may lead to possible legal challenge in circumstances where waste management licenses are obtained from the incorrect authority.

Other waste management facilities constructed and/or operated by our operations may also be subject to licensing requirements, including hazardous waste disposal sites and central salvage yards.

In addition to licensing, mines must also comply with the management measures prescribed for residue stockpiles and deposits in the Regulations for Residue Stockpiles and Residue Deposits from a Prospecting, Mining, Exploration or Production Operation in GNR 632 of July 24, 2015. These regulations do not retrospectively apply to the management of existing stockpiles and deposits, so long as they are in an approved EMPR. These regulations have notable cost implications for new residue stockpiles and deposits established after this date as they impose certain liner/barrier requirements for them.

The Waste Act also regulates contaminated land, whether or not the contamination occurred before the commencement of the Waste Act or at a different time from the actual activity that caused the contamination. Consequently, historic, as well as present or future arising, contaminated land which is identified as an investigation area by the environmental authorities or which is notified as being contaminated by the landowner must be assessed and reported on. The direction of taking monitoring and management measures, or of undertaking site remediation, may follow depending on the level of risk associated with the contamination.

Failure to comply with the provisions of the Waste Act may result in penalties similar to those discussed under the NEMA above.

Water use and pollution

The NWA regulates the management and water quality of water resources, including watercourses, surface water, estuaries and aquifers to ensure the sustainability of all water resources in the interests of all water users.

The NWA defines a water use as:

- taking water from a water resource;
- storing water;
- impeding or diverting the flow of water in a watercourse;
- engaging in a stream flow activities contemplated in the NWA;

  engaging in a controlled activity identified in terms of s37(1) of the NWA or declared in terms of s38(1);
- discharging waste or water containing waste into a water resource through a pipe, canal, sewer, sea outfall or other conduit;
- disposing of waste in a manner which may detrimentally impact on a water resource;
- disposing in any manner of water which contains waste from, or which has been heated in, any industrial or power generation process;
- altering the bed, banks, course or characteristics of a watercourse;
- removing, discharging or disposing of water found underground if it is necessary for the efficient continuation of an activity or for the safety of people; and
- using water for recreational purposes.

From a permitting perspective, water resources are regulated through the issuing of water use licenses, publishing of general authorizations and / or permitting persons to continue undertaking water uses that they were undertaking when the NWA came into effect.

Most mining operations require a water use license in order to conduct their operations, particularly for activities relating to water abstraction, storage, effluent discharge, diversions, and facilities which have the potential to pollute groundwater resources. Water use licenses are difficult to obtain and usually involve a lengthy and delayed application process. Mines are also required to comply with the regulations which were specifically published for the use of water for mining and related activities in GN 704 of June 4, 1999. These regulations provide for limitations on the location of mining infrastructure and requirements for separation of dirty and clean water systems and the design of certain water management infrastructure.

In addition to the permitting requirements, the NWA includes a duty of care similar to that discussed in the section above in respect of NEMA. Failure to comply with the NWA will result in penalties similar to those set out above in respect of NEMA.

Emissions

See Item 3: *"Key Information - Risk Factors - Compliance with emerging climate change regulations could result in significant costs for Harmony, and climate change may present physical risks to our operations"* for a discussion regarding the laws governing GHG emissions.

Laws and Regulations pertaining to Environmental Protection - Papua New Guinea

The PNG Environment Act 2000 regulates the impact of industry and other activities on the environment and sets out the environmental permitting requirements for developments, including mining projects. An environmental impact statement is required when projects are likely to have a significant adverse impact on the environment and other social or cultural heritage aspects. This statement must be lodged with the PNG Conservation and Environment Protection Authority (previously the Department of Environment and Conservation) for assessment, which includes a public review and referral phase. For large projects, the review process may also involve an independent peer review.

The ultimate grant of an environmental permit occurs after the endorsement of the environment impact statement by the PNG Environment Council and approval of the proposed activities by the PNG Minister for Environment, Conservation and Climate Change.

Potential Changes to PNG Environment Laws

A process of legislative review is underway and a number of environmental matters are under consideration. This includes a mine closure policy, which contains a mechanism for the provision of financial assurance for mine closure and rehabilitation costs; a biodiversity offset policy, which includes a mechanism for biodiversity offset payments to support biodiversity incentives; and a national oceans policy, which considers issues associated with offshore mining and extractive industries and deep sea tailings placement.

Harmony's operations and projects in PNG will be affected by any changes to PNG environmental laws, and the Company continues to engage with the PNG Government on these matters through the offices of the Chamber of Mines and Petroleum of PNG, and directly with the PNG Conservation and Environment Protection Authority and relevant PNG ministers.

Labor Relations

South Africa

Employee relations in South Africa are guided by the Labour Relations Act 66 of 1995 as well as by the Employee Relations Framework Policy and mine-based recognition agreements. In South Africa, Harmony recognizes four labor unions (save for the Moab Khotsong and Target Operations where the National Union of Metalworkers of South Africa ("**NUMSA**") is also recognized). As at financial year-end, these unions and their corresponding representation were as follows, namely the National Union of Mineworkers (at 58%); the Association of Mineworkers and Construction Union (at 23%); the United Association of South Africa (at 5%) National Union of Metalworkers of South Africa (5%) and Solidarity (at 2%). About 94% of our South African workforce is unionized, with the balance not belonging to a union. See *"Integrated Annual Report for the 20-F 2020 - Ensuring stability, employee safety and well-being - Employee relations"* on pages 58 to 71.

Australia

Employee relations in Australia are regulated by a combination of federal and state statutes that stipulate minimum standards and provide for collective bargaining and action. All employment contracts are based on the Australian Fair Work Act, 28 of 2009 and the National Employment Standards. Our Australian workforce is not unionized.

Papua New Guinea

Employee relations in PNG are regulated by the PNG Employment Act of 1978 and the PNG Employment of Non-Citizens Act 1978. Individual contracts are entered into, and the workforce is not unionized.

In PNG, wages are guided by independent market research that compares mining, oil and gas companies in the region. Industrial relations at Hidden Valley have been established through regular dialogue between management and employees via the Employee Relations Committee.

In addition, Hidden Valley mine employment is guided by the Employment and Training Plan appended to the Memorandum of Agreement ("**MOA**") dated August 2005 between the company, the PNG Government, provincial and local governments and the Landowner Association. The MOA requires that, as far as is reasonably possible, preference in training and employment is given to local and landowner candidates before individuals from other provinces or countries. Compliance with this agreement is a critical issue in maintaining Hidden Valley mine's license to operate.

C. ORGANIZATIONAL STRUCTURE

The information set forth under the heading:

- *"-Corporate profile"* on page 6

of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference. Also see note 2.1 "*Consolidation*" of our consolidated financial statements, set forth beginning on page F-1.

D. PROPERTY, PLANT AND EQUIPMENT

The information set forth under the headings:

- *"- Managing our Social and Environmental Stewardship - Environmental management and stewardship"* on pages 121 to 138;
- *"- Delivering profitable ounces - Operational performance"* on pages 72 to 103;

of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference. Also see note 13 "*Property, Plant and Equipment*" and note 31 "*Cash Generated by Operations*" of our consolidated financial statements, set forth beginning on page F-1.

Also see Item 4: "*Information on the Company - Business Overview -- Reserves", "- Geology" and "- Capital Expenditures"* and Item 5: "*Operating and Financial Review and Prospects - Tabular Disclosure of Contractual Obligations"*.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis together with our consolidated financial statements, including the related notes, set forth beginning on page F-1.

A discussion of the changes in our financial condition and results of operations for the fiscal years ended June 30, 2019 and 2018, has been omitted from this Harmony 2020 Form 20-F, but may be found in Item 5, Operating and Financial Review, of the Harmony 2019 Form 20-F for the year ended June 30, 2019, filed with the SEC on October 24, 2019, which is available free of charge on the SEC's website at www.sec.gov and our website at www.harmony.co.za.

A. OPERATING RESULTS

Overview

Harmony is currently the largest producer of gold in South Africa and is furthermore an important producer in PNG. Our gold sales for fiscal 2020 were 38,481 kilograms of gold (1.24 million ounces of gold) and in fiscal 2020 we processed approximately 25.4 million tonnes of ore. As at June 30, 2020, our mining operations and projects reported total proved and probable reserves of approximately 36.5 million gold equivalent ounces.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM has been identified as the CEO's office consisting of the chief executive officer, financial director, executive director: new business development, executive director: corporate affairs, chief operating officer: new business development, corporate strategy and projects, chief executive officer: South-east Asia and chief operating officer: South Africa operations. During 2020, the executive: business development was added to the CEO's office, following the appointment of a new financial director.

For segment purposes, management distinguishes between "Underground" and "Surface", with each shaft or group of shafts or open-pit mine managed by a team (headed by a single general manager) being considered to be an operating segment.

Our reportable segments are as follows:

- Bambanani, Doornkop, Joel, Kusasalethu, Masimong, Moab Khotsong, Target 1, Tshepong Operations, Unisel and Hidden Valley; and
- all other shafts and surface operations, including those that treat historic sand dumps, waste rock dumps and tailings dams, are grouped together under *"All other surface operations*".

Recent Accounting Pronouncements

Recently adopted accounting policies, as well as recent accounting pronouncements with the potential for impact on the consolidated financial statements, are described in note 2 "*Accounting Policies*" to our consolidated financial statements set forth beginning on page F-1.

COVID-19

On March 27, 2020, South Africa was placed under national lockdown, to curb the spread of COVID-19 and allow the country time in which to prepare for the demands the pandemic would have on its health care system. All of Harmony's underground operations were placed on care and maintenance, with the surface operations permitted to continue working at close to full capacity.

On May 1, 2020, South African underground operations were granted concessions to start producing at a maximum capacity of 50% and as of June 1, 2020, operational restrictions were lifted further to allow the mining industry to operate at 100% of its labor capacity. Harmony's SOP was adopted and rolled out, ensuring a safe return to work for each of its employees. Harmony's SOP was informed by guidelines provided by the DMRE, the National Council for Infectious Diseases and the World Health Organization.

The SOP included the transport of South African employees from remote labor-sending areas back to the Company's mines. All requisite staffing, facilities and equipment were put in place to ensure rigorous screening as employees return to work and when at work, as well as isolate or quarantine employees infected by or exposed to COVID-19, with subsequent testing and treatment. Return to work has progressed smoothly albeit slowly, with the return of foreign nationals to South Africa taking longer than anticipated.

The effects of COVID-19 and other macro developments have increased financial risks such as exchange rate, interest rate and commodity price volatility, while also impacting on liquidity and credit risk. Management has put various measures in place to mitigate and/or manage the risks and continues monitoring the situation closely. See Item 3: "*Key - Information - Risk Factors -The current COVID-19 pandemic has significantly impacted the global economy and markets over the past several months and may continue to do so, which could adversely affect our business or the trading price of our ordinary shares and ADSs*", and Note 4 "*COVID-19 Impact*" and Note 37 "*Financial Risk Management*" of our consolidated financial statements for further details.

Critical Accounting Policies and Estimates

The preparation of our financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported results of our operations. Actual results may differ from those estimates. We have identified the most critical accounting policies upon which our financial results depend. Some of our accounting policies require the application of significant judgment and estimates by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty and are based on our historical experience, terms of existing contracts, management's view on trends in the gold mining industry and information from outside sources.

Our significant accounting policies and critical accounting estimates and judgments are described in more detail in note 2 "*Accounting Policies*" and note 3 "*Critical Accounting Estimates and Judgments*", respectively, to our consolidated financial statements set forth beginning on page F-1. This discussion and analysis should be read in conjunction with such consolidated financial statements and the relevant notes. Management has identified the following as critical accounting policies because estimates used in applying these policies are subject to material risks and uncertainties. Management believes the following critical accounting policies, together with the other significant accounting policies discussed in the notes to our consolidated financial statements, affect its more significant judgments and estimates used in the preparation of our consolidated financial statements and could potentially impact our financial results and future financial performance.

Gold Mineral Reserves

Gold mineral reserves are estimates of the amount of ounces that can be economically and legally extracted from the Group's properties. In order to calculate the gold mineral reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, commodity prices and exchange rates.

Estimating the quantities and/or grade of the reserves requires the size, shape and depth of the orebodies to be determined by analyzing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgments and calculations to interpret the data. These reserves are determined in accordance with the SAMREC Code and SEC Industry Guide 7.

Because the economic assumptions used to estimate the gold mineral reserves change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves may change from year to year. Changes in the proved and probable reserves may affect the Group's financial results and financial position in a number of ways, for example, depreciation and amortization charged in the income statement may change as they are calculated on the units-of-production method.

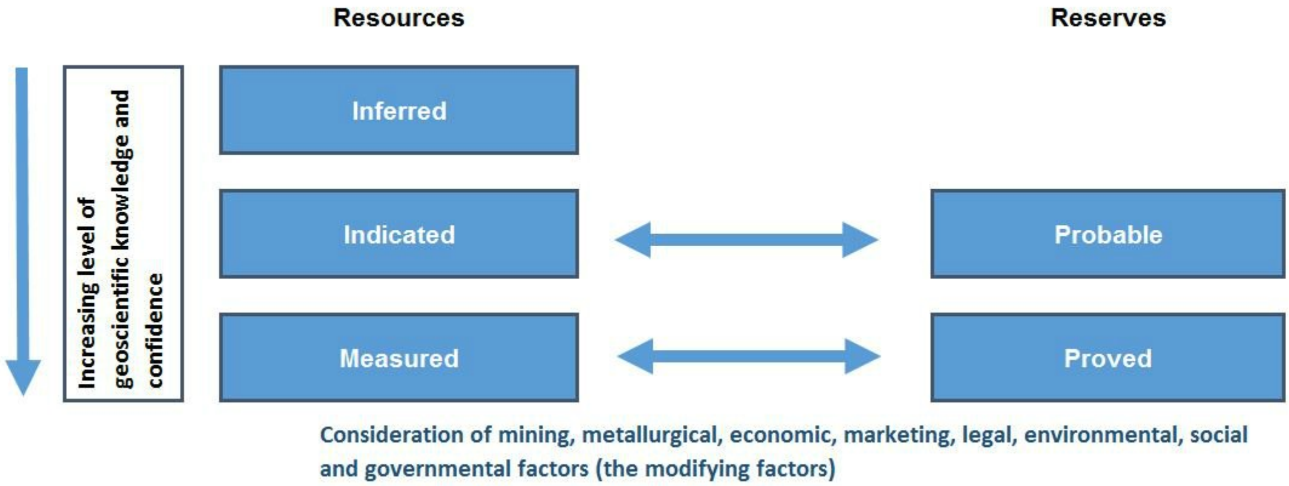
The estimate of the total expected future lives of our mines could be materially different from the actual amount of gold mined in the future. See Item 3: *"Key Information - Risk Factors - Estimations of Harmony's reserves are based on a number of assumptions, including mining and recovery factors, future cash costs of production, exchange rates, and the relevant commodity prices. As a result, metals produced in future may differ from current estimates".*

Depreciation of Mining Assets

Depreciation of mining assets is computed principally by the units-of-production method over the life of mine, based on estimated quantities of economically recoverable proved and probable reserves, which can be recovered in future from known mineral deposits.

The preparation of consolidated financial statements in compliance with IFRS requires management to assess the useful life of each of its operations separately based on the characteristics of each deposit and select the reserve/resource base that best reflects the useful life of the operation. In most instances, management considers the use of proved and probable reserves for the calculation of depreciation and amortization expense to be the best estimate of the life of the respective mining operation. Therefore, for most of the Company's operations, we use proved and probable reserves only, excluding all inferred resources as well as any indicated and measured resources that have not yet been deemed economically recoverable.

In some instances, proved and probable reserves alone may not provide a realistic indication of the useful life of mine and related assets. In these instances, management may be confident that certain inferred resources will eventually be classified as measured and indicated resources, and if economically recoverable, they will be included in proved and probable reserves. Management is approaching economic decisions affecting the mine on this basis, but has not yet done the necessary development and geological drill work to improve the confidence to the required levels to designate them formally as reserves. In these cases, management, in addition to proved and probable reserves, may also include certain, but not all, of the inferred resources associated with these properties as the best estimate of the pattern in which the asset's future economic benefits are expected to be consumed by the entity.



Management only includes the proved and probable reserves and the inferred resources that have been included in the life-of-mine plan. To be included in the life-of-mine plan, resources need to be above the cut-off grade set by management, which means that the resource can be economically mined and is therefore commercially viable. This consistent systematic method for inclusion in the life-of-mine plan takes management's view of the gold price, exchange rates as well as cost inflation into account. The board of directors and management approach economic decisions affecting these operations based on the life-of-mine plans that include such resources. In declaring the resource, management would have had to obtain a specified level of confidence of the existence of the resource through drilling as required by the SAMREC Code. For further discussion on mineral reserves, see *"- Gold Mineral Reserves"* above.

In fiscal 2020, 2019 and 2018, the Company added the inferred resources that were included in the life-of-mine plans at Doornkop to the proved and probable reserves in order to calculate the depreciation expense. The depreciation calculation for all other operations was done using only the proved and probable reserves.

At Doornkop, there has been a steady conversion of the inferred mineral resources included in the life-of-mine plan into indicated and measured mineral resources that are classified as proven and probable reserves if economically viable. In addition, there have been no instances during the period presented where subsequent geological drilling or underground development indicated instances of inappropriate inclusion of inferred mineral resources in the life-of-mine plan. As such, management is confident that the inclusion of the inferred mineral resources in the life-of-mine plan when calculating the depreciation charge is a more realistic reflection of the pattern of consumption of the future economic benefits of these assets than would be achieved by excluding them.

Management's confidence in the economical recovery of these inferred mineral resources is based on historical experience and available geological information. The surface drilling spread (surface boreholes) and underground Long Inclined Borehole ("**LIB**") drilling at Doornkop has indicated that the portion of the inferred mineral resources included in the life-of-mine plan exist and can be economically mined with a high level of confidence for the South Reef ore body. The surface boreholes and LIB drilling have been used to determine the existence and mineralogy of the South Reef as well as the location of major geological structures. However, further geological drilling and underground development is required to upgrade the confidence classification from inferred mineral resources to indicated and measured mineral resource. Underground geological LIB drilling is currently being done and planned to continue as and when the underground infrastructure is in place

Additional confidence in existence and commercial viability is obtained from the fact that the South Reef at the surrounding operations have already been mined over many years in the past. Doornkop mines the continuation of the South Reef that these mined-out operations exploited. At Doornkop the geological setting of the South Reef ore body is such that there is an fairly even distribution of the mineralized content within the identified channels, and reliance can be placed on the comparable results of the surrounding mines. As these results are already known, extrapolations of the expected mineable channels can be done with a reasonable degree of accuracy. Although the current information does not allow the classification of inferred mineral resources as indicated or measured mineral resources, it does provide management with valuable information and increases the level of confidence in the existence and grade expectation of the South Reef at Doornkop.

Future capital expenditure necessary to access these inferred resources, such as costs to complete a decline or a level, has also been included in the cash flow projections for the life-of-mine plan and have been taken into account when determining the pattern of depreciation charge for these operations.

Due to the fact that the economic assumptions used to estimate the proved and probable reserves and resources change from year to year, and because additional geological data is generated during the course of operations, estimates of the resources and proved and probable reserves may change from year to year. Changes in the proved and probable reserves and the inferred resource base used in the life-of-mine plan may affect the calculation of depreciation and amortization. The change is recognized prospectively.

The relevant statistics for Doornkop have been included below.

Doornkop		Applicable to the Fiscal Year Ended June 30, 2020	2019	2018
A	Years (life-of-mine plan)	16	16	18
B	Reserves (Tonnes million)	9.8	7.0	4.6
B	Resources (Tonnes million)	12.8	12.0	16.9
D	Total inferred resources (Tonnes million)	4.3	5.2	10.6
E	Inferred resources included in life-of-mine plan (Tonnes million)	4.6	5.6	9.5
F	Future development costs (Rand million)	1,034	519	494
G	Depreciation expense for the fiscal year			
	• As reported (Rand million)	175	258	185
	• Excluding inferred resources (Rand million)	200	320	336

Doornkop's inferred resources included in the life-of-mine plan is based on the tonnage milled which includes all dilution factors. The tonnes included in life-of-mine plan exceeds the declared inferred resource values as the mineral resource tons does not include any dilution and only reflects the in situ on reef tons.

Impairment of Property, Plant and Equipment

We review and evaluate our mining assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Each operating shaft, along with allocated common assets such as plants and administrative offices, is considered to be a cash generating unit as each shaft is largely independent of the cash flows of other shafts and assets.

Future cash flows are estimated based on estimated quantities of recoverable minerals, expected commodity prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed life-of-mine plans. The significant assumptions in determining the future cash flows for each individual operating mine at June 30, 2020, apart from production cost and capitalized expenditure assumptions unique to each operation, included gold price, silver price and exchange rate assumptions. These are as follows:

Fiscal year ended June 30, 2020

	Year 1	Year 2	Year 3	Long Term
US$ gold price per ounce	1,610	1,558	1,469	1,350
US$ silver price per ounce	17.00	17.00	17.00	17.00
Rand/gold price (R/kg)	865,000	775,000	722,000	630,000
Rand/US$ exchange rate	16.72	15.47	15.29	14.51
US$/Kina exchange rate	3.45	3.45	3.45	3.45

	South Africa			Hidden Valley		
US dollar per ounce	2020	2019	2018	2020	2019	2018
Measured	25.00	25.00	25.00	n/a	n/a	n/a
Indicated	8.00	8.00	8.00	8.00	8.00	5.84
Inferred	2.80	2.80	2.80	n/a	n/a	5.84

The term "recoverable minerals" refers to the estimated amount of gold that will be obtained from proved and probable reserves and related exploration stage mineral interests, except for other mine-related exploration potential and greenfields exploration potential discussed separately below, after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such exploration stage mineral interests are risk adjusted based on management's relative confidence in such materials. With the exception of other mine-related exploration potential and greenfields exploration potential, estimates of future undiscounted cash flows are included on an "area of interest" basis, which generally represents an individual operating mine, even if the mines are included in a larger mine complex. In the case of mineral interests associated with other mine-related exploration potential and greenfields exploration potential, cash flows and fair values are individually evaluated based primarily on recent exploration results and recent transactions involving sales of similar properties.

As discussed above under "*- Gold Mineral Reserves*", various factors could impact our ability to achieve our forecasted production schedules from proved and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proved and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically. Assets classified as other mine-related exploration potential and greenfields exploration potential have the highest level of risk that the carrying value of the asset can be ultimately realized, due to the still lower level of geological confidence and economic modeling.

Management performed an assessment for impairment triggers as well as indications of reversal of previously recorded impairment losses at June 30, 2020. Due to the uncertainty of the impact of the COVID-19 pandemic and the South African national lockdown would have on the South African underground operations, as well as the increase in the short-term gold price, the recoverable amounts for these cash-generating units ("**CGUs**") were calculated.

Due to the volatilities experienced in the markets and the uncertainty in forecasting future cash flows due to the impact of the COVID-19 pandemic, management has used various probability scenarios in determining the recoverable amounts for the CGUs at June 30, 2020.

The following were factored into management's judgments:

- infection rates and the timing of the expected peaks in the provinces that Harmony's operations are situated in, based on models prepared by the South African government;
- expected disruptions to production together with the mitigation strategies management has in place;
- potential duration of the impact of the virus and the related restrictions in operations; and
- potential changes of the timing of various cash flows due to shortened production breaks.

Management included estimates of the staffing costs for screening and monitoring employees at work as well as those that are in quarantine. The cost estimates also include the accommodation expenses for employees in quarantine or isolation as well as the treatment cost for those with mild symptoms and those with severe symptoms that need to be hospitalized. These estimates were based on actual costs incurred for the period March to June 2020.

In preparing the various scenarios, management considered and varied:

- the potential impact on production and therefore on the revenue cash flows, based on historical trends that have been extrapolated to account for varying disruption levels;
- the duration of potential disruptions to production, ranging from 12 months to 24 months; and
- the infection rates and associated costs. Where infections were assumed to continue into Year 2, the rate was dependent on the assumed infections in Year 1, with a higher rate in Year 1 resulting in a lower rate in Year 2, and vice versa.

Management assumed that the production costs would be largely unaffected as employees would either be at work or on sick leave, while the strategy of moving crews around would ensure production carried on without undue disruption and therefore would not impact on costs such as consumables and electricity.

The calculated cash flows were then weighted based on management's expectation of each of the scenarios occurring. The resulting amounts were discounted using the specific discount rate for each operation in order to determine the recoverable amount.

Based on the impairment tests performed, no impairments were recorded in fiscal 2020. Where CGUs had previously been impaired, management considered whether the impairment loss (or the contributors to the previously recognized impairment loss) no longer exists or might have decreased. Management considered general and specific factors for each CGU and concluded that although overall the gold price had improved from the time that the impairment losses had been recognized, the specific circumstances that led to the original impairments had not reversed. Management also considered the level of uncertainty of the impact of COVID-19 on production and therefore on the cash flows. Due to the volatility embedded in the potential upside driven by the higher gold prices in the short to medium term, coupled with the fact that the factors resulting in the previously recognized impairment losses had not reversed, management resolved it to be appropriate for no reversal of previously recognized impairment losses to be recorded for the period under review.

During fiscal 2019 we recorded an impairment of R3.9 billion as well as an impairment of R5.3 billion in 2018. Material changes to any of these factors or assumptions discussed above could result in future impairment charges, particularly around future commodity price assumptions. A 10% decrease in commodity price assumptions at June 30, 2020 would have resulted in impairments as follows:

	(R millions)
Tshepong Operations	3,352
Target 1	804
Joel	716
Kusasalethu	441
Bambanani*	94
Other Freegold assets	20
Moab Khotsong*	15
Unisel	6

*The goodwill balance attributed to this cash generating unit would be reduced first. See *"- Carrying Value of Goodwill"* below.

A 10% increase would result in no impairment being recorded. This analysis assumes that all other variables remain constant.

Carrying Value of Goodwill

We evaluate, at least on an annual basis, the carrying amount of goodwill to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Each operating shaft, along with allocated common assets such as plants and administrative offices, is considered to be a cash generating unit as each shaft is largely independent of the cash flows of other shafts and assets. To accomplish this, we compare the recoverable amounts of our cash generating units to their carrying amounts. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If the carrying value of a cash generating unit were to exceed its recoverable amount at the time of the evaluation, an impairment loss is recognized by first reducing goodwill, and then the other assets in the cash generating unit on a pro rata basis. Assumptions underlying fair value estimates are subject to risks and uncertainties. If these assumptions change in the future, we may need to record impairment charges on goodwill not previously recorded.

As at June 30, 2020 our goodwill related to the Moab Khotsong and Bambanani cash generating units. No impairment on goodwill was recorded in fiscal 2020 as the recoverable amounts exceeded the carrying values.

As at June 30, 2019, our goodwill related to the Moab Khotsong and Bambanani cash generating units. Goodwill of R302 million was recognized on acquisition of the Moab Khotsong operations during fiscal 2018. Refer to note 12 "*Acquisitions and Business Combinations*" of our consolidated financial statements for further details. An impairment of R6 million on goodwill relating to Bambanani, was recorded in fiscal 2019. Impairment on goodwill of R367 million was recorded during fiscal 2018 of which the Tshepong Operations amounted to R326 million and R41 million related to Joel.

Derivatives and Hedging Activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The difference between the fair value of the derivative at initial recognition and expected forward transaction price is deferred and recognized as a day one gain or loss. The day one gain or loss is amortized over the derivative contract period and recognized in profit or loss in gains/losses on derivatives.

The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months; it is classified as a current asset or liability when the remaining maturity is less than 12 months.

Cash flow hedge

The Group designates, as cash flow hedges, certain derivatives as hedges of a particular risk associated with the cash flows of highly probable forecast transactions. The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within gains/losses on derivatives.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the forecast sale that is hedged takes place and affects profit or loss. The gain or loss relating to the effective portion of the Rand gold forward sales contracts is recognized in profit or loss within revenue.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction that was hedged is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

Derivatives not designated for hedge accounting purposes

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value as well as gains and losses on expiry, disposal or termination of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in gains/losses on derivatives.

Provision for Environmental Rehabilitation

Our mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Estimated long term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the Group's environmental management plans. Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created is capitalized to mining assets against an increase in the rehabilitation provision. The mining asset is depreciated as discussed above. Rehabilitation projects undertaken, included in the estimates are charged to the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against income as incurred. See Item 3: "*Key Information - Risk Factors - We are subject to extensive environmental regulations*".

Provision for Silicosis Settlement

The Group's portion of the potential cost of settling the silicosis and TB class actions that have been instituted against it in South Africa has been provided for. The expected contributions (cash flows) to the Tshiamiso Trust, which will manage the settlement process have been discounted over the expected period of time during which contributions will be made. Annual changes in the provision consists of the time value of money (recognized as finance cost) and changes in estimates (recognized as other operating expenses).

See Item 3: "*Key Information - Risk Factors - The cost of occupational healthcare services and the potential liabilities related to occupational health diseases may increase in future and may be substantial*".

Deferred Taxes

The taxable income from gold mining at our South African operations was subject to a formula to determine the taxation expense. The tax rate calculated using the formula was capped to a maximum mining statutory rate of 34% for fiscal 2020, fiscal 2019 and fiscal 2018. Taxable income is determined after the deduction of qualifying mining capital expenditure to the extent that it does not result in an assessed loss. Excess capital expenditure is carried forward as unredeemed capital expenditure and is eligible for deduction in future periods, taking the assessed loss criteria into account. Further to this, mines are ring-fenced and are treated separately for tax purposes, with deductions only being available to be claimed against the mining income of the relevant ring-fenced mine.

In terms of IAS 12 - Income Taxes, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, and at our South African operations, such average tax rates are directly impacted by the profitability of the relevant ring-fenced mine. The deferred tax rate is therefore based on the current estimate of future profitability of an operation when temporary differences will reverse, based on tax rates and tax laws that have been enacted at balance sheet date.

The future profitability of each ring-fenced mine, in turn, is determined by reference to the life-of-mine plan for that operation. The life-of-mine plan is based on parameters such as the Group's long term view of the US$ gold price and the Rand/US$ exchange rate, as well as the reserves declared for the operation. As some of these parameters are based on market indicators, they differ from one year to the next. In addition, the reserves may also increase or decrease based on updated or new geological information.

We do not recognize a deferred tax asset when it is more likely than not that the asset will not be utilized. Assessing recoverability of deferred tax assets requires management to make significant estimates related to expectation of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations, reversals of deferred tax liabilities and the application of existing tax laws in each jurisdiction. To the extent that future taxable income differs significantly from estimates, our ability to realize the net deferred tax assets recorded at the balance sheet date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which we operate could limit our ability to obtain the future tax benefits represented by deferred tax assets recorded at the balance sheet date.

Revenue

Most of our revenues are derived from the sale of gold. As a result, our operating results are directly related to the price of gold. Historically, the price of gold has fluctuated widely. The gold price is affected by numerous factors over which we do not have control. See Item 3:"*Key Information - Risk Factors - The profitability of our operations, and cash flows generated by those operations, are affected by changes in the price of gold. A fall in the gold price below our cash cost of production and capital expenditure required to sustain production for any sustained period may lead to losses and require Harmony to curtail or suspend certain operations*". As a general rule, we sell our gold produced at market prices to obtain the maximum benefit from increases in the prevailing gold price.

Since fiscal 2017, Harmony entered into derivative contracts to manage the variability in cash flows from the Group's production, in order to create cash certainty and protect the Group against lower commodity prices. At year end the limits set by the Board were for 20% of the production from gold over a 24-month period. The limit set by the Board for silver is 50% of the exposure over a 24-month period. Management continues to top up these programs as and when opportunities arise to lock in attractive margins for the business, but are not required to maintain hedging at these levels.

A portion of the production of the South African operations is linked to Rand gold forward sale contracts. The majority of the Rand gold forward contracts have been designated as cash flow hedging instruments and hedge accounting is applied on these contracts. In addition, during 2019 US$ gold forward sale contracts were entered into for the production of the Hidden Valley operation and have been designated as cash flow hedging instruments. Contracts entered before January 1, 2019 were not designated as hedging instruments and the gains/losses are accounted for in profit or loss.

Significant changes in the price of gold over a sustained period of time may lead us to increase or decrease our production in the near term.

Harmony's Realized Gold Price

In fiscal 2020, the average gold price received by us was R735,569 per kilogram or $1,461/oz. This average gold price includes the realized gains on the hedging instruments, where hedge accounting was applied. The market price for gold (and, accordingly, the price received by us) is affected by numerous factors over which we have no control. See Item 3: "*Key Information - Risk Factors - The profitability of our operations, and cash flows generated by those operations, are affected by changes in the price of gold. A fall in the gold price below our cash cost of production and capital expenditure required to sustain production for any sustained period may lead to losses and require Harmony to curtail or suspend certain operations*".

Gold prices have rallied to an all-time high following the global economic fallout of COVID-19 and ongoing geopolitical uncertainty supporting its safe haven status with investors. The price of gold in US$ terms increased significantly over the period, closing at US$1,781/oz on June 30, 2020. This is a 26% increase from the closing price of US$1,410/oz on June 30, 2019. The average spot gold price received (that is, excluding the impact of hedging gains or losses) for the 2020 year was 21% higher at US$1,529/oz than in 2019 (US$1,263/oz), contributing approximately R5.2 billion to the increase in revenue year on year. This was calculated by multiplying actual kilograms sold by the variance in the average US$ gold price year on year and the average Rand/US$ exchange rate in fiscal 2020.

Harmony is exposed to the impact of any significant decreases in the commodity prices on its production. This is mitigated by commodity derivatives and hedging arrangements, but as Harmony has limitations for the volume of forward sales, commodity derivatives or hedging arrangements it may enter into for its future production, it is exposed to the impact of decreases in the commodity prices on the remainder of its unhedged production. See Item 3: "*Key Information - Risk Factors - Harmony is exposed to the impact of any significant decreases in the commodity prices on its production. This is mitigated by commodity derivatives and hedging arrangements, but as Harmony has limitations for the volume of forward sales, commodity derivatives or hedging arrangements it may enter into for its future production, it is exposed to the impact of decreases in the commodity prices on the remainder of its unhedged production*".

In addition to the US$ gold price, the gold price received is impacted by the exchange rate of the Rand and other non-US$ currencies to the US dollar. An appreciation of the Rand and other non-US$ currencies against the US dollar will result in a decrease in the revenue recorded, without considering the impact of the hedging instruments. Conversely, a depreciation of these currencies against the US dollar would result in an increase of revenue recorded. See Item 3: "*Key Information - Risk Factors - Foreign exchange fluctuations could have a material adverse effect on Harmony's operational results and financial condition*". During fiscal 2020, the depreciation of the exchange rate from R14.18/US$1 in fiscal 2019 to R15.66/US$1 in fiscal 2020 increased the average Rand gold price received. See "- *Exchange Rates*" below for a further discussion.

The following table sets out the average, the high and the low London Bullion Market price of gold and our average sales price during the past three fiscal years:

	Fiscal Year Ended June 30,		
	2020	**2019**	**2018**
Average (US$/oz)	1,562	1,291	1,297
High (US$/oz)	1,781	1,540	1,355
Low (US$/oz)	1,384	1,178	1,211
Harmony's average sales price[1] (US$/oz))	1,461	1,287	1,380
Average exchange rate (R/US$)	15.66	14.18	12.85
Harmony's average sales price[1] (Rand/kilogram)	735,569	586,653	570,709

[1]Our average sales price differs from the average gold price due to the timing of our sales of gold within each year. In addition, the effect of hedge accounting i.e. realized gains/losses from the cash flow hedges have been included in revenue.

Costs

Our cash costs typically make up between 70% and 80% of our total costs (excluding impairments and disposal/loss on scrapping of assets). The remainder of our total costs consists primarily of exploration costs, employment termination costs, corporate and sundry expenditure, and depreciation and amortization. Our cash costs consist primarily of production costs. Production costs are incurred on labor, equipment, consumables and utilities. Labor costs are the largest component and typically comprise between 45% and 50% of our production costs.

Our US dollar translated costs are very sensitive to the exchange rate of the Rand and other non-US currencies to the US dollar. See "- *Exchange Rates*" below. Depreciation of the Rand and other non-US currencies against the US dollar decreases working costs at our operations when those costs are translated into US dollars. See Item 3: "*Key Information - Risk Factors - Foreign exchange fluctuations could have a material adverse effect on Harmony's operational results and financial condition*".

All-in sustaining unit costs for the Group increased by 18% to R651,356 per kilogram in fiscal 2020 mainly due to inflationary increases in wages and salaries, as well as electricity tariff increases. Royalties also increased due to higher profitability on the back of stronger gold prices. Also impacting on the unit costs is the decrease in kilograms produced mainly due to the impact of electricity constraints during the third quarter of fiscal 2020, the COVID-19 national lockdown and the phased recovery in South Africa.

In US dollar terms, all-in sustaining unit costs increased by 7% to US$1,293 per ounce due to the reduction in gold produced, offset by the depreciation of the Rand.

Our cash costs have increased from R439,722 per kilogram in fiscal 2019 to R553,513 per kilogram in fiscal 2020, mainly due to the impact of COVID-19 which led to reduced production levels, increased labor and energy costs, royalty expenses and inflationary pressures on supply contracts. In US dollar terms, cash costs increased from US$965 per ounce in fiscal 2019 to US$1,099 per ounce in fiscal 2020 due to the reduction in kilograms produced, offset by the depreciation of the Rand.

Management conducts a thorough review of costs at all operations to ensure that costs are properly managed and within budget. However, it should be noted that there are risks beyond our control such as safety stoppages, which would result in production being negatively affected while certain costs would still be incurred. This is discussed in more detail in Item 3: "*Key Information - Risk Factors - Given the nature of mining and the type of gold mines we operate, we face a material risk of liability, delays and increased cash costs of production from environmental and industrial accidents and pollution compliance breaches*" and "*- The nature of our mining operations presents safety risks*". We are also exposed to price increases on electricity, which is regulated as well as the implementation of other levies such as carbon tax. See Item 3: "*Key Information - Risk Factors - Disruptions to the supply of electricity and increases in the cost of power may adversely affect our results of operations and financial condition*" and "*- Compliance with emerging climate change regulations could result in significant costs for Harmony, and climate change may present physical risks to our operations*".

We remain vulnerable to risks related to the volatility of commodity prices, as well as potential shortage of supply and disruptions of supply chain due to the ongoing geopolitical instability caused by COVID-19 and the related lockdowns experience worldwide. See Item 3: "*Key Information - Risk Factors -The current COVID-19 pandemic has significantly impacted the global economy and markets over the past several months and may continue to do so, which could adversely affect our business or the trading price of our ordinary shares and ADSs*", "*- Fluctuations in input production prices linked to commodities may adversely affect Harmony's operational results and financial condition"* and *- Actual and potential shortages of production inputs and supply chain disruptions may affect Harmony's operations and profits*".

Reconciliation of Non-GAAP Measures

The World Gold Council ("**WGC**") published industry guidance in June 2013 on the calculation of "all-in sustaining costs" and "all in cost" non-GAAP measures, developed to create a better understanding of the overall costs associated with producing gold. Although Harmony is not a member of the WGC, we started disclosing all-in sustaining costs in fiscal 2014. The all-in sustaining cost measure is an extension of the existing cash cost measure (refer below) and incorporates costs related to sustaining production.

All-in sustaining costs include mine production costs, transport and refinery costs, applicable general and administrative costs, costs associated with movements in production inventories, ore stockpiles, as well as ongoing environmental rehabilitation costs, transfers for stripping activities and costs associated with royalties. Employee termination costs are included, however employee termination costs associated with major restructuring and shaft closures are excluded. The following costs are also included: local economic development ("**LED**") expenditure for continuing operations, corporate costs, sustaining exploration costs and sustaining capital expenditure including ongoing capital development ("**OCD**") expenditure and rehabilitation accretion and amortization for continuing operations. Gold ounces/kilograms sold are used as the denominator in the all-in sustaining costs per ounce/kilogram calculation.

Our cash costs consist primarily of production costs and are expensed as incurred. The cash costs are incurred to access ore to produce current mined reserves. Cash costs do not include capital development costs, which are incurred to allow access to the orebody for future mining operations and are capitalized and amortized when the relevant reserves are mined.

Total cash costs include mine production costs, transport and refinery costs, applicable general and administrative costs, ore stockpiles, as well as ongoing environmental rehabilitation costs as well as transfers for stripping activities and costs associated with royalties. Employee termination cost is included, however employee termination costs associated with major restructuring and shaft closures are excluded. The costs associated with movements in production inventories are excluded from total cash costs. Gold ounces/kilograms produced are used as the denominator in the total cash costs per ounce/kilogram calculation.

Changes in all-in sustaining costs per ounce/kilogram and cash costs per ounce/kilogram are affected by operational performance. In US dollar terms, these measures are also affected by the changes in the currency exchange rate between the Rand and the US dollar and, in the case of the Papua New Guinean operations, the Kina. All-in sustaining costs, all-in sustaining costs per ounce/kilogram, total cash costs and total cash costs per ounce/kilogram are non-GAAP measures. These measures should not be considered by investors in isolation or as an alternative to production costs, cost of sales, or any other measure of financial performance calculated in accordance with IFRS. In addition, the calculation of these measures may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, we believe that all-in sustaining costs per ounce/kilogram and cash costs per ounce/kilogram are useful indicators to investors and management of a mining company's performance as they provide (i) an indication of the cash generating capacities of our mining operations, (ii) the trends in all-in sustaining costs and cash costs as the Company's operations mature, (iii) a measure of a company's performance, by comparison of cash costs per ounce/kilogram to the spot price of gold and (iv) an internal benchmark of performance to allow for comparison against other companies.

While recognizing the importance of reducing all-in sustaining costs and cash costs, our chief focus is on controlling and, where possible, reducing total costs, including overhead costs. We aim to control total unit costs per ounce/kilogram produced by maintaining our low total cost structure at our existing operations. We have been able to reduce total costs by implementing a management structure and philosophy that is focused on reducing management and administrative costs.

The following is a reconciliation of total all-in sustaining costs, as a non-GAAP measure, to the nearest comparable GAAP measure, cost of sales:

	Fiscal year ended June 30,		
	2020	**2019**	**2018**
	(in R millions, except for ounce/kilogram amounts)		
Total cost of sales - under IFRS	25,908	28,869	23,596
Depreciation and amortization expense	(3,508)	(4,054)	(2,570)
Rehabilitation costs	(47)	(33)	(67)
Care and maintenance costs of restructured shafts	(146)	(134)	(128)
Employment termination and restructuring costs	(40)	(242)	(208)
Share-based payments	(130)	(155)	(244)
Impairment	—	(3,898)	(5,336)
By-products credits	(938)	(766)	(93)
Other	157	33	63
Capitalized stripping	675	1,197	167
LED costs	136	99	62
Corporate, administration and other expenditure costs	529	603	582
Capital expenditure (OCD)	1,709	1,893	1,561
Capital expenditure (Exploration, abnormal expenditure and shaft capital)	760	1,101	771
Total all-in sustaining costs	25,065	24,513	18,156
Per kilogram calculation:			
Kilogram sold[1]	38,481	44,568	35,671
Total all-in sustaining costs per kilogram	651,356	550,005	508,970
Total all-in sustaining costs (US$ million)	1,600	1,729	1,412
Per ounce calculation:			
Ounces sold[1]	1,237,187	1,432,890	1,146,850
Total all-in sustaining costs per ounce	1,293	1,207	1,231

[1] No production for Hidden Valley was capitalized during fiscal 2019 and 2020. Excludes gold sold of 2,021 kilograms (64,976 ounces) that was capitalized in fiscal 2018 from Hidden Valley that have been credited against the capitalized costs as part of the pre-stripping of stages 5 and 6.

The following is a reconciliation of total cash costs, as a non-GAAP measure, to the nearest comparable GAAP measure, cost of sales under IFRS:

	Fiscal year ended June 30,		
	2020	2019	2018
	(in R millions, except for ounce/kilogram amounts)		
Total cost of sales - under IFRS	25,908	28,869	23,596
Depreciation and amortization expense	(3,508)	(4,054)	(2,570)
Rehabilitation costs	(47)	(33)	(67)
Care and maintenance costs of restructured shafts	(146)	(134)	(128)
Employment termination and restructuring costs	(40)	(242)	(208)
Share-based payments	(130)	(155)	(244)
Impairment	—	(3,898)	(5,336)
By-product revenue	(938)	(766)	(93)
Other	—	(29)	52
Gold and uranium inventory movement	(151)	112	216
Total cash costs	20,948	19,670	15,218
Per kilogram calculation:			
Kilograms produced[1]	37,863	44,734	36,125
Total cash costs per kilogram	553,513	439,722	421,260
Total cash costs (US$)	1,338	1,387	1,184
Per ounce calculation: Ounces produced[1]	1,217,323	1,438,231	1,161,435
Total cash costs per ounce	1,099	965	1,018

[1] No production for Hidden Valley was capitalized during fiscal 2019 and 2020. Excludes gold sold of 2,068 kilograms (6,499 ounces) that was capitalized in fiscal 2018 from Hidden Valley that have been credited against the capitalized costs as part of the pre-stripping of stages 5 and 6.

Within this report, our discussion and analysis is focused on the all-in sustaining costs and total cash costs measure.

Exchange Rates

Our revenues are very sensitive to the exchange rate of the Rand and other non-US currencies to the US dollar.

Currently, the majority of our earnings are generated in South Africa. Since gold is generally sold in US dollars, most of our revenues are received in US dollars. The average gold price received by us during fiscal 2020 before including the effect of the cash flow hedges increased by R148,916 per kilogram to R735,569 per kilogram from R586,653 per kilogram during fiscal 2019. Appreciation of the Rand against the US dollar decreases our revenues, which serves to reduce operating margins and net income from our South African operations. Depreciation of the Rand against the US dollar increases the revenue, which serves to increase operating margins and net income from our South African operations. Accordingly, strengthening of the Rand generally results in poorer earnings for us if there is not a similar increase in the gold price.

The exchange rates obtained when converting US dollars to Rand are determined by foreign exchange markets, over which we have no control. The spot rate as at June 30, 2020 was R17.32 per US$1.00, compared with R14.13 per US$1.00 as at June 30, 2019, reflecting a depreciation of 23% of the Rand against the US dollar. The average exchange rate for fiscal 2020 was R15.66 per US$1.00, reflecting depreciation of 10% of the Rand against the US dollar when compared with fiscal 2019.

Harmony has entered into foreign exchange derivative contracts in the form of zero cost collars, which establish a minimum (floor) and maximum (cap) Rand/US dollar exchange rate at which to convert US dollars to Rand. The Group also uses forward exchange contracts to manage the risks. At June 30, 2020, the nominal amount of the derivative contracts was US$511 million and is over a 24-month period with a weighted average cap price of US$1=R17.09 and weighted average floor price of US$1=R15.81. Additionally, at June 30, 2020 Harmony had open forward exchange forward contracts which had a nominal amount of US$183 million spread over a 24-month period at an average exchange rate of US$1 = R16.38.

Due to the impact of the COVID-19 pandemic, the Rand has weakened significantly from the beginning of the 2020 calendar year, which was at levels of around R14.00/US$1.00, to its weakest level at the beginning of April 2020 of R19.05. The Rand recovered through May and June and the Rand closed at R17.32 on June 30, 2020. The Rand started weakening against the Australian dollar in April 2020 and closed at R11.96/A$1 on June 30, 2020, a 21% decrease in value. These movements in the currencies expose the group's operations to foreign currency gains and losses on foreign-denominated receivables and liabilities, including derivatives, and also impact the group’s translation of its International operating results and net assets into its Rand presentation currency, which resulted in a foreign exchange translation movement of R1.2 billion.

The majority of our working costs are incurred in Rand and, as a result of this, any appreciation of the Rand against the US dollar would increase our working costs when translated into US dollars. Depreciation of the Rand against the US dollar would cause a decrease in our costs in US dollar terms. Similarly, at our international operations, appreciation of the Australia dollar or Kina against the US dollar would cause an increase in our costs in US dollar terms. See Item 3: "*Key Information - Risk Factors - Foreign exchange fluctuations could have a material adverse effect on Harmony's operational results and financial condition*".

We have several credit facilities and loans denominated in US dollars. This exposes us to the changes in the Rand and Kina against the US dollar, which would affect the borrowing amount as well as the interest recognized. This will also affect the cash flows when the borrowings are raised and repaid as well as the payments of the interest.

The Bank of Papua New Guinea has been systematically weakened the Kina against the US dollar over several years and during fiscal 2019, the Kina weakened by 1%. In fiscal 2020, the Kina weakened further by 2.6%. Since the introduction of the trading band in June 2014 the Kina weakened by 43.06% against the US dollar as at June 30, 2020. Should the trading band continue and depending on the level the exchange rate is set at, it could have a negative impact on the results of the Hidden Valley operation, as well as the cost of development at Wafi-Golpu and other PNG exploration sites.

Inflation

Our operations have been materially affected by inflation. Inflation in South Africa was 2.2% at the end of fiscal 2020, 4.5% at the end of fiscal 2019 and 4.6% at the end of fiscal 2018. This is mainly due to the lower fuel price and lower consumer demand brought on by the COVID-19 national lockdown. Working costs have increased considerably over the past several years resulting in significant cost pressures for the mining industry. In addition, the effect on inflation of the increase in electricity tariffs of 9.4% in fiscal 2020, 4.4% in fiscal 2019 and 5.2% in fiscal 2018, together with an increase that is yet to be determined by Eskom in fiscal 2021, will have a negative effect on the profitability of our operations.

The inflation rate in PNG ended fiscal 2018 at 4.7% and 2019 at 3.7%, while the annualized inflation stood at 4.7% at the end of fiscal 2020.

Our profits and financial condition could be adversely affected if the cost inflation is not offset by a concurrent devaluation of the Rand and other non-US currencies and/or an increase in the price of gold. See Item 3: "*Key Information - Risk Factors - Harmony's operations may be negatively impacted by inflation*".

South African Socio-Economic Environment

We are domiciled and listed in South Africa and the majority of our operations are in South Africa. As a result, we are subject to various economic, fiscal, monetary and political policies and factors that affect South African companies generally. See Item 3: "*Key Information - Risk Factors - The socio-economic framework in the regions in which Harmony operates may have an adverse effect on its operations and profits*".

South African companies are subject to exchange control limitations. While exchange controls have been relaxed in recent years, South African companies remain subject to restrictions on their ability to deploy capital outside of the Southern African Common Monetary Area. See Item 10: "*Additional Information - D. Exchange Controls*".

SLPs have been developed for each of our South African operations. These SLPs are prepared in line with legislation governing the participation of HDSAs in mining assets.

We have been granted all of our mining licenses under the MPRDA. We have therefore already started to incur expenses relating to HDSA participation. We believe the biggest challenge will lie in maintaining these licenses, as we will have a responsibility in respect of human resource development, procurement and local economic development. We are unable, however, to provide a specific amount of what the estimated cost of compliance will be but we will continue to monitor these costs on an ongoing basis.

Electricity in South Africa

South African state utility, Eskom, generates approximately 90% of the electricity used in South Africa and approximately 40% of the electricity used in Africa. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Although during fiscal 2018, the electricity supply in South Africa had seen less pressure than the previous years, with reduced power interruptions (also referred to as load shedding), Eskom began load shedding again in March 2019. Load shedding continued during 2019 and into 2020, although it ended at the end of March 2020 with the lower demand brought on by the COVID-19 national lockdown.

The supply and demand for electricity is still very tight especially during the evening peak periods between 6:00 p.m. and 8:00 p.m. Harmony participates voluntarily in the Eskom Demand response program to reduce their demand during the said periods. Harmony has renewed its contract agreement with an Energy Service Company ("**ESCO**") to ensure that the various load clipping and load shifting projects savings are sustained. They will also assist with the implementation of new energy saving initiatives at the South African operations to reduce the electricity demand during morning and evening peaks. Harmony also benefits financially from this as the Eskom tariffs are more expensive during that period. We have been advised that the risk of having power outages will be mainly limited to the evening peak periods in the current situation.

The South African government remains committed to ensuring energy security for the country, through the roll-out of the independent power producer program as an integral part of the energy mix. It remains committed to ensuring the provision of reliable and sustainable electricity supply, as part of mitigating the risk of carbon emissions. See Item 3: "*Key Information - Risk Factors - Disruptions to the supply of electricity and increases in the cost of power may adversely affect our results of operations and financial condition*".

Renewable energy

Energy is the critical component of the country's future policy mix. Future supply of electricity will be influenced by the extent to which renewables, primarily wind, are efficient, sustainable and ensure security of electricity supply at a competitive economic prices.

Forecasts predict that renewable energy technologies, predominantly solar- and wind-based systems, will further grow in the coming decades, overcoming coal-based electricity around 2030 (IEA, 2015). South Africa is no exception and renewable energy has entered the country's electricity landscape as a significant trend.

Discussions around other technologies, such as gas-to-power and nuclear energy, are also adding to this dynamic. Significant vested interests are still at play alongside substantial state support to maintain the domination of the coal industry over the electricity supply industry in South Africa.

See "*Integrated Annual Report for the 20-F 2020 - Social and ethics committee chairperson's report*" on pages 189 to 191 and "*Integrated Annual Report for the 20-F 2020 - Managing our Social and Environmental Stewardship - Environmental management and stewardship*" on pages 121 to 138.

Tariffs

As a major electricity consumer and mostly being supplied by Eskom, Harmony is exposed to significant electricity costs as a result of rising electricity tariffs. Electricity tariffs have more than doubled over the last decade and the short term outlook does not look promising. In April 2020, NERSA awarded Eskom with a tariff increase of 8.76% and for the following three years indicate increases of 5.10%, 5.86% and 3.50%, respectively. However, there are multiple adjustments and court cases that will likely push prices higher. External economic advice led to Harmony planning for 10.00% increases in both the 2023 and 2024 fiscal years. See Item 3: "*Key Information - Risk Factors - Disruptions to the supply of electricity and increases in the cost of power may adversely affect the results of our operations and our financial condition*".

Energy efficiency

Harmony has worked closely with Eskom to manage electricity use and peak demand, underlining our commitment to reduce energy consumption. This includes demand-side management ("**DSM**") strategies to reduce electricity consumption in peak periods; timing our 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 2016 Harmony contracted an ESCO to improve its energy management practices and aggressively mitigate the impact of higher-than-inflation electricity price increases on its operational costs. Energy management has not only contributed to the significant reduction in electricity cost, but also assists in maintaining the performance of implemented initiatives. This way Harmony focuses on continuously implementing new initiatives and technologies, while eliminating the risk of forfeiting the benefit of completed projects.

For the 2020 financial year Harmony realized a 37 GWh energy saving (R38 million) on newly implemented projects at a capital expenditure of R19 million. Furthermore, additional energy savings of 203 GWh (R204 million) was realized in the form of maintaining previously implemented projects. For the 2021 financial year a target of 1.5% reduction in total energy demand was set, which is approximated at an energy saving of 46 GWh. This will result in an additional cost saving of R50 million over and above the savings from maintained initiatives. Furthermore, Harmony aligns the implementation of these initiatives with advanced industry 4.0 and digital twin technologies.

Improved energy management practices were also deployed during the nation's COVID-19 lockdown, resulting in an additional energy reduction of 25 GWh. Advanced simulation technologies were used to develop strategic start-up procedures to ensure cost-effective and safe restarting of underground operations. This related to an additional cost reduction of R25 million during a 3-week period when none of the underground South African operations were allowed to operate.

We have implemented various energy efficiency projects in recent years. See "*Integrated Annual Report for the 20-F 2020 - Managing our Social and Environmental Stewardship - Environmental management and stewardship*" on pages 121 to 138.

Carbon tax

On June 1, 2019 the Carbon Tax Act became effective. The carbon tax has been designed to fix liability on the person who conducts an activity in South Africa that results in GHG emissions above a certain threshold. The carbon tax design requires the calculation of liability to be based on the sum of GHG emissions, which result from fuel combustion, industrial processes and fugitive emissions. Taxpayers must determine emissions in accordance with the reporting methodology approved by DEFF. The tax will be phased in over time. The first phase, which ends in 2022, is designed to largely be revenue-neutral in terms of its aggregated impact, given the complementary tax energy incentives and reduction or credit for the current electricity levy.

Based on published legislation, commentary and governmental information, carbon tax poses a low cost to Harmony until December 31, 2022. Gas emissions reported to the DEFF for a company's National Greenhouse Gas Emission Reporting submission will be taxed at a base value of R120 per tonne of carbon dioxide equivalent before allowances making effective tax rate R48 per tonne of carbon dioxide equivalent. From phase 2 onwards, carbon tax might also affect the price of electricity. The impact of the carbon tax on the Company arising from electricity usage after December 31, 2022 has been modeled to grow over time as allowances are anticipated to fall away therefore progressively increasing from approximately R70m to R160m for fiscal year 2023 to fiscal year 2030.

At this time it is not possible to determine the ultimate impact of the Carbon Tax Act on the Company. Nevertheless, Harmony has set its internal carbon price (for the South African operations) to match that of the proposed carbon tax. Harmony is at risk due to potential pass through costs from its suppliers in the short term from increased fuel prices. The carbon tax on liquid fuels will be imposed at the source. It is estimated that the increased fuel price would be R0.13/liter. This will have an impact on the Company's operational expenses.

Estimates have been included in the life-of-mine plans and resource base models used for impairments since fiscal 2019 and affected the profitability of all operations, and in some cases, the impact was significant.

See Item 3: "*Key Information - Risk Factors - Compliance with emerging climate change regulations could result in significant costs for Harmony, and climate change may present physical risks to our operations*" for further discussion on the potential impact.

Results of Operations

Years Ended June 30, 2020 and 2019

Revenues

Revenue increased by R2,333 million mainly due to a 25.4% increase in the average gold price received from R586,653 per kilogram in fiscal 2019 to R735,569 per kilogram.

Overall gold production at all the operations decreased by 18.1% mainly due to the impact of electricity constraints during the third quarter of fiscal 2020, the COVID-19 national lockdown and the phased recovery in South Africa in the fourth quarter of fiscal 2020. All of Harmony's underground operations were placed on care and maintenance, with the surface operations permitted to continue working at close to 100% capacity.

On May 1, 2020, South African underground operations were granted concessions to start producing at a maximum capacity of 50% and as of 1 June 2020, operational restrictions were lifted further to allow the mining industry to operate at 100% of its labor capacity. Return to work has progressed smoothly, albeit slowly, with the return of foreign nationals to South Africa taking longer than expected.

At Kusasalethu, gold sold decreased by 39.6% to 3,085 kilograms mainly due to the lockdown as well as a 37.1% decrease in recovered grade due to unexpected complex geology as well as seismic risk in high grade areas.

At Hidden Valley, gold sold decreased by 20.1% from 6,192 kilograms in fiscal 2019 to 4,949 kilograms during fiscal 2020, mainly due to lower recovered grade.

At Unisel, gold sold decreased by 17.6% from 1,207 kilograms in fiscal 2019 to 994 kilograms during fiscal 2020, mainly due to the COVID-19 national lockdown.

At Target 1, gold sold decreased by 16.7% from 2,685 kilograms in fiscal 2019 to 2,237 kilograms during fiscal 2020, mainly due to the COVID-19 national lockdown.

At Bambanani, gold sold decreased by 13.3% from 2,495 kilograms in fiscal 2019 to 2,162 kilograms during fiscal 2020, mainly due to the COVID-19 national lockdown.

At Moab Khotsong, gold sold decreased by 12.8% from 7,794 kilograms in fiscal 2019 to 6,799 kilograms during fiscal 2020, mainly due to the COVID-19 national lockdown. This was offset by an increase in recovery grade of 8.2%.

At Joel, gold sold decreased by 12.4% from 1,612 kilograms in fiscal 2019 to 1,412 kilograms during fiscal 2020, mainly due to the COVID-19 national lockdown. This was offset by an increase in recovery grade of 9.3%.

At Masimong, gold sold decreased by 11.5% from 2,291 kilograms in fiscal 2019 to 2,027 kilograms during fiscal 2020, mainly due to the COVID-19 national lockdown.

At Phoenix and CPR, gold sold increased by 7.1% from 4,087 kilograms in fiscal 2019 to 4,379 kilograms during fiscal 2020, mainly due to higher volumes processed and higher than expected recovered grade.

Cost of sales

Cost of sales includes production costs, depreciation and amortization, impairment of assets and share-based payments.

(a) Production costs (cash costs/all-in sustaining costs)

The following table sets out our total kilograms produced and weighted average cash costs per kilogram and total kilograms sold and weighted average all-in sustaining costs per kilogram for fiscal 2019 and fiscal 2020:

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	Year Ended June 30, 2020				Year Ended June 30, 2019				Percentage (increase)/ decrease	
	Cash costs		All-in sustaining costs		Cash costs		All-in sustaining costs		Cash costs per kg	All-in sustaining costs per kg
	(kg produced)	(R/kg)	(kg sold)	(R/kg)	(kg produced)	(R/kg)	(kg sold)	(R/kg)		
South Africa										
Kusasalethu	3,015	849,782	3,085	923,054	4,989	476,417	5,028	556,621	(78)	(66)
Doornkop	2,994	567,632	3,038	649,041	3,273	486,795	3,255	572,132	(17)	(13)
Tshepong Operations	7,293	583,018	7,399	713,202	7,967	503,033	7,922	636,281	(16)	(12)
Moab Khotsong	6,592	497,953	6,799	566,942	7,928	399,414	7,794	477,581	(25)	(19)
Masimong	1,999	620,804	2,027	655,888	2,309	525,703	2,291	593,408	(18)	(11)
Target 1	2,244	670,647	2,237	817,066	2,653	557,264	2,685	662,816	(20)	(23)
Bambanani	2,132	480,620	2,162	522,990	2,515	391,550	2,495	441,226	(23)	(19)
Joel	1,391	718,024	1,412	826,970	1,567	617,116	1,612	701,644	(16)	(18)
Unisel	982	583,274	994	613,382	1,212	469,108	1,207	523,823	(24)	(17)
Other - surface	4,349	488,329	4,379	519,293	4,099	473,954	4,087	500,426	(3)	(4)
International										
Hidden Valley	4,872	348,054	4,949	562,648	6,222	220,323	6,192	497,399	(58)	(13)
Total kg	37,863		38,481		44,734		44,568			
Weighted average[1]		553,513		651,356		439,722		550,005	(26)	(18)

[1]The offsetting of the by-product income for management's reporting purposes has the effect of decreasing the cash costs and the all-in sustaining costs.

For further information about the use of Non-GAAP measures, see "*Operating and Financial Review and Prospects - Costs - Reconciliation of Non-GAAP Measures*" above.

The South African underground operations produced lower levels of gold as a result of the impact of the national lockdown relating to COVID-19.

Our average cash costs increased by 25.9%, or R113,791 per kilogram, from R439,722 per kilogram in fiscal 2019 to R553,513 per kilogram in fiscal 2020. Cash costs per kilogram vary with the working costs per tonne (which are, in turn, affected by the number of tonnes processed) and grade of ore processed. Production costs increased by 6.6% from R19.7 billion in fiscal 2019 to R21.0 billion in fiscal 2020 which was in line with expectations apart from royalties which increased due to higher profitability on the back of stronger gold prices.

At Kusasalethu, cash cost per kilogram increased by 78.4% from R476,417 per kilogram to R849,782 per kilogram while all-in sustaining cost also increased significantly by 66% during fiscal 2020 as a result of unexpected complex geology as well as seismic risk in high grade areas.

At Hidden Valley cash costs and all-in sustaining costs per kilogram increased significantly by reduction in the grade due to its transition from stage 5 to stage 6 in mining the pit, which affected kilograms produced.

At Target 1, all-in sustaining cost increased by 23.3% from R662,816 per kilogram in fiscal 2019 to R817,066 per kilogram in fiscal 2020, mainly due to a decrease in recovered grade.

At Joel, all-in sustaining cost increased by 17.9% from R701,644 per kilogram in fiscal 2019 to R826,970 per kilogram in fiscal 2020, mainly due to lower production.

(b) Depreciation and amortization

Depreciation and amortization decreased from R4.1 billion in fiscal 2019 to R3.5 billion in fiscal 2020 year due to the impact that the South African national lockdown had on production levels. The completion of the mining of Stage 5 at Hidden Valley during the December 2019 quarter also contributed to the decrease. The impairments recognised on certain operations in South Africa during the 2019 year significantly impacted on the base which depreciation is calculated on and the lower carrying values contributed to the lower total compared to the comparative period.

(c) Impairment of assets

No impairment was recorded in fiscal 2020, whereas an impairment charge of R3.9 billion was recorded in fiscal 2019. No reversals were recorded in fiscal 2020 or 2019.

In fiscal 2019 assets of R2.3 billion were impaired on Tshepong Operations which had a recoverable amount of R5.9 billion. The impairment was due to the increased costs to exploit the resource base as well as a lower expected recovered grade.

Kusasalethu recorded an impairment of R690 million and had a recoverable amount of R1.3 billion. A decrease in grade and increased estimated costs in the resource base resulted in a lower recoverable amount.

Target 1 recorded an impairment of R312 million and had a recoverable amount of R1.1 billion. Increased costs and decrease in grade in the resource base together with the estimated impact of carbon tax resulted in a lower recoverable amount. The increase in discount rate due to increased risk factors also negatively impacted on the recoverable amount.

Joel had a recoverable amount of R852 million. The increased capital costs in the resource base together with carbon tax negatively impacted the net present value of expected cash flows which resulted in an impairment of R198 million being recorded.

Bambanani had a recoverable amount of R763 million in fiscal 2019. The impairment of goodwill of R6 million reduced the carrying amount of intangible assets. As goodwill is not depreciated, it results in an impairment of R182 million as the life of the operation shortens.

Target 3 remained under care and maintenance in fiscal 2019. A change in valuation method from discounted cash flow model to resource multiple approach which reduced the recoverable amount to R182 million. An impairment of R318 million was recorded.

Other mining assets recorded an impairment of R120 million. The updated life-of-mine plans for the cash generating units in Freegold and Avgold resulted in the impairment of other mining assets.

Gains/(losses) on derivatives

Gains on derivatives amounted to R484 million in fiscal 2019, compared to a loss of R1,678 million in fiscal 2020. Gains and losses on derivatives include the fair value movements of derivatives which have not been designated as hedging instruments for hedge accounting purposes or where hedge accounting has been discontinued, the amortization of day one gains and losses for derivatives and the hedging ineffectiveness. The day one adjustment arises from the difference between the contract price and market price on the day of the transaction.

(a) Foreign exchange derivatives

Harmony maintains a foreign exchange derivative program in the form of zero cost collars, which establish a floor and cap US$/Rand exchange rate at which to convert US dollars to Rand, and forward exchange contracts. As hedge accounting is not applied, the resulting gains and losses have been recorded in the income statement. These gains amounted to R554 million in fiscal 2019 compared to a loss of R1,235 million in fiscal 2020.

(b) US$ commodity contracts

Harmony maintains a derivative program for Hidden Valley by entering into commodity derivative contracts. The contracts comprise US$ gold forward sale derivative contracts as well as silver zero cost collars which establish a minimum (floor) and maximum (cap) silver sales price. Hedge accounting has been applied to US$ gold contracts entered into after January 1, 2019. A loss of R134 million was recognized in revenue for fiscal 2020 (2019: Rnil). The unamortized portion of day one loss was R8 million in fiscal 2020, compared with a loss of R5 million in fiscal 2019. For all other contracts, the resulting gains and losses are recorded in gains/losses on derivatives in the income statement. The gain amounted to R13 million in fiscal 2019 compared to a gain of R8 million in fiscal 2020.

(b) Rand gold contracts

Harmony entered into Rand gold forward sale derivative contracts to hedge the risk of lower rand/gold prices. Cash flow hedge accounting is applied to the majority of these contracts, resulting in the effective portion of the unrealized gains and losses being recorded in other comprehensive income (other reserves). The contracts that matured realized a gain of R453 million in fiscal 2019 compared to a loss of R1,263 million in fiscal 2020 (largely attributable to the weakening of the Rand exchange rate and an increase in the US$ gold price), which has been included in revenue.

During fiscal 2020 and 2019 a negligible amount of ineffectiveness was experienced. The unamortized portion of the day one loss amounted to R36 million in fiscal 2019 and R18 million in fiscal 2020. Losses from non-hedge accounted Rand gold contracts amounted to R51 million in fiscal 2019 and R174 million in fiscal 2020 and are included in losses on derivatives.

(i) Discontinuance of hedge accounting

As a result of the original 21-day lockdown announced in South Africa, effective March 27, 2020, aimed to slow the spread of COVID-19, Harmony closed all deep-level underground mines in South Africa. As a result of the closure, a significant volume of the underlying exposure that was originally intended to be hedged was delayed.

A total of 63,400 ounces of gold forwards were originally set to mature in the months of April and May 2020. After assessing forecasts of gold production at April 1, 2020, the hedged items, being the sales of gold, relating to 30,500 ounces of gold forwards were assessed to no longer be probable. The hedged items relating to the remaining balance of gold forwards were still considered to be highly probable.

Due to the fact that the occurrence of the forecast transactions/hedged items were no longer considered probable, there was no longer an effective hedging relationship and therefore hedge accounting for these hedges was discontinued. Unrealised losses relating to the hedges amounting to R48 million and R187 million of restructured contracts discussed below, previously recognized in other comprehensive income, were immediately reclassified to profit or loss and disclosed under gains/losses on derivatives.

(ii) Restructuring of contracts

In response to the gold forwards' hedged items no longer being probable and in order to better match the cash flows relating to the underlying exposure, certain of the Rand gold forwards with maturities between April 15, 2020 and May 31, 2020 were effectively extended to mature between the periods July 2020 and March 2021.

The restructured gold forwards retained the pricing of the original forwards. They were not designated as hedging instruments as the difference in the costing structure would have required a different effectiveness assessment than currently used by management. Unrealized losses relating to the hedges amounting to R187 million, previously recognized in other comprehensive income, were immediately reclassified to profit or loss and disclosed under gains/losses on derivatives. All future gains and losses on the restructured hedges will be recognized in profit or loss. These contracts are included in Other derivative contracts.

Subsequently, losses of R70 million have been recognized in profit and loss.

Other operating expenses

(a) Foreign exchange translation

A foreign exchange translation loss of R86 million was recorded during fiscal 2019 compared to a loss of R892 million in fiscal 2020. The change in fiscal 2019 and 2020 is driven primarily by the prevailing exchange rates at the draw-down and repayment dates of the US$ denominated loans as well as the exchange rate movements during the year. The US$/Rand exchange ended at US$/R17.32 for fiscal 2020 whereas for fiscal 2019 the rate was US$/R14.13.

(b) Silicosis settlement provision

During fiscal 2019 the provision for Harmony's potential cost to settle the silicosis and TB class actions decreased by R62 million as a result of changes in estimates, compared with an increase of R36 million in 2020.

Finance costs

Finance costs increased by R86 million from R575 million in fiscal 2019 to R661 million during fiscal 2020, mainly due to the interest capitalized decreasing by R79 million to R54 million as a result of Joel reaching commercial levels of production during fiscal 2020 and cessation of interest capitalization on Wafi-Golpu.

Income and mining taxes

In fiscal 2019 and 2020, the tax rates for companies were 34% for mining income and 28% for non-mining income for South African companies and 30% for Australian companies and PNG mining companies.

	Fiscal year ended June 30,	
Income and mining tax	**2020**	**2019**
Effective income and mining tax rate	(43)%	5%

The effective tax rate for fiscal 2020 was lower than the mining statutory tax rate of 34% for Harmony and our subsidiaries as a whole, mainly due to non-mining losses resulting from the derivatives in the South African entities. An increase in the short-term gold price assumption used resulted in an increase in the estimated profitability and consequently higher rates than in the prior year. Refer to note 8 for the assumptions used. These changes, together with changes in the temporary differences, had the following impacts:

- The change in rates on temporary differences, other than hedge accounted derivatives, resulted in an increase in the deferred tax expense and liability of R493 million.
- Unwinding of temporary differences related to unredeemed capital expenditure balance resulted in an increase of R298 million in the deferred tax expense.
- The weakening of the Rand against the US$ and the increase in the commodity prices negatively impacted on the valuation of the derivative financial instruments. The temporary differences related to the Rand gold derivatives changed from taxable temporary differences (i.e. resulting in a deferred tax liability) to deductible temporary differences (resulting in a deferred tax asset). Management assessed the rates at which the temporary differences are expected to reverse and as the expected non-mining losses can be set off against the mining profits, the rates have been revised from the non-mining tax rate of 28% to the weighted average deferred tax rate. This accounts for R510 million of the deferred tax credit directly charged to other comprehensive income.
- The net deferred tax positions for each of the group's entities are assessed separately. Two companies (Harmony Company and Randfontein Estates) have net deferred tax asset positions and therefore recoverability of these assets was considered. At June 30, 2020, management considered whether the unrecognized deferred tax asset ("**DTA**") related to the Harmony Company should be recognized, partially or in full. A portion of the DTA relates to a tax loss of R574 million, which arose due to the foreign exchange translation losses and the losses on derivatives recorded during fiscal 2020. The company's operations include the Central Plant Reclamation ("**CPR**"), a tailings retreatment facility. As a low cost producer, its profit margins are highly sensitive to fluctuations in the gold price. In addition, the higher short-term gold price also significantly benefits Masimong's profitability, which following the revision of its life-of-mine at June 30, 2020 has two years

remaining of its life. Due to the significant expected increase in the short-term Rand gold price used in the estimation of future taxable profits for the mining operations owned by Harmony Company, it is considered probable that sufficient future taxable profits will be available against which the aforementioned tax loss and the current deductible temporary differences existing at the reporting date can be utilized. Consequently, a deferred tax asset of R492 million has been recognized, consisting of R171 million relating to the tax loss and R321 million relating to deductible temporary differences. Management believes there will be sufficient future taxable income from the operations owned by Randfontein Estates and therefore the entire balance of R39 million was recognized at June 30, 2020.

Deferred tax rates for the South African operations are calculated based on estimates of the future profitability of each ring-fenced mine when temporary differences will reverse. The future profitability of each ring-fenced mine, in turn, is determined by reference to the life-of-mine plan for that operation, which is based on parameters such as the Group's long term view of the US$ gold price and the Rand/US$ exchange rate, as well as the reserves declared for the operation. As some of these parameters are based on market indicators, they differ from one year to the next. In addition, the reserves may also increase or decrease based on updated or new geological information. Changes in the future profitability of each ring-fenced mine impact the deferred tax rates used to recognize temporary differences at these operations. See "*-Critical Accounting Policies and Estimates - Deferred taxes*" above. The increase in deferred tax on temporary differences due to changes in estimated effective tax rates results primarily from an increase in the effective deferred tax rate at Freegold (includes the Bambanani, Joel and Tshepong operations), Harmony (includes the Masimong and Unisel operations), Randfontein Estates (includes Doornkop and Kusasalethu) and Moab Khotsong. The deferred tax rate at Freegold increased from 8.1% in fiscal 2019 to 11.4% in fiscal 2020, Harmony increased from 25.7% to 29.8% in fiscal 2020, Randfontein Estates increased from 4.4% to 10.1% in fiscal 2020, Moab Khotsong increased from 4.7% to 17.3% in fiscal 2020.These increases are mainly due to higher estimated profitability from the positive gold price received.

South Africa. Generally, South Africa imposes tax on worldwide income (including capital gains) of all our South African incorporated tax resident entities at a rate of 28% on non-mining income. The South African entities pay taxes separately on mining income and non-mining income. The amount of our South African mining income tax is calculated on the basis of a gold mining formula that takes into account our total revenue and profits from, and capital expenditure for, mining operations in South Africa. 5% of total mining revenue is exempt from taxation in South Africa as a result of the application of the gold mining formula. The amount of revenue subject to taxation is calculated by deducting qualifying capital expenditures from taxable mining income. The amount by which taxable mining income exceeds 5% of mining revenue constitutes taxable mining income. We and our subsidiaries account for taxes separately that are determined in respect of each entity. Hence, South Africa does not make use of any group basis of taxation.

South Africa has a Controlled Foreign Company regime which effectively attributes certain types of passive income derived by offshore subsidiaries and imputes that income in taxable income as if it had been derived in South Africa under South African tax rules.

Australia. Generally, Australia also imposes tax on the worldwide income (including capital gains) of all of our Australian incorporated and tax resident entities. The current income tax rate for companies is 30%.

Harmony Gold (Australia) Proprietary Limited ("**Harmony Gold Australia**") and its wholly-owned Australian subsidiary companies are recognized and taxed as a single entity, called a consolidated group. Under the Australian Tax Consolidation rules all of the Australian subsidiary companies are treated as divisions of the Head Company, Harmony Gold Australia. As a result, inter-company transactions between group members are generally ignored for tax purposes. This allows the group to transfer assets between group members without any tax consequences, and deems all tax losses to have been incurred by Harmony Gold Australia.

PNG. PNG mining projects are taxed on a project basis. Therefore, each project is taxed as a separate entity, even though it may be one of a number of projects carried on by the same company. Capital development and exploration expenditure incurred in PNG is capitalized for tax purposes and can be deducted at 25% per annum on a diminishing value basis against project income, with the deduction being limited to the lesser of 25% of the diminished value or the income of the project for the year.

PNG mining companies are taxed at a rate of tax of 30%. Mining operations in PNG are subject to a 2% royalty and 0.5% Production Levy which are payable to the PNG Government.

Export Sales

All of our gold produced in South Africa during fiscal 2018 to 2020 was refined by Rand Refinery Proprietary Limited ("**Rand Refinery**"). Rand Refinery is owned by a consortium of the major gold producers in South Africa and Harmony holds a 10.38% interest at June 30, 2020. Until March 31, 2019, all of our gold and silver produced in PNG was sold to The Perth Mint Australia, a Perth-based refinery. Since February 14, 2019, the metals have been sold to the Australian Bullion Corporation.

Recent Developments

See Item 4: "*Information on the Company - History and Development of the Company - Recent Developments - Developments since June 30, 2020*".

B. LIQUIDITY AND CAPITAL RESOURCES

We centrally manage our funding and treasury policies. There are no legal or economic restrictions on the ability of our subsidiaries to transfer funds to us. We have generally funded our operations and our short-term and long-term liquidity requirements from: (i) cash generated from operations; (ii) credit facilities and other borrowings; and (iii) sales of equity securities.

	Fiscal year ended June 30,		
	2020	2019	2018
	(R in millions)		
Operating cash flows	4,723	4,679	3,884
Investing cash flows	(3,558)	(4,797)	(8,075)
Financing cash flows	4,305	380	3,723
Foreign exchange differences	(106)	25	(72)
Total cash flows	5,364	287	(540)

Operations

Net cash provided by operations is primarily affected by the quantities of gold sold, the gold price, the Rand/US$ exchange rate, cash costs per ounce and, in the case of the International operations, the Australian dollar and PNG Kina versus US dollar exchange rate. A significant adverse change in one or more of these parameters could materially reduce cash provided by operations as a source of liquidity. Net cash generated by operations remained fairly stable at R4.7 billion in fiscal 2019 and 2020.

Investing

Net cash utilized by investing activities was R3.6 billion in fiscal 2020, a decrease from R4.8 billion in fiscal 2019. This is mainly due to a reduction in property, plant and equipment additions due to the lockdown imposed on the South African operations, as well as cost-saving measures implemented during the last quarter of fiscal 2020.

Financing

Financing activities generated R4.3 billion in fiscal 2020, an increase from R380 million in fiscal 2019. In fiscal 2020 we completed the Placing in respect of 60,278,260 new ordinary shares with existing and new institutional investors at a price of R57.50 per share, raising gross proceeds of approximately US$200 million (R3.5 billion). The shares issued represented, in aggregate, approximately 11.1% of Harmony's issued ordinary share capital before the Placing. The proceeds of the Placing were used by the company to discharge the US$200 million cash consideration for the Mponeng Acquisition. Shares issued during fiscal 2019 raised R211 million.

The net of borrowings drawn (R6.5 billion) and borrowings repaid (R5.7 billion) during fiscal 2020 was R880 million whereas the net of borrowings drawn (R1.5 billion) and borrowings repaid (R1.4 billion) during fiscal 2019 was R169 million.

Outstanding Credit Facilities and Other Borrowings

Harmony entered into a US$200 million bridge loan facility with a syndicate of lenders on June 16, 2020 in order to fund the acquisition of assets from AngloGold Ashanti Limited. No draw-down was made on the facility as at June 30, 2020 and the facility was subsequently canceled on July 6, 2020. See Item 4: "*Information on the Company - History and Development of the Company - Recent Developments - Developments since June 30, 2020*."

The key terms of the US$200 million bridge loan facility were:

Term facility:	$200 million
Margin on term facility:	1.8% over first 6 months LIBOR
	2.4% over next 3 months LIBOR
	3.0% for the last 3 months LIBOR
Maturity	1 year
Security	Certain shares and claims

On September 26, 2019, Harmony and a syndicate of local and international lenders, which was jointly arranged by Nedbank Limited and ABSA Bank Limited, concluded a US$400 million syndicated term loan and revolving credit facility. The initial term of three years was extended by one year in July 2020. US$300 million (R4,541 million) was drawn down on the syndicated term loan and revolving credit facility in October 2019 and a further US$50 million (R900 million) was drawn down in April 2020 and remained outstanding on June 30, 2020. See Item 4: "*Information on the Company - History and Development of the Company - Recent Developments - Developments since June 30, 2020*."

The key terms of the US$400 million syndicated term loan and revolving credit facility are:

Term facility:	$200 million
Margin on term facility:	3.1% over 3 month LIBOR
Revolving facility:	$200 million
Margin on revolving facility:	2.9% over 3 month LIBOR
Maturity:	Three years, extendable by 1 year
Security:	Certain shares and claims

On July 9, 2018, we entered into a four-year loan with Westpac - Bank - PNG - Limited for the amount of US$24 million (R322 million) to finance the acquisition of fleet equipment for the Group's Papua New Guinea operations. The US$24 million four-year loan is repayable in quarterly installments. During fiscal 2020, US$6 million (R96 million) was repaid on the loan. On June 30, 2020, US$14 million (R237 million) remained outstanding.

The key terms of the US$24 million four-year loan are:

Facility:	$24 million
Margin on term facility:	3.2% over 3 month LIBOR
Maturity:	Four years
Security:	Certain vehicles and machinery

On November 8, 2018, Harmony concluded a four-year R2 billion facility with Nedbank and ABSA which consists of a R600 million term facility and a R1.4 billion revolving credit facility to replace the R1 billion revolving credit facility. As at June 30, 2020, R500 million (US$29 million) was available on the revolving credit facility and Rnil was available on the term facility. See Item 4: "*Information on the Company - History and Development of the Company - Recent Developments - Developments since June 30, 2020*."

The key terms of the R2 billion four-year syndicated term loan and revolving credit facility are:

Term facility:	R600 million
Margin on term facility:	2.9% over 3 month JIBAR
Revolving facility:	R1.4 billion
Margin on revolving facility:	2.8% over 3 month JIBAR
Maturity	Four years from close
Security	Certain shares and claims

We need to comply with certain debt covenants for the US$400 million syndicated term loan and revolving credit facility and the R2 billion four-year syndicated term loan and revolving credit facility.

The debt covenant tests are as follows:

The Group's interest cover ratio shall not be less than five (EBITDA[1]/Total interest paid).

Tangible net worth[2] to total net debt ratio shall not be less than 4 times or 6 times when dividends are paid.

Leverage[3] shall not be more than 2.5 times.

1 *EBITDA as defined in the agreement excludes unusual items such as impairment and restructuring cost.*
2 *Tangible net worth is defined as total equity less intangible assets.*
3 *Leverage is defined as total net debt to EBITDA.*

With the refinancing of the R1 billion revolving credit facility in November 2018, the tangible net worth to total net debt ratio was set at 4.5 times and subsequently set at 4 times or from 8 to 6 times when dividends are paid at the start of the US$ facility refinancing process in May 2019. In June 2020, lenders agreed to relax the tangible net worth to total net debt covenant from four times to two times until December 2020, in order to provide flexibility to the group following the disruptions from the COVID-19 pandemic. See Item 4: "*Information on the Company - History and Development of the Company - Recent Developments - Developments since June 30, 2019*. No breaches of the covenants were identified during the tests in the 2019 and 2020 financial years.

Recently Retired Credit Facilities and Other Borrowings

On October 18, 2017, we entered into a syndicated bridge facility agreement in the amount of up to US$200 million with UBS Limited, Nedbank Limited, Absa Bank Limited and JP Morgan Securities Plc, with Nedbank Limited acting as facility agent. The syndicated bridge facility had a term of one year. Harmony drew down US$200 million (R2.3 billion) on this facility in February 2018. Harmony repaid US$50 million (R596 million) of the bridge facility in April 2018 from operating cash flows. A further US$100 million (R1.3 billion) of the bridge facility was repaid in June 2018 from the proceeds of an issue of new ordinary share and operating cash flows. Harmony repaid the final US$50 million (R670 million) from the proceeds of a placing of new ordinary shares to African Rainbow Minerals Limited as well as internal cash resources in July 2018. Margin on the facility was 2.5% - 3.5% over 3 month LIBOR.

On July 28, 2017, we entered into a syndicated term loan and revolving credit facilities agreement in the amount of up to US$350 million, with Nedbank Limited, Absa Bank Limited, JP Morgan Chase Bank N.A, Caterpillar Financial Services Corporation, HSBC Bank Plc, State Bank of India, The Bank of China and Citibank N.A, with Nedbank Limited and Absa Bank Limited acting as arrangers, and Nedbank Limited acting as facility agent. The facility agreement allowed the lenders to transfer their facility commitments. Margin on the US$175 million revolving credit facility was 3% over a 3 month LIBOR and 3.15% over a 3 month LIBOR for the US$175 million term loan. R4.4 billion was subsequently repaid in October 2019 from drawings under the US$400 million syndicated term loan and revolving credit facility, thereby settling the loan.

On February 20, 2017, we entered into the R1 billion revolving credit facility with Nedbank Limited. Interest accrued at JIBAR plus a margin of 3.15% per annum, with a quarterly commitment fee of 0.95%. The R1 billion revolving credit facility was to mature in February 2020. R500 million was drawn down in April 2018 and during fiscal 2019, the remaining R500 million on this facility was also drawn down. The loan was subsequently refinanced with the R2 billion four-year syndicated term loan and revolving credit facility, therefore being settled in November 2018.

Capital Expenditures

Total budgeted capital expenditures for fiscal 2021 are R5.1 billion. See Item 4: "*Information On The Company - Business Overview - Capital Expenditures" for* details regarding the budgeted capital expenditures for each operation. We currently expect that our planned operating capital expenditures will be financed from operations, including use of our current facilities, as described in "*-Outstanding Credit Facilities and Other Borrowings" above*, and new borrowings as needed.

The following table sets forth our authorized capital expenditure as of June 30, 2020:

	R'million
Authorized and contracted for[1]	368
Authorized but not yet contracted for	1,314
Total	**1,682**

[1] Including our share of the PNG joint operation's capital expenditure of R106 million.

Working Capital and Anticipated Financing Needs

The board believes that our working capital resources, by way of cash generated from operations, borrowings and existing cash on hand, are sufficient to meet our present working capital needs. The South African operations are generally expected to fund their capital internally. The Wafi-Golpu project in PNG is, however, expected to require additional capital expenditure over the next two to five years to complete construction, some of which will be funded from cash generated by operations and the balance by debt. We may also consider other options or structures to finance Harmony's portion of the Wafi-Golpu project. For more information on our planned capital expenditures, see "*-Capital Expenditure*" above. Also see *Item 3: "Key Information - Risk Factors - Harmony's operations have limited proved and probable reserves. Exploration for additional resources and reserves is speculative in nature, may be unsuccessful and involves many risks"*. Our board believes that we will have access to adequate financing on reasonable terms given our cash-based operations and modest leverage. Our ability to generate cash from operations could, however, be materially adversely affected by increases in cash costs, decreases in production, decreases in the price of gold and appreciation of the Rand and other non-US dollar currencies against the US dollar. In addition, South African companies are subject to significant exchange control limitations, which may impair our ability to fund overseas operations or guarantee credit facilities entered into by overseas subsidiaries. See Item 10: *"Additional Information - D. Exchange Controls".*

The information set forth under the heading:

- *"- Delivering profitable ounces - Operational performance*" on page 72 to 103

of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference.

C: RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

Not applicable.

D. TREND INFORMATION

The information set forth under the heading:

- *"- Delivering profitable ounces - Operational performance*" on pages 72 to 103 of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference.

E. OFF-BALANCE SHEET ARRANGEMENTS

Contractual obligations in respect of mineral tenement leases in PNG amount to R19 million at June 30, 2020.

F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

Our contractual obligations and commercial commitments consist primarily of credit facilities, post-retirement health care and environmental obligations.

Contractual Obligations on the Balance Sheet

The following table summarizes our contractual obligations as of June 30, 2020:

	Payments Due by Period				
	Total (R'million)	Less Than 12 Months July 1, 2020 to June 30, 2021 (R'million)	12-36 Months July 1, 2021 to June 30, 2023 (R'million)	36-60 Months July 1, 2023 To June 30, 2025 (R'million)	After 60 Months Subsequent June 30, 2025 (R'million)
Bank facilities[1]	8,971	656	2,206	6,109	—
Post-retirement health care[2]	193	—	—	—	193
Environmental obligations[3]	3,408	—	—	—	3,408
Total contractual obligations	**12,572**	**656**	**2,206**	**6,109**	**3,601**

1 See Item 5: *"Operating and Financial Review and Prospects - Liquidity and Capital Resources - Outstanding Credit Facilities and Other Borrowings"*. The amounts include the interest payable over the terms of the facilities. Where a variable rate is applicable, the rate at the reporting date has been used for the future periods.

2 This liability relates to post-retirement medical benefits of Freegold and Moab Khotsong employees at the time of acquisition as well as for former employees who retired prior to December 31, 1996 and is based on actuarial valuations conducted during fiscal 2020.

3 We make provision for environmental rehabilitation costs and related liabilities based on management's interpretations of current environmental and regulatory requirements. See Item 5: *"Operating and Financial Review and Prospects - Operating Results - Critical Accounting Policies and Estimates - Provision for environmental rehabilitation"*.

Commercial Commitments

The following table provides details regarding our commercial commitments as of June 30, 2020:

	Amount of Commitments Expiring by Period				
	Total (R'million)	Less Than 12 Months July 1, 2019 to June 30, 2020 (R'million)	12-36 Months July 1, 2020 to June 30, 2022 (R'million)	36-60 Months July 1, 2022 To June 30, 2024 (R'million)	After 60 Months Subsequent June 30, 2024 (R'million)
Guarantees[1]	622	—	—	—	622
Capital commitments[2]	1,682	1,682	—	—	—
Total commitments expiring by period	**2,304**	**1,682**	**—**	**—**	**622**

1 R479 million of these guarantees relate to our environmental and rehabilitation obligation.

2 Capital commitments consist only of amounts committed to external suppliers, although a total of R3.6 billion has been approved by the board for capital expenditures.

G. SAFE HARBOR

The information set forth under the heading *"Cautionary statement about forward-looking statements"* on page iii is incorporated herein by reference.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

The information set forth under the heading:

- *"-Our leadership"* on pages 15 to 18

of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference.

B. COMPENSATION

The information set forth under the heading:

- *"-Remuneration report"* on pages 168 to 184

of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference.

C. BOARD PRACTICES

The information set forth under the headings:

- *"-Corporate governance"* on pages 142 to 167;
- *"-Remuneration report"* on pages 168 to 184; and
- *"-Audit and risk committee chairperson's report"* on pages 185 to 188.

of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference.

D. EMPLOYEES

The information set forth under the heading:

- *"-Ensuring stability, employee safety and well-being"* on pages 41 to 71

of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference.

E. SHARE OWNERSHIP

The information set forth under the heading:

- *"-Remuneration report"* on pages 168 to 184

of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. MAJOR SHAREHOLDERS

We are an independent gold producer, with no single shareholder exercising control. As of October 22, 2020, our issued share capital consisted of 603,652,853 ordinary shares. To our knowledge, (a) we are not directly or indirectly owned or controlled: (i) by another corporation; or (ii) by any foreign government, and (b) there are no arrangements (including any announced or expected takeover bid), the operation of which may at a subsequent date result in a change in our control.

The voting rights of our major shareholders do not differ from the voting rights of other holders of the same class of shares.

A list of the beneficial holders that hold 5% or more of our securities as of September 25, 2020 is set forth below:

Holder	Number of shares	Percentage
African Rainbow Minerals Limited[1]	74,665,545	12.38%
Van Eck Global Associates Corporation	52,090,455	8.64%
Government Employees Pension Fund (PIC)	44,335,097	7.35%
Fairtree Asset Management (Pty) Ltd	33,436,082	5.54%

[1] Patrice Motsepe, our Chairman, has an indirect holding in African Rainbow Minerals Limited.

The table below shows the significant changes in the percentage ownership held by major shareholders, to the knowledge of Harmony's management, during the past three years.

	Beneficial ownership as of 30 June 2020		
	2020	2019	2018
	%	%	%
African Rainbow Minerals Limited	12.38	13.89	12.72
VanEck Associates Corporation	10.11	12.21	11.58
Fairtree Capital	5.40	4.01	2.88
Public Investment Corporation of South Africa	4.85	3.93	4.34

B. RELATED PARTY TRANSACTIONS

See note 35 "*Related Parties*", note 17 (b) "*Other non-current assets*", note 20 *"Investments in Associates"* and note 21 *"Investment in Joint Operations"* of our consolidated financial statements, set forth beginning on page F-1.

C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Please refer to Item 18: *"Financial Statements and Item 3: "Key Information - Selected Financial Data"*.

Legal Proceedings

None of our properties is the subject of pending material legal proceedings. We have been involved in a number of claims and legal and arbitration proceedings incidental to the normal conduct of our business, such as the ones described below.

Silicosis (and other occupational diseases)

Consolidated class action

On August 23, 2012, Harmony and certain of its subsidiaries (Harmony defendants) were served with court papers in terms of which three former employees made application to the South Gauteng High Court to certify a class action for purposes of instituting action against the Harmony defendants. In essence, the applicants want the court to declare them as suitable members to represent a class of current and former mineworkers who have contracted occupational lung diseases for purposes of instituting a class action for certain relief, and to obtain directions from the court as to what procedure to follow in pursuing the relief required against the Harmony defendants. Similar applications were also brought against various other gold mining companies for similar relief during August 2012.

On January 8, 2013, the Harmony defendants, alongside other gold mining companies operating in South Africa (collectively the respondents), were served with another application to certify another class action. In this application, two classes of persons were sought to be established representing, firstly, a class of current and former mine workers who have silicosis (whether or not accompanied by any other disease) and who work or have worked on gold mines owned and/or controlled by the respondents, and secondly, a class of dependents of mine workers who have died as a result of silicosis (whether or not accompanied by any other disease) and who worked on gold mines owned and/or controlled by the respondents. The Harmony defendants opposed both applications.

Following receipt of the aforesaid application in 2013, the Harmony defendants were advised that there was a potential overlap between the application of August 23, 2012 and the application of January 8, 2013. On October 17, 2013, the five certification applications were consolidated by order of court.

The consolidated application was heard in October 2015. On May 13, 2016, the Gauteng Local Division of High Court, Johannesburg, ordered the certification of a class action consisting of current and former underground mineworkers who have contracted silicosis and dependents of underground mineworkers who have died of silicosis (the silicosis class), and current and former underground mineworkers who have contracted TB, and the dependents of deceased underground mineworkers who died of TB (the TB class), which classes are to proceed as a single class action against the mining companies cited in the consolidated application. The High Court also ordered that any claimant who has a claim for general damages, and who dies before the finalization of his case, will have such general damages transmitted to the estate of the deceased claimant. The High Court did not make an order on the merits of the claimants' cases or any potential claims to be instituted by the mineworkers or their dependents.

On June 24, 2016, the High Court granted leave to appeal to the Supreme Court of Appeal against the order of transmissibility of general damages. The Harmony defendants submitted their notice of appeal in respect of the transmissibility of the general damages order to the Supreme Court of Appeal on July 25, 2016.

The mining companies, including the Harmony defendants, also requested leave to appeal from the Supreme Court of Appeal against the balance of the judgment and orders of the High Court certifying the class action in respect of the silicosis class and TB class. Leave to appeal to the Supreme Court of Appeal was granted on September 13, 2016. The Harmony defendants submitted their notice of appeal in respect of the remainder of the order certifying a class action in respect of the silicosis class and the TB class to the Supreme Court of Appeal on September 27, 2016.

The matter was set down to be argued in the Supreme Court of Appeal on March 19, 2018 to March 23, 2018. However, the parties agreed to postpone the matter to conclude settlement negotiations. The matter was subsequently settled on May 3, 2018. The terms of the settlement agreement are available on Harmony's website. The settlement agreement must be made an order of court before it can be given effect to. The settlement was subject to certain conditions, including that an unconditional order of court, sanctioning the settlement agreement to make the settlement agreement an order of court, is obtained from the High Court. Such an order was obtained on July 26, 2019, subject to certain conditions which were subsequently fulfilled, and the settlement became effective on December 10, 2019.

Much of the remainder of 2018 was spent with the companies' and the claimants' legal representatives developing the comprehensive set of papers required for the court approval application. The application was to be dealt with in two stages. The first stage was an *ex parte* application which was heard on December 13, 2018. Following that hearing, the court issued an order setting out how members of the settling classes and other interested parties should be informed of the proposed settlement and how they may make representations to the Court regarding the settlement, should they wish.

The second stage of the approval application made provision for members of the settling classes and interested parties to make submissions to the Court, if they so wished, on the settlement. The hearing of the second stage of the approval application took place at the end of May 2019, where there were no notifications of objections to the settlement.

On July 26, 2019 the High Court granted an order approving the settlement agreement in terms of the draft order which the parties submitted to the Court on May 30, 2019. The settlement became effective on December 10, 2019. The parties underwent a period whereby members of the settlement classes could have indicated whether they wished to opt out of the settlement. The threshold required for the opt out notices was not met, and consequently the settlement agreement provides that any member of the settlement classes who did not opt out is automatically eligible to submit a claim in terms of the settlement.

Pursuant to the settlement, the Tshiamiso Trust was established comprising three company nominees, two claimants' attorney nominees, one government nominee and an independent trustee to be nominated jointly by the mining companies and the claimants' attorneys. The independent trustee will chair the trust for at least the first two years. The distribution of claims and the administrative functions, including the tracking and tracing of eligible claimants and the facilitating of benefit medical examinations will be overseen by a board of trustees, which was appointed on February 6, 2020.

One of the Tshiamiso Trust's initiatives will be to facilitate the establishment of an advisory committee through which, it is envisaged, representatives of government, trade unions, NGOs, community leaders and others will be able to provide their expertise to the work of the trust.

The Working Group

The Working Group was formed in fiscal 2014 to address issues relating to compensation and medical care for occupational lung disease in the South African gold mining industry. The Working Group, made up of African Rainbow Minerals Limited, Anglo American SA, AngloGold Ashanti Limited, Gold Fields Limited, Harmony and Sibanye Gold Limited, has had extensive engagements with a wide range of stakeholders since its formation, including government, organized labor, other mining companies and the legal representatives of claimants who have filed legal actions against the companies.

Whereas the settlement agreement and the deed that constitutes the Tshiamiso Trust have afforded the six mining companies comprising the Working Group certain rights and obligations, the companies have agreed to appoint an agent to represent them in relation to certain matters contemplated in the settlement agreement and the deed that constitutes the Tshiamiso Trust. As such, the Working Group will dissolve as the work of that group ends and the responsibilities of the companies' agent will commence.

The Working Group has paid the legal costs of the claimants' attorneys and other initial amounts as set out in the settlement agreement. On January 31, 2020, the Working Group commenced the payment of their quarterly administration and benefit contributions to the Tshiamiso Trust to enable the trustees to settle benefits of eligible workers. Harmony has provided for the estimated cost of the settlement based on actuarial assessments in the amount of R1.14 billion.

Provision for silicosis settlement

A provision of R917 million was recognized during fiscal 2017 for Harmony's potential cost to settle the silicosis and TB class actions that have been instituted against it in South Africa. At June 30, 2020 and June 30, 2019 the provision was R892 million and R942 million respectively, primarily due to the time value of money accretion. This was offset by the change in estimate due to the timing of cash flows.

The provision recorded in the financial statements is subject to adjustment or reversal in the future, depending on a number of factors, including changes in benefit take-up.

See to Note 26 "*Provision for silicosis settlement*" of our consolidated financial statements set forth beginning on page F-1.

B. SIGNIFICANT CHANGES

See Item 4: "*Information on the Company - History and Development of the Company - Recent Developments - Developments since June 30, 2020.*"

ITEM 9 THE OFFER AND LISTING

A. OFFER AND LISTING DETAILS

The principal trading market for our ordinary shares is the JSE, where they trade under the symbol "HAR". Our ordinary shares trade on the NYSE in the form of ADSs, under the symbol "HMY".

B. PLAN OF DISTRIBUTION

Not applicable.

C. MARKETS

The Securities Exchange in South Africa

The JSE is the premier stock exchange in Africa and is based in South Africa where it has operated as a marketplace for the trading of financial products for 130 years.

The JSE connects buyers and sellers in a variety of financial markets that include equities and equity derivatives, commodity derivatives, currency derivatives and interest rate instruments. It is one of the top 20 exchanges in the world in terms of market capitalization and a member of the World Federation of Exchanges.

The market capitalization of the JSE equities index (FTSE/JSE Africa All Shares Index) was R14,043 billion (US$808 billion) at June 30, 2020. The JSE mining index (FTSE/JSE Africa Mining Index) market capitalization was R2,852 billion (US $164 billion)[1] at June 30, 2020, 20.3% of the overall JSE market capitalization.

[1] Source: Bloomberg

Strate Settlement

Under Strate, South Africa's Central Securities Depository ("**CSD**"), there are essentially two types of clients: controlled and non-controlled. A controlled client is one who elects to keep his shares and cash with his broker and these shares are held in custody at the broker's chosen Custodian Bank, the CSD Participant ("**CSDP**"). A non-controlled client is one who appoints his own CSDP to act as custodian on his behalf. Equity settlements take place on a contractual T+3 (where T= trade date) settlement cycle. Securities and funds become due for settlement three business days after the trade. Contractual settlement is a market convention embodied in the rules of the JSE which states that a client has a contractual obligation to cause a JSE trade to settle on settlement day. The JSE, in its capacity as Settlement Authority, ensures that all on-market trades entered into by two JSE member firms settle three days after the trade date.

D. SELLING SHAREHOLDERS

Not applicable.

E. DILUTION

Not applicable.

F. EXPENSES OF THE ISSUE

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. SHARE CAPITAL

Not applicable.

B. MEMORANDUM OF INCORPORATION

Information on our Memorandum of Incorporation can be found in Exhibit 1.1 filed with this Harmony 2020 Form 20-F.

Voting Rights

There are no limitations imposed by South African law or by our charter on the right of non-resident or foreign owners to hold or vote our ordinary shares.

C. MATERIAL CONTRACTS

US$200 Million Bridge Loan

On June 16, 2020, Harmony entered into a bridge loan facility of US$200 million with a syndicate of lenders in order to provide financing the Mponeng Acquisition.

The US$200 million bridge loan bore interest of 1.8% over LIBOR for the first six months, 2.4% over LIBOR for the next three months and 3.0% over LIBOR for the last three months.

The US$200 million bridge loan is secured by a cessation and a pledge over all the shares and claims in certain operating subsidiaries in the Group.

No draw-down was made on the facility as at June 30, 2020.

US$400 Million Syndicated Term Loan and Revolving Credit Facility

On September 26, 2019, Harmony and a syndicate of local and international lenders, which was jointly arranged by Nedbank Limited and ABSA Bank Limited, concluded a US$400 million syndicated term loan and revolving credit facility. The US$400 million syndicated term loan and revolving credit facility initially matured in September 2022, but its term was extended to September 2023 in July 2020.

Under the terms of the US$400 million syndicated term loan and revolving credit facility Harmony agreed to apply all amounts borrowed by it in repayment of the US$350 million three-year syndicated term loan and revolving credit facility and for exploration activities, feasibility costs, capital costs, operational costs, other corporate expenses and other strategic objectives relating to the Group outside of South Africa.

The term loan bears interest of 3.1% over three month LIBOR; the revolving facility bears interest of 2.9% over three month LIBOR.

The US$400 million syndicated term loan and revolving credit facility is secured by a cessation and a pledge over all the shares and claims in certain operating subsidiaries in the Group.

US$300 million (R4,541 million) was drawn down on the syndicated term loan and revolving credit facility in October 2019 and remained outstanding on June 30, 2020.

R2 Billion Four-year Syndicated Term Loan and Revolving Credit Facility

On November 8, 2018, Harmony, as borrower, entered into a R2 billion four-year syndicated term loan and revolving credit facility with Nedbank Limited and ABSA Bank Limited. The R2 billion four-year syndicated term loan and revolving credit facility matures in November 2022.

The term facility bears interest at 2.90% over three month JIBAR; the revolving facility bears interest at 2.80% over three month JIBAR.

The R2 billion four-year syndicated term loan and revolving credit facility is secured by a cession and pledge over all the shares and claims in certain operating subsidiaries in the Group.

The outstanding balance under the term facility at June 30, 2020 was R1 billion. The outstanding balance under the revolving facility at June 30, 2020 was R500 million.

US$24 Million Four-year Loan

On July 9, 2018, Harmony, as a borrower, entered into a loan to finance its new fleet in Hidden Valley with Westpac - Bank - PNG - Limited. The loan is repayable in quarterly installments and matures in July 2022.

The US$24 million four-year loan bears interest at 3.20% over three month LIBOR. The loan is secured by a cession and pledge of vehicles and machinery purchased. The outstanding balance under the loan at June 30, 2020 was R237 million.

Sale Agreement

On February 12, 2020, the Company announced an agreement to purchase the remaining South African producing assets and related liabilities of AngloGold Ashanti Limited pursuant to the Mponeng Acquisition. The Mponeng Acquisition includes the following assets and liabilities:

- the Mponeng mine and its associated assets and liabilities;
- the Tau Tona and Savuka mines and associated rock-dump and tailings storage facility reclamation sites, mine rehabilitation and closure activities located in the West Wits region and their associated assets and liabilities;
- First Uranium (Pty) Limited which owns Mine Waste Solutions (Pty) Limited and Chemwes (Pty) Limited as well as associated tailings assets and liabilities (the FUSA Group);
- Covalent Water Company (Pty) Limited, AngloGold Security Services (Pty) Limited and Masakhisane Investments (Pty) Limited; and
- certain rock-dump reclamation, mine rehabilitation and closure activities located in the Vaal River region and their associated assets and liabilities (the VR Remaining assets).

Consideration for the Mponeng Acquisition was a cash payment of US$200 million, due on the closing date, and contingent consideration subject to the following criteria:

- US$260 per ounce payable on all underground production from the Mponeng, Savuka and Tau Tona mines in excess of 250,000 ounces per year for six years commencing January 1, 2021; and
- US$20 per ounce payable on underground production from the Mponeng, Savuka and Tau Tona mines sourced from levels developed in the future below the current infrastructure.

The agreement is subject to certain conditions precedent, the last of which was fulfilled in September 2020. Closing of the Mponeng Acquisition occurred with effect on October 1, 2020.

D. EXCHANGE CONTROLS

Introduction

The following is a general outline of South African exchange controls. Investors should consult a professional adviser pertaining to the exchange control implications of their particular investments.

The Republic of South Africa’s exchange control regulations provide for restrictions on the exportation capital from a Common Monetary Area member, consisting of South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Eswatini. Transactions between South African residents (including corporations) and foreigners are subject to these exchange controls, which are administered by the Financial Surveillance Department of the South African Reserve Bank (“**SARB**”).

Since 1995 a number of exchange control regulations have been relaxed with regard to both residents and non-residents. Following the initial reforms, ongoing relaxations have been introduced with the aim of achieving a macroprudential risk based approach to the management of foreign exchange. The reforms are being made to, among other things, enable international firms to make investments through South Africa to the rest of Africa and to further enhance opportunities for offshore portfolio diversification for resident investors. In addition, the relaxations have also significantly raised the size of the discretionary allowances available to residents for overseas transactions.

A considerable degree of flexibility is built into the system of exchange controls, and the SARB possesses substantial discretionary powers in approving or rejecting the applications that fall outside the authority granted to authorized dealers.

These comments relate to exchange controls in force at June 30, 2020. These controls are subject to change at any time, however, the government has previously announced most changes during the annual budget statement in February. It is not possible to predict whether existing exchange controls will be changed or relaxed by the South African government in the future.

Government Regulatory Considerations

Shares

A foreign investor may invest freely in shares in a South African company, whether listed on the JSE or not, through normal banking channels against settlement in foreign currency or Rand from a non-resident Rand account. A foreign investor may also sell his or her share investment in a South African company and transfer the proceeds out of South Africa without restriction. However, when the Company is not listed on the JSE, the SARB must be satisfied that the sale price of any shares reflects fair market value.

Under present South African exchange control regulations, our ordinary shares and ADSs are freely transferable outside the Common Monetary Area between non-residents of the Common Monetary Area. No prior SARB approval is required for the transfer of proceeds to South Africa, in respect of shares listed on the JSE, provided these funds enter the country through the normal banking channels. In addition, the proceeds from the sale of ordinary shares on the JSE on behalf of those holders of ordinary shares who are not residents of the Common Monetary Area are freely remittable to those holders. Share certificates and warrant certificates held by non-residents will be endorsed with the words "non-resident."

Loans

Generally, the granting of loans to us or our subsidiaries, and our ability to borrow from non-South African sources and the repatriation of dividends, interest and royalties by us will be regulated by the Exchange Control Department of the SARB. If a foreign investor wishes to lend capital to a South African company, the prior approval of the SARB must be sought mainly in respect of the interest rate and terms of repayment applicable to such loan.

Interest on foreign loans is subject to a withholding tax of 15% and freely remittable abroad, provided the loans received prior approval from the SARB. However, this rate may be reduced depending on the applicability of a double taxation treaty.

Investments

We are required to seek approval from the SARB to use funds held in South Africa to make investments outside of South Africa.

Dividends

Dividends declared by a listed company are subject to a withholding tax of 20% and freely transferable out of South Africa from both trading and non-trading profits earned in South Africa through a major bank as agent for the SARB to non-resident shareholders. However, this rate may be reduced depending on the applicability of a double taxation treaty.

Where 75% or more of a South African company's capital, voting power, power of control or earnings is directly or indirectly controlled by non-residents, such a company is designated an "affected person" by the SARB, and certain restrictions are placed on its ability to obtain local financial assistance. We are not, and have never been, designated an "affected person" by the SARB.

If an affected entity made use of local borrowing facilities, the affected entity must apply for SARB approval prior to remitting dividends offshore. As a general rule, an affected entity that has accumulated historical losses may not declare dividends out of current profits unless and until such time that the affected entity's local borrowings do not exceed the local borrowing limit.

E. TAXATION

Certain South African Tax Considerations

The summary set out in this section is based on current law and our interpretation thereof. Amendments to the law may change the tax treatment of acquiring, holding or disposing of our ordinary shares or ADSs, as applicable, which changes may possibly occur on a retrospective basis. The following summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of our ordinary shares or ADSs, and does not cover the tax consequences that depend upon your particular tax circumstances. This summary is not intended to constitute tax advice. This summary does not address the foreign tax consequences for person that are not residents of South Africa and specifically excludes the tax consequences for persons who are not residents of South Africa whose holding of shares or ADSs is effectively connected with a permanent establishment in South Africa through which the holder carries on business activities, or who is not the beneficial recipient of the dividends, or where the source of the transaction or dividends is deemed to be in South Africa. In addition, it does not cover the tax consequences for a holder that is not entitled to the benefits of the double taxation agreement concluded between the Republic of South Africa and the United States of America signed on February 17, 1997 ("**US Treaty**"). It also assumes that the holders hold the ordinary shares or ADSs on capital account (that is, for investment purposes) as opposed to on revenue account (that is for speculative purposes or as trading stock). The Supreme Court of Appeal in South Africa indicated that gains will be on revenue account if they are derived as part of a business in carrying out a scheme of profit making. We recommend that you consult your own tax adviser concerning the consequences of holding our ordinary shares or ADSs, as applicable, in your particular situation.

Dividends

With effect from April 1, 2012, South Africa introduced a Dividends Tax, which is a withholding tax on dividends borne by the shareholder receiving the dividend. The rate at which Dividends Tax is levied is 20% effective from February 22, 2017 (previously 15%). Dividends Tax is imposed on, amongst others, non-resident shareholders, and it is withheld by the company declaring and paying the dividend to its shareholders or the regulated intermediary, as the case may be, as a withholding agent. Dividends tax is not payable to the extent that the recipient is, amongst others, a South African resident company that has provided the relevant declaration and undertaking to the company declaring and paying the dividend.

Article 10 of the US Treaty provides that a dividend paid by a company that is a resident of South Africa for tax purposes to a resident of the US for tax purposes may be taxed in the US. Article 10 of the US Treaty further provides that such a dividend may also be taxed in South Africa. However, the tax charged in South Africa may not exceed 5% of the gross amount of the dividends if the beneficial owner is a company that holds directly at least 10% of the voting stock of the South African company paying the dividends. In all other cases, the US Treaty provides for a withholding tax of 15% of the gross amount of the dividends.

With effect from January 1, 2012 it is deemed that an amount will be derived by a person from a source within South Africa if the amount constitutes a dividend received by or accrued to that person. Residents of the US can make use of the lower rate as provided for in the US Treaty if the relevant declaration and undertaking are provided to Harmony beforehand. It was recently enacted that the declaration and undertaking should be renewed after a five-year period effective from July 1, 2020. No time limitation will be imposed on the validity of the declarations and undertakings if a regulated intermediary applies the Financial Intelligence Centre legislation, the common reporting standard regulations in relation to the declarations or the agreement between the Government of South Africa and the Government of the US to improve International Tax Compliance and to Implement the US Foreign Account Tax Compliance Act.

Capital Gains Tax

Capital Gains Tax ("**CGT**") was introduced in South Africa with effect from October 1, 2001. In the case of an individual, 40% in respect of years of assessment commencing 1 March 2016 (previously 33.3%) of the capital gain is included in the individual's taxable income (effectively 18%) should the individual pay tax at the marginal rate of 45% from March 1, 2017. In the case of a corporate entity or trust, 80% in respect of years of assessment commencing March 1, 2016 of such gain is included in its taxable income (effectively a rate of 22.4% for a corporate entity and 36% for a trust). CGT is only applicable to non-residents if the proceeds from the sale are sourced in South Africa or are attributable to a permanent establishment of the non-resident shareholder. The US Treaty (which will prevail in the event of a conflict) provides that the US holder of ordinary shares or ADSs will not be subject to CGT if the assets have been held as capital assets, unless they are linked to a permanent establishment of such non-resident shareholder in South Africa. To the extent that shares or ADSs are held on revenue account, a similar principle applies with reference to the payment of income tax. Subject to Article 13 of the US Treaty (as indicated below) income tax is only payable to the extent that the gain is attributable to the carrying on of a business in South Africa through a permanent establishment situated in South Africa. The current corporate rate is equal to 28%. Any gains realized on the disposal of equity shares are automatically deemed to be of a capital nature if the equity shares have been held for a continuous period of at least three years. Such provision applies automatically and is not elective. However, this deeming provision does not include an ADS.

Generally the domestic laws of South Africa provide that an amount received or accrued in respect of the disposal of an asset that constitutes immovable property held by that person or any interest or right of whatever nature of that person to or in intellectual property where that property is situated in South Africa is deemed to have been sourced in South Africa and be subject to South African tax. It includes the disposal of any equity shares held by a person in a company if:

- 80% or more of the market value of the equity shares, ownership or right to ownership or vested interest, as the case may be, at the time of disposal thereof is attributable directly or indirectly to immovable property held otherwise than as trading stock. It was recently announcement that this requirement will include rights to variable or fixed payments as consideration for the working of, or the right to work mineral deposits, sources and other natural resources in the Republic; and
- the person directly or indirectly holds at least 20% of the equity shares in the company or ownership or right to ownership of the other entity.

The provisions of the US Treaty override the deemed source rules to the extent applicable. Article 13 of the US Treaty provides that South Africa is entitled to tax a gain that is attributable to the alienation of real property situated in South Africa, which concept includes the equivalent of a US real property interest, even if held through means of shares.

Securities Transfer Tax

Securities Transfer Tax ("**STT**") is payable in respect of the transfer of any security issued by a South African company. STT is levied at a rate of 0.25% of the taxable amount of the security concerned (generally the market value). A security is defined to include a depository receipt in a company, in addition to shares in a company. STT is not payable on the issue of any security.

Although ADSs in respect of our shares are not listed on the JSE, reference is specifically made in the legislation to the transfer of depository receipts in a South African company. As a consequence, STT will therefore be payable on the transfer of ADSs. In addition, the process of depositing shares listed on the JSE in return for ADSs, or withdrawing such shares from the deposit facility, will attract STT as and when the shares are transferred to or from the depository institution.

STT is payable by the broker or participant if a transaction is effected through a stockbroker or an exchange participant, but it may be recovered from the person acquiring the beneficial ownership of the rights concerned. In other instances, STT is payable by the person acquiring beneficial ownership.

STT is also payable on the subsequent redemption or cancellation of shares or ADSs.

Interest

South Africa has imposed a withholding tax on interest paid by any person to or for the benefit of any foreign person to the extent that the interest is regarded as having been received or accrued from a source within South Africa at the rate of 15% with effect from March 1, 2015. In terms of the US Treaty this rate is reduced to zero. However, the rate may change to 5% or 10% once the US Treaty is renegotiated. US residents can only make use of the lower rate as provided for in the US Treaty if the relevant declaration and undertaking are provided to the company paying the interest. It was recently enacted that the declaration and undertaking should be renewed after a five-year period effective from July 1, 2020. No time limitation will be imposed on the validity of the declarations and undertakings if a regulated intermediary applies the Financial Intelligence Centre legislation, the common reporting standard regulations in relation to the declarations or the agreement between the Government of South Africa and the Government of the US to improve International Tax Compliance and to Implement the US Foreign Account Tax Compliance Act.

Withholding tax on Service Fees

There is no separate withholding tax on service fees. The monitoring of service fees is now dealt with on the basis that these types of arrangements must be reported to SARS. Transactions between residents and non-residents must thus be reported if they relate to consultancy, construction, engineering, installation, logistical, managerial, supervisory, technical or training services, in circumstances where the expenditure exceeds or is anticipated to exceed R10 million in aggregate and does not otherwise qualify as remuneration.

Capitalization Shares

Capitalization shares issued to holders of shares in lieu of cash dividends do not constitute dividends and are currently not subject to Dividends Tax. However, these shares have a base cost of zero for income tax purposes.

Certain Material United States Federal Income Tax Considerations

The following is a discussion of certain material US federal income tax consequences of acquiring, holding and disposing of the ordinary shares (for purposes of this summary, references to the ordinary shares include the ADSs, unless the context otherwise requires).

You will be a "**US holder**" if you are a beneficial owner of ordinary shares and you are:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for US federal income tax purposes) organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate whose income is subject to US federal income tax regardless of its source; or
- a trust if: (i) a US court can exercise primary supervision over the trust's administration and one or more US persons are authorized to control all substantial decisions of the trust or (ii) it has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

This summary only applies to US holders that hold ordinary shares or ADSs as capital assets. This summary is based on the US Internal Revenue Code of 1986, as amended, (the "**Code**"), its legislative history, existing and proposed US Treasury regulations, published Internal Revenue Service ("**IRS**") rulings, the US Treaty and court decisions that are now in effect, any and all of which are subject to differing interpretations and which could be materially and adversely changed. Any such change could apply retroactively and could affect the continued validity of this summary. This summary does not consider the potential effects, both adverse and beneficial, of any proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time.

This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the ordinary shares. In particular, this summary deals only with US holders that will hold the ordinary shares as capital assets within the meaning of Section 1221 of the Code. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, real estate investment trust, regulated investment company, insurance company, dealer in securities or currencies, trader in securities or commodities that elects mark-to-market treatment, person that will hold the ordinary shares as a hedge against currency risk or as a position in a "straddle" or conversion transaction, tax-exempt organization, person whose "functional currency" is not the US dollar, person liable for alternative minimum tax, person required to accelerate the recognition of any item of gross income with respect to shares or ADSs as a result of such income being recognized on an applicable financial statement or a person who owns directly, indirectly or by attribution, at least 10% of our stock. This summary also does not address any aspect of US federal non-income tax laws, such as gift or estate tax laws, or state, local, or non-US tax laws, or, except as discussed below, any tax reporting obligations of a holder of our ordinary shares.

If a partnership (including for this purpose any entity treated as a partnership for US federal income tax purposes) is a beneficial owner of the ordinary shares, the US federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the ordinary shares that is a partnership and partners in such a partnership should consult their own tax advisors about the US federal income tax consequences of acquiring, holding, and disposing of the ordinary shares.

We believe that we will not be a passive foreign investment company ("**PFIC**"), for US federal income tax purposes for the current taxable year. However, we cannot assure you that we will not be considered a PFIC in the current or future years. The determination whether or not we are a PFIC is a factual determination that is based on the types of income we earn and the value of our assets and cannot be made until the close of the applicable tax year. In addition, this determination is based in part upon certain US Treasury regulations proposed in June 2019 that are not yet in effect (the "**Proposed Regulations**") and are subject to change in the future. If Harmony were to be treated as a PFIC, US holders of ordinary shares or ADSs would be required (i) to pay a special US addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of ordinary shares or ADSs at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Such holder may also be required to file IRS Form 8621. Additionally, dividends paid by Harmony would not be eligible for the reduced rate of tax described below under "- *Taxation of Dividends*". Although we believe we have adopted a reasonable interpretation of the Proposed Regulations and administrative pronouncements, there can be no assurance that the IRS will follow the same interpretation. The remainder of this discussion assumes that Harmony is not a PFIC for US federal income tax purposes. ***You should consult your own tax advisers regarding the potential application of the PFIC regime.***

Each prospective purchaser should consult his or her tax advisor with respect to the US federal, state, local and non-US tax consequences of acquiring, owning, or disposing of shares or ADSs.

US holders of ADSs

For US federal income tax purposes, a US holder of ADSs generally will be treated as the owner of the corresponding number of underlying ordinary shares held by the Depositary for the ADSs, and references to ordinary shares in the following discussion refer also to ADSs representing the ordinary shares.

Deposits and withdrawals of ordinary shares by US holders in exchange for ADSs will in general not result in the realization of gain or loss for US federal income tax purposes. Your tax basis in withdrawn ordinary shares will be the same as your tax basis in the ADSs surrendered, and your holding period for the ordinary shares will include the holding period of the ADSs.

Taxation of Dividends

Distributions paid out of Harmony's current or accumulated earnings and profits (as determined for US federal income tax purposes), before reduction for any South African withholding tax paid by Harmony with respect thereto, will generally be taxable to you as dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions that exceed Harmony's current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of your basis in the ordinary shares and thereafter as capital gain. However, we do not maintain calculations of our earnings and profits in accordance with US federal income tax accounting principles. You should therefore assume that any distribution by us with respect to the shares will be reported as ordinary dividend income. You should consult your own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from us.

Dividends paid by Harmony generally will be taxable to non-corporate US holders at the reduced rate normally applicable to long-term capital gains, provided that either (i) Harmony qualifies for the benefits of the US Treaty, or (ii) with respect to dividends paid on the ADSs, the ADSs are considered to be "readily tradable" on the NYSE, and certain other conditions are met. You will be eligible for this reduced rate only if you are an individual, and have held the ordinary shares or ADSs for more than 60 days during the 121 day period beginning 60 days before the ex-dividend date.

For US federal income tax purposes, the amount of any dividend paid in Rand will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the date the dividends are received by you or the depositary (in the case of ADSs), regardless of whether they are converted into US dollars at that time. If you or the Depositary, as the case may be, convert dividends received in Rand into US dollars on the day they are received, you generally will not be required to recognize foreign currency gain or loss in respect of this dividend income.

Effect of South African Withholding Taxes

As discussed above in "- *Taxation - Certain South African Tax Considerations - Dividends*", under current law, South Africa imposes a withholding tax of 20% on dividends paid by Harmony. A US holder will generally be entitled, subject to certain limitations, to a foreign tax credit against its US federal income tax liability, or a deduction in computing its US federal taxable income, for South African income taxes withheld by Harmony.

US holders that receive payments subject to this withholding tax will be treated, for US federal income tax purposes, as having received the amount of South African taxes withheld by Harmony, and as then having paid over the withheld taxes to the South African taxing authorities. As a result of this rule, the amount of dividend income included in gross income for US federal income tax purposes by a US holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the US holder from Harmony with respect to the payment.

The rules governing foreign tax credits are complex. You should consult your tax adviser concerning the foreign tax credit implications of the payment of South African withholding taxes.

Taxation of a Sale or other Disposition

Upon a sale or other disposition of ordinary shares or ADSs, other than an exchange of ADSs for ordinary shares and vice versa, you will generally recognize US source capital gain or loss for US federal income tax purposes equal to the difference between the amount realized and your adjusted tax basis in the ordinary shares or ADSs. Your tax basis in an ordinary share or ADS will generally be its US dollar cost. This capital gain or loss will be long-term capital gain or loss if your holding period in the ordinary shares or ADSs exceeds one year. However, regardless of your actual holding period, any loss may be treated as long-term capital loss to the extent you receive a dividend that qualifies for the reduced rate described above under " - *Taxation of Dividends*" and also exceeds 10% of your basis in the ordinary shares. The deductibility of capital losses is subject to significant limitations.

Foreign currency received on the sale or other disposition of an ordinary share will have a tax basis equal to its US dollar value on the settlement date. Foreign currency that is purchased will generally have a tax basis equal to the US dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase ordinary shares or upon exchange for US dollars) will be US source ordinary income or loss.

To the extent you incur STT in connection with a transfer or withdrawal of ordinary shares as described under "- *Certain South African Tax Considerations - Securities Transfer Tax*" above, such securities transfer tax will not be a creditable tax for US foreign tax credit purposes.

Information with Respect to Foreign Financial Assets

US holders of "specified foreign financial assets" with an aggregate value in excess of US$50,000 at the end of the taxable year, or US$75,000 at any time during the taxable year, are generally required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts held for investment that have non-United States issuers or counter parties and (iii) interests in foreign entities. US holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the ordinary shares.

US Information Reporting and Backup Withholding Rules

Payments of dividends and other proceeds with respect to ordinary shares or ADSs by US persons will be reported to you and to the IRS as may be required under applicable regulations. Backup withholding may apply to these payments if you fail to provide an accurate taxpayer identification number or certification of exempt status or fail to comply with applicable certification requirements. Some holders are not subject to backup withholding. You should consult your tax adviser as to your qualification for an exemption from backup withholding and the procedure for obtaining an exemption.

F. DIVIDENDS AND PAYING AGENTS

Not applicable.

G. STATEMENT BY EXPERTS

Not applicable.

H. DOCUMENTS ON DISPLAY

Our current Memorandum of Incorporation may be examined at our principal place of business at: Randfontein Office Park, Corner of Main Reef Road and Ward Avenue, Randfontein, 1759, South Africa.

We file annual reports on Form 20-F with, and furnish periodic reports on Form 6-K to, the SEC. You can obtain access to the documents filed via the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system on the SEC's website (*http://www.sec.gov*).

This Harmony 2020 Form 20-F reports information primarily regarding Harmony's business, operations and financial information relating to the fiscal year ended June 30, 2020. For more recent updates regarding Harmony, you may inspect any reports, statements or other information that Harmony files with the SEC.

No material referred to in this annual report as being available on our website is incorporated by reference into, or forms any part of, this annual report. References herein to our website shall not be deemed to cause such incorporation.

I. SUBSIDIARY INFORMATION

Not applicable.

ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth under the heading *"Cautionary statement about forward-looking statements"* on the inside front cover is incorporated herein by reference.

General

We are exposed to market risks, including credit risk, foreign currency risk, commodity price risk and interest rate risk associated with underlying assets, liabilities and anticipated transactions. Following periodic evaluation of these exposures, we may enter into derivative financial instruments to manage these exposures. We have policies in areas such as counterparty exposure and hedging practices, which have been approved by our audit committee. We do not hold or issue derivative financial instruments for trading or speculative purposes.

We did not apply hedge accounting to incidental hedges held in the past.

In accordance with IFRS 9 - *Financial Instruments*, we account for our derivative financial instruments as hedging transactions if the following criteria are met:

- in the case of a hedge of an anticipated future transaction, there is a high probability that the transaction will occur, and
- in the case of a cash flow hedge, the hedging instrument is expected to be highly effective.

During fiscal 2020 and 2019, we designated the majority of the gold forward sales contracts as cash flow hedging instruments and applied hedge accounting to these transactions. See *'- Commodity Price Sensitivity*' below.

Foreign Currency Sensitivity

In the ordinary course of business, we enter into transactions denominated in foreign currencies (primarily US dollars, Australian dollars and PNG Kina). In addition, we incur investments and liabilities in US dollars, Australian dollars and PNG Kina from time to time. As a result, we are subject to transaction and translation exposure from fluctuations in foreign currency exchange rates.

Harmony enters into foreign exchange hedging contracts to manage these risks. This can take the form of zero cost collars, which establish a minimum (floor) and maximum (cap) Rand/US dollar exchange rate at which to convert the US dollars we receive on our gold sales to Rand or outright forward contracts that fix the forward exchange rate. At June 30, 2020, the nominal amount of the zero cost collars is US$511 million spread over a 24-month period with a weighted average cap price of US$1=R17.09 and weighted average floor price of US$1=R15.81. Additionally, at June 30, 2020 Harmony had open foreign exchange forward contracts which had a nominal amount of US$183 million spread over a 24-month period at an average exchange rate of US$1 = R16.38.

Commodity Price Sensitivity

General

Our revenues and costs are very sensitive to the exchange rate of the Rand and other non-US currencies to the US dollar because our gold is sold in US dollars, but most of our operating costs are incurred in Rand and other non-US currencies. During fiscal 2020 and 2019, Harmony entered into forward sales to establish the sales price in advance of its future gold production, which includes the foreign exchange rate. See "- *Foreign Currency Sensitivity"* above.

The market price of gold has a significant effect on our results of operations, our ability to pay dividends and undertake capital expenditures, and the market price of our ordinary shares.

Gold prices have historically fluctuated widely and are affected by numerous industry factors over which we do not have any control. See Item 3: *"Key Information - Risk Factors - The profitability of our operations, and cash flows generated by those operations, are affected by changes in the price of gold. A fall in the gold price below our cash cost of production and capital expenditure required to sustain production for any sustained period may lead to losses and require Harmony to curtail or suspend certain operations"*. The aggregate effect of these factors, all of which are beyond our control, is impossible for us to predict.

Harmony's Hedging Policy

As a general rule, we sell our gold production at market prices. However, commencing in fiscal 2017, Harmony entered into derivative contracts to manage the variability in cash flows from the Group's production, in order to create cash certainty and protect the Group against lower commodity prices. The limits set by the Board are for 20% of the Group's total production for gold and 50% for silver over a 24-month period. Management continues to top up these programs as and when opportunities arise to lock in attractive margins for the business, but are not required to maintain hedging at these levels. In addition, Harmony's derivative policy permitted up to 25% of US$/Rand exposure to be covered over 24 months.

Harmony has designated the majority of the Rand gold forward sale contracts as cash flow hedging instruments and applied hedge accounting to these transactions as we believe they are effective hedges. In addition, from January 2, 2019, Harmony entered into US$ gold forward contracts that were designated as cash flow hedging instruments. The effective unrealized portion of the gains and losses before maturity are recorded in other comprehensive income. The realized gains and losses of the matured contracts are recorded in revenue. The US$ gold forward sale contracts entered into before January 1, 2019 and the silver zero cost collars have not been designated as hedging instruments and the gains and losses from these transactions are recorded in profit or loss.

Commodity Sales Agreements

At June 30, 2020, the open Rand gold forward sale contracts amounted to 470,000 ounces spread over 24 months at an average of R743,000/kg. The open US$ gold forward contracts amounted to 87,000 ounces spread over 24 months at an average of US$1,543/oz. The open US$ silver zero cost collars amounted to 1,600,000 ounces spread over 15 months with a weighted average floor of US$17.91/oz and a weighted average cap of US$19.41/oz.

At June 30, 2019, the open Rand gold forward sale contracts amounted to 626,500 ounces spread over 24 months at an average of R659,523/kg. The open US$ gold forward contracts amounted to 66,000 ounces spread over 24 months at an average of US$1,368/oz. The open US$ silver zero cost collars amounted to 90,000 ounces spread over 3 months with a weighted average floor of US$17.40/oz and a weighted average cap of US$18.40/oz.

Interest Rate Sensitivity

Our interest rate risk arises mainly from long-term borrowings. We have variable interest rate borrowings. Variable rate borrowings expose us to cash flow interest rate risk. Interest rate risk arising from long-term borrowings is offset by cash, restricted cash and restricted investments held at variable rates.

Sensitivity analysis-borrowings

A change of 100 basis points in interest rates on borrowings at June 30, 2020, 2019 and 2018 would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	Fiscal year ended June 30,		
	2020	2019	2018
		(R in millions)	
Increase in 100 basis points	(77)	(59)	(56)
Decrease in 100 basis points	77	59	56

Sensitivity analysis - financial assets

A change of 100 basis points in interest rates on financial assets at June 30, 2020, 2019 and 2018 would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	Fiscal year ended June 30,		
	2020	2019	2018
		(R in millions)	
Increase in 100 basis points[(a)]	58	44	32
Decrease in 100 basis points[(a)]	(58)	(44)	(32)

[(a)] The computed sensitivity analysis permissibly excludes cash received on June 30, 2020 as a result of the the equity raise in note 12.

For further information on sensitivities, see note 37 "*Financial Risk Management*" to our consolidated financial statements set forth beginning on page F-1.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. DEBT SECURITIES

Not applicable.

B. WARRANTS AND RIGHTS

Not applicable.

C. OTHER SECURITIES

Not applicable.

D. AMERICAN DEPOSITARY SHARES

On October 7, 2011, Harmony appointed Deutsche Bank Trust Company Americas in place of The Bank of New York Mellon as its Depositary for the ADSs evidenced by ADRs. A copy of our form of amended and restated deposit agreement (the "**Deposit Agreement**") among the Depositary, owners and beneficial owners of ADRs and Harmony was filed with the SEC as an exhibit to our Form F-6 filed on September 30, 2009.

The Depositary collects fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The Depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of the distributable property to pay the fees.

The principal terms regarding fees and charges that an ADS holder might have to pay, as well as any fee and other payments made by the Depositary to us as part of the Deposit Agreement, are summarized below:

Fees and Expenses

Persons depositing shares or withdrawing shares holders must pay:	For:
$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	• The execution and delivery of ADRs • The surrender of ADRs
$.02 (or less) per ADS	• Any cash distribution to you
A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	• Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADR holders
Registration or transfer fees	• Transfer and registration of equity shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
Expenses of the depositary	• Cable, telex and facsimile transmissions (when expressly provided in the Deposit Agreement) • Converting foreign currency
Taxes and other governmental charges the depositary or the custodian have to pay on any ADR or share underlying an ADR, for example, stock transfer taxes, stamp duty or withholding taxes	• As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	• As necessary

In addition, ADR holders must pay any tax or other governmental charge payable by the Depositary or its custodian on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may:

- refuse to effect any transfer of such ADRs or any withdrawal of ADSs;
- withhold any dividends or other distributions; or
- sell part or all of the ADSs evidenced by such ADR,

and may apply dividends or other distributions or the proceeds of any sale in payment of the outstanding tax or other governmental charge. The ADR holder remains liable for any shortfall.

Fees and payments made by the Depositary

The Depositary has agreed to reimburse Harmony for expenses Harmony incurs that are related to the maintenance expenses of our ADR facility. The Depositary has agreed to pay the standard out-of-pocket maintenance costs for the ADRs, which consist of the expenses of printing and distributing dividend checks, electronic filing of US federal tax information, mailing required tax forms, stationery, postage, facsimile, and telephone calls. The amount of reimbursement available to Harmony is not necessarily tied to the amount of fees the Depositary collects from investors.

During the fiscal year ended June 30, 2020, Harmony received net direct and indirect payments of R8,395,778.97 from the Depositary.

PART II

ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15 CONTROLS AND PROCEDURES

A. DISCLOSURE CONTROLS AND PROCEDURES

As of June 30, 2020, our management, with the participation of our Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**"), carried out an evaluation, pursuant to Rule 13a-15 promulgated under the Exchange Act of the effectiveness of our "disclosure controls and procedures". Based on the foregoing, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of June 30, 2020.

B. MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining effective internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Harmony's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in "*Internal Control -Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**"). Management has assessed the effectiveness of internal control over financial reporting, as of June 30, 2020, and has concluded that such internal control over financial reporting was effective based upon those criteria.

PricewaterhouseCoopers Inc., an independent registered public accounting firm, which has audited the consolidated financial statements included in this Annual Report, has issued an attestation report on the effectiveness of Harmony's internal control over financial reporting as of June 30, 2020.

C. ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

See report of PricewaterhouseCoopers Inc., an independent registered public accounting firm, which is included on page F-2 of exhibit 99.1. The consolidated financial statements, together with the report of PricewaterhouseCoopers Inc., are incorporated by reference to exhibit 99.1 and shall be deemed filed as part of the Harmony 2020 Form 20-F.

D. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in Harmony's internal control over financial reporting that occurred during fiscal 2020 that has materially affected or is reasonably likely to materially affect, Harmony's internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Ms. Fikile De Buck, independent non-executive chairman of the audit and risk committee, is regarded as being the Company's "audit committee financial expert" as defined by the rules of the SEC.

In addition, the audit committee members through their collective experience meet a majority of the definitions of the SEC for an "audit committee financial expert" in both the private and public sectors. The members have served as directors and officers of numerous public companies and have over the years developed a strong knowledge and understanding of IFRS, overseeing the preparation, audit and evaluation of financial statements. We believe that the combined knowledge, skills and experience of the Audit Committee, and their authority to engage outside experts as they deem appropriate to provide them with advice on matters related to their responsibilities, enable them, as a group and under the guidance of Ms. De Buck, to act effectively in the fulfillment of their tasks and responsibilities required under the Sarbanes-Oxley Act.

ITEM 16B. CODE OF ETHICS

The information set forth under the heading:

- "-*Corporate governance*" on pages 142 to 167

of the Integrated Annual Report for the 20-F 2020 is incorporated herein by reference.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

A. AUDIT FEES

The following sets forth the aggregate fees billed for each of the two past fiscal years for professional fees to our principal accountants for the audit of the annual financial statements or for services normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

Fiscal year ended June 30, 2019	Rand	30.3 million
Fiscal year ended June 30, 2020	Rand	33.7 million

B. AUDIT-RELATED FEES

The following sets forth additional aggregate fees to those reported under "Audit Fees" in each of the last two fiscal years that were provided by the principal accountant that are reasonably related to the performance of the audit or review of the financial statements:

Fiscal year ended June 30, 2019	Rand	4.5 million
Fiscal year ended June 30, 2020	Rand	4.8 million

Fees related to interim reviews.

C. TAX FEES

The following sets forth the aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice and tax planning:

Fiscal year ended June 30, 2019	Rand	0.8 million
Fiscal year ended June 30, 2020	Rand	0.4 million

Services comprised advice on disclosure for completion of certain tax returns.

D. ALL OTHER FEES

The following sets forth the aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant not described above:

Fiscal year ended June 30, 2019	Rand	1.2 million
Fiscal year ended June 30, 2020	Rand	1.1 million

E. AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

Our audit committee pre-approves our engagement of PricewaterhouseCoopers Inc. to render audit or non-audit services in terms of its non-audit services policy. All of the services described above were approved in terms of the Company's delegation of authority framework and the audit committee's policy on non-audit services.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Significant ways in which Harmony's corporate governance practices differ from practices followed by US domestic companies under the listing standards of the NYSE.

Foreign private issuers, such as Harmony, must briefly highlight any significant ways in which their corporate governance practices differ from those followed by US domestic companies subject to the listing standards of the NYSE. Set out below is a brief summary of the significant differences.

US domestic companies are required to have a nominating/corporate governance committee and all members of this committee must be non-executive directors. The JSE Listing Requirements also require the appointment of such a committee, and stipulate that all members of this committee must be non-executive directors, the majority of whom must be independent. Harmony has a Nomination Committee comprised of five non-executive board members, three of whom are independent. The lead independent non-executive director serves as chairman of the Nomination Committee. For US domestic companies, all members of this committee are required to be independent. The current chairman of our board of directors, Dr Patrice Motsepe, is a member of the Nomination Committee and is also chairman of one of Harmony's largest shareholders, African Rainbow Minerals Limited, and is thus not independent. He is, however, in terms of South African governance practices, permitted to be a member of the Nomination Committee.

US domestic companies are required to have a compensation committee composed entirely of independent directors. Harmony has appointed a Remuneration Committee, comprised of five board members, all of whom are non-executive and four of whom are independent. Andre Wilkens holds 101,303 shares in Harmony and is an executive manager of African Rainbow Minerals Limited. Consequently, he is not independent under NYSE listing rules. He is, however, in terms of South African governance practices, permitted to be a member of the Remuneration Committee.

The non-executive directors of US domestic companies must meet at regularly scheduled executive sessions without management. Although the JSE Listing Requirements do not require such meetings, the board meets without executives after each board meeting. The board also has unrestricted access to all company information, records, documents and property. Directors may, if necessary, take independent professional advice at the Company's expense and non-executive directors have access to management and may meet separately with management, without the attendance of executive directors.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

GLOSSARY OF MINING TERMS

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

Alluvial: the product of sedimentary processes in rivers, resulting in the deposition of alluvium (soil deposited by a river).

All-in sustaining costs: all-in sustaining costs include mine production costs, transport and refinery costs, applicable general and administrative costs, costs associated with movements in production inventories, ore stockpiles, as well as ongoing environmental rehabilitation costs as well as transfers for stripping activities and costs associated with royalties. Employee termination costs are included, however employee termination costs associated with major restructuring and shaft closures are excluded. The following costs are also included: LED expenditure for continuing operations, share-based payments for continuing operations, corporate costs, sustaining exploration costs and sustaining capital expenditure including OCD expenditure and rehabilitation accretion and amortization for continuing operations. Depreciation costs are excluded. All-in sustaining costs per ounce and per kilogram are attributable all-in sustaining costs divided by attributable ounces or kilograms of gold sold.

Auriferous: a substance that contains gold (Au).

Beneficiation: the process of adding value to gold products by transforming gold bullion into fabricated gold products.

By-products: Any products emanating from the core process of producing gold, including silver and uranium in South Africa and copper, silver and molybdenum in Papua New Guinea.

Carbon in leach (CIL): Gold is leached from a slurry of gold ore with cyanide in agitated tanks and adsorbed on to carbon granules in the same circuit. Granules are separated from the slurry and treated to remove the gold.

Carbon In Pulp (CIP): Gold is leached conventionally from a slurry of gold ore with cyanide in agitated tanks. The leached slurry passes into the CIP circuit where carbon granules are mixed with the slurry and gold is absorbed onto the carbon. Granules are separated from the slurry and treated to remove gold.

Carbon In Solution (CIS): a process similar to CIP except that the gold, which has been leached by the cyanide into solution, is separated by the process of filtration (solid/liquid separation). The solution is then pumped through six stages where the solution comes into contact with the activated carbon granules.

Cash costs: total cash costs include site costs for all mining, processing and administration, reduced by contributions from by-products and include royalties and production taxes. Depreciation, rehabilitation, corporate administration, retrenchment, capital and exploration costs are excluded. Total cash costs per ounce and per kilogram are attributable total cash costs divided by attributable ounces or kilogram of gold produced.

Conglomerate: a coarse-grained classic sedimentary rock, composed of rounded to sub-angular fragments larger than 2mm in diameter (granules, pebbles, cobbles, boulders) set in a fine-grained matrix of sand or silt, and commonly cemented by calcium carbonate, iron oxide, silica or hardened clay.

Cut-off grade: minimum grade at which a unit of ore will be mined to achieve the desired economic outcome.

Decline: an inclined underground access way.

Depletion: the decrease in quantity of ore in a deposit or property resulting from extraction or production.

Development: process of accessing an orebody through shafts or tunneling in underground mining.

Electro-winning: the process of removing gold from solution by the action of electric currents.

Elution: removal of the gold from the activated carbon before the zinc precipitation stage.

Exploration: activities associated with ascertaining the existence, location, extent or quality of mineralized material, including economic and technical evaluations of mineralized material.

Fabricated gold: gold on which work has been performed to turn it into a product, such as jewelry, which differs from a pure investment product, such as a gold bullion bar.

Footwall: the underlying side of a fault, orebody or stope.

Forward sale: the sale of a commodity for delivery at a specified future date and price.

Gold reserves: the gold contained within proved and probable reserves on the basis of recoverable material (reported as mill delivered tons and head grade).

Gold produced: refined gold derived from the mining process, measure in ounces or kilograms in saleable form.

Grade: quantity of gold contained in a unit weight of gold-bearing material, generally expressed in ounces per short ton of ore or in kilograms per metric tonne.

Greenfield: a potential mining site of unknown quality.

Head grade: the grade of the ore as delivered to the metallurgical plant.

Indicated mineral resource: Part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information using appropriate techniques from outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but close enough for continuity to be assumed.

Inferred mineral resource: Part of a mineral resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from outcrops, trenches, pits, workings and drill holes that may be limited or of uncertain quality and reliability.

Leaching: dissolution of gold from crushed or milled material, including reclaimed slime, prior to absorption on to activated carbon.

Level: the workings or tunnels of an underground mine that are on the same horizontal plane.

Measured mineral resource: part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information using appropriate techniques from outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Measures: conversion factors from metric units to US units are provided below.

Metric unit		**US equivalent**
1 tonne	= 1 t	= 1.10231 short tons
1 gram	= 1 g	= 0.03215 ounces
1 gram per tonne	= 1 g/t	= 0.02917 ounces per short ton
1 kilogram per tonne	= 1 kg/t	= 29.16642 ounces per short ton
1 kilometer	= 1 km	= 0.621371 miles
1 meter	= 1 m	= 3.28084 feet
1 centimeter	= 1 cm	= 0.3937 inches
1 millimeter	= 1 mm	= 0.03937 inches
1 hectare	= 1 ha	= 2.47105 acres

Metallurgical plant: a processing plant used to treat ore and extract the contained gold.

Mill delivered tons: a quantity, expressed in tons, of ore delivered to the metallurgical plant.

Milling/mill: the comminution of the ore, although the term has come to cover the broad range of machinery inside the treatment plant where the gold is separated from the ore.

Mineralization: the presence of a target mineral in a mass of host rock.

Mineralized material: a mineralized body that has been delineated by appropriately spaced drilling and/or underground sampling to support a sufficient tonnage and average grade of metals to warrant further exploration. Such a deposit does not qualify as a reserve until a comprehensive evaluation based upon unit cost, grade, recoveries, and other material factors conclude legal and economic feasibility.

Mineral reserves: that part of mineralized material which at the time of the reserve determination could be economically and legally extracted or produced. Mineral reserves are reported as general indicators of the life-of-mineralized materials. Changes in reserves generally reflect:

- development of additional reserves;
- depletion of existing reserves through production;
- actual mining experience; and
- price forecasts.

Grades of ore actually processed may be different from stated reserve grades because of geologic variation in different areas mined, mining dilution, losses in processing and other factors. Recovery rates vary with the metallurgical characteristics and grade of ore processed. Neither reserves nor projections of future operations should be interpreted as assurances of the economic life-of-mineralized material nor of the profitability of future operations.

Open-pit/Opencast/Open cut: mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the orebody.

Ore: a mixture of mineralized material from which at least one of the contained minerals can be mined and processed at an economic profit.

Ore grade: the average amount of gold contained in a ton of gold bearing ore expressed in ounces per ton or grams per tonne.

Orebody: a well-defined mass of mineralized material of sufficient mineral content to make extraction economically viable.

Ounce: one Troy ounce, which equals 31.1035 grams.

Overburden: the soil and rock that must be removed in order to expose an ore deposit.

Overburden tons: tons that need to be removed to access an ore deposit.

Placer: a sedimentary deposit containing economic quantities of valuable minerals mainly formed in alluvial environments.

Precipitate: the solid product of chemical reaction by fluids such as the zinc precipitation referred to below.

Probable reserves: reserves for which quantity and grade and/or quality are computed from information similar to that used for proved reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proved reserves, is high enough to assume continuity between points of observation.

Prospect: an area of land with insufficient data available on the mineralization to determine if it is economically recoverable, but warranting further investigation.

Prospecting license: an area for which permission to explore has been granted.

Proved reserves: (i) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and (11) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

Pyrite: a brassy-colored mineral of iron sulphide (compound of iron and sulfur).

Quartz: a mineral compound of silicon and oxygen.

Recovery grade: the actual grade of ore realized after the mining and treatment process.

Reef: a gold-bearing sedimentary horizon, normally a conglomerate band, which may contain economic levels of gold.

Refining: the final stage of metal production in which final impurities are removed from the molten metal by introducing air and fluxes. The impurities are removed as gases or slag.

Rehabilitation: the process of restoring mined land to a condition approximating its original state.

Sampling: taking small pieces of rock at intervals along exposed mineralization for assay (to determine the mineral content).

Shaft: a shaft provides principal access to the underground workings for transporting personnel, equipment, supplies, ore and waste. A shaft is also used for ventilation and as an auxiliary exit. It is equipped with a surface hoist system that lowers and raises conveyances for men, materials and ore in the shaft. A shaft generally has more than one conveyancing compartment.

Slimes: the finer fraction of tailings discharged from a processing plant after the valuable minerals have been recovered.

Slurry: a fluid comprising fine solids suspended in a solution (generally water containing additives).

Smelting: thermal processing whereby molten metal is liberated from beneficiated mineral or concentrate with impurities separating as lighter slag.

Spot price: the current price of a metal for immediate delivery.

Stockpile: a store of unprocessed ore.

Stope: the underground excavation within the orebody where the main gold production takes place.

Stripping: the process of removing overburden to expose ore.

Sulphide: a mineral characterized by the linkages of sulfur with a metal or semi-metal, such as pyrite, FeS.

Syncline: a basin-shaped fold.

Tailings: finely ground rock from which valuable minerals have been extracted by milling.

Tailings dam (slimes dam): Dam facilities designed to store discarded tailings.

Ton: one ton is equal to 2,000 pounds (also known as a "short" ton).

Tonnage: quantities where the ton or tonne is an appropriate unit of measure. Typically used to measure reserves of gold-bearing material in situ or quantities of ore and waste material mined, transported or milled.

Tonne: one tonne is equal to 1,000 kilograms (also known as a "metric" tonne).

(in this Annual Report we have used metric tonnes unless specified otherwise and we may have used Ton(s) and Tonne(s) interchangeably)

Trend: the arrangement of a group of ore deposits or a geological feature or zone of similar grade occurring in a linear pattern.

Unconformity: the structural relationship between two groups of rock that are not in normal succession.

Waste: ore rock mined with an insufficient gold content to justify processing.

Waste rock: the non-mineralized rock and/or rock that generally cannot be mined economically that is hoisted to the surface for disposal on the surface normally close to the shaft on an allocated dump.

Yield: the actual grade of ore realized after the mining and treatment process.

Zinc precipitation: a chemical reaction using zinc dust that converts gold solution to a solid form for smelting into unrefined gold bars.

PART III

ITEM 17 FINANCIAL STATEMENTS

Not applicable.

ITEM 18 FINANCIAL STATEMENTS

The following consolidated financial statements, together with the report of PricewaterhouseCoopers Inc., are incorporated by reference to exhibit 99.1 and shall be deemed filed as part of the Harmony 2020 Form 20-F:

- Index to Financial Statements;
- Report of Independent Registered Public Accounting Firm; and
- Consolidated Financial Statements.

ITEM 19. EXHIBITS

1.1 Amended Memorandum of Incorporation of Harmony dated February 1, 2018 http://www.sec.gov/Archives/edgar/data/1023514/000162828019012525/exhibit1amendedmoi.htm

2.1 Notice of annual general meeting dated October 23, 2020 to be held on November 20, 2020.

2.2 Amended and Restated Deposit Agreement among Harmony, Deutsche Bank Trust Company Limited, as Depositary, and owners and holders of American Depositary Receipts, dated as of October 7, 2011 (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2011, filed on October 24, 2011) http://www.sec.gov/Archives/edgar/data/1023514/000119312511278584/d242812dex22.htm

2.3 Form of ADR (included in Exhibit 2.2) (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2011, filed on October 24, 2011) http://www.sec.gov/Archives/edgar/data/1023514/000119312511278584/d242812dex22.htm

4.1 Deed of Extinguishment of Royalty (Wafi-Golpu Project) dated February 16, 2009 (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2009, filed on October 26, 2009) http://www.sec.gov/Archives/edgar/data/1023514/000095012309053204/u07679exv4w25.htm

4.2 Subscription, Sale and Shareholders' Agreement dated March 20, 2013 between Harmony Gold Mining Company Limited, Business Venture Investments No. 1692 Proprietary Limited, Histopath Proprietary Limited, Business Venture Investments No. 1677 Proprietary Limited, Business Venture Investments No. 1687 Proprietary Limited, Business Venture Investments No. 1688 Proprietary Limited and the Trustees for the time being of the Harmony Gold Community Trust (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex423.htm

4.3 First Addendum to the Subscription, Sale and Shareholders' Agreement dated May 28, 2013 between Harmony Gold Mining Company Limited, Business Venture Investments No. 1692 Proprietary Limited, Histopath Proprietary Limited, Business Venture Investments No. 1677 Proprietary Limited, Business Venture Investments No. 1687 Proprietary Limited, Business Venture Investments No. 1688 Proprietary Limited and the Trustees for the time being of the Harmony Gold Community Trust (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex424.htm

4.4 Second Addendum to the Subscription, Sale and Shareholders' Agreement dated July 10, 2013 between Harmony Gold Mining Company Limited, Business Venture Investments No. 1692 Proprietary Limited, Histopath Proprietary Limited, Business Venture Investments No. 1677 Proprietary Limited, Business Venture Investments No. 1687 Proprietary Limited, Business Venture Investments No. 1688 Proprietary Limited and the Trustees for the time being of the Harmony Gold Community Trust (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex425.htm

4.5 Contractor Agreement dated March 20, 2013 between Harmony Gold Mining Company Limited, Business Venture Investments No. 1692 Proprietary Limited and ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex427.htm

4.6 Services Agreement dated March 20, 2013 between Harmony Gold Mining Company Limited and Business Venture Investments No. 1692 Proprietary Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex428.htm

4.7 Sale of Property Agreement dated March 20, 2013 between ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited and Business Venture Investments No. 1692 Proprietary Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex429.htm

4.8 Agreement of Lease dated March 20, 2013 between ARMGold/Harmony Freegold Joint Venture Company (Proprietary) Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex430.htm

4.9 Borrower Pledge and Cession Agreement dated March 20, 2013 between Business Venture Investments No. 1677 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex431.htm

4.10 Borrower Pledge and Cession Agreement dated March 20, 2013 between Business Venture Investments No. 1687 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex432.htm

4.11 Borrower Pledge and Cession Agreement dated March 20, 2013 between Business Venture Investments No. 1688 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex433.htm

4.12 Borrower Pledge and Cession Agreement dated March 20, 2013 between Histopath Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex434.htm

4.13 Cashflow Waterfall Agreement dated March 20, 2013 between Harmony Gold Mining Company Limited, Business Venture Investments No. 1692 Proprietary Limited, Histopath Proprietary Limited, Business Venture Investments No. 1677 Proprietary Limited, Business Venture Investments No. 1687 Proprietary Limited and Business Venture Investments No. 1688 Proprietary Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex435.htm

4.14 Addendum to the Cashflow Waterfall Agreement dated May 28, 2013 between Harmony Gold Mining Company Limited, Business Venture Investments No. 1692 Proprietary Limited, Histopath Proprietary Limited, Business Venture Investments No. 1677 Proprietary Limited, Business Venture Investments No. 1687 Proprietary Limited and Business Venture Investments No. 1688 Proprietary Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex436.htm

4.14 Term Loan Facility Agreement dated March 20, 2013 between Business Venture Investments No. 1677 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex437.htm

4.15 Addendum to the Term Loan Facility Agreement dated May 23, 2013 between Business Venture Investments No. 1677 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex438.htm

4.16 Waiver letter dated June 24, 2013 in respect of the Term Loan Facility Agreement dated March 20, 2013 between Business Venture Investments No. 1677 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex439.htm

4.16 Extension letter dated May 10, 2013 in respect of the Term Loan Facility Agreement dated March 20, 2013 between Business Venture Investments No. 1677 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex440.htm

4.17 Term Loan Facility Agreement dated March 20, 2013 between Business Venture Investments No. 1687 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex441.htm

4.18 Addendum to the Term Loan Facility Agreement dated May 24, 2013 between Business Venture Investments No. 1687 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex442.htm

4.18 Waiver letter dated June 24, 2013 in respect of the Term Loan Facility Agreement dated March 20, 2013 between Business Venture Investments No. 1687 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex443.htm

4.19 Extension letter dated May 10, 2013 in respect of the Term Loan Facility Agreement dated March 20, 2013 between Business Venture Investments No. 1687 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex444.htm

4.20 Term Loan Facility Agreement dated March 20, 2013 between Business Venture Investments No. 1688 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex445.htm

4.21 Addendum to the Term Loan Facility Agreement dated May 24, 2013 between Business Venture Investments No. 1688 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex446.htm

4.22 Waiver letter dated June 24, 2013 in respect of the Term Loan Facility Agreement dated March 20, 2013 between Business Venture Investments No. 1688 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex447.htm

4.23 Extension letter dated May 10, 2013 in respect of the Term Loan Facility Agreement dated March 20, 2013 between Business Venture Investments No. 1688 Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex448.htm

4.24 Term Loan Facility Agreement dated March 20, 2013 between Histopath Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex449.htm

4.25 Addendum to the Term Loan Facility Agreement dated May 24, 2013 between Histopath Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex450.htm

4.26 Waiver letter dated June 24, 2013 in respect of the Term Loan Facility Agreement dated March 20, 2013 between Histopath Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex451.htm

4.27 Extension letter dated May 10, 2013 in respect of the Term Loan Facility Agreement dated March 20, 2013 between Histopath Proprietary Limited and Harmony Gold Mining Company Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2013, filed on October 25, 2013) http://www.sec.gov/Archives/edgar/data/1023514/000119312513411617/d612311dex452.htm

4.28 First Addendum to the Exchange and Sale of Mining Right Portions Agreement dated April 16, 2014 between Armgold/Harmony Freegold Joint Venture Company Proprietary Limited and Sibanye Gold Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2014, filed on October 23, 2014) http://www.sec.gov/Archives/edgar/data/1023514/000119312514379647/d804845dex453.htm

4.29 Reinstatement and Second Addendum to the Exchange and Sale of Mining Right Portions Agreement dated May 6, 2014 between Armgold/Harmony Freegold Joint Venture Company Proprietary Limited and Sibanye Gold Limited (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2014, filed on October 23, 2014)
http://www.sec.gov/Archives/edgar/data/1023514/000119312514379647/d804845dex454.htm

4.31 Loan Agreement between Harmony Gold Mining Company Limited and the Trustees for the time being of the ARM Broad-Based Economic Empowerment Trust, dated March 1, 2016 (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2016, filed on October 26, 2016) http://www.sec.gov/Archives/edgar/data/1023514/000120561316000327/ex4_63.htm

4.32 Intercreditor agreement between African Rainbow Minerals Limited and Harmony Gold Mining Company Limited, dated March 1, 2016 (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2016, filed on October 26, 2016) http://www.sec.gov/Archives/edgar/data/1023514/000120561316000327/ex4_64.htm

4.33 Second Amendment and Restatement Agreement amongst Nedbank Limited (acting through its Corporate and Investment Banking division) (as Original Lender, Arranger and Facility Agent), the Trustees for the time being of the ARM Broad-Based Economic Empowerment Trust (as Borrower), African Rainbow Minerals Limited (as Guarantor) and Harmony Gold Mining Company Limited (as Guarantor), dated March 1, 2016 (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2016, filed on October 26, 2016) http://www.sec.gov/Archives/edgar/data/1023514/000120561316000327/ex4_67.htm

4.34 Subordination Agreement between Nedbank Limited (acting through its Corporate and Investment Banking division), the Trustees for the time being of the ARM Broad-Based Economic Empowerment Trust, African Rainbow Minerals Limited and Harmony Gold Mining Company Limited, dated March 1, 2016 (incorporated by reference to Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2016, filed on October 26, 2016) http://www.sec.gov/Archives/edgar/data/1023514/000120561316000327/ex4_68.htm

4.38 Harmony Gold Mining Company Limited 2006 Share Plan as amended and approved November 25, 2016 (incorporated by reference to /Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2017, filed on October 26, 2017) http://www.sec.gov/Archives/edgar/data/1023514/000162828017010249/exhibit438harmonygold2006s.htm

4.39 Wafi-Golpu Joint Venture Agreement, dated May 22, 2008 between Wafi Mining Limited, Newcrest PNG 2 Limited and Wafi-Golpu Services Limited (incorporated by reference to /Harmony's Annual Report on Form 20-F for the fiscal year ended June 30, 2017, filed on October 26, 2017) http://www.sec.gov/Archives/edgar/data/1023514/000162828017010249/exhibit439wafi-golpujointv.htm

4.48 Amended and restated trust deed of the Harmony ESOP trust dated Jun 13, 2019

4.50 ZAR2,000,000,000 Term and Revolving Credit Facilities Agreement dated November 8, 2019 for Harmony Gold Mining Company Limited arranged by Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division) and ABSA Bank Limited (acting through its Corporate and Investment Banking division) with Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division) and ABSA Bank Limited (acting through its Corporate and Investment Banking division) http://www.sec.gov/Archives/edgar/data/1023514/000162828019012525/exhibit450termrcfr2billion.htm

4.51 Facility Agreement dated July 9, 2018 among into between Morobe Consolidated Goldfields Limited, Harmony Gold (Australia) Proprietary Limited and Westpac Bank - PNG - Limited http://www.sec.gov/Archives/edgar/data/1023514/000162828019012525/exhibit451morobewestpacloan.htm

4.52 Harmony Gold Mining Company Limited Deferred Share Plan 2018 Scheme Rules http://www.sec.gov/Archives/edgar/data/1023514/000162828019012525/exhibit452deferredsharepla.htm

4.53 Sale agreement , dated February 12, 2020, entered into between Angolgold Ashanti Limited and Harmony Gold Mining Company Limited and Harmony Moab Khotsong Operations Proprietary Limited and Golden Core Trade and Invest Proprietary Limited.

4.54 Term an revolving credit facilities agreement up to USD 400,000,000, dated August 19, 2019, entered into between Harmony Gold Mining Company Limited, arranged by ABSA Bank Limited (acing through its Corporate and Investment Banking Division) and Nedbank Limited (acing through its Nedbank Corporate and Investment Banking Division) with Absa Bank Limited (acing through its Corporate and Investment Banking Division) acting as Facility Agent.

4.55 Bridge facility agreement of up to USD 200,000,000 for Harmony Moab Khotsong Operations Proprietary Limited and Golden Core Trade and Invest Proprietary Limited arranged by ABSA Bank Limited (acing through its Corporate and Investment Banking Division) and Citybank N.A. (London Branch) and Firstrand Bank Limited (London Branch) and J.P. Morgan Securities PLC with Absa Bank Limited (acing through its Corporate and Investment Banking Division) acting as Facility Agent.

8.1 Significant subsidiaries of Harmony Gold Mining Company Limited

†12.1 Certification of the principal executive officer required by Rule 13a-14(a) or Rule 15(d)-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

†12.2	Certification of the principal financial officer required by Rule 13a-14(a) or Rule 15(d)-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
†13.1	Certification of the principal executive officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
†13.2	Certification of the principal financial officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
††15.1	Integrated Annual Report for the 20-F 2020 dated October 29, 2020
99.1	Consolidated Financial Statements 2020 dated October 29, 2020

† This certification will not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Securities Exchange Act of 1934, as amended (the “Exchange Act”), except to the extent that the Registrant specifically incorporates it by reference.

†† Certain of the information included in Exhibit 15.1 is incorporated by reference into the Harmony 2020 Form 20-F, as specified elsewhere in this report, in accordance with Rule 12b-23(a) of the Exchange Act. With the exception of the items so specified, the Integrated Annual Report for the 20-F 2020 is not deemed to be filed as part of Harmony 2020 Form 20-F.

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Linkbase Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 12 of the Exchange Act, we hereby certify that we meet all of the requirements for filing on Form 20-F and that we have duly caused this annual report to be signed on our behalf by the undersigned, thereunto duly authorized.

HARMONY GOLD MINING COMPANY LIMITED

By: /s/ Peter Steenkamp

Peter Steenkamp

Chief Executive Officer

Date: October 29, 2020

Exhibit 15.1: Integrated Annual Report for the 20-F 2020 dated October 29, 2020

INTEGRATED ANNUAL

REPORT FOR THE 20-F 2020

CONTENTS

ABOUT THIS REPORT

Harmony's 2020 Integrated Annual Report is for the financial year ending 30 June 2020 (FY20). This report, which is aimed primarily at investors, covers all our operations and activities in South Africa and Papua New Guinea, their impacts and most material matters during this period. Significant events occurring after year-end and before the date on which this report was approved are also reported.

This Integrated Annual Report aims to provide a holistic view of the company. It includes information on our business model, which aims to explain our strategy and how we create and share value, and also covers our performance - environmental, social, governance, operational and financial - for the year. Our overarching governance framework aimed at an integrated risk based approach guides all decision-making and is critical in ensuring and protecting value creation and delivery on our strategic objectives.

We aim to provide balanced, accurate and accessible information to enable the reader to assess our performance over the past year and our ability to create value over time.

In compiling this report, we have determined our reporting boundary by taking into account:

<table>
<tr><td colspan="6">Integrated reporting boundary</td></tr>
<tr><td colspan="3">Risks and opportunities resulting from our external operating context</td><td colspan="3">Risks and opportunities resulting from operational, social and environmental variables</td></tr>
<tr><td colspan="6">Financial reporting boundary</td></tr>
<tr><td colspan="2">Wholly-owned subsidiaries/entities</td><td colspan="2">Joint ventures</td><td colspan="2">Investments over which we have significant influence</td></tr>
<tr><td colspan="6">Risks, opportunities and material matters stemming from engagement with stakeholders – investors, employees, communities, governments/regulators, suppliers</td></tr>
</table>

Materiality

This report addresses those aspects that we consider to have, and most likely will continue to have, a material impact on our performance and ability to deliver on our strategy and its objectives, and our ability to create value, in the short, medium and long term.

Engagement with stakeholders and their primary concerns are key in determining these aspects. For a better understanding of these, see *Stakeholder engagement and material issues* and *Our risks and opportunities*, where we describe the context for the material issues and risks identified and explain how they are being managed.

While this report is aimed primarily at investors, together with the ESG Report 2020 and the ESG Data Tables which we have compiled this year, it addresses the information requirements of all other stakeholders.

Reporting frameworks, guidelines and standards considered in compiling this report include:

- International Integrated Reporting Framework
- King Report on Corporate Governance for South Africa, 2016 (King IV)
- Global Reporting Initiative (GRI) Standards for sustainability reporting
- United Nations Sustainable Development Goals (SDGs)
- International Council on Mining and Metals - 10 principles
- United Nations Global Compact
- Voluntary Principles on Security and Human Rights
- JSE Listings Requirements
- World Gold Council's Responsible Mining Principles

We have also considered the Principles for Responsible Investment, a United Nations-supported international network of investors, which reflect the increasing prominence of environmental, social and governance (ESG) issues to investors.

OUR 2020 SET OF REPORT INCLUDES:

- Integrated annual report 2020
- Mineral resource and mineral reserves 2020
- Report to shareholders 2020
- Financial report 2020
- ESG report 2020
- TCFD report 2020

These reports together with other supporting documents are available online at www.har.co.za. Other additional information can be found at www.harmony.co.za.

OTHER REPORTS:

- Form 20-F

  Annual report filed with the United States Securities and Exchange Commission, in compliance with the listing requirements of the New York Stock Exchange
- Global Reporting Initiative Scorecard

  An index of the indicators reported in terms of the Global Reporting Initiative
- Operational Report 2020

  Detailed information on each operation

DIRECTORS' RESPONSIBILITY

for the Integrated Annual Report 2020

The Harmony board of directors has ultimate accountability for the integrity and accuracy of this Integrated Annual Report. It is the board's view that this report has been prepared in accordance with the International Integrated Reporting Council's Integrated Reporting Framework. Having reviewed the report and applied its collective mind, based on the recommendations of the audit and risk committee and the social and ethics committee, the board confirms that this report addresses the most significant and material issues currently facing Harmony and that it presents a balanced, accurate and representative view of the company and its strategy, its overall performance in the past financial year and of its future ability to create and protect value.

The remuneration report was reviewed and approved by the remuneration committee.

The board approved this report on 23 October 2020.

Dr Patrice Motsepe	**Peter Steenkamp**
Chairman	Chief executive officer
Boipelo Lekubo	**Fikile De Buck**
Financial director	Chairperson: Audit and risk committee
Dr Simo Lushaba	**Vishnu Pillay**
Chairperson: Social and ethics committee	Chairperson: Remuneration committee

REFERENCE

A full glossary of terms is available on the website, *www.har.co.za*.

Throughout this report "PGK" refers to kina, the currency of Papua New Guinea, "Moz" to million ounces, "Mt" to million tonnes and Mlb to million pounds. All production volumes are in metric tonnes (t), unless specifically stated as imperial tons.

While our reporting currency is the South African rand, the US dollar equivalents of significant financial metrics, together with the applicable percentage movements, are also provided to aid sector and peer comparisons.

CORPORATE PROFILE

OUR BUSINESS

Harmony, a gold and copper mining and exploration company, operates in South Africa and Papua New Guinea, one of the world's premier new gold-copper regions.

With 70 years in the industry, Harmony is an experienced emerging market gold miner and the largest gold producer in South Africa. We are also a significant operator of gold tailings retreatment facilities.

Headquartered in Randfontein, South Africa, Harmony has its primary listing on the Johannesburg Stock Exchange (HAR). It also has an American Depositary Receipt programme that is listed on the New York Stock Exchange (HMY).

At 30 June 2020, our market capitalisation was R43.3 billion (US$2.5 billion) (30 June 2019: R17.1 billion; US$1.2 billion).

OUR PURPOSE

To be a global, **sustainable gold producer,** with a large copper footprint, creating shared value for all stakeholders.

OUR MISSION

To create value by operating safely and sustainably and by growing our margins.

OUR IMPACT

At Harmony, we understand that our activities and the conduct of our business impacts the lives of the people we employ, the communities that surround our mines and the environment. This impact has economic and social implications for our stakeholders and for the countries in which we operate. In line with our purpose, we strive to ensure that, on balance, our contribution is positive and that, once mining ceases, our legacy is enduring.

SHAREHOLDERS

Our largest shareholder is African Rainbow Minerals Limited (ARM) which has a stake of 12.38% in Harmony. Our remaining shareholders are geographically diverse and include some of the largest fund managers globally. By far the largest shareholder base is in the United States (more than half), followed by South Africa.

WHERE WE OPERATE

South Africa

Production: ~1.1Moz (87%)

Located on the Witwatersrand Basin and the Kraaipan Greenstone Belt, our South African operations accounted for 62% of group Mineral Resources (gold and gold equivalent ounces) and 48% of group Mineral Reserves at year end

UNDERGROUND
West Rand: Doornkop / Kusasalethu
Klerksdorp goldfield: Moab Khotsong
Free State*: Tshepong operations / Bambanani / Target 1 / Joel / Masimong
Surface
North West: Kalgold
Free State: Surface sources**

* *Closure is currently underway at Unisel, where stoping activities are scaling down*
** *Includes the Tswelopele Beneficiation Operation (Proprietary) Limited in which Harmony has a holding of 75%*

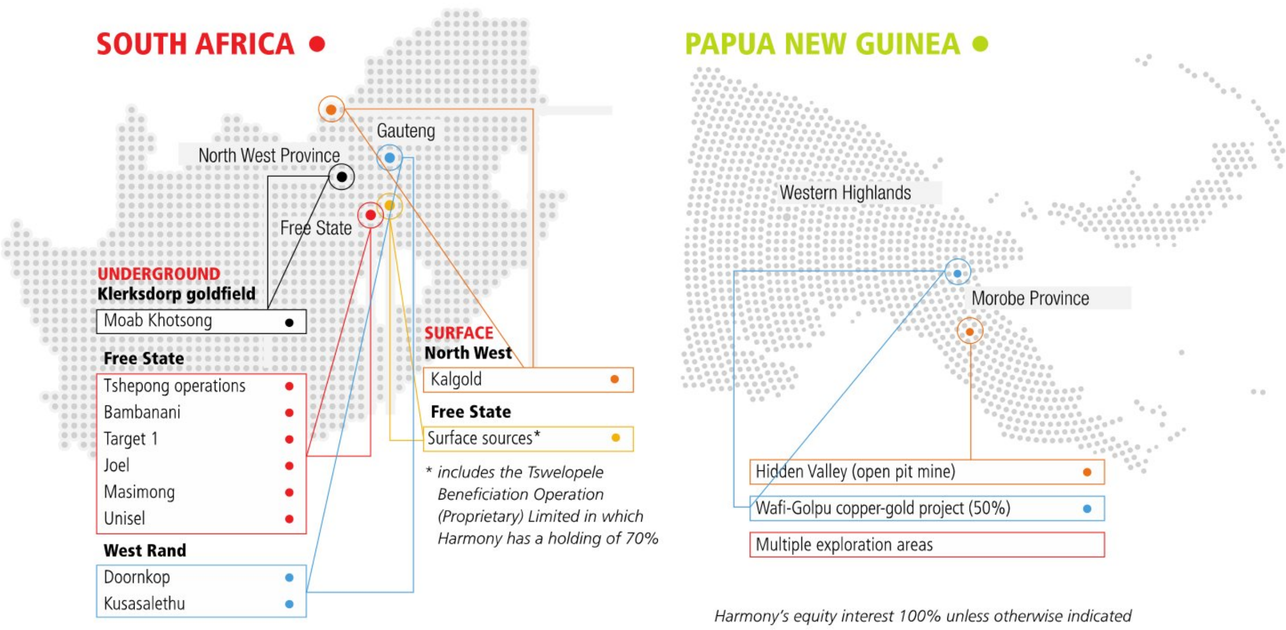
Papua New Guinea

Production:

~157 000oz (13%)

Located on the New Guinea Mobile Belt, in the Morobe Province, our Papua New Guinea operation accounted for 38% of group Mineral Resources (gold and gold equivalent ounces) and 52% of group Mineral Reserves at year end

Hidden Valley (open-pit gold and silver mine)
Wafi-Golpu (copper-gold joint operation - 50%)
Multiple exploration areas



OUR VALUES

SAFETY

No matter the circumstances, safety is our main priority

ACCOUNTABLE

We are all accountable for delivering on our commitments

ACHIEVEMENT

Achievement is core to our success

CONNECTED

We are all connected as one team

HONESTY

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

BUSINESS MODEL

HOW WE CREATE VALUE YEAR ON YEAR

INPUTS

Natural Capital

The natural resources, such as our orebodies, water and energy, that are used in the functioning of the business

- Mineral Reserve of 36.50Moz of gold and gold equivalents (FY19: 36.45Moz)
- Land under management
- Volume of ore milled 25.43Mt (FY19: 25.98Mt)
- Resources consumed:
- Water used for primary activities 19 692 000m^3 (FY19: 23 158 000m^3)
- Group electricity consumption 3 171 000 MWh (FY19: 3 340 677MWh)

See Mineral Resources and Reserves and Environmental management and stewardship for more information.

Manufactured Capital

This pertains to the physical infrastructure or technology used by the company

- Operational infrastructure, associated infrastructure and equipment
- Production costs R22.05 billion (FY19: R20.32 billion)
- Mining rights and leases
- Exploration and growth projects
- Exploration spend, including Wafi-Golpu, R259 million (FY19: R498 million)

See Operational performance and Exploration and projects for more information.

Human Capital

The skills and know-how of an organisation's workforce

- A total of 39 714 permanent and contract employees across the Group (FY19: 39 773)
- A transformation that endeavours to create a more gender diverse and racially representative workforce with a focus on recruiting from local communities

See Employee relations and Remuneration report for more information.

Financial Capital

The traditional yardstick of performance, this capital includes funds obtained through financing or generated by means of productivity

- Total equity R23.4 billion (FY19: R22.6 billion)
- Placement of ordinary shares to raise equity capital of $200 million
- Cash generated by operating activities R4 723 million (FY19: R4 679 million)

See Financial director's report for more information.

Intellectual Capital	Social and Relationship Capital
This accounts for the intangibles associated with the brand and reputation, organisational systems and related procedures	**This encompasses the relationships between the company and all its stakeholders**
- The requisite skills and expertise required in being the global leader in deep-level gold mining - Digitisation of the organisation is underway, including upgrades to enterprise resource planning and human resources systems - Systems and processes	- Values and code of ethics guiding stakeholder engagement - Governance and corporate responsibilities **- Stakeholders include:** investors, employees, government and regulators, communities and suppliers See Socio-economic development and ESG report for more information.

OPERATING CONTEXT

ACTIVITIES

Our activities are focused on mining gold from both mature deep-level and surface operations, processing ore and selling the product onto the market for further refinement. Additionally, we deliver on capital projects

OUR COMPETITIVE ADVANTAGE

Harmony is a world leader in surface and deep-level mature asset mining. We are uniquely skilled, and have extensive institutional knowledge, in prolonging the operating lives of mining assets. We are also well-versed in mutually beneficial stakeholder engagement and, thus, are able to thrive in emerging markets

OUR STRATEGY

To produce safe, profitable ounces and improve margins through responsible stewardship, operational excellence and effective capital allocation

SOCIAL LICENCE TO OPERATE

We prioritise stakeholder engagement and shared value creation so that we, at all times, maintain our social licence to operate

OUTLOOK

Harmony has been in operation for the past 70 years and it is our intention to extend our longevity by at least another 70 years by organically growing our mineral reserve base and pursuing value-accretive acquisitions

FACTORS IMPACTING OUR BUSINESS

What we can manage:

- Safety
- Grade and volume mined
- Costs, efficiencies and productivity
- Stakeholder relations

What is beyond our control:

- Gold price and global market

- Exchange rate volatility
- Regulatory policy and political uncertainty
- Mounting community expectation and socio-economic challenges

OUTPUT

Gold produced

1.22Moz (FY19: 1.44Moz)

Revenue generated

R29.2 billion (FY19: R26.9 billion)

Total economic value distributed

R26.4 billion (FY19: R26.8 billion)

Total Co_2 emissions

4 012 110t (FY19: 3 858 566t)

Mining waste generated

Total milled

25.5Mt (FY19: 26.0Mt)

Hazardous waste to landfill

250t (FY19: 399t)

OUTCOMES

Human capital

- ✗ Tragically, there were six loss-of-life incidents
- ✓ Recorded an overall improvement of 33.3% in the fatal injury frequency rate compared to FY19
- ✓ A year of no strikes indicates a strong and mature relationship with the unions
- ✓ Focus on gender diversity
- ✓ A transformed workforce in South Africa, with **60%** of management across all levels being HDPs
- ✓ **R11.7 billion (US$744 million)** spent on wages and salaries
- ✓ **R458 million** spent on skills training and human resource development (FY19: R484 million)
- ✓ Rapid, proactive Covid-19 response and mitigation strategies

Financial capital

- ✓ Our share price increased by **126%** during FY20 positively influencing our market capitalisation, which closed at **R43.3 billion** on 30 June 2020
- ✓ Net debt decreased to **R1.36 billion (US$79 million)** (FY19: R4.92 billion; US$348 million)
- ✓ Production profit - **R7.2 billion (US$459 million)** (FY19: R6.6 billion; US$465 million)

Social and relationship capital

- ✓ Invested **R65 million** and **R36 million** in South Africa and Papua New Guinea respectively, in our social licence to operate, which included mine community development initiatives
- ✓ Focused on preferential/local procurement, spending **R5.08 billion** in South Africa and **R1.25 billion** in Papua New Guinea

- **R342 million** paid in taxes and royalties
- Improved relationship with host community stakeholders
- Hygiene products, food parcels and other essential supplies provided to the most vulnerable households in host communities
- Constructive relations with the governments of South Africa and Papua New Guinea

Manufactured capital

- Acquisition of Mponeng mine and Mine Waste Solutions (deal concluded post-year-end in September 2020)
- Progressed our 30MW Nyala solar generation project to reduce our dependency on fossil fuel-generated electricity

Intellectual capital

- A total of 31 533 employees completed training in FY20
- Supported 84 bursaries at tertiary level
- More digitised business equipped to operate effectively in the twenty-first century

Natural capital

- The Group spent **R161 million** (US$10 million) (FY19: R199 million; US$14 million) on land rehabilitation initiatives and environmental stewardship
- **44.19ha** was rehabilitated

DELIVERING ON OUR STRATEGY AND CAPITAL TRADE-OFFS

To produce safe, profitable ounces and improve margins through responsible stewardship, operational excellence and effective capital allocation

FOUR STRATEGIC PILLARS – PERFORMANCE AND OUTLOOK

	FY20 – what we did		Outlook
Responsible stewardship			
• **Embed proactive safety culture** For more information on our safety performance, targets and outlook, see *Safety and health*	Improvement evident in safety performance – the fatal injury frequency rate improved by 33% (six fatalities versus 11 in FY19). However, more remains to be done as the lost-time injury frequency rate regressed by 2.7% to 6.33 per million hours worked. Our safety strategy is to instil a proactive safety culture focused on: • Leadership • Risk management • Prevention of repeat incidents • Rewarding safe behaviour • Zero tolerance for non-compliance with safety protocols		To continue with implementation and embedding of our four-phase pro-active safety culture. To achieve our objective of zero harm and zero loss of life incidents.

• **Manage the Covid-19 pandemic** For more information on what we have done to address the Covid-19 pandemic, see *Safety and health* and *Socio-economic development*	• Measures to manage, contain and prevent the Covid-19 pandemic were aimed at ensuring a safe and risk-free workplace for employees. These measures were extended to host communities • A standard operating procedure was speedily developed and implemented, supported by a focused communication campaign • An employee messaging app was introduced to aid monitoring and communication • Company facilities were made available for self-isolation and quarantine • Community outreach projects were aimed at the most vulnerable in society		For as long as the Covid-19 disease continues to pose a threat to our employees and host communities, we will continue with our preventative and mitigating measures to manage the pandemic.
• **Maintain strong stakeholder relations** For more information on stakeholder engagement, see *Stakeholder engagement and material issues*	Our response to the pandemic reinforced our commitment to the "S" in ESG. In addition to engaging with employees and unions, management of the pandemic involved collaborating and engaging with many other stakeholders including various levels of government, community representatives, industry bodies and our peers in the mining sector.		We will continue to prioritise engagements with our various stakeholders to ensure we maintain healthy and robust relationships.
• **Continue responsible ESG practices** For more information on our ESG performance, see *Socio-economic development*, *Environmental management* and *Corporate governance*	This encompasses our activities principally in relation to the environment, our host communities and the regulatory environment in which we operate. All our decisions and actions are governed by our corporate governance framework, code of ethics, values and the policies and frameworks in place. Our third generation social and labour plan projects are well under way. Environmental performance, climate change, land rehabilitation and water conservation remain focus areas. We have adopted the Task Force for Climate-related Financial Disclosure (TCFD), and are now reporting in terms of its financial requirements/guidelines.		Retaining our social licence to operate is crucial. As this hinges on responsible ESG practices, we will endeavour to ensure that our performance in this regard continues to strive for excellence.
Operational excellence			
• **Continue operating:** o safely o optimally o meeting/exceeding plans For more information, see *Operational performance* in this report as well as the separate report, *Operational performance 2020*, for more detailed information by operation	Overall, Harmony demonstrated its expertise as a world leader in deep-level, mature asset mining `and re-affirmed its resilience to survive in times of social and economic uncertainty. Regarding safety, see above – strategic pillar 1, Responsible stewardship and embedding a proactive safety culture. Key features of our operational performance were: • Better-than-expected operational performance in the fourth quarter of the year, despite the Covid-19 pandemic • A 15% decline in annual gold production to 1.2Moz • 106% increase in operating free cash flow In addition, exploration and several projects are underway which will contribute to our resource and reserve pipeline in the longer term. See below strategic pillar 4, Capital allocation.		Planned group production for FY21 is estimated at: • 1.26Moz to 1.3Moz at an all-in sustaining cost of R690 000/kg to R710 000/kg • Including Mponeng and Mine Waste Solutions, planned production is 1.6Moz Completion of the acquisition of Mponeng and Mine Waste Solutions will further enhance production in the medium term contributing around 350 000oz annually.

Cash certainty

• **Preserve cash** For more information, see the *Financial director's report*	A stronger gold price for the year – up 25% in terms of rands and 14% in terms of US dollars – boosted free cash flow to R3.6 billion which contributed to successful cash preservation, in turn providing greater balance sheet flexibility to support growth. Additional liquidity was secured by precautionary drawdowns on rand and US dollar credit facilities as the Covid-19 pandemic was breaking out. These were subsequently repaid. A successful US$200 million capital raise was concluded for the funding of the Mponeng and Mine Waste Solutions acquisition. The capital raise was 4.75 times oversubscribed. All of this has contributed to creating balance sheet headroom of R7 billion – this will reduce to R4 billion once the acquisition has been concluded.		We will continue to focus on maintaining a strong balance sheet and on optimising its flexibility.
• **Reduce costs** For more information, see the *Financial director's report*	Costs were under pressure for most of the year with the group all-in sustaining cost increasing by 18% in terms of rands to R651 356/kg (7% increase in US dollars to US$1 293/oz). The national lockdown in South Africa resulted in fewer gold ounces being produced, which impacted overall costs for the year. Labour and electricity cost inflation further exacerbated the all-in sustaining cost recorded for the year.		Higher production translates to lower costs – if we achieve our production targets, costs will be contained. We will also focus on advancing projects that will improve our energy supply and substantially reduce costs. We are in year three of a three-year wage agreement. Labour costs currently account for 60% of total operating costs.
• **Reduce debt** For more information, see the *Financial director's report*	Net debt levels reduced significantly during FY20. At 30 June 2020: • Net debt was R1.36bn (or US$79 million) – if the capital raise is excluded, net debt at year end, totalled R4.83 billion (or US$279 million) • Net debt to EBITDA was 0.2x, compared to 0.8x at 31 March 2020. Excluding the capital raise, net debt to EBITDA was 0.8x		Maintain our net debt to EBITDA ratio at below 1x.
• **Adapt to gold price fluctuations** For more information, see the *Financial director's report*	The derivative programmes currently in place began in FY16 and are aimed at reducing our risks and to capitalise on prevailing high gold prices. Over the five years since inception, they have realised a net gain of R2.3 billion.		Certain hedge transactions were rolled forwards to March 2021. We have maintained a hedging limit of 20% of two years' gold production to lock in the current high price for future production. Up to 25% of our foreign exchange may be hedged.

Effective capital allocation

• **Develop pipeline of organic projects** For more information, see also *Exploration and projects*	Clear targets inform our capital allocation decisions, including among other, an internal rate of return of more than 15% and a debt repayment level of less than 1x net debt:EBITDA. Our pipeline of organic growth projects is aimed at addressing the ore reserve replacement risk and ensuring future growth. The projects range from the concept/exploration stage through feasibility to the permitting stage. In all, capital expenditure of R259 million (US$17 million) was invested in exploration and project development in FY20. Of the projects underway, the most advanced is the Wafi-Golpu joint venture project which is awaiting approval and finalisation of the required permits.		Capital expenditure of R279 million (US$20 million) is forecast for investment in exploration and project development in FY21. A principal aim is to progress the permitting for Wafi-Golpu and to proceed with its development.

• **Integrate Mponeng and Mine Waste Solutions** For further detail, see *Chief executive officer' review*	The transaction to acquire these assets was concluded on 30 September with their acquisition effective from 1 October 2020.	●	Following the conclusion of this transaction, the focus in FY21 will be to ensure their smooth integration within Harmony. The organisational management structures are in place in readiness. These operations are expected to make an immediate contribution to production and to operating cash flows from 1 October 2020.
• **Returns**	Each of our capital allocations decisions are aimed at ensuring total shareholder return - both share appreciation and dividends. The decision to pay a dividend is based on the company's operational and financial performance, as well as the strategic direction being pursued. Dividends are paid from profits only. The company is currently in a growth phase and our priority remains to first repay our debt.	●	At current gold price levels it is likely that we will repay our debt in the next 12 to 18 months.

Legend:

● **Achieved** ● **Making progress** ● **Work remains to be done**

UNDERSTANDING OUR STRATEGIC CAPITAL TRADE-OFFS

Our underlying business strategy aims to efficiently convert our natural capital into value across the remaining five capitals. However, creating and optimising that value inevitably requires trade-offs in how and when value is created, transformed or depleted across the various capitals. The following are some of the major trade-offs considered in terms of our strategic pillars in FY20.

Strategic pillar	Capitals increased/enhanced	Capitals depleted
RESPONSIBLE STEWARDSHIP **Being mindful of and managing and limiting the impacts of our activities on employees, host communities and the environment**	**HUMAN CAPITAL** Acted on our duty of care in terms of employee safety and health **NATURAL CAPITAL** Mitigated and managed the environmental impact of our activities **SOCIAL AND RELATIONSHIP CAPITAL** Engaged with stakeholders, investing in communities, paying taxes and royalties, and regulatory compliance	**FINANCIAL CAPITAL** Costs incurred in carrying out our stewardship responsibilities – for employee healthcare expenditure and to manage Covid-19 in particular, and on environmental management, among others
OPERATIONAL EXCELLENCE **Prioritising safety, strict cost control, management of grade mined, together with disciplined mining, to improve productivity and efficiencies**	**HUMAN CAPITAL** Invested in employees in terms of safety, skills development and training **INTELLECTUAL CAPITAL** Invested in technology upgrades, and in system and process improvements to optimise and increase efficiencies and productivity **MANUFACTURED CAPITAL** Invested in the maintenance of mining infrastructure (plant, machinery and equipment) and to sustain the business	**FINANCIAL CAPITAL** Financial expenditure incurred to promote operational excellence and to deliver on our strategic pillar of 'Cash certainty'

CASH CERTAINTY **Ensuring cash flow certainty by delivering on operational plans, supported by current hedging strategy**	**FINANCIAL CAPITAL** The aim of this strategic pillar is to enhance financial capital – to preserve cash and to reduce costs and debt	
EFFECTIVE CAPITAL ALLOCATION **Evaluating and prioritising organic growth opportunities and safe, value-accretive acquisitions to generate positive stakeholder returns and increase margins** **Investing in the future**	**MANUFACTURED CAPITAL** Acquired infrastructure and assets (Mponeng and Mine Waste Solutions) **NATURAL CAPITAL** • Developing a project pipeline to ensure availability of Ore Reserves to be mined • Acquired resources and reserves (Mponeng and Mine Waste Solutions) **FINANCIAL CAPITAL** In the longer term, these acquisitions and projects will contribute positively to operational cash flows and margins	**FINANCIAL CAPITAL** The total cost of the acquisitions, the debt incurred and of project development is balanced against the longer-term financial benefits

OUR LEADERSHIP

BOARD OF DIRECTORS

The Harmony board of directors has overall accountability for guiding the strategic direction of the company, for ensuring an ethical culture and responsible corporate citizenship and for effective control and legitimacy. It is a unitary board comprising 15 members, nine of whom are independent, and five of whom are women.

COMMITTEE

- Audit and risk committee
- Remuneration committee
- Social and ethics committee
- Investment committee
- Nomination committee
- Technical committee

BOARD LEADERSHIP

Non-executive chairman	Non-executive deputy chairman	Lead independent non-executive director
Dr Patrice Motsepe (58) **BA, LLB, Doctorate of Commerce (Honorius Causa), Doctor of Management and Commerce (Honorius Causa)** Appointed non-independent non-executive chairman on 23 September 2003 Member: Nomination committee	**Modise Motloba (54)** **BSc, Diploma in Strategic Management** Appointed 30 July 2004 Chairperson: Investment committee Member: Nomination committee, Technical committee, Social and ethics committee	**Mavuso Msimang (79)** **MBA (Project Management), BSc** Appointed 26 March 2011 Chairman: Nomination committee Member: Social and ethics committee

Executive directors

Chief executive officer	Financial director	Executive director: stakeholder relations and corporate affairs
Peter Steenkamp (60) **BEng (Mining), Mine Manager's Certificate Metal Mines, Mine Manager's Certificate Fiery Mines, CPIR, MDP, BLDP** Appointed chief executive officer on 1 January 2016	**Boipelo Lekubo (37)** **BCom (Hons), CA(SA)** Joined Harmony in June 2017 and appointed financial director on 3 March 2020	**Mashego Mashego (56)** **BA (Education), BA (Hons) (Human Resources Management), Joint Management Development Programme, Global Executive Development Programme** Joined Harmony in 2005 and appointed an executive director on 24 February 2010

Independent non-executive directors

Joaquim Chissano (81) **PhD (Honorius Causa)** Appointed 20 April 2005 Member: Investment committee, Social and ethics committee, Nomination committee	**Fikile De Buck (60)** **BA (Economics), FCCA** Appointed 30 March 2006 Chairperson: Audit and risk committee Member: Nomination committee, Social and ethics committee, Remuneration committee	**Dr Simo Lushaba (54)** **BSc (Hons), MBA, DBA, CD (SA)** Appointed 18 October 2002 Chairperson: Social and ethics committee Member: Investment committee, Remuneration committee, Audit and risk committee
Grathel Motau (46) **BCompt, BCompt Hon, CA(SA), Mphil (Development Finance)** Appointed 13 May 2019 Member: Investment committee	**Karabo Nondumo (42)** **BAcc, HDip (Acc), CA(SA)** Appointed 3 May 2013 Member: Technical committee, Investment committee, Audit and risk committee	**Vishnu Pillay (63)** **BSc (Hon), MSc** Appointed 8 May 2013 Chairperson: Remuneration committee Member: Nomination committee, Technical committee, Investment committee
Given Sibiya (52) **BComm, BAcc, CA(SA)** Appointed 13 May 2019 Member: Audit and risk committee	**John Wetton (71)** **CA(SA), FCA** Appointed 1 July 2011 Member: Investment committee, Social and ethics committee, Remuneration committee, Audit and risk committee	

Non-executive director

André Wilkens (71) **Mine Manager's Certificate of Competency, MDPA, RMIIA, Mini MBA Oil and Gas** Appointed 7 August 2007 Chairperson: Technical committee Member: Remuneration committee, Social committee

Full and detailed resumés of all members of Harmony's board of directors are available at https://www.harmony.co.za/who-we-are/board

EXECUTIVE MANAGEMENT

Harmony's executive management team comprises the chief executive officer, the financial director and one additional executive director (see page 22), who, together with four senior group executives, all sit on the group executive committee. This committee is supported by four corporate executives, who make up the group chief executive's office and who report to either the chief executive officer or the financial director.

There are in addition regional executive committees in place - one for South Africa and one for Papua New Guinea (South-East Asia).

Full and detailed resumés of all members of Harmony's executive management are available at https://www.harmony.co.za/who-we-are/executive

SENIOR GROUP EXECUTIVES

Chief operating officer: South Africa	Chief executive officer: South-East Asia	Chief operating officer: new business development, corporate strategy and projects	Enterprise risk and investor relations
Beyers Nel (43)	**Johannes van Heerden (48)**	**Phillip Tobias (50)**	**Marian van der Walt (47)**
BEng (Mining Engineering), MBA, Pr. Eng, Mine Manager's Certificate of Competency	**BCompt (Hons), CA(SA)**	**BSc (Mining Engineering), International Executive Development Programme, Advanced Management Programme, Pr Eng and Mine Manager's Certificate of Competence**	**MBA (Oxford), BCom (Law), LLB, Higher Diploma in Tax, Diplomas in Corporate Governance and Insolvency Law, Certificates in Business Leadership and Investor Relations (UK)** Appointed a senior executive on 14 August 2020

CORPORATE EXECUTIVES: Reporting to the group chief executive's office

Chief audit executive	Sustainable development	Chief financial officer: Treasury	Special projects
Besky Maluleka-Ngunjiri (44)	**Melanie Naidoo-Vermaak (46)**	**Herman Perry (48)**	**Abré van Vuuren (60)**
BCompt (Hons), CTA, CIA, CCSA	**BSc (Hons) (Industrial Microbiology), MSc (Sustainable Development), MBA**	**BCom (Hons), CA(SA)**	**BCom, Development Programme in Labour Relations, Management Development Programme, Advanced Labour Law Programme, Board Leadership Programme**

GROUP COMPANY SECRETARY

Shela Mohatla (35) **FCIS (CGISA), BAdmin IR, PGDIP Corporate Law, PGDIP General Management, Certificate in Management Development (PMD)**

REGIONAL EXECUTIVE COMMITTEES

Beyers Nel Chief operating officer: South Africa **Jaco Boshoff** Ore reserve management **Anton Buthelezi** Human resources **Robert Hart** Technical services and engineering **Dr Tumi Legobye** Health **Danie Muller** Chief financial officer (South Africa) **Tom van den Berg** Safety and technology Regional managers **Francois Janse van Rensburg** Free State operations **Moses Motlhageng** Mponeng, Kusasalethu and Kalgold **Zweli Ndese** Moab Khotsong and Doornkop	**Johannes van Heerden** Chief executive officer: South-East Asia **Bryan Baillie** Projects **Stan Bierschenk** Engineering and asset management **Gary Davies** Papua New Guinea operations **Mike Humphries** Exploration **Greg Job** New business and technical services **Aubrey Testa** Chief financial officer (South-East Asia) **Richard Wills** Corporate Affairs **Kepas Wali** Stakeholder relations and corporate affairs Papua New Guinea

CHAIRMAN'S VISION

DEAR SHAREHOLDER 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

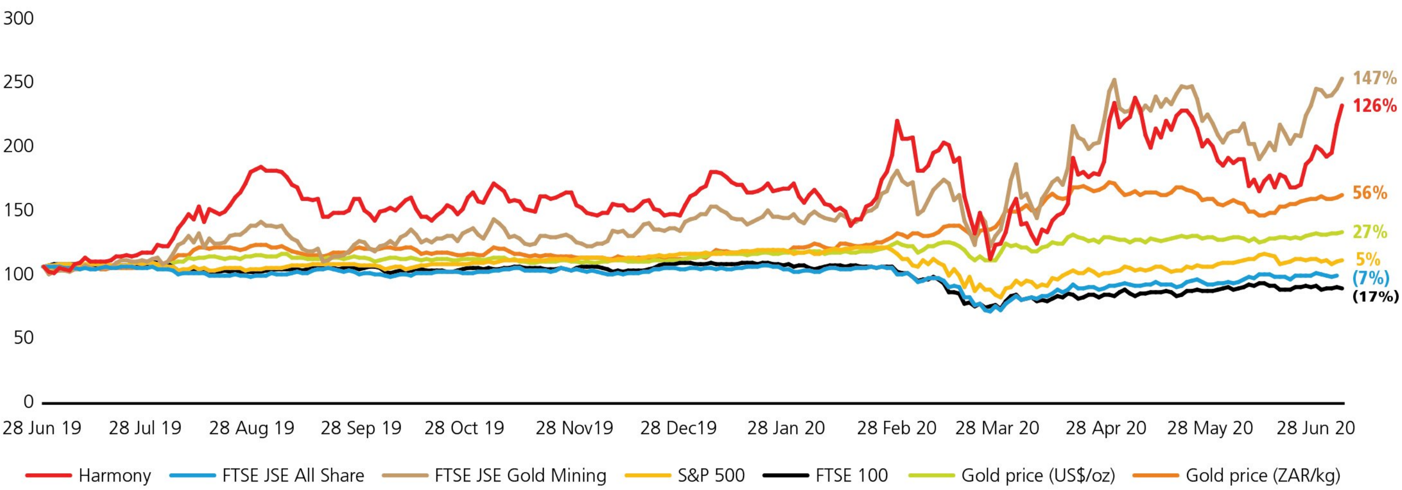
The acquisition of Mponeng and Mine Waste Solutions from AngloGold Ashanti Limited (AngloGold Ashanti) will increase our production by 350 000 ounces a year to more than 1.5Moz and improve our profit margins. We thank our shareholders for participating in the equity capital raise of US$200 million in 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.

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



Source: Factset

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. 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 in South Africa. Of this, R8 million (US$520 000) was spent in the reporting year.

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* in 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

CHIEF EXECUTIVE'S REVIEW

At Harmony, we were well prepared to deal with the challenges of Covid-19 by the time South Africa declared a national state of disaster on 15 March 2020, and ahead of the state of emergency declared on 14 April 2020 in Papua New Guinea.

Our surface operations in South Africa and Hidden Valley in Papua New Guinea were able to continue operating during the restrictions. By having the necessary precautionary measures in place, we were able to recall our employees smoothly as restrictions were lifted. As a result, the fourth quarter's performance was better than we had initially anticipated. By the end of August 2020, all our employees, including those from outside South Africa, were back at work and production was restored to 100%.

We were also able to raise, by way of an equity offer, US$200 million in part-settlement of the acquisition of the Mponeng and Mine Waste Solutions assets from AngloGold Ashanti. The gold price, which rose 25% in rand terms and 14% in US dollar terms in FY20, provided strong support through these difficult times.

SAFETY AND HEALTH

We continued applying our safety strategy throughout the year with a pleasing improvement in our fatal injury frequency rate from 0.12 to 0.08 per million hours worked. Our South African underground operations recorded 3 million fatality-free shifts; Hidden Valley, Moab Khotsong, Harmony One plant and Free State operations all recorded 2 million each; and Target 1, Tshepong operations, Joel and the Free State plants, 1 million each.

Our Covid-19 standard operating procedures were informed by guidelines from local government authorities and global organisations, particularly the World Health Organization. We also consulted with relevant government departments and organised labour. We had essential preventative measures in place before lockdown. Our objective at the outset was to protect our people from the pandemic as they returned to work.

Tragically, six colleagues died in work-related incidents during FY20: Siyabonga Ntika (rock-drill operator), John Thabang Mamogale (metallurgical assistant), Elphas Nkosi (supervisor), Tshepang Lebajoa (locomotive operator), Sibusiso Mngomezulu (winch operator) and Papa Ernest Dael (development team member). We extend our heartfelt condolences to their families, friends and colleagues.

We will continue the safety journey we began in 2016, with focus on leadership, risk management, attaining a proactive safety culture, adopting measures to prevent repeat incidents, rewarding safe behaviour and zero tolerance for non-compliance.

For additional information, see *Safety and health*.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PERFORMANCE

Harmony's ESG achievements in FY20 were recognised by various ratings organisations. In the FTSE4Good Index, we outperformed both the gold and basic materials sectors on four ratings - ESG overall, environment, social and governance. We retained our position in the Bloomberg Gender-Equality Index and, in the MSCI Emerging Markets Index, we improved our rating from CCC to B. In the Carbon Disclosure Project (CDP) ratings, we achieved A for climate change and B for water.

Our total spend on environmental management and stewardship in FY20 was R159 million (US$10 million) - R126 million (US$8 million) in South Africa and R33 million (US$2 million) in Papua New Guinea. Our total social spend (local economic development plus corporate social investment) for the year was R112 million (US$7 million) - R76 million (US$5 million) in South Africa and R36 million (US$2 million) in Papua New Guinea.

For additional information, see *Stakeholder engagement and material issues*, *Environmental management and stewardship* and *Socio-economic development - uplifting communities*.

OPERATIONAL REVIEW

South African operations

Total gold production from the South African operations of 32 991 kilograms (1.06Moz) was 15% lower than FY19, mainly due to the Covid-19 lockdown. In the first half of FY20, our operations performed well against their plans, except for Kusasalethu. Production in the second half was disrupted by reduced electricity supply and the Covid-19 lockdown. The underground operations recorded in the fourth quarter of FY20 of 5.72g/t, was well above our revised grade guidance for FY20 of 5.50 to 5.57g/t.

Papua New Guinea

Gold production for the year was 22% lower at 4 872 kilograms (156 639oz). Production at our Hidden Valley operation continued to be affected by the planned move from stage 5 to stage 6 mining in the pit during the year. The mine imposed its own site-lockdown for several weeks from the onset of the pandemic but was able to maintain production at a reduced rate.

GROWTH

The acquisition of Mponeng and Mine Waste Solutions was concluded in September 2020 and we assumed operational control of both from 1 October 2020. This acquisition reaffirms our belief in the sustainability of gold and operating in South Africa.

These assets - similar to Moab Khotsong acquired two years ago - will be integrated into the Harmony family. With approximately 350 000 ounces immediately added to our annual production, we will further evaluate unlocking any surface synergies with our existing assets.

We have resumed our capital projects - including Target North drilling, exploration at Kalgold, the Tshepong and Joel decline projects and the Great Noligwa shaft pillar. These were halted at the onset of the pandemic as one of the measures to protect our balance sheet.

In Papua New Guinea, we have applied to the Mineral Resources Authority to extend Hidden Valley's mining lease - which expires in 2025 - by a further five years. The Wafi-Golpu project is a game-changer for Harmony, both in terms of replacing ounces and increasing margins. Together with our joint-venture partner, Newcrest Mining Limited, we remain committed to progressing negotiations on a special mining lease for Wafi-Golpu. We are therefore encouraged by recent statements from the prime minister of Papua New Guinea that the project is a national priority to be urgently advanced.

OUR PEOPLE

The wellness, commitment, skill and expertise of our employees form the basis of the success and growth of our economy. This proved even more true in a most challenging year. With stable employee relations and supportive representative unions, we were able to maintain our focus on development, training and providing opportunities, despite the distractions and demands associated with Covid-19. More than ever, our relationships with our stakeholders were strengthened during the year.

LOOKING AHEAD

In FY21, we will pursue our strategy to produce safe, profitable ounces and improve margins. We look forward to bringing to account additional production from our new assets and will provide updated guidance for the year once we have completed their integration.

CONCLUSION

In what proved to be the most extraordinary of years, I am most grateful for the continued support of Harmony's board, executives and employees, our shareholders, trade unions, regulators and communities. With hope, resilience and strength, I am confident Harmony is prepared for FY21.

Peter Steenkamp

Chief executive officer

23 October 2020

OUR BUSINESS CONTEXT

OUR EXTERNAL OPERATING ENVIRONMENT

Our external operating environment is influenced by continual economic, social, political and environmental pressures both at a macro-economic and national level, which can change over the short, medium or long term. It is therefore vital for Harmony's success and sustainability that we identify and understand all external influences that impact on our business.

GLOBAL MACRO-ENVIRONMENT

	Factor	What happened	Our response
Economic and geo-politics	**Gold price**	A combination of factors converged to spur an exceptional price rally during the period under review. These included the global stock market crash in the wake of the rapid spread of the Covid-19 virus, a significant contraction of the world economy, an overhaul of monetary and fiscal policies, a weaker dollar, and continued global geopolitical risk. The gold price rose from \$1 404/oz at the start of FY20 to \$1 776/oz at the close of the financial year. Post-year end, the gold price continued its phenomenal trajectory and rallied to an all-time high of \$2 038/oz on 3 August 2020.	Apart from the 20% of our production that is hedged - a strategy that was embarked upon in 2016 - we do not determine the gold price. However, we use three-year price assumption models to determine which gold price we will use for planning purposes. See *Chairman's vision*, *Chief executive officer's review* and *Financial director's report*
	Gold market	Global demand for the commodity continued to be robust. The market was particularly driven by strong demand for jewellery in the second half of 2019 and demand for gold-backed exchange-traded funds in the first half of 2020 as investors scrambled for a safe haven amidst global socio-economic-political uncertainties. The market was also significantly impacted by the disruption to the gold supply chain, particularly in terms of the production, refining and delivery of gold as the pandemic gained in severity.	The national lockdowns associated with the Covid-19 pandemic prevented us from haracteri production to meet the increased demand, particularly in the fourth quarter of the year under review. But Harmony remains focused on overcoming any remaining operational challenges to take maximum advantage of the robust demand. See *Chairman's vision*, *Chief executive officer's review* and *Financial director's report*
	Geo-political uncertainties	Both the price of and market for gold are driven by the state of the global geo-political environment. The period under review was characterised by heightened geo-political uncertainty, driven principally by rising tensions between the United States and China, the decoupling of the US-Chinese technology sector, continued tensions in the Middle East, unrest in Hong Kong, and the de-secularisation.	See *Chairman's vision*, *Chief executive officer's review* and *Financial director's report*
Health	**Covid-19**	The rapid spread of Covid-19, a highly-contagious severe acute respiratory syndrome, wreaked economic and social havoc across the entire world from the start of 2020. And, until a vaccine is found, Covid-19 is likely to remain a significant influencing factor determining the world's economic-socio-political trajectory.	Within 13 days of the first official case of Covid-19 being reported in South Africa, the company announced, on 18 March, that it was implementing a Covid-19 risk management strategy. The aim of this was, and remains, to identify, evaluate and rank the hazards associated with any exposures to Covid-19 and potential infections. It also aims to reduce the probability of an employee contracting Covid-19 and to limit the severity should they be infected. See *Safety and health*

	Factor	What happened	Our response
Socio-cultural	**Shareholder activism**	Shareholders and investors the world over expect far more from companies than a decade ago. There is increasing pressure on mining companies to not only demonstrate that they can responsibly allocate and manage capital but, more importantly, that they prove a solid commitment to dealing with ESG issues.	Responsible stewardship is one of our strategic pillars. To meet shareholder expectations, we focus on continuously improving our ESG performance, while aligning our corporate targets with the UN SDGs and other guidelines, where relevant. See *Stakeholder engagement and material issues*
Environmental	**Climate change**	Climate change is increasingly putting governments, investors, and society at large on a collision course with corporate decision-makers, who must choose between ambitious commitments to reduce their emissions and their bottom lines. There is a growing trend by civil society of being unforgiving of investors and companies they believe to be moving too slowly towards a carbon neutral future. Moreover, investors are reducing exposures to carbon intensive industries. All this as global warming makes natural disasters more likely, more frequent, and more severe.	To keep our impact to a minimum, we are committed to reduce our carbon emissions as much as feasibly possible, comply with all environmental legislation, manage our resources efficiently, minimise waste streams, and implement best practices as far as land management and rehabilitation is concerned. See *Environmental stewardship*

Regional specific factors

	Factor	What happened	Our response
Economic	**Exchange rate** 	The rand depreciated considerably relative to the US dollar, during the year under review. This served to further boost the advantage of the gold price rally and the rand gold price exceeded R1 million/kg for the first time in the country's history.	The Covid-related national lockdowns inhibited us from maximising production to take full advantage of the exchange rate. We remain, however, committed to overcoming any remaining operational challenges to take maximum advantage of the robust demand. See *Financial director's report*
	Sovereign rating  	South Africa's sovereign rating was further downgraded in early 2020, thereby negatively impacting the cost of and access to capital. Similarly, Papua New Guinea's long-term foreign and local currency sovereign credit rating was also downgraded in early 2020 on the back of mounting debt and fiscal deficits.	We regularly engage with investors to provide a realistic understanding of our potential operating and financial performance. See *Financial director's report*
Socio-cultural	**Social licence to operate**  	The nature of the extractive sector means that mining companies must pay particular attention to their social licence to operate. This is an 'unspoken' acceptance and approval by local communities and other stakeholders to operate a project. To ensure a social licence to operate, companies must navigate complex social, economic and political dynamics over time to avoid conflicts with their host communities. Communities have expectations of economic benefits - employment and procurement opportunities, and the provision of infrastructure, health care and education.	We take our role as a responsible corporate citizen seriously and continuously strive to preserve our social licence to operate. We constructively engage with stakeholders to share value, better understand and manage expectations, and to secure and maintain our social licence to operate. See *Socio-economic development - uplifting communities*

	Factor	What happened	Our response
	Potential liability for occupational lung disease compensation	On 21 December 2012, a class action suit was brought against 32 South African gold mining companies on behalf of 69 former gold miners - themselves representative of a far larger number of miners - suffering from silicosis. The ongoing litigation represented a substantial financial and reputational liability for the gold mining companies.	Harmony was central to the negotiations that resulted in a R5.2 billion settlement that was approved by the Johannesburg High Court on 26 July 2019. Harmony was also instrumental in the establishment of a trust to carry out the terms of the settlement agreement and to manage the compensation process. See *Safety and health*
Political / regulatory	**Political / regulatory / legal environment**	Papua New Guinea's legislative and regulatory environment is undergoing a profound transformation, driven by the 'take back Papua New Guinea' agenda of recently-elected Prime Minister James Marape. There are several new bills and amendment bills and new draft policies before parliament, which have been delayed owing to the onset of the Covid-19 global pandemic. This has prolonged regulatory uncertainty, particularly in terms of the regulated management and reporting of environmental impacts in and surrounding mining operations.	In both jurisdictions, we strive to constructively engage with government directly, or through industry lobby representatives, to find amicable solutions to the concerns of both parties. See *Chairman's vision, Chief executive officer's review, Exploration and projects*
Environmental	**Water shortage**	Water availability is becoming less predictable, with South Africa experiencing intense drought periods recently.	We strive to manage and mitigate our impacts on water catchment areas by ensuring that we do not denude the quality or reduce the volume of water in areas around our operations. See *Environmental management and stewardship*
Technical	**Electricity**	Not only is the price of electricity expensive, continued intermittent load shedding makes the supply unreliable.	Harmony is exploring renewable energy options which will greatly assist in reducing dependency on Eskom. See *Environmental management and stewardship*

OUR RISKS AND OPPORTUNITIES

The nature of our operations, together with factors and events in the external environment within which we operate, expose our business to risks and opportunities that can impact on the delivery on strategic objectives and the ability to generate sustainable value for shareholders and other stakeholders.

We have systems and processes in place to carefully evaluate, manage and mitigate these risks proactively and to realise opportunities. Effective governance and active management are fundamental to these processes and systems.

By understanding those factors in our internal and external operating environments that create uncertainty and risk as well as their inter-related dynamics, we are better able to manage the effects of such risks and to position Harmony to take advantage of any opportunities, future challenges and growth prospects. See *Our external operating environment* for more information.

Over our 70 years in operation, we have developed expertise in operating in emerging economies and experience in managing the socio-political challenges in these countries. We have developed the skills to navigate the challenges of multi-stakeholder labour relations, especially at our deep-level gold mines in South Africa, which are labour intensive and unionised.

OUR ENTERPRISE RISK MANAGEMENT PROCESS

At Harmony, our approach to risk management relies on the continuous monitoring of risk and related mitigation procedures and, when appropriate, their revision. These activities are embedded in our day-to-day activities and processes at an operational level, and in our governance structures at a group policy level.

Risk management has, as its starting point, our business strategy and related strategic objectives, and similarly for opportunities. Identifying and understanding those factors that have the potential to limit our ability to deliver on our strategy is vital – and conversely for those factors that present opportunities – will enable us to achieve our goals.

In the past year, our risk management team focused on progressively evolving from being simply risk competent to becoming risk intelligent, enabling us to make risk-based decisions. We are currently in the final stages of developing our new enterprise risk management and resilience policy, risk management guidelines and standards, and a new risk management framework to improve the effectiveness of risk management throughout Harmony. This entails a more holistic and forward-looking approach to the management of risk and uncertainty.

Risk management process

OVERSIGHT OF RISK GOVERNANCE PROCESS	↔	EXECUTIVE MANAGEMENT	↔	IMPLEMENTATION AND DAY-TO-DAY MANAGEMENT
Board Top strategic, operational and safety-specific risks and mitigating factors are reported quarterly to the board by committees **Audit and risk committee** Responsible for oversight of risk governance and ensuring that strategic risks are appropriately addressed and managed. Reviews and evaluates related policies, systems and processes in place to identify, monitor and manage risk, including our risk management policy, methodology and planning, formal risk assessment, internal controls and assurance processes, our risk appetite and tolerance, and our responses to the risks identified **Technical committee** Monitors safety and operation-specific risks **Other board committees** Review specific risks falling within the ambit of their responsibilities		Conducts quarterly reviews of Harmony's strategic risk profile to: • assess its completeness • consider those external and internal factors which could lead to any new/emerging risks and opportunities • revisit the likelihood and impact/consequence of existing risks and to similarly assess any new or emerging risks and opportunities to determine a residual rating for each • review the completeness, effectiveness and/or relevance of mitigating actions implemented and to evaluate the resulting residual risk ranking		**Operational management teams** Implement and oversee day-to-day risk management **Safety** A four-layered risk-based approach to actively manage safety adopted in both South Africa and Papua New Guinea – for further information on this risk-based approach to safety, see *Safety and health* in this report **Operations** Each operation maintains, updates and regularly reviews its risk register. These operational risk registers are formally reviewed weekly by the regional general managers together with country-based executive and management teams

HARMONY'S RISK MANAGEMENT STRATEGY

Mining is a business laden with risks, both from an operational and external operating environment perspective. Only by being fully aware and understanding all these risks and implementing mitigating initiatives can a mining business be both successful and sustainable. It is in this context that, in 2018, we adopted the Harmony risk management strategy, the ultimate objective of which is to achieve safe, profitable production at all our operations in South Africa and Papua New Guinea.

This risk management strategy is also intended to embed a culture of risk awareness and mitigation in all our employees - from the miners at the rock face to executive management - to ensure that we operate safely and productively. See *Safety and health* for more detail on the roll-out of this strategy in the safety sphere.

Our risk management strategy is essentially a four-layered approach to identifying, assessing and controlling all hazards and risks that could impact our ability to achieve safe and profitable production.

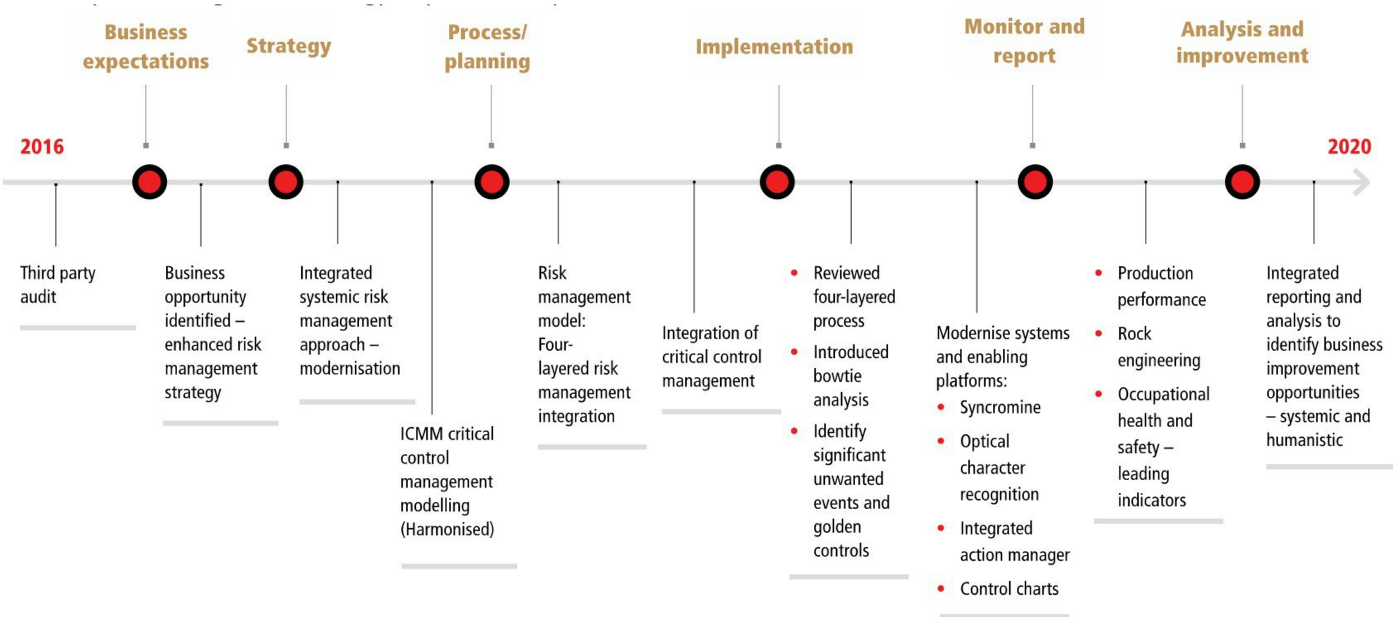
The structure of this four-layer approach includes:

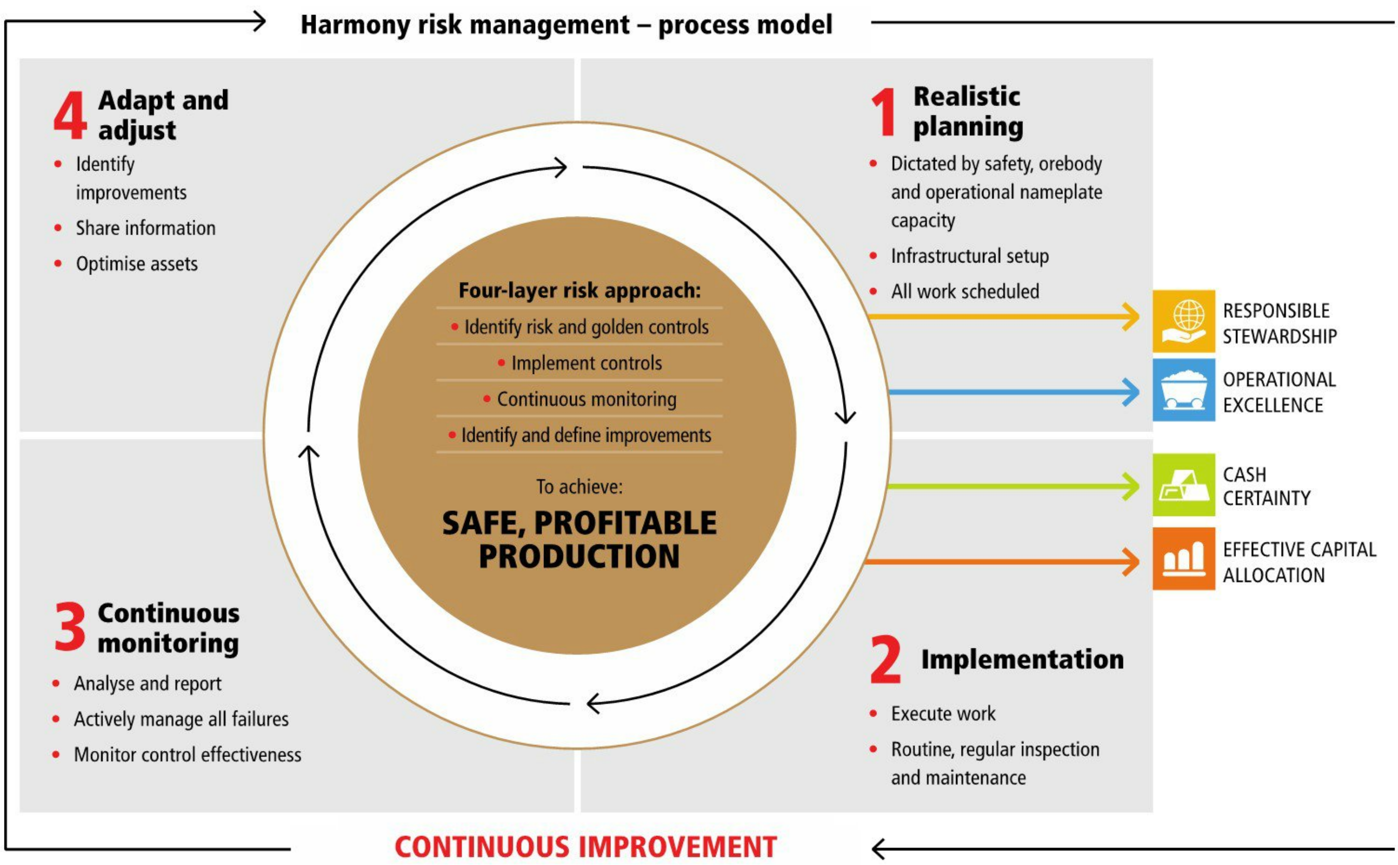
- Identifying risks and analysing the most effective strategies or initiatives (which we refer to as golden controls) to mitigate those risks
- Implementing those golden controls with routine inspection and maintenance
- Continuous monitoring to assess the effectiveness of controls, with regular analysis and reporting, and action management on all failures
- Identifying and defining any improvements that could be made to any of our risk management initiatives

Key to the effective roll-out of this strategy has been the modernisation and digitisation of all our systems and processes across the group, a process that has been underway since 2018. A modernised, digital operating platform not only enables the company to collect and store essential data more efficiently, it also facilitates more effective analysis of hazards and risks in real-time.

Since 2018, the roll-out and implementation of Harmony's risk management strategy has focused on safety with the specific aim of improving the group's safety performance and embedding a proactive culture towards safety. Such has been the successful implementation of this approach in the area of safety that Harmony will be rolling out this risk management strategy to all spheres of the business during the course of FY21. As such a multi-faceted approach requires considerable co-operation, we have secured buy-in from all relevant stakeholders of our business.

Harmony risk management strategy - systems and processes





DETERMINING OUR MOST SIGNIFICANT RISKS AND OPPORTUNITIES

Once we have determined our group-level risk appetite and tolerance levels, we continue to monitor our risks and to identify and manage those that are most material to the company. While our group-level risk appetite and tolerance levels are subject to formal annual reviews, they are continually monitored for relevance in terms of changing macro-environment factors. Our tolerance levels are further defined at lower tolerance limits per risk.

Group risk appetite

- Harmony is in the business of gold mining – in South Africa, the rest of Africa and Papua New Guinea. Gold mining is a high-risk, high-reward business
- We are involved in the entire gold mining value chain – from exploration, feasibility studies, building and buying mines, operating mines and closing and rehabilitating mines at the end of their operating life
- We are exposed to gold price and exchange rate volatility and, where appropriate, will mitigate some of this exposure through hedging programmes
- We operate well in emerging economies and are able to deal with associated socio-political dispensations
- Exploration remains one of the most effective ways to grow an orebody and create value and, for this reason, we continue to invest in exploration
- We have an appetite for change and continuous improvement, and are continuously looking for innovative ways to improve our existing mines and acquire mines that we can improve on operationally
- Deep-level, narrow-reef gold mining in South Africa is very labour intensive and we have the skills to deal with the challenges of multi-stakeholder labour relations
- Our experienced teams have strong values and are committed to deliver

Group risk tolerance

- We will tolerate no deviation from the Harmony values
- Group net debt balance shall not exceed a multiple of one times annual EBITDA
- We have zero tolerance for corruption, bribes, and other under-handed transactions
- Any unforeseen damage to the environment must be prevented and remedied immediately should this occur

STAKEHOLDER ENGAGEMENT AND MATERIAL ISSUES

WHY STAKEHOLDER ENGAGEMENT MATTERS

Mining companies are dependent on their fixed mineral deposits and cannot relocate to new locations when facing deteriorating socio-enviro-political conditions. For this reason, companies need to be able to navigate these complex dynamics in order to retain their social licence to operate. Stakeholder engagement is the principle mechanism through which companies can manage and address a wide range of issues, particularly those relating to employees, host communities and government authorities.

Our stakeholder engagement plan is aimed at effective stakeholder engagement, which builds partnerships and aids understanding of stakeholders' needs and expectations as well as of their perceptions of Harmony. This approach enables us to identify, prioritise and better manage issues, as well as any potential risks and opportunities.

In order to secure the involvement and commitment of the different stakeholders, Harmony has proactively, and in accordance with its stakeholder engagement policy, adopted measures and practices to inform and guide engagements with stakeholders. These include but are not limited to the different levels of government and the communities. The platforms used include:

- Establishment of community engagement structures, where they did not exist previously or re-establishing them in instances in which they did not adhere to the community/stakeholder engagement principles of inclusivity, legitimacy, transparency or had an acceptable governance framework
- Scheduled meetings with host municipalities, specifically executive mayors and municipal managers
- Breakfast meetings with the provincial executive councils

The quality of the relationships with stakeholders and how well these are managed affect our ability to deliver on our strategy. Improving the quality of and building long-term, stable, mutually beneficial stakeholder relationships protects our social licence to operate, supports the success of our business strategy and creates shared value for all our stakeholders.

The Covid-19 pandemic has highlighted the need for collective action, revealed our interdependencies and strengthened our relationships with various stakeholders. It is on this basis that we look forward to working together with stakeholders in FY21 and beyond.

GOVERNANCE AND AIMS OF STAKEHOLDER ENGAGEMENT

Our stakeholder engagement processes are guided by our stakeholder engagement policy and comply with relevant legislation and standards, including ISO 14001 and ISO 9000. They also take account of King IV and related recommendations on inclusive stakeholder engagement and the importance of addressing stakeholders' legitimate concerns. The governance of and responsibility for stakeholder relations lies with the social and ethics committee, with the board having ultimate accountability.

We conduct regular engagement with stakeholders to understand their concerns, to identify and prioritise material issues and potential risks, and to determine action plans to manage such issues and risks. In engaging with stakeholders, we are guided by our values and our strategic intent to:

- develop relationships founded on integrity, transparency and trust
- support government by establishing collaborative partnerships with stakeholders
- balance and align our goals and stakeholder expectations
- establish accountability
- improve stakeholder understanding of Harmony's challenges, requirements and concerns
- support value creation by maintaining awareness of broader economic and ESG issues

OUR MATERIAL STAKEHOLDERS

Harmony has a host of stakeholders with whom we engage. For the purposes of this report, we have identified the most material of these stakeholders - that is those with whom we engage more frequently - based on the following:

- Extent of their contribution to our efforts to deliver on our strategic goals
- Their potential to impact our performance
- Significance of the risk of not engaging with them

ENGAGING WITH STAKEHOLDERS AND RESPONDING TO THEIR CONCERNS

We have considered and self-assessed the nature/quality of our relationships with these material stakeholders as follows:

INVESTORS AND FINANCIERS
(Includes capital providers, current and future shareholders and, indirectly, investment analysts and financial media)

Significance: provide financial capital

Aims of engagement	Form of engagement	Concerns	Response
• Reporting on all aspects of our performance • Managing expectations relating to our financial, operating and ESG performance • Providing guidance on delivery against our strategic objectives	• Results presentations • Annual reporting • Website • One-on-one calls and industry conferences • Meetings, including the annual general meeting • Regulatory announcements • E-mails sent to our database	• Safety performance • Power security in South Africa • All-in sustaining costs and the impact of higher social demands. Management of Covid-19 pandemic and related implications • Conclusion of acquisition of Mponeng and Mine Waste Solutions and possible synergies to unlock value	• Continued implementation of risk-based management strategy to improve safety performance • Plans put in place to access solar power • Higher production results in lower costs, allowing Harmony to share profits with all stakeholders • Acquisition concluded on 14 September 2020, with Harmony taking effective control on 1 October 2020 • Rights issue to fund acquisition successfully completed in June • This acquisition will support our long-term sustainability • Detailed communication on action taken to address Covid-19 pandemic – viability of company and livelihoods of surrounding communities ensured

EMPLOYEES AND UNIONS **Significance:** provide human capital, including skills and experience.			
Aims of engagement	**Form of engagement**	**Concerns**	**Response**
• Emphasising the importance of safety, reducing risk, procedural compliance • Maintaining stable, constructive, peaceful labour relations • Reporting performance against our strategic objectives	• Regular, frequent communication takes various forms – mass meetings, briefs, intranet, newsletters, emails, internal broadcasts, WhatsApp/text messages • Structured, formal regular meetings with unions	• Safety – eliminating injuries and preventing fatalities • Covid-19 pandemic and related health concerns, treatment • Transformation in South Africa and localisation in Papua New Guinea • Security of employment during Covid-19	• Ongoing communication to raise safety awareness and continued roll-out of risk management process • Encouraging a more engaged and proactive safety culture • Implementation of Covid-19 standard operating procedures and related communication on how employees should protect themselves, keeping safe and on what to do if tested positive • Processes underway to improve transformation and localisation
COMMUNTIES AND NON-GOVERNMENTAL ORGANISATIONS **Significance:** that aspect of social and relationship capital which represents responsible corporate citizenship and impacts our social licence to operate.			
Aims of engagement	**Form of engagement**	**Concerns**	**Response**
• Establishing collaborative partnerships with host communities based on shared value • Managing our socio-economic and environmental impacts as well as community expectations • Resolving community grievances • Promoting economic stability	• Regular, formal meetings with community structures • Issues-based meetings • Media to support community engagement includes interviews and ads on radio and articles and ads in newspapers	• Employment opportunities and job creation • Procurement opportunities • Enterprise development • Mine community development • Illegal mining	• Launched a social facilitation project to assist in the setting up of inclusive and legitimate community engagement structures • Hosting of supplier days within host communities to facilitate localised economic growth and development
GOVERNMENT AND REGULATORS (Engagement is undertaken at all levels of government - regional, provincial and national) **Significance:** enact legislation and related regulations with which Harmony must comply in order to earn its regulatory licence to operate.			
Aims of engagement	**Form of engagement**	**Concerns**	**Response**
• Maintaining positive relations with all levels of government to better manage the uncertainty around regulatory changes and political risk • Collaboration • Reporting on compliance and developments and/or changes at our operations and projects • Promoting an environment conducive to investment for long-term growth	• Formal reports • Issues-based meetings • Engagement is frequently undertaken through industry bodies such as the Minerals Council South Africa and the PNG Chamber of Mines and Petroleum which represents the mining industry at relevant parliamentary portfolio committees and campaigns on the industry's behalf	• Compliance • Safety performance • Transformation • Land redistribution • Crime and poverty alleviation	• Accelerated transformation programme in place

SUPPLIERS			
Significance: provide raw materials, inputs and services essential to the conduct of our business.			
Aims of engagement	**Form of engagement**	**Concerns**	**Response**
• Managing costs and aligning with our policies on the environment and climate change, transformation and enterprise development, thus helping us to deliver on our strategic objectives and supporting our long-term viability • In South Africa, such engagement is essential in helping us meet procurement targets in relation to our mining rights	• One-on-one, issues-based meetings • Email and website • Industry meetings • Contracts and service agreements	• Long-term sustainability and continuity of our business • Preferential procurement • Alignment with Harmony's values, policies and practices (human rights, labour relations, safety and environmental) • Ethical conduct, bribery and corruption	• Continuing engagement with key suppliers • Dedicated initiatives in place giving preference to local suppliers and the historically disadvantaged • In South Africa, initiatives are in place to support local small business by means of supplier days and a significant portion of our social and labour plan budget allocation is aimed at promoting entrepreneurial skills and small, medium and micro business development, especially among women and youth • Contracts and service agreements are aligned with policies on ethical conduct

DETERMINING OUR MATERIAL ISSUES

To determine our material issues, we identify and prioritise those issues which have the potential to impact our ability to meet our strategic objectives and to create value. In so doing, we also consider the potential of these issues to impact our governance, performance and prospects, and take into account the following:

- Our risk profile
- Our external operating context
- Stakeholder feedback
- Any emerging industry issues

Once the material issues have been identified, we develop systems and processes to monitor, review and report on them. In addressing these material issues, SDG 17 (Partnerships for the goals) is critical. Harmony collaborates with other entities to address these issues and create shared value.

Material issue	Rationale/explanation	Related SDGs:	
Ensuring employee safety and health			
• Preventing workplace fatalities and injuries • Eliminating and managing occupational health • Managing the outbreak of the Covid-19 pandemic – and all that it entails • Reducing airborne pollutants and inhalable hazards in the workplace Stakeholders affected • **Employees** • **Trade unions** • **Government departments** • **Investors**	Our focus on 'zero harm' represents an investment in the business. A safe, healthy workforce contributes to an engaged, motivated and productive workforce, which in turn mitigates operational stoppages, reduces potential legal liabilities and averts reputational damage. The Covid-19 pandemic and safety are included in the ranking of our top 10 group risks. With the forthcoming acquisition of Mponeng, the world's deepest gold mine, we will renew our commitment to ensuring zero harm in the workplace given the risk of safely mining at such depths.	**Directly affected:** *Good health and well-being* *Decent work and economic growth*	
Social licence to operate - contributing to self-sustaining communities and responsible closure planning			
• Planning for local economic activity and socio-economic sustainability post mine closures • Managing community expectations and decreasing community discontent • Supporting local and transformational procurement and enterprise and supplier development • Ensuring constructive relationships and partnerships with stakeholders Stakeholders affected • **Communities** • **Government departments** • **Non-governmental organisations** • **Investors**	Given the finite nature of our operations, Harmony acknowledges its socio-economic responsibilities to the communities in its areas of operation. We acknowledge that often our operations are an important economic agent in host communities – as an employer, in supporting local businesses, being a contributor to the rates and taxes of local municipalities, among others. When a mining operation closes, there may be serious economic consequences for host communities. We aim to support government in creating self-sustaining communities beyond the operating lives of our mines. In so doing, we leverage our skills and infrastructure, develop suppliers, and assist in establishing alternative economic activities that can be sustained post-mining. To expand local employment opportunities, increase tax revenues, and meet increasing community demands for improved infrastructure and greater environmental protection, government continues to pressurise the mining industry. Accordingly, there is a growing need to achieve measurable social outcomes and build sound relationships around operations. Engaging with stakeholders is key to implementing our business strategy. Failing to do so jeopardises our social licence to operate and could reduce opportunities in the market.	**Directly affected:** *Sustainable cities and communities*	**Indirectly affected:** *No poverty* *Zero hunger* *Quality education*

Responsible environmental stewardship - mitigating the impacts of our mining activities			
• Water – infrastructure, management and discharges • Energy – infrastructure, management and supply security • Climate change – our contribution (emissions management) and its impact on Harmony • Waste management • Land management and biodiversity • Integrated closure • Remediation obligations and provisions • Responsible cyanide consumption • Integrity of tailings storage facility **Stakeholders affected** • **Communities** • **Government departments** • **Non-governmental organisations** • **Investors**	To deliver on our business objectives, we rely on a capable, motivated and engaged workforce that behaves in a manner that is consistent with our values and Code of Conduct. We strive to establish a high-performance culture, by ensuring an organisational structure that is fit for purpose and empowering employees by equipping them with the necessary skills and to deliver on our strategy.	**Directly affected:** *Good health and well-being* *Gender equality* *Decent work and economic growth*	**Indirectly affected:** *Quality education* *Reduced inequalities*
Navigating political and regulatory uncertainty			
In South Africa: • Increasing cost of regulatory compliance – the carbon tax • Uncertainty around land expropriation In Papua New Guinea: • Increasing regulatory uncertainty could jeopardise our continued operation and delay our proceeding with the Wafi-Golpu project **Stakeholders affected** • **All levels of government and government departments** • **Industry bodies** • **Community at large** • **Investors**	There are two aspects to political and regulatory changes – the resulting uncertainty and the financial impact of such changes. Uncertainty affects our decision-making and our ability to ensure the sustainability of our business. While the uncertainty in South Africa appears to have abated somewhat and we continue to assess the financial impact of forthcoming legislation, in Papua New Guinea the prevailing uncertainty there is delaying the making of decisions that are key to the company's longevity and profitability.	**Directly affected:** *Partnerships for the goals*	

SUSTAINABLE DEVELOPMENT
DELIVERING ON RESPONSIBLE STEWARDSHIP AND THE SDGs

Our responsibility as a corporate citizen extends beyond securing our social licence to operate. It is the foundation of our business and our values.

Our purpose is to create value in the broadest sense and prevent its erosion as we contribute to society, protect the environment and mitigate our impacts so that we leave a positive legacy once mining has ceased and to do so in the most responsible manner possible.

The principles of sustainable development are covered by the fourth pillar of our business strategy - responsible stewardship. This pillar, which supports our aim to produce safe, profitable ounces, entails us being mindful of the impacts of our business activities - on our employees, host communities and the environment - and to have in place plans to limit, manage and mitigate these impacts. It is only through engagement and partnerships that we are able to continue the responsible and sustainable mining of gold in both South Africa and Papua New Guinea. We adhere to the laws and regulations pertaining to sustainable development in each of these countries.

SUSTAINABLE DEVELOPMENT GUIDELINES AND FRAMEWORKS APPLIED

United Nations Sustainable Development Goals (SDGs): These 17 goals, which were adopted by member states in September 2015, contain 169 indicators and targets. They are aimed at creating a better world by 2030, by eliminating poverty, fighting inequality and ensuring that the world is safe from the worst effects of climate change. An important aspect of these goals is the role of business and the private sector, together with governments, civil society and the public, in achieving these targets. Harmony adopted the SDGs in 2018.

World Gold Council Responsible Gold Mining Principles: These principles address key environmental, social and governance issues for the gold mining sector and set out clear expectations for consumers, investors and the downstream gold supply chain as to what constitutes responsible gold mining. We are currently in our first year of the three-year process for formal certification in line with these principles.

Task Force on Climate-related Financial Disclosures (TCFD): We have produced our first report in accordance with these disclosures for FY20. Previously, we had reported on our climate-related performance in our submissions to CDP Climate Change (formerly the Carbon Disclosure Project). We continue to report on water related performance in our submission to CDP Water.

Although Harmony is not a member of the International Council on Minerals and Metals (ICMM), or a signatory to the United Nations Global Compact (UNGC) or the Voluntary Principles on Security and Human Rights (VPSHR), we are guided by and have adopted their principles to support our sustainable development framework, particularly those relating to management of tailings storage facilities. We also take into account the Organisation for Economic Co-operation and Development's (OECD's) guidelines for responsible investment.

As a member of the Minerals Council South Africa, we subscribe to their Membership Compact, a mandatory code of ethical business conduct, and its guiding principles.

ALIGNING WITH THE SDGS

Given our dependence on natural and human resources, and having operated in emerging market countries for decades, Harmony acknowledges the role we must play in contributing to broader sustainable development issues such as taking action against climate change and fossil-fuel energy consumption, ending poverty, and efficiently managing our use of scarce natural resources such as water, land and biodiversity.

In South Africa, the SDGs are driven through the National Development Plan. As a private sector company and a long-standing South African gold producer, we are committed to doing our part to support the governments in South Africa and Papua New Guinea in reaching these goals. Our core purpose also aligns our business objectives with the SDGs.

We have interrogated the SDGs to identify those most aligned with our core business, our sustainable development strategy and with our responsibilities as a responsible corporate citizen.

We have identified and prioritised six SDGs that are directly aligned with our core business strategy and its four pillars. We have also identified an additional four SDGs to which we can meaningfully contribute through our sustainable development strategy and by delivering on our socio-economic development commitments. Many of the SDGs are interconnected.

TIER 1: DESCRIPTION

3	Ensure good health and promote the well-being of all
5	Promote gender equality and empower women and girls
8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work
12	Ensure sustainable, responsible consumption and production patterns
13	Take urgent action to combat climate change and its impacts
15	Protect, restore and promote the sustainable use of terrestrial ecosystems, halt and reverse land degradation, and halt biodiversity loss

TIER 2: DESCRIPTION

1	End poverty in all its forms everywhere
2	End hunger, achieve food security and promote sustainable agriculture
4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities
11	Make cities and human settlements inclusive, safe, resilient and sustainable

COLLABORATING FOR THE SDGs

17	Collaboration with various stakeholders

TIER 1:

SDGs WHICH ARE CENTRAL TO OUR CORE BUSINESS AND STRATEGY

In conducting our business and acting to deliver on the four pillars making up our strategy, we contribute directly to certain SDGs. Our drive for operational excellence and our commitment to responsible stewardship, especially of the environment, to transformation and to gender equality enables our direct contribution to the following SDGs:

GOAL	WHAT HARMONY IS DOING
3 Good health and well being	The safety, health and well-being of employees is a priority. In many instances, this extends to our communities where many of our employees reside. More recently, combatting the Covid-19 pandemic in both countries in which we operate has taken precedence. See *Safety and health* for more information
5 Gender equality	In recent years, gender equality has become an increasingly important aspect of our human resources policy. Gender diversity targets are in place and we are actively engaged in increasing the number of women employed across the company, at all levels. See *Employee relations* and *Corporate governance* for more information
8 Decent work and economic growth	We provide employment for approximately 40 000 people. We aim to be a fair and responsible employer, to deliver on our business strategy and ensure our long-term viability, and to respect the rights of employees to associate freely. Training and development programmes empower employees to contribute to the company and society. See *Employee relations* for more information
12 Responsible consumption and production	A key pillar of our business strategy is operational excellence. This includes optimising our processes, grade management and costs to improve productivity and efficiencies. This inherently involves the efficient use of natural resources, responsible waste management and sustainable procurement practices. In addition, it includes regular sustainable development reporting. See *Operational performance* and *Environmental management* for more information

13 Climate action	Reducing our impact on climate change is vital. In South Africa, where much of the energy we consume is fossil fuel, long-term targets aim to reduce energy consumption, improve related efficiencies and reduce greenhouse gas emissions. In Papua New Guinea, a significant portion of energy used is renewable (hydro-power) energy. See *Environmental management* and *TCFD report 2020* for more information
15 Life on land	Our environmental strategy and related policies and procedures seek to mitigate the environmental impacts of our mining activities. In South Africa, a rigorous land rehabilitation programme is under way. See *Environmental management* for more information

TIER 2:

Much of the work we undertake to address our socio-economic development responsibilities focuses on infrastructure, education and skills development, job creation and entrepreneurial development, broad-based local and community economic empowerment and enterprise development initiatives. Women and the youth are frequently the focus in these initiatives. By investing in the future of our communities, we contribute to these SDGs:

GOAL	WHAT HARMONY IS DOING
1 No poverty	Harmony employs around 40 000 people who in turn support their families, and the local businesses and municipalities in the communities in which they live. Many of our socio-economic initiatives are aimed at creating and supporting sustainable economic activities - see SDG 11 - and also help to combat poverty.
2 Zero hunger	We support broad-based agriculture and commercial agricultural ventures to establish alternative, sustainable economic activities that will endure once mining ceases and to contribute to food security. In South Africa, our focus is on the cultivation of grains and vegetables. In Papua New Guinea, the cocoa and coffee projects are progressing well.
4 Quality education	In South Africa, we focus on advancing mathematics, science and technology at secondary school level. In addition, at community level, we promote training in entrepreneurial and portable skills as well as information and communication technology among the youth.
11 Sustainable cities and communitites	Our recently revised socio-economic development strategy focuses on agricultural, infrastructure and sustainable energy projects, which have greater potential to deliver sustainable long-term benefits to communities. This strategy is supported by preferential and local procurement, and enterprise and supplier development. The overall aim is to help establish sustainable communities that are economically viable once mining has ceased. Infrastructure projects (such as roads in South Africa and water and sanitation in Papua New Guinea) help to boost the resilience of host communities.

For more information on Harmony's contribution to these tier 2 SDGs, see Socio-economic development

Collaborating for the SDGs

A significant amount of the work that we do in relation to sustainable development and our ESG performance is undertaken in collaboration with various stakeholders, thus supporting SDG 17 - partnerships for the goals:

17 Partnerships for the goals	Partnering to aid delivery on the SDGs entails strengthening the means of implementation and revitalising partnerships - with communities, local municipalities, small businesses and various levels of government - for sustainable development. This we strive to do at both local and regional levels.

ENSURING STABILITY, EMPLOYEE SAFETY AND WELL-BEING

SAFETY AND HEALTH

ZERO HARM

At Harmony, our employees are our most important stakeholder and a vital capital. Their safety and health are a moral imperative and thus paramount. In line with our values, of which safety is the first, we firmly believe that no product is as important as our employees, who should return home daily, safe and healthy.

This philosophy extends to the communities, where many of our employees live and which are impacted by our operations. We believe that contributing to the health and well-being of our community members facilitates a socio-economic ecosystem in which our business and all stakeholders can thrive.

Capitals affected:

Directly	Indirectly
HUMAN CAPITAL	**FINANCIAL CAPITAL**
SOCIAL AND RELATIONSHIP CAPITAL	**INTELLECTUAL CAPITAL**
	MANUFACTURED CAPITAL

Stakeholder/s affected:

Employees	Other stakeholders engaged include governmental and regulators

Strategic pillars:	Related risk:
Operational excellence	• Covid-19 pandemic – spread of infection and potential impact on business sustainability (risk 1)
Responsible stewardship	• Failure to eliminate fatalities and improve safety performance (risk 2)

Responsible committee:

- Technical committee (safety)
- Social and ethics committee (health)

GRI Standards:

Prepared in accordance with: 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9 and 403-10

CONTRIBUTING TO THE SDGs:

The safety, health and well-being of employees are a priority, in line with our strategy and our values. Our safety and healthy strategy contributes directly to SDGs 3 and 8, which target and promote the health and well-being of all and decent work. In this context, 'decent work' refers to employment that is productive and delivers a fair income, provides security in the workplace and social protection for families, ensures better prospects for personal development and social integration, facilitates freedom for people to express their concerns, allows employees to organise and participate in the decisions that affect their lives, and guarantees equality of opportunity and treatment for all women and men.

GOOD HEALTH AND WELL-BEING	DECENT WORK AND ECONOMIC GROWTH
• The health and wellness of employees is important to their being able to live full, productive lives • We focus on occupational health, chronic diseases such as TB and HIV/Aids, as well as lifestyle diseases • More recently, combatting the Covid-19 pandemic has taken precedence and become the overwhelming focus of our health services; however, the pandemic has served to embed Harmony's proactive approach to health and safety	• As a responsible employer, providing decent work includes ensuring that everything possible is done to safeguard employees, ensure that workplaces are safe and to prevent injury or harm so that employees return home, safe and well • Employees have the right to refuse to work when they consider a workplace unsafe • Training and other support are provided to encourage safe behaviour and conduct

For more information on our contribution to the SDGs, see *Our sustainable development framework*

OUR APPROACH TO SAFETY AND HEALTH

The safety, health and well-being of our employees is an area that poses some of the highest risks to our business. Not only does this have the potential to negatively impact our human capital, it could also affect our ability to deliver on our strategic objectives. It is in this context that we have two key operational focuses: to ensure a safe and healthy workplace and to create a proactive safety culture where our employees stop, assess and manage all work-related risks. Ensuring these two aspects will ultimately contribute to the delivery of our business objectives as well as the sustainability of our business.

The tenets of our safety and health policy, which forms part of our broader sustainable development framework, focus on:

- Ensuring that leadership at all levels leads by example and creates an enabling environment for driving continuous improvement in safety performance
- Ensuring that high-risk safety and health exposures are managed through focused strategies with risk management as the bedrock
- Promoting the health of our employees by pro-actively supporting their physical, psychological and emotional well-being
- Providing an integrated, proactive healthcare service by making primary, occupational and wellness facilities easily accessible to employees at work
- Ensuring that Harmony manages community health exposures and promotes the well-being of our host communities

All of these aspects were covered by the standard operating procedure developed to address the challenges of the Covid-19 pandemic, helping to reinforce our safety and health policy.

Our occupational safety and health policy and related management frameworks are aligned with the Mine Health and Safety Act in South Africa and with relevant legislation in Papua New Guinea, including the Mining (Safety) Act and associated regulations. We also apply best practices and guidelines as prescribed by the International Council on Mining and Metals. Our approach to safety encompasses critical control management, preparedness, prevention and the monitoring, review and analysis of relevant safety and health data indicators.

GOVERNANCE

At board level, the technical committee is responsible for approving and monitoring compliance with our safety and health policy, and with legislation. Safety is a key performance indicator for management and is accordingly monitored to determine remuneration in terms of safety performance. A report on safety incidents and achievements forms part of the chief executive officer's report to the board. At every board meeting, the chairperson of the technical committee also provides feedback to the board on Harmony's safety performance.

Representatives of management, unions, the Minerals Council South Africa and government participate in structures aimed at emphasising the importance of safety and how to achieve our goal to eliminate fatalities and prevent the loss of life.

At our South African operations, operational safety and health committees ensure that all employees are involved in managing and ensuring the safety of all. In FY20, there were 41 full-time safety and health representatives at our South African operations. The chief operating officer: South Africa reports on safety to the group executive committee on a weekly and quarterly basis, and shares a quarterly presentation with the technical committee.

Harmony is involved in and contributes to external safety initiatives and leading best practices in the mining industry for implementation through the Mining Industry Occupational Safety and Health (MOSH) Community of Practice Adoption (COPA) process. For each aspect of occupational safety and health, champions are nominated to attend industry meetings and ensure that relevant information is disseminated to all operations.

In Papua New Guinea, safety managers report regularly to the South East Asia executive committee by way of notifications, formal monthly reports and meetings. This committee in turn - through the chief executive officer South-East Asia - reports to Harmony's group executive team on a weekly basis and provides a report to the technical committee on a quarterly basis.

SAFETY

Safety is a key material risk for Harmony and is integral to our strategy - to produce safe, profitable ounces. Our safety performance can not only fundamentally impact the lives and well-being of employees, but can also have implications for other aspects of our business, not least financial. It also has potential consequences for other capitals such as social and relationship capital, and manufactured capital. Moreover, it can have a significant impact on our brand and reputation. It remains our determined ambition to prevent loss of life incidents and achieve zero harm across all our operations so that our employees can return home daily, safe and healthy.

RISK MANAGEMENT STRATEGY

Given the prominent level of risk safety poses, in 2018 we adopted and began implementing a group-wide risk management strategy for safety that applies to all our operations in South Africa and Papua New Guinea. This strategy effectively involves identifying, assessing and controlling all threats that could cause harm to any of our employees. It is based on data capturing, analysis and reporting to support proactive risk management initiatives and aid safe and profitable production. It also aims to compel a behaviour change towards safety to one that is far more engaged and proactive. This is a multi-faceted and co-operative approach that has achieved buy-in from all relevant stakeholders. The risk management strategy was explained in more detail in our Integrated Report 2019.

Governance on safety has been set out below:

This strategy is being rolled out in a four-phased approach in order to systematically embed risk management into our operational culture and behaviour of all employees. Phase 2 was completed during FY20. Phase 3 began in early calendar 2020, simultaneously with the roll out of phase 4.

Phase 2 of the roll-out, which began in April 2018, concerned the modernisation of systems, processes and information sharing, which has been undertaken to facilitate more proactive management. Essentially, a modernised operating system provides our mining teams with the safety and hazard information required before entering the workplace so that crews are aware of all hazards identified in previous shifts and can take the steps necessary to ensure that a workplace is safe before entering. The following initiatives were included in phase 2:

- Upgrade of Syncromine to include risk management, which continued into FY20
- Implementation of optical character recognition software, which enables the complete scanning of all documents to speedily identify certain risks and hazards. Before the introduction of this software, inspections

were an 80% manual and 20% automated process, with our operations relying on data captured by safety officers every 30-45 days to understand workplace conditions. This meant that we only had line of sight of approximately 20% of all potential risks in the workplace. As of the end of FY20, this software had been installed and successfully implemented in a majority of our operations

- Implementation of risk management call centres at each operation. These are essentially a "one-stop-shop" for employees to collect and return all risk management-related checklists and forms, and a mechanism through which employees can direct risk management strategy and safety-related queries

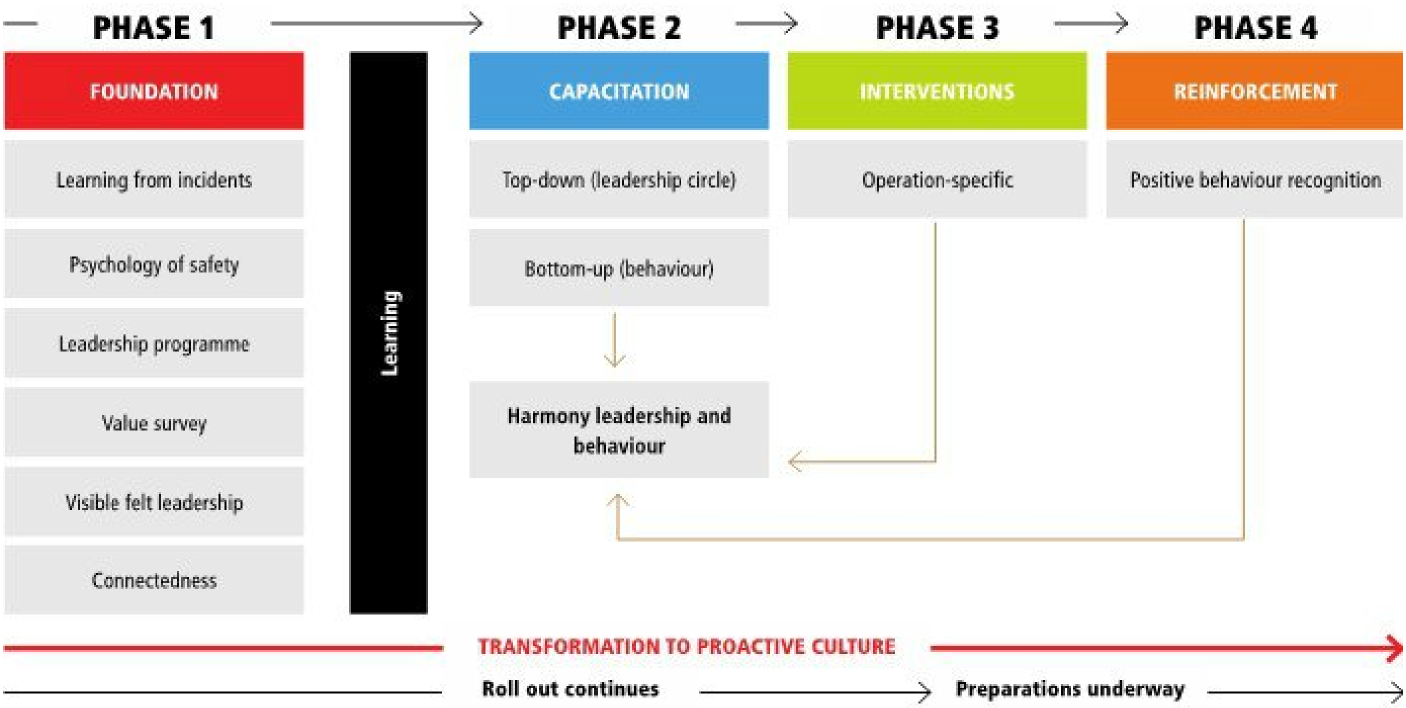
With the successful completion of that second phase at the end of 2019, we progressed to phase 3 of the roll-out at the beginning of calendar year 2020. This has largely focused on ensuring that the appropriate interventions are in place in all operations to embed a proactive approach to safety. Included in this phase is the implementation of golden control monitoring and the improvement in response to golden control failures. Golden controls are essentially the principal preventative safety measures we use on our operations. The risk management platforms implemented in phase 2 and the integration of inter-disciplinary systems to provide transparent view control efficacy have supported automation of golden control monitoring and response.

As part of phase 3, Harmony has undertaken to systematically entrench the International Council of Mining and Metals' critical management plan at all operations. This is essentially a guidance note that sets out the process to identify those controls to be implemented and the elements that need to be in place to ensure they are effective. With the use of this critical control management plan, our operations have been better equipped to identify both significant unwanted events and related mitigating controls.

While the modernisation of our systems and processes has been pivotal to improving safety performance, the risk management strategy would be largely ineffective without the human behaviour element. It is for this reason that phase 4 has, and continues to be, rolled-out in parallel with the other phases. This phase centres on a humanistic strategy that aims to embed a behavioural approach to safety. Moreover, this strategy aims to mould and ensure our management teams are proactive and effective leaders so that our workforce is more engaged and that the relationship between employees and management is based on trust, on both sides. The aim is to provide platforms for employees to communicate freely, without feeling threatened, and to provide management with the skills to be effective and connected leaders. For more details on our leadership programme, see *Employee relations*.

Further to this, we also introduced an initiative to identify an employee's propensity to take risks with the aim of managing that behaviour. This programme has already identified clusters of high-risk taking behaviours at leadership and employee levels. Programmes developed and introduced to further embed safe behaviour focus on recognition; symbols – in terms of rewarding safety achievements and proactive safe working behaviour – optimising team functioning and teaching.

Harmony's four-layer risk management strategy



The risk management strategy is proving effective in improving safety performance. With modernised systems and processes in place, we are now better equipped to continuously assess workplace conditions and equipment to ensure no undue risks are posed to any employee on the surface or underground. We are also able to more effectively monitor the progress of various safety-related initiatives that have been implemented at the various operations.

However, the real effectiveness of the risk management strategy was proven through Harmony's response to the Covid-19 pandemic that hit South Africa and Papua New Guinea in early 2020. The roll-out of our four-phase risk management strategy effectively equipped Harmony with the necessary resources and processes to proactively respond to the Covid-19 pandemic and enabled us to continue operating safely, where and when it was feasible. For more details refer to the country-specific responses to the pandemic.

OUR PERFORMANCE FY20

Group safety performance regressed overall in FY20 with a recorded group lost-time injury frequency rate of 6.33 per million hours worked (FY19: 6.16). There were, regrettably, six mining-related fatalities during the year (FY19:11), all at our South African operations. The Papua New Guinean operation maintained its fatality-free performance for the fourth consecutive year.

South Africa

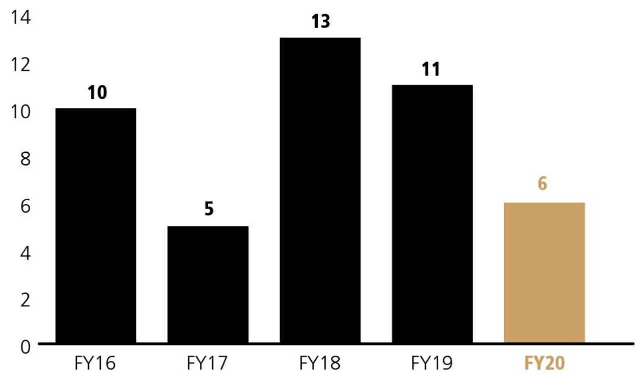
The South African operations experienced a mixed performance in terms of overall safety performance in FY20. While there were, regrettably, six fatalities (FY19: 11), this did represent an improvement in our fatal injury frequency rate, from 0.13 in FY19 to 0.08 per million hours worked. Most notably, our South African operations achieved 120 fatality-free days to 17 December 2019 and 102 such days to 3 June 2020, respectively the third and fourth longest fatality-free periods in our 70-year history.

The reportable injury frequency rate improved for the third consecutive year – to 3.88 per million hours worked (FY19: 4.05). However, our lost-time injury frequency rate regressed slightly to 6.69 per million hours worked (FY19: 6.48). This equated to the loss of 25 146 shifts due to occupational injury. The fall-of-ground injury frequency rate also regressed, from 1.11 to 1.22 per million hours worked, as did the rail-bound equipment injury frequency rate, which deteriorated by almost 27% to 0.70 per million hours worked (FY19: 0.55).

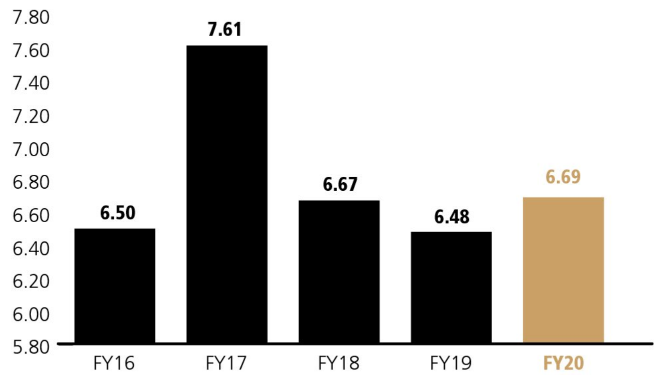
When analysing this safety performance, it is essential to factor-in the impact of the Covid-19 pandemic. Owing to the forced suspension of our underground mining activities for five weeks and other restrictions related to the national lockdown, our South African operations collectively lost 1.2 million shifts in FY20. This means that the various safety performance statistics were calculated using a much-reduced number of shifts worked of 8.65 million compared to the 9.83 million shifts worked in FY19.

It should also be noted that while the safety performance may seem to have declined owing to the methods of year-on-year calculation, the South African operations in fact recorded 52 fewer accidents in FY20.

HARMONY GROUP: NUMBER OF FATALITIES



SOUTH AFRICA: LOST-TIME INJURY FREQUENCY RATE
(Per million hours worked)



One of the most prominent factors that contributed to the lost-time injury frequency rate was the repetitive occurrence of winch-related incidents. To address this, a winch pre-inspection was piloted at Doornkop, Kusasalethu and the Tshepong operations. This pre-inspection, conducted by means of the optical character recognition system – software that enables the conversion of paper data to digital, live data that can be tracked, monitored and analysed in real-time – for daily deficiency management and reporting, aims to identify real-time issues reported by winch operators and to bring these to management's attention for assessment and assistance in ensuring safe winch operations. Given the positive results at those three operations, the pre-inspection process is to be implemented at all operations in FY21.

Our safety performance in FY20 has underscored the need to adopt a more behaviour-oriented approach to safety management, an approach that is tied in with phase 4 of our risk management strategy roll-out. In an effort to embed a proactive safety culture and accountability in our workforce, we implemented several initiatives and programmes in FY20. Among the most notable were:

- Reinforcement of the right of all employees to refuse dangerous work and to leave a dangerous workplace. This is in accordance with the Mine Health and Safety Act, sections 22, 23 and 83. It is vital that our employees understand their rights, are engaged and feel safe to perform their duties, and that supervisors, in turn, recognise these rights. In addition, front line supervisors are being trained and encouraged to engage with mining crews as well as management on these rights. Effective, frequent communication in this regard is vital. To address this, communication and leadership initiatives are ongoing.

- Identification of the most serious unwanted events and assigning responsibility and ownership for these at an executive level. As these identified events have the potential to cause significant loss of life and shifts, they require far more focussed attention by all management levels
- Reinforcement of our safety mascot, Thibakotsi, and associated safety messages, signs and symbols
- Introduction of a daily work note to ensure that the frontline workforce is provided with the relevant information to proactively plan tasks at the start of each shift
- A far more thorough scanning and analysis of daily safe declaration data as a means of assessing workplace conditions and raising awareness of risks and to address repetitive failures

Despite the challenges and slight regression in our safety performance, there is evidence that the risk management strategy is succeeding in positively altering the safety culture at our South African operations.

One notable change recorded in FY20 was the far greater engagement of management and the incorporation of learnings from incidents into daily safety practices. This was particularly evident in the way in which potential seismic hazards were monitored and managed during the year. The enforced daily monitoring substantially reduced the incidence of falls of ground. This practice will be carried forward into FY21 and especially applied when starting up new panels and after shut-down periods.

In memoriam

Date	Operation	Name	Occupation	Cause
25 July 2019	Tshepong	Siyabonga Ntika	Rock drill operator	Gravity-related fall of ground
18 August 2020	Doornkop plant	Thabang Mamogale	Surface assistant	Surface rail-related incident
17 December 2019	Kusasalethu	Elphas Nkosi	Transport supervisor	Rail-bound equipment-related incident
1 January 2020	Tshepong	Tshepang Lebojoa	Locomotive operator	Mud rush
21 February 2020	Kusasalethu	Sibusiso Mngomezulu	Winch operator	Winch-related
3 June 2020	Moab Khotsong	Papa Ernest Dael	Development team member	Heat exhaustion
22 July 2020*	Bambanani	Zamokuhle Shabane	Team leader	Fall from height
11 August 2020*	Kusasalethu	Zakhele Lubisi	Artisan	Tools, machinery and equipment-related
11 September 2020*	Doornkop	Alexis Lesiamang Ntjantso	Rock drill operator	Explosion
10 October 2020*	Tshepong	Tsoaela Botsane	Supervisor	Gravity-related fall of ground
10 October 2020*	Tshepong	Tisetso Pati	Winch operator	Gravity-related fall of ground

** Occurred post-year end*

Death and serious injury benefits

Harmony is fully aware of and sympathetic to the devastating impact mine fatalities and serious injuries can have on the employees' family, particularly in the financial context. In many instances, these employees are the sole breadwinner of a family and often support an extended family of well over ten people. It is for this reason that we have a comprehensive range of benefits to support the family in the incidence of a mine fatality or serious injury.

Matrix of benefits for fatal mine accidents

Matrix of benefits	Description
Provision of coffin and funeral services (cat 4-8 only)	At no cost to the family
Transport of body (cat 4-8 only)	At no cost to the family
Mine delegation to funeral	At least 2 senior managers
Union delegation to funeral	8 union members, paid leave
Mourners in hearse	Maximum of 6
Co-workers transport	Up to 1 x 60-seater bus, paid leave
On mine memorial service	For all employees to attend
Mine Workers Provident Fund (MWPF) advance	R40 000
Rand Mutual Assurance (RMA) Funeral Policy	R30 000
Company donation - provided as soon as possible	R20 000

Accommodation of family on mine to attend to affairs of the deceased	For 6 family members
Enrolment of children in Harmony Education Fund as per policy	No limitation on number of children
Offer of employment	Immediate offer of employment at the underground entry level

Benefits provided for serious injury on duty

	Benefit
COIDA benefit	Either a lump sum or monthly benefit is paid to the employee on the percentage disability rating of the disablement
Alternative work	Alternative work is investigated and provided if suitable vacancies exist
Termination benefit	A benefit of two weeks per completed year of consecutive service is provided if no alternative work is available, with a minimum benefit of R60 000
Offer of employment	To an immediate family member
Ongoing care	Employees medically incapacitated as a result of an injury on duty are also placed n the TEBA Home-Based Care programme

Paraplegic benefits

The benefits provided to employees who are made paraplegic as a result of an injury at work are the same as above, however, the termination package is enhanced and the employee's home is renovated to make it wheel chair accessible and friendly.

Impact of Covid-19 in South Africa

Our modernised systems and processes, which had been rolled out as part of risk management strategy, provided us with the necessary platform and resources to respond quickly to the pandemic, to mobilise our service departments to assess our operational readiness and to enable the implementation of mitigating controls prior to the return of our workforce. It also ensured that we had the relevant information readily available to understand in which areas we would be most vulnerable. While Covid-19 presented Harmony with a myriad of challenges, the state-enforced shutdown of our operations during national lockdown level 5 did present us with a unique opportunity to address various risks in a manner that would not necessarily have been possible in normal circumstances. During this phase of the lockdown, we conducted optical character recognition system inspections to assess workplace conditions, monitor ground conditions, and pursue critical maintenance activities.

Harmony used the shutdown as an opportunity to prepare for a safe start-up; this included routine underground visits by essential service employees to ensure the safe conditions of underground workings, establishing a steering committee and creating risk assessments, procedures, policies and communications to aid the safe resumption of operations during the Covid-19 pandemic and extended shutdown.

The pandemic necessitated a dramatic shift in how we conducted our daily activities at the various operations. We were required to adhere to all legal operating requirements - defined by the Department of Mineral Resources and Energy's guidelines - which included aspects of screening and symptom reviews, and action management and analysis. All operations were mobilised to conduct self-audits to provide a second layer of response. In addition, disaster mitigation rooms were setup at each operation to monitor the daily efficacy of controls and to manage our Covid-19 response.

A major challenge on the return to work, and one faced by many industries, was the generation of permits and their management. Our modernised risk management system facilitated the effective management of the permitting process to access mine sites. This process has been identified as a leading practice with Harmony being commended by the Department of Mineral Resources and Energy's principal inspector of mines in South Africa on our quick and effective response.

The behaviour-related aspect of the risk management strategy which was fast-tracked with the onset of the Covid-19 pandemic, greatly assisted in communication with, education of, and psychological assessment of employees. It facilitated the communication of vital information regarding Covid-19, helped prepare employees for their return to work after lockdown level 5, and provided a platform through which they could discuss concerns. A key aspect of this was the isolation and quarantine training programmes.

Despite the easing of lockdown in May 2020 and the return to work, we were only able to reach our full employee complement at the end of August 2020. To enable our operations to resume as fully as possible, it was important to ensure that underground mining crews were adequately resourced. The risk management system enabled us to create a crew composition dashboard which produces a report on relevant data sourced.

FY20 SAFETY ACHIEVEMENTS

Fatality- and injury-free shifts worked	
More than 6 million shifts	Free State operations (rail-bound equipment): 16 million shifts Target (rail-bound equipment): 9 million shifts Tshepong (rail-bound equipment): 8 million shifts Bambanani/Unisel (rail-bound equipment): 7.5 million shifts South African operations (fall-of-ground): 7 million shifts Moab Khotsong (fall-of-ground): 6.5 million shifts Tshepong (rail-bound equipment): 6.5 million shifts
3 million - 6 million shifts	Doornkop (rail-bound equipment): 5.5 million shifts Kusasalethu (rail-bound equipment): 5 million shifts Unisel (fall-of-ground): 4.5 million shifts Free State operations (fall-of-ground): 3.5 million shifts Phakisa (rail-bound equipment): 3.5 million shifts
3 million shifts	South African underground operations: 3 million shifts Masimong (rail-bound equipment): 3 million shifts
2 million shifts	Hidden Valley: 2.5 million shifts Free State operations: 2 million shifts Harmony One Plant: 2 million shifts Kusasalethu (fall-of-ground): 2 million shifts Moab Khotsong (rail-bound equipment): 2 million shifts
1 - 2 million shifts	Target: 1 million shifts Tshepong operations: 1 million shifts Tshepong operations (fall-of-ground): 1.5 million shifts Joel (fall-of-ground): 1 million shifts Masimong (fall-of-ground): 1.5 million shifts Bambanani/Unisel unit (fall-of ground): 1 million shifts Phakisa (fall-of-ground): 1 million shifts
Other significant safety performance	
More than three years	Saaiplaas Plant: 13 years reportable injury free South Uranium Plant: seven years lost-time injury free Saaiplaas Plant: four years lost-time injury free
Three years	Central Plant: reportable injury free
One year	Central Plant: lost-time-injury free Doornkop: fatality free

Papua New Guinea

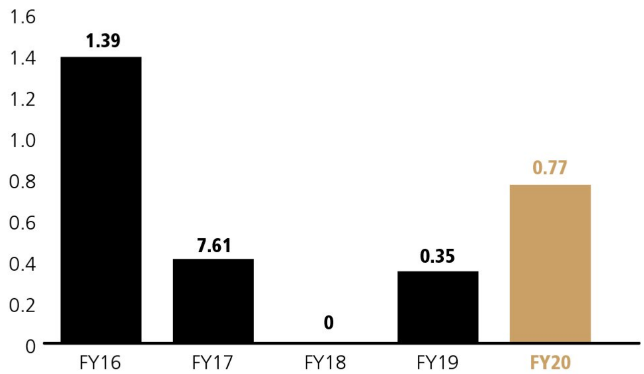
Harmony's Hidden Valley operation in Papua New Guinea boasts a world-class safety performance record. The operation has recorded no fatalities since 2015, equating to 2.5 million fatality-free shifts. Following two years without a lost-time injury to May 2019, the lost-time injury rate for FY20 was 0.77 per million hours worked compared to 0.35 for FY19. The reason for this regression was predominantly the result of an increase in vehicle interactions and fatigue-related incidents, particularly during the last quarter of the financial year.

Apart from the fact that Hidden Valley is an open-pit mine, with risks being far lower in comparison to underground mines, a variety of factors has contributed to the mine's better-than-average safety record. Among the most significant is implementation of Harmony's risk management strategy and critical controls at the operation, as well as the successful entrenchment of a proactive safety work ethic in all employees - a behavioural pattern that has been systematically reinforced through visible felt leadership. These measures are accompanied by regular, focused safety training.

The highly-mechanised nature of the mine also lends itself to a higher safety performance. Nevertheless, vehicle interaction is the most significant safety risk at Hidden Valley, followed by fatigue and the uncontrolled release of energy (hydraulic and compressed energy) in the workshops. All mining vehicles are equipped with monitors to mitigate against driver fatigue, prevent vehicle collisions, to observe driver behaviour and to monitor productivity.

At Wafi-Golpu, there is a similar emphasis on proactive safety risk management, the monitoring of critical risks and visible felt leadership.

PAPUA NEW GUINEA: LOST-TIME INJURY FREQUENCY RATE
(Per million hours worked)



Impact of Covid-19 in Papua New guinea

A caveat to Hidden Valley's safety performance is the fact that there were fewer employees working on the mine site in the last quarter of the year, owing to the onset of the Covid-19 global pandemic and a national lockdown in Papua New Guinea. While there were fewer employees on site, they also worked longer rosters, as a result of which increased focus was placed on fatigue management. There was also much emphasis on Covid-related hygiene - social distancing, frequent hand washing and the wearing of masks, which had as an unintended consequence, a decrease in upper respiratory infections.

OUTLOOK

Group safety target

In FY21, Harmony will continue its focus on embedding its risk management process to create a more engaged and proactive safety culture across all our operations. Hand-in-hand with this strategy is the objective to improve our safety performance by 10% on the average performance of the previous three financial years.

South Africa - safety focus for FY21

Our priorities will include:

- Digitising information to allow us to make informed decisions as and when circumstances that may compromise safety are identified
- Accessing and including industry-wide best practice learning material and methodologies through the International Mining Standards Hub - in which Harmony participates as a founder member
- Detailed analyses of our responses - on integrated platforms - to identify opportunities to improve and mitigate safety risks

In terms of our four-layer risk management system, we will continue to:

- map out critical production processes and align inter-disciplinary processes (process mapping) and documentation to provide assurance that our legal and social obligations are addressed. This will be achieved by embedding the identification of risks and controls into our risk and legal documentation. The aim is to have a single source of content related to task assessment (procedures, training, risk assessment, continuous monitoring and reporting)
- integrate specified routines - ensuring an integrated approach in identifying potential risks during

- the planning phase as well as in identifying mitigating controls and monitoring actions prior to the start of work. This will include the introduction of integrated services work planning and monitoring for phase 3
- further engage all leadership, including organised labour, as partners to advance our behaviour-oriented strategy (phase 4). This will also involve developing and implementing a behaviour tracking and monitoring programme to allow leaders real time access to critical behaviour data from a safety improvement perspective

Papua New Guinea - safety focus for FY21

Our safety objective for the Hidden Valley mine is to remain fatality-free and, more importantly, to improve our safety performance following its regression during the past financial year. We have a target to achieve a 0.00 lost-time injury frequency rate over the next six to 18 months. This will be achieved with the help of visual felt leadership, a more proactive and engaged workforce, and field critical control checks.

Health

The onset of the Covid-19 pandemic, which rapidly swept across the globe in early 2020, placed a glaring spotlight over our healthcare strategy. The highly-contagious severe acute respiratory syndrome posed an unprecedented health risk to our employees and tested our resources and capabilities to the limit.

This was, and continues to be, an unparalleled challenge in Harmony's 70-year history. However, the pandemic has served to underscore, firstly, the effectiveness of our healthcare strategy and, secondly, the pivotal role this strategy plays in supporting our business. Moreover, it has embedded Harmony's approach to safety and health as wearing masks and observing social distancing has taught us why preventative safety measures are so crucial.

Our approach to healthcare is proactive and risk-based and aims to ensure that healthcare is easily accessible to all our employees. This approach is founded on our firm belief that every employee deserves a fulfilled and healthy life. It is important that our employees are fit for life, fit for work and fit to retire.

The four pillars of our healthcare strategy are:

- Education, awareness and promotion of good health
- Disease prevention and risk management
- Clinical intervention (treatment programmes)
- Continuous risk profiling

Harmony's proactive healthcare strategy aims to manage illness by identifying and treating disease early thus helping to prevent permanent disability and disease. Medical surveillance, active case finding, early detection and treatment of disease are integral aspects of our management healthcare system.

We also have dedicated health hubs at all of our operations, which caters for all the medical and health needs of our employees and, in some cases, of our host community members. Each health hub is staffed by doctors, allied health care workers and pharmacists. Moreover, we ensure that medical doctors are part of the operational teams in each of our mines.

Governance

At board level, the social and ethics committee is responsible for approving and monitoring compliance with our health policy, and with legislation.

Our performance FY20

In FY20, a total of R779 million (US$49.7 million) was spent on health-related costs and initiatives across the group. Of that, R70 million (US$4.5 million) was specifically spent on Covid-19 preventative initiatives in both South Africa and Papua New Guinea.

South Africa

Our healthcare focus in FY20 was essentially a story of two parts. In the first three quarters of the year, we maintained our focus on initiatives that served to support our strategy of promoting employee wellness, ensuring good healthcare and managing diseases. However, this was entirely eclipsed by the advent of the Covid-19 pandemic in early March 2020. The rapid spread of the disease across South Africa compelled us to shift our focus and resources almost entirely to tackling the pandemic.

In all, Harmony spent a total of R660.4 million (US$42.2 million) on free medical costs and medical aid contributions in South Africa in FY20 (FY19: R621.6 million; US$44.4 million). The marginal increase in expenditure was largely due to inflationary increases in the cost of medical-related goods and services, particularly personal protective equipment. The impact of Covid-19-related health costs incurred in the fourth quarter will only be evident in FY21 owing to the normal lag between the date of procurement and expenditure

Covid-19

The first case of Covid-19 in South Africa was officially recorded on 5 March 2020. Firmly understanding that we had a pivotal role to play in arresting the spread of the pandemic, Harmony acted swiftly and proactively. Within less than two weeks - on 18 March - the company had published and was rolling-out a Covid-19 risk management strategy. The aim of the related risk assessment was, and remains, to identify, evaluate and rank the hazards associated with any exposures to Covid-19 and potential infections. It also aimed to reduce the probability of an employee contracting Covid-19 and to limit the severity should they be infected.

The health protocols underpinning the strategy have been aligned with best practice and guided by materials issued by the World Health Organization, the National Institute of Communicable Diseases, the South African Department of Health and the Minerals Council South Africa. They were also informed by extensive and ongoing discussion with our trade union stakeholders.

The preventative measures we put in place included:

- Preventative personal hygiene procedures
- The compulsory use of preventative personal protection equipment, particularly face masks, in the workplace and especially at the mine and shaft entrance, at crush turnstiles, in the lamp rooms, in shaft conveyances, underground station, and at our various offices
- Increased hand washing and social distancing (minimising personal contact, refraining from all unnecessary travel and staying away from social gatherings where there would be more than 100 people) communication and awareness campaigns (for both employees and communities)
- Identification, care and counselling of high-risk employees (especially those who have not tested and do not know their TB and HIV status, those on anti-retroviral medicine, those older than 60 and employees with pre-existing medical conditions)
- Stressing the identification of symptoms and the urgency of self-isolation if displaying symptoms
- Rigorous screening as employees return to work and when at work; and, if employees show Covid-19 symptoms, the testing and treatment of these employees for Covid-19
- The establishment of three quarantine sites which can accommodate a total of 448 employees who have contracted Covid-19 or have come into contact with Covid-19-positive individuals, and who are not in need of hospitalisation
- Isolating employees who test positive for the virus in one of four specially established and accredited isolation sites - one in Welkom (Free State) with 150 rooms, one in Gauteng with 50 rooms, and two facilities with 60 rooms each in the Klerksdorp area (southern North West Province)
- Increased frequency in occupational health visits and inspections by the Department of Health and the Department of Mineral Resources and Energy to monitor Covid-19 compliance
- Thermal screening of all individuals who enter our operations, and of employees at all key points
- The reduction of the number of workers in a single crew to a maximum of 15 to assist with social distancing while underground
- Each employee is given their own hand sanitizer for every shift before going underground
- Customising lift shafts and their operation to ensure appropriate social distancing in the cages to reduce the capacity to 75%
- Capacity on road transport reduced to 60-70% of licensed capacity
- Frequent spraying of waiting areas with disinfectants and the sanitising of all hard surfaces such as handrails, turnstiles and door handles several times a day
- Placement of hand sanitisers and additional hand washing stations on surface, at the entrances to all operations and outside the mine at taxi gathering areas and in company transportation
- All equipment and machinery is sanitized at the start and end of each shift underground

With the safe resumption of operations at our South African mines during the fourth quarter of the financial year, Harmony conducted its own audits to check that operations were adhering to our Covid-19 standard operating procedure. We also agreed with the trade unions that they may conduct similar safety audits in conjunction with our management teams, to provide them with the assurance that the safety and health of our employees is protected. The Department of Mineral Resources and Energy similarly conducted its own audit and responded favourably to the prevention and mitigation measures we have adopted.

Despite the extensive preventative measures implemented, the spread of Covid-19 to our employees was an inevitability. The table below provides accurate Covid-19 data at the time the Integrated Annual Report was approved.

South Africa: Covid-19 statistics as at 5 October 2020	
Total number of:	
Employees tested	4 136
Employees testing positive	1 688
Employees recovered	1 535
Deaths	31 (including contractors)

Employee wellness and healthcare

Healthcare delivery

At our South African operations, membership of a medical scheme is compulsory for all category 9+ employees. For category 4-8 employees, membership is voluntary with 8 122 employees participating in medical schemes in FY20 (FY19: 8 202). Harmony subsidised the related costs on behalf of employees by R20 million (US$1.28 million) a month (FY19: R18.4 million or US$1.3 million). There was a slight 0.7% increase in medical scheme membership between the third and fourth quarters of the year, which could be attributable to the pandemic. The subsidy contribution that Harmony had to pay to allow employees to retain the full benefit of the medical scheme went up by R4 million in the last quarter of the financial year.

In all, 24 789 category 4-8 employees elected not to join a medical scheme. Instead they received in-house comprehensive health services from mine medical health facilities and associated preferred providers at no cost to the employee. The cost of providing these services was R35 million (US$2.23 million) a month in FY20 (FY19: R33.4 million; US$2.4 million). The weaker rand contributed to the increased cost of imported medical supplies.

For those employees who are not members of a medical scheme, there are dedicated health hubs at all our operations, which undertake health promotion and prevention, active case-finding and screening as well as active disease management of chronic conditions. Medical surveillance is conducted at our health hubs for all employees, including contractors. In all, 49 326 medical examinations were conducted in the past financial year (FY19: 53 279), with the decline being largely due to the national lockdown and the Covid-19 pandemic in the last quarter of the year.

A new health hub was opened at Moab Khotsong on 3 February 2020, as part of Harmony's health strategy to provide comprehensive pro-active healthcare in close proximity to the operation. The purpose of the health hub is to improve healthcare service delivery to employees of the operation. That hub, which is similar to the hubs at our other South African operations, known as the Gateway Medical Hub, is now a one-stop-shop, providing primary and occupational healthcare, on-site pharmaceutical services as well as rehabilitation and functional assessment services. The opening of this new healthcare facility has provided an opportunity for both hostel dwellers and employees staying outside the confines of the Moab Khotsong mine to access a 24/7 medical centre.

Mental illness

Mental illness is a relatively new health-related scourge impacting our business but one that is likely to take a greater toll in the coming years. Research conducted by various global institutions indicates that mental illness in the workplace is on the rise and could increase by as much as 64% in the next few years. Psychosocial illness can be caused by a range of social and financial-related problems confronted by employees daily.

To address this particular problem, in the first quarter of the year we launched the Employee Psychosocial Programme, in partnership with the Reality Wellness Group, for all employees and their immediate family members. This multi-faceted programme offers face-to-face counselling or telephonic advice by qualified social workers and psychologists, as well as financial guidance for those struggling with debt, and legal support for those with legal concerns. The service is available 24/7, 365 days a year in all nine official South African languages. Our employees can access the service by either sending a 'please call me' message, using a toll-free number, and/or sending an email. The initial uptake was relatively low, with 211 unique employees engaged and 831 telephonic calls on the hotline in FY20. Adjustment disorder, anxiety and acute and traumatic stress were noted as the top psychosocial risks.

In the third quarter of the financial year, we embarked on the second phase of the project, which focuses on raising awareness among line managers and equipping them with the necessary knowledge to ensure optimal use of the programme. The first group session for line managers was held at Kusasalethu. Regrettably, the training sessions scheduled for our other operations have been postponed owing to the Covid-19 pandemic, however, it is anticipated that they will resume in FY21.

While Covid-19 disrupted the roll-out of the programme, it did serve to underscore the vital need for a strategy to assist our employees in dealing with psychosocial ills. The surge of the Covid-19 pandemic had a significant impact on the psyche of our employees and as a result, in the last quarter of the year, we launched a related programme to address the psychosocial effects arising from lockdown and the quarantine isolation process. Employees who were required to quarantine for a 14-day period upon their return to work, were engaged with daily to ensure their mental wellbeing. In addition, focus groups were formed to support some of our healthcare workers during this difficult time. This was particularly noted by our employees as being an invaluable aspect of the care and support provided during the compulsory isolation and quarantining period.

Weight warriors

Excess weight and obesity are challenges with which some two-thirds (20 340) of all Harmony employees have to contend. To encourage positive lifestyle changes, with a particular focus on excess weight and obesity, a weight warrior's competition was launched in the first quarter of the year. Its aim was to encourage employees to shed a combined total of 120 000kg of fat by the end of the financial year. The initiative was driven by our executive team and 3 416 employees (16.5% of the total workforce) participated in the competition.

The importance of this initiative was underscored in the second half of the year by the spread of the Covid-19 pandemic. Early indications seemed to suggest that excess weight and obesity could increase the risk of hospitalisation and death from Covid-19. Unfortunately, the campaign was not as successful as expected due, in large part, to the enforced lockdown and associated impacts. By the end of the competition, participants had achieved a total net weight loss of 2 331.13kg.

Such is the necessity of reducing excess weight to ensure a more healthy workforce that we will continue this campaign in FY21.

Managing health-related absenteeism

Health-related absenteeism poses a risk to the overall productivity of our workforce. It is for this reason that we have pursued our At work management programme for several years, the objective of which is the early identification of employees who may become chronically ill or medically incapacitated by debilitating diseases, and to manage, review and monitor their medical conditions. While health-related absenteeism remained fairly consistent for the first three quarters of the financial year, averaging 7.5%, there was a significant decrease down to 6.2% in the last quarter of the year (FY19: 7.7%). This was directly linked to the lockdown with some employees working from home and many others not being recalled back to site.

To cater for Covid-related absenteeism, two new health related categories were introduced:

- Isolation, which is the separation of employees who are infected and have tested positive, accounted for 0.7% of labour unavailability
- Quarantine, which is the separation of employees who might have been exposed, accounted for 0.6% of labour unavailability

Managing occupational diseases

Occupational diseases pose some of the greatest risks to our business. Not only can they have severe health implications for employees who fall ill, they also result in financial liability to the company and reputational damage. Thus, managing and preventing occupational diseases has been, and will continue to be, a priority. Occupational lung disease, noise-induced hearing loss and heat illness are our key concerns

Silicosis

Silicosis is an occupational lung disease caused by the inhalation of free respirable crystalline silica dust over a long period of time. It can also increase susceptibility to TB. Given the severe nature of the risk silicosis poses, Harmony has adopted and follows an integrated silicosis, TB and HIV/Aids policy and programme to responsibly manage the debilitating disease and proactively prevent associated health deterioration.

It is Harmony's ambition to eliminate silicosis entirely. To achieve this, we have adopted the South African Gold Mining Industry 2024 Milestone. The 2024 milestone for silica dust exposure requires that, 95% of all personal silica dust samples taken must be below 0.05mg/m^3 by 2024. In order for Harmony to achieve this target, annual aspirational targets were set to reduce dust loads on an annual basis, and the aspirational target for CY2020 is 92.0%. The milestone compliance for Harmony for CY2020 quarter 2 was 86.3%, with most of the metallurgical plants and a third of the mines above the aspirational target of 92%.

During FY20, 164 cases of silicosis were submitted to the Medical Bureau for Occupational Diseases and 67 were certified (FY19: 204 cases reported and 58 cases certified).

Dust control

As silicosis is caused by the inhalation of free respirable crystalline silica dust over a long period of time, our principle objective is to eliminate, as far as possible, the discharge of dust. Dust discharge occurs during activities where rock is broken at source, such as during stoping, development and trackless mining. Engineering controls to allay dust have been implemented or are being rolled out at our underground operations to minimise employees' exposure to silica dust, including leading practices as advocated by the Mining Industry Occupational Safety and Health (MOSH). Our most recent intervention has been the installation of in-stope atomisers at all operations. By the end of FY20, this initiative was 91.7% complete, with only Moab Khotsong awaiting installation.

Dust levels

The primary source of silica dust remains the activities in which the rock is broken and moved either by means of blasting, stoping, trackless mining, and ground handling. The main strategic thrust of reducing the exposure to crystalline silica dust, therefore, is to ensure that the status and effectiveness of our dust engineering controls is sustainable. Most of these engineering controls are Mining Industry Occupational Safety and Health (MOSH) leading practices for silica dust. In FY20, the progress of implementation of these engineering controls across Harmony's operations was as follows:

- Main tips - tip foggers (98.8%), tip covers (88.4%) and tip filters (92.7%)
- Main intake haulages - airway sprays (100%), spray cars (94.9%) and footwall treatment (67.3%)
- Stopes - winch covers (98.9%) and stope atomisers (85.8%)
- Continuous real time monitors (92.7%)

Tshiamiso Trust

While Harmony is pursuing all possible initiatives to limit dust and prevent employees from contracting silicosis, there is a significant legacy that still must be addressed. In 2019, South Africa witnessed a historic milestone in its narrative of occupational lung disease. On 26 July 2019, the Johannesburg High Court approved the R5.2 billion settlement of the silicosis and tuberculosis class action suit between the Occupational Lung Disease Working Group - representing Gold Fields, African Rainbow Minerals, Anglo American SA, AngloGold Ashanti, Harmony and Sibanye-Stillwater - and lawyers representing affected mineworkers. Following the conclusion of the Court-ordered three month opt-out process the settlement agreement became effective on 10 December 2019.

The settlement provides meaningful compensation to eligible claimants across southern Africa who carried out risk work between 12 March 1965 and 10 December 2019 at any of the 82 gold mines listed in the settlement agreement, and who have contracted silicosis or work-related tuberculosis, or to their dependants where the gold mineworker has passed away. A condition of the settlement was the establishment of a trust to carry out the terms of the settlement agreement and to manage the compensation process.

The Tshiamiso Trust (a Setswana word meaning "to make good" or "to correct"), which is in the process of establishing its operations and appointing senior management members, will facilitate the tracking and tracing of the settlement agreement class members and administer claims and payments to eligible claimants or their beneficiaries.

Harmony was a central player in the settlement negotiations and actively involved in the establishment and registration of the Tshiamiso Trust. Moreover, Harmony has made provision to contribute R892 million towards the court approved gold mineworkers' class action silicosis settlement.

The Covid-19 pandemic has had an impact on the requirements of the Tshiamiso Trust Deed by restricting the Tshiamiso Trust's capacity to conduct medical benefit examinations and is also not able to carry out lung function tests at this time to minimise the spread of the Covid-19. Under these circumstances, the Trust has been limited to considering processing claims of eligible claimants who have existing silicosis and TB claims with the Medical Bureau of Occupational Diseases.

However, owing to the onset of the Covid-19 pandemic, the Trust has been severely hampered in its ability to become fully functional and effective. Medical experts and authorities, in South Africa and elsewhere, have advised that lung function tests should not be carried out at this time. Under these circumstances, the Trust has been limited to considering claims from individuals who have existing medical records.

Settlement of outstanding occupational lung disease claims

Harmony has taken a lead role in assisting the Medical Bureau of Occupational Diseases address the severe backlog in occupational lung disease compensation claims in support of Project Ku-Riha, launched by the Department of Health in 2015. In facilitating the settlement of claims due to eligible current and former Harmony mineworkers, the Harmony ReConnect department has developed various initiatives to track and trace mineworkers and, in addition, to provide operational support and resources where appropriate.

In FY20, Harmony facilitated the settling of 2 200 occupational lung disease claims to the value of R43 million, bringing the total number of settled claims to approximately 12 800 and total value of R245 million paid to Harmony current and former miners since October 2015 from the Occupational Diseases and Works Act Commissioner's Fund.

Harmony and its mining industry peers have collaborated with the Minerals Council South Africa to establish a co-governance model between the Department of Health and the Minerals Council South Africa which will contribute to the funding and oversight of projects to improve the operations and performance of the Medical Bureau for Occupational Diseases and the Compensation Commissioner for Occupational Diseases.

Noise management - eliminating noise-induced hearing loss

Harmony aims to adhere to the Occupational Health and Safety Milestone on the Elimination of Noise-Induced Hearing Loss requirement that no employee's standard threshold shift will exceed 25 decibels from the baseline when averaged at 2 000, 3 000 and 4 000Hz in one or both ears. The standard threshold shift, a sensitivity marker used to identify early deterioration in hearing, guides the modification and enhancement of occupational noise controls to prevent progression in hearing loss.

All Harmony employees who are exposed to high noise levels are given personalised hearing protection devices, which reduce noise levels by 25 decibels.

However, a concerning trend noted in the past year was the greater number of employees compensated for noise-induced hearing loss - 80 cases were compensated in FY20 versus 62 in FY19. The Tshepong operations, Doornkop and Kusasalethu accounted for most of these cases.

One notable achievement, however, was the adoption of the tyre-deflation noise reduction simple leading practice. The Mining Industry Occupational Safety and Health (MOSH) adoption team trained each of our occupational hygienists and equipped them with the necessary knowledge and resources to drive implementation of this practice at our South African operations.

Managing underground temperatures - limiting heat stress

Extensive refrigeration and ventilation measures are in place at all operations where temperatures exceed normal working ranges. Heat-tolerance testing, acclimatisation programmes, and the provision of adequate hydration and support protect employees exposed to excessive heat in the workplace.

In FY20, 17 654 heat-tolerance tests were conducted with 78 cases of heat-related illness reported (FY19: 22 157 tests and 88 cases). The regression in the number of tests was largely due to the lockdown during the fourth quarter of the financial year. Most cases can be attributed to dehydration. Environmental working conditions are monitored continuously.

Radiation protection

Radiation levels and radiation exposure are monitored at all our South African operations. The dose limits are 50 millisievert a year and 100 millisievert over five years. All operations comply with these limits. Operational controls ensure that elevated monitoring results are investigated and corrected when necessary. Radiological clearances are conducted at decommissioned sites to ensure the future declassification of these areas.

Managing chronic diseases

HIV/Aids

HIV/Aids is one of South Africa's most severe and devastating health scourges. Despite the significant progress made in raising awareness and prevention, as well as the national roll-out of anti-retroviral therapy, the epidemic continues to significantly impact our employees and their dependants. What is of particular concern to Harmony is that, if left untreated, the disease can lead to higher levels of opportunistic co-infections, which results in increased absenteeism and reduced performance levels, loss of skills, greater economic burdens on family members, and sometimes death, more so during the Covid-19 pandemic.

However, motivating employees to confirm and/or disclose their HIV status, despite perceived stigma and confidentiality issues, remains a challenge. Initiatives such as positive behaviour programmes are pivotal in this regard. At our South African operations in FY20, 9 125 employees (FY19: 8 947) were identified as HIV-positive and 7 980 (FY19: 8 024) are on the HIV/Aids programme and receiving anti-retroviral therapy.

A notable milestone in our fight against the HIV/Aids epidemic in FY20 was the introduction of the drug Dolutegravir as part of our first line treatment regimen. This drug suppresses the HIV virus much faster and has fewer adverse side effects. Its roll-out to our HIV positive patients, which began in the first week of September 2019, is in line with the Department of Health's latest abridged HIV/Aids guidelines. To support the roll-out, all our clinicians, including doctors, nurses, pharmacists and social workers attended training on the new guidelines.

It is anticipated that the roll-out of Dolutegravir will greatly assist South Africa in achieving the United Nations Programme on HIV and Aids (UNAids) 90-90-90 targets. This is a global campaign to which Harmony has aligned its HIV/Aids programme.

The campaign seeks to achieve the following targets by the end of 2020:

	Target	Harmony status (South Africa)	
		FY20	FY19
90%	Of all people living with HIV will know their status	83%	82%
	Of all people with diagnosed HIV infection to receive sustained anti-retroviral therapy	85%	88%
	Of all people receiving anti-retroviral therapy to have viral suppression	71%	73%

Again, the Covid-19 pandemic has affected progress being made - for example, just prior to the start of the lockdown, 86% of people living with HIV knew their status. This, subsequently fell to 83% for the year on account of the fact that we had reduced access to a large percentage of our workforce.

Voluntary counselling and testing for HIV/Aids

Pre-test counselling and voluntary testing are offered to all employees through ongoing interventions at all Harmony healthcare hubs. In all, 45 005 (FY19: 38 737) employees received voluntary counselling and testing during the year and, of these, 42 804 (FY19: 31 869) confirmed their status.

Tuberculosis

Alongside HIV/Aids, tuberculosis (TB) is the other most pressing chronic disease concern confronting our healthcare team. More so given the fact that the TB incidence rate at our South African operations remains high compared with World Health Organization and national benchmarks.

To address this, we have resolved to proactively reduce the rate of TB incidence per 100 000 employees at our South African operations to below the national TB incidence level by December 2024. Harmony's TB control programme, which is aligned with the relevant guidelines and prescriptions of the World Health Organization, and with the National Strategic Plan to combat TB, focuses on contact tracing, comprehensive screening, testing, hospitalisation of infectious cases and a directly observed therapy short course. Additionally, we have implemented a TB prophylaxis programme in which 6 404 high-risk employees have been enrolled to date.

Of this number, 4 134 employees had completed the course by the end of FY20.

This programme is bearing fruit as the overall group TB incidence rate continued its downward trend in FY20 with a further reduction of 19% year on year. In FY20, 34 815 employees (including contractors), or 93% of the workforce, were screened for TB, exceeding the 90% target set by the Minister of Health (FY19: 37 666 and 99%). The lower numbers are due to the national lockdown in the last quarter of the financial year. A total of 101 cases of TB were certified in FY20 (FY19: 102).

Lifestyle diseases

Non-communicable chronic diseases, including hypertension, heart disease and diabetes, continue to pose a significant challenge for our employees.

Specific initiatives have been implemented to manage chronic diseases with particular focus on HIV/Aids, TB, diabetes and hypertension. In FY20, the percentage of employees at our South African operations with a chronic condition remained unchanged at 61%. Of the 19 294 employees diagnosed with chronic conditions, 33% have hypertension, 10% diabetes and 47% HIV/Aids.

Papua New Guinea

An analysis of our healthcare strategy in Papua New Guinea during FY20 follows a similar pattern to that in South Africa: while we maintained our focus on providing all the primary healthcare and occupational health surveillance needs for our employees and contractors in the first nine months of the financial year, in March 2020, we were compelled to shift our attention almost entirely to addressing the Covid-19 pandemic. Total expenditure on medical and healthcare in Papua New Guinea amounted to R18.849 million (PG34.118 million) in FY20 (FY19: R15.784 million; PGK3.733 million), this excludes the PGK9.8 million (R44.917 million) spent on managing Covid-19 (see below for more information).

Primary healthcare

In Papua New Guinea, all primary healthcare needs and occupational health surveillance are provided to our employees and contractors through medical centres situated at Hidden Valley and Wafi-Golpu. The medical centres are staffed by a team of full-time doctors and nurses who work on a site according to a 14-day roster. We use medical registers, which are stored on an online database, to track and review each patient's progress from their first visit through to final treatment. Our medical centres are equipped to deal with most work and non-work-related illnesses and diseases.

In all, 20 452 health examinations were conducted at our medical centres during FY20 (FY19: 17 601) of which 3 304 (FY19: 3 515) were random drug and alcohol tests.

Tuberculosis and HIV/Aids

Upper respiratory tract infections are our main medical concern in Papua New Guinea, a function of the humid climate. These infections include TB. To effectively manage this chronic disease, we have installed a digital X-ray machine, a polymerase chain reaction (PCR) machine and a medical laboratory to accurately diagnose TB and other tropical diseases. In FY20, 1 905 employees were treated for respiratory ailments (FY19: 2 191). The emphasis on hygiene - regular hand washing and the wearing of masks - in combating Covid-19 helped contribute to the decrease in upper respiratory infections.

In terms of HIV/Aids, 79 employees were voluntarily tested and given counselling during the year at Hidden Valley, compared to 70 individuals in FY19.

Occupational health - noise management

Given the use of large mining vehicles and earth moving equipment, Hidden Valley can be a particularly noisy environment. To mitigate this, we have implemented a programme for noise monitoring and we ensure that our employees wear the correct hearing protection devices at all times.

Lifestyle diseases and mental health

However, in FY20 it became evident that there is a rising trend in the number of employees and contractors suffering with lifestyle diseases. Chronic heart disease, hypertension and diabetes rank as the most common ailments. In addition, there has been a concerning rise in the number of mental-health related problems.

Malaria

Malaria is endemic in many parts of Papua New Guinea. While it does not necessarily affect the Hidden Valley operation itself, owing to its high altitude, it does pose a risk to employees, contractors and communities residing in the valleys below where the disease runs rampant. It is also a risk for our Wafi-Golpu employees and contractors.

In 2019, a total of 256 people were diagnosed with malaria, representing a 19% decrease compared to 2018. However, the vast majority of these patients experience only very mild symptoms. Our community health projects play a vital role in combatting the disease, particularly as it has a high mortality rate among young children.

Several malaria management programmes are in place in our communities at Wafi-Goplu. These include malaria awareness and education campaigns and the distribution of mosquito nets to households, particularly those with young children.

Community health initiatives

Ensuring the health and well-being of our communities is also a focus area for our healthcare team in Papua New Guinea. To this end, we run a community health outreach programme, which is led by our medical department and a health extension officer. Conditions endemic to our communities result in assessments and engagement with community health providers around obstetrics training, monitoring of upper respiratory health, malaria prevention, and working with the Papua New Guinea Department of Health on polio and cervical cancer vaccination programmes.

Other medical assistance we offer the community includes emergency transport and transfers to health centres in Bulolo and Lae. Harmony has also distributed hospital beds donated by Rotary Australia to four health facilities in the Hidden Valley area, and we contribute to power running costs at local hospitals' community agricultural programmes.

A particular focus of our community outreach programme in FY20 was a measles vaccination programme concentrating on employees and three of our host communities. While the programme was launched in the third quarter of the year under review, it had to be suspended owing to the outbreak of the Covid-19 pandemic.

Covid-19 in Papua New Guinea

The first case of Covid-19 was officially recorded in Papua New Guinea on 20 March 2020. In response, the Government declared a state of emergency, which took effect four days later. While the state of emergency was only supposed to be in place for 14 days, it was extended on a rolling basis until it was finally allowed to lapse on 16 June. A state emergency controller was subsequently appointed to protect the interests of Papua New Guinea in relation to the global pandemic and ensure international restrictions are still in place.

While Hidden Valley was placed under lockdown, it was allowed to continue operating during the Covid-19 state of emergency. All non-essential staff were removed from site and certain activities and expenditures curtailed to focus on safe, profitable operations during the pandemic. Protocols were developed to allow the safe movement of personnel to and from site during this period. The delivery of essential supplies to the mine also continued, with strict isolation control measures in place.

To ensure we continued operating in the safest possible manner, Harmony created a Covid-19 management plan and supporting Covid-19-related care and management plan. Additional workplace protection controls were implemented to ensure safe operations continued at Hidden Valley including the following:

- Preventative personal hygiene measures - regular hand washing and social distancing - accompanied by focused employee communication campaign
- Compulsory use of preventative personal protection equipment - face masks, gloves - in the workplace
- Compiled longer, fatigue-friendly work rosters to reduce the possibility of on-site exposure
- Regular temperature checks
- Sanitisation and cleaning of high-risk areas including transport
- Ongoing employee and community hygiene awareness campaigns
- Restricted overseas travel
- Removal from site of non-essential and high-risk personnel

The most successful measure, however, has been the national Covid-19 screening facilities in Wau, Bulolo, Lae and Port Moresby for all personnel entering Hidden Valley. All Hidden Valley employees and contractors have been required to present themselves for screening at any one of these sites before entering the site. These entry point facilities have been equipped with PCR machines specifically designed to test for Covid-19. This screening is a three-stage evaluation process:

- Stage 1 - questionnaire
- Stage 2 - rapid Covid-19 test
- Stage 3 - full clinical polymerase chain reaction test

Such consistent testing, in combination with our strictly enforced preventative measures, has meant that, as of the end of FY20, only one case of Covid-19 had been reported on our Papua New Guinea sites. So successful have these measures been that they will continue into FY21 and will remain in place for as long as the pandemic persists.

OUTLOOK

For both South Africa and Papua New Guinea, the focus for much of FY21 is expected to remain on managing the Covid-19 pandemic until a suitable vaccine is found and widely distributed. However, we will continue to prioritise our other healthcare initiatives, particularly those relating to occupational and lifestyle diseases.

EMPLOYEE RELATIONS

INCLUSIVE AND DIVERSE

The success of our business is ultimately determined by the productivity of our workforce - our human capital. It is only with the assistance of a motivated and productive workforce that we are able to deliver on our business strategy and facilitate the creation of sustained and shared value for all our stakeholders.

For this reason, we respect and value our human capital as one of our most important assets and strive to maintain a sound and trusting relationship with employees. Moreover, we have in place all necessary mechanisms to ensure our workforce is equipped with the right skills and knowledge required to achieve our strategic objectives.

Capitals affected:

Directly

- HUMAN CAPITAL

Indirectly

- SOCIAL AND RELATIONSHIP CAPITAL
- MANUFACTURED CAPITAL
- INTELLECTUAL CAPITAL
- FINANCIAL CAPITAL

Stakeholder/s affected:

Employees	Other stakeholders engaged include government and regulators

Strategic pillars:

- Responsible stewardship
- Operational excellence

Responsible committee:

Social and ethics committee

Related risks:

- Covid-19 pandemic – spread of infection and potential impact on business sustainability
- Failure to eliminate fatalities and improve safety performance

GRI Standards:

Prepared in accordance with: 102-41, 202-1, 202-2, 406-1, 401-1, 404-1, 404-2, 405-1 412-1, 412-2, 412-3 and MM4

OUR APPROACH TO EMPLOYEE RELATIONS

Our approach to employee relations is premised on the firm belief that each employee is critical to our business strategy and should be engaged with on a basis of mutual respect and trust. Moreover, we believe that each employee should be provided with the opportunity to develop to their full potential, so they are both motivated and productive in their work tasks. We provide training and development, promote fair labour practices for employees and contractors, and encourage local employment opportunities. Employee safety and well-being is also central to our approach to ensuring positive employee relations. For more details, see Safety and health.

Our approach to employee relations is geared towards:

- maintaining and upholding the principle of fairness and following our equity employment 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 continuously ensuring that local communities have preferential recruitment opportunities
- aiming to return benefits through our employee shareholder schemes in South Africa
- where Harmony is expanding its geographic footprint,
- ensuring that we respect the customs, traditions and needs of the local people
- ensuring freedom of association for all employees and recognising the value of organised labour to business improvement

GOVERNANCE

Our employment policies, procedures and practices take into account and comply with relevant labour legislation in South Africa and Papua New Guinea. They are also aligned with the guidelines of the International Labour Organization. Recruitment initiatives focus on local communities in both countries. All human resource procedures and policies, including remuneration and incentive schemes, are reviewed regularly.

Contributing to the SDGS:

Ensuring a stable, engaged and productive workforce is important in helping delivery on our strategic objectives. We aim to be a fair and responsible employer, promoting inclusivity and equality. Our human relations strategy contributes directly to SDGs 5 and 8, which target and promote gender equality, decent work and fair and responsible pay and benefits.

GENDER EQUALITY	DECENT WORK AND ECONOMIC GROWTH
• In recent years, gender equality has become an increasingly important aspect of our human resources policy • Gender diversity targets are in place and we are actively engaged in increasing the number of women employed across the company, at all levels. A particular focus is women in mining – in South Africa and increasingly in Papua New Guinea	• As a responsible employer, providing decent work includes ensuring that everything possible is done to safeguard employees, ensure that workplaces are safe and to prevent injury or harm so that employees return home, safe and well • Employees have the right to refuse to work when they consider a workplace unsafe • Training and other support are provided to encourage safe behaviour and conduct

For more information on our contribution to the SDGs, see *Our sustainable development framework.*

Our performance FY20

Key human resource metrics - FY20	South Africa	Papua New Guinea
Employee characteristics		
Total workforce	**37 343**	**2 371**
Historically disadvantaged persons* (South Africa) / local (Papua New Guinea)		
- Total workforce (%)	71	96
- Senior management (%)	55	**14
Female employees (%)	15	14
Employee turnover (%)	6	11
Employee remuneration		
Employee wages and benefits paid (Rm)	11 300	369
Ratio of minimum wage to average wage paid (%)	56	2.5
Training spend per employee (R)	12 910	16 708

** Includes women*
*** Harmony South-East Asia executive committee, excluding joint ventures and operations*

Workforce profile

Region	Permanent employees			Contractors			% of employees drawn from local communities		
	FY20	FY19	FY18	FY20	FY19	FY18	FY20	FY19	FY18
South Africa [1]	31 502	31 201	32 520	5 841	6 159	5 951	76	79	75
Papua New Guinea [2]	1 589	1 675	1 397	782	738	818	96	96	96
Harmony - total	**33 091**	**32 876**	**33 917**	**6 623**	**6 897**	**6 769**			

[1] *Includes all South African underground and surface operations*
[2] *Excludes employees of the Wafi-Golpu joint venture*

South Africa

In FY20, our South African workforce complement remained relatively consistent at 37 343 (FY19: 37 360). Of this number, 80% are South African nationals - 76% from local communities and 4% from the Eastern Cape. The remaining 20% are drawn from neighbouring countries, primarily Lesotho and Mozambique.

Employment equity and gender diversity

We have long been driven by the need to create and maintain a workforce that accurately represents the diversity of the South African population. Not only does this make us a good corporate citizen, in the South African context, it also ensures compliance with the employment equity targets of the Mining Charter. These targets, which have been a feature of South African business for more than two decades, are intended to facilitate the creation of workplaces that are more accurately representative of the broader demographics of South Africa. They are also aimed at redressing the historical legacies in employment, particularly at managerial levels, experienced by certain population groups and women.

To ensure compliance with the employment equity targets gazetted on 27 September 2018, Harmony implemented a range of initiatives to accelerate the representation of historically disadvantaged persons (HDPs) across the spectrum of managerial positions, and to ensure greater gender diversity in the business. These initiatives have born fruit as evidenced by an analysis of our year-on-year performance. HDP representation in all managerial positions increased except at executive management level. In FY20, HDP representation in management increased to 64% (FY19: 62%).

While we have made progress in meeting overall HDP managerial targets and, in some cases, have exceeded these targets, we made less headway in achieving our gender diversity objectives. By the end of FY20, 15% of our total workforce, including contractors, were women, which is unchanged from FY19.

The representation of women exceeded the Mining Charter targets at board, top and senior management levels, but under achieved at middle and junior management levels. However, collectively, the representation of women in management just meets the Charter targets, which presents the risk that, should we lose any of our female managers for some reason, we would fall short of the target. To mitigate this risk, we have drafted a five-year plan to substantially increase the representation of women at managerial level.

Harmony's efforts in supporting and driving gender equality have been internationally recognised with our continued inclusion in the 2020 Bloomberg Gender-Equality Index (GEI), which tracks the financial performance of public companies committed to supporting gender equality through policy development, representation and transparency.

The other area that still requires considerable improvement, is the employment of people with disabilities. In FY20, employees with disabilities accounted for 0.4% of the workforce, falling far below the 1.5% target stipulated. However, the nature of our operations and challenging working environments have added complexity to achieving the target. An external consultant has been engaged to assist in the definition of disabilities in the workplace so that we are better placed to implement initiatives to ensure that we make progress in meeting this target in FY21.

Gender-based violence campaign

The abuse of women and children is one of the most prominent scourges confronting South African society today. While gender-based violence is not a notable problem within Harmony itself, we do believe it to be our moral obligation to support the country's fight to address this social evil. It is against that backdrop that, we launched an employee awareness campaign on gender-based violence in June 2020. Anti-gender-based violence messaging was conveyed through printed posters, videos and verbal discussion, particularly in our induction programme. In FY21, Harmony plans to survey all employees and to host online sessions with women in mining forums at all operations to gather feedback on the impact of this campaign and to determine areas of improvement.

Mining Charter III: employment equity performance by category as at end June 2020

	Historically disadvantaged persons [1]			Women		
Occupation category	**Target (%)**	**Actual (%) FY19**	**Actual (%) FY20**	**Target (%)**	**Actual (%) FY19**	**Actual (%) FY20**
Board	50	65	**67**	20	24	**28**
Executive management	50	58	**50**	20	32	**25**
Senior management	60	52	**55**	25	28	**29**
Middle management	60	52	**53**	25	23	**23**
Junior management	70	63	**65**	30	17	**18**
Core and critical skills	60	68	**70**	N/A	N/A	N/**A**
Persons with disabilities	1.5	0.4	**0.4**	N/A	N/A	**N/A**

[1] *Historically disadvantaged persons include women and exclude white males and foreign nationals*

Impact of Covid-19 in South Africa

The spread of the Covid-19 pandemic to South Africa in March 2020 had a significant impact on our business, not least from a labour profile perspective. Level 5 of the nationwide lockdown that was implemented on 26 March and endured until 16 April compelled the suspension of all mining and processing activities. Only emergency services, and care and maintenance staff were allowed to continue working. This meant that most of our employees had to return to their homes until we could resume operations.

In May 2020, as part of the phased reopening of the economy, the mining industry was permitted to operate at a reduced capacity of not more than 50%; and in June, the industry was permitted to resume operating at 100% capacity. However, the ramp-up was hampered by bottlenecks in the official permitting process that was required to allow our employees to travel inter-provincially to return to work. The ramp-up was further inhibited by the Covid-19 preventative measures, which required all our returning employees to be quarantined for 14 days before they could rejoin the workforce.

The greatest challenge brought about by the state of disaster and national lockdown, however, was the absence of our 5 000-strong foreign miner complement. The closure of South Africa's borders meant that our foreign miners who had been compelled to return home when lockdown level 5 was imposed were unable to re-enter the country and return to work. Most of our foreign miners - the majority of whom are from Lesotho and Mozambique - are highly-skilled and their absence of these skills had a noticeable impact on our operations. At the time of writing, most of our foreign miner complement had returned safely to work.

Such has been the impact on our labour force that, during the last quarter the financial year, Doornkop, Joel, Kusasalethu, Masimong, Moab Khotsong, Tshepong and Unisel operated with less than 50% of their workforce complement. Moab Khotsong was the most impacted having just 40% of its workforce on site in the last quarter. More significantly, given the disruptions to our operations, particularly with our foreign employees prevented from returning to work, and our local employees having to isolate and quarantine before resuming their posts, all of our existing mining teams had to be broken up and 700 new mining crews were formed across all of our operations. Each of these new mining crews were assigned new supervisors and new working places, all while we made every effort to manage all safety hazards.

Papua New Guinea

There was a marginal decrease in the total employee complement to 2 371 (FY19: 2 413). Currently, 96% of employees at the Hidden Valley operation are local, drawn from Hidden Valley's host communities, with the remaining 4% being foreign nationals. In this regard, we are in line with Prime Minister James Marape's aim to increase the employment of Papua New Guineans, particularly in the mining sector. For many years, we have focused our efforts on attracting and retaining locally-recruited employees, particularly landowners and citizens, and we will certainly maintain this momentum going forward.

Gender diversity

The proportion of women making up our employee complement remained steady at 14% in FY20. At management level, 5% are women. Promoting the employment of women was a particular focus at Hidden Valley in the past year, and a concerted drive was to employ, train and develop women as haul truck operators, and by year end, 25% were women, with 46% of the operators of some of the smaller haul trucks being women. To accommodate more female employees, we are providing additional, gender-specific accommodation and running awareness campaigns to promote gender equality and combat gender-based violence.

Our target is to ultimately employ equal numbers of men and women. The progress made in increasing the number of female truck operators has been good despite an entrenched patriarchy in the Papua New Guinean culture, with most men believing a woman's place is at home. This has certainly posed a challenge for us as a business, but there are signs of incremental change and a growing acceptance of female colleagues at Hidden Valley.

Skills development and learning

Skills development, training and talent management are about far more than providing opportunities to employees to achieve their full skills potential. They are a social and business imperative to address dire skills shortages and to address legacies of absent or skewed educational and training opportunities.

All employee training and skills development programmes are aligned with Harmony's strategic and operational needs. They are designed to enable our employees to acquire the necessary skills, resources and motivation to ensure optimum performance and productivity.

South Africa

In the South African context, Harmony is required, as per the stipulations of Mining Charter III, to spend 5% of our total annual payroll on the essential skills development of employee and communities. Regrettably, we were compelled to place most of our training and development initiatives on hold in March, owing to the impact of Covid-19, and so were unable to fulfil all our commitments for FY20. This, in turn, has meant we have fallen short of meeting the Charter targets for FY20.

All incomplete training programmes have been postponed to FY21.

In FY20, 95% (FY19: 93%) of our South African workforce attended training and skills development, amounting to R458 million or US$29 million (FY19: R484 million or US$34 million). This included South African-based research and development initiatives in exploration, mining, processing, technology efficiency, beneficiation and environmental conservation. A further 81 (FY19: 109) individuals employed in critical positions attended training.

Impact of Covid-19 in Papua New Guinea

The impact of the Covid-19 global pandemic wrought considerable change to our working conditions and operating structure at Hidden Valley. The initial lockdown was for six weeks. The first case of Covid-19 in the country was an employee, who was tested within the country and then flown out. Immediate measures were taken to address the possible spread of the disease and the fear and anxiety caused. We began an employee education campaign and contract tracing, which returned negative test results, and management and the employees representative committee working closely together. The measures taken were successful in preventing the spread of the disease on site and protecting employees. See Safety and health for further information on the measures taken.

Operationally, to effectively manage the impacts of the pandemic, we amended the site rosters for Hidden Valley. Local employees were placed on a six week on, three weeks-off roster, while our international employees were moved to an eight weeks on, four weeks off roster. Both rosters were designed to include time for necessary screening and quarantining before arrival at the mine site (prior to the pandemic, most employees worked according to a 14-day roster with seven days on and seven days off).

This change was implemented with a high level of acceptance among employees. However, there is understanding that such long shifts will place strain on our employees, as a result of fatigue and longer periods away from home. We have put in place several initiatives to mitigate the inevitable fatigue and mental strain, including internal breaks during the week and the construction of a baseball field for some leisure activity on site.

The various training and skills development programmes conducted by our South Africa operations are summarised below:

Leadership development	Initiated in FY18, the leadership development competency framework is part of the initiative to improve organisational efficiency and innovation and includes training and development programmes aimed at improving leadership effectiveness across all levels, from supervisory to executive level. The total intake for this programme for calendar year 2020 had been an anticipated 330 employees. While 90 employees enrolled in February, the remaining 240 enrolments were deferred on the announcement of the Covid-19-related national lockdown. A breakdown of the management categories who participated is as follows: • Senior and executive - 3 • Middle and senior - 12 • Emerging and junior - 29 • Team leadership and supervisory - 46 It is anticipated that these employees will complete their training between October and December 2020. New intakes were anticipated to resume in January 2021.
Engineering training	There are 255 engineering-focused learners in all, with strong HDP representation, in our training development pipeline. Of these, 218 of these learners were still active in the programme in FY20. In addition, seven junior engineers and one certificated engineer are in training at various phases of the development pipeline.
Mining training	In FY20, 39 learner miners successfully passed the blasting board exams and were assigned to various production roles. The Department of Mineral Resources and Energy has been unable to conduct examinations since the end of February 2020. Our mining training programme was similarly impacted by Covid-19. When training was suspended at the end of March 2020, the 83 new learner miners who had enrolled at our Welkom Education Training And Development Centre and the Vaal River Gateway training centres were recalled to their respective operations until training could be resumed. Legal and initial training in production support continues on the operations with Covid-19 protocols in place.
Adult education and training	Following the strategic review on the phasing out of adult education training level 4 of our full-time adult education and training programme, there has been an increase in own-time and part-time learning registrations, from 57 in 2019 to 98 in 2020, an increase of 72%. Full-time classes are still offered at pre-adult education training up to level 3 with 117 registrations in all. The average pass rate improved to 73%, from 65% reported for FY19. However, current learner examinations have been put on hold due to the national lockdown and have been rescheduled for September 2020. Discretionary grants allocated by the Mining Qualifications Authority (MQA) for adult education training for the year ended 30 June 2020 amounted to R1.3 million.

Bursary programme	On completion of their studies, student bursars can apply for Harmony's graduate development bursary programme. In all, 73 bursaries (FY19: 81) were awarded to students studying at tertiary institutions, with 14 of these being for core disciplines and the remainder for non-core discipline bursaries. Ten of the 73 bursaries were awarded to the Free State Top 100 achievers which exceeded our normal bursary allocations. The majority (97%) of the bursaries were awarded to students from host communities. Currently, online contact sessions are being conducted with bursar students to offer support and encouragement during these unprecedented times and they are completing online assessments instead of actual written examinations at the various institutions. Results will only be available in the next quarter to track the pass rate.
Mathematics, science and language enhancement project	In recognition of the need for learners to achieve excellent results in mathematics and physical science, and the important role teachers play, Harmony has pioneered various initiatives since 2010. In FY20, R2 million was allocated to the Welkom Department of Education District's mathematics and science intervention programme. This is in addition to the current mathematics and science school projects, underway at Matlosana and Moqhaka, that Harmony supports. This is a three-year learner support programme aimed at accelerating the mathematics and science performance of grade 10, 11 and 12 learners in township and rural areas to enable them to qualify for careers in the spheres of professional science, technology, engineering and mathematics. These learners attend extra mathematics and science tuition on Fridays (after school), Saturdays, Sundays and public holidays and during the school holidays as well. A total of 80 (40 Matlosana and 40 Moqhaka) grade 12 learners are registered.
Graduate development programme	In order to ensure alignment of current talent development plans with future leadership needs, Harmony has committed to providing a graduate development programme for sponsored bursars studying in the fields of mining, surveying and geology. Six graduates, of whom four were women, participated in the programme in the 2019 calendar year.
Study assistance programme	In FY20, Harmony provided R1.7 million in study assistance to support 102 employees undertaking various courses, diplomas and degrees.
Social plan programme	We continue to provide alternative skills training to employees, current and retrenched, through our social plan programme, which was facilitated by the framework agreement between Harmony and NUM in 2003. This training enables people to remain economically active beyond mining, cushioning the economic impact of unavoidable retrenchments or the loss of employment when mines reach the end of their lives.

Addressing employee over-indebtedness

Financial over-indebtedness is, unfortunately, a burden born by many of our employees at our South African operations. It is a personal stress that has the potential to cause mental strain and impact productivity. Since 2013, Harmony has provided a financial literacy programme for our employees, focusing in the main on lower categories (semi-skilled and skilled employees), to enable them to better manage their personal finances.

While the programme was suspended in the last quarter of the financial year, owing to the national lockdown, we were able to successfully train 1 131 employees in FY20. This brings the total number of employees to 23 989, or 76% of the workforce, who have attended financial counselling since the inception of the programme (FY19: 23 181). Harmony spent approximately R3.5 million on this programme in FY20.

The process to verify all new emolument attachment orders (garnishee orders) before processing them through payroll has also yielded favourable results for employees and the company. In FY20, 144 emolument attachment orders were assessed, and 138 employees accounts were restructured resulting in monthly instalment reductions of R154 000. It also helped to facilitate a R53 000 per month debt write-off by creditors and to-date, removed negative listings from the credit bureaus amounting to R308 425. This improved the credit rating of employees and allowed them to qualify for mortgages and vehicle financing. The total number of employee with garnishee orders had declined to 1 386 by the end of FY20.

Papua New Guinea

The sustained underinvestment in technical training facilities in Papua New Guinea, dating back to the 1970s, has resulted in a considerable dearth of adequate technical skills, particularly those needed for the mining sector. As a result, our workforce training initiatives there predominantly focus on providing local recruits with the necessary skills required for our Hidden Valley operation. They also focus on career path training to advance the skills set of all our employees.

In FY20, 1 570 employees in Papua New Guinea attended training and skills development, amounting to R24 million (US$2 million).

Owing to the impact of Covid-19, we were compelled to suspend all close-contact-type training activities.

Our training initiatives encompass the areas of:

- career path development
- production
- safety compliance
- National Training Accreditation Council compliance
- professional development
- computer software
- supervisor development

Our communities - training and development

Investing in community skills development is a key aspect of our socio-economic development approach and of leaving a positive and lasting legacy in our communities. Considerable time and effort is dedicated to identifying community members who could benefit from bursaries, work experience, internships and learnerships. Priority is given to students residing in our host communities.

Our community skills development initiative is aimed at upskilling members of the community surrounding our operations. It creates a pool of trained community members who can be called on to fill appropriate vacancies at our operations.

The Welkom community training initiative was launched in FY18. The first intake of 60 youths from local communities have all been transferred to various Free State operations for the competence portion of initial training. In FY19, 147 youths were trained, with 97% (143) taking up permanent mining positions at our Free State various operations.. In FY20, 60 learners were enrolled. The programme will be completed once training has been resumed. A similar programme was conducted in Matlosana (Moab Khotsong), where 98 youths were trained in FY19.

Freedom of association, labour disputes and strikes

All our employees and contractors have the right to freedom of association, and we strive for honest, two-way discussion. In fact, Harmony recognises the value organised labour elicits on improving our business. The employee relations policy framework formalising labour union organisational recognition rights at each operation was implemented in FY19. This is only applicable to our South African operations as there is no union representation in Papua New Guinea.

South Africa

At our South African operations, Harmony recognises five labour unions with representation in FY20 as follows: NUM 58% (FY19: 58%), AMCU 23% (FY19: 24%), UASA 5% (FY19: 6%), Solidarity 3% (FY19: 3%) and NUMSA 5% (FY19: 4%). Some 6% (FY19: 5%) of employees did not belong to a union. Our multi-union environment promotes co-existence, inclusion and collaboration.

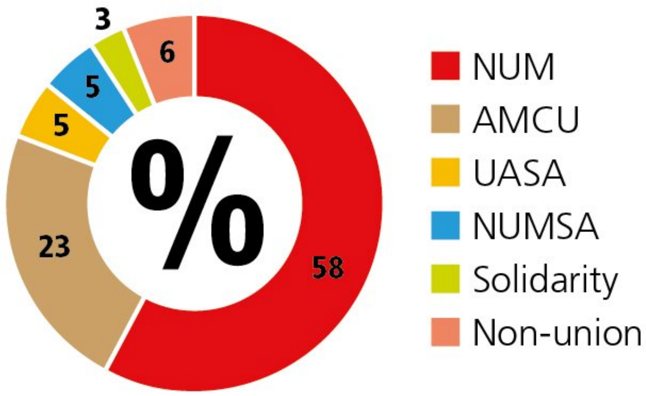
Engagement with unions

Our engagement with organised labour is undertaken with a view to maintaining peace and stability in our operations at all times. To mitigate the risk of labour disputes, we engage frequently with organised labour at mine and management level, in addition to direct engagement with employees. We are proactive in addressing employee and union queries through established structures and processes. In addition to quarterly regional meetings with unions, we also encourage proactive and robust engagement to address particular issues.

As communication is ongoing at all levels, we are in daily contact with full-time stewards through our general managers and human resources leaders who interact regularly at union branch level and with shaft committees. Our regional managers hold regular meetings with regional union structures.

A notable feature of FY20 was that it was a year with no strikes. There were 145 disputes referred in FY20, of which 29 were found in favour of the applicant.

SOUTH AFRICA: UNION REPRESENTATION
as at 30 June 2020



Papua New Guinea

We engage continuously with all stakeholders, including employees, contractors, and national, provincial and local government, as well as landowners and regulators.

There are no active unions at Hidden Valley where industrial relations is currently overseen by an employee representative committee. Wage increases are agreed by way of consultation with workers through a joint forum of management and the employee representative committee.

Engagement during the Covid-19 pandemic

It is a testament to the strength and maturity of the relationship we have built and maintained with our individual trade unions over the years that the employee relations environment remained stable in spite of the immense challenges resulting from the Covid-19 pandemic and associated national lockdown. Moreover, Harmony reaped the benefits of its honest and open trade union relationships during this period.

We established a central Covid-response team to manage our engagement with the unions during the national lockdown. Throughout the national lockdown, this team engaged with the unions and ensured they were actively involved in all the decision making that would significantly impact our employees. This included all aspects relating to the safe transportation, accommodation during isolation and quarantine, wage remuneration, and safe operating procedures on the mines.

Employee benefits in South Africa

We have a range of benefits available to our workforce in South Africa. For details on these benefits, see the Remuneration report.

Employee Share Ownership Scheme

In February 2019, Harmony launched the Sisonke employee share ownership scheme (ESOP) - "Sisonke" being the isiXhosa word for "we are together". The scheme applies to approximately 30 700 non-managerial employees. Under the scheme, 6.7 million ordinary shares were issued to the Sisonke ESOP Trust with 225 participation units given to each eligible employee. The units will vest after three years (in 2022) and will convert into shares, which will then be sold and paid out to each beneficiary together with any dividends accumulated since allocation.

Promoting home ownership

Our housing and living strategy aims to promote home ownership. In order to assist some of our employees in buying their own homes, Harmony is selling company-owned properties to employees at prices below market value. During FY20, 109 company properties were purchased by employees: 32 of these have been registered and 77 are awaiting registration at the deeds office. To further facilitate home ownership, the company participates in and supports the pension-backed home loan scheme negotiated for the industry by the Minerals Council. The number of employees participating in the scheme in FY20 was 262 (FY19: 1 110).

Accommodation and living conditions

We recognise that the provision of adequate housing and the facilitation of improved living conditions is a basic constitutional right and one of the pillars upon which human dignity rests. Mining Charter III reiterates the requirement for mining right holders to improve housing and living conditions for mineworkers and ensure that accommodation is in line with the Housing and Living Conditions Standard for the Mining and Minerals Industry.

We have achieved the target of accommodating all our employees residing in hostels in single rooms. There were 7 719 employees and 19 contractors residing in Harmony hostels in FY20, and 3 828 employees were residing in company-owned houses with their families. A total of R702 million was paid to employees residing off company premises in the form of a living out allowance.

Impact of Covid-19 pandemic on wages and salaries

The Covid-19 pandemic has had an unprecedented impact on our society and economy, both in South Africa and in Papua New Guinea. Along with every other business, Harmony faced the very difficult task of sustaining itself in a severely disrupted business environment, including the compulsory suspension of business operations, either partial or absolute, across all operations. In the face of these challenges, Harmony was resolute in maintaining transparency with our employees, particularly in terms of wage remuneration.

In South Africa, different pay arrangements were negotiated and agreed to by organised labour for the period between April and end June 2020. These arrangements included:

- Paying employees at home on special leave their full salaries for April on the basis that those who had not been able to work as a result of the lockdown would work back 12 days and use six days of their annual leave
- Paying between 30% and 50% of basic pay to employees who were not required to work owing to the lockdown restrictions in place during May and June
- That the 2020 Christmas break discussions be re-opened with a view to substantially shortening this break to the duration of the Christmas long weekend

The payment of the living out allowance, pension/provident fund top up to 100% and the payment of employees' medical aid premiums remained in place for the May and June salary months.

In addition to this, Harmony also made an application on behalf of all employees to the Unemployment Insurance Fund (UIF) for the Temporary Employees/Employers Relief Scheme (TERS) for the months of May through to August. To date the payment for May has been received. The applications submitted on behalf of our foreign national employees had not, at the time of writing, been processed and Harmony is in daily contact with the fund, either directly or via the Minerals Council.

Human rights

Respect for human rights is entrenched in and underpins our values. While we uphold the United Nations' Global Compact's principles on human rights and labour, human rights are specifically catered for in our human resource policies, charters and contracts of engagement. The human resources function and community engagement managers closely monitor our human rights performance at operational level.

OUTLOOK FY21

Our employee relations will continue to focus on managing the impact and fall-out of the Covid-19 epidemic and improving our gender diversity profile.

In South Africa:

- The next round of gold mining sector wage negotiations for the three-year period beginning July 2021 is due to begin in October 2020
- Focus on meeting Mining Charter III targets on HDP and female representation

In Papua New Guinea:

We will continue to work towards improving gender diversity and working conditions for female employees. Our self-determined targets for FY21 are:

- Female representation of at least 17%
- At least 70% of employees to be based in Morobe Province
- More than 45% of lower management and superintendent level employees to be citizens of Papua New Guinea
- More than 44% of tier 1 and 2 employees to come from local communities

DELIVERING PROFITABLE OUNCES

OPERATIONAL PERFORMANCE

Operational excellence is one of the four strategic pillars upon which Harmony has built its business and which is vital to delivering on our strategy - to create value by operating safely and sustainably, and by growing our margins. In striving to maintain operational excellence we prioritise safety, ensure strict cost control and management of grades mined and encourage disciplined mining to improve productivity and efficiencies.

Capitals affected:

Directly
- MANUFACTURED CAPITAL
- HUMAN CAPITAL
- INTELLECTUAL CAPITAL

Indirectly
- FINANCIAL CAPITAL
- SOCIAL AND RELATIONSHIP CAPITAL
- INTELLECTUAL CAPITAL

Stakeholder/s affected:

Employees	Investors, various levels of government and regulators	Communities

Strategic pillars:

- Responsible stewardship
- Operational excellence
- Cash certainty
- Effective capital allocation

Responsible committee:

- Technical committee
- Social and ethics committee

Related risks:

- Covid-19 pandemic – its spread and impact on business
- Failure to eliminate fatalities and improve safety performance
- Depleting Ore Reserve base
- Increasing costs and declining margins
- Failure to achieve our operational objectives
- Supply insecurity, rising cost and continued use of fossil fuel-generated power in South Africa
- Divergent gold price and foreign exchange fluctuations (from plan)
- Ore Reserve/mining inflexibility

Our approach

Our approach to improved operational performance is driven by our commitment to operational excellence and to ensuring safe, consistent, predictable and profitable production. We aim to create an enabling and safe environment for delivery on our operational plans, reduced unit costs and improved productivity so as to maximise the generation of free cash flow. Operational excellence is central to generating cash flow.

Key focus areas of our operational excellence programme include:

Safety and health	Infrastructure maintenance
-Journey to proactive safety -Agile response to Covid-19 pandemic -Risk management and focus on critical controls	Fewer unplanned stoppages
Grade management and mining flexibility	Cost management
-Limit mining below cut-off grade -Incorporating flexibility into our mining plans	-Focused cost management and project delivery -Improved productivity
Capital allocation	Environmental and social management
Prioritised and focused capital allocation for growth and to sustain the business	-Sustainable and responsible environmental stewardship -Community engagement and social upliftment

Safety and operational risk management

Managing safety risks: Safety is a key material risk for Harmony. Thus, ensuring safe production, preventing loss of life incidents and embedding a proactive safety culture across all of our operations is imperative. We have adopted global best practice safety standards, a four-layered risk management based approach, implemented modernised safety systems, and intensified our focus on leadership development and training to address behaviour to achieve our goal of ensuring that each employee safely returns home every day. See *Safety and health* for further details on our safety performance and management.

Managing operational risks: Operational risk management is an integral feature of our business and operating strategy. It entails managing risks effectively while working in a productive way. Our risk-based approach helps ensure that all supporting systems are functioning efficiently. Safety hazards and operational business risks are identified and dealt with continuously at each of our operations.

Harmony's top three operational risks are:

- The spread of the Covid-19 infection and its potential impact on our employees and business sustainability
- Failure to eliminate loss of life incidents and improve safety performance
- Depleting ore reserve base

Our performance FY20

Harmony's operational performance in FY20 cannot be discussed without reference to the Covid-19 global pandemic. While the pandemic and the associated national lockdowns in South Africa only fully affected our operations during the fourth quarter, such was the profound and unprecedented impact of this event that it affected every sphere of our business and limited our normal operating capacity.

For a period of five weeks from 26 March to 30 April, we were compelled to almost entirely suspend our operations to comply with the stipulations of the Level 5 lockdown in South Africa, with only care and maintenance, essential services, surface operations and open-pit mining activities being permitted. On 1 May, South Africa moved from Level 5 to level 4, which effectively allowed underground mines to operate at 50% of our labour capacity, and from 1 June we were permitted to ramp-up to 100% production.

However, the ramp-ups that were permitted from early May were, in themselves, severely hampered by several factors, not least of which was the disruptions to our supply chains, a change in operating procedures to accommodate necessary Covid-preventative measures, the compulsory quarantining of our employees before they were allowed back on site, the isolation of those employees who did contract Covid-19, and delays in the return of our foreign employees - numbering some 5 000 highly-skilled miners - to travel cross-border to re-enter South Africa and return to work. Given these challenges, we were only able to return to 100% production by the end of August 2020.

Our operations in South Africa were also impacted by scheduled power interruptions in December 2019, when Eskom declared an unprecedented level 6 load-shedding on 9 December 2019. Electricity consumption was reduced to levels required only for the maintenance of emergency services. The resulting loss of production was estimated at 2 572oz to 2 893oz (80kg to 90kg). The Covid-related lockdown was compounded by further intermittent load shedding. The unreliability of electricity supply, together with its cost - now close to 16% of total costs - is a continuing concern and we are taking steps to mitigate the situation - see *Environmental management and stewardship*. Total production lost in South Africa owing to load-shedding and the national Covid lockdown is estimated at 160 432oz (4 990kg).

While our Hidden Valley operation in Papua New Guinea was not as severely impacted by the Covid-19 pandemic and associated lockdowns as was the case in South Africa, production was also affected by adjusted operating procedures (especially as it related to personnel who were subject to fly-in-fly-out arrangements and who could not be on site or who were not able to leave the site due to Covid-19 restrictions).

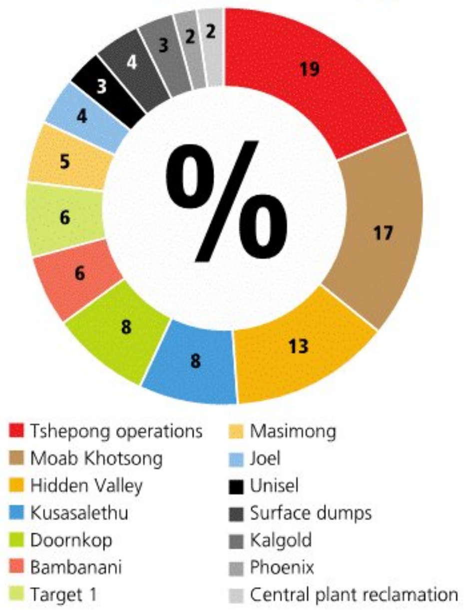
The combination of these factors inevitably resulted in a far lower rate of production for the fourth quarter. Consequently, group production for FY20 decreased by 15% to 1.22Moz of gold and gold equivalents (FY19: 1.44Moz). Aside from the effects of the Covid-19 pandemic, production was also affected by a marginal decrease in the underground grade mined from 5.59g/t in FY19 to 5.45g/t in FY20. That regression was primarily due to geological challenges and seismicity at Kusasalethu. Conversely, surface operations posted a 3.9% improvement in grade to 0.267g/t (FY19: 0.257g/t).

The impact of lower production resulted in an 18% increase in all-in sustaining costs to R651 356/kg (US$1 293/oz) (FY19: R550 005/kg; US$1 207/oz).

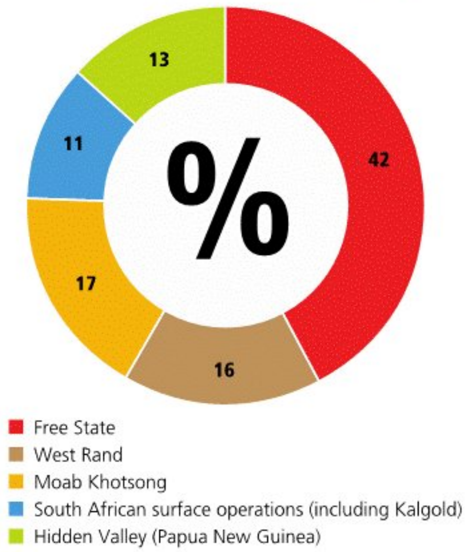
However, lower production was countered by the significant rise in the gold price as investors sought a safe haven in gold in the wake of the pandemic and a rise in geopolitical tensions. The average gold price received for our product in FY20 rose by 25% to R735 569/kg (US$1 461/oz) compared to R586 653/kg (US$1 287/oz) the previous year. This resulted in a production profit of R7 197 million (US$459 million), representing an annual increase of 9% (FY19: R6 588 million; US$465 million).

Total capital expenditure was similarly impacted by the national lockdown and the phased start-up of operations which resulted in a decline in expenditure of 24% to R3 553 million (FY19: 4 687 million). Capital spend on development and growth projects in particular was cut back during the fourth quarter of FY20. To redress this, more capital has been allocated towards development in FY21 to ensure that sufficient panels are available to mine.

Contribution to group production by operation



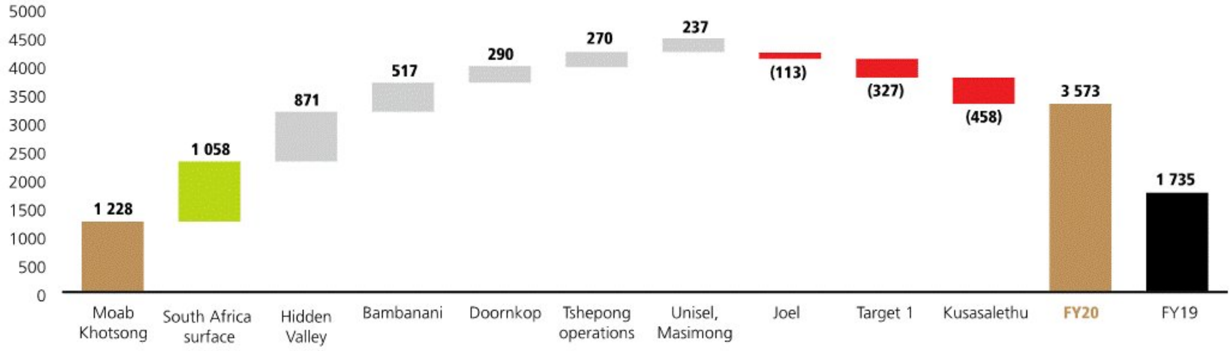
Contribution to group production by region



Operating free cash flow

Despite the challenges, Harmony remained focused on generating operating free cash flow in FY20. Operating free cash flow increased by more than 100% to R3.6 billion (FY19: R1.7 billion), mainly due to the 25% surge in the average gold price received. Similarly, the operating free cash flow margin increased to 13% (FY19: 7%).

FY20 OPERATING FREE CASH FLOW* (R million)



* *Operating free cash flow = Revenue – cash operating cost – capital expenditure +/- impact of run of mine (ROM) costs as per operating results*

FY21 Outlook

Given the extreme uncertainty that surrounds the Covid-19 pandemic, its expected duration and the associated socio-economic impacts, it is with some degree of caution that we look towards FY21, particularly from an operational perspective. Having said that, in the next financial year (FY21), we plan to produce approximately 1.26Moz to 1.30Moz of gold at an all-in sustaining unit cost of between R690 000/kg to R710 000/kg.

The acquisition of Mponeng and Mine Waste Solutions, which was finalised at the end of September 2020, will contribute positively to production and revenue in FY21. Mponeng is situated close to our Kusasalethu mine in the

West Witwatersrand (West Wits) region. While each of these operations has its own treatment plant, there are possible synergies regarding surface retreatment that can be explored. The mine dumps at Deelkraal, Savuka and Kusasalethu are all in the same region and will provide extra ounces for the group with the increased processing capacity. In addition, Harmony acquired an additional processing plant - the Kopanang plant - which can be used specifically to treat surface sources.

The acquisition of these various assets will help offset the closure of Unisel and the expected decline in production at Masimong and Bambanani as these operations near the end of their operating lives.

Looking ahead, we have a number of growth opportunities. We have applied for the life-of-mine extension at Hidden Valley, begun mining the Great Noligwa shaft pillar and almost completed the Zaaiplaats project feasibility study.

Exploration drilling at Kalgold has yielded favourable results and that operation has the potential to be further expanded. We are also drilling in the vicinity of Target North, situated on the Witwatersrand Basin.

Key focus areas and actions FY21:

- Continue our journey of embedding a proactive safety culture
- Ensure that we meet our operational plans and generate free cash flow
- Integrate Mponeng and Mine Waste Solutions and create synergies in the West Wits region that will unlock value
- Pursue organic brownfields growth strategy
- Continue to drive down unit costs by improving our safety performance, delivering on our production plans, and increasing the productivity of our mining teams

See overleaf for graphs illustrating forecast group growth capital expenditure to FY23 and capital expenditure by operation for FY21.

FY21 production and capital guidance*

	Production	Capital expenditure [1,2]		Life of mine
Operation	**(oz)**	**(Rm)**	**(US$m)**	**(years)**
Tshepong operations	248 600 - 256 400	1 174	76	20
Moab Khotsong	220 500 - 227 500	746	48	8
Bambanani	67 900 - 70 100	72	5	3
Doornkop	112 700 - 116 300	476	31	16
Joel	51 700 - 53 300	178	11	10
Target 1	80 700 - 83 300	443	28	7
Kusasalethu	123 000 - 127 000	262	17	4
Masimong	62 500 - 64 500	41	3	1.5
Underground operations - total [3]	**967 600 - 998 400**	**3 392**	**219**	
South African surface operations (tailings and waste rock dumps)	80 700 - 83 300	181	11	14+
Kalgold	39 400 - 40 600	54	4	13
Hidden Valley [4]	172 300 - 177 700	1 376	88	4
Total	**~1.260 - 1.300Moz**	**5 003**	**322**	

1 Excludes Wafi-Golpu

2 At an exchange rate of R15.55/US$

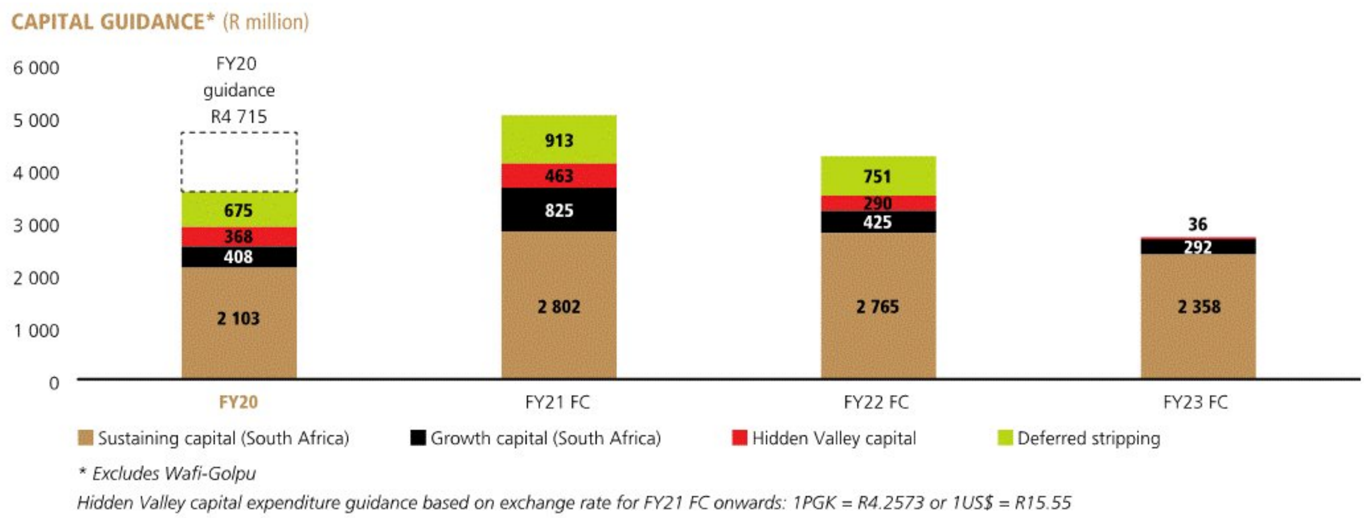
3 At an underground recovered grade of ~5.47g/t to 5.53g/t

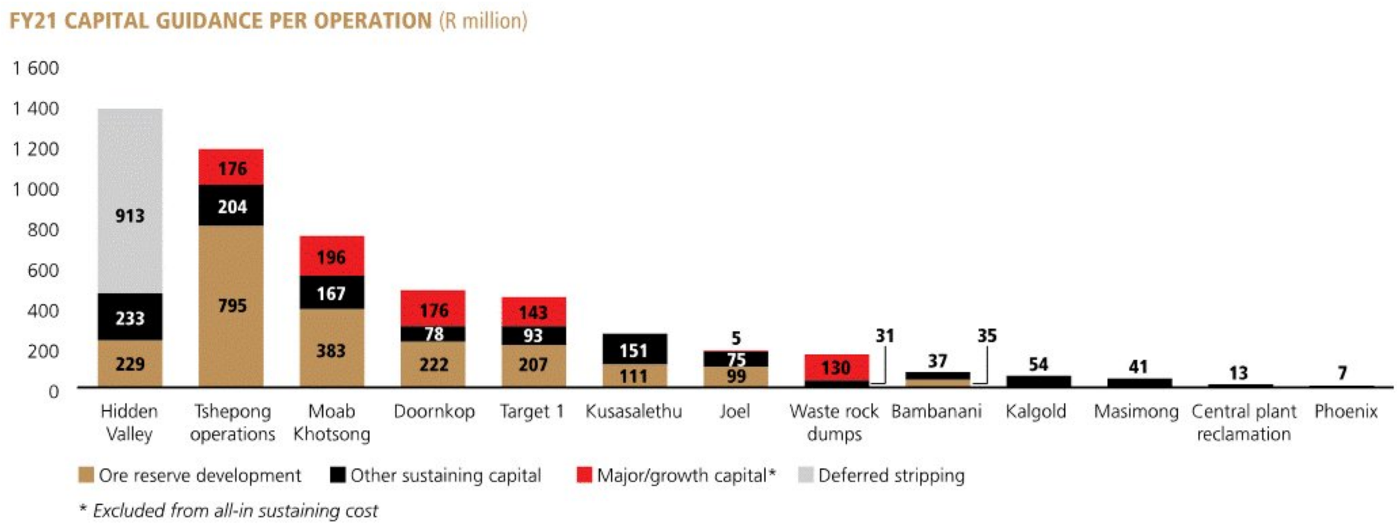
4 Includes deferred stripping

* Guidance on Mponeng and Mine Waste Solutions will be shared in February 2021, once the assets have been integrated into our portfolio

Forecast capital expenditure to FY23 and capital expenditure by operation for FY21

In rands:





Performance by operation

South Africa - underground operations

When reviewing the individual performance of our operations, one should bear in mind the profound impact the Covid-19 pandemic had on our business. While the pandemic and the associated national lockdowns only fully affected our operations during the fourth quarter, such was the significant and unprecedented impact of this event that it affected every sphere of our business. Capital expenditure was also reduced during the last quarter. It is for this reason that the prioritisation of development will be critical in FY21 to ensure available stoping areas.

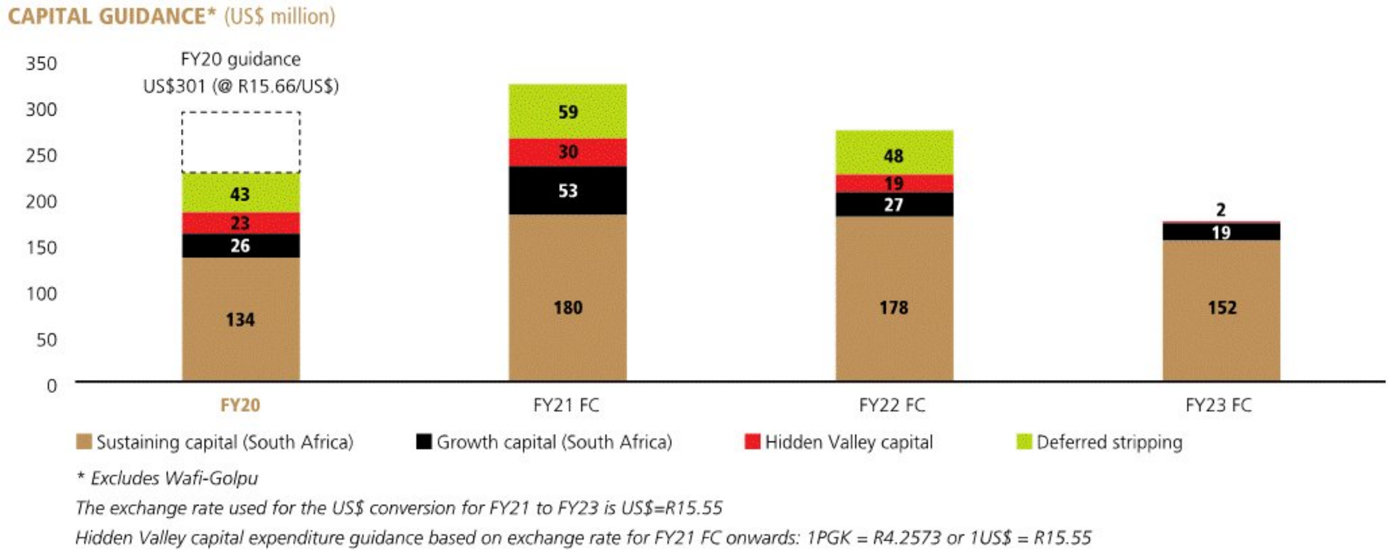
South Africa - surface operations

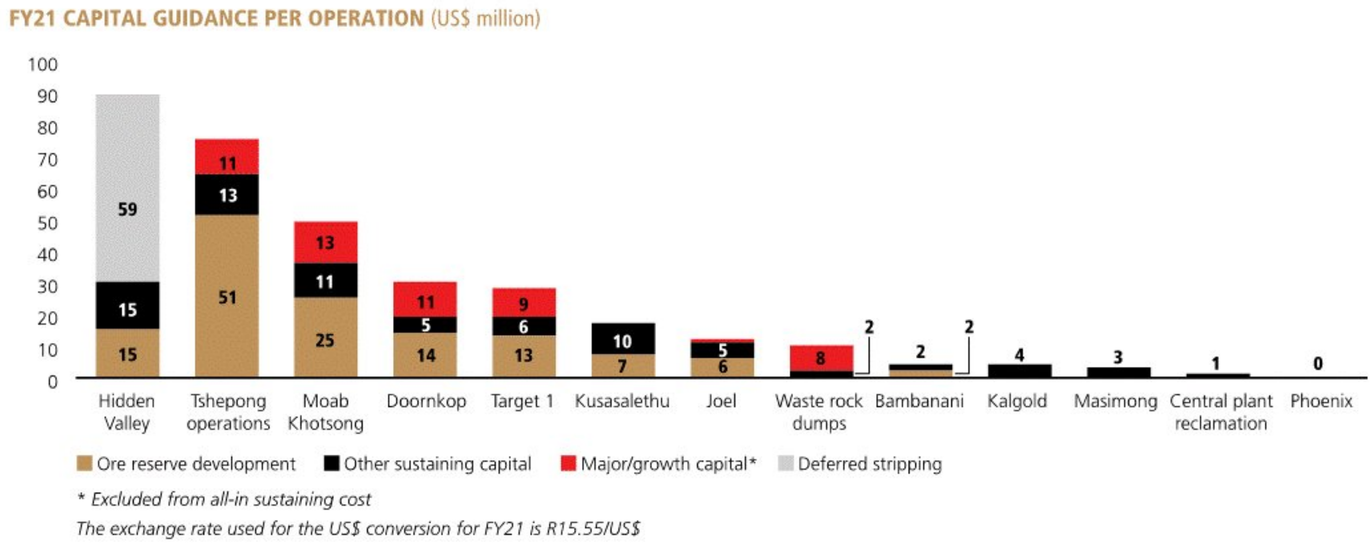
Harmony has one of the largest surface source operations in the world, with close to 300 000 ounces of low-risk, low-cost gold ore to mine.

With a planned combined life of mine of more than 14 years, our surface operations - including Kalgold, Phoenix, Central Plant Reclamation and the waste rock dumps - carried Harmony through the unprecedented Covid-19 pandemic at the onset of the South African lockdown in the fourth quarter of FY20.

Forecast capital expenditure to FY23 and capital expenditure by operation for FY21 continued

In US dollars:





Papua New Guinea - open-cast operations

While there was no national lockdown in Papua New Guinea, our operation here was less severely affected by the outbreak of the Covid-19 pandemic than our South African operations. Operating procedures were adjusted and work rosters extended to accommodate domestic and international quarantining requirements. This in turn impacted labour efficiency and ultimately production.

SOUTH AFRICA - UNDERGROUND OPERATION

Tshepong operations

		FY20	FY19	FY18*
Number of employees				
- Permanent		**8 224**	8 091	8 347
- Contractors		**792**	724	673
Total		**9 016**	8 815	9 020
Operational				
Volumes milled	(000t) (metric)	**1 417**	1 612	1 716
	(000t) (imperial)	**1 562**	1 777	1 893
Gold produced	(kg)	**7 293**	7 967	9 394
	(oz)	**234 475**	256 146	302 026

Gold sold	(kg)	**7 399**	7 922	9 338
	(oz)	**237 882**	254 698	300 223
Grade	(g/t)	**5.15**	4.94	5.47
	(oz/t)	**0.150**	0.144	0.160
Productivity	(g/TEC)	**73.24**	84.62	93.93
Development results				
- Total metres		**17 551**	23 259	23 089
- Reef metres		**3 131**	3 323	3 159
- Capital metres		**140**	809	588
Financial				
Revenue	(Rm)	**5 452**	4 685	5 389
	(US$m)	**348**	330	419
Average gold price received	(R/kg)	**736 863**	591 331	577 058
	(US$/oz)	**1 463**	1 297	1 397
Cash operating cost	(Rm)	**4 252**	4 008	3 829
	(US$m)	**271**	283	298
Production profit	(Rm)	**1 154**	712	1 590
	(US$m)	**74**	50	123
Capital expenditure	(Rm)	**930**	1 130	1 008
	(US$m)	**59**	80	78
Operating free cash flow [1]	(Rm)	**270**	(453)	552
	(US$m)	**17**	(32)	43
Cash operating cost	(R/kg)	**583 018**	503 033	407 575
	(US$/oz)	**1 158**	1 103	987
All-in sustaining cost	(R/kg)	**713 202**	636 281	514 537
	(US$/oz)	**1 416**	1 396	1 245
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**2**	4	2
Lost-time injury frequency rate	per million hours worked	**5.05**	7.75	7.80
Environment				
Electricity consumption	(GWh)	**549**	466	454
Water consumption - primary activities	(ML)	**2 813**	2 778	2 701
Greenhouse gas emissions	(000t CO_2e)	**581**	535	441
Intensity data per tonne treated				
- energy		**0.39**	0.29	0.26
- water		**1.98**	1.72	1.57
- greenhouse gas emissions		**0.41**	0.33	0.26
Number of reportable environmental incidents		**0**	0	0
Community				
Local economic development [2]	(Rm)	**32**	18	9
Training and development	(Rm)	**94**	86	92

* *From FY18, the Tshepong and Phakisa mines were integrated and reported on as a single entity, Tshepong operations*
[1] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*
[2] *Figures include R25 million spent on the local economic development projects*

Other salient features

Status of operation	Steady state operation: development continues
Life of mine	20 years
Nameplate hoisting capacity (per month)	283 000 tonnes (312 000 tons)
Compliance and certification	● New order mining right - December 2007 ● ISO 14001 ● ISO 9001

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	22.2	5.87	130	4.5	5.48	25	26.7	5.80	155
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	24.4	0.171	4 180	5.0	0.160	800	29.4	0.169	4 980

Overview of operations

The Tshepong operations is a deep-level underground mining operation located in the Free State, near the town of Welkom, approximately 250km from Johannesburg. It is an integrated mining complex that includes the Tshepong and Phakisa underground mines/sections. The amalgamation and reporting of the Tshepong operations as a single entity began in FY18. The close proximity of these two mines has allowed for the integration of operations, which has facilitated the use of excess hoisting capacity and underused infrastructure at Tshepong and the de-bottlenecking of Phakisa's restrained infrastructure. Given that Tshepong is our largest mining complex, our plan is to mine this orebody for the next 20 years.

The Tshepong section is a mature underground operation that uses conventional undercut mining, while the Phakisa section, which is a newer mine, uses the conventional undercut and opencut mining method. Rock from Phakisa is transported via a rail-veyor system to the Nyala shaft, from where it is hoisted to surface. The principal gold-bearing orebody exploited by both sections is the Basal Reef with the B Reef being mined as a high-grade secondary reef. Mining is conducted at depths ranging between 1 500m and 2 300m. The ore mined is processed at the Harmony One plant with gold being recovered using the gold cyanide leaching process.

Operating performance FY20

Regrettably, two fatalities occurred at the Tshepong operations in FY20. As the first of these was a result of a fall-of-ground incident which occurred early in the first quarter, we focused efforts on fall of ground golden controls and installing additional permanent steel netting and finding a solution to secure these nets close to the face using blast on support in an attempt to eliminate further fall of ground injuries.

In FY20, Tshepong was the group's largest operation (contributing 19% of group gold production). Challenges arising from load shedding and operating restrictions resulting from the Covid-related lockdown levels, inevitably resulted in a decline in production year on year. These challenges resulted in a 12% drop year on year in the volume of ore milled to 1.417Mt. However, the decline in volume was countered by a 4% increase in the recovered grade to 5.15g/t. Total gold production for FY20 was 8% lower at 7 293kg (234 475oz).

Operating free cash flow of R270 million (US$17 million) was recorded in FY20, which was a significant improvement on the R453 million (US$32 million) loss recorded in FY19. The financial performance was aided by the substantial increase in the gold price during the first half of 2020. The average rand gold price received increased by 25% to R736 863kg. Revenue increased 16% year on year to R5 452 million (5% increase to US$348 million). Cash operating costs increased by 6% to R4 252 million (decreased by 4% to US$271 million) mainly due to annual wage and Eskom electricity tariff increases.

Capital expenditure decreased by 18% to R930 million (decreased by 26% to US$59 million), largely due to the fact that all such expenditure was suspended during the national lockdown in April 2020 and the subsequent phased start-up of operations.

Outlook for FY21

The key focus for FY21 will be to improve the mine's operational flexibility, especially on development. We hope to achieve higher outputs per crew and ultimately drive up the volume and mine at the reserve grade.

Moab Khotsong

	FY20	FY19	FY18*
Number of employees			
- Permanent	**5 343**	5 421	5 804
- Contractors	**1 086**	1 036	1 014

Total		**6 551**	6 457	6 818
Operational				
Volumes milled	(000t) (metric)	**746**	970	327
	(000t) (imperial)	**822**	1 069	360
Gold produced	(kg)	**6 592**	7 928	3 296
	(oz)	**211 938**	254 891	105 969
Gold sold	(kg)	**6 799**	7 794	3 165
	(oz)	**218 592**	250 583	101 757
Grade	(g/t)	**8.84**	8.17	10.08
	(oz/t)	**0.258**	0.238	0.294
Productivity	(g/TEC)	**102.76**	120.67	135.17
Development results				
- Total metres		**8 815**	10 472	9 527
- Reef metres		**1 173**	1 202	1 328
- Capital metres		**1 363**	1 432	380
Financial				
Revenue	(Rm)	**5 008**	4 470	1 672
	(US$m)	**320**	315	130
Average gold price received	(R/kg)	**736 533**	573 522	528 387
	(US$/oz)	**1 463**	1 258	1 279
Cash operating cost	(Rm)	**3 283**	3 167	1 037
	(US$m)	**210**	223	81
Production profit	(Rm)	**1 664**	1 369	720
	(US$m)	**106**	96	56
Capital expenditure	(Rm)	**498**	559	173
	(US$m)	**32**	39	13
Operating free cash flow [1]	(Rm)	**1 228**	745	462
	(US$m)	**78**	53	36
Cash operating cost	(R/kg)	**497 953**	399 414	314 526
	(US$/oz)	**989**	876	761
All-in sustaining cost	(R/kg)	**566 942**	477 581	420 286
	(US$/oz)	**1 126**	1 048	1 017
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**1**	1	1
Lost-time injury frequency rate	per million hours worked	**7.95**	9.75	11.18
Environment [2]				
Electricity consumption	(GWh)	**738**	766	114
Water consumption - primary activities	(ML)	**5 975**	6 898	1 702
Greenhouse gas emissions	(000t CO_2e)	**784**	700	110
Intensity data per tonne treated				
- energy		**0.99**	0.79	0.35
- water		**8.01**	7.11	5.20
- greenhouse gas emissions		**0.81**	0.72	0.35
Number of reportable environmental incidents		**0**	0	0
Community				
Local economic development [3]	(Rm)	**22**	19	7
Training and development	(Rm)	**56**	48	13

* *Incorporated into Harmony's portfolio from 1 March 2018. The figures reported for FY18 are for the four months from March 2018 to June 2018*

[1] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*

[2] *Note: figures include Nufcor*

[3.] *Figures include R5 million spent on the local economic development projects*

Other salient features	
Status of operation	Steady state operation: development continues
Life of mine	8 years
Nameplate hoisting capacity (per month)	160 000 tonnes (176 000 tons)
Compliance and certification	● New order mining right ● ISO 14001

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	3.2	7.93	25	3.3	8.57	28	6.5	8.26	53
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	3.5	0.317	808	3.6	0.343	909	7.2	0.330	1 718

Overview of operations

Moab Khotsong is a deep-level mine situated near the towns of Orkney and Klerksdorp, approximately 180km south-west of Johannesburg. The mine, which began producing in 2003, was acquired from AngloGold Ashanti Limited in March 2018.

Mining is based on a scattered mining method together with an integrated backfill support system that incorporates bracket pillars. The geology at Moab Khotsong is structurally complex with large fault-loss areas between the three mining areas (top mine (Great Noligwa), middle mine and lower mine (growth project and Zaaiplaats project in prefeasibility study phase). The mine exploits the Vaal Reef as its primary orebody. The economic reef horizons are mined between 1 791m and 3 052m below surface. Ore mined is processed at the Great Noligwa gold plant. The plant uses the reverse gold leach method, with gold and uranium being recovered through gold cyanide and acid uranium leaching.

Operating performance FY20

We deeply regret to report that one employee lost his life in a mining-related incident in FY20. World best practice standards have been implemented, a risk management approach is being embedded, and learnings from the incident are being applied to improve the safety performance at Moab Khotsong.

The volume of ore milled and gold output was negatively impacted by damage caused by seismic activity in the operation's highest-grade section during the third quarter. Only once the affected areas had been rehabilitated and declared safe were mining crews allowed to re-access them. Production was further affected by the Covid-19 pandemic in the fourth quarter. A 24% year on year reduction in ore milled to 746 000t resulted in the 17% decrease in gold production to 6 592kg (211 938oz). This was, however, offset by the 8% increase in recovered grade, which increased to 8.84g/t.

The mine is the group's second largest gold operation (contributing 17% of total group production) and the largest contributor to operating free cash flow. The operation recorded revenue of R5 008 million (US$320 million) and incurred cash operating costs of R3 283 million (US$210 million) and capital expenditure of R498 million (US$32 million), resulting in the operation generating operating free cash flow of R1 228 million (US$78 million) in FY20.

A notable outcome of FY20 was the board's approval of the Great Noligwa pillar extraction feasibility study. Safety was a key aspect of the feasibility study process. Harmony has extensive pillar mining expertise which will be used in developing the infrastructure for extraction and mining of the pillar. The project has extended Moab Khotsong's life of mine by approximately two years.

Outlook for FY21

With eight years of life of mine left, the priority focus in FY21 will be to improve our safety performance; increase mining face lengths and achieve the reserve grade.

Bambanani

		FY20	FY19	FY18
Number of employees				
- Permanent		**1 561**	1 513	1 568
- Contractors		**129**	157	163
Total		**1 690**	1 661	1 731
Operational				
Volumes milled	(000t) (metric)	**200**	230	233
	(000t) (imperial)	**221**	254	257
Gold produced	(kg)	**2 132**	2 515	2 821
	(oz)	**68 545**	80 860	90 698
Gold sold	(kg)	**2 162**	2 495	2 804
	(oz)	**69 510**	80 216	90 151
Grade	(g/t)	**10.66**	10.93	12.11
	(oz/t)	**0.310**	0.318	0.353
Productivity	(g/TEC)	**112.43**	135.22	150.60
Development results				
- Total metres		**1 184**	1 173	1 495
- Reef metres		**0**	0	0
- Capital metres		**0**	0	0
Financial				
Revenue	(Rm)	**1 591**	1 477	1 616
	(US\$m)	**102**	104	126
Average gold price received	(R/kg)	**735 972**	591 962	576 398
	(US\$/oz)	**1 461**	1 299	1 395
Cash operating cost	(Rm)	**1 025**	985	905
	(US\$m)	**65**	69	70
Production profit	(Rm)	**551**	483	720
	(US\$m)	**36**	34	56
Capital expenditure	(Rm)	**50**	61	64
	(US\$m)	**3**	4	5
Operating free cash flow [1]	(Rm)	**517**	431	647
	(US\$m)	**33**	30	51
Cash operating cost	(R/kg)	**480 620**	391 550	320 724
	(US\$/oz)	**954**	859	776
All-in sustaining cost	(R/kg)	**522 990**	441 226	360 462
	(US\$/oz)	**1 039**	968	873
Average exchange rate	(R/US\$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**0**	1	1
Lost-time injury frequency rate	per million hours worked	**2.71**	2.65	2.43
Environment				
Electricity consumption	(GWh)	**132**	146	145
Water consumption - primary activities	(ML)	**1 120**	1 470	1 527
Greenhouse gas emissions	(000t CO_2e)	**140**	133	141
Intensity data per tonne treated				
- energy		**0.66**	0.63	0.62
- water		**5.6**	6.39	6.60
- greenhouse gas emissions		**0.70**	0.57	0.62
Number of reportable environmental incidents		**1**	0	0
Community				
Local economic development [2]	(Rm)	**8**	4	11
Training and development	(Rm)	**23**	26	25

[1] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*

[2] *Figures include R5 million spent on the local economic development projects*

Other salient features	
Status of operation	Mature operation with focus on mining of the shaft pillar for the next few
Life of mine	3 years
Nameplate hoisting capacity (per month)	32 000 tonnes (35 000 tons)
Compliance and certification	• New order mining right - December 2007 • ISO 14001 - not certified but operates according to standards requirements • ISO 9001

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	0.6	10.99	6	0	0	0	0.6	10.99	6
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	0.6	0.320	207	0	0	0	0.6	0.320	207

Overview of operations

Bambanani is a mature, deep-level mine located in the Free State, near Welkom and about 260km south of Johannesburg. The mine consists of two surface shafts with the East shaft being used to convey our employees and the West shaft used to hoist ore to the surface.

Bambanani is in the final stages of its life of mine with only three more years to mine and mining is limited to the extraction of the high-grade shaft pillar. Mining is conducted to a depth of 2 219m. The Basal Reef is the predominant gold-bearing reef exploited at Bambanani. The ore mined is sent to the Harmony One plant for processing. Given the high risk of seismicity at Bambanani, efforts are focused on managing support systems and the rehabilitation of areas with challenging ground conditions.

Operating performance FY20

The operation, which is Harmony's third most profitable mine contributing 6% to overall group production, is performing well, with safety and disciplined mining being key to its success. Having said that, Bambanani was similarly impacted by disruptions caused by the Covid-19 pandemic and associated restrictions.

Gold produced was 15% lower at 2 132kg (68 545oz), owing to the 13% decrease in ore milled to 200 000t and a 2% decline in recovered grade to 10.66g/t. However, the financial performance was aided by the significant increase in the gold price received, which averaged at R735 972kg in FY20. This resulted in an 8% rise in revenue to R1.59 million.

Cash operating costs increased by 4% to R1 025 million, mainly due to annual wage increases. Capital expenditure decreased by 18% to R50 million on account of the national lockdown in April 2020 and subsequent phased start-up of operations.

Outlook for FY21

Given that the operation is nearing the end of its life of mine, the key focus in FY21 will be to continue mining the remainder of the shaft pillar in a safe and productive manner.

Doornkop

		FY20	FY19	FY18
Number of employees				
- Permanent		**3 249**	3 133	3 073
- Contractors		**585**	751	669
Total		**3 924**	3 884	3 742
Operational				
Volumes milled	(000t) (metric)	**681**	730	696

	(000t) (imperial)	**750**	805	767
Gold produced	(kg)	**2 994**	3 273	3 429
	(oz)	**96 259**	105 229	110 245
Gold sold	(kg)	**3 038**	3 255	3 404
	(oz)	**97 673**	104 650	109 440
Grade	(g/t)	**4.40**	4.48	4.93
	(oz/t)	**0.128**	0.131	0.144
Productivity	(g/TEC)	**74.83**	85.07	94.97
Development results				
- Total metres		**6 042**	8 834	9 595
- Reef metres		**1 474**	1 621	1 478
- Capital metres		**315**	497	806
Financial				
Revenue	(Rm)	**2 270**	1 931	1 958
	(US$m)	**145**	136	152
Average gold price received	(R/kg)	**747 282**	593 301	575 077
	(US$/oz)	**1 484**	1 302	1 392
Cash operating cost	(Rm)	**1 699**	1 593	1 418
	(US$m)	**109**	112	110
Production profit	(Rm)	**540**	367	547
	(US$m)	**35**	26	43
Capital expenditure	(Rm)	**281**	308	274
	(US$m)	**18**	22	21
Operating free cash flow [1]	(Rm)	**290**	30	266
	(US$m)	**19**	2	21
Cash operating cost	(R/kg)	**567 632**	486 795	413 586
	(US$/oz)	**1 127**	1 068	1 001
All-in sustaining cost	(R/kg)	**649 041**	572 132	508 065
	(US$/oz)	**1 289**	1 255	1 230
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**1**	2	0
Lost-time injury frequency rate	per million hours worked	**6.10**	5.22	6.78
Environment				
Electricity consumption	(GWh)	**204**	212	193
Water consumption - primary activities	(ML)	[2] **665**	266	344
Greenhouse gas emissions	(000t CO_2e)	**217**	193	199
Intensity data per tonne treated				
- energy		**0.3**	0.29	0.28
- water		**0.98**	0.36	0.49
- greenhouse gas emissions		**0.32**	0.26	0.27
Number of reportable environmental incidents		**0**	0	0
Community				
Local economic development [3]	(Rm)	**9**	8	6
Training and development	(Rm)	**41**	46	47

1 *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*
2 *Year on year decrease due to the installation of the 5ML recycling plant*
3. *Figures include R3 million spent on the local economic development projects*

Other salient features

Status of operation	Mining takes place on the South Reef at this single-shaft operation
Life of mine	16 years
Nameplate hoisting capacity (per month)	103 000 tonnes (113 000 tons)

Compliance and certification	• New order mining right - October 2008 • ISO 14001 • ISO 9001 • OHSAS 18001 • Cyanide code certified

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	5.2	5.33	28	4.6	5.03	23	9.8	5.19	51
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	5.8	0.155	896	5.1	0.147	742	10.8	0.151	1 638

Overview of operations

Doornkop is a deep-level single-shaft operation located in Gauteng, approximately 30km west of Johannesburg, on the northern rim of the Witwatersrand Basin. While a mature operation, it still has a 16-year life of mine left.

The operation focuses on narrow-reef conventional mining of the South Reef gold-bearing conglomerate reef. Mining of this reef is undertaken to a depth of 2 219m below surface. Ore from the operation is processed at the Doornkop plant, which uses the carbon-in-pulp process to extract the gold.

Operating performance FY20

Regrettably, there was one fatality at the Doornkop plant in the first quarter, this after the operation recorded the first ever 4 million fatality-free shifts in 2018, which was the first to be recorded in the history of South African gold mining industry.

A 7% year on year decrease in volumes milled to 681 000 tonnes as well as the decline in underground recovered grade to 4.40g/t resulted in a 9% decline in gold production to 2 994kg (96 259oz) in FY20. The decline in production was on account of the Covid-19 pandemic and national lockdown imposed on South Africa at the end of March. This was offset by the substantial 26% rise in gold price received to R747 282/kg, which facilitated an 18% increase in revenue to R2 270 million (FY19: R1 931 million).

Cash operating costs increased by 7% to R1 699 million mainly due to annual wages and Eskom electricity tariff increases. Capital expenditure decreased by 9% to R281 million mainly due to all expenditure being stopped during the national lockdown in April 2020 and the subsequent phased start-up of operations.

Outlook for FY21

Achieving planned development targets to enable the life-of-mine production build up and to enhance mining flexibility will remain the priorities for FY21. A focus on safety, development and disciplined mining will ensure that we achieve our production targets at this mine.

Joel

		FY20	FY19	FY18
Number of employees				
- Permanent		**1 883**	1 867	1 914
- Contractors		**131**	115	184
Total		**2 014**	1 982	2 098
Operational				
Volumes milled	(000t) (metric)	**349**	429	454
	(000t) (imperial)	**384**	473	501
Gold produced	(kg)	**1 391**	1 567	1 635
	(oz)	**44 722**	50 379	52 566
Gold sold	(kg)	**1 412**	1 612	1 656
	(oz)	**45 397**	51 827	53 242
Grade	(g/t)	**3.99**	3.65	3.60
	(oz/t)	**0.116**	0.107	0.105

Productivity	(g/TEC)	**64.01**	78.10	82.23
Development results				
- Total metres		**2 734**	3 378	3 331
- Reef metres		**832**	1 288	431
- Capital metres		**0**	0	620
Financial				
Revenue	(Rm)	**1 037**	957	954
	(US$m)	**66**	67	74
Average gold price received	(R/kg)	**734 620**	593 531	576 023
	(US$/oz)	**1 459**	1 302	1 394
Cash operating cost	(Rm)	**999**	967	910
	(US$m)	**64**	68	71
Production profit	(Rm)	**27**	(14)	34
	(US$m)	**2**	(2)	3
Capital expenditure	(Rm)	**151**	187	250
	(US$m)	**10**	13	19
Operating free cash flow [1]	(Rm)	**(113)**	(197)	(206)
	(US$m)	**(8)**	(14)	(16)
Cash operating cost	(R/kg)	**718 024**	617 116	556 468
	(US$/oz)	**1 426**	1 354	1 347
All-in sustaining cost	(R/kg)	**826 970**	701 644	661 921
	(US$/oz)	**1 642**	1 539	1 602
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**0**	0	2
Lost-time injury frequency rate	per million hours worked	**2.03**	3.16	2.87
Environment				
Electricity consumption	(GWh)	**85**	87	81
Water consumption - primary activities	(ML)	**853**	838	788
Greenhouse gas emissions	(000t CO_2e)	**90**	80	79
Intensity data per tonne treated				
- energy		**0.24**	0.20	0.18
- water		**2.44**	1.95	1.74
- greenhouse gas emissions		**0.26**	0.19	0.18
Number of reportable environmental incidents		**0**	0	0
Community				
Local economic development [2]	(Rm)	**6**	4	5
Training and development	(Rm)	**18**	19	23

[1] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*

[2] *Figures include R3 million spent on the local economic development projects*

Other salient features

Status of operation	Twin-shaft operation - technically challenging, decline project nearing completion
Life of mine	10 years
Nameplate hoisting capacity (per month)	60 000 tonnes (83 000 tons)
Compliance and certification	• New order mining right - December 2007 • ISO 14001 - not certified but operates according to the standard's requirements • ISO 9001 • SAS 18001

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	2.9	4.85	14	1.4	4.68	7	4.3	4.80	21
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	3.2	0.142	447	1.6	0.137	214	4.7	0.140	661

Overview of operations

Joel is a twin-shaft mining operation located in the Free State, approximately 290km southwest of Johannesburg, on the southern edge of the Witwatersrand Basin.

A pre-developed scattered mining system is used. This system allows for unpay and geologically complex areas to be left unmined, with some cognisance taken of the overall panel configuration and stability of footwall development. This allows for mining to be selective, based on the proven ore reserve during the development phase. The primary economic reef that is mined is the narrow tabular Beatrix Reef deposit, which is accessed via conventional grid development. Mining is currently being conducted to a depth of 1 379m below collar. As the Joel plant was decommissioned in FY19, ore mined is now processed at the Harmony One plant.

Operating performance FY20

In FY20, gold production decreased by 11% to 1 391kg (44 722oz), owing to the 19% decrease in tonnes milled to 349 000 tonnes, despite a 9% increase in the recovered grade to 3.99g/t. The decline in ore milled was primarily the result of the lockdown and restrictions associated with the Covid-19 pandemic.

The exceptional rise in the gold price assisted to increase revenue to R1 037 million. Cash operating costs increased by 3% to R999 million mainly due to annual wage and Eskom electricity tariff increases. Capital expenditure decreased by 19% to R151 million owing to all expenditure being stopped during the national lockdown in April 2020 and subsequent phased start-up of operations.

Underpinning Joel's performance was a good safety record, with the mine achieving 1 million fatality free shifts in FY20.

Another notable achievement during the year was the progression of the 137 decline project, which is now approximately 90% completed and is now in the final phase. The decline project was initiated to extend the life of Joel by approximately eight to nine years and is included in the current life-of-mine plan of 10 years.

However, the following installations were not completed due to the impact of Covid-19:

- Installation and commission of Bulkhead 2 & 5, 137 level tip 2 & 5 and escape way
- Installation of the 129 - 137 level chairlift
- Decline steel barricade

This outstanding project work is planned to be completed by April 2021.

Outlook for FY21

The key focus areas in FY21 will be to complete all construction work commitments in the project area. Our development plan to open reserves will also be prioritised. In addition, we will continue with exploration drilling to identify new reserves below 137 level and in the "Klippan area". Ultimately, this will increase our volumes and grade output resulting in a safe and profitable FY21.

Target 1

		FY20	FY19	FY18
Number of employees				
- Permanent		**1 682**	1 604	1 663
- Contractors		**380**	335	284
Total		**2 062**	1 939	1 947
Operational				
Volumes milled	(000t) (metric)	**543**	588	680

	(000t) (imperial)	**598**	650	749
Gold produced	(kg)	**2 244**	2 653	2 854
	(oz)	**72 146**	85 296	91 758
Gold sold	(kg)	**2 237**	2 685	2 828
	(oz)	**71 921**	86 324	90 922
Grade	(g/t)	**4.13**	4.51	4.20
	(oz/t)	**0.121**	0.131	0.123
Productivity	(g/TEC)	**108.58**	132.94	146.90
Development results				
- Total metres		**2 152**	3 378	3 883
- Reef metres		**96**	118	431
- Capital metres		**191**	179	620
Financial				
Revenue	(Rm)	**1 524**	1 585	1 630
	(US$m)	**97**	112	127
Average gold price received	(R/kg)	**681 388**	590 298	576 316
	(US$/oz)	**1 353**	1 295	1 395
Cash operating cost	(Rm)	**1 505**	1 478	1 334
	(US$m)	**96**	104	104
Production profit	(Rm)	**25**	94	312
	(US$m)	**1**	7	24
Capital expenditure	(Rm)	**347**	297	309
	(US$m)	**22**	21	24
Operating free cash flow [1]	(Rm)	**(327)**	(190)	(13)
	(US$m)	**(21)**	(13)	(1)
Cash operating cost	(R/kg)	**670 647**	557 264	467 271
	(US$/oz)	**1 332**	1 222	1 131
All-in sustaining cost	(R/kg)	**817 066**	662 816	582 200
	(US$/oz)	**1 623**	1 454	1 409
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**0**	0	1
Lost-time injury frequency rate	per million hours worked	**9.62**	6.35	10.18
Environment				
Electricity consumption	(GWh)	**212**	173	187
Water consumption - primary activities	(ML)	**471**	474	553
Greenhouse gas emissions	(000t CO_2e)	**229**	162	189
Intensity data per tonne treated				
- energy		**0.39**	0.29	0.23
- water		**0.87**	0.81	0.81
- greenhouse gas emissions		**0.42**	0.28	0.27
Number of reportable environmental incidents		**0**	0	0
Community				
Local economic development [2]	(Rm)	**8**	6	4
Training and development	(Rm)	**38**	45	41

[1] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*

[2] *Figures include R6 million spent on the local economic development projects*

Other salient features	
Status of operation	Crusher and related infrastructure project well underway
Life of mine	7 years
Nameplate hoisting capacity (per month)	97 000 tonnes (107 000 tons)

Compliance and certification	● New order mining right - December 2007 ● ISO 14001 ● ISO 9001 ● OHSAS 18001 ● Cyanide code certified

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	3.3	4.31	14	1.9	4.23	8	5.1	4.28	22
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	3.6	0.126	452	2.1	0.123	255	5.7	0.125	707

Overview of operations

Target 1 is an advanced, single-shaft, deep-level mine located in the Free State, some 270km southwest of Johannesburg. It has a planned life of mine of seven years.

While most of the ore extracted comes from mechanised mining (massive mining techniques), conventional stoping is still employed primarily to de-stress areas ahead of mechanised mining. The gold mineralisation currently exploited is contained within a succession of Elsburg and Dreyerskuil quartz pebble conglomerate reefs. These reefs are mined to a depth of approximately 2 300m below the surface. Ore mined is milled and processed at the Target plant with gold recovered by means of gold cyanide leaching.

Operating performance FY20

The process to embed a proactive culture of safety is yielding results with Target having achieved 2 million fatality free shifts in FY20.

As well as Covid-related challenges, Target 1 was impacted by some flexibility constraints in the massive stoping section and ventilation constraints at the start of FY20. As such, there was an 8% year on year decline in both ore milled and recovered grade to 543 000t and 4.13g/t respectively, resulting in a 15% decrease in gold production to 2 244kg (72 146oz).

Such was the substantial decline in production that revenue declined marginally to R1 524 million, despite the increase in the average gold price received. Cash operating costs were marginally higher year on year, increasing to R1 505 million mainly due to annual wage and Eskom electricity tariff increases.

Capital expenditure increased substantially to R347 million mainly due to an increase in capital expenditure on the decline project as well as other sustaining capital.

Outlook for FY21

Target is set to achieve higher volumes and grades during FY21, which will result in lower unit costs. This is the result of the Target 1 optimisation project to improve productivity and efficiencies which began in FY19 and will continue into FY21. The capital project involves the moving of the rock crusher and related infrastructure and services closer to the mining working areas.

Kusasalethu

		FY20	FY19	FY18
Number of employees				
- Permanent		**4 237**	4 011	3 980
- Contractors		**603**	930	692
Total		**4 840**	4 941	4 672
Operational				
Volumes milled	(000t) (metric)	**615**	742	670
	(000t) (imperial)	**678**	817	738
Gold produced	(kg)	**3 015**	4 989	4 429

	(oz)	**96 934**	160 400	142 395
Gold sold	(kg)	**3 085**	5 028	4 301
	(oz)	**99 185**	161 653	138 281
Grade	(g/t)	**4.90**	6.72	6.61
	(oz/t)	**0.143**	0.196	0.193
Productivity	(g/TEC)	**57.08**	98.94	91.54
Development results				
- Total metres		**3 039**	5 437	4 016
- Reef metres		**1 019**	1 217	776
- Capital metres		**0**	0	0
Financial				
Revenue	(Rm)	**2 293**	2 975	2 483
	(US$m)	**146**	210	193
Average gold price received	(R/kg)	**743 153**	591 742	577 313
	(US$/oz)	**1 476**	1 298	1 397
Cash operating cost	(Rm)	**2 562**	2 377	2 091
	(US$m)	**164**	168	163
Production profit	(Rm)	**(284)**	580	457
	(US$m)	**(19)**	41	35
Capital expenditure	(Rm)	**188**	316	289
	(US$m)	**12**	22	22
Operating free cash flow [1]	(Rm)	**(458)**	282	103
	(US$m)	**(29)**	20	8
Cash operating cost	(R/kg)	**849 782**	476 417	472 177
	(US$/oz)	**1 687**	1 045	1 143
All-in sustaining cost	(R/kg)	**923 054**	556 621	554 302
	(US$/oz)	**1 833**	1 221	1 342
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**2**	3	5
Lost-time injury frequency rate	per million hours worked	**10.72**	9.05	6.25
Environment				
Electricity consumption	(GWh)	**599**	624	595
Water consumption - primary activities	(ML)	**2 720**	3 205	2 609
Greenhouse gas emissions	(000t CO_2e)	**635**	569	577
Intensity data per tonne treated				
- energy		**0.97**	0.84	0.90
- water		**4.42**	4.32	3.89
- greenhouse gas emissions		**1.03**	0.77	0.3
Number of reportable environmental incidents		**0**	0	2
Community				
Local economic development [2]	(Rm)	**9**	9	6
Training and development	(Rm)	**38**	52	33

[1] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*
[2] *Figures include R6 million spent on the local economic development projects*

Other salient features

Status of operation	Mature, steady state operation positioned for profitability
Life of mine	4 years
Nameplate hoisting capacity (per month)	172 000 tonnes (190 000 tons)
Compliance and certification	● New order mining right - December 2007 ● ISO 14001 ● ISO 9001 ● Cyanide Code

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	1.8	6.92	13	1.3	7.68	10	3.1	7.24	23
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	2.0	0.202	410	1.4	0.224	320	3.5	0.211	730

Overview of operations

Kusasalethu is a mature, deep-level mine located 90km west of Johannesburg, near the border of Gauteng and North West provinces. With mining conducted at a depth of 3 388m, Kusasalethu is Harmony's deepest mine, with a remaining four-year life of mine.

The mine comprises twin vertical and twin sub-vertical shaft systems and uses conventional mining methods in a sequential grid layout. The mine exploits the Ventersdorp Contact Reef as its primary ore body. Ore mined is treated at the Kusasalethu plant. A shortened life-of-mine plan was implemented in FY16. This plan aims to optimise the mine's cash flow at a higher grade and create a stronger operating margin while providing the flexibility necessary to access the high-grade payshoot of the Ventersdorp Contact Reef below infrastructure, should economic circumstances allow.

Once Mponeng and Mine Waste Solutions have been integrated in our portfolio of assets, we believe there are various surface and service synergies in the West Wits area that could potentially unlock value through driving down units costs.

Operating performance FY20

Tragically, two fatalities occurred at Kusasalethu in FY20, and a third post year-end.

Gold production declined substantially by 40% to 3 015kg (96 934oz), as a result of an 17% regression in the volume of ore milled to 615 000 tonnes and a 27% decrease in recovered grade to 4.90g/t (0.143oz/t). This resulted in Kusasalethu recording a loss of R458 million in FY20, reflectively a more than 100% decrease year on year.

The significant decline in the underground recovered grade was primarily due to geological factors and, to a lesser extent, seismicity. In respect of geology, given the erratic nature of the Ventersdorp Contact Reef, some areas planned to be mined yielded much lower grades than anticipated. Plans were implemented to counter the grade issue, including the fast-tracking of new high-grade raises. By year-end, Kusasalethu was back on track and operating efficiently.

However, the decline in production was somewhat countered by exceptional rise in the gold price enabling the operation to record revenue R2 293 million in FY20. This represented a decline of 23%.

Cash operating costs increased by 8% to R2 562 million mainly due to annual wage and Eskom electricity tariff increases. Capital expenditure decreased by 41% to R188 million (US$12 million) mainly due to the planned decrease in development for FY20 as well as the restrictions related to the national lockdown in April 2020 and the subsequent phased start-up of operations.

Outlook for FY21

It is anticipated that the mine will be in a position to exceed its production plan and grade guidance now that there is access to the high-grade areas. A 'paired panel mining model', which allows crews to mine more than one panel at any given time, has been rolled out. This improved performance will be evident in the next reporting period.

Masimong

		FY20	FY19	FY18
Number of employees				
- Permanent		**2 083**	2 247	2 432
- Contractors		**135**	120	108
Total		**2 218**	2 367	2 540
Operational				
Volumes milled	(000t) (metric)	**489**	602	647
	(000t) (imperial)	**539**	664	714

Gold produced	(kg)	**1 999**	2 309	2 623
	(oz)	**64 269**	74 237	84 332
Gold sold	(kg)	**2 027**	2 291	2 609
	(oz)	**65 169**	73 657	83 882
Grade	(g/t)	**4.09**	3.84	4.05
	(oz/t)	**0.119**	0.112	0.118
Productivity	(g/TEC)	**79.22**	82.48	92.82
Development results				
- Total metres		**2 246**	3 167	5 287
- Reef metres		**759**	765	2 067
Financial				
Revenue	(Rm)	**1 401**	1 359	1 505
	(US$m)	**89**	96	117
Average gold price received	(R/kg)	**691 282**	593 003	576 729
	(US$/oz)	**1 373**	1 301	1 396
Cash operating cost	(Rm)	**1 241**	1 214	1 161
	(US$m)	**79**	86	90
Production profit	(Rm)	**143**	154	351
	(US$m)	**9**	11	27
Capital expenditure	(Rm)	**24**	109	129
	(US$m)	**2**	8	10
Operating free cash flow [1]	(Rm)	**136**	36	215
	(US$m)	**8**	2	17
Cash operating cost	(R/kg)	**620 804**	525 703	442 586
	(US$/oz)	**1 233**	1 153	1 071
All-in sustaining cost	(R/kg)	**655 888**	593 408	513 197
	(US$/oz)	**1 302**	1 302	1 242
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**0**	0	1
Lost-time injury frequency rate	per million hours worked	**7.51**	5.88	8.61
Environment				
Electricity consumption	(GWh)	**138**	161	173
Water consumption - primary activities	(ML)	**510**	721	824
Greenhouse gas emissions	(000t CO_2e)	**146**	147	167
Intensity data per tonne treated				
- energy		**0.28**	0.27	0.27
- water		**1.04**	1.20	1.27
- greenhouse gas emissions		**0.3**	0.24	0.27
Number of reportable environmental incidents		**0**	0	2
Community				
Local economic development [2]	(Rm)	**11**	6	6
Training and development	(Rm)	**23**	26	27

[1] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*

[2] *Figures include R10 million spent on the local economic development*

Other salient features

Status of operation	Mature, single shaft operation nearing the end of its life of mine
Life of mine	1.5 years
Nameplate hoisting capacity (per month)	112 000 tonnes (124 000 tons)
Compliance and certification	● New order mining right - December 2007 ● ISO 14001 ● ISO 9001 ● OHSAS 18001

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	0.8	4.26	3	0.02	2.95	0.1	0.8	4.23	3
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	0.9	0.124	108	0.03	0.086	2	0.9	0.123	110

Overview of operations

Masimong is a deep-level mine located in the Free State, near Welkom, some 260km from Johannesburg. The operation is close to the end of its mine life, with approximately 18 months of mining left. Masimong - together with Unisel - is a mine that is testimony to the effectiveness of Harmony's business model.

The Masimong complex comprises two shafts with the 5 shaft being used as the operating shaft and 4 shaft used for ventilation, pumping and as a second escape outlet. Masimong exploits the Basal Reef and the B-Reef by means of conventional tabular narrow reef stoping method. Mining is conducted at a depth of between 1 650m and 2 010m below collar. The ore mined is processed at the nearby Harmony One plant.

Operating performance FY20

The Covid-19 lockdown and associated restrictions were reflected in Masimong's operating performance in FY20. Gold production decreased by 13% to 1 999kg (64 269oz), due to a 19% decrease in tonnes milled to 489 000 tonnes in FY20. However, the decline in production was somewhat arrested by the 6.5% rise in recovered grade to 4.09g/t.

The significantly higher increase in the gold price contributed to the 3% increase in revenue to R1 401 million despite the drop in production. This performance was underpinned by a good safety record with no loss of life incidents being recorded in FY20.

Cash operating costs increased by 2% to R1 241 million mainly due to annual wage increases. Capital expenditure decreased by 78% to R24 million (decreased by 75% to US$2 million) mainly due to a planned decrease in development as well as the effects of the national lockdown in April 2020.

Outlook for FY21

The Masimong management team will focus their efforts on maintaining its current safety and production performance.

Unisel

		FY20	FY19	FY18
Number of employees				
- Permanent		**750**	880	1 016
- Contractors		**77**	52	80
Total		**827**	932	1 096
Operational				
Volumes milled	(000t) (metric)	**219**	256	376
	(000t) (imperial)	**242**	283	415
Gold produced	(kg)	**982**	1 212	1 280
	(oz)	**31 573**	38 966	41 152
Gold sold	(kg)	**994**	1 207	1 272
	(oz)	**31 958**	38 807	40 896
Grade	(g/t)	**4.48**	4.73	3.40
	(oz/t)	**0.130**	0.138	0.099
Productivity	(g/TEC)	**98.59**	110.50	70.04
Development results				
- Total metres		**1 048**	2 035	2 921
- Reef metres		**299**	1 177	1 325
- Capital metres		**0**	0	1 028

Financial				
Revenue	(Rm)	**681**	713	733
	(US$m)	**43**	50	57
Average gold price received	(R/kg)	**684 727**	590 468	576 222
	(US$/oz)	**1 360**	1 295	1 395
Cash operating cost	(Rm)	**573**	569	774
	(US$m)	**37**	40	60
Production profit	(Rm)	**101**	149	(38)
	(US$m)	**6**	10	(3)
Capital expenditure	(Rm)	**7**	45	85
	(US$m)	**0**	3	7
Operating free cash flow [1]	(Rm)	**100**	99	(126)
	(US$m)	**6**	7	(10)
Cash operating cost	(R/kg)	**583 274**	469 108	604 311
	(US$/oz)	**1 158**	1 029	1 463
All-in sustaining cost	(R/kg)	**613 382**	523 823	678 436
	(US$/oz)	**1 218**	1 149	1 642
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**0**	0	0
Lost-time injury frequency rate	per million hours worked	**1.66**	4.02	10.86
Environment				
Electricity consumption	(GWh)	**51**	62	99
Water consumption - primary activities	(ML)	**414**	367	488
Greenhouse gas emissions	(000t CO_2e)	**54**	57	96
Intensity data per tonne treated				
- energy		**0.23**	0.03	0.26
- water		**1.89**	0.36	1.30
- greenhouse gas emissions		**0.25**	0.04	0.26
Number of reportable environmental incidents		**0**	1	0
Community				
Local economic development [2]	(Rm)	**4**	3	5
Training and development	(Rm)	**8**	11	19

[1] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*

[2] *Figures include R10 million spent on the local economic development*

Other salient features

Status of operation	Mature operation reaching the end of its life of mine. Mining focused on higher grade areas of shaft pillar
Life of mine	3 months
Nameplate hoisting capacity (per month)	63 000 tonnes (69 000 tons)
Compliance and certification	• New order mining right - December 2007 • ISO 9001

Overview of operations

Unisel is a single-shaft, intermediate depth mine located in the Free State, near Virginia, approximately 270km southwest of Johannesburg. Having been in production since 1979, Unisel is nearing the end of its life of mine. The mine will be closed in the first half of FY21. Despite this, the mine has served a myriad of stakeholders in the Free State well over the past 40 years.

Conventional scattered mining and targeted pillar reclamation are the principal mining methods that are used to access the Basal Reef, the primary gold-bearing orebody exploited at Unisel. Mining is conducted at depths between 1 100m and 2 200m. The mined ore is processed at the nearby Harmony One plant.

Employees and unions receive regular updates on the mine's performance and future plans. Post closure, Harmony will arrange to transfer the Unisel workforce to other operations where positions are available. Portable skills training will be a key focus going forward.

Operating performance FY20

In FY20, Unisel recorded its fifth consecutive year without a fatality.

Gold production was 19% lower year on year at 982kg (31 573oz), due largely to only mining the shaft pillar area and the resultant drop in ore milled by 14% to 219 000t and in recovered grade by 5% to 4.48g/t.

Despite an exceptional rise in the gold price in the second half of the financial year under review, revenue declined by 4% to R681 million. Operating free cash flow increased marginally to R100 million. There was a 1% increase in cash operating costs to R573 million on account of an increase in government royalties as well as the annual wage increases.

Capital expenditure decreased by 84% to R7 million mainly due to the fact that the shaft was expected to close in the next financial year.

Outlook for FY21

The mine has reached the end of its life and is set to close in the second quarter of FY21.

OPERATIONAL PERFORMANCE

SOUTH AFRICA - SURFACE OPERATIONS

Kalgold

		FY20	FY19	FY18
Number of employees				
- Permanent		**253**	238	237
- Contractors		**361**	346	334
Total		**614**	584	571
Operational				
Volumes milled	(000t) (metric)	**1 541**	1 619	1 550
	(000t) (imperial)	**1 700**	1 785	1 709
Gold produced	(kg)	**1 153**	1 249	1 250
	(oz)	**37 070**	40 156	40 189
Gold sold	(kg)	**1 151**	1 263	1 231
	(oz)	**37 006**	40 605	39 577
Grade	(g/t)	**0.75**	0.77	0.81
	(oz/t)	**0.022**	0.022	0.024
Productivity	(g/TEC)	**128.80**	150.85	147.96
Financial				
Revenue	(Rm)	**855**	750	710
	(US$m)	**55**	53	55
Average gold price received	(R/kg)	**742 533**	593 482	576 630
	(US$/oz)	**1 474**	1 302	1 396
Cash operating cost	(Rm)	**674**	695	565
	(US$m)	**43**	49	44
Production profit	(Rm)	**183**	50	157
	(US$m)	**12**	3	12
Capital expenditure	(Rm)	**99**	61	108
	(US$m)	**6**	4	8
Operating free cash flow [1]	(Rm)	**84**	(4)	34
	(US$m)	**6**	0	3

Cash operating cost	(R/kg)	**584 218**	556 283	452 365
	(US$/oz)	**1 160**	1 220	1 095
All-in sustaining cost	(R/kg)	**690 239**	624 147	552 032
	(US$/oz)	**1 371**	1 369	1 336
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**0**	0	0
Lost-time injury frequency rate	per million hours worked	**1.65**	0.88	0
Environment				
Electricity consumption	(GWh)	**54**	54	53
Water consumption - primary activities	(ML)	**307**	583	324
Greenhouse gas emissions	(000t CO_2e)	**72**	66	51
Intensity data per tonne treated				
- energy		**0.04**	0.03	0.03
- water		**0.2**	0.36	0.21
- greenhouse gas emissions		**0.05**	0.04	0.03
Number of reportable environmental incidents		**0**	1	0
Community				
Local economic development [2]	(Rm)	**8**	9	3
Training and development	(Rm)	**9**	5	6

[1] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*

[2] *Figures include R3 million spent on the local economic development projects*

Other salient features	
Status of operation	Open-pit mining operation
Life of mine	13 years
Nameplate hoisting capacity (per month)	112 000 tonnes (124 000 tons)
Compliance and certification	• New order mining right - August 2008 • ISO 14001 • ISO 9001

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	6.7	0.93	6	13.2	1.14	15	19.9	1.07	21
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	7.4	0.027	201	14.5	0.033	482	21.9	0.031	683

Overview of operations

Kalgold is a long-life open-pit gold mine situated on the Kraaipan Greenstone Belt, 55km southwest of Mahikeng in the North West Province.

Mining takes place from the A-Zone pit, where mining is ramping up at the pillar between the A-Zone and Watertank pit. The mined ore is processed at the carbon-in-leach Kalgold plant.

Operating performance FY20

Kalgold maintained its fatality-free record in FY20.

Gold production decreased by 8% to 1 153kg (37 070oz), due to a drop in ore milled by 5% to 1 541 000t and a 3% decrease in recovered grade to 0.748g/t. Heavy rainfall in the fourth quarter resulted in the operation losing 18 mining days in the pit, and affecting stockpile levels. While Kalgold was not compelled to suspend operations during the Covid-19 lockdown, it was indirectly impacted by associated restrictions imposed from the end of March.

Owing to the rise in the gold price over the period under review, however, revenue increased by 14% to R855 million. Cash operating costs decreased by 3% to R674 million (12% decrease to US$43 million) due to an increase in deferred stripping cost being capitalised.

Capital expenditure increased by 62% to R99 million, mainly due to an increase in deferred stripping costs.

Outlook for FY21

With a 13-year life of mine left, the key focus areas in FY21 will be to optimise the pit design so as to produce safe, profitable ounces by mining the A zone and Watertank pits. Feasibility studies are underway to potentially expand the milling capacity of the operation - there are two options being considered, one to expand milling capacity by 300 000t a month, the other by 450 000t a month. The results from the exploration drilling at Kalgold outline an expanded, robust mineralised system that extends beyond the current resource limits. Resource development drilling underway has outlined a mineralised zone that now comprises over 2.1km of strike and extends to in excess of 300m below surface. The intersections show good continuity of geology and mineralisation and presents an exciting organic growth opportunity for Harmony.

Phoenix (tailings retreatment)

		FY20	FY19	FY18
Number of employees				
- Permanent		**83**	87	87
- Contractors		**261**	249	252
Total		**344**	336	339
Operational				
Volumes milled	(000t) (metric)	**6 227**	6 133	5 962
	(000t) (imperial)	**6 866**	6 762	6 575
Gold produced	(kg)	**818**	756	737
	(oz)	**26 299**	24 306	23 695
Gold sold	(kg)	**823**	750	739
	(oz)	**26 459**	24 113	23 759
Grade	(g/t)	**0.131**	0.123	0.124
	(oz/t)	**0.004**	0.004	0.004
Productivity	(g/TEC)	**385.12**	185.84	183.88
Financial				
Revenue	(Rm)	**589**	433	397
	(US$m)	**38**	31	31
Average gold price received	(R/kg)	**715 787**	577 889	537 547
	(US$/oz)	**1 421**	1 268	1 301
Cash operating cost	(Rm)	**363**	344	326
	(US$m)	**23**	24	25
Production profit	(Rm)	**223**	92	71
	(US$m)	**14**	7	5
Capital expenditure	(Rm)	**7**	6	3
	(US$m)	**0**	0	0
Operating free cash flow [1]	(Rm)	**219**	83	68
	(US$m)	**14**	7	6
Cash operating cost	(R/kg)	**443 972**	455 370	442 526
	(US$/oz)	**882**	999	1 071
All-in sustaining cost	(R/kg)	**453 937**	462 579	446 268
	(US$/oz)	**901**	1 015	1 080
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**0**	0	0
Lost-time injury frequency rate	per million hours worked	**0**	0	0

Environment				
Electricity consumption	(GWh)	**40**	41	41
Water consumption - primary activities	(ML)	**320**	304	260
Greenhouse gas emissions	(000t CO_2e)	**43**	37	40
Intensity data per tonne treated				
- energy		**0.01**	0.007	0.007
- water		**0.05**	0.05	0.04
- greenhouse gas emissions		**0.01**	0.006	0.007
Number of reportable environmental incidents		**0**	1	0

[1] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*

Other salient features	
Status of operation	Retreatment of tailings
Life of mine	8 years

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	48.7	0.28	14	0	0	0	48.7	0.28	14
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	53.7	0.008	442	0	0	0	53.7	0.008	442

Overview of operations

Phoenix is a tailings retreatment operation situated in Virginia in the Free State.

The operation involves the retreatment of tailings from Harmony's tailings storage facilities in the Free State region to extract any residual gold. The operation makes use of the Saaiplaas plant to retreat tailings. It is 100% owned by the black economic empowerment company, Tswelopele Beneficiation Operation (Proprietary) Limited, of which Harmony is a 75% shareholder.

Operating performance FY20

With its safety performance intact, Phoenix continued to improve its operating performance year on year due to an increase in volumes processed and the containment of costs. Unlike Harmony's underground operations, Phoenix was not impacted by the Covid-19 national lockdown and was able to continue operating throughout.

Gold production increased by 8% to 818kg, mainly as a result of a 2% increase in volumes processed to 6.2 million tonnes and a 7% rise in the recovered grade to 0.131g/t. This was reflected in the substantial increase in revenue to R589 million (US$38 million).

Operational success depends on maintaining plant efficiency and reducing pump and pipe failures (adequate spillage control).

Outlook for FY21

The aim is to finish the feasibility work on identifying the optimum second source feed for processing on account of the fact that the current feed is nearing the end of its life. Another focus will be to investigate the possibility of boosting gold recovery by reducing resonance time in processing.

Central Plant Reclamation (tailings retreatment)

		FY20	FY19	FY18
Number of employees				
- Permanent		**97**	99	100
- Contractors		**151**	136	182
Total		**248**	235	282
Operational				
Volumes milled	(000t) (metric)	**4 020**	3 872	3 810
	(000t) (imperial)	**4 433**	4 269	4 201
Gold produced	(kg)	**625**	579	502
	(oz)	**20 094**	18 615	16 139
Gold sold	(kg)	**625**	577	508
	(oz)	**20 093**	18 551	16 333
Grade	(g/t)	**0.155**	0.150	0.132
	(oz/t)	**0.005**	0.004	0.004
Productivity	(g/TEC)	**325.83**	307.23	261.72
Financial				
Revenue	(Rm)	**468**	342	293
	(US$m)	**30**	24	23
Average gold price received	(R/kg)	**749 216**	592 359	576 829
	(US$/oz)	**1 488**	1 299	1 396
Cash operating cost	(Rm)	**234**	212	191
	(US$m)	**15**	15	15
Production profit	(Rm)	**234**	130	98
	(US$m)	**15**	9	8
Capital expenditure	(Rm)	**12**	7	22
	(US$m)	**1**	1	2
Operating free cash flow [1]	(Rm)	**222**	123	80
	(US$m)	**14**	8	6
Cash operating cost	(R/kg)	**373 798**	366 364	381 131
	(US$/oz)	**742**	804	923
All-in sustaining cost	(R/kg)	**389 611**	378 038	420 016
	(US$/oz)	**774**	829	1 017
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**0**	0	0
Lost-time injury frequency rate	per million hours worked	**0**	2.09	0
Environment				
Electricity consumption	(GWh)	**24**	23	24
Water consumption - primary activities	(ML)	**171**	191	180
Greenhouse gas emissions	(000t CO_2e)	**25**	21	23
Intensity data per tonne treated				
- energy		**0.01**	0.01	0.01
- water		**0.04**	0.05	0.05
- greenhouse gas emissions		**0.01**	0.005	0.006
Number of reportable environmental incidents		**0**	0	1

Note: Reported as part of waste rock dumps prior to the conversion of Central Plant to a tailings retreatment facility, which began operating in FY18

1 Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results

Other salient features	
Status of operation	Retreatment of tailings
Life of mine	15 years

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	0	0	0	55.4	0.27	15	55.4	0.27	15
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	0	0	0	61.0	0.008	476	61.0	0.008	476

Overview of operations

The Central Plant Reclamation, is a tailings retreatment operation situated near Welkom in the Free State. Originally built to process waste rock dumps, the Central Plant was converted into a tailings retreatment facility in FY17.

Operating performance FY20

Central Plant performed well in FY20 despite the disruptions caused by the Covid-19 pandemic and associated national lockdown. The operation recorded a 4% increase in volumes processed to 4 million tonnes and a 3% increase in recovered grade to 0.155g/t resulting in an 8% increase in gold production to 625kg (20 094oz). This performance was reflected in the substantial rise in revenue to R468 million.

All-in sustaining unit cost increased by 3% to R389 611/kg (in US$ terms decreased by 7% to US$774/oz).

The capital expenditure for FY20 increased by 68% to R12 million on account of an increase in plant maintenance.

Outlook for FY21

Key focus areas in FY21 will be to continue safe operations and deliver operational excellence.

Waste rock dumps

		FY20	FY19	FY18
Operational				
Volumes milled	(000t) (metric)	**4 476**	4 307	2 821
	(000t) (imperial)	**4 936**	4 749	3 110
Gold produced	(kg)	**1 753**	1 515	1 081
	(oz)	**56 630**	48 708	34 755
Gold sold	(kg)	**1 780**	1 497	1 074
	(oz)	**57 229**	48 129	34 530
Grade	(g/t)	**0.392**	0.352	0.383
	(oz/t)	**0.011**	0.010	0.011
Financial				
Revenue	(Rm)	**1 388**	879	610
	(US$m)	**89**	62	47
Average gold price received	(R/kg)	**779 835**	587 483	567 737
	(US$/oz)	**1 549**	1 289	1 374
Cash operating cost	(Rm)	**853**	692	450
	(US$m)	**54**	49	35
Production profit	(Rm)	**527**	195	164
	(US$m)	**34**	14	13
Capital expenditure	(Rm)	**2**	8	3
	(US$m)	**0**	1	0
Operating free cash flow [1]	(Rm)	**533**	179	157
	(US$m)	**34**	12	12
Cash operating cost	(R/kg)	**486 792**	456 473	415 993
	(US$/oz)	**967**	1 001	1 007

All-in sustaining cost	(R/kg)	**484 507**	462 178	417 462
	(US$/oz)	**962**	1 014	1 010
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**0**	0	0
Lost-time injury frequency rate	per million hours worked	**0**	0	0
Environment				
Electricity consumption	(GWh)	*	*	*
Water consumption - primary activities	(ML)	*	*	*
Greenhouse gas emissions	(000t CO_2e)	*	*	*
Intensity data per tonne treated				
- energy		*	*	*
- water		*	*	*
- greenhouse gas emissions		*	*	*
Number of reportable environmental incidents		**0**	0	0

* *Electricity and water consumption and related emission and intensity data for the respective plants at which the waste rock dumps are processed are accounted for as part of the primary operation's environmental results*

[1] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*

Other salient features	
Status of operation	Processing of waste rock dumps is dependent on the availability of spare plant capacity and plant requirements for grinding material
Life of mine	± 1 year

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	0	0	0	3.5	0.50	2	3.5	0.50	2
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	0	0	0	3.8	0.015	56	3.8	0.015	56

Overview of operations

Production from the processing of surface rock dumps, which are situated across Harmony's operations, depends entirely on the availability of spare mill capacity at the Harmony One and Target plants. Waste and waste rock dump deliveries to Kusasalethu plant (situated near the border of Gauteng and North West provinces) supplement mining volumes in order to secure sufficient backfill to use as support in stoping areas. Waste rock dumps situated near Orkney (acquired as part of the Moab Khotsong operations) are treated at the Great Noligwa and Mispah plants. Milling of waste rock dumps at the Doornkop plant, situated in Gauteng, began in FY18.

Operating performance FY20

An increase of 4% in ore milled to 4Mt, coupled with an 11% rise in recovered grade to 0.392g/t, delivered a 16% rise in gold produced to 1 753kg (56 360oz). The performance of the waste rock dumps year on year benefitted from the reduction in underground production during the duration of the national lockdown in South Africa. The operation recorded an excellent financial performance with revenue increasing to R1.4 billion in FY20.

Outlook for FY21

The priority for FY21 will be to maintain safe, profitable production.

PAPUA GUINEA

Hidden Valley

		FY20	FY19	FY18[1]
Number of employees				
- Permanent		**1 434**	1 391	1 295
- Contractors		**748**	709	790
Total		**2 182**	2 100	2 085
Operational				
Volumes milled	(000t) (metric)	**3 906**	3 886	2 499
	(000t) (imperial)	**4 307**	4 285	2 757
Gold produced	(kg)	**4 872**	6 222	2 862
	(oz)	**156 639**	200 042	92 015
Gold sold	(kg)	**4 949**	6 192	2 763
	(oz)	**159 113**	199 077	88 833
Grade	(g/t)	**1.25**	1.60	1.36
	(oz/t)	**0.036**	0.047	0.039
Financial				
Revenue	(Rm)	**3 748**	3 591	409
	(US$m)	**239**	253	31
Average gold price received	(R/kg)	**757 348**	579 902	550 956
	(US$/oz)	**1 504**	1 272	1 283
Cash operating cost	(Rm)	**1 696**	1 371	228
	(US$m)	**108**	97	17
Production profit	(Rm)	**2 109**	2 229	175
	(US$m)	**134**	157	14
Capital expenditure	(Rm)	**959**	1 591	1 563
	(US$m)	**61**	112	122
Operating free cash flow[2]	(Rm)	**871**	573	(1 374)
	(US$m)	**56**	40	(107)
Cash operating cost	(R/kg)	**348 054**	220 323	287 028
	(US$/oz)	**691**	483	669
All-in sustaining cost	(R/kg)	**562 648**	497 399	466 256
	(US$/oz)	**1 120**	1 090	1 094
Average exchange rate	(R/US$)	**15.66**	14.18	12.85
Safety				
Number of fatalities		**0**	0	0
Lost-time injury frequency rate	per million hours worked	**0.68**	0.35	0
Environment				
Electricity consumption	(GWh)	**120**	117	59
Water consumption - primary activities	(ML)	**1 810**	1 827	1 359
Greenhouse gas emissions	(000t CO_2e)	**165**	208	57
Intensity data per tonne treated				
- energy		**0.04**	0.03	0.02
- water		**0.46**	0.47	0.54
- greenhouse gas emissions		**0.04**	0.05	0.02
Number of reportable environmental incidents		**7**	2	0

[1] *FY18 gold produced includes 2 068kg (66 499oz) and gold sold 2 021kg (64 976oz) capitalised as part of pre-stripping of stages 5 and 6*
Revenue of R1 045 million (US$85 million) and the associated costs were capitalised during FY18

[2] *Operating free cash flow = revenue - cash operating cost - capital expenditure ± impact of run of mine (ROM) costs as per operating results*

Other salient features	
Status of operation	Open-pit mining operation producing gold and silver (by-product). Post reinvestment, the pre-stripping of stage 5 commenced in October 2016. Commercial levels of production were achieved in the June 2018 production month. Stage 6 stripping began in FY19
Life of mine	4 years

Mineral Reserve estimates at 30 June 2020

	Proved			Probable			Total		
Reserves (metric)	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**	**Tonnes (Mt)**	**Grade (g/t)**	**Gold (000kg)**
	2.3	1.32	3	14.2	1.61	23	16.5	1.57	26
Reserves (imperial)	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**	**Tons (Mt)**	**Grade (oz/t)**	**Gold (000oz)**
	2.5	0.039	98	15.6	0.047	733	18.2	0.046	831

Overview of operations

The Hidden Valley mine is an open-pit gold and silver mine, situated in the Morobe Province in Papua New Guinea, some 210km northwest of Port Moresby. The mine is located at elevations between 2 800m and 1 700m above sea level within steep mountainous and forested terrain that experiences approximately 3m of rainfall per year. The major gold and silver deposits of Hidden Valley are located in the Morobe Granodiorite of the Wau Graben.

Crushed ore is conveyed from the Hidden Valley pit via a 5.5km long overland pipe conveyor and is treated at the Hidden Valley processing plant, which uses a two stage crushing circuit followed by a semi-autogenous grinding (SAG) mill, gravity, counter current decantation (CCD)/Merril Crowe circuit for silver and a carbon-in-leach circuit for gold.

Operating performance FY20

Hidden Valley's safety and injury frequency rates are industry leading and the operation achieved a fourth consecutive year of zero fatalities and recorded more than 2 million fatality free shifts in FY20. This is testament to the culture of zero harm, safety coaching and leadership, as well as the use of critical control management that has been embedded operationally to drive safety.

Gold production declined by 22% to 4 872kg (156 639oz) and generated operating free cash flow of R871 million, making it the group's second largest contributor to operating free cash flow in FY20. Hidden Valley achieved an all-in sustaining unit cost of R562 648/kg (US$1 120/oz), due to:

- Lower gold production in FY20 as a result of lower mined grade as the mine transitioned between various stages of the open pit
- Higher inventory adjustments and additional costs due to Covid-19 controls, offset by reduced operating and sustaining capital expenditure year on year

Despite the challenges associated with the Covid-19 pandemic and the 14-day mill stoppage in January 2020, caused by a fault in the mill's electronic management system, Hidden Valley was able to increase the volume milled by 0.5% to 3.9Mt, although the recovered grade declined to 1.25g/t, resulting in lower gold production.

In addition to a planned mine life of 4 years, a prefeasibility study for the life-of-mine extension has been completed which considers a two- to three-year mine life extension and annual gold production of approximately 190 000oz.This study has now progressed to feasibility stage, with study work expected to be completed during FY21.

Outlook for FY21

The key focus in FY21 will be to safely mine the current cutback to produce between 172 300 to 177 700 ounces, while commencing the next planned pushback of the main Hidden Valley pit. Our aim is to also obtain a renewal of the mining lease to support a proposed mine life extension beyond the current plan.

Exploration and projects

SAFE PROFITABLE OUNCES

Mining, in the strictest sense, is an unsustainable activity as it depletes what is ultimately a finite resource.

Given that certain of our assets are mature mines nearing the end of their operational lives, the depletion of our resource base is a very real prospect and a key material risk for the group. It is in this context that exploration and the discovery of economically-viable orebodies suitable for development is vital to the long-term sustainability of Harmony's business. Only by ensuring a future pipeline of Mineral Resources and Mineral Reserves will Harmony be able to operate profitably, ensure its longevity and create value for all stakeholders in the long term.

FY20 highlights

Exploration and projects

Papua New Guinea

Brownfield exploration at Hidden Valley investigating the optimisation of existing operations and extending mine life	Wafi-Golpu project - currently in feasibility stage although its development has been hampered by permitting delays

South Africa

Kalgold - advanced feasibility study underway aimed at optimising the existing open pit and extending mine life	Brownfield exploration currently underway at several underground operations	Greenfields exploration in progress at Target North

Our approach

Our exploration strategy focuses predominantly on exploring brownfield targets proximate to existing mining infrastructure. The rationale for this being that it is the most effective means of driving short- to medium-term organic ore reserve replacement and growth to support our strategy. We also undertake some greenfield exploration work, largely in Papua New Guinea.

We have limited our exploration programme mainly to South Africa and Papua New Guinea on the basis that we have a firm presence in both countries and, thus, have excellent knowledge of the local geology, government, infrastructure and regulations of both countries.

All Harmony's projects undergo a robust assessment to determine whether they meet our exploration standards. The criteria include project- and country-related risk profiles, and minimum requirements on the potential size, production profile and investment targets. In addition, we seek out projects that align with our operational imperatives of prioritising safety, maximising in-ground expenditure and drill testing high-priority targets. In this way we can ensure that future projects, once operational, will enable us to meet our long-term strategic objectives.

Our performance FY20

Papua New Guinea	South Africa
R203 million (US$13 million) was spent on exploration, driven largely by Wafi-Golpu related activities (FY19: R397 million; US$28 million). Expenditure of R183 million (US$13 million) is planned for FY21	R56 million (US$4 million) was spent on exploration of R96 million (US$7 million) planned for FY21

In FY20, the group spent a total of R259 million (US$17 million) on exploration programmes and project developments. This was a significant decline in expenditure compared to the R498 million (US$35 million) spent in FY19. The regression owed primarily to the impact of the Covid-19 pandemic and the restrictions associated with the national lockdowns, which compelled us to stop all capital exploration drilling projects with immediate effect at the end of March 2020.

Exploration - Papua New Guinea

In FY20, our exploration programme in Papua New Guinea focused principally on brownfield, near-mine exploration aimed at extending the operating life of the Hidden Valley mine, the mining lease of which comprises 502km^2 of tenure. We also continued greenfield exploration of our Wafi-Golpu copper-gold deposit.

The exploration work at Hidden Valley focused on a possible down-dip extension of the orebody known as the Webiak prospect, located 7.5km north of Hidden Valley. While no significant gold assays were obtained, results highlighted several zones of coincident anomalous silver-arsenic-antimony-mercury element anomalism consistent with the upper parts of a low sulphidation precious metal system.

A new geological model predicting the continuation of Edie Creek LS epithermal Au-Ag veins - a series of concealed targets under younger volcanic cover sequences - to the northwest of the Hidden Valley progressed to drill testing phase in FY20. Preparation included the construction of seven drill pads, a laydown and foot tracks and the upgrading of an access road. Additionally, a helicopter portable drilling rig was mobilised and a diamond drill hole was completed.

Technical work was also undertaken during the first three-quarters of the financial year to advance orebody knowledge and understanding of the geophysical footprint of the Wafi-Golpu lease area. This included the mapping and surface sampling of targets developed from an integrated model.

However, all exploration work in Papua New Guinea was suspended following the onset of the Covid-19 pandemic, owing primarily to the fact that much of the exploration work is undertaken in proximity to host communities and, thus, the risk of Covid-19 transmission is much higher. Our exploration activities were also constrained by the stipulations of the state of emergency and of Harmony's self-imposed Covid-19 operating procedures.

We expect the proposed FY21 work programme will be subject to change as we comply with these measures and controls, which include, among others, travel constraints, physical distancing requirements and limits to group gatherings, which particularly affect our engagement with communities, the State, the province and other stakeholders.

Exploration - South Africa

Near-mine and on-mine brownfield exploration, as well as tailings retreatment form the basis of our exploration work in South Africa. In FY20, we continued with several exploration programmes in the country, which in every instance were suspended at the end of March 2020 following the onset of the Covid-19 pandemic and the implementation of the national lockdown.

Kalgold

An advanced feasibility study is underway to determine the viability of expanding the Kalgold open-pit operation (Windmill zone). Six holes totalling 1 929 metres were drilled and an updated Mineral Resource estimate was completed in November 2019.

Exploration aimed at improving the geological understanding of the Kraaipan Greenstone Belt, on which the Kalgold mine is situated, to potentially develop it into a new mineralised province with multiple mining centres was also undertaken. A total of 4 162 auger holes was drilled and 1 902 outcrop samples analysed.

Tshepong operations

High-grade B Reef areas identified at the Tshepong section will be included in the life of mine plan. Results from the 21 exploration boreholes completed in FY20 indicated and confirmed areas of high economic value in the east-north area of the mine.

B Reef exploration began at the Phakisa section during FY18 and seven holes were drilled in FY20. Drill results, combined with historic regional information, continue to improve understanding of the B Reef's boundaries.

Doornkop

Drilling of long-incline boreholes began in November 2019 to build confidence in the geological model of the South Reef orebody.

Target North

An exploration programme is underway to confirm the geological model of Target North and further define a potential block of well-mineralised Ventersdorp Contact Reef. The surface exploration drilling programme completed one borehole (MAL21), reaching a depth of 3 022.77 metres and intersecting well-developed reef. Deflection drilling has begun.

Joel

Exploration began in November 2019 to facilitate the upgrade of the Mineral Resource to the Indicated level and determine the economic mining limit in the north and northeast areas originally classified as non-depositional zones. Three boreholes were being drilled before the suspension of all exploration activities.

Projects - Papua New Guinea

Wafi-Golpu

The greenfield Wafi-Golpu project, a 50:50 unincorporated joint venture between subsidiaries of Harmony and Newcrest Mining, aims to exploit a high-quality copper-gold resource situated in the highly-prospective Morobe Province of Papua New Guinea. The project is currently in feasibility stage although its development has been hampered by permitting delays.

Key features of the project include:

- Estimated operating life of mine of more than 28 years (potential to extend to 40 years)
- Steady-state production, using the block cave mining method, is estimated at 161 000t of copper, 266 000oz of gold (more than 1.4Moz of gold equivalent ounces annually)
- Above average grades with gold at 0.90g/t and copper at 1.27%
- Expressed in terms of gold production, all-in sustaining costs are estimated to be US$2 128/oz; for copper, production costs of US$0.26lb are in the lowest decile

Following submission of the Special Mining Lease and Environment Impact Statement applications to the regulators in March 2018 and July 2018 respectively, the Wafi-Golpu joint venture entered into a memorandum of agreement with the State in December 2018, targeting an SML grant by June 2019.

The milestones set for assessment of the Special Mining Lease and Environment Impact Statement applications and associated permitting work streams are not being achieved, and as a result the project permitting roadmap and timeline remain uncertain. Delays in discussions with the State are attributed to the judicial review of the memorandum of agreement initiated by the Governor of the Morobe Province in May 2019. This judicial review was concluded on 11 February 2020 with the National Court dismissing the case on the basis that the State's withdrawal from the memorandum of agreement rendered the matter nugatory. The stay order issued by the National Court in that connection was lifted. On 20 March 2020, the Morobe Governor appealed the dismissal of the action to the Papua New Guinea Supreme Court, and intends to seek reinstatement of the stay order.

Further, there is ongoing uncertainty with regard to the timing and content of a potential revision of the Mining Act. At the end of February 2020, the Papua New Guinea Chamber of Mines, together with various of its member mining companies, made a presentation to the Department of Mineral Policy and Geohazards Management setting out their grave concerns regarding further proposed changes to the Mining Act. Their presentation was supported by financial models of the impact of those changes on their respective operations. To date, there has been no response from the Department.

The Wafi-Golpu Joint Venture continues to engage with the Papua New Guinea government to proceed with the permitting and approvals process.

The permitting process may be further delayed owing to ongoing mining and fiscal regime reviews.

Once these matters are resolved, the Wafi-Golpu joint venture will be well placed to resume discussion with the Papua New Guinea government.

The Wafi-Golpu project will progress to execution once:

- SML the environmental impact statement and all other necessary tenements and permits required in support of project development have been granted
- All required agreements with the State and landowners have been signed
- All necessary approvals have been received from the boards of directors of the ultimate holding companies of the partners in the joint venture, namely Harmony and Newcrest
- Initial activities post granting of the special mining lease will focus on development of site access roads and bridges, reconstituting the project team, and the construction of the Nambonga and Watut declines.

Hidden Valley

A large Mineral Resource exists below the current Hidden Valley open-pit mining area, which, if exploited, will add a further 2.5 years onto the current life of mine of 2024 and additional gold production of ~450 000oz. In order to extend the mining area, a suitable tailings storage facility must be determined.

The Hamata open pit has been recognised as a viable option for the storage of tailings and could provide a facility with storage capacity of 10Mt. Hamata falls within mining lease ML151 and is easily accessible but requires completion of mining of Hamata 3 before the dam wall can be built. A feasibility study to determine its suitability is currently being finalised. An updated resource model, open pit optimisations, the design for a further cut back on the Hidden Valley-Kaveroi pit, and an updated operating and capital cost profile are also being undertaken. The technical and financial study is due for completion during FY21, after which an investment decision will be made.

Projects - South Africa

Kalgold

A prefeasibility study to expand monthly plant throughput to 275 000 tonnes (using the current plant) or 300 000 tonnes (by building a new plant) was completed in FY20. The expansion project underway at Kalgold is aimed at optimising and increasing production and is anticipated to progress to feasibility stage in FY21. This will entail the evaluation of building a new 300 000 tonne-a-month plant close to the mining pits while continuing to use the existing plant infrastructure.

Doornkop

A feasibility study was initiated in September 2019 to investigate the viability of continuing to mine the orebody at depth. The project involves consideration of developing new mining levels, adaptation of the ventilation shaft, and alleviation of constraints on the main shaft. An ore handling system incorporating 215 level also needs to be put in place. Approval of the feasibility study, which includes the project scope, costs and timelines, is expected to be made in FY21.

Joel

An expansion project to access the orebody from 137 level is currently underway. This will involve installation of a chairlift decline and a conveyor belt decline. The entire project, including all construction and equipping to access the reef horizon and start stoping, is expected to be completed in FY21.

A prefeasibility study to increase tailings capacity at Joel was also completed in FY20. However, the economics of the project have not made it viable. Instead, possible collaborations with owners of other mining infrastructure in the area will be investigated in FY21.

Moab Khotsong

Three separate expansion projects are being considered or underway at Moab Khotsong:

- Implementation of the Great Noligwa shaft pillar extraction project, which is based on the partial extraction of reef blocks with a central stabilising pillar to maintain the integrity of both shaft barrels, progressed in FY20 and by financial year-end, 428 metres had been developed. Moreover, refurbishment of the backfill plant was completed and the 73-76 level transfer system commissioned
- A prefeasibility study to investigate the possibility of mining a new orebody below the current Moab Khotsong middle mine was concluded and indicated that it could contribute positive value through the application of a twin-decline system. A feasibility study has begun but has been delayed by the impact of Covid-19
- A prefeasibility study to investigate the viability of reclaiming gold from the Mispah 1 tailings storage facility was completed. Pending completion of the acquisition of Mine Waste Solutions and other surface facilities from AngloGold Ashanti, a feasibility study will be conducted to investigate the use of their current infrastructure to circumvent the residue deposition issues identified in the Mispah prefeasibility study

MANAGING OUR SOCIAL AND ENVIRONMENTAL STEWARDSHIP

SOCIO-ECONOMIC DEVELOPMENT

Empowering communities

Creating shared value for the communities impacted by our mining operations is an integral part of Harmony's business strategy and a key capital. This not only builds our social and relationship capital and ensures our social licence to operate, it also underpins our reputation as a responsible corporate citizen and as a valued partner among the communities where we operate. Harmony strives to create sustainable shared value for our communities. We focus our efforts on sustainably investing in the future of our communities beyond the life of our mines to not only empower them, but also mitigate the impacts of our activities and ensure a positive legacy.

Capitals affected:

Directly

- SOCIAL AND RELATIONSHIP CAPITAL
- FINANCIAL CAPITAL

Indirectly

- INTELLECTUAL CAPITAL
- NATURAL CAPITAL

Stakeholder/s affected:

Host communities, host businesses	Other stakeholders engaged include non-governmental organisations and civil organisations, government and regulators

Link to strategy:

Responsible stewardship

Related material issue:

Social licence to operate – contributing to self-sustaining communities and responsible closure planning

Responsible committee:

Social and ethics committee

GRI Standards:

Prepared in accordance with:

203-1, 203-2, 413-1, 413-2, 414-1, 414-2, 419-1 and MM5

Contributing to the SDGs:

Our environmental activities are also aligned with the United Nations SDGs, most especially those aimed at protecting the planet, combating climate change, restoring the land and protecting biodiversity.

NO POVERTY	QUALITY EDUCATION	SUSTAINABLE CITIES AND COMMUNITIES
Our focus is on implementing broad-based agriculture and viable commercial agricultural ventures to promote food security, sustain livelihoods and contribute to alternative, sustainable economic activities that will endure once mining ceases	-Education is a key aspect of our strategy -At secondary school level, we promote mathematics, science and technology -A2At tertiary level and in communities, our focus is to develop entrepreneurial and portable skills, especially in the field of information and communication technology	-The promotion of preferential local procurement and enterprise and supplier development helps to uplift communities and sustain them economically -C2Infrastructure projects (roads in South Africa and water and sanitation in Papua New Guinea) help to enhance community resilience and functionality

OUR APPROACH TO SOCIO-ECONOMIC DEVELOPMENT

In striving to create sustainable shared value for our communities, we understand that the dynamics and the needs of communities are ever evolving and so any meaningful and sustainable socio-economic development we pioneer and implement requires far more than a one-dimensional, static strategy. It is for this reason that our approach to socio-economic development is multi-faceted so that we focus our efforts on implementing programmes and creating opportunities that will uplift and empower local communities, and make a positive and lasting contribution in the regions in which we operate.

It is in this context that our socio-economic development programme commits to:

- contribute to areas that will have the most meaningful socio-economic impact on our communities, namely infrastructure, education and skills development, job creation and entrepreneurial development
- enhance broad-based local and community economic empowerment and enterprise development initiatives
- facilitate socio-economic development in local communities by means of our social and labour plans (SLPs) and our corporate social responsibility programmes
- support arts, culture, and sports and recreation
- build relationships based on trust with our host communities, the basis of which must be transparent dialogue and the delivery of mutually-agreed promises

GOVERNANCE

The social and ethics committee of the board oversees the policy and strategies pertaining to socio-economic development and corporate social responsibility, as well as to public safety. Responsibility for implementation of related policies vests with the management team and the executive responsible for sustainable development. Discipline-specific policies are supported by guidelines and standards which inform the development of site-specific management systems, which are aligned overall with our sustainable development framework.

We have also formalised our governance approach to social investment. A local economic development strategy, together with an accompanying operating procedure and strategy for investing in mine community development, are in place so that related processes and systems are well institutionalised within the company. This helps to ensure that projects are rolled out responsibly and successfully with a view to their sustainability.

OUR PERFORMANCE FY20

Harmony broadly defines socio-economic development as all activities and initiatives undertaken - with the assistance of local resources, ideas and skills - to stimulate social and economic growth and upliftment, particularly of the local communities impacted by our operations. The desired outcome of this is the creation of employment opportunities, poverty alleviation and reduction of inequality while attracting external investment, all of which are important in creating sustainable local economies.

We aim to improve quality of life through mine community development spend of not less than 1% of net profit after tax. In FY20, total group spend on mine community development, preferential/local procurement, enterprise development and corporate social investment was R10.44 billion (FY19: R8.7 billion) - R112 million on community projects and social investment and R10.3 billion on procurement and enterprise development (FY19: R88 million, R11.5 billion respectively).

Socio-economic development expenditure - FY20

	Investing in our social licence to operate	Preferential/local procurement	Enterprise and supplier development	Corporate social investment
Group approach	Identified mine community development initiatives aimed at stimulating socio-economic growth and development	Strategy in place to promote procurement spend to stimulate economic activity in local host communities with a focus on empowering women and youth	New approved strategy to promote and develop local enterprise	Supplements other socio-economic activities and initiatives to generate positive impacts and outcomes
South Africa	Governed by the Mining Charter and related social and labour plans	Focus on black economic empowerment and driven by the Mining Charter	Providing procurement opportunities to small and medium sized black-owned businesses	Focused on: -education -socio-economic advancement -health -arts, culture, sports and recreation
Spend:	**R65.2 million**	**R5.08 billion***	**R1.55 billion**	**R10.6 million**
Papua New Guinea	Activities governed by the memorandum of agreement with various levels of government Focused on: -community infrastructure -health programmes -community agriculture programmes	Aligned with terms of the memorandum of agreement for localised procurement within the Morobe Province	Aligned with terms of memorandum of agreement for procurement in country	Included in activities relating to our social licence to operate
Spend:	**R36.5 million (US$2.15 million)**	**R2.5 billion (US$145 million)**	**R1.2 billion (US$71 million)**	

**Spend with companies having black economic empowerment shareholdings of at least 25% + one vote or higher as well as BEE level 4 compliance*

Socio-economic development - investing in our social licence to operate

During the financial year we continued to uplift and empower local communities to become self-sustaining, acting as a catalyst for economic growth while creating alternative economies to support communities once mining ceases.

South Africa

The implementation of our socio-economic strategy is influenced, to varying degrees, by national legislative requirements and the needs communicated to us by the communities. In the case of South Africa, our strategy is largely dictated by the requirements of Regulation 42 of the Mineral and Petroleum Resources Development Act. This stipulates that a mining right can only be granted if a social and labour plan has been submitted to the Department of Mineral Resources and Energy.

Social and labour plans are five-year-long programmes that incorporate all local development initiatives that are executed in terms of the Mining Charter, the Act, and the Codes of Good Practice for the Minerals Industry.

Harmony is presently in the middle of the third generation five-year (2018-2022) social and labour plan. The total financial commitment for mine community development is R268 million, of which R65.2 million was spent in FY20. This brings total spend to date to R108 million for the third-generation commitments. See diagram below of annual expenditure since FY16 and planned expenditure for the next three years.

Owing to the national lockdown, an additional three months were implemented to complete projects which could not have been done during this period. An additional R5.6 million will be spent during the first quarter of FY21 to accommodate for the completion of these projects, which will bring the amount spent up to R70.8 million. This constitutes a 90% achievement against the planned investment for mine community development.

South Africa - actual and planned annual investment in mine community development for the social and labour plans

FY16	FY17	FY18	FY19*	FY20	FY21	FY22**	FY23**
R17 million	R23 million	R20 million	R43 million	R65 million	±R75 million	±R55 million	±R50 million

* Includes Moab Khotsong from FY19 onwards

** Planned investment in FY22 and FY23 is expected to decline as several mines reach the end of their operating lives

We continued to focus primarily on the following four areas, which we believe can affect the greatest, most sustained social upliftment in our communities: SMME and youth development, infrastructure, agriculture and information and/or communication technology.

Rationale for focus areas of third generation social and labour plan projects	Expenditure in FY20
Youth and small, medium and micro enterprise development Meaningful, long-lasting socio-economic development can only be achieved by empowering individuals and communities with the most appropriate skills and resources. The upskilling of the youth and the nurturing of small, medium and micro enterprises within our communities is thus the priority focus of our mine community development plan. Our related initiatives range from incubation hubs, where we provide support and resources to companies, particularly those owned by young and female entrepreneurs, to the provision of workshops and commercial spaces in which these companies can conduct their businesses.	R31.61 million
Agriculture For most in our poorest communities, obtaining fresh, healthy food is not always possible, particularly from a cost perspective. To help alleviate this hardship, the second pillar of our mine community development strategy focuses on promoting agricultural initiatives - both broad-based livelihood and commercial ventures. Not only does this ensure improved access to healthy food, which will promote better health and well-being in our communities, the sale of excess produce also assists in alleviating poverty.	R8.15 million
Infrastructure Infrastructure plays an important role in facilitating the upliftment of communities. Harmony believes that good road infrastructure is particularly vital as it allows ease of movement of goods and people and it promotes economic activity. Infrastructure projects themselves generate employment opportunities. It is on this basis that we have embarked on an infrastructure programme to improve the roads connecting our host communities with the larger towns in the Free State.	R25.24 million
Information communication technology In this modern, technological-driven age, access to the internet, and particularly computers, is an absolute necessity. To help our host communities access such technology, we have introduced a mobile computer centre that can be accessed by young residents or fledgling businesses.	R0.21 million

Third generation social and labour plan projects: Expenditure by province and focus areas for FY19 and FY20

	SMME and youth development	Infrastructure	Agriculture	Information technology
Free State R67.81 million	R34.75 million	R28.23 million	R2.60 million	R2.23 million
Gauteng R20.52 million	R6.52 million	R2.55 million	R10.29 million	R1.16 million
North West R19.79 million	R7.93 million	R0.43 million	R10.54 million	R0.89 million

Highlights of the socio-economic development projects underway during FY20 were the road construction and agricultural projects in the Free State and the agricultural projects in Gauteng and North West Province. Harmony also implemented outreach programmes in our labour sending areas, particularly in Lesotho and the Eastern Cape.

Separate more detailed schedules of the social and labour plan projects undertaken in FY19 and FY20, their impact, beneficiaries and cost, are available online as part of our annual report suite. See Social and labour plan projects - FY20 and Social and labour plan projects completed - FY19, which are both available at www.har.co.za.

Socio-economic closure planning

A key consideration in our planning for socio-economic development is how to mitigate the potential impact of mine closures on our communities. This is especially the case in the Free State region where several mines are approaching the end of their operating lives. Many of our socio-economic initiatives consider establishing alternative economic activities and means of livelihood that can be sustained post-mining. This includes an emphasis on stimulating small- and medium-enterprise development as well as portable skills training to empower both employees and the communities as a collective.

We also use our land rehabilitation strategy, which is outlined in the Environmental management and stewardship section, as a means of facilitating alternative economic development initiatives. Given the land available under our control, we are able to support food security and poverty alleviation through agricultural initiatives. To this end, we have forged a partnership with Unigrain to rehabilitate mine-impacted land to high-quality agricultural standards while addressing the global grain supply shortage. We expect to implement this project in Welkom in the next financial year. Similarly, Harmony has signed a memorandum of understanding to promote commercial agricultural production as a final land use in our Tsolo host community in the Eastern Cape. A feasibility study is also being conducted currently in the Free State to determine how best to commercialise agricultural opportunities to introduce into the Tiger Brands procurement chain.

Stakeholder engagement

In terms of stakeholder engagement, Harmony believes it is crucial to build trust and maintain positive relationships with host communities as well as with other stakeholders, including the South African government. This has, however, not always been the case. In the past, stakeholder engagement was issues-based, particularly in meeting communities' expectations in relation to the pace of implementation of projects and of the transformation of procurement policies. To address this, from the beginning of 2019 and continuing in FY20, Harmony established social and labour plan update forums in each of our host communities through which community members can engage directly with a company representative. Representatives from the municipalities, traditional authorities, communities and local business forums are also members of these structures, depending on the dynamics of the particular location. This exercise was interrupted, however, by the current pandemic.

The purpose of these forums is to share information with communities on progress being made on project implementation, to test their needs and expectations, and to try and manage their perceptions of what Harmony can deliver. This initiative has had a largely positive impact on our community stakeholder engagements and has helped to promote a better understanding of the issues and concerns on the part of participants. During FY20 there were fewer disruptions, upheaval and discontent expressed by community members.

Impact of Covid-19 in South Africa

The black swan event of the Covid-19 pandemic and the subsequent socio-economic lockdowns that were enforced from 27 March had a significant impact on Harmony's ability to fulfil its socio-economic commitments for FY20. Owing to the national lockdown, some of the projects could not be completed, however an additional 7% were spent during the first three months of the new financial year to accommodate for the lockdown period. Harmony was thus able to spend 90% of its full R78 million budgeted financial commitment.

The lockdown imposed on South Africa, particularly levels 5 and 4, effectively restricted the movement of most people in the country and, thus, prevented Harmony and its partners from accessing sites and completing projects. Although the lockdown curtailed engagement with stakeholders, suppliers and service providers, resulting in some of Harmony's social and labour plan commitments being delayed, we managed - with the approval of the Department of Mineral Resources and Energy - to accelerate implementation of these projects. We anticipate completing the remaining 17% spend by the end of September 2020. However, the Department of Mineral Resources and Energy proactively recognised the impacts of the pandemic and passed regulations extending the compliance date relative to the period of lockdown.

While Covid-19 has wreaked socio-economic havoc, the pandemic has come with a silver lining of sorts as it presented Harmony with the opportunity to become far more relevant to communities. In particular, we have supported the most impoverished members of our host communities - the Matlosana Local Municipality in North West Province in particular - by providing essential goods such as food packages, sanitation supplies, fresh water and face masks. We also provided personal protective equipment to hospitals in host communities. In addition, we looked beyond our immediate communities and donated care kits to the Amampondo Kingdom in the Eastern Cape, a labour-sending area. In total, we contributed R100.5 million towards Covid-19-related equipment, supplies and assistance for both employees and communities.

Papua New Guinea

Harmony has been an established partner and commercial driver of socio-economic development in Papua New Guinea for the past 17 years. Such has been our commitment to growth and development of the country that, by FY20, the Hidden Valley mine alone had directly and indirectly contributed over PGK5 billion (R19 billion; US$1.9 billion) to the regional and national economy over the past 11 years, including PGK556 million (R2.2 billion; US$204 million) in royalties and direct paid taxes. The mine has created around 2 000 jobs, with 73% of the workforce based in the Morobe Province. To date, around PGK1.1 billion (R4.6 billion; US$380 million) have been paid in salaries and wages over the mine's operating life.

While Harmony has historically pursued socio-economic development projects that focused on the provision of much needed social infrastructure, such as schools and clinics, we have recently revised our strategy to concentrate on agricultural, infrastructure and sustainable energy projects. These are believed to be far more sustainable, given the long-term value they can provide to the communities of the Morobe Province.

Agricultural initiatives

Papua New Guinea has rich and fertile soil that is ideal for the cultivation of sought-after natural products such as coffee and cocoa. Harmony has piloted two agri-business projects that focus on the cultivation of these specific crops. The cocoa and coffee projects are considered sustainable and have already earned accolades. A farmer named Chepan Yaling from one of the Wafi-Golpu-supported co-operative farmer groups of the Lower Watut won a gold award for his cocoa at the latest provincial Cocoa Show of Excellence which showcases farmers' produce from across Papua New Guinea. Another notable accolade achieved was the Papua New Guinea Chamber of Mines' recognition of our Mining Chocolate Programme as the industry's most outstanding humanitarian initiative for 2019.

The Wafi-Golpu cocoa programme

Over the past few years, our cocoa programme has continued to expand to the extent that Harmony now provides support to more than 1 000 cocoa-growing families in the area. In FY20, we cemented our commitment to the programme by:

- signing a 12-month renewable memorandum of understanding with the Papua New Guinea Cocoa Board to work together to develop the cocoa industry in the project impact area
- providing assistance, in the form of a storage shed and improved access to water, to the Babuaf Cocoa Farmers' Cooperative to expand their nursery at Wames so that they could more easily supply planting material to other farmers throughout the project impact area
- sponsoring the Kumul Bilong Morobe Cocoa Show of Excellence held in Lae in July 2019. This show drew about 5 000 cocoa farmers, distributors and other interested stakeholders from around the country.
- sponsoring the 2019 Morobe Agricultural Show, which had the added bonus of showcasing our Wafi-Golpu project and our social development programmes in the area

In all, we spent PGK603 772 (US$175 006) on our various cocoa-related initiatives in FY20.

According to the National Cocoa Board, more than 600 hectares are currently under production supplying an estimated 300 tonnes annually and generating estimated annual revenue for the Wafi-Golpu programme farmers of PGK2.1 million. Papua New Guinea, as a whole, produced 35 000 tonnes of cocoa beans during the 2019/2020 harvest.

Wafi-Golpu coffee programme

A similar programme was undertaken to support and promote coffee cultivation around three Yanta villages. In FY20, we distributed tools to Pokwana and Zilani and conducted training on the planting of coffee seedlings. Coffee farmers are progressing with maintenance of their nurseries and clearing of fields in preparation for field planting. Some 74kg of coffee seeds were delivered to farmers in Pokwaluma to be sown in their individual nurseries. This amount of seed is enough to plant 75 hectares of new coffee. In addition, we began discussions with 23 Degrees Coffee Roasters, a speciality coffee company, in Australia regarding a partnership to supply coffee beans from the Morobe Province to corporate markets in Melbourne.

We spent PGK8 250 (US$2 391) on our coffee-related initiatives in FY20.

Infrastructure initiatives

Harmony is frequently presented with opportunities to add value to infrastructure in the Morobe Province. Those infrastructure initiatives with which we have been involved and which provide a snapshot of how we have contributed to host communities around our Hidden Valley operation, include:

- Maintenance of critical sections of the Lae-Bulolo highway and
- Wau-Bulolo access road
- Repair of the Mabung and Kwembu bridges, giving access to landowner villages in the Hidden Valley area and the Hekeng footbridge in the Wafi-Golpu project area
- Upgrade to the Bulolo police station that included the provision of fencing, and the installation of water supply and sanitation to previously condemned parts of the facility
- Providing assistance to households in the form of solar lighting kits, biomass stoves and the WonderBag cooking system

In terms of our Wafi-Golpu joint venture, infrastructure projects undertaken included:

- Provision of clean water, toilets, washing facilities and maintenance training for the villages of Nambongo, Venembele, Hekeng, Bavaga, Gingen, Kendik and Zindaga. These fell under our Water, Sanitation and Hygiene (WaSH) project umbrella
- Another WaSH project began at Zimake and was approximately 30% complete before work was halted for Covid-19 safety reasons
- Minor health facility maintenance, some which had started in FY19, was completed at the Wafi Clinic, Zifasing, Zindaga, and Papas Aid Posts during the year, in line with the National Health Standards

A total of PGK1 039 491 (US$301 302) was spent on infrastructure initiatives in Papua New Guinea.

Law enforcement initiative

In January 2020, Harmony signed a memorandum of understanding with the Royal Papua New Guinean Constabulary to regulate the relationship between the two entities and to address issues of law and order in the Wau/Bulolo area of the Morobe Province. In signing that agreement, both Harmony and the police acknowledge the importance of maintaining and preserving good order for a harmonious relationship between the mine and the host communities.

Community stakeholder engagement initiatives

Being committed to communicating in a manner that is open and transparent, in early 2019 Harmony sought a mechanism through which it could allow stakeholders to access up-to-date, verified and relevant news. The result of this was the creation of the Harmony Hidden Valley facebook page to provide stakeholders - particularly employees, their families and communities - with information on the company, its activities and initiatives. The page currently has 6 269 followers and its posts have reached more than 382 000 people, particularly the communities in Lae and the Morobe province.

As the page grows, the Hidden Valley team has shared its activities within the community and will in future be using the page to advertise job vacancies.

Impact of Covid-19 in Papua New Guinea

Unfortunately, implementation of most of our socio-economic development projects in Papua New Guinea slowed or stopped completely in the wake of the global Covid-19 pandemic. In their stead, Harmony pursued several smaller initiatives to alleviate the impact of the virus on our communities. These initiatives included the provision of:

- material to the women of the local villages to make masks
- food parcels
- water and sanitation supplies

The Papua New Guinea team has also endeavoured to educate local communities on the virus, particularly in terms of symptoms, containing its spread and prevention.

Local and preferential procurement

Harmony recognises that procurement and enterprise development are key mechanisms through which we can develop and support our social capital performance. Not only does strategic procurement facilitate job creation and entrepreneurial development, it also supports the sustainable socio-economic development of the communities and the regions in which we operate - all of which are pillars of supporting and maintaining a healthy and robust social capital. Positive social capital reinforces a thriving eco-system in which our business and stakeholders can thrive.

South Africa

Harmony pursues a preferential procurement and enterprise and supplier development strategy that prioritises spend in local and host communities. Our preferential procurement strategy focuses on three areas, namely:

- Supporting existing non-compliant suppliers (those who do not comply with the minimum black economic empowerment ownership targets set out in Mining Charter III) to comply and transform, or moving procurement spend to compliant suppliers
- Enhancing Harmony's current supply-chain model and ensuring that preferential procurement is embedded within the sourcing process
- Creating a pipeline of small and medium enterprises to participate in the supply chain with an emphasis on women and youth suppliers of core mining and engineering services

Implementation of this strategy and our enterprise and supplier development framework is conducted through three main work streams, which are overseen by a steering committee. The three work streams respectively comprise category contracts, governance work stream contracts and ring-fenced commodities; as well as enterprise and supplier development. See Enterprise and supplier development further on in this section.

While Harmony has been, and remains, wholly supportive of the South African government's imperative of encouraging sustainable socio-economic development and facilitating wider participation in the economy, particularly through mechanisms such as procurement, we are cognisant that there are a number of challenges and obstacles inhibiting our ability to fully comply with the new Mining Charter III targets. Not least of these challenges is the limited number of black economic empowerment, historically disadvantaged persons and women- and youth-owned businesses from which Harmony can procure services. The other significant challenge is the limited availability of locally-manufactured goods.

Anticipating these challenges, we revisited our preferential procurement strategy in early 2019 to encourage and ensure full compliance across all areas of procurement. This revised strategy, which was approved by the boards' social and ethics committee and has support at the highest levels, aims to, where appropriate, move Harmony's procurement spend from non-compliant suppliers to those that are compliant with the Mining Charter III requirements . In the instances where such a move is not feasible, the revised strategy makes provision for not only partnering with, but also educating, our suppliers on the new Charter definitions and requirements, so that they, in turn, can align their own transformational strategies and achieve higher levels of compliance.

One of our key imperatives of the preferential procurement strategy is to enhance procurement of goods and services from women- and youth-owned businesses, therefore Harmony's revised procurement strategy includes adjustments in this favour. Not only do our procurement policies and procedures give preference to women- and youth-owned businesses, they also encourage these companies to participate in Harmony's incubation programmes to enable them to acquire the technical skills that would make them more competitive. Harmony has gone out into the market to identify potential partners who would either be ready to do business or incubated for future business with Harmony.

Wave methodology

As part of this revised strategy, Harmony has devised and implemented a 'wave methodology' to address non-compliant segment contracts and suppliers. Essentially, this mechanism is used to assist non-compliant companies improve their compliance credentials by increasing black ownership shareholdings or, alternatively, their broad-based black economic empowerment levels. The term 'wave methodology' has been applied to this initiative as it is being implemented in a phased manner with suppliers at various degrees of non-compliance being grouped together and assisted collectively. The first wave, implemented in the third quarter of FY20, targeted 68 initiatives to drive increased ownership or to shift spend to compliant companies or to establish partnerships between companies from empowerment groups and generic large entities without adequate equity empowerment to allow meaningful transfer of scarce skills. The total contract spend for companies participating in this first wave was R1.7 billion.

Mining Charter procurement requirements in South Africa

Mining Charter III emphasises the need to increase the inclusion of historically disadvantaged persons, women, and youth in procurement opportunities, in addition to the Mining Charter II requirements around spend on black economic empowerment-compliant businesses.

There is a strong drive to create South African manufacturing capability through the inclusion of local-content requirements in the procurement targets for mining goods. According to these requirements, mining companies should focus on purchasing mining goods with local content of at least 60% and, after an initial two-year grace period, all goods supplied in the mining supply chain should carry a local content certificate, issued by accredited service providers or South African Bureau of Standards. Expenditure on fuel is no longer included in the overall calculations, which has a significant impact on the scores of larger mines and/or opencast operations.

Mining Charter III now categorises all spend in two categories - mining services and mining goods.

Compliance with Mining Charter III - FY20

While the revisions to Harmony's procurement strategy did allow us to make significant strides in preferential procurement during FY20, we fell short of achieving full compliance for the procurement of services in terms of Mining Charter III. Regarding the procurement of goods, Harmony performed well, achieving total spend of R14.2 billion (66% of which was preferential procurement). Total procurement expenditure with black economic empowered entities as defined by Mining Charter III was R5.08 billion against total discretionary spend of R7.68 billion. R373 million was spent on 51% black women-owned businesses.

See Mining III - Compliance scorecard

Host communities

We view our preferential procurement strategy as a key mechanism through which we not only further the transformation of our business but, more importantly, help facilitate meaningful transformation of our communities and the broader South African economy. We have a moral and ethical obligation to build capacity, capability and strengthen livelihoods within our host communities. This secures our social licence to operate and further develops our social capital. We believe that the host communities who thrive as a result of our presence and assistance is our ultimate victory.

To this end, beginning in FY19, Harmony has invested considerable time and effort in creating and opening-up opportunities within the supply chain in which our host communities can participate. This proved successful as we opened procurement opportunities to host community vendors who were awarded contracts for a combined total value of R1.365 billion in FY20.

Supplier days

In endeavouring to connect more with businesses in host communities, Harmony has held supplier engagement days since 2018. Such has been the success of this initiative that, since January 2019, Harmony has created and paid 166 new vendors with spend totalling R202 million. Of these new vendors, 41 were compliant black-owned vendors (spend of R138 million), and of these 23 were 100% black-owned (spend of R43 million).

While the aim of these supplier days in FY19 was largely to introduce Harmony to local suppliers in our host communities, in FY20 we progressed to the second stage of our theme-based approach and focused on introducing our preferential procurement strategy and environmental, sustainability and governance framework to local businesses. We have also used this as a platform to discuss partnerships, opportunities, contracting opportunities, and, most importantly, how women- and youth-owned companies can participate.

Unfortunately, owing to the outbreak of the Covid-19 pandemic and subsequent lockdown, Harmony was only able to host one of these second theme supplier days. Nevertheless, that supplier day, which was hosted on 21 February 2020 in Matjhabeng, was a success with the participation of 200 local businesses, representatives from the Department of Mineral Resources and Energy, and a few other mining companies operational in the area.

Papua New Guinea

The local content and procurement policy in Papua New Guinea has remained stable for several years. Local content requirements - inasmuch as they formally exist in the country - are effectively embedded within the benefit sharing arrangements that are negotiated and agreed on a project-by-project basis between firms, government authorities (local, regional and national) and local communities. Our arrangement in this regard is to contract local companies and procure goods wherever possible. We target major contracts that will have the most beneficial impact on local communities and landowner groups in the region of our operation. We do this with the understanding that it is major contracts that have the most beneficial impact on the socio-economic development of our communities and the broader country of Papua New Guinea, and also substantially contribute to our social licence to operate there.

Procurement expenditure by our Papua New Guinea assets in FY20 amounted to R3.9 billion or US$231 million (FY19: R3.59 billion or US$233 million) of which R2.47 billion or US$145 million (FY19: R2.20 billion or US$164 million) was spent within Papua New Guinea. Of this amount R697 million or US$41 million (FY19: R1.1 billion or US $82 million) was spent in the Morobe Province. Harmony awarded contracts to local landowner companies for a diverse range of goods and services including earthmoving equipment hire, catering and accommodation, security services, bus transport and labour hire.

Mining Amendment Bill 2020

At the time of writing, Papua New Guinea’s legislative and regulatory environment is undergoing profound transformation, driven by the ‘take back Papua New Guinea’ agenda of recently-elected Prime Minister James Marape.

Impact of Covid-19 on procurement in South Africa

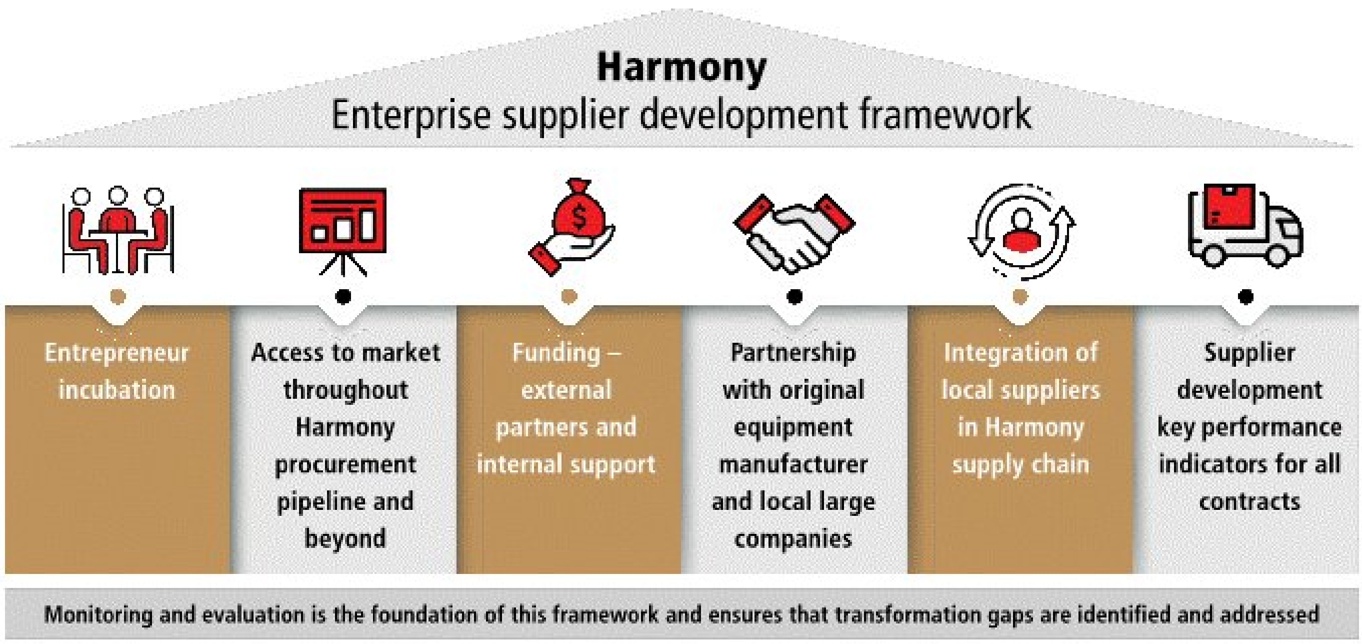
The spread of the Covid-19 pandemic to South Africa in March 2020 had a profound impact on Harmony during the second half of the reporting year, particularly in the area of procurement. While we were able to stockpile certain goods critical to our operations just before the lockdown was enforced on 27 March, there was a pronounced shortage in the availability of certain other products with a resultant increase in prices. This was particularly the case for personal protective equipment. Supply restrictions compelled Harmony to buy from new or unknown suppliers. Extended delivery lead times also posed significant challenges.

What was of greater concern, however, was the impact of the pandemic and the resultant lockdown on our supplier base, particularly those operating within host communities. There was, and remains, a deep concern that some of our local suppliers may not be able to survive the effects of the lockdown. To help alleviate their challenges, Harmony has lowered the interest rate on small loans made through our Leano initiative, issued payment holidays on instalments for small and medium enterprises and companies owned by historically disadvantaged persons, and provided a special seven-day payment term for our black economic empowerment micro-enterprises to assist them with their cash flows. In addition, interest charges were suspended for the duration of the lockdown. The cash flow relief stemming from this amounted to almost R3 million.

To mitigate the worst effects of the pandemic, Harmony issued force majeure letters to both large and small suppliers who were not classified as essential service providers. This was done to protect both Harmony and the companies against defaulting on contracts during the lockdown. In the event the goods and services from the companies are demanded again during the lockdown period, the force majeure will be lifted, and an essential services letter will be issued accordingly.

Harmony’s suppliers also benefited from a Government relief programme through which an initial grant of R25 000 was provided along with other financial support through the Unemployment Insurance Fund.

Harmony supplier development consolidate framework



Enterprise and supplier development

South Africa

Harmony's enterprise and supplier development programme aims to ensure local black-owned small businesses benefit from our presence in their communities. To this end, we facilitate various processes to support new local black-owned small business entrants. The enterprise and supplier development framework focuses on creating sustainable businesses in host communities and shifting procurement spend to compliant suppliers who meet the minimum black economic empowerment ownership targets set out in Mining Charter III.

As a part of our inclusive procurement approach, particularly those relating to the procurement of goods and services from women- and youth-owned businesses and of local content, Harmony honed its enterprise and supplier development strategy to address these specific areas. The updated strategy focuses on promoting three areas of procurement, all of which will not only facilitate the development of fledgling businesses but will also close any gaps where Harmony may be falling short in its procurement commitments and targets.

These three areas are:

- **Localisation** - given the need to increase the percentage of the local content and value add of goods procured, Harmony has agreed to include several local manufacturers in its enterprise and supplier development programme so that value chains may be opened and accessible to Harmony suppliers
- **Industrialisation** - this will focus on fostering the establishment of new, local competitive industries, particularly in the realm of manufacturing
- **Supplier development** - Harmony is working with its small, medium and micro enterprise suppliers to meet minimum quality standards in order to encourage and facilitate their progression to national and international suppliers

In the FY20, 342 new vendors were registered and included in our supplier database. These companies were awarded opportunities worth more than R225 million.

Lepharo incubator programme

Another new addition to our enterprise and supplier development programme in FY20 was the introduction of an entrepreneur incubation programme, which is being undertaken in partnership with the Lepharo incubator programme. Its aim is to assist the development of promising 100% black-, women- and youth-owned enterprises into suppliers of key mining and manufacturing commodities and services. Enterprises operating in the following areas were encouraged to apply:

- Mining and related value chain
- Fuel and chemicals
- Metal commodities
- Engineering products and services
- Manufacturing of mining related products

The Lepharo fund and incubation programme is an industry-wide, cross-sectoral initiative that is based on collaboration. In addition to Harmony, other companies involved include Sibanye-Stillwater, Exxaro and Absa.

Leano funding initiative

Progress of the Leano funding initiative was hampered considerably in FY20 due to the Covid-19 pandemic. This initiative was launched in 2016 to assist local host community suppliers raise start-up finance and technical assistance. While the fund has approved 144 loans to the value of

R25.8 million since inception, only 32 loans with a value of R7.1 million were approved in FY20.

Corporate social investment

Harmony's corporate social investment policy recognises the need for such investment in South Africa and Papua New Guinea, particularly in host communities and labour-sending areas. Our corporate social investment initiatives are in addition to our commitments and spend on our social and labour plans in South Africa. The main focus areas for our corporate social investment include:

- Education
- Health
- Sports recreation, arts and culture
- Socio-economic development

In FY20, R10.6 million (US$0.68 million) was spent in total on corporate social investment projects in South Africa (FY19: R10.6 million or US$0.75 million). This amount includes three elements: donations (corporate social investment); donations to the Harmony Community Trust; and sponsorships.

In addition, Harmony continued to support these non-profit organizations:

- Enactus, which promotes the development of entrepreneurial skills at the tertiary education level and was identified as a constructive way to assist in combating unemployment, poverty and inequality. Harmony remains a platinum sponsor
- South African Agency for Science and Technology Advancement (SAASTA), which is active in 20 high schools, advancing the subjects of science, technology and mathematics

While we have always conducted research, consulted with communities to understand their needs and requirements, and engaged with various municipal structures when identifying corporate social investment projects, our approach has been somewhat reactive. In FY20, we resolved to alter our approach to become far more proactive. Rather than wait for our host communities to suggest suitable projects, we have devised a new corporate social investment strategy that aims to be both more proactive and to focus on legacy projects. These projects are intended to develop much-needed skills among the youth of our host communities and to assist in their search for employment opportunities. This, we believe, will have a far more beneficial and long-lasting impact on poverty alleviation and social advancement. Unfortunately, due to the Covid-19 pandemic and associated lockdown, this new strategy could not be fully implemented in FY20.

Community stakeholder engagement initiatives

Harmony has, historically, engaged with local communities in a more reactive manner compared to other key stakeholders. Recognising the need for change, in mid-2019, we initiated the social facilitation project to set up inclusive and legitimate community engagement structures through which we can proactively engage with our host communities. The purpose of these engagement structures is to:

- ensure a primary means for formal community engagement in the areas that host our operations or projects
- align and co-ordinate stakeholder engagement efforts across all our operations
- create shared value and sustain our social licence to operate

Through this social facilitation project, we have developed a governance framework for community stakeholder engagement to ensure that the community structures we have in place are recognised by host communities as being legitimate and inclusive. During the first six months of FY20, Harmony canvassed local communities and obtained buy-in from local municipalities, traditional leaders and community-based organizations. While we were ready to launch three of the six structures in the third quarter of the year, the Covid-19 related lockdown forced us to pause the launch project. The three areas waiting to be launched are the Lejweleputswa district municipality in the Free State, the Mogale City local municipality in Gauteng and the City of Matlosana local municipality in the North West Province.

In the interim, we continue to work and build capacity in readiness to launch these structures once lockdown has been eased. A skills audit is being done to highlight development and training areas to be addressed among nominated community representatives and to ensure the effectiveness of these structures.

Public safety

There were no major incidents nor were any serious concerns raised during the year in relation to road transport and radiation exposure, which together with dust, are the primary public and community safety risks associated with our operations.

All Free State operations, including Margaret Shaft, completed and submitted assessments in FY20. No significant incidents were reported.

Impact of Covid-19 on corporate social investment in South Africa

The Covid-19 pandemic and associated lockdown imposed to lessen the spread of the virus, left many communities vulnerable without any source of income. Some families did not have food to put on the table. To alleviate some of the hardships being experienced, Harmony assisted affected families within our communities by providing food parcels, care kits and face masks. The target for food parcels was child and/or youth-headed households, while the target for care kits was senior citizens and child-headed households. Much of this work continues into FY21.

Between the start of the lockdown on 27 March 2020 until the end of FY20, Harmony provided the following assistance to host communities:

Gauteng

-Provided food parcels to 1 699 child-headed households
-Donated 3 000 care product kits and face masks. These were distributed to senior citizens and child-headed households
-Provided 100 mattresses to the Merafong municipality to assist in accommodating the homeless in a local community hall
-Empowered one local supplier by procuring 2 500 face masks

Free State

-Provided 1 200 food parcels to vulnerable families in the Matjhabeng and Masilonyana municipalities
-Donated 3 000 care product kits and face masks to senior citizens and child-headed households

North West Province

-Provided food parcels to 915 child-headed households
-Donated 3 270 face masks to the Triest training centre for people with intellectual disabilities and to the departments of Social Development and of Health for distribution to senior citizens in the Matlosana and Ratlou communities
-Donated 1 000 hand sanitisers to the Ratlou community
-Provided shelter and food to 100 homeless people in the Matlosana community
-Empowered two local, historically disadvantaged person-related companies by procuring food parcels
-Empowered one local supplier from Madibogo by procuring 1 000 face masks
-Provided diesel to a local hospital in Matlosana

Additionally, nine local historically disadvantaged suppliers were empowered through the procurement of essential items.

OUTLOOK FY21

Socio-economic development

We will maintain our focus on and continue with our infrastructure development, enterprise development, agricultural and educational programmes.

Procurement and enterprise development

Work will continue on the new entrepreneur incubation programme to support and nurture fledgling enterprises to become suppliers of mining and manufacturing commodities and services. We will also focus on expanding their market access, both within Harmony and beyond, by means of additional value chain channels.

Corporate social investment

The South African socio-economic landscape as it was at the start of FY20 has altered irrevocably, as have the challenges we face. It is in this context, that going into FY21, the corporate social investment team will re-evaluate its priorities. Our ultimate objective will be to ease the scars that will be left by this pandemic.

ENVIRONMENTAL MANAGEMENT AND STEWARDSHIP

PROTECTING OUR LANDSCAPE

Capitals affected:

Directly	Indirectly
NATURAL CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL

Stakeholder/s affected:

Host communities	Other stakeholders engaged include non-governmental organisations and civil organisations, government and regulators

Link to strategy:

Responsible stewardship

Related risks:

- Ensuring licence to operate and increasing cost of compliance
- Supply insecurity, rising cost of and continued use of fossil fuel-generated electricity in South Africa

Related material issues:

Responsible environmental stewardship – mitigating the impacts of our mining activities	Navigating political and regulatory uncertainty

Responsible committee:

Social and ethics committee

GRI Standards:

Prepared in accordance with:
301-1, 301-2, 301-3, 302-1, 302-2, 302-3, 302-4, 302-5, 303-1, 303-2, 303-3, 304-1, 304-2, 304-3, 304-4, 305-1, 305-2, 305-3, 305-4, 305-5, 305-7, 306-1, 306-2, 306-3, 306-4, 306-5, 307-1, 308-1, 308-2, MM1, MM2 and MM3

CONTRIBUTING TO THE SDGs:

Our environmental activities are also aligned with the United Nations SDGs, most especially those aimed at protecting the planet, combatting climate change, restoring the land and protecting biodiversity.

RESPONSIBLE CONSUMPTION AND PRODUCTION	CLIMATE ACTION	LIFE ON LAND	LIFE BELOW WATER
• Water and energy efficiency programmes to optimise usage • Efficient and responsible waste management, including tailings disposal	• Energy efficiency programmes to optimise usage efficiencies and limit related emissions • Renewable (solar) energy programme in South Africa	• Focused rehabilitation programme to restore land to viability post-mining • Biodiversity action plans being developed to similarly restore biodiversity and limit losses	• The aim of this goal is to conserve and sustainably use the oceans, seas and marine resources for sustainable development • Taking all possible steps to prevent any harm to the ocean and marine life as a result of the deep see tailings placement for the Wafi-Golpu

Mining, by its very nature, is a destructive activity involving the exploitation and extraction of natural minerals from the earth. Land is disturbed; water is consumed and its quality potentially affected; dust is generated; wastes are discharged; and greenhouse gases are emitted. Harmony fully recognises and appreciates the significant impact of our activities, not only on the natural environment, but also on our surrounding communities.

Our principal environmental concerns include:

- Our environmental footprint, biodiversity and conservation
- Energy consumption and greenhouse gas emissions (climate change)
- Water consumption and management
- Waste generation and management
- Air quality
- Regulatory compliance

OUR APPROACH TO ENVIRONMENTAL MANAGEMENT AND STEWARDSHIP

Natural capital is one of the six capitals upon which our business is based and our value measured. Yet, the very success of our business ultimately depends on a process that effectively erodes that natural capital. That is not to say, however, that environmental impacts caused by mining cannot be managed, mitigated or, in some cases, avoided entirely.

Given that context, Harmony has adopted an approach to environmental management and stewardship that aims to have the most minimal impact on the natural surroundings of our operations that is feasible, and to preserve our natural capital to the utmost degree. To achieve this, we have the ideal of excellence in environmental performance that underpins our business strategy. We aim to conduct our mining activities and associated processes in a manner that not only complies with environmental legislation but that is also responsible and considerate of the environment and our communities. Moreover, we seek to serve as a responsible steward of natural resources and the environment in the areas in which we operate. Not only is this a moral imperative, it also makes good business sense: mitigating our environmental impact not only reduces operating costs and our exposure to risk, it also assists our long-term objective of leaving a positive post-mining legacy.

Our approach is guided by our environmental management and stewardship policy, as contained within Harmony's sustainable development framework. This policy is underpinned by the following commitments:

- Preventing pollution where practicable wherever we operate or otherwise minimising, mitigating and remediating the harmful effects of our operation on the environment
- Compliance with applicable host country environmental laws and regulations
- Promoting active partnerships with government, community, labour and non-governmental organisations for environmental protection and conservation at international, national, regional and local levels
  - Continual improvement that is driven by environmental management systems that focus on
  - setting and achieving targets that promote the efficient use of resources and that reduce environmental exposure, and reporting on progress made to relevant internal and external stakeholders
  - managing hazardous substances safely and responsibly
- Contributing to biodiversity protection and considering ecological values and land-use aspects in investment, operational and closure activities
- Ensuring transparent communications with our communities on environmental issues

Our environmental strategy is supported by our board-approved environmental policy, available at *www.harmony.co.za/ sustainability/governance#policies.*

GOVERNANCE

Our social and ethics committee oversees Harmony's environmental strategy and performance, while the executive responsible for the sustainable development and environmental leadership teams motivates environmental improvement strategically at group level. General managers are accountable for environmental management at each operation in terms of annual environmental management plans that identify opportunities for improvement.

Operations are guided by technical and performance standards, which are incorporated into environmental management systems and implemented in line with ISO 14001. Environmental management programmes include detailed closure plans for each operation within five years of planned closure to expedite beneficial post-mining land use and activities to ensure sustainable community livelihoods.

Nine of our South African operations are ISO 14001-compliant, including Kalgold, with only Unisel and Bambanani not being certified. This is on account of the fact that these mines are nearing the end of their operating lives. The Harmony One plant is also certified but Central and Saaiplaas are not, although it is our intention to achieve certification for these plants in FY21. Improvements are noted year on year. In Papua New Guinea, Hidden Valley's environmental management plan is aligned with the ISO 14001 standard.

All new employees, in both South Africa and Papua New Guinea, receive environmental awareness training, which is reinforced by leadership training courses and monthly initiatives.

ENVIRONMENTAL RISK MATRIX

So important is our natural capital and environmental management strategy that we have devised an environmental risk matrix, which is included in our corporate risk register, that details the most significant threats to our business, employees and communities over the medium to long term.

Climate change is undoubtedly the most serious environmental risk confronting our business. At the very least, climate change will affect Harmony's future operating costs, infrastructure requirements, operations and operating conditions, host communities, and supply chain.

Material climate-related risks - which could result in substantive financial impacts - include safety (considering aspects such as increasing ambient temperatures and flash flooding), regulatory changes (such as South Africa's newly introduced carbon tax regulations and the Climate Change (Management Act of 19 of 2015), and major infrastructure incidents such as those caused by flash flooding. A substantive financial impact is defined as approximately R10 million which equates to an average loss of one day of production at a typical Harmony operation. Moreover, it is estimated that the impact to our business from a carbon tax perspective will be between R300 million and R500 million by 2030.

For more information on climate-related risks see the *TCFD Report 2020*.

Water is the primary medium through which we will feel the effects of climate change, and thus is another key environmental risk to the business. Harmony has conducted its scenario analysis and water is a likely risk either from extreme storm events or extreme drought events, increases in temperatures which could affect underground ambient temperatures and possible food security risks. Water availability is becoming less predictable in many places, particularly in some regions in which we operate such as South Africa.

Land degradation is also a major contributor to climate change and, therefore, a significant risk in our environmental risk matrix. Land degradation generally results in poorer vegetation cover which exacerbates the ability of fewer plants to sequester carbon; increases the likelihood of soil erosion during rain and dust storms which is detrimental to high arable land in particular; and it shrinks the diversity within biodiversity.

LEGISLATIVE FRAMEWORK

At the time of writing, the legislative frameworks governing and regulating the mining industry in both South Africa and Papua New Guinea, were in a state of flux with several new bills and amendment bills, as well as new draft policies, before the respective parliaments. While a delay in promulgating these pieces of legislation has been inevitable owing to the onset of the Covid-19 global pandemic, it has had the effect of prolonging regulatory uncertainty in both countries, particularly in terms of the regulated management and reporting of environmental impacts in and surrounding mining operations. A list of the various bills and their associated implications for our business are provided below.

South Africa

In March 2020, the Minister of Mineral Resources and Energy published an amendment to the regulations governing the Mineral and Petroleum Resources Development Act. A notable feature of the amended regulations was the repeal of sections dealing with rehabilitation, mine closure and financial provision. This was done on the basis that these particular issues are addressed through the National Environmental Management Act. However, implementation of the Financial Provision Regulations, which had been drafted to support and regulate the rehabilitation, mine closure and financial provision sections of National Environmental Management Act, has been deferred to June 2021. Regardless of the delay, Harmony has maintained its current mandate to continue its rehabilitation programme which focuses on rehabilitating old mining areas and tailings dams. Further to this, Harmony has fully funded its environmental liability for its South African operations.

The National Environmental Management Laws Amendment Bill is still under consideration by the National Council of Provinces. The main impact of this Bill concerns the Financial Provision Regulations, which, as noted above, regulate the closure and rehabilitation of mines. Moreover, the Bill seeks to remove residue stockpiles and deposits from the ambit of the National Environmental Management Waste Act and rather place it under the National Environmental Management Act.

Harmony analysed the implications of the Carbon Tax Act, the regulations of which were implemented in June 2019, and, in response, raised an impairment. Further to this, we are in the process of modelling the carbon tax implications for our business plans and our operational life-of-mine plans.

Papua New Guinea

While the main piece of legislation governing environmental regulation in Papua New Guinea - the Environment Act 2000 - is still valid and continues to apply, several national policy changes are currently under consideration. These include:

- A revised mine closure policy with provision for financial assurance as security for closure costs
- The introduction of a biodiversity offsets policy, which includes a mechanism for biodiversity offset payments to support national biodiversity incentives
- The introduction of a National Oceans Policy, which aims to develop and establish an integrated ocean management system and will include consideration of issues associated with offshore mining and extractive industries and deep-sea tailings placement in order to safeguard the health of Papua New Guinea

Aside from these policy changes, the legal standing of the new guidelines on mine closure and rehabilitation that were issued by the Mineral Resources Authority of Papua New Guinea in September 2019 is currently under assessment.

Hidden Valley's environment management plan for the period 2018-2020 was approved by the Conservation and Environment Protection Authority in August 2019.

OUR PERFORMANCE FY20

We spent a total of R161 million (US$10.3 million) (FY19: R199 million or US$14.2 million) on our group environmental portfolio in FY20. The decline in environmental-related expenditure owed mainly to the fact that:

- all capital expenditure on the bio-energy project had been completed in FY19
- all capital investment in water treatment plants was completed in FY19
- there were restrictions on movement following the Covid-19-related national lockdowns in South African and Papua New Guinea

Annual expenditure on our environmental portfolio

	FY20		FY19	
	Rand millions	US$ millions	Rand millions	US$ millions
South Africa				
Mine rehabilitation projects	**64**	**4.1**	**90**	**6.3**
Total	**62**	**4.1**	**79**	**5.6**
Papua New Guinea				
Implementation of environmental control	**32**	**2.1**	**30**	**2.1**
Harmony - Total	**159**	**10.3**	**199**	**14.0**

Impact of Covid-19

The major impact of Covid-19 was felt in the last quarter of the financial year when national lockdowns were implemented in South Africa and Papua New Guinea.

In terms of our environmental activities in South Africa, the major impact was on our day-to-day activities, which improved as lockdown restrictions were eased, and delays in licensing applications. Of these, those for Kalgold are especially critical and we are engaging with the Department of Minerals and Energy to expedite the process.

Regarding our operations in Papua New Guinea, the main impacts manifested as a rationalisation of our environmental monitoring programmes and a slowing down in the progress of the Wafi-Golpu project permitting process, particularly with those requiring public consultation.

Environmental incidents

Harmony reports its environmental incidents based on a risk matrix that evaluates the severity of the incident against the financial and reputational implications for the group. In FY20, this risk matrix was updated to more adequately reflect the levels of severity, incident descriptions, and financial and legal implications and to align to Harmony's enterprise risk matrix.

Severity level	Mitigation costs		Reputation impact	Legal impact
5	> R10 million	Irreversible damage to habitat or ecosystem	International condemnation	Potential director liability
4	< R10 million	Significant impact on habitat or ecosystem	National and international concern - non-governmental organisation involved	Very significant fines or prosecutions
3	< R5 million	Longer-term impacts and ecosystem compromised	Adverse media attention - locally/nationally	Breach of legislation and likely consequences from regulator
2	< R1 million	Moderate short-term effects but not affecting ecosystem function	Unresolved local complaints and possible local media attention	Minor breach of legislation
1	< R500 000	Localised affected area of low impact	Local complaints	No major breaches of legislation

In FY20, there was just one reportable incident:

	Description	
Location	Water overflowed from dam 33 into the Sand River on 6 June 2020. This was a result of an increase in the volumes of water pumped from the Witpan municipal dam into the dam 13 water complex, to sustain the freeboard levels of the municipal dam. This increased volumes and depleted holding capacity in the mines reticulation system resulting in an overflow of excess water into the Sand River. Monitoring of water quality at the discharge point indicated higher but not adverse concentrations of both untreated municipal effluent and mining process water. Sampling further downstream indicated that the impact of the overflow on the receiving environment was minimal.	Harmony is assisting the Matjhabeng Local Municipality to ensure adequate pumping facilities at the Witpan municipal dam. However, Harmony is not liable for the quality or the quantity of water pumped from the Witpan dam.

Environmental compliance

South Africa

Harmony received two compliance-related notices in FY20:

- A pre-compliance notice was issued on 3 March 2020 for the Target mine in terms of the National Environmental Management Act on the basis that general waste was not being managed in an appropriate manner and that soil contamination had been observed on site. Proof of remediation was subsequently provided to the Department of Mineral Resources and Energy on 17 March 2020
- A pre-compliance notice was issued on 25 March 2020 for the old President Steyn South shaft in terms of the National Environmental Management Act as the approved mining area was being used as an illegal domestic dumping site. Remedial measures have been implemented and the waste was removed from site. At the same time, a request was submitted to the municipality to ensure more adequate waste management measures are implemented in the neighbouring communities. Appropriate sign boards will be placed on site to deter further illegal dumping

Papua New Guinea

The spread of the Covid-19 pandemic to Papua New Guinea prevented an environmental audit of the Hidden Valley operation, as requested by the regulator. This audit has been deferred to FY21.

RESPONSIBLE STEWARDSHIP: SUPPLIERS AND MARKET

Suppliers

Suppliers in our expansive supply chain indirectly contribute to our Scope 3 greenhouse gas emissions. It is for this reason, combined with compliance requirements in the National Environmental Management Act (Act 107 as amended), that each supplier that provides goods or services to Harmony is required to adhere to our environmental management clause. By necessitating such compliance, we ensure that companies within our supply chain adhere to laws and regulations governing water and air quality, and will use all reasonable measures to avoid polluting and degrading the environment.

Furthermore, Harmony engaged its top 20 suppliers with the purpose of sensitising them to their carbon and water footprints. Such engagement was undertaken on the basis that their activities, combined with our own mining and processing activities, result in the emission of greenhouse gas and, thus, require re-evaluation to improve processes and reduce the impact of climate change.

Market

Rand Refinery smelts, evaluates, refines and fabricates the gold we produce for investment and retail clients. Harmony has a 10% stake in the organisation, with one of our executive directors performing a role at Rand Refinery as non-executive director and chair of the social and ethics committee. Thus, Rand Refinery is similarly committed to improving its environmental performance and operating to high degree of compliance. Rand Refinery is also committed to internationally-accepted responsible sourcing practices in terms of the London Bullion Market Association Responsible Gold Guidance as well as the Organisation for Economic Co-operation and Development Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas. The certified gold chain of custody is also audited independently in line with the requirements of independent bodies and enacted legislation.

Rand Refinery is ISO accredited in terms of 45001:2018, which replaced the OHSAS 18001:2007, ISO 9001:2015 and ISO 14001:2015 certification.

Setting environmental targets

Harmony measures and monitors its environmental performance against a set of group environmental targets, which are re-evaluated every five years. The current targets against which we are reporting were implemented in FY18 and will apply through to FY22.

Group environmental targets

		Current targets			
		Group aggregate targets			
		FY20			FY19
	5-year target: FY18 - FY22 (%)	Actual (%)	Target (%)	Achieved	10-year target: FY18 - FY27 (%)
Energy					
Reduce absolute electricity consumption (MW)	5	**3**	**7**	✓	7
Electricity intensity (kwh/tonne milled)	5	**3**	**19**	✓	7
Total carbon emission intensity reduction (t CO_2/tonne milled)	5	**3**	**7**	✓	5
Renewable energy (% of total electricity consumed)	10	**10**	**3**	x	30% of energy mix
Diesel intensity (kL/tonne milled)	2	**1.2**	**4**	✓	
Petrol intensity (kL/tonne milled)	2	**1.2**	**10**	x	
Water					
Reduce water used for primary activities (kL)	7	**4.2**	**21.2**	✓	
Water intensity (kL/tonne milled)	7	**4.2**	**31**	✓	80% recycled and zero discharge
Water recycling (%)	6	**3.6**	**16**	✓	
Waste					

Hydrocarbon* recycling (% reduction)	80	**80**	**33**	✔	
Water intensity (kL/tonne milled)	80	**6**	**28**	x	Zero to landfill
Land, biodiversity					
Reduce the land impacted footprint (available for rehabilitation)	80	**80**	**33**	x	One offset project per region where there is a residual impact
Environmental fines	80	**6**	**28**	✔	
Implement biodiversity action plans	80	**6**	**28**	x	

* *Hydraulic oil and lubricants*
** *Timber, steel and plastic*

Tailings management

Tailings management is increasingly under the spotlight when considering the broader impact of mining activity. Certainly, the potential for harm to communities and the environment that could be caused by tailings waste and pollutants is a serious business risk, in terms of both potential reputational and financial damages.

South Africa

Harmony currently has 45 tailings storage facilities under management. Our aim is to keep these facilities safe and stable by understanding the mechanism of tailings dam failure - contributors to which include a range of man-made and environmental factors - and implementing measures to avoid failure. The status of each facility - be it operational, re-mined or dormant - determines the management strategy that is applied. In all instances, regular inspections are conducted - in the case of those tailings storage facilities that are operational and being re-mined, such inspections are undertaken daily to facilitate proactive management. The engineering reports are available on our corporate website at *https://www.harmony.co.za/responsibility/environment/tailings-management*

According to an independent audit undertaken of Harmony's tailings management in 2019, all our South African operations satisfy the country's legal requirements. In most instances, our standards exceed legal requirements. The extent of our surveillance and investigative work was noted to be comparable to international standards. However, the independent quarterly inspections did identify three areas of concern, of which immediate remedial action was taken. These included:

- **Target 1:** instability on northern flank of the tailings storage facility. Remedial action involved construction of a buttress that was completed in May 2020
- **Central Plant Reclamations:** instability on southern flank of Dam 23. Remedial action involved construction of a buttress that was completed in August 2020
- **FSS 8:** instability on the tailings storage facility complex compelled us to decommission the facility at the end of November 2019 and the deposition was re-routed to other tailings storage dams

Nature of tailings storage facilities	Tailings management strategy			
	Operation	Inspection	Monitoring	Periodic review
Operating (14 locations)	✔	✔	✔	✔
Re-mined (3 locations)	✔	✔		
Dormant (28 locations)		✔	✔	✔

Specialist consultants assist with the maintenance and management of our tailings storage facilities and ensure that they meet global best practice in the mining industry. Drone technology is also used to support our monitoring activities for all types of tailings storage facilities.

Papua New Guinea

Hidden Valley features an advanced waste management system, particularly the tailings storage facility, which is something of a landmark as the first large facility of this kind to be operated successfully in Papua New Guinea. This infrastructure has generated positive feedback from stakeholders. The world-class tailings storage facility, designed according to Australian National Committee on Large Dams specifications, stores tailings and wastewater before its reuse in the process plant or treatment and discharge to the environment.

Given the climate of the area and the site's positive water balance, there is a heightened risk of a breach in the dam wall in periods of excessive rainfall. In response to this risk, we have installed an early warning system to notify villages downstream of the facility in the unlikely event of a breach of the tailings dam. Our early warning system also makes use of text messages, which are sent to all potentially-affected community members.

We have taken extensive measures to inform the villages of the early-warning system and to explain what should be done in the event of an incident and the sounding of the siren. An intensive community education campaign was also undertaken to explain the risks associated with living downstream of the Hidden Valley operation and a site-visit held with community leaders and regulatory agencies to explain the design, operation and management of the structure. We are confident that we are making headway with this education programme and that our communities have a better understanding of the risks (and benefits) of living downstream of our operation.

Regrettably, no further progress was made in certifying Hidden Valley against the Cyanide Code. However, we have prioritised remediation of the gaps identified by the previous audit for FY19, following which we will pursue certification.

Regarding the Wafi-Golpu project, deep-sea tailings placement has been selected as the preferred tailings management option. This decision was based on consideration of long-term safety, engineering, environmental, social, cultural heritage and economic factors. Deep sea tailings placement is presently adopted in four countries and is in effect at three operations within Papua New Guinea. The Environmental Impact Statement for the project, including the proposed use of deep-sea tailings placement, is currently under consideration by the Papua New Guinea government.

Cyanide Code

Harmony has adopted and operates its processing plants according to the International Cyanide Management for the Manufacture, Transport, and Use of Cyanide in the Production of Gold, also referred to simply as the Cyanide Code. This is a voluntary industry programme that focuses exclusively on the safe management of cyanide and cyanidation mill tailings and leach solutions.

Of Harmony's nine currently operational processing plants, seven are certified with the code with recent audits having been undertaken by an independent third party. Regarding the two non-compliant operations:

- Certification temporarily withdrawn from Kalgold while upgrading plant infrastructure
- Certification of the Saaiplaas Plant was voluntarily withdrawn from the Cyanide Code programme in January 2014 until process improvements necessary to meet the requirements have been made International Mining Industry Underwriters (IMIU) also conducts annual audits on all our operating tailings storage facilities, while the International Cyanide Management Institute (ICMI) undertakes an audit every 18 months. In addition, mine residue deposits updates are provided every two years to the Department of Mineral Resources and Energy. On the basis of these audits, most of our South African operations are in good standing. However, as it relates to cyanide management, Kalgold and Saaiplaas were not certified in FY20 owing to the fact that they were unable to meet the required standard set for using cyanide within metallurgical plants.

Managing our waste

Responsible and effective waste management can positively reduce our environmental impacts and mitigate associated environmental liabilities. Waste management is thus a priority focus area. Internally, guidelines on mineral, non-mineral and hazardous waste materials are included in the environmental management systems implemented at all operations. We understand that waste management begins with initial generation and encompasses handling, storage and transport as well as recycling, treatment and/or disposal.

An understanding of the actual cost of waste management enables us to plan effectively for new projects and mine closure. Practically, we maximise recycling and waste reduction during the life of a mine, and design plans to minimise waste and reclaim mineral waste (such as waste rock from dumps as aggregate) to curtail our total mining environmental footprint.

Mineral waste

Waste rock

Our mining and extractive processes generate mineral and non-mineral waste as well as emissions. Our mineral waste is characterised as tailings and overburden, often viewed as a resource in waiting. Harmony's year-on-year increase in mineral waste is due to waste stripping of the cutbacks at Hidden Valley. Waste rock is also generated from our underground operations in South Africa. Effective mineral waste management reduces the aesthetic and land use challenges of mining, particularly during closure, as well as the potential for water and air pollution while maximising the recovery of ore, minerals and metals. Improved mineral waste management can result in significant savings and reduced energy consumption.

Waste rock in general has no value as a gold mineral resource, but generally has characteristics that make it useful as plant grinding media and feed for backfill plants. In addition, waste rock is often regarded as a resource by the aggregate industry.

As part of our commitment to inclusive mining and in accordance with our social purpose, Harmony has ringfenced some of its waste rock for local businesses and local entrepreneurs. This has enabled us, as a large-scale miner, to forge a supporting and enabling relationship with legitimate licensed artisanal operators in our host communities. Waste rock dumps at Deelkraal in Gauteng and in the Free State are potentially suitable for aggregate initiatives in terms of their size and quality, and we are currently investigating their feasibility. These initiatives can create employment, allow local participation in economic development, and make economic use of what would otherwise be a liability. Furthermore, once the rock dumps have been cleared, the land is available for rehabilitation.

At Kalgold, aggregate was contracted out to be reclaimed and repurposed for market by a consortium comprising a seasoned aggregate producer, Platistone Ltd, the local community and employees. In Welkom, surplus waste rock is also being processed by local aggregate producers - OMV Crushers and Stone and Allied - and has been commercially sustainable for over five years. We are also working with the local community representatives from Allanridge and Ncamiso, a 100% black economic empowered entrepreneur, to establish an additional aggregate producer.

We have a five-year target to reclaim at least 10% of our total available mineral waste footprint. Meeting this target, however, depends on the market as well as provincial infrastructural needs.

The situation differs in Papua New Guinea where there is limited opportunity to re-purpose waste material given the potentially acid forming nature of much of the waste. Where practical, suitable waste rock is reused on site in the ongoing construction of the tailings storage facility embankments.

Non-mineral waste

Non-mineral waste is classified into hazardous and non-hazardous waste. This non-mineral waste is managed by recycling or reuse, off-site treatment, or disposal in on-site landfills. We ensure responsible storage, treatment and disposal of non-mineral waste. Group environmental standards for non-mineral waste management are integrated into existing ISO 14001 systems.

Our target is to have zero waste to landfill for non-hazardous waste by FY27.

Hydrocarbons and cyanide are the chief hazardous waste streams at our operations. We aim to minimise much of these waste streams going to landfill by sending them to accredited institutions such as the Rose Foundation for repurposing while the remaining hydrocarbon waste is sent to appropriate landfill sites.

Group: Type of waste

	FY20	FY19	FY18	FY17	FY16
Oils and grease waste generated					
Grease used (tonnes)	**424**	426	121	384	504
Lubricating and hydraulic oil used (million litres)	**2.5**	3.2	2.7	2.8	2.291
Oils to repurpose hydrocarbons to landfill - Oil recycled (000 litres)	**813**	978	N/A	N/A	N/A
Hazardous waste generated	**0.12**	0.12	0.11	0.14	0.13
Tailings (million tonnes)	**24.1**	24.2	21.4	19.8	18.3
Hazardous waste to landfill (tonnes)	**250**	399.24	343.7	N/A	N/A

In FY20, 8 241 tonnes of non-hazardous non-mineral waste (plastic, steel, wood and paper) were recycled (FY19: 10 621 tonnes), a year-on-year decline of 22%. This notable regression in waste generated was primarily due to curtailed operating activities in the wake of the Covid-19 pandemic and associated national lockdowns. As we actively promote the recycling of our waste streams, we have initiated a reclamation programme that harvests underground equipment and infrastructure that is sent to the salvage yard where it is repurposed for potential consumption by other operations. In keeping with our transformation objectives, this initiative has helped the development, emergence and promotion of local entrepreneurs in the core mining sector.

Group: Non-hazardous waste generated and recycled (tonnes)

	FY20	FY19	FY18	FY17	FY16
Timber	**1 868**	2 377	1 085	1 504	N/A
Steel	**5 863**	7 765	5 699	6 944	6 229
Plastic	**509**	479	314	459	N/A
Total	**8 240**	**10 621**	**7 098**	**8 907**	**6 229**

** Consumption of materials and waste generated increased with the inclusion of Moab Khotsong*

Energy management and climate change

Energy consumption is a significant area of financial and environmental concern for Harmony for two reasons. The first is that mining and extractive processes are, by nature, highly energy-intensive activities and weigh considerably on our operating costs. In the case of South Africa, the cost of electricity contributes some 18% of our operating costs. The second is that the energy we consume is mostly generated by fossil fuels, which is a contributory factor to climate change. It is for these two reasons that Harmony has a dedicated policy on energy efficiency and climate change mitigation.

The principle commitments contained in this policy are:

- Optimising electrical energy and carbon resource consumption and therefore efficiency within the operations while identifying opportunities for improving the energy mix in the group
- Improving energy efficiency by continuously establishing and implementing effective energy management programmes that support the mining operations while providing a safe and healthy work environment
- Promoting the 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 way of adaptation and mitigation
- Encouraging continuous energy conservation by employees in their work and personal activities
- Engaging government in developing policies and strategies to address energy efficiency and greenhouse gas reduction

Driven by these commitments, we have reduced our intensity use by 20% over the past five years. This decline in energy consumption has, in turn, contributed to a notable reduction in the related emission of greenhouse gases.

While Harmony certainly made progress with its numerous energy-saving initiatives in FY20, which partly accounts for the continued reduction in energy consumption, the impact of the Covid-19 global pandemic and the associated period of lockdown must be factored into this analysis. The lockdown imposed in South Africa on 27 March 2020 significantly impacted our operations. Our mines and processing facilities were compelled to suspend activities for a period of three weeks and could only operate at a reduced capacity thereafter. This inevitably contributed to reduced energy consumption for FY20.

Energy consumption (000MWh)

	FY20	FY19	FY18	FY17	FY16
South Africa	**3 051**	3 209	2 458	2 538	2 542
Papua New Guinea	**120**	[2] 131	[3] 90	90	55
Total	**3 171**	**[1] 3 341**	**2 549**	**2 629**	**2 597**
Consumption intensity (MWh/ tonne treated)	**0.12**	0.12	0.11	0.14	0.13

[1] *Increase in energy consumption driven by Harmony's acquisition of Moab Khotsong*
[2] *Includes Papua New Guinea diesel consumption used to produce electricity (13 900MWh)*
[3] *Although full year production included, the plant did stand for planned shutdown*

CLIMATE CHANGE

In line with global best practice, this year we have produced a separate report on our carbon-related performance, and related risks, concerns and opportunities. This, our first such report, is aligned with the Task Force on Climate-related Financial Disclosures and available at *www.har.co.za*. The report focuses on four key areas - governance, strategy, risk management, and metrics and targets. In previous years, we reported in line with the CDP Climate Change.

In line with the principles and requirements of the Task Force on Climate-related Financial Disclosures, the South African Carbon Tax and related updates received from National Treasury have been incorporated into our financial modelling to enhance our understanding of the likely impact on our business. In addition, carbon pricing has been included in our strategic and operational plans.

We have a good understanding of the tax's regulatory risks and financial and operational implications. Initial indications are that the tax may compromise the longevity and life of mine of our assets. We have commissioned a scenario planning assessment to aid understanding of the implications for each of Harmony's three operating regions in South Africa. This assessment will inform planning on the measures and action to be taken to mitigate and adapt to these risks in terms of what is best for Harmony and for local communities.

South Africa

In the South African context, Harmony consumes energy in the form of electricity purchased from the state-owned power utility, Eskom, which generates power from coal-fired power stations. Eskom's electricity tariffs have risen by more than 400% since 2008 and, given the relatively significant contribution to operating costs, increases exceeding 8% have an impact on the sustainability of our operations. We are therefore not only intent on reducing electricity consumption but also on reducing our dependence on Eskom's fossil-fuel generated power.

Renewable energy

In the third quarter, Harmony - and the rest of the South African mining industry - was given a window of opportunity to, at least partly, achieve this objective. In April 2020, Mineral Resources and Energy Minister Gwede Mantashe revised schedule 2 of the Electricity Regulation Act to allow mining companies to generate their own energy for self-use. Following that decision, we have endeavoured to explore a number of self-generation renewable energy options, including solar projects.

Energy efficiency initiatives

While the use of renewable energy will go some way in addressing our dependence on fossil-fuels and the associated impact on climate, we are keenly aware of the need to be far more efficient in the consumption of energy. Many initiatives have been implemented over the years to improve overall efficiencies at all our operations. Aside from renewable energy, our energy efficiency-initiatives focus on efficient mine cooling, compressed air, water management and ventilation. The total savings accrued from these initiatives amounted to R54.8 million in FY20.

Operation	Project	Description	Estimated annual savings
Kusasalethu	Water jets upgrade to new technology	Existing water jets upgraded to automatic shut-off system (water automatically switches off and close water when not in use)	R7.5 million
Tshepong	Service water control valves - upper mining levels	Install control valves on the upper mining levels to reduce water flow during off-peak mining periods	R7.0 million

Phakisa	Leak fixing on compressed air network	Large wastages identified and rectified	R8.0 million
Bambanani	Compressed air network inefficiencies underground	Identified inefficiencies and repaired leaks. One surface compressor switched off during off-peak mining periods	R7.2 million
Masimong	Ventilation sealing plan	Sealing of old areas to reduce demand for fresh ventilation air. Project may result in the reduction of main fans required	R8.0 million
Masimong	Compressed air network optimisation	Isolating the compressed air line between 5 and 4 shafts. The addition of standalone compressors at 4 shaft will reduce the demand for compressed air from 5 shaft. It is estimated that only one compressor needs be run during off-peak mining periods	R8.0 million

Papua New Guinea

Our Papua New Guinea operation is far less energy-intensive than those in South Africa. Moreover, its emission intensities are far lower as the energy consumed is partly generated by renewable hydro-power. However, because the power supply can be somewhat erratic in Papua New Guinea, we are compelled to use diesel-fuelled generators as a back-up supply. To ensure a more stable baseload power supply, we are planning to use self-generated power using intermediate fuel oil at the Wafi-Golpu project. Alternative options, including renewable energy, continue to be assessed.

The proportion of grid power used in FY20 was 88% (FY19: 89%). In FY20, 15 800MWh of diesel-generated electricity was consumed (FY19: 13 900MWh), representing a 13.7% increase on the previous period's consumption.

Optimising water use, limiting our impacts

Other than air itself, water is the most essential life-giving substance on earth. Yet it is also vital to mining and ore processing activities. We are fully aware that, if not used and managed in the proper manner, our water consumption could have a severely negative impact on the environment and, particularly, on the communities surrounding our operations, with whom we share this resource. It is for that reason that managing and mitigating our impacts on water catchment areas - by ensuring that we do not denude the quality or reduce the volume of water in areas around our operations - is crucial to maintaining our social licence to operate.

Our approach to water management and limiting our impacts is guided by our water management policy. However, as our operations experience drastically different climatic conditions - with South Africa being a severely water-stressed region and Papua New Guinea experiencing a high-rainfall, tropical climate - water management strategies are moulded according to the characteristics and requirements of each mine.

Our ultimate objective is to conserve this natural resource by improving our water efficiencies through re-use and recycling. Should we need to return that water to source, we aim to ensure that it is treated and discharged responsibly into the receiving environment. We also aim to comply with all relevant legislation in the host countries in which we operate.

South Africa

Water in South Africa is considered a scarce resource, particularly in the regions in which our operations are situated.

At many of our underground operations, Harmony intercepts the aquifer to generate fissure water, which we then treat and use, thus liberating other fresh water supplies for other users in our society. At these operations, we maximise the use of underground water by treating it to meet quality standards and enable its use in our operations as we pursue our goal of zero discharge.

At Kalgold, water availability is critical to business continuity and operational growth. Given the scarcity of water in the region, Harmony ensures that what we use does not impact upstream and downstream users. To help protect and preserve the water resource here, we undertake stakeholder engagement with upstream and downstream users as well as the relevant regulators.

Additionally, given the contiguous nature of our orebodies, many mines operate within the same catchment area. This, combined with the scarcity of water, warrants a collaborative, co-ordinated approach to effective regional water management. Harmony thus participates in several inter- and multi-disciplinary regional catchment management agencies, including the Far West Rand Technical Working Group, the KOSH Mine Water Forum and the Free State Government Task Team. We are also represented on the board of the Margaret Water Company in Orkney, in partnership with Village Main Reef, to manage the KOSH water basin.

In the western basin, Harmony and Sibanye-Stillwater continue their collaboration on the latter's Cooke shafts closure programme to ensure that the sealing programme inhibits any water ingress into our Doornkop operation.

All our South African operations have site-specific water balances and water management plans in terms of which we operate, monitor and measure compliance. We have submitted an application for a separate water use licence for Moab Khotsong to the Department of Water and Sanitation. This entails splitting the current approved licence between Harmony, Village Main Reef and AngloGold Ashanti. Its approval is expected by October 2020.

In terms of discharges, Kusasalethu is the only South African operation that is currently discharging water, although several operations have approval to similarly discharge. While the mine is striving to achieve zero discharge, daily discharges from Kusasalethu at present average 1.5ML of fissure water.

The Margaret Water Company, which is under Harmony management, pumps an average of 18ML per day, most of which is recycled into the Moab Khotsong and Mines Waste Solutions reticulation circuit. The average volume of water discharged by the Margaret Water Company in FY20 was 1.5ML. This discharge of high-quality dolomitic water has had a positive influence on the Vaal River.

Papua New Guinea

The characteristics of the Hidden Valley operation - namely steep surrounding topography, high rainfall and low levels of evaporation - results in a year-round positive water balance. This poses significant environmental challenges for Harmony, particularly in terms of managing the near-continuous discharge of water from the mine site into the surrounding environment. Techniques used to mitigate this challenge include:

- Controlled run-off of rainfall to prevent erosion and sediment entering the river system
- Recycling of site water to limit the volumes of water stored on the tailings storage facility and requiring treatment and release to the environment
- Treatment of wastewater prior to discharge

Water discharge

Most of the raw water required by Hidden Valley is drawn from Pihema Creek and used in the process plant and related ore-processing activities. Process water recycling is prioritised to limit as far as practicable the volumes extracted from the surface environment. The wastewater is treated at a cyanide detoxification plant situated adjacent to the tailings storage facility. This treated water is then responsibly discharged to the receiving environment either at Pihema Creek or the Upper Watut River. Compliance monitoring is undertaken at a point approximately 18km downstream of the discharge in accordance with the operation's environment permit.

Regrettably, traces of weak acid dissociable cyanide were recorded at the Nauti compliance point during the first quarter of the year at levels slightly exceeding permissible limits. This excursion resulted from insufficient reagent dosing in the cyanide destruction plant. Operational control measures have been implemented in response to this issue to mitigate against a repeat occurrence.

Compliance monitoring also identified non-compliances with the environment permit water quality criteria for dissolved manganese for three consecutive quarters in FY20. Given the downstream uses of the receiving river system and, on account of the toxicity of manganese to aquatic ecosystems and human health, the risk to the receiving environment posed by these non-compliances is considered to be low. Regardless, any exceedances recorded, particularly those of a repetitive nature, are of great concern to Harmony. As a result, we are in the process of conducting root cause investigations and evaluating short-, medium- and long-term response strategies to mitigate this particular risk.

Discharge of mine-related sediment into the Watut River drainage system has steadily reduced over the past five-years with an ongoing focus on erosion control and sediment management.

Air quality

The management of air quality for the Harmony group largely focuses on monitoring the sulphur oxide (SOx), nitrogen dioxide (NOx) and particulate matter that is emitted from our gold plants. In South Africa, all our relevant gold plants have the appropriate air emissions licences and seek to comply with national environmental legislation. In FY20, only one exceedance on particulate matter was recorded at our Harmony One plant.

South Africa - Annual gold plant emissions (tonnes)

	2017		2018		2019	
Plant	**SOx**	**NOx**	**SOx**	**NOx**	**SOx**	**NOx**
Harmony One	0	0.859	0	1.077	0.201	2.181
Central	0	0	0.289	1.100	0.005	0.811
Target	0	0	0.020	0.001	0	0.337
Moab Khotsong	0	0	0	0.216	0.200	8.496
Kalgold	0.003	0.010	0	0.003	0	0
Total	**0.003**	**0.869**	**0.309**	**2.397**	**0.406**	**11.825**

The American Standard for Testing and Materials method (D1739) has been applied, in accordance the National Environmental Management Act National Dust Control Regulations, as the standard test method for collecting and analysis of dust fallout. This standard has been applied across the group. Harmony has largely achieved compliance with this standard although there were exceedances recorded at Doornkop and at our Free State operations. Relevant tailings facilities contributing to dust fallout have also been identified. Mitigation measures have focused on areas where sequential exceedances are prevalent and will be rolled out over a period of three to five years. The mitigation measures for tailings storage facilities include the installation of netting barriers, the application of a dust suppressant, and, in some cases, the surface area will be revegetated.

Rehabilitation and land management

We are fully cognisant of the fact that we are custodians of the land we disturb and manage. While some aspects of our operations - particularly open-pit mining, waste and tailings deposition and the construction of physical structures - entail altering the physical landscape permanently, we believe that once mining has come to an end it is pivotal that we rehabilitate the land to effective and appropriate post-mining land use. Our aim is to create value from our land by implementing initiatives that have a positive impact through enhanced conservation or commercial socio-economic activities.

Land rehabilitation liabilities (Rm)

	FY20	FY19	FY18	FY17	FY16
South Africa	**3 038**	2 884	2 919	2 180	2 170
Papua New Guinea - Hidden Valley	**1 228**	1 039	1 336	1 391	826
Total	**4 226**	**3 923**	**4 255**	**3 571**	**2 933**
(Total US$m)	**244**	278	308	166	150

(Refer to the 20-F for further detail on risks and liabilities)

South Africa

The aim of our rehabilitation strategy in South Africa is to reduce our environmental footprint through concurrent and final rehabilitation. Through these actions, we effectively reduce our environmental liability, meet the commitments made in our environmental management programme, and mitigate the risk of illegal mining activities. The necessary rehabilitation funding mechanisms are in place and, where feasible, infrastructure is refurbished for alternative use.

We have three primary areas of focus, which include rehabilitating decommissioned shafts linked to ingress by illegal miners, tailings dam rehabilitation, and the reclamation of waste rock dumps.

Rehabilitation of decommissioned shafts

We began to formally rehabilitate our decommissioned shafts and hostels in 2011 as a way of mitigating and managing illegal mining and its associated impacts. Since then, we have demolished 49 shafts and rehabilitated some old plant footprints. As of FY20, we have been able to rehabilitate and secure all but one of our high-risk decommissioned sites. The only site that remains to be rehabilitated is Brand 5, which will be completed by December 2020. This programme has, by and large, been highly successful as we have been able to control the scourge of illegal mining in the Free State.

As the demolition of shafts and hostels is largely complete, we have shifted our focus to consolidating our broader footprints. This has included the demolition and clearing of ancillary service infrastructure used to support historic mining operations like training centres, old offices and the like. In total, there are 14 active rehabilitation sites, all of which were scheduled to be completed in FY20.

In addition, we are also focusing our efforts on rehabilitating the land that surrounds these decommissioned shafts. In FY20, we rehabilitated 44.19ha of land and have some 10 430ha still to address. Total land under management is 69 159.36ha.

Rehabilitation strategy

In FY20, Harmony, with the assistance of consultancy Digby Wells Environmental, developed and began implementing a new rehabilitation strategy that aims to achieve a step change in approach to our group rehabilitation programme. The main objectives of this new strategy include:

- Using land for carbon offset and biodiversity purposes, where feasible, and, in other instances, for the cultivation of food that can be sold commercially
- Managing vegetation planted on rehabilitated areas in a sustainable and environmentally sensitive manner
- Devising and implementing projects in such a way that enhances socio-economic benefits to host communities, particularly in terms of preferential procurement and enterprise and supplier development
- Ensuring that rehabilitation underscores our social licence to operate

REHABILITATION AND SOCIO-ECONOMIC DEVELOPMENT

The rehabilitation and reclamation of land, tailings dams and waste rock dumps offer a unique opportunity to marry our imperatives of environmental stewardship and socio-economic development.

Socio-economic development projects currently underway on rehabilitated land include:

- The labour-intensive invasive alien vegetation removal project in the vicinity of Kusasalethu and Doornkop. This project, begun in 2016 at Kusasalethu, is being implemented in phases. To date, 5 000ha have been cleared and are free of invader species. Regular follow-up monitoring of previously cleared areas is conducted
- Establishment of commercially viable agricultural projects as opposed to subsistence agriculture in Gauteng, Carletonville and Matlosana

See the *Socio-economic development - uplifting our communities* section in this report for further details on these projects and initiatives.

In addition, the process of reclaiming and rehabilitating old tailings dam is labour-intensive, requiring many hours for grafting, weeding, planting and maintenance. In FY20, we began the first phase of this initiative, which created some 300 jobs for people in our host communities.

The reclamation of waste rock dumps is progressing well at Kalgold, Kusasalethu and at several sites at our Free State operations. As waste rock is considered a resource by the aggregate industry, several related community initiatives are in place at Kalgold and in the Welkom area. See Waste rock under Mineral waste in this section.

Additionally, a feasibility study is currently being conducted to determine the viability of repurposing old mine-site buildings for alternative accommodation facilities for our host communities.

Papua New Guinea

Given that all our projects in Papua New Guinea are either in production or at the exploration stage, most disturbed areas remain active. However, progressive rehabilitation is undertaken, where possible, at Hidden Valley to stabilise exposed areas to prevent ground movement proximal to critical infrastructure and to limit off-site sediment transport.

Biodiversity and conservation

By its very nature, our mining activities impact the biodiversity and ecology of the surrounding environment. Recognising that these impacts could span the duration of the life-of-mine and, in some cases, beyond that, we endeavour to implement appropriate management systems and processes to limit our footprint, or mitigate and, where possible, offset our impacts.

South Africa

Apart from Kalgold, where the protected Camel Thorn (Acacia erioloba) tree is a conservation priority, our operations are not situated in sensitive or protected environments. Nonetheless, we acknowledge the impact of our activities on the environment and that, more importantly, there is vital fauna and flora in our areas of operation that require protection and preservation. Conservation and protection of biodiversity are, therefore, key tenets of our land management strategy.

All long-life South African sites have biodiversity management plans, which are implemented either through their respective mine closure plans, environmental management plans or specific biodiversity action plans. To ensure compliance, numerous environmental projects are being implemented throughout our operations.

Biodiversity management plans

We are acutely aware that our footprint will never be eliminated entirely, even if we do pursue responsible rehabilitation and closure procedures. There will always be between one and three percent of land that will be impacted by mining or mining-related activities. It is in this context that, towards year end, we commissioned an environmental consultant to develop biodiversity management plans for each of the three regions in which we operate. This will also involve researching various offset projects and carbon trade-offs for mine closure in each region. We have also engaged with the Endangered Wildlife Trust. Such a scheme, we believe, will help leave a net positive legacy post-mining.

Alien and invasive plant management

In FY20, we continued with our alien invasive plant eradication project, which aims to minimise growth and infestation of alien species to ultimately eradicate these plants. Areas of infestation are first mapped and then divided into smaller management units to enable prioritisation and appropriate planning. Since FY16, these efforts have primarily focused on our Kusasalethu operation, with some 5 000ha of the surface mining right area having been cleared of alien vegetation. Once an area has been cleared, follow up monitoring is conducted for a period of time, and this is currently ongoing. In FY20, total of 1 021ha of surface right area was cleared of alien invasive species. Of this, 888ha were cleared from Kusasalethu and 133ha from Doornkop.

Flamingo conservation programme

Regrettably the proposed Lesser Flamingo Conservation Project in Welkom experienced further delays in FY20. It is anticipated, however, that construction of the facility will begin in the first half of FY21.

Papua New Guinea

Hidden Valley is not in a biodiversity-protected area but five species on the International Union for Conservation of Nature Red Data List are found in the vicinity of the mine. These include tree kangaroos, nectar bats, harpy eagles and long-beaked echidna, which are not endemic to the Hidden Valley area. There is no evidence to suggest that the mine's operations have affected these species.

The Wafi-Golpu project proposes to adopt block cave mining as the mining method which will afford a smaller surface disturbance footprint and the generation of significantly reduced volumes of waste rock.

Radiation

In FY20, Harmony continued to implement radiation protection programmes at all our regulated operations. Public radiation protection programmes are also being implemented at all sites where we also sample dust and water sampling. We have demonstrated a high level of compliance for both employees and the communities with no health or safety threats.

Average compliance for FY20 was 96% with no major regulatory issues.

OUTLOOK FY21

Our focus from an environmental perspective for FY21 will be as follows:

- Following up on delays in licence approvals as a result of the national lockdown, such as the water use licences for Moab Khotsong and Doornkop
- Following the acquisition of Mponeng and Mine Waste Solutions post year-end and their incorporation within the company we will focus on:
  - adjusting our long-term environmental targets to allow for their inclusion
  - ensuring licensing approvals for Mine Waste Solutions
  - optimising these two assets in relation to water, an important focal area. The Margaret Water Company and the related Covalent Water Company represent an opportunity to transform this water for the benefit of broader society and the environment
- Finalising the closure plans for those mines reaching the end of their operating life - Unisel and Masimong are expected to close during the course of FY21, Hidden Valley in FY24 (in the absence of any potential mine extension)
- With the completion of the public participation process for St Helena 10 shaft, beginning the closure application process with the Department of Mineral Resources and Energy
- Beginning the public participation process on Kusasalethu's formal closure plan
- Advancing the permitting of the Wafi-Golpu project

Mining Charter III - COMPLIANCE SCORECARD

We report on our performance in relation to the Mining Charter throughout this Integrated Annual Report.

The Mining Charter serves as a guiding policy document to the industry, focusing on the transformation of the South African mining industry as a whole. The main objectives of the Charter are to promote equal access to and ownership of the industry, expand business opportunities for historically disadvantaged persons (HDPs), redress the imbalances of historical injustices, and enhance the social and economic welfare of employees and mine communities.

The Mining Charter is not a static document having been debated and revised a number of times. It is now in its third iteration.

ABOUT MINING CHARTER III

On 27 September 2018, Gwede Mantashe, Minister of the then Department of Mineral Resources, published the final version of the revised Broad-Based Black Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry (Mining Charter III). There are distinct differences between the mandates of Mining Charter II, which was the basis of reporting for Harmony's Integrated Annual Report 2019, and Mining Charter III, being the basis of reporting going forward. As this is the first full financial year that Harmony is reporting against the new targets of the Mining Charter, a summary of the requirements of Mining Charter III, is referenced below.

Ownership

Existing mining rights

A minimum 26% black economic empowerment (BEE) shareholding is required affording meaningful economic participation and full shareholder rights.

New mining rights

New rights require a minimum 30% BEE shareholding comprising a minimum of 5% non-transferable carried interest to each of the qualifying employees and mine communities, and 20% effective ownership to BEE entrepreneurs.

Renewals and transfers of existing rights

Existing mining right holders' historical BEE transactions will not be recognised for the purposes of the renewal and transfer of existing mining rights and the applicant for renewal or the transferee will likely be required to comply with the BEE ownership requirements applicable to new mining rights. This clause is currently not being implemented pending resolution of Minerals Council South Africa litigation.

Mine community development

Mines must contribute meaningfully towards community development in terms of their approved social and labour plans and implement locally approved community projects which are aligned to the district and municipalities' Integrated Development Plans.

Inclusive procurement

Mining goods

- Minimum spend of 70% of total mining goods on South African-manufactured goods with 60% local content,
- 44% of which must be spent with BEE-compliant companies
- 21% must be spent on goods produced by HDPs and 5% on goods produced by women- or youth-controlled companies

Services

- Minimum spend of 80% on services with South African-based companies, 50% of which must be supplied by HDPs and 10% by BEE-compliant companies
- 15% of the services budget must be spent with women-owned and controlled companies, and 5% with youth-owned and controlled companies

Enterprise and supplier development

Mining right holders may invest in enterprise development and supplier development to offset procurement obligations.

Employment equity

Mining right holders must achieve a minimum threshold of HDPs reflective of provincial or national demographics:

- Board: 50% HDPs with proportional exercisable voting rights, 20% of whom must be women
- Executive management (Exco): 50% HDPs, 20% of whom must be women
- Senior management: 60% HDPs, 25% of whom must be women
- Middle management: 60% HDPs, 25% of whom must be women
- Junior management: 70% HDPs, 30% of whom must be women
- Core and critical skills (i.e. science, technology, engineering and mathematical skills, across all organisational levels): 60% HDPs
- Employees with disabilities must make up at least 1.5% of all employees

Human resource development

Mining companies must invest 5% of the leviable amount on skills development.

Housing and living conditions

Mining companies must improve the standards of housing and living conditions for mine workers as stipulated in the Housing and Living Conditions Standard for the Mining and Minerals Industry.

The table overleaf summarises our performance against the targets for each pillar of Mining Charter III for the calendar year ended 31 December 2019. For more details on our performance refer to Socio-economic development - uplifting our communities and Employee relations.

Mining Charter III scorecard for calendar year 2019 (January - December)

1. Reporting				
Has the company reported its level of compliance with the Mining Charter for the calendar year?	Report annually	Yes	Yes	✓
2. Ownership				
Minimum target for effective ownership by historically disadvantaged South Africans	Meaningful economic participation; full shareholder rights	26%	>30%	✓
3. Employment equity				
Diversification of workplace to reflect the country's demographics and attain competitiveness	Representation of historically disadvantaged persons	Board: 50%	67%	✓
		Executive committee: 50%	56%	✓
		Senior management: 60%	51%	✗
		Middle management: 60%	53%	✗
		Junior management: 70%	65%	✗
		Core and critical skills: 60%	69%	✓
	Representation of women	Board: 20%	28%	✓
		Executive committee: 20%	33%	✓
		Senior management: 25%	27%	✓
		Middle management: 25%	24%	✗
		Junior management: 30%	18%	✗
	Employees with disabilities	1.5%	0.4%	✗
4. Human resource development				
Development of the requisite skills, particularly those in exploration, mining, processing, technology efficiency, beneficiation and environmental conservation	Human resource development expenditure as percentage of total annual leviable amount (excluding the mandatory skills development levy)	Invest 5% of the leviable amount as defined in the human resource development element in proportion to applicable demographics (employees and non-employees)	5%	✓
5. Mine community development*				
Meaningful contribution towards mine community development in keeping with the principles of the social license to operate	Implementation of approved commitments in the social and labour plan	100%	83%	✗

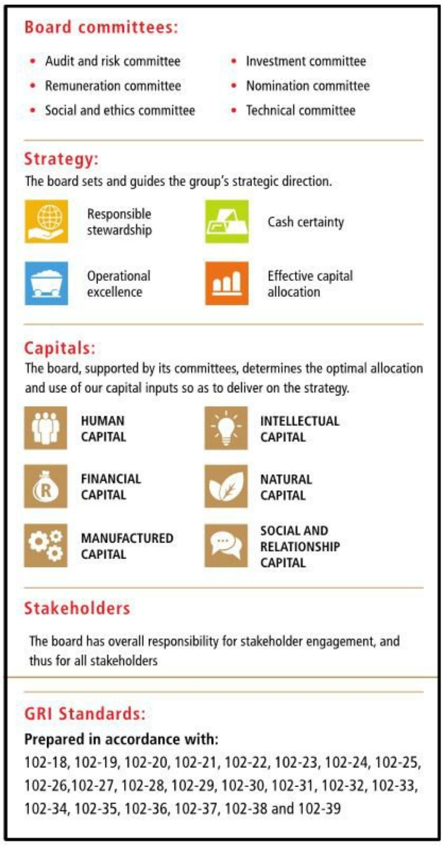
6. Procurement and enterprise development				
Total procurement budget spend on goods and services	**Mining goods** A minimum of 70% of the total mining goods procurement spend must be spent on South Africa manufactured goods must be sourced from BEE compliant manufacturing companies. Calculation of goods and services spend does not include spend on utilities (electricity and water), fuels, lubricants and land rates	21% of total mining goods budget must be spent on South African-manufactured goods produced by 50% + 1 vote historically disadvantaged person-owned and -controlled companies	50%	✓
		5% of total mining goods budget must be spent on South African-manufactured goods produced by 50% + 1 women- and/ youth-owned and -controlled companies	4%	✗
		44% of total mining goods budget must be spent on South African-manufactured goods produced by at least Level 4 BEE 25% + 1 compliant companies	84%	✗
	Services A minimum of 80% of the total spend on Services must be sourced from South Africa based companies	65% of total services budget must be spent on South African companies that are 50% + 1 vote historically disadvantaged person-owned and -controlled companies	53%	✗
		15% of total services budget must be spent on South African companies that are 50% + 1 vote women-owned and -controlled companies	7%	✗
		5% of total services budget must be spent on South African companies that are 50% + 1 vote youth-owned and controlled	0%	✗
		10% of total services budget must be spent on South African companies that are at least Level 4 BEE + 25% + 1 compliant	86%	✗
	Research and development	A minimum of 70% of total research and development budget to be spent on South African-based research and development entities	100%	✓
	Sample analysis	Utilise South African-based facilities or companies for the analysis of 100% of all mineral samples across the mining value chain	100%	✓
7. Housing and living conditions				
	Improve the standard of housing and living conditions of mine employees	Implement all commitments in the Housing and Living Conditions Standard	100%	✓

CORPORATE GOVERNANCE

REPONSIBLE, ETHICAL GOVERNANCE

The board subscribes to the principles of good corporate governance and supports the definition of corporate governance as being the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- Ethical culture and responsible corporate citizenship
- Good performance and value creation
- Effective control
- Legitimacy



CORPORATE GOVERNANCE - AN OVERVIEW

The Harmony board's long-term philosophy to:

- adhere to sound corporate governance principles
- enable strong, experienced management teams
- promote a culture of shared value

has been fundamental in guiding the group during the global economic and social crisis brought on by the Covid-19 pandemic in 2020.

The corporate governance review and corporate governance summary provides an overview of the board structures and frameworks that govern and promote the long-term success of Harmony and value creation for all key stakeholders. The corporate governance report provides further insight into Harmony's corporate governance and compliance policy and framework and detailed disclosure on the board committees and other relevant matters.

Value creation

The Integrated Annual Report 2020 provides a comprehensive overview of the strategy, risk management, material issues, stakeholder engagement and performance of the group. The inter-connected pillars that guide value creation are strategy, stakeholders, sustainability and ethical and responsible corporate citizenship.

The Covid-19 pandemic

The global impact of the Covid-19 pandemic has been on a scale not experienced since the Second World War. The strong foundation of good corporate governance principles has steered Harmony's board and management in this crisis. The overall safety and well-being of employees and communities has been the key driving force in our approach to managing the pandemic. Some of the measures taken by Harmony include among others:

- Adopted a risk-based approach to managing the impact of Covid-19 on the safety and health of employees
- Provision of social, health and economic support to employees and communities
- Implementation of prudent cash preservation measures including a successful share placement to fund the Mponeng and Mine Waste Solutions acquisition
- Embracing virtual platforms to conduct board meetings and the June 2020 extraordinary general meeting

  While a strong rally in the gold price and weakening of the rand exchange rate have been favourable to Harmony, the loss of lives and catastrophic social and economic impact on South Africa, Papua New Guinea and the rest of the world will influence the short-medium- and long-term way forward for Harmony.

Strategic risk management

The board's oversight of the group's risk governance process has influenced the performance of the group and delivering on its strategy to produce safe, profitable ounces and increase margins. This includes a risk-based and proactive safety culture journey embarked on by Harmony in 2016 and the conclusion of value accretive acquisitions which includes the Hidden Valley re-investment, Moab Khotsong operations and most recently Mponeng and Mine Waste Solutions.

For more details refer to *Managing our risks and opportunities*.

Sustainable development

Harmony's sustainable development framework and associated policies take into account the SDGs and the role Harmony can play in advancing our communities through preferential procurement, responsible environmental stewardship, employment equity and women in mining strategies, among others. Refer to *Sustainable development - delivering on responsible stewardship and the SDGs*, *Stakeholder engagement and material issues* and the *Social and ethics committee: chairperson's report*.

Transformation and diversity of the board

The board's commitment to transformation and diversity in terms of gender, age, expertise and race at a board and management level was reinforced by the appointment of Ms Boipelo Lekubo as financial director in March 2020. Boipelo's extensive experience in group financial management and reporting within the mining industry will contribute significantly to the skills and experience of the board. Mr Frank Abbott who served as financial director prior to Boipelo's appointment remained on the board as an executive director until 30 September 2020.

Further details on the board composition including independence, meeting attendance and corporate governance framework are included in the Corporate governance report.

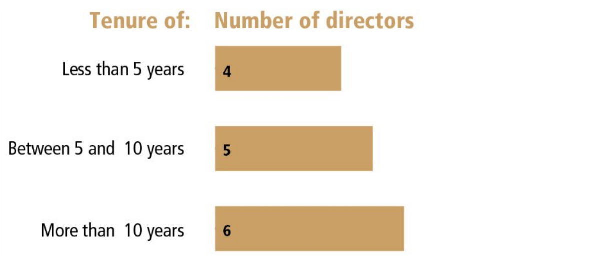
THE BOARD AND CORPORATE GOVERNANCE AT A GLANCE

Harmony's board of directors (the board) subscribes to the principles of good corporate governance. Our duty to be a responsible corporate citizen is supported by our board of directors and their commitment to ethical leadership.

Board independence, diversity and experience (as at 23 October 2020)

Composition and tenure

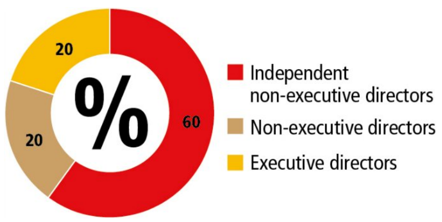
Total members	15
Chairman and lead independent director	Yes
Average age (years)	59



Independence

60%

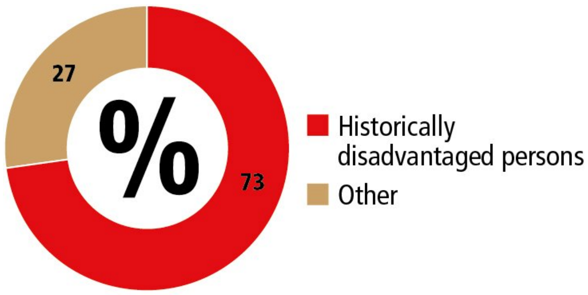
9 members of the board are independent, non-executive directors



Transformation

73%

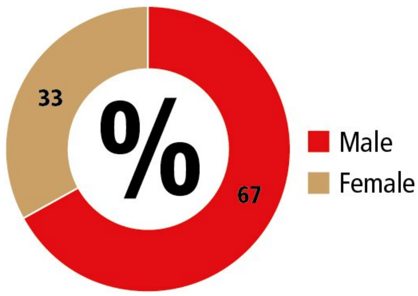
11 members of the board are historically disadvantaged persons



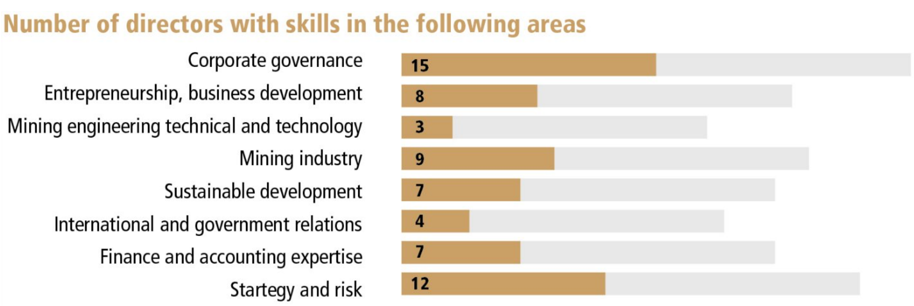
Female representation

33%

5 members of the board are women



Core skills and experience



Governance and compliance policies

- Terms of reference for the board
- Terms of reference for board committees
- Board delegation of authority
- Code of conduct
- Behavioural code
- Corporate governance and compliance policy and framework
- Internal audit charter
- Disclosure Required by Section 303A.11 of the NYSE Listed Company Manual
- Public Access to Information Act manual (PAIA)
- Whistleblower policy

Foundation of corporate governance compliance	• Companies Act, JSE Listing Requirements (primary), New York Stock Exchange requirements, Memorandum of Incorporation, King IV Report • Voluntary compliance with the principles of the United Nations Global Compact, International Council on Mining and Metals, Global Reporting Initiative and the International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold (Cyanide Code)
Overarching principle	• Responsible corporate citizenship and commitment to ethical leadership

CORPORATE GOVERNANCE AND COMPLIANCE POLICY AND FRAMEWORK

The board subscribes to the principles of good corporate governance and supports the definition of corporate governance as being the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- Ethical culture and responsible corporate citizenship
- Good performance and value creation
- Effective control
- Legitimacy

These objectives form the foundation and framework for the corporate governance report of the board. In an attempt to focus on high-level, material practices and detail, additional information supporting specific matters is cross-referenced and linked to relevant sections in the Integrated Annual Report where appropriate.

With its long-standing commitment to good corporate governance, the Harmony board is satisfied that sufficient practices are and have been in place to promote the company's reputation as an ethical, reputable and legitimate organisation and a responsible corporate citizen.

Acknowledging the significance of corporate governance and compliance, the board, through the audit and risk committee, adopted a formal corporate governance and compliance policy and framework which sets out the principles of good corporate governance for the board as well as all employees at all operational levels, and is summarised as follows:

Corporate governance and compliance policy and framework

These objectives form the foundation and framework for corporate governance within Harmony and apply to the board, all employees and contractors:

Effective control

Legitimacy

Ethical culture and responsible corporate citizenship
- Ethical leadership
- Organisational ethics
- Responsible corporate citizenship

Good performance and value creation
- Strategy
- Reporting
- Political donations
- Executive key performance indicators that are linked to ESG performance

Effective control

Governing structures and processes
- Role of the board
- Board committees
- Appointment and delegation to management

Functional areas
- Risk governance
- Technology and information governance
- Compliance governance
- Remuneration governance
- Assurance and internal audit

Legitimacy
- Inclusive stakeholder-engagement model

Underpinned by the principles of the King IV Code on Corporate Governance

Discussed overleaf are the practices within Harmony that the board believes confirm Harmony's application of the principles of the King IV Report on Corporate Governance for South Africa, 2016 (King IV).

Ethical leadership

The board fully appreciates that it has to lead by example. Each member of the board is therefore expected to exhibit, at all times, the characteristics of integrity, competence, responsibility, accountability, fairness and transparency in his or her conduct. Collectively, the board's conduct, activities and decision-making are characterised by these attributes, which also form part of the regular assessment of the board and individual directors' performance. The board recognises that ethics is one of the pillars of sustainable business practice.

The board charter elaborates on the standard of conduct expected from board members. In addition, the board policy on the declaration of interests not only limits the potential for a conflict of interest but also ensures that, in cases where conflict cannot be avoided, it is properly disclosed and proactively managed within the boundaries of the law and principles of good governance.

Organisational ethics

The board sets the group's approach to ethics. Oversight and monitoring of organisational ethics is the mandated responsibility of the social and ethics committee which fulfils this role on behalf of the board. Details of the arrangements for governing and managing ethics, key focus areas during the reporting period, measures taken to monitor organisational ethics and planned areas of future focus are contained in the Social and ethics committee: chairperson's report.

In the previous year, the Ethics Institute of South Africa conducted an ethics opportunity and risk assessment and reported its findings to the social and ethics committee of the board. This assessment will be undertaken again next year. The purpose of the assessment was to determine Harmony's current ethics opportunity and risk profile. The outcome of the assessment further informed the contents of our ethics management strategy and determined the scope and contents of ethics management interventions going forward. Key action items identified included:

- To increase the awareness of corruption and adopt a zero tolerance thereof
- To action steps taken against transgressors
- To promote and emphasise the fair treatment of employees despite their status, age, gender or rank
- To communicate a clear process flow chart indicating how whistle blower concerns are addressed within the organisation, and ensure anonymity when using the whistle blowing line
- To implement additional training opportunities within the organisation on ethical topics
- To develop a process to monitor all disciplinary actions taken to ensure consistency and fair treatment of employees

Responsible corporate citizenship

The mining industry introduces a unique responsibility and opportunity to the group to be a responsible corporate citizen. Although the board sets the tone and direction for the manner in which corporate citizenship should be approached and managed, ongoing oversight and monitoring of the group's performance against set targets also forms part of the mandate of the social and ethics committee.

Extensive detail and information on the consequences of the group's activities and outputs, which affect its status as a responsible corporate citizen with relevant measures and targets, are given elsewhere in the integrated annual report relating to the following areas:

- Workplace - See *Safety and health, Employee relations, Socio-economic development - uplifting communities* and *Remuneration report*
- Economy - See *Employee relations* and *Socio-economic development - uplifting communities*
- Society - See *Employee relations* and *Socio-economic development - uplifting communities* which includes reports on corporate social investment and human rights
- Environment - See *Environmental management and stewardship*

Good performance and value creation

Strategy

The board is responsible for approving the group's short-, medium- and long-term strategy as formulated and developed by management. In doing so, the board focuses on numerous critical aspects of the strategy including, among others, the legitimate and reasonable needs, interests and expectations of material stakeholders as well as the impact of the group's activities and output on the various forms of capital employed as part of the business process. The risks and opportunities connected to the triple context (economy, society and the environment) within which the group operates are integral to the board's strategic reviews of the business.

Policies and operational plans that support the approved strategy are submitted regularly by management for review and formal board approval. The board attends an annual strategy session called a "bosberaad" - specifically dedicated to confirm and review the company's strategy. However, due to the Covid-19 pandemic and restrictions placed on social gatherings to adhere to social distancing protocols, the annual bosberaad was not held in FY20.

Strategy is part of the ongoing conversation in the boardroom. Ongoing oversight of the implementation of the company's strategies and operational plans takes place against agreed performance measures and targets.

As the company's reputation as a responsible corporate citizen is an invaluable attribute and asset, the consequences of activities and outputs, in terms of the various capitals employed, are continuously assessed by the board through its subsidiary committees. This will ensure that we are able to respond responsibly and limit any negative consequences of our activities, to the extent reasonably possible. In addition, the board continuously monitors the reliance of the group on these capital inputs - our natural capital (including mineral resources and reserves), employees, financial capital, communities and society at large, our mining infrastructure and our intellectual and technological know-how - as well as the solvency, liquidity and going concern status of Harmony.

Reporting

In protecting and enhancing the legitimacy and reputation of the group, the board ensures that comprehensive reporting is done on different platforms. In addition to this Integrated Annual Report, a separate Report to shareholders as well as a Financial report and a Mineral Resources and Mineral Reserves Report are published. The group's sustainable development performance, as measured against the Global Reporting Initiative Content Index, available online at *www.har.co.za.*

It is the board's intention to not only meet minimum legal requirements but also the legitimate and reasonable information needs of material stakeholders. The board is satisfied with management's bases for determining materiality for the purposes of deciding what information should be included in our external reports. The audit and risk committee, with the assistance of the social and ethics committee, has also been tasked with reviewing all external reports to verify the integrity of the information contained therein.

Political donations

Harmony supports the democratic processes in South Africa and Papua New Guinea, and contributes to their political parties. A policy relating to political donations has been adopted by the company. During FY20 review, there were no substantial donations made by Harmony.

Effective control - Governing structures and processes

Role of the board

The board exercises its leadership role by:

- Steering the group and setting its strategic direction
- Approving policy and planning that gives effect to the direction provided
- Overseeing and monitoring implementation and execution by management
- Ensuring accountability for the group's performance by means of, among others, reporting and disclosures

The role and function of the board, including guidelines relating to the board's composition and procedures, are documented in detail in the board charter, which is reviewed regularly to ensure that it remains relevant and applicable.

A protocol is in place to be followed in the event of any of the board members or committees needing to obtain independent, external professional advice at the cost of the company on matters within the scope of their duties. Non-executive directors are also aware of the protocol to be followed for requisitioning documentation from, and setting up meetings with, management. Notwithstanding, board members have direct and unfettered access to the chief audit executive, the company secretary and members of executive management.

Based on its annual work plan, the board is satisfied that it fulfilled its responsibilities during the period under review in accordance with its charter.

Information on the number of board meetings held by the board and attendance can be found in this report.

Board committees

The board has delegated particular roles and responsibilities to standing committees based on relevant legal requirements as well as on what is appropriate for the group and to achieve the objectives of delegation. The board recognises that duties and responsibilities can be delegated but that accountability cannot be abdicated. The board, therefore, remains ultimately accountable.

The following committees have been established:

- Audit and risk committee
- Investment committee
- Nomination committee
- Remuneration committee
- Social and ethics committee
- Technical committee

Formal terms of reference have been adopted for each board committee and are reviewed annually (and when necessary) to ensure that the content remains appropriate and relevant. The terms of reference address, as a minimum, the recommended items in King IV.

Effective control - Functional areas

Risk governance

The board appreciates that risk is integral to the way it makes decisions and executes its duties. Risk governance encompasses both risks and opportunities as well as a consideration of the potential positive and negative effects of any risks on the achievement of the group's objectives. The group's risk appetite and tolerance levels, which support its strategic objectives, are considered annually. The board is supported in this area by the audit and risk committee.

Responsibility for implementing and executing effective risk management is delegated by the board to management. The board acknowledges the need to integrate and embed risk management in the business activities and culture of the group. The audit and risk committee is tasked with ensuring independent assurance on the effectiveness of risk management in the group, and when deemed necessary and appropriate.

Detail on the nature and extent of the top strategic risks and opportunities of the group and an overview of the arrangements for governing and managing risk is disclosed in *Managing our risks and opportunities*.

Technology and information governance

The board accepts responsibility for governing technology and information in a way that supports the group in setting and achieving its strategic objectives. The board is supported in this area by the audit and risk committee.

A technology and information steering committee, chaired by Boipelo Lekubo (appointed as financial director in March 2020) and with its membership covering the head of information services and members of the group executive committee, has a well-defined charter and is responsible for the oversight of technology and information direction, investment and alignment with business strategy and priorities.

Management adopted the Control Objectives for Information and Related Technologies (COBIT), a framework published by the Information Systems Audit and Control Association (ISACA) for IT management and IT governance. COBIT provides a set of recommended best practices for governance and control processes of information systems and technology to align IT with business. COBIT is positioned at a high level and has been aligned and harmonised with other, more detailed IT standards and good practices.

Internal audit provides assurance to management and the audit and risk committee on the effectiveness of the governance of technology and information, and Ernst and Young (EY) on the upgrade of the enterprise resource planning (ERP) system as well as on the implementation of the human resource management system.

Compliance governance

Being an ethical and responsible corporate citizen requires zero tolerance for any incidences of legislative non-compliance. In addition, compliance with adopted, non-binding rules, codes and standards is essential in supporting the achievement of strategic business objectives.

The foundation of our corporate governance is in compliance with:

- The Companies Act
- The requirements of the JSE, where we have our primary listing
- The requirements of the New York Stock Exchange, where we have our secondary listing
- King IV Report and related principles and codes of good corporate governance

Harmony also complies voluntarily with the principles of the:

- United Nations Global Compact
- International Council on Mining and Metals
- Global Reporting Initiative
- International Cyanide Management Code for the Manufacture, Transport and Use of Cyanide in the Production of Gold (Cyanide Code)

Code of conduct

Our code of conduct commits Harmony, our employees and our contractors to the highest moral standards, free from conflicts of interest. The board reviews the code of conduct at least every second year, while its application within Harmony is continually monitored by management. The code of conduct will be reviewed and updated during FY21. Our ethics programme is also subject to independent assurance as part of the internal audit coverage plan. The code of conduct addresses critical issues including anti-corruption, gifts and entertainment and declarations of interests. It encourages employees and other stakeholders to report any suspected irregularities. This can be done anonymously through a 24-hour hotline (which is managed by an independent consulting firm), as well as other channels. All incidents reported are investigated and monitored by the white-collar crime committee, which comprises managers representing various disciplines in the company and reports to the management ethics committee.

- South Africa: +27 (0) 800 204 256
- Papua New Guinea: +675 (0) 00 861 239
- Australia: +61 (1) 800 940 949

Ethics officer and ethics management committee

Harmony has a permanent ethics officer who ensures that the ethics management plan and programme is executed sufficiently and is duly communicated throughout the organisation. Our ethics management committee monitors our ethical culture and integrity with the assistance of the ethics officer. The following processes were introduced and developed further during the past financial year:

- Verification processes to identify politically exposed persons
- Verification processes for purposes of doing business with international companies
- Effective reporting format to the social and ethics committee
- Integrated electronic ethics management system
- Centralisation of all ethics management activities over the group

The ethics management committee also assesses declarations of interest in terms of the code of conduct and provides feedback to the executive committee, which then reports to the board's social and ethics committee. As a result, ethics are discussed and examined at every level of management within the company. An external ethics risk assessment was also conducted by the Ethics Institute of South Africa.

Protection of Personal Information Act

Although the Protection of Personal Information Act, 4 of 2013 (POPIA) is enacted but not in force as yet, Harmony is committed to implementing measures in adherence to requirements stipulated by POPIA in support of good governance. Creating POPIA awareness within the organisation is ongoing.

In accordance with POPIA, the information and compliance officer manages the company's information, ensures compliance with POPIA, manages the company's records and archives and ensures compliance with the company's regulatory environment in general. The information and compliance officer compiles information and reports on the status of legislative compliance at the audit and risk committee meetings.

Promotion of Access to Information Act

Harmony complies with the Promotion of Access to Information Act, which protects the constitutional right to information that is required to exercise or protect a right. The purpose of this legislation is to foster a culture of transparency and accountability in public and private bodies, and to promote a society in which all South Africans are enabled to enjoy their rights. For more on this see, our website: *www.harmony.co.za/ sustainability/ governance#policies*

Requests for human resource, medical and other related information are provided in accordance with PAIA regulations. The company received 18 requests for access to information in terms of this legislation during FY20.

Broad-Based Black Economic Empowerment Act

The annual compliance report in line with section 13G(2) of this Act can be found on pages 125 to 127 of this report.

Dealing in Harmony shares

During price-sensitive periods, our employees and directors are prohibited from dealing in Harmony shares. Written notice of these restricted periods is communicated to employees and directors by the company secretary. In terms of regulatory and governance standards, directors and employees are required to disclose any dealings in Harmony shares in accordance with the JSE Listings Requirements. The clearance procedure for directors and the company secretary to deal in Harmony shares is regulated by the company's policy on trading in shares and insider trading. The policy is reviewed every second year.

Remuneration governance

Attracting and retaining the required skills depends, to a large extent, on the remuneration levels and practices in any business. It is therefore vital to ensure that the group remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The board is supported in this area by the remuneration committee. Extensive detail on group remuneration is provided in the *Remuneration report*.

Provision has been made in the notice of the 2020 annual general meeting for a non-binding advisory vote of shareholders on both the remuneration policy as well as on the remuneration implementation report see the *Report to Shareholders 2020*.

Assurance and internal audit

The audit and risk committee oversees the arrangements for assurance services and functions on behalf of the board to ensure that those arrangements are effective in achieving the objectives of an enabling control environment and supporting the integrity of information, for internal decision-making and external reporting purposes.

A combined assurance model is applied which effectively covers the group's significant risks and material matters through a combination of internal functions and external service providers. More information is contained in the *Audit and risk committee: chairperson's report*.

Notwithstanding the output of the combined assurance model, board members are expected to apply an enquiring mind, form their own opinion on the integrity of the information and reports, and the degree to which an effective control environment has been achieved.

Internal audit plays an important part in the overall assurance approach and effectiveness of the assurance model. The audit and risk committee oversees the internal audit function on behalf of the board.

External independent quality assessment

During FY19, the internal audit function underwent an independent quality review conducted by the Institute of Internal Auditors South Africa. The internal audit function was found to generally conform with the International Standards for the Professional Practice of Internal Auditing. No material findings were noted. The external quality assessment is performed every five years.

Legitimacy

Inclusive stakeholder-engagement model

The board sets the direction for the group's approach to stakeholder relationships. An inclusive stakeholder-engagement approach considers whether the legitimate needs, interests and expectations of all material stakeholders have been adopted.

Information on the material stakeholders and the manner in which relationships with stakeholders are managed, governed and monitored is provided in *Stakeholder engagement and material issues*.

Shareholders are encouraged to attend the Harmony annual general meeting, details of which are contained in the notice of the 2020 annual general meeting in the *Report to Shareholders 2020*.

GROUP ORGANISATIONAL STRUCTURE

The group is led and directed by a unitary board of directors who are guided by ethical leadership practices and board and committee charters that are reviewed on a regular basis. The group executive management team, headed by the chief executive officer is responsible for leading implementation and execution of the board-approved strategy, policy and operational planning and governed appropriately in accordance with a formal delegation of authority framework.

Board of directors

The board exercises its leadership role over the group by:

- Steering its strategic direction
- Approving policy and planning that gives effect to the strategy
- Overseeing and monitoring implementation and execution by management
- Ensuring accountability for performance through reporting and disclosure

Board committees

The board has delegated particular roles and responsibilities to standing committees, however the board remains ultimately accountable.

The board committees' primary functions, include the consideration, oversight and monitoring of strategies, policies, practices, performance

and recommendations to the board for final approval related to:

Audit and risk	Social and ethics	Technical	Investment	Remuneration	Nomination
• Operation of an adequate system of internal control and control processes • Accurate and appropriate reporting of financial statements • Risk management and overall risk governance	• Occupational health and employee well-being, environmental management, corporate social responsibility, human resources, public safety and ethics management • Compliance against relevant regulations • Sustainability-related key performance indicators and levels of assurance	• Safety, strategy and operational performance • Review of strategic plans • Providing guidance and support to management	• Potential projects, acquisitions and disposals in line with Harmony's strategy and ensures that due diligence procedures are followed	•Fair reward of directors and executive management for their contribution to • Harmony's performance Harmony's compensation policies and practices and administration of its share incentive schemes • Group remuneration policy	• Formal and transparent procedures related to board appointments • Succession planning for directors and members of the executive team • Board self-assessment process

Chief executive officer

Executive management: office of the group chief executive officer

Executives reporting to the chief operating officer: South Africa	Executives reporting to the chief executive officer: South-East Asia
Regional operational, divisional and departmental management teams and steering committees	

BOARD COMPOSITION, CHAIRMAN, INDEPENDENCE AND MEETING ATTENDANCE

Board diversity

Diversity and transformation are key focus areas for the board. A broader diversity board policy at board level, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience has been formally adopted.

The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, gender, race, culture, age, experience and, where applicable, independence. In addition, the composition of the board and its leadership structure ensures that there is a balance of power in the boardroom and that no one individual has unfettered authority of decision-making.

The nomination committee considered and applied the broader diversity board policy in the nomination and appointment of Ms Boipelo Lekubo who was appointed financial director effective 3 March 2020. Ms Lekubo contributes a wealth of experience and diversity to the board and has been recommended for election by Harmony's shareholders at the 2020 annual general meeting. See the Notice of annual general meeting in the Report to Shareholders 2020.

Board composition

The board has 15 highly experienced and reputable members, 12 are non-executive directors of whom nine are independent, three are executive directors, five are female and 11 are historically disadvantaged persons.

The role and function of the board, including guidelines relating to the board's composition and procedures, are documented in detail in the board charter, which is reviewed regularly to ensure that it remains relevant and applicable.

Brief profiles of all board members can be found in the Leadership section in this report, with their detailed resumes available online at *www.harmony.co.za.*

The majority of the non-executive directors are classified as independent. The board appreciates that independence is first and foremost a state of mind and all board members, notwithstanding their categorisation, are expected to act independently and with unfettered discretion at all times. This expectation is also confirmed in the board charter.

Chairman

The chairman of the board, Dr Patrice Motsepe and the deputy chairman of the board, Mr Modise Motloba, are non-executive directors, but are not classified as independent. The board is satisfied that the lead independent director, Mr Mavuso Msimang, meets the requirements for an independent director under the Companies Act and King IV, and any other criteria evidencing objectivity and independence established by the board.

The duties of the chairman, deputy chairperson as well as the lead independent director have been included in the board charter and are based on the recommendations of King IV. The roles of the chief executive officer and chairman are separate.

These appointments are reviewed annually and form part of the board's succession plan for the position of chairman and lead independent director.

Guidance provided by King IV, as far as the board chairman's membership of board committees is concerned, has been applied and the board chairman is only a member of the nomination committee. The nomination committee is chaired by the lead independent director.

Assessment of the independence of directors who have served on the board for more than nine years

An assessment of Ms Fikile De Buck who has served on the board for 14 years, Mr Joaquim Chissano, who has served on the board for 15 years and Dr Simo Lushaba who has served on the board for 18 years, was undertaken during the year under review.

Following the assessment by the nomination committee, the board is satisfied that the individuals do not have any relationships that may impair, or appear to impair, their ability to apply independent judgement. In addition, there are no interests, positions, associations or relationships which, when judged from the perspective of a reasonable and informed third party, are likely to influence the members unduly or cause bias in their decision-making.

The committee thus concluded that the members demonstrated that they were independent of mind and judgement, and had objectively fulfilled their roles as independent non-executive directors, despite their tenure on the board. The wealth of experience of these members, in addition to their being known as reputable individuals of integrity and great character, makes their ongoing input and contribution an invaluable asset to the board and the group. The wealth of experience of these members, in addition to their being known as reputable individuals of integrity and great character, makes their ongoing input and contribution an invaluable asset to the board and the group.

Nomination, election and appointment

The nomination committee is also tasked with identifying potential candidates for appointment to the board while the actual appointment is a matter for the board as a whole. The collective knowledge, skills and experience required by the board as well as diversity performance are all aspects considered by the board before appropriate candidates are identified for nomination. The nomination committee conducts the necessary independence checks and investigations, as recommended by King IV, in respect of potential candidates.

Formal letters of appointment are provided to all new board members. In addition, new board members participate in an extensive induction programme to enable them to make the maximum contribution within the shortest possible time. Ongoing mentorship is provided to members with no or limited governance experience and they are encouraged to undergo appropriate training. Provision has also been made in the board's annual work plan for regular briefings on legal and corporate governance developments, as well as risks and changes in the external environment of the group.

As required by the provisions of Harmony's Memorandum of Incorporation, a third of the non-executive directors are expected to retire by rotation at each annual general meeting of the company. The names and profiles of these members have been included in the notice of the 2020 annual general meeting in the *Report to shareholders 2020*. The board is comfortable in recommending their re-appointment to shareholders.

The role and function of the board, including guidelines relating to the board's composition and procedures, are documented in detail in the board charter, which is reviewed regularly to ensure that it remains relevant and applicable.

Board performance evaluations

The board fully supports the notion that an appropriate evaluation of the board and its various structures is a strategic value adding exercise that facilitates the continued improvement of the board's performance and effectiveness. For this reason, an independent formal self-evaluation process (for a comparative period of three years) was undertaken during FY20 and included an assessment of the performance of the board, its chairman and individual members as well as the board committees, chief executive officer and company secretary.

Overall, the self-evaluation reconfirmed that the board and board committees were considered to be:

- highly effective
- appropriately positioned to discharge their governance responsibilities
- well supported by its committees

- working as a cohesive unit and that the highest ethical standards are applied in deliberations and decision-making, thus enabling the board to provide effective leadership based on an ethical foundation

The general consensus among board members is that the chief executive officer:

- communicates consistently and effectively with all of Harmony's stakeholders
- created and implemented an effective strategy, supported by management
- demonstrates ethical and transparent leadership by living the company's culture and reinforcing its values

Considering the outcome of the evaluation process, the board is satisfied that the process is improving its performance and effectiveness. The following matters were highlighted as further areas for improvement:

- Although the board was satisfied with its diversity in terms of knowledge, skills, experience, culture and race, the board acknowledged the need to improve representation in terms of age and technical mining experience. In the prior year, the board appointed two additional women to the board and another woman during the year under review.
- Harmony's continuous training and development for board members should be more formalised.
- Long-standing board members should continue to be tested for independence

Conflicts of interest

Each member of the board is required, among others, to submit a general declaration of financial, economic and other relevant interests and to update these general declarations as and when necessary as a result of significant changes. In addition, the declaration of interests in any matter on the agenda of a meeting of the board or a board committee is a standard item at the start of every meeting. In the event of a potential conflict being declared, the board proactively manages such conflict within the boundaries of the law.

Appointment and delegation to management

The board is responsible for appointing the chief executive officer on recommendation by the nomination committee. Harmony's chief executive officer is responsible for leading implementation and execution of the board-approved strategy, policy and operational planning, and serves as a link between the board and management.

He is accountable and reports to the board. The chief executive officer is not a member of the remuneration, audit or nomination committees. He does, however, attend meetings of these committees as and when required for him to contribute insights and information.

Succession planning for this position forms part of the executive succession plan that is monitored on behalf of the board by the nomination committee. An emergency succession plan is also in place and reviewed on annual basis.

A formal delegation of authority framework is in place and is reviewed regularly by the board to ensure its appropriateness and relevance to the business. The delegation of authority addresses the authority to appoint executives who may serve as ex officio executive members of the board and to make other executive appointments.

Group company secretary

The group company secretary is Ms Shela Mohatla, a full-time employee of Harmony who was appointed as group company secretary, with effect from 14 August 2020, following her appointment as the acting company secretary on 27 January 2020. She is a chartered secretary by profession. Her summary resumé is included in the separate document, *Board and management resumés 2020.*

The board has direct access to the group company secretary who provides professional and independent guidance to the board as a whole and to members individually on corporate governance and legal duties. The group company secretary also supports the board in coordinating the effective and efficient functioning of the board and its committees.

The group company secretary has unrestricted access to the board and, at all times, retains an arms-length relationship with the board in order to enhance the independence of the position. The group company secretary is not a member of the board but, being accountable to the board, reports to the board via the chairman on all statutory duties and functions performed in connection thereof.

In order to facilitate and enhance the independence and effectiveness of the group company secretary, the board ensures that the office of the group company secretary is empowered and that the position carries the necessary authority. The remuneration committee considers and approves the remuneration of the group company secretary on behalf of the board.

The board annually assesses the performance and independence of the group company secretary and also confirms that the individual has the necessary competence, gravitas and objectivity to provide independent guidance and support at the highest level of decision-making in the group. The group company secretary's performance and independence were assessed at appointment in August 2020, and the board is satisfied with her competence, experience and qualifications.

The board is therefore comfortable that the arrangements in place for accessing professional corporate governance services are effective.

In memoriam

Ms Riana Bisschoff sadly passed away in January 2020 following a short illness.

The board and management of Harmony pay tribute to Ms Bisschoff's leadership, integrity, exuberance and outstanding dedication to the group. She had occupied the position of Harmony's group company secretary since 1 March 2012.

BOARD AND COMMITTEE ATTENDANCE

Name	Age (years)	Appointed director	Independent	*Audit and risk committee	** Social and ethics committee	** Technical committee	** Investment committee	Remuneration committee	Nomination committee	Attendance at board meetings	
				Attendance by committee							
Non-executive directors											
Dr Patrice Motsepe (Chairman)	58	2003							4/4	4/4	100%
Mr Modise Motloba (Deputy chairperson)	54	2004		(a) 2/7	5/6	(a) 4/6	7/7		3/4	3/4	75%
Mr Mavuso Msimang (lead independent)	79	2011			4/6				3/4	2/4	50%
Dr Simo Lushaba	54	2002		7/7	6/6		7/7	4/4		4/4	100%
Ms Fikile De Buck	60	2006		7/7	5/6			4/4	4/4	4/4	100%
Ms Karabo Nondumo	42	2013		7/7		6/6	7/7			4/4	100%
Mr Ken Dicks ^	81	2008				6/6	6/7			4/4	100%
Mr John Wetton	71	2011		7/7	6/6		7/7	4/4		4/4	100%
Mr Max Sisulu ^	75	2018			0/6					0/4	0%
Mr Vishnu Pillay	63	2013				6/6	7/7	4/4	(f) 2/4	4/4	100%
Mr Joaquim Chissano	81	2005			5/6		(b) 3/7		(b) 2/4	3/4	75%
Mr André Wilkens	71	2007				4/6	4/7	4/4		4/4	100%
Ms Grathel Motau	45	2019					(c) 5/7			4/4	100%
Ms Given Sibiya	52	2019		(d) 7/7						4/4	100%
Executive directors											
Mr Peter Steenkamp	60	2016								4/4	100%
Ms Boipelo Lekubo (e)	37	2020								4/4	100%
Mr Frank Abbott #	66	2012								4/4	100%
Mr Harry Mashego	56	2010								3/4	75%

** Includes one ad hoc meeting for the year*

*** Includes site visits*

^ Resigned from the board on 30 September 2020

 # Retired on 30 September 2020

(a) *Resigned as member of the audit and risk committee on 21 October 2019, appointed as member of the technical committee on 21 November 2019*

(b) *Appointed as member of the investment committee on 26 November 2019, resigned from the nomination committee on 26 November 2019*

(c) *Appointed as member of the investment committee on 16 August 2019*

(d) *Appointed as member of the audit and risk committee on 16 August 2019*

(e) *Appointed to the board on 3 March 2020*

(f) *Appointed as member of the nomination committee on 21 November 2019*

BOARD COMMITTEES

The board has delegated particular roles and responsibilities to standing committees based on relevant legal requirements as well as on what is appropriate for the group to achieve objectives of delegation. The board recognises that duties and responsibilities can be delegated but that accountability cannot be abdicated. The board, therefore, remains ultimately accountable.

The following committees have been established:

- Audit and risk committee
- Investment committee
- Nomination committee
- Remuneration committee
- Social and ethics committee
- Technical committee

A brief description of each board committee, its functions and the key activities and actions during FY20, follows below.

The qualifications and experience of each committee member are included under *Leadership* and in the document *Board and management resumes* that is available online.

Terms of reference

Formal terms of reference have been adopted for each board committee and are reviewed annually (and when necessary) to ensure that the content remains appropriate and relevant. The terms of reference address, as a minimum, the recommended items in King IV. The respective committee terms of reference can be found on Harmony's website at *https://www.harmony.co.za/responsibility/governance/practices-policies*

Committee membership

In considering the membership of board committees, the board, with the assistance of the nomination committee, is mindful of the need for effective collaboration through cross-membership between committees, where required. The timing of committee meetings is co-ordinated so as to facilitate and enhance the effective functioning of and contribution made by each of the committees. The duties and responsibilities of each committee have been documented so as to clearly define the specific role and positioning of each committee in relation to topics that may be within the mandate of more than one committee. Committee membership has also been addressed to ensure a balanced distribution of power across committees so that no person has the ability to dominate decision-making and no undue reliance is placed on any one person.

The board is satisfied that each committee, as a whole, has the necessary knowledge, skills, experience and capacity to execute its duties effectively and with reasonable care and diligence. Each committee has a minimum of three members. Members of the executive and senior management are invited to attend committee meetings as deemed appropriate and necessary for the effective functioning of the committee.

During FY20, the majority of the members of all board committees remained independent non-executive directors. All board committees were chaired by an independent non-executive director, except for the technical committee chaired by Mr André Wilkens and the investment committee chaired by Mr Modise Motloba who are both non-independent and non-executive directors. The board remains confident that Mr Wilkens and Mr Motloba's leadership as chairperson of the technical and investment committees respectively, is in the best interests of the company, based on their extensive knowledge of the specific areas of responsibilities of those committees.

Committee meetings

Any board member who is not a member of a specific committee is entitled to attend meetings of a board committee as an observer but is not entitled to participate without the consent of the committee chairperson. Such members have no vote in meetings and will not be entitled to fees for attendance, unless specifically agreed by the board and provided for in the board fee structure as approved by shareholders.

The board considers the recommendations as provided by board committees in matters requiring board approval but remains responsible for applying its collective mind to the information, opinions, recommendations, reports and statements presented by the committees.

AUDIT AND RISK COMMITTEE

Member	Committee tenure
Fikile De Buck (Chairperson)*	14 years
John Wetton	9 years
Karabo Nondumo	7 years
Dr Simo Lushaba	17 years
Given Sibiya	1 year
Modise Motloba	**

** Appointed as chairperson on 10 May 2018*
***Resigned as member on 21 October 2019*

Primary functions

- Monitors the operation of an adequate system of internal control and control processes
- Monitors the preparation of accurate financial reporting and statements in compliance with all applicable legal and corporate governance requirements and accounting standards
- Monitors risk management, ensures that significant risks identified are appropriately addressed and supports the board in the overall governance of risk

Key activities and actions in FY20

- For the actions of the audit and risk committee in FY20 refer to the *Audit and risk committee: chairperson's report*
- Reviewed the company's quarterly and annual financial results
- Evaluated and considered Harmony's risks, as well as measures taken to mitigate those risks
- Monitored the internal control environment in Harmony and found it to be effective
- Discussed the appropriateness of accounting principles, critical accounting policies, management judgments, estimates and impairments, all of which were found to be appropriate
- Ensured that the appropriate financial reporting procedures, which include consideration of all entities included in the consolidated group IFRS financial statements, have been established and that these procedures are operating *
- Ensured that it has access to all the financial information of Harmony to allow the Company to effectively prepare and report on its financial statements *
- Considered the appointment of the external auditor, PricewaterhouseCoopers Inc, as the registered independent auditor for the ensuing year
- Considered the suitability of the external audit partner firm following assessment of the information provided by the external audit firm, in terms of paragraph 22.15(h) of the JSE Listings requirements, to determine the suitability of their appointment as the external audit firm and of the designated individual partner
- Satisfied itself that the external audit firm, PricewaterhouseCoopers Inc, was suitable and independent from the company
- Evaluated the independence and effectiveness of the internal audit function
- Evaluated and coordinated the internal audit, external audit and sustainability assurance processes
- Received and considered reports from the external and internal auditors
- Reviewed and approved internal and external audit plans, terms of engagement and fees, as well as the nature and extent of non-audit services rendered by the external auditors
- Considered the appropriateness, expertise and experience of the financial director, Boipelo Lekubo, as well as that of the finance function - both were found to be adequate and appropriate
- Considered whether information technology risks are adequately addressed and whether appropriate controls are in place to address these risks. The committee oversees and monitors the governance of information technology on behalf of the board, a task it views as a critical aspect of risk management.
- Considered and confirmed the company as a going concern
- Considered the JSE's most recent report on the proactive monitoring of financial statements
- Reviewed and recommended changes to the committee's terms of reference to the board for approval
- Reviewed the corporate governance and compliance policy and framework for board approval
- Updated and recommended the company's delegation of authority policy for board approval
- Considered funding for the Mponeng and Mine Waste Solution acquisition and considerations related to Covid-19

** In terms of new JSE Listings Requirements*

SOCIAL AND ETHICS COMMITTEE

Member	Committee tenure
Dr Simo Lushaba (Chairperson)*	2 years
Modise Motloba	15 years
John Wetton	9 years
Mavuso Msimang	9 years
Joaquim Chissano	14 years
Fikile De Buck	14 years
Max Sisulu**	2 years

**Appointed as chairperson on 10 May 2018*

***Resigned as member and director on 30 September 2020*

Primary functions
• Oversees policy and strategies pertaining to occupational health and employee well-being, environmental management, corporate social responsibility, human resources, public safety and ethics management • Monitors implementation of policies and strategies by executives and their management teams for each discipline referred to above • Assesses Harmony's compliance against relevant regulations • Reviews material issues in each of the above disciplines to evaluate their relevance in the reporting period, and to identify additional material issues that warrant reporting, including sustainability-related key performance indicators and levels of assurance

Key activities and actions in FY20

- Reviewed and recommended the social and ethics committee report to be included in the integrated annual report
- Reviewed and considered the social, economic, human capital and environmental issues affecting the company's business and stakeholders
- Reviewed and considered the effect that the company's operations had on the economic, social and environmental well-being of communities, as well as significant risks within the ambit of the committee's responsibilities
- Approved material elements of sustainability reporting and the key performance indicators which were externally assured
- Considered and monitored the company's internal and external stakeholder relations
- Reviewed and recommended changes to the committee's terms of reference to the board for approval
- Considered and approved the company's health and safety policy
- Considered and approved the company's preferential procurement policy
- Considered and approved the company's environmental policy
- Considered and approved the company's ethics management strategy and plan
- Attended a site visit for environmental management and social and labour plans at Doornkop mine
- Reviewed and recommended the committee's terms of reference to the board for approval
- Considered and reviewed the impact of Covid-19

See *Social and ethics committee: chairperson's report*

TECHNICAL COMMITTEE

Member	Committee tenure
André Wilkens (Chairperson)*	
Ken Dicks**	12 years
Karabo Nondumo	12 years
Vishnu Pillay	4 years
Modise Motloba	7 years

**Appointed as chairperson on 22 January 2008*
*** Resigned as member and director on 30 September 2020*

Primary functions

- Provides a platform to discuss strategy, performance against targets, operational results, projects and safety
- Informs the board of key developments, progress against objectives and the challenges facing operations
- Reviews strategic plans before recommending such to the board for approval
- Provides technical guidance and support to management

Key activities and actions in FY20

- Monitored safety across all operations
- Monitored exploration and ore reserves in South Africa and Papua New Guinea
- Monitored all South African and Papua New Guinean operations
- Considered and approved the company's health and safety policy
- Reviewed and recommended to the board the company's annual budget and business plans for FY21
- Attended a site visit for a detailed discussion on the company's enterprise risk management
- Considered investments, proposals, projects and proposed acquisitions from a technical point of view
- Reviewed and recommended the committee's terms of reference to the board for approval
- Considered and reviewed the impact of Covid-19
- Reviewed and recommended the acquisition of Mponeng and Mine Waste Solution to the board for approval

INVESTMENT COMMITTEE

Member	Committee tenure
Modise Motloba (Chairperson)*	2 years
Dr Simo Lushaba	16 years
John Wetton	9 years
Karabo Nondumo	7 years
Ken Dicks**	12 years
Vishnu Pillay	7 years
André Wilkens	13 years
Grathel Motau	1 year
Joaquim Chissano	Appointed 26 November 2019

**Appointed as chairperson on 10 May 2018*

*** Resigned as member and director on 30 September 2020*

Primary functions

- Considers projects, acquisitions and disposals in line with Harmony's strategy and ensures that due diligence procedures are followed
- Conducts other investment-related functions designated by the board

Key activities and actions in FY20

- Considered investments, proposals, projects and proposed acquisitions in line with the board's approved delegation of authority and the committee's terms of reference
- Attended a site visit for a detailed discussion on the company's enterprise risk management
- Reviewed and recommended the budget and business plans for FY21
- Reviewed and recommended the committee's terms of reference to the board for approval
- Considered and reviewed the impact of Covid-19
- Reviewed and recommended the acquisition of Mponeng and Mine Waste Solution to the board for approval

REMUNERATION COMMITTEE

Member	Committee tenure
Vishnu Pillay (Chairperson)*	5 years
Fikile De Buck	10 years
John Wetton	9 years
Dr Simo Lushaba	15 years
André Wilkens	13 years

** Appointed as chairperson on 11 May 2017*

Primary functions

- Ensures directors and executive management are fairly rewarded for their contribution to Harmony's performance
- Assists the board in monitoring, reviewing and approving Harmony's compensation policies and practices, and in the administration of its share incentive schemes
- Operates as an independent overseer of the group remuneration policy and makes recommendations to the board for final approval

Key activities and actions in FY20

- Reviewed the benefits and remuneration principles as applied to Harmony executive management
- Received and discussed a summary of the total suite of Harmony executive management incentive schemes in order to obtain a holistic view
- Reviewed and recommended the committee's terms of reference to the board for approval
- Reviewed and recommended the company's Total Incentive Plan policy to the board for approval
- Reviewed and recommended the travel policy for non-executive directors to the board for approval
- Reviewed the company's consolidated paper on retention
- Considered and recommended the remuneration policy and implementation report to the board for inclusion in the notice of annual general meeting for consideration by the shareholders as non-binding advisory resolutions (see *Remuneration report*)
- Reviewed executive directors' and executive management's remuneration benchmarks and recommended their annual salary increases to the board for approval (see *Remuneration report*)
- Reviewed the annual salary increases of the company secretary and chief audit executive
- Reviewed the annual salary increases of the company secretary and chief audit executive
- Reviewed the non-executive director fees with the assistance of an independent service provider
- Considered and reviewed the impact of Covid-19 on the remuneration of employees
- Considered and recommended the company's Total Incentive Plan Balanced Scorecard for FY21 for board approval

NOMINATION COMMITTEE

Member	Committee tenure
Mavuso Msimang (Chairperson)*	8 years
Dr Patrice Motsepe	17 years
Joaquim Chissano**	13 years
Modise Motloba	10 years
Fikile De Buck	10 years
Vishnu Pillay	Appointed 21 November 2019

**Appointed as chairperson on 10 May 2018*

*** Resigned as member on 21 November 2019*

Primary functions

- Ensures that procedures governing board appointments are formal and transparent
- Makes recommendations to the board on all new board appointments
- Reviews succession planning for directors and other members of the executive team and oversees the board's self-assessment process

Key activities and actions in FY20

- Reviewed succession planning for directors and other members of the executive team and oversaw the board's self-assessment process
- Reviewed and recommended for re-election directors who retire by rotation in terms of the company's memorandum of incorporation
- Reviewed and made recommendations on the composition, structure and size of the board and board committees, in line with the board's policy on gender and race diversity
- Considered the positions of the chairman and the deputy chairperson of the board and the lead independent director and made recommendations to the board
- Reviewed and recommended the independence of non-executive directors (especially independent non-executives serving on the board for longer than nine years)
- Reviewed and recommended immediate and long-term succession plans for the board, the chairman of the board, the chief executive officer, executive management and the company secretary
- Considered the appointment of the financial director and the group company secretary and made recommendations to the board
- Considered the programme in place for the professional development of directors and regular briefings on legal and corporate governance developments, risks and changes in the external operating environment of the organisation
- Considered the policy on the promotion of broader diversity at board level, specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience

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REMUNERATION REPORT

DEAR SHAREHOLDER

I am pleased to submit the Remuneration Report as part of Harmony's Integrated Annual Report 2020. To ensure peak performance and that our business objectives are responsibly met, it is imperative that employees and directors of the company are fairly and responsibly rewarded.

The remuneration committee plays an important role in ensuring fair, equitable and responsible remuneration practices. Under the new total incentive plan, the first award was made during September 2019. We continue to make significant progress in reflecting company performance and the topical issues of a living wage, diversity and pay equality.

Safe production - our number one priority in everything we do

The remuneration committee mourns and acknowledge the tragic loss of six of our employees at our South African operations during the 2020 financial year.

Harmony's overall safety performance improved in the 2020 financial year, with the group fatality improvement rate improving to 0.08 per million hours worked (FY19: 0.12). Safety remains our first priority. We continue to follow an integrated risk management approach, which includes safety training, awareness campaigns, safety days at each of our operations and equipping our employees with the necessary skills to identify hazards and act safely. Safe production is a responsibility that we, at Harmony, consider very seriously. Every person has the right to withdraw from an unsafe area and employees are encouraged to report unsafe working conditions. With each accident, a thorough investigation is conducted and lessons learnt are shared throughout the company. Employees are held accountable for not complying with safety regulations. Efforts to improve safety cannot, however, focus solely on discipline and training. Safety outcomes are therefore held in high regard and further re-enforced in our remuneration policy. For more information on what has been done to address our safety performance, see *Safety and health*.

Safety carries a weighting of 15% of the total score on the balanced scorecard. Although the fatality rate improved the company did not achieve its target on the lost time injury frequency rate, resulting in a zero outcome on the safety component of the scorecard.

The industry and national context

The South African gold industry is maturing and shrinking with annual gold production declining from 117 tonnes in 2018 to 101 tonnes in 2019. Gold sales climbed by 3.7% to R72.6 billion in 2019 (R69.7 billion in 2018). Employee numbers declined by 5% to 95 130 in 2019[1]. With multiple challenges presented by increasing mining depth, rising costs and a volatile rand gold price, South African gold mines are under pressure to deliver a reasonable margin after all-in sustaining costs have been considered.

Despite this industry context, we remain committed to paying a "living wage" to our employees. For a detailed account of the overall remuneration packages of Harmony's entry-level employees (category 4-8 employees), please refer to page 160 of this Remuneration report.

[1] *https://www.mineralscouncil.org.za/sa-mining/gold*

The impact of Covid-19

Gold production during the final quarter of the financial year was significantly impacted by the national lockdown on the 27 March 2020. All of Harmony's underground operations were placed on care and maintenance. Resumption of partial work on the operations only started during May 2020. Harmony only returned to pre-lockdown production levels during August 2020.

These lockdown arrangements necessitated adjustments to some of the balanced scorecard parameters, please refer to page 172 of this Remuneration report.

Despite the disruption of Covid-19, the South African operations achieved up to 75% of planned production during the last quarter of the financial year.

Management teams and employees remained committed and continued working relentlessly either at the operations and plants or from home in spite of salary sacrifices, to ensure Harmony remains sustainable during challenging times.

Harmony's social responsibility

Social equality remains a top priority with the focus on paying "living wages" to entry-level workers. Managing the wage gap that will address workers' most pressing basic financial concerns calls for innovative thinking at all levels and by all role players.

We are pleased to confirm that Harmony pays all category 4 employees at least three times more than the 2019 living wage of R6 846 per month, based on the 2018 living wage determined by Trading Economics [2], escalated by CPI inflation for low income earners (4.2%).

We continually strive to improve the lives of our employees by improving living conditions, access to social services, healthcare, and education and training. See *Employee relations*.

[2] *https://tradingeconomics.com/south-africa/living-wage-individual*

Fair and responsible pay

Remunerating executives fairly and holding them accountable for the success of the business is in the interests of all stakeholders, including employees, the community at large, and our business partners and suppliers.

We remunerate fairly and responsibly by ensuring that our remuneration is market-related and in line with the performance of the company. We also ensure that our minimum remuneration compares favourably with the South African living wage, and that the measurement of the pay gap between the lowest and highest employment levels is established and monitored as discussed below.

In FY20, an average increase of 5% in guaranteed remuneration packages for non-unionised employees and 7.82% for unionised employees was approved. In order for the committee to track the income dispersion between high- and low-income earners more efficiently, the Palma ratio has been selected. The Palma ratio is calculated by comparing the average income of the top 10% earners compared to the average of the lowest 40% earners at Harmony South Africa. Harmony's Palma ratio in 2020 was 5.3 [3] compared to 5.5 in 2019 and 5.7 in 2018.

[3] Adjusted to remove the short-term impact of the Covid-19 pandemic

Growth strategy

Over the past two years, Harmony has added additional gold ounces per annum through the acquisition of Moab Khotsong and the reinvestment in Hidden Valley in Papua New Guinea. Harmony has demonstrated its ability to increase the life of mines it operates in South Africa and Papua New Guinea - sustaining the mine communities surrounding the mining operations, preserving jobs and further unlocking value for its shareholders through increased grades and stronger margins through its growth strategy.

Gender and racial equality

Harmony's remuneration policy is to remunerate based on an individual's ability, skills and knowledge. Men and women, irrespective of their race, are paid equally for equivalent roles. There is no differentiation in remuneration based on gender, race or any other arbitrary reason. The gender distribution for all employment categories is discussed more fully in *Employee relations*. The overall number of females represented in the organisation's workforce is small and Harmony is systematically addressing this discrepancy with better progress being made at senior management level. The potential to increase this number lies in the technical fields both operational and underground. For details, refer to *Employee relations*.

King IV principles

The remuneration committee continues to compare local and global remuneration trends with our remuneration strategy. At the 2019 annual general meeting, the non-binding advisory vote on the remuneration policy was supported by 98.35% of the votes exercised on the resolution. Considering that 82.56% of the total issued shares of the company were voted on the resolution, the remuneration committee is satisfied with shareholders' support of this very important aspect of the business.

The committee is satisfied that the remuneration policy has achieved its stated objectives for the year. For more on the committee and its activities during the year under review, see the section on *Corporate governance* in this report.

No member of the committee has a personal interest in the outcome of decisions made during the period under review and four of its five members are independent non-executive directors. The chairperson of the board is not a member of the committee.

Use of consultants and their independence

We employed the services of consultants PwC and the legal firm Bowmans during the year for independent and objective advice on remuneration trends and legal matters.

Statement on effectiveness of policy

We are satisfied that our policy has achieved its objectives and we are confident that the total incentive plan will further enhance our company performance and support our growth objectives.

In closing

We value our shareholder comments and, as always, invite our shareholders to engage with the company through the office of the company secretary (companysecretariat@harmony.co.za). I remain grateful to the board, remuneration committee members and executive directors for their support and commitment during 2020.

Vishnu Pillay

Chairperson: Remuneration committee

23 October 2020

PART 1: REMUNERATION POLICY

Harmony's reward strategy underpins our business strategy of safely producing profitable ounces, increasing our margins and expanding our production base through organic growth and acquisitions. Over the past two years, Harmony has added additional gold ounces per annum through the acquisition of Moab Khotsong and the reinvestment in Hidden Valley in Papua New Guinea.

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

Our remuneration policy has been designed with our business strategy in mind - to attract and retain these experienced, skilled teams, and to motivate them to deliver and achieve our key business goals. To ensure that this happens, we need to be certain that all elements of our remuneration and wider reward offerings are aligned, fair and market competitive. In determining remuneration, the remuneration committee takes into account shareholders' interests as well as the financial health and future of the company.

GENDER AND RACE EQUALITY

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

FAIR AND RESPONSIBLE PAY

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

TOTAL INCENTIVE PLAN

The total incentive is determined every year on the following basis:

TOTAL INCENTIVE (R) = **Guaranteed pay (R)** × **Participation factor (%)** × **Balanced scorecard result (%)**

The balanced scorecard result includes a number of key short- and long-term company performance measures (to be measured over trailing three- and one-year periods). The measures are reviewed and defined annually with appropriate weightings. The scorecard for FY21 is detailed below.

A portion of the total incentive is paid immediately in cash and the balance is settled by means of deferred shares, which will vest at a rate of 20% per annum over the following five years for the executive directors and prescribed officers, and one-third per annum over the following three years for management.
Each element of the total incentive plan is described in the detail below.

Element	Description	
Guaranteed pay	Guaranteed pay excludes short- and long-term incentives. To compete effectively for skills in a challenging employment market, we identify the target market to use in benchmarking guaranteed pay. This target market includes organisations or companies that employ similar skills sets to those we require. Comparisons are made predominantly within the mining sector to ensure that Harmony remains competitive. The median of the target market is used as the basis of our pay ranges.	
Participation factor	**Employee**	**% guaranteed pay**
	Chief executive officer	250%
	Chief financial officer, other executive directors and prescribed officers	230%

<table>
<tr><td rowspan="4">Balanced scorecard result</td><td rowspan="4">Cash portion of the total incentive

(40%)</td><td>A portion of the total incentive is settled in cash immediately when the balanced scorecard results for the financial year have been determined and approved by the board.</td><td></td></tr>
<tr><td>Cash portion (balance settled in deferred shares)</td><td>% of incentive</td></tr>
<tr><td>Chief executive officer</td><td>40%</td></tr>
<tr><td>Chief financial officer, other executive directors and prescribed officers</td><td>40%</td></tr>
<tr><td></td><td>Deferred share portion of the total incentive

(60%)</td><td colspan="2">The balance of the total incentive is settled in deferred shares vesting at a rate of 20% per annum over the next five years for the executive directors and prescribed officers, and one-third per annum over the following three years for management.</td></tr>
</table>

FY21 balanced scorecard

	Scorecard component	Group (%)	South Africa operations (%)	South-East Asia operations (%)
Shareholder value	Total shareholder return (absolute)	8.34	6.67	6.67
	Total shareholder return (relative to JSE Gold Index)	8.33	6.67	6.67
	Total shareholder return (relative to FTSE Gold Mines Index)	8.33	6.66	6.66
Financial and operational	Production	20	35	35
	Total production cost (South Africa operations)	12	20	-
	All-in sustaining cost per kg (South-east Asia operations)	3	-	20
	Free cash flow	10	-	-
Growth	Development	-	10	10
	Additions to mineral reserves	10	-	-
	Project execution (for future measurement)	-	-	-
Sustainability	Safety performance: lost-time injury frequency rate	15	15	15
	Environment, social and governance (ESG)	5	-	-
Total		**100**	**100**	**100**

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

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

Details of the FY20 balanced scorecard for the total incentive and the actual performance outcomes are disclosed in the remuneration implementation section (*Part 2* of this report).

SCORECARD COMPONENTS:

Total shareholder return

Shareholder value is measured as total shareholder return over a trailing three-year period (measurements are generally taken at the end of August). It comprises two components:

- Absolute performance: which takes into account:
  - The value of the growth in the company's share price
  - The value of dividends paid
  - Over the measurement period, compared to the company's cost of equity target
- Relative performance of the company compared to that of the JSE Gold Index and the FTSE Gold Mines Index over the measurement period

Production

Means total gold production against the board approved business plan for the year.

Total production cost

Means total cash operating cost and total capital expenditure for the year.

All-in-sustaining cost per kilogram (South-East Asia)

Means all-in-sustaining costs. For purposes of calculating "all-in-sustaining costs", "operating cost" is used as a base and all costs related to sustaining production are incorporated. This includes all sustaining capital expenditure, deferred stripping, overhead costs associated with corporate office structures and services that support operations, local economic development cost and net rehabilitation costs. It excludes the non-cash share based payment charge. To arrive at the all-in-sustaining cost per unit, the sum of these cost metrics is divided by the kilograms of gold sold.

Free cash flow

Means cash flow generated by operations adjusted for exploration capital, dividends and the effect of commodity price and exchange rate changes in excess of 10% (higher or lower).

Development

Development is measured against the board-approved business plan of ongoing capital development - the development of reef and waste metres (South Africa) and waste tonnes (South-East Asia) for the financial year.

Addition to mineral reserves

Addition to mineral reserves through acquisitions and major capital projects is calculated for the financial year.

Safety performance: Lost-time injury frequency rate

The lost-time injury frequency rate will be measured against the board-approved plan.

Environment, social and governance (ESG)

ESG will be measured on the basis of continued inclusion in the FTSE4Good Index as verified by FTSE Russell.

MINIMUM SHAREHOLDING REQUIREMENT

We have encouraged prescribed officers to retain performance shares when they vest and a minimum shareholding requirement was again confirmed in the new total incentive plan to achieve this. The requirement provides that:

- 50% (fifty percent) of the shares which will vest to a prescribed officer shall, immediately prior to the applicable vesting date, be automatically locked up on the terms and in accordance with the minimum shareholding requirement
- the lock-up shall apply for as long as the relevant target minimum shareholding requirement applicable to the prescribed officer has not been met

- a prescribed officer may elect to voluntarily lock up shares that vest in terms of the 2006 share plan in order to meet his target minimum shareholding requirement
- once the relevant target minimum shareholding requirement has been met, any deferred shares which subsequently vest in and are settled to a prescribed officer shall vest and be settled in accordance with the terms of the deferred share plan
- a prescribed officer may elect to voluntarily lock up shares that vest in terms of the 2006 share plan or the deferred share plan even if it results in the lock-up of shares being in excess of the target minimum shareholding requirement - if the locked-up shares exceed the target minimum shareholding requirement, the excess shares will remain in lock-up until the next vesting date (in terms of any relevant Harmony share incentive plans applicable at the time) at which point the excess shares will be released from lock-up and settled in accordance with the terms of the deferred share plan
- a prescribed officer must communicate his election to voluntarily lock up his shares that vest in terms of the 2006 share plan or the deferred share plan before the relevant vesting date

Prescribed officers

The minimum shareholding requirement shall continue to apply to a prescribed officer as long as the prescribed officer remains a prescribed officer.

If a prescribed officer ceases to be employed by the group for any reason, his locked-up shares shall be released from the lock-up on the date of termination of employment.

Target minimum shareholding requirement

The target minimum shareholding requirement is the relevant target minimum shareholding value (expressed in South African rands), which is required to be held by a prescribed officer from time to time pursuant to this minimum shareholding requirement being a minimum of 100% (one hundred percent) of such prescribed officer's cost to company.

Measurement of target minimum shareholding requirement

Each tranche of locked-up shares shall be deemed to have a value for the purposes of determining whether the target minimum shareholding requirement has been met, equal to the one-day volume weighted average price of a share in South African rands (ZAR) as at the date of such lock-up, multiplied by the number of shares to be locked up in such tranche. The aforesaid value shall be increased yearly by the applicable CPI rate for the year.

Any locked-up shares in terms of the 2006 Harmony share plan minimum shareholding requirement shall remain locked up and shall be taken into account for purposes of determining whether the target minimum shareholding requirement has been met.

Trading restriction

Appropriate entries in the relevant register(s) shall be made to record that all of the prescribed officer's shares, which are subject to the lock up, shall be noted by the relevant central securities depository participant in terms of section 39 of the Financial Markets Act and the appropriate flag place on the relevant securities account pursuant to section 39 of the Financial Markets Act.

Voting and dividends

A prescribed officer shall, in respect of his vested shares, which are subject to the lock-up:

- exercise all voting rights in respect of such shares
- receive all distributions payable in respect of such shares

Application to foreign prescribed officer

The target minimum shareholding requirement of the foreign prescribed officer shall be determined on the date on which this minimum shareholding requirement is adopted or first applies to the foreign prescribed officer (whichever occurs first in time). In calculating the target minimum shareholding requirement of the foreign prescribed officer, the company will use the cost to company (in ZAR) of the chief operating officer: South Africa operations.

The ZAR value of any shares that are to be locked up (in terms of this minimum shareholding requirement) shall be determined on the applicable vesting date with reference to the share price relevant currency exchange rate on the vesting date.

In order to determine whether the target minimum shareholding requirement has been satisfied, the pre-tax value of the locked-up shares will be taken into account.

DEFERRED SHARE PLAN LIMIT

The overall limit for deferred shares, issued under the 2018 deferred share plan is 5% of the shares in issue at the time the plan was approved, amounting to 25 000 000 shares. The individual limit is 0.6% amounting to 3 000 000 shares. To date, 363 676 shares have been issued.

HARMONY 2006 SHARE PLAN LIMIT

The plan limit of 60 011 669 shares is only applicable to the 2006 Harmony share plan (the old plan). To date, 40 573 097 of these shares have been issued. A maximum of 12 792 357 shares could still be issued under the old plan to settle historic awards that will vest by end of the year. No further awards will be made under the old plan.

HARMONY ESOP TRUST (IT001237/2018(G))

At the special general meeting held on 1 February 2018, the shareholders approved the issue of 6.7 million authorised but unissued ordinary shares to the new Harmony ESOP Trust, more commonly referred to as the Sisonke Trust. The scheme covers all employees in non-managerial categories of employment.

In terms of the allocation criteria in the trust deed, each eligible employee that qualified as an employee beneficiary upon the formation of the trust, or within six months thereafter, received 225 ESOP units which are directly attributable to 225 ESOP Trust shares. Thereafter, ESOP units are allocated on a pro-rata basis depending on the period such persons join/qualify as eligible employees.

The scheme will come to an end after the three-year lock-in period on 15 January 2022. Dividends distributed in respect of the ESOP Trust shares prior to the expiry of the three-year lock-in period, which are attributable to allocated ESOP units, shall immediately vest in the employee beneficiaries' hands. However, the dividends shall be held by the ESOP Trust trustees on behalf of the employee beneficiaries and thereafter be distributed (less any relevant taxes, including dividend withholding tax) to such employee beneficiaries either upon such employee beneficiary's termination of employment (if the employee beneficiary ceases to remain in the employ of Harmony prior to the expiry of the ESOP Trust lock-in period) or upon the expiry of the ESOP Trust lock-in period.

PAY MIX FOR PRESCRIBED OFFICERS

The tables below illustrate the pay mix for prescribed officers, based on achieving minimum, on-target and stretch performance. The composition of total remuneration outcomes for FY20 and FY21 is illustrated below.

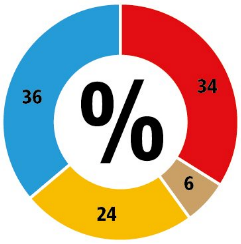
CHIEF EXECUTIVE OFFICER

FY20 and FY21 pay mix*

(R000)	Minimum (%)	On-target (%)	Stretch (%)
Salary benefits	85	85	85
Retirement savings and contributions	15	15	15
Guaranteed pay	**100**	**100**	**100**
Short-term incentive	0	60	100
Long-term incentive	0	90	150
Total remuneration	**100**	**250**	**350**

* This remained unchanged for both years.

On-target pay mix



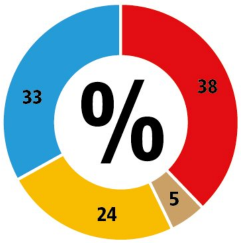
OTHER EXECUTIVES (FINANCIAL DIRECTOR, OTHER EXECUTIVE DIRECTOR AND PRESCRIBED OFFICERS)

FY20 and FY21 pay mix*

(R000)	Minimum (%)	On-target (%)	Stretch (%)
Salary benefits	89	89	89
Retirement savings and contributions	11	11	11
Guaranteed pay	**100**	**100**	**100**
Short-term incentive	0	55	92
Long-term incentive	0	78	130
Total remuneration	**100**	**233**	**322**

* This remained unchanged for both years.

On-target pay mix



AVERAGE MONTHLY WAGES AND BENEFITS

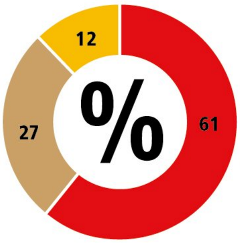
CATEGORY 4-8 EMPLOYEES

FY20 policy*

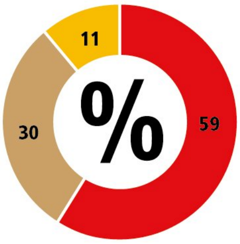
Total remuneration	Category 4 (%)	Category 8 (%)
Fixed earnings	61	59
Company benefits	12	11
Guaranteed pay	**73**	**70**
Variable income	27	30
Total remuneration	**100**	**100**

* This remained unchanged for both years

Category 4



Category 8



Each component includes the following:

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

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

Company benefits: Employer provident/pension fund and medical aid

NON-EXECUTIVE DIRECTOR FEES

Market comparisons, the fiduciary risks carried by non-executive directors, their workload, time commitments, expertise and preparation expected of each non-executive director are considered when reviewing our non-executive director fees. Harmony's philosophy regarding the remuneration of non-executive directors is to ensure that they are fairly rewarded for their contribution to the company's governance. Non-executive directors' fees are reviewed annually and are compared to the market median of companies of comparable size and complexity to ensure that they remain fair and competitive.

During September 2020, the remuneration committee considered an industry benchmark of non-executive directors' fees. The fees still lag the market to some extent and supports the continued implementation of increases in excess of inflation over a three-year period to bring non-executive directors fees in line with the market. However, it was decided to provide an increase more in line with expected inflation this year. This decision was taken in response to the increased uncertainty due to the Covid-19 crisis and the likelihood of some comparator companies not providing any increase this year. The annual increase of 4.5% to non-executive director fees is in line with executive increases.

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

Non-executive directors do not receive share options or other incentive awards correlated with the share price or group performance as these may impair their ability to provide impartial oversight and advice. The proposed fees for FY21 are set out in the notice of annual general meeting in the *Report to shareholders 2020*.

Performance of management

The personal performance of employees will not be taken into account in the determination of the total incentive plan outcome. Harmony follows a team-based balanced scorecard approach in determining incentive awards. All management employees are assessed every year against set key performance indicators which are used to guide the development and promotion of such employees.

For more information on the assessment of the performance of the chief executive officer, please refer to *Corporate governance*.

Contracts, severance and termination

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

Malus and clawback

Malus is the forfeiture of a variable pay award before it vests or is settled, and clawback refers to a requirement to repay some or all of an award after it has vested or is settled.

The remuneration committee has a discretion to determine that a prescribed officer's or executive manager's total share plan award is subject to reduction, forfeiture or clawback (in whole or in part) if:

- there is reasonable evidence of misbehaviour or material error by a prescribed officer or executive manager (as the case may be) or
- the financial performance of the group, the company, the employer company or the relevant business unit for any financial year, used to determine an award, have subsequently appeared to be materially inaccurate or

- the group, the company, the employer company or the relevant business unit suffers a material downturn in its financial performance for which the prescribed officer or executive manager (as the case may be) can be seen to have some liability or
- the group, the company, the employer company or the relevant business unit suffers a material failure of risk management for which the prescribed officer or executive manager (as the case may be) can be seen to have some liability or in any other circumstances if the remuneration committee determines that it is reasonable to subject the awards of one or more prescribed officers or executive managers (as the case may be) to reduction or forfeiture

Procedures to impose any malus or clawback provisions must be initiated within three years of the award. To eliminate doubt, the provisions of this malus and clawback policy do not detract from any other legal rights or measures the company has as recourse for acts of fraud, wrongdoing and/or negligence by its prescribed officers or executive management.

Non-binding advisory votes

Shareholders are requested to cast non-binding advisory votes required by King IV on Part 1 and Part 2 of this remuneration report. For more information, refer to the notice of the annual general meeting. In the event that either the remuneration policy or the implementation report or both are voted against by 25% or more of the voting rights exercised at the 2019 annual general meeting, the committee will in good faith and with the best reasonable effort engage with its shareholders to ascertain the reasons for the dissenting votes and appropriately address legitimate and reasonable objections and concerns raised, which may include amending the remuneration policy or clarifying or adjusting the company's remuneration governance and/or processes.

Shareholder feedback

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

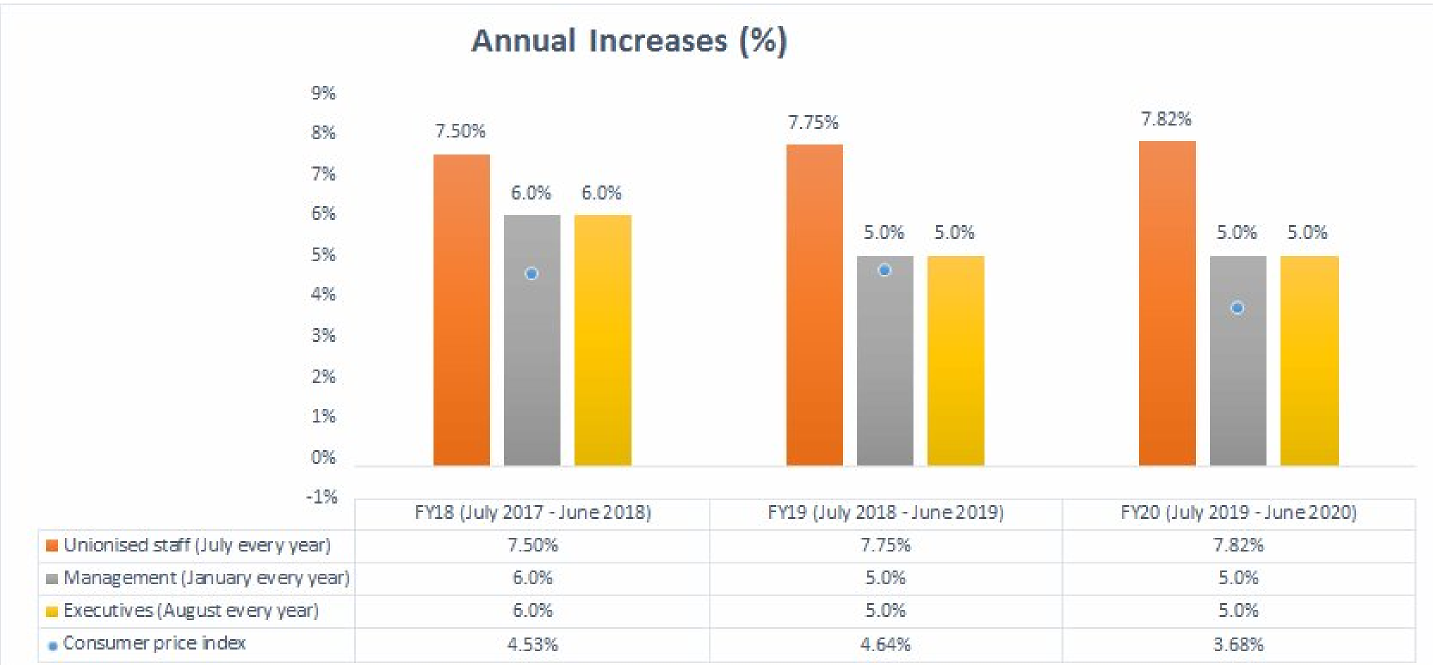
PART 2: REMUNERATION IMPLEMENTATION REPORT ON THE POLICY APPLICABLE IN FY20

This section of the report includes details of the implementation and outcomes of the remuneration policy for FY20. We report on increase in guaranteed packages, the performance outcomes for the total incentive plan and for the 2016 performance shares vesting based on the three-year performance period ending this year.

We have also included the disclosure of the total single figure of remuneration, the schedule of unvested awards and cash flows for the executive directors and prescribed officers in line with the applicable King IV requirements, and with the guidance statement from the Institute of Directors and the South African Reward Association. The remuneration of the non-executive directors is disclosed as required by King IV and the Companies Act.

INCREASES TO GUARANTEED PACKAGES DURING THE YEAR

An assessment of executive remuneration was undertaken during the year. Taking into consideration the prevailing market conditions, affordability and shareholders' expectations, an average increase of 5% to guaranteed remuneration packages of management was made during the 2020 financial year. The average percentage increases awarded to executives, management and unionised staff during the 2018, 2019 and 2020 financial years are illustrated in the accompanying graph.



PAY FAIRNESS AND EQUALITY

In the 2020 financial year, an average increase of 5% in guaranteed remuneration packages for management and executives and 7.82% for unionised employees was approved. Unionised employees have consistently received above-inflation increases for the past six years. The average total monthly remuneration of our category 4-8 employees is tabulated in the accompanying table. We continue to focus on remuneration of our employees at this level to address the challenges of inequality and poverty.

Grade

	Fixed earnings (R)	Company benefits (R)	Variable income (R)	Total per month (R)
Category 4 underground employee (general worker)	13 468	2 720	5 897	22 085
Category 8 underground employee (team leader)	17 525	3 280	8 753	29 558

Refer to *Employee Relations* for more information.

INCENTIVE PAYMENTS ATTRIBUTABLE TO FY20

Total incentive plan

Actual performance outcomes based on the FY20 balanced scorecard for the period 1 July 2019 to 30 June 2020:

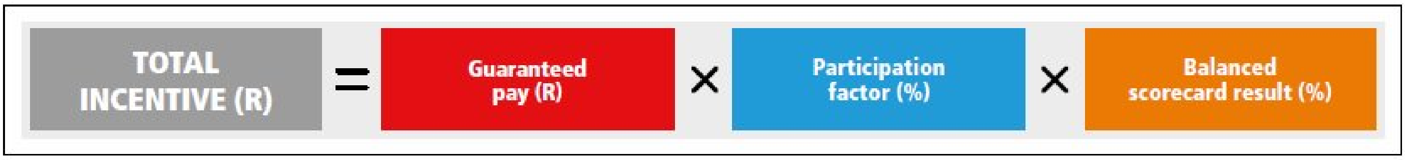
FY20 scorecard result for the group

Scorecard component		Group weighting (%)	% of plan achieved	Final outcome (%)
Shareholder value (measured over a trailing three-year period)	Total shareholder return (absolute)	8.34	345	8.34
	Total shareholder return (relative to the JSE Gold Index)*	8.33	48	8.33
	Total shareholder return (relative to FTSE Gold Mines Index)	8.33	154	8.33
Financial and operational	Production Kilograms total Harmony (Jul 19 to Mar 20)**	15	91	0
	Production Kilograms total Harmony (Apr 20 to Jun 20)**	5	111	5
	Total production cost (South Africa operations)	12	105	12
	All-in sustaining cost (South-east Asia operations)	3	98	1.56
	Free cash flow	10	122	8.97
Growth	Development (only applicable to South Africa operations and Southeast Asia operations)	-	-	-
	Additions to mineral reserves	10	87.5	5.25
	Project execution (for future measurement)	-	-	-
Sustainability	Safety performance: Lost-time injury frequency rate	15	92	-
	Environment, social and governance (ESG) criteria	5	100	5
Total		**100**		**62.78**

** Sibanye-Stillwater was removed from the JSE Gold index during February 2020. In determining the relative total shareholder return performance Sibanye-Stillwater was therefore removed from the index history*
*** Production kilograms split between nine months performance against FY20 board approved budget and three months performance against Covid-19 adjusted FY20 board approved budget*

The outcome of the award, under the FY20 scorecard, is calculated as follows:

FY20 total incentive award calculation



* *Please refer to the table on total single figure remuneration on page 183*

Share appreciation rights allocated in November 2014

The 2014 allocation vested in November 2017 and can be exercised in equal thirds on the subsequent anniversaries of the vesting. The 2014 allocation will lapse on 15 November 2020. The value or reward that accrues is based on the positive appreciation of the share price over time.

Performance shares awarded in November 2016

The vesting percentage of performance shares was based on the total shareholder return of the company, comprising of two components: absolute and relative performance over the full three-year period. The performance conditions were not met, resulting in a zero vesting and forfeiture of these awards during November 2019.

REMUNERATION OF EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

Total single figure remuneration

Executive director and prescribed officer remuneration, in terms of total single figure remuneration, as required by King IV and in line with the guideline note issued by the Institute of Directors South Africa and the South African Reward Association, is detailed below.

Remuneration paid for the year ended 30 June 2020

	Salary and benefits	Retirement savings and contributions	Total Incentive Cash Portion Accrued	Total Incentive Deferred Share Portion Accrued	Total Single Figure of Remuneration	Less: Amount accrued not settled in FY20	Plus: Amount of previous accruals settled in FY20	Total Cash Remuneration
Executive directors								
PW Steenkamp	8 034 124	1 453 961	6 192 246	9 288 369	24 968 700	(15 480 616)	2 433 227	11 921 311
F Abbott [1]	5 677 957	668 000	3 370 779	5 056 169	14 772 905	(8 426 948)	1 438 036	7 783 993
BP Lekubo [2]	1 704 528	132 252	3 754 244	5 631 366	11 222 391	(9 385 610)	—	1 836 781
HE Mashego	4 148 738	614 024	2 747 848	4 121 772	11 632 382	(6 869 620)	1 037 758	5 800 520
Prescribed officers								
B Nel	4 544 176	790 819	2 774 704	4 162 057	12 271 756	(6 936 761)	1 030 833	6 365 828
P Tobias	4 699 062	667 460	3 204 488	4 806 731	13 377 741	(8 011 219)	1 210 213	6 576 736
J van Heerden [3]	8 294 000	261 000	4 004 670	6 007 005	18 566 676	(10 011 676)	2 003 000	10 558 000

[1] *Retired 30 September 2020*
[2] *Appointed financial director 3 March 2020*
[3] *Salary is paid in AU$ and is influenced by the movement in the exchange rate*

Schedule of unvested awards and cash flows

A schedule of the unvested awards and cash flows from long-term incentive awards of the executive directors and prescribed officers, as required by King IV and in line with the guideline note issued by the Institute of Directors South Africa and the South African Reward Association, is provided below.

Table of Unvested Awards and Cash Flows for FY20

	Share Award	Award Date	Vesting Date	Award Price R	Opening	Awarded	Number Forfeited	Settled	Closing	Cash on Settlement R	Year-end Fair Value R
Executive directors											
Peter Steenkamp	**Performance Shares**										
	2016 Performance Shares	Nov-16	Nov-19	32.12	420 423		420 423				0
	2017 Performance Shares	Nov-17	Nov-20	24	596 427				596 427		34 527 159
	Deferred Shares										
	2019 Deferred Shares tranche 1	Sep-19	Sep-20	46.89		15 567			15 567		901 174
	2019 Deferred Shares tranche 2	Sep-19	Sep-21	46.89		15 567			15 567		901 174
	2019 Deferred Shares tranche 3	Sep-19	Sep-22	46.89		15 568			15 568		901 232
	2019 Deferred Shares tranche 4	Sep-19	Sep-23	46.89		15 568			15 568		901 232
	2019 Deferred Shares tranche 5	Sep-19	Sep-24	46.89		15 568			15 568		901 232
	Vested Awards Pledged towards the minimum shareholding requirement										
	2016 Performance Shares Pledge				512 000				512 000		29 639 680
Total					**1 528 850**	**77 838**	**420 423**	**0**	**1 186 265**	**0**	**68 672 881**

Frank Abbott[1]	**Share appreciation rights**										
	2013 SARs tranche 1, 2 and 3	Nov-13	Nov-18	33.18	52 951			52 951		707 748	
	2014 SARs tranche 1 and 2	Nov-14	Nov-18	18.41	42 414			42 414		1 223 066	
	2014 SARs tranche 3	Nov-14	Nov-19	18.41	21 208				21 208		837 292
	Performance Shares										
	2016 Performance Shares	Nov-16	Nov-19	32.12	330 833		330 833				0
	2017 Performance Shares	Nov-17	Nov-20	24	489 890				489 890		28 359 732
	Deferred Shares										
	2019 Deferred Shares tranche 1	Sep-19	Sep-20	46.89		9 200			9 200		532 588
	2019 Deferred Shares tranche 2	Sep-19	Sep-21	46.89		9 200			9 200		532 588
	2019 Deferred Shares tranche 3	Sep-19	Sep-22	46.89		9 200			9 200		532 588
	2019 Deferred Shares tranche 4	Sep-19	Sep-23	46.89		9 201			9 201		532 646
	2019 Deferred Shares tranche 5	Sep-19	Sep-24	46.89		9 201			9 201		532 646
	Vested Awards Pledged towards the minimum shareholding requirement										
	2013 Performance Shares Pledge				84 952				84 952		4 917 871
	2014 Performance Shares Pledge				141 075				141 075		8 166 832
Total					**1 163 323**	**46 002**	**330 833**	**95 365**	**783 127**	**1 930 814**	**44 944 783**
Boipelo Lekubo[2]	**Performance Shares**										
	2017 Performance Shares	Nov-17	Nov-20	24	225 313				225 313		13 043 370
	Deferred Shares										
	2019 Deferred Shares tranche 1	Sep-19	Sep-20	46.89		6 694			6 694		387 516
	2019 Deferred Shares tranche 2	Sep-19	Sep-21	46.89		6 695			6 695		387 574
	2019 Deferred Shares tranche 3	Sep-19	Sep-22	46.89		6 695			6 695		387 574
Total					**225 313**	**20 084**	**0**	**0**	**245 397**	**0**	**14 206 032**

[1] *Retired 30 September 2020*
[2] *Appointed financial director 3 March 2020*

Mashego Mashego	**Share appreciation rights**										
	2013 SARs tranche 1, 2 and 3	Nov-13	Nov-18	33.18	38 212			38 212		510 798	
	2014 SARs tranche 1, 2 and 3	Nov-14	Nov-19	18.41	45 913			45 913		1 333 619	
	Performance Shares										
	2016 Performance Shares	Nov-16	Nov-19	32.12	152 091		152 091				0
	2017 Performance Shares	Nov-17	Nov-20	24	251 722				251 722		14 572 187
	Deferred Shares										
	2019 Deferred Shares tranche 1	Sep-19	Sep-20	46.89		6 639			6 639		384 332
	2019 Deferred Shares tranche 2	Sep-19	Sep-21	46.89		6 639			6 639		384 332
	2019 Deferred Shares tranche 3	Sep-19	Sep-22	46.89		6 639			6 639		384 332
	2019 Deferred Shares tranche 4	Sep-19	Sep-23	46.89		6 640			6 640		384 390
	2019 Deferred Shares tranche 5	Sep-19	Sep-24	46.89		6 640			6 640		384 390
Total					**487 938**	**33 197**	**152 091**	**84 125**	**284 919**	**1 844 417**	**16 493 961**
Prescribed Officers											
Beyers Nel	**Share appreciation rights**										
	2013 SARs tranche 1, 2 and 3	Nov-13	Nov-18	33.18	26 459			26 459		412 157	
	2014 SARs tranche 1, 2 and 3	Nov-14	Nov-19	18.41	37 480			37 480		1 225 247	
	Performance Shares										
	2016 Performance Shares	Nov-16	Nov-19	32.12	177 366		177 366				0
	2017 Performance Shares	Nov-17	Nov-20	24	318 487				318 487		18 437 212

	Deferred Shares										
	2019 Deferred Shares tranche 1	Sep-19	Sep-20	46.89		6 595			6 595		381 785
	2019 Deferred Shares tranche 2	Sep-19	Sep-21	46.89		6 595			6 595		381 785
	2019 Deferred Shares tranche 3	Sep-19	Sep-22	46.89		6 595			6 595		381 785
	2019 Deferred Shares tranche 4	Sep-19	Sep-23	46.89		6 595			6 595		381 785
	2019 Deferred Shares tranche 5	Sep-19	Sep-24	46.89		6 596			6 596		381 842
	Vested Awards Pledged towards the minimum shareholding requirement										
	2014 Performance Shares Pledge				24 933				24 933		1 443 371
Total					**584 725**	**32 976**	**177 366**	**63 939**	**376 396**	**1 225 247**	**21 789 564**
Phillip Tobias	**Share appreciation rights**										
	2014 SARs tranche 1 and 2	Nov-14	Nov-17	18.41	31 232			31 232		963 244	
	2014 SARs tranche 3	Nov-14	Nov-19	18.41	15 618				15 618		616 599
	Performance Shares										
	2016 Performance Shares	Nov-16	Nov-19	32.12	177 366		177 366				0
	2017 Performance Shares	Nov-17	Nov-20	24	324 720				324 720		18 798 041
	Deferred Shares										
	2019 Deferred Shares tranche 1	Sep-19	Sep-20	46.89		7 742			7 742		448 184
	2019 Deferred Shares tranche 2	Sep-19	Sep-21	46.89		7 743			7 743		448 242
	2019 Deferred Shares tranche 3	Sep-19	Sep-22	46.89		7 743			7 743		448 242
	2019 Deferred Shares tranche 4	Sep-19	Sep-23	46.89		7 743			7 743		448 242
	2019 Deferred Shares tranche 5	Sep-19	Sep-24	46.89		7 743			7 743		448 242
	Vested Awards Pledged towards the minimum shareholding requirement										
	2014 Performance Shares Pledge				31 166				31 166		893 529
Total					**580 102**	**38 714**	**177 366**	**31 232**	**410 218**	**963 244**	**22 549 322**
Johannes van Heerden	**Share appreciation rights**										
	2013 SARs tranche 1, 2 and 3	Nov-13	Nov-18	33.18	38 212			38 212		595 221	
	2014 SARs tranche 3	Nov-14	Nov-19	18.41	15 305			15 305		731 827	
	Performance Shares										
	2016 Performance Shares	Nov-16	Nov-19	32.12	152 091		152 091				0
	2017 Performance Shares	Nov-17	Nov-20	24	293 554				293 554		16 993 841
	Deferred Shares										
	2019 Deferred Shares tranche 1	Sep-19	Sep-20	46.89		12 313			12 313		712 800
	2019 Deferred Shares tranche 2	Sep-19	Sep-21	46.89		12 313			12 313		712 800
	2019 Deferred Shares tranche 3	Sep-19	Sep-22	46.89		12 313			12 313		712 800
	2019 Deferred Shares tranche 4	Sep-19	Sep-23	46.89		12 313			12 313		712 800
	2019 Deferred Shares tranche 5	Sep-19	Sep-24	46.89		12 314			12 314		712 857
Total					**499 162**	**61 566**	**152 091**	**53 517**	**355 120**	**1 327 048**	**20 557 897**

NON-EXECUTIVE DIRECTORS' FEES

On the recommendation of the remuneration committee, the board proposed an average increase in fees of 6.7% for non-executive directors, which was approved at the annual general meeting held in November 2019. Non-executive director fees paid during FY20 are included in the table below:

Director (R000)	Note	[1] 2020	[1] 2019
Dr Patrice Motsepe		1 377	1 365
Joachim Chissano		611	570
Fikile De Buck		1 479	1 486
Ken Dicks [2]		670	769
Dr Simo Lushaba		1 205	1 153
Grathel Motau		572	79
Modise Motloba		1 592	1 406
Mavuso Msimang		822	960
Karabo Nondumo		852	969
Vishnu Pillay		1 023	1 096
Given Sibiya		669	79
Max Sisulu [2]		382	508
John Wetton		1 033	1 031
André Wilkens		933	971
Total		**13 220**	**12 442**

Notes
[1] Directors' remuneration excludes value-added tax
[2] Resigned 30 September 2020

ENGAGEMENT WITH SHAREHOLDERS

We received positive feedback from shareholders on our remuneration policy and remuneration report with positive votes of 98.35% and 97.93% respectively. Notwithstanding this support we continue to engage with our shareholders and proxy voting agencies to enhance our governance and disclosure. Although the Glass-Lewis proxy report recommended support for the Policy and the Implementation Report they noted that "some shareholders may be concerned with a single incentive plan structure with part of the metrics based on one-year performance period". In response to this comment we note that:

- Shareholders were consulted extensively about the single incentive approach before it was adopted and an overwhelming majority (99.3%) voted to approve the Plan
- The longer-term performance alignment is achieved by the 60% portion of the single incentive that is delivered in shares over a five year vesting period. This point is acknowledged by Glass Lewis
- Our minimum shareholding requirements policy further enhances the long term nature and shareholder alignment of the executive Reward Policy

Although the ISS recommended support for both the Remuneration Policy and the Implementation Report they noted that: there is no disclosure of targets which apply to long-term performance conditions and there is general limited disclosure on the nature of certain Deferred Share Plan performance conditions which assess annual performance. Our responses in this regard are:

- The long-term incentive awards are legacy awards, which will no longer be awarded in the future, and their performance conditions and targets were disclosed in the policy section of previous reports
- Considerable detail is already provided on the measures and the weightings for the Deferred Incentive and the percentage achievement of the actuals vs the targets

AUDIT AND RISK COMMITTEE: CHAIRPERSON'S REPORT

This report, for the financial year ended 30 June 2020 (FY20), considers those material matters on which the audit and risk committee deliberated during the year. These matters extend beyond just statutory compliance and relate to the committee's role in supporting value creation and delivery on Harmony's strategic objectives.

INTRODUCTION

The audit and risk committee is an independent, statutory committee whose members are appointed annually by Harmony's shareholders in compliance with section 94 of the South African Companies Act of 2008, as amended (the Act), and the principles of good governance. In addition to this Act, the committee's duties are guided by the JSE Listings Requirements, the King IV Code on Corporate Governance, 2016 (King IV) and its terms of reference. In addition, the board of directors delegates oversight of specific functions to the committee.

TERMS OF REFERENCE

The committee's formal terms of reference, available on our corporate website *www.harmony.co.za*, are reviewed and updated annually (or more frequently if required) by both the committee and the board. The committee is satisfied that it has conducted its affairs and discharged its responsibilities in accordance with its terms of reference.

COMPOSITION AND FUNCTION

The committee's diverse perspectives, independence, knowledge and experience enhance our governance structures. As at the date of this report, the committee has five members all of whom are independent non-executive directors. For further detail on their qualifications, expertise and experience, refer to *Corporate governance*.

Recommendations on the appointment of committee members for the new financial year are detailed in the notice of annual general meeting in the *Report to shareholders 2020*.

The group chief executive officer and financial director - together with members of the executive team and senior managers representing areas relevant to the discussions at the audit committee, as well as the external auditors, the chief internal audit executive and ESG assurance providers attend meetings either by standing invitation or as and when required.

RESPONSIBILITIES

The committee's primary responsibilities are:

- to ensure the integrity of financial statements and related reporting, that they comply with IFRS and fairly represent the financial position of the group, the company and our operations
- to monitor internal controls, the internal audit function, combined assurance, and matters pertaining to the external auditors
- to oversee corporate governance, particularly in relation to legislative and regulatory compliance
- to oversee the management of risk, as well cyber security

The committee believes that it complied with its legal, regulatory and other responsibilities during the past financial year. No major concerns were raised in FY20. For more on the committee and its activities during the year, see *Corporate governance*.

Reporting

The committee reviewed the following 2020 reports and their related processes:

- Integrated Annual Report and its related FY20 suite of reports
- Mineral Resource and Mineral Reserve statement
- Annual financial statements and accounting practices
- Annual report filed on Form 20-F with the United States Securities and Exchange Commission

The committee submits that these reports represent a balanced view of the group's performance for FY20 and recommended them to the board for its approval.

External auditor - appointment, independence and tenure

Having considered the external auditor's previous appointments and the extent of other work undertaken for the group, the committee is satisfied that PricewaterhouseCoopers (PwC) is independent of the group, as per section 94(8) of the Act. The committee is also satisfied as to the suitability of PwC and the designated audit partner.

A formal procedure has been adopted to govern the process whereby the external auditor may be considered for non-audit services and the extent of these services is closely monitored by the committee. Total fees paid to the external auditor for the year were R40 million, of which R38.5 million was for audit related services, R1.1 million for non-audit services and R0.4 million for tax services.

PwC has been Harmony's external auditor for 70 years. At the annual general meeting held on 22 November 2019, PwC was reappointed as the independent external auditor and undertook to hold office until the end of the 2020 annual general meeting on 20 November 2020.

As audit firm rotation will be mandatory from the financial year beginning on or after 1 April 2023, this will apply to the company from FY24. To ensure continuity during the company's growth phase, and because audit firm rotation is not yet compulsory, the audit and risk committee is of the opinion that PwC should remain as the company's external auditor for the ensuing year.

The committee recommended to the board that PwC be re-appointed as the group's independent external auditor, to hold office until the conclusion of the 2021 annual general meeting. The directors will propose the re-appointment of PwC at the annual general meeting to be held on 20 November 2020. Details can be found in the notice of the annual general meeting in the *Report to shareholders 2020*.

The individual registered audit partner responsible for the audit for the financial year ended 30 June 2020 was Mr HP Odendaal. As PwC is required to rotate the audit partner responsible for the group audit every five years, the current lead audit partner will be required to change from FY21 onwards.

Harmony's commitment to transformation extends to the external audit. During the current year, PwC continued to use staff from Ngubane & Co, a level 1, broad-based black economic empowerment company, as part of its audit team. To facilitate the transfer of skills in the audit of mining companies and registrants on the Securities and Exchange Commission in the United States, staff from Ngubane & Co, assisted PwC on the audit of our South Africans operations. PwC had overall responsibility for the audit and signed off the financial statements.

Internal controls and internal audit

Having reviewed the design, implementation and effectiveness of the group's system of internal financial controls, the committee is satisfied that these are effective and form a reliable basis for the preparation of the financial statements. No findings came to the attention of the committee to indicate any material breakdown in internal controls during the past financial year.

In terms of internal audit, the committee is responsible for:

- Ensuring that the group's internal audit function is independent and has the necessary resources, standing and authority within the group to enable it to perform its duties
- Overseeing co-operation between internal audit and the external auditors, and serving as a link between the board of directors and these functions

In line with King IV and its recommendations, the committee has confirmed the effectiveness of the group chief audit executive, Ms Besky Maluleka-Ngunjiri, and is satisfied that she has the appropriate expertise and experience to meet the responsibilities of this position. The group chief audit executive reports quarterly, or as necessary, to the committee on internal audit and has direct access to the committee, primarily through its chairperson.

The committee is satisfied that internal audit follows an approved risk-based internal audit plan and regularly reviews the group's risk profile. Internal audit submits an overall statement on the effectiveness of the group's governance, risk management and control processes.

Combined assurance

The combined assurance model was refined during the course of the year.

The committee is satisfied that the group has optimised the assurance coverage obtained from management, and internal and external assurance providers. The committee is also satisfied that the various external assurances that are obtained and related systems and procedures are effective in achieving the following objectives:

- Enabling an effective internal control environment
- Supporting the integrity of information used for internal decision-making by management, the board and its committees
- Supporting the integrity of external reports
- Minimising assurance fatigue

Governance of risk

The audit and risk committee fulfils a dual function - as an audit committee and as a risk committee. Internal audit conducts regular and full assessments of the risk management function and framework, on which it reports to the committee. The committee is satisfied with the effectiveness of its oversight of risk governance in the group.

A detailed report on risk and its management, as recommended in King IV, is contained in this integrated annual report. See *Managing our risks and opportunities*. A report on risk is also shared with the board on a quarterly basis.

While the committee oversees the management of risks and opportunities on behalf of the board, it also has responsibility for particular risks, namely: increasing costs and declining margins, the increasing cost of regulatory compliance and its potential to compromise our licence to operate, and the technology upgrades.

In the past year, the committee oversaw the development of a new enterprise risk management and resilience policy, risk management guidelines and a new risk management framework to ensure continued focus on the company's material risks are considered. A risk workshop was also held with a majority of the board which included training on risks, assessing risk appetite and tolerance and the ten strategic risks of the company.

Oversight of hedging programme

The committee also monitors and reviews the group's hedging strategy. The hedging programmes currently in place were introduced in FY16. In terms of these programmes, 20% of gold production is hedged and 25% of foreign exchange earnings. For more on how these hedging programmes have performed, see the *Financial director's report*.

Technology and information governance

We recognise the increasing importance that technology has as both a source of future opportunities and as a means by which we conduct our business and improve organisational efficiencies. The audit and risk committee monitors the governance of information and communication technology on a quarterly basis.

The audit and risk committee has delegated responsibility management for digitising the company, implementing the policy on enterprise-wide technology and information management, and for embedding this policy into the day-to-day, medium- and long-term decision-making activities and culture of the organisation. All of this is integral to ensuring operational excellence and delivery on our first strategic pillar.

Given the multiple critical information system changes currently being implemented simultaneously across the organisation, this was a major focus area for the committee during the year. Progress was closely monitored with management providing detailed quarterly updates on this as well as on the challenges encountered and the steps taken to address such challenges.

In particular, during the past year, as part of the process to digitise the company, the committee oversaw management's implementation of two significant upgrade projects aimed at improving our operating and business efficiencies. The first of these entails the transformation of human resources management and its migration to a centralised system. The second is the Oracle upgrade project to ensure the integrity of our group enterprise resource planning system. This project is on track to be completed in 2021. Ernst & Young is providing assurance for both projects. No material issues or risks have been identified.

A cyber security assessment was also undertaken during the year to identify potential exposure to various information technology and cyber attack risks and to develop and confirm in detail with management those mitigating controls to be put in place to address any gaps identified.

GOING CONCERN

The audit and risk committee has reviewed a documented assessment, including key assumptions, prepared by management, of the going-concern status of the group. The board's statement on this status, as supported by the committee, appears in the *Directors' report*.

EVENTS POST YEAR END

For information and detail on post year-end events, see subsequent events in the *Financial Report 2020*.

CONCLUSION

On behalf of the audit and risk committee, I would like to thank Frank Abbott for all the years he has worked with the audit and risk committee as the financial director, until 2 March 2020. I welcome Boipelo Lekubo, who brings a wealth of experience, as the new financial director of Harmony, effective 3 March 2020.

I would also like to thank management for all the hard work done during these unprecedented times and circumstances.

Fikile De Buck

Chairperson: Audit and risk committee

23 October 2020

SOCIAL AND ETHICS COMMITTEE: CHAIRPERSON'S REPORT

DEAR STAKEHOLDER

The year just passed came to be characterised and overtaken by events in the latter part of the year. The Covid-19 pandemic – which took the world by storm in March 2020 – and its consequences presented an enormous challenge to protect and sustain lives and livelihoods.

This was the first time that a crisis of this magnitude and this nature had had to be navigated, not only by Harmony but by the countries in which we operate and the world. The crisis highlighted the vulnerability and interconnectedness of the relationships between Harmony and society at large. It is now more important than ever that we consider all aspects of our business in relation to the world in which we operate.

The pandemic has given added impetus and reinforced our commitment to environmental, social and governance (ESG) matters and to sustainable development. We recognise the meaningful role to be played in preventing and mitigating the impact of Covid-19 in the mining industry. Our social compact has never been tested more robustly than during this pandemic. Harmony, known as a resilient and experienced gold miner, demonstrated its agility by implementing various protective and mitigating measures to ensure the safety, health and well-being of our various stakeholders. Our response to the pandemic clearly demonstrated that the "S" in ESG is part of Harmony's DNA. Caring for those who contribute to and support and benefit from our company has been key to our success – in the past, the present and, we are convinced, in the future as well.

Stakeholder engagement was key in addressing the multi-faceted challenges of Covid-19. This required a holistic, collaborative, integrated approach in South Africa and in Papua New Guinea, and involved consultation with many stakeholders – various levels of government and government departments, labour unions, employees and communities, the Minerals Council South Africa and the Papua New Guinea Chamber of Mines. We adopted Covid-19 specific operating procedures, undertook wellness programmes throughout the company, launched communication initiatives to ensure employees were aware and informed, engaged frequently with shareholders to address their concerns, interacted with suppliers to agree on mutually beneficial terms during highly uncertain times and distributed food parcels, care kits and face masks to the most vulnerable, especially child- and youth-headed households, in our communities.

For more detail on the steps taken to combat the pandemic, see the *Chief executive officer's review, Safety and health, Employee relations and Socio-economic development - uplifting communities*.

Sustainable development, which encompasses our ESG performance, informs every decision made by the social and ethics committee. Key areas of the committee's oversight include governance and ethics, stakeholder engagement, socio-economic development and corporate social responsibility, environmental management, employee health and well-being, human resources, and public safety. In this role, the social and ethics committee regularly reviews and monitors related policies, strategies, performance and material issues.

Note that employee safety is monitored and reviewed by a separate board committee, the technical committee. A report on safety forms part of the chief executive's board report and further feedback on safety is shared at the board by the chairman of the technical committee chairman. Although the technical committee reviews the technical aspects of safety, the social and ethics committee considers and reviews the social impact of safety on our employees and affected families. Our role also extends to oversight on public health and safety where we operate.It was especially encouraging to have met with senior officials of the Department of Minerals and Energy in November 2019 to discuss our overall safety performance and share views on how to jointly implement actions to ensure a safe working environment.

While the Covid-19 pandemic became all-consuming during the last four months of FY20, we continued with other initiatives and actions aimed at delivering on our commitments to sustainable development as embodied in the fourth pillar of our overall strategy – responsible stewardship.

The committee's role in terms of governance, ethics and stakeholder engagement is especially pertinent in relation to SDG 16 – Peace, justice and strong institutions and SDG 17 – Partnerships for the goals. These SDGs are linked to how we implement and practice corporate governance, and to our roles of ethical leadership and responsible corporate citizenship.

WHAT WE HAVE DONE THIS YEAR

In recent years, we have focused on actively implementing key tenets of our sustainable development framework – from building our portfolio of assets for profitable ounces to managing and mitigating our water and climate risks, embedding our proactive safety and healthcare strategies and building trust in the communities in which we operate.

Early in FY20, we reviewed and updated our sustainable development framework, aligning it with the Sustainable Development Goals (SDGs) and related targets. Importantly, we also made good progress with our work to adopt the World Gold Council Responsible Gold Mining Principles, following board approval. And this year we have produced our first report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). There is more detail on these aspects below.

Our inclusion in several indices acknowledges our ESG performance. In response to the progress being made in promoting gender diversity and equality, Harmony was included for the second consecutive year in the 2020 Bloomberg Gender-Equality Index. This index, which includes 325 companies across 50 industries, measures gender equality across five aspects: female leadership and talent pipeline; equal pay and gender pay parity; inclusive culture; sexual harassment policies; and pro-women brand.

Transformation of our supply chain has been a key focal area. Harmony put in place an aggressive strategy approved by board to promote empowerment and inclusivity of black suppliers within our supply chain. It is a five-year programme which intends to drive sourcing locally from host communities and it has a strong bias to women- and youth-owned businesses. We continue to improve our performance in this area.

We have again been included in the latest FTSE4Good Index Series which measures the ESG performance of companies listed on the JSE. Harmony's overall score improved to 3.8 from 3.7 in FY19.

We have considered various ESG measures that are published globally. Following careful assessment and engagement with peers and stakeholders, we believe that the following principles and standards are the ones that best fit an emerging market gold mining company with deep-level underground mines and related risks:

- **World Gold Council Responsible Gold Mining Principles**

  The World Gold Council Responsible Gold Mining Principles acknowledge the unique role gold and gold mining has and has had in many countries and communities. In South Africa especially, the gold mining industry has a unique role. These principles address key environmental, social and governance issues – 10 in all – and provide a single, consolidated framework that clearly sets out what constitutes responsible gold mining. This provides trust for consumers, investors and the downstream gold supply chain that the gold we produce has been responsibly mined and produced.

  Harmony espouses responsible mining and believes that this framework will further reinforce good practices at our operations. We have therefore taken the decision to implement the framework.

- **Reporting on the Task Force on Climate-related Financial Disclosures**

  For the first time, our 2020 suite of annual reports will include a report published in line with the recommendations of the Task Force on Climate-related Financial Disclosures. Previously, for 10 years, we had submitted reports to the CDP Climate Change and CDP Water (formerly the Carbon Disclosure Project). This change in our reporting has been made to improve our risk management processes and to more clearly articulate the likely financial impact of climate change on the company's balance sheet and income statement. Once this has been quantified, we will be better placed to make financial provisions to mitigate any climate-related risks.

  As an initial step in determining these risks, we undertook a climate change scenario analysis, which considered financial risks relating to production costs and supply chain vulnerabilities, physical risks such as interruptions to the water supply owing to flood damage and, thirdly, transitional risks such as general market behaviour or regulatory changes such as the Carbon Tax Act in South Africa. This will aid better understanding of the implications, financial and otherwise, for Harmony of climate change and facilitate our evolution as a company to a low carbon economy.

  Our first 2020 TCFD report records our baseline data in terms of which we will monitor our performance going forward in relation to climate change – our impact on climate change and its effect on Harmony's performance. In addition, we will monitor our progress in achieving the related targets that have been set. See *Environmental management and stewardship*.

- **Sustainable Development Goals**

  We have further interrogated the individual SDGs and our contribution to achieving these goals by 2030 - see *Sustainable development - delivering on responsible stewardship and the SDGs*, where we explain those goals that are central to our core business and strategy (tier 1), and those to which we can contribute through our socio-economic development activities (tier 2).

  While these goals are aimed at a national level, it is our responsibility as a private sector company to do all we can to contribute to them.

A recently released report [1] on progress being made by countries at a national level towards achieving the SDGs indicates that for South Africa, the one goal attained is SDG 17 - partnerships for the goals, and that some progress is being made in relation to SDG 4 - quality education. In Papua New Guinea, the targets in relation to SDG 13 - climate action have been met, with some progress being made towards SDG 8 - decent work and economic growth. Regrettably, for both countries, there are many challenges, often significant, in meeting the remaining SDGs. This reinforces the importance of our role as a responsible corporate citizen in doing what we can to contribute to the SDGs. For more detailed information on what Harmony is doing to contribute to the SDGs, see *Socio-economic development - uplifting our communities, Environmental stewardship and management, Employee relations* and *Safety and health*.

IN CONCLUSION

Strong governance and ethical leadership inform and guide our journey of creating sustainable gold. We have had a meaningful impact on the countries in which we operate – partnering with stakeholders to demonstrate that we are responsible gold miners. Our intention and commitment remain to continue focusing on: ensuring employee safety and health, contributing to self-sustaining communities and responsible closure planning, mitigating the environmental impacts of our mining activities, ensuring an enabling culture and empowering our workforce and navigating political and regulatory uncertainty.

The secret to our success? Engagement. Connecting. Listening.

Dr Simo Lushaba

Chairman: Social and ethics committee

23 October 2020

[1] *United Nations, The Sustainable Development Goals Report 2020*
https://unstats.un.org/sdgs/report/2020/The-Sustainable-Development-Goals-Report-2020.pdf

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Harmony Gold Mining Company Limited

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying group balance sheets of Harmony Gold Mining Company Limited and its subsidiaries (the "Company") as of 30 June 2020 and 30 June 2019, and the related group income statements, statements of comprehensive income, statements of changes in shareholders' equity, and cash flow statements for each of the three years in the period ended 30 June 2020 including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of 30 June 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 30 June 2020 and 30 June 2019, and the results of its operations and its cash flows for each of the three years in the period ended 30 June 2020 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of 30 June 2020 based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2020.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting appearing under Item 15B. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impairment of goodwill and mining assets

As described in Notes 2.5, 4, 6, 13 and 14 to the consolidated financial statements, goodwill has a carrying value of R520 million and mining assets, which include mine development costs and mine plant facilities, have a carrying value of R22,147 million. No impairment was recorded in relation to goodwill or mining assets, and no reversal of impairment on mining assets was recorded for the year ended 30 June 2020. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Management conducts an impairment test for other non-financial assets whenever events or changes in circumstances indicate that the carrying amount for each cash generating unit ("CGU") exceeds its recoverable amount. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible indicators of reversal of impairment when there is objective evidence to indicate that the asset is no longer impaired. The recoverable amount of CGU's, including allocated goodwill and mining assets, is determined utilising real discounted future cash flows or resource multiples in the case of undeveloped properties and certain resource bases. Management's future cash flows included significant judgements and assumptions for the calculations of the CGU's recoverable amounts relating to the commodity prices, resource values, marketable discount rates, exchange rates and annual life-of mine plans. In determining the commodity prices and resource values to be used, management assesses the long-term views of several institutions on commodity prices and based on this, derives the commodity prices and resource values. Gold mineral reserves and resources are estimates of the amount of ounces that can be economically and legally extracted from the group's properties. The life-of-mine plans are based on proved and probable reserves as included in the Reserve Declaration, which are determined in terms of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC), as well as resources where management has high confidence in the orebody and economical recovery of gold, based on historic and similar geological experience. Due to the volatilities experienced in the markets and the uncertainty in forecasting future cash flows due to the impact of the COVID-19 pandemic, management used various probability scenarios in determining the recoverable amounts for the CGUs. Key assumptions applied in the various probability scenarios include, infection rates and the timing of expected peaks in the provinces in which management's operations are situated, based on models prepared by the South African government; expected disruptions to production together with mitigation strategies management has in place; potential duration of the impact of the virus and related restrictions in operations; and potential changes to the timing of various cash flows due to the shortened production breaks.

The principal considerations for our determination that performing procedures relating to the impairment of goodwill and mining assets is a critical audit matter are (i) the significant judgment applied by management in determining the recoverable amount for each CGU; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's future cash flows and significant assumptions, including commodity prices, resource values, market discount rates, exchange rates, the annual life-of-mine plans as well as management's probability scenarios used in determining the recoverable amount for each CGU as a result of the impact of the COVID-19 pandemic; and (iii) the audit effort involved the use of professionals with specialised skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment calculations, including controls over management's process for developing their estimate of the recoverable amount for each CGU and controls over significant assumptions in the calculation. These procedures also included, among others, testing management's process for developing the recoverable amount for each CGU, evaluating the appropriateness of the discounted cash flows and resource values per CGU, testing the completeness, accuracy and relevance of the underlying data used in the discounted cash flows and resource values, and evaluating the significant assumptions used by management. These significant assumptions included commodity prices, market discount rates, exchange rates, annual life-of-mine plans, management's probability scenarios and resource values. Evaluating management's significant assumptions related to life-of-mine plans and resource values involved (i) evaluating the reasonableness of the cash flow forecasts used in the life-of-mine plans and resource values by comparing the cash flow forecasts to current and historical operational results, the reserves and resources declaration, and final approved budgets, (ii) evaluating the consistency of the prior period forecast to the current year's forecast, (iii) evaluating the reasonableness of the allocation of the resource values by comparing the resources incorporated in the current year plan to what is included as part of the Reserves Declaration, as well as resources where management has high confidence in the orebody and economical recovery of gold, based on historic and similar geological experience, (iv) evaluating the reasonableness of management's commodity price, market discount rates, exchange rates against external market and third party data, and (v) evaluating the reasonableness of judgements made in determining the potential impact of COVID-19 on production, the duration of the disruption period and direct costs relating to the pandemic. Professionals with specialised skill and knowledge were used to assist in the evaluation of management's impairment calculation and certain significant assumptions including commodity prices, exchange rates, marketable discount rates, management's probability scenarios and resource values.

Deferred taxes

As described in Note 10 to the consolidated financial statements, a deferred tax asset of R531 million was recorded for the year ended 30 June 2020, arising within two companies (Harmony Company and Randfontein Estates). Due to the significant expected increase in the short-term Rand gold price used in the estimation of future taxable profits for the mining operations when compared to prior years, management considered it probable that sufficient future taxable profits will be available against which the tax loss and current deductible temporary differences existing at 30 June 2020 can be utilised. The future profitability of each mine is determined by reference to the life-of-mine plan for that operation and is influenced by factors as described in note 13 in the consolidated financial statements, which includes the significant judgements and assumptions. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. When different tax rates apply to different levels of taxable profit, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable profit (or tax loss) of the periods in which the temporary differences are expected to reverse. Following the completion of the annual life-of-mine plans, management revised the weighted average deferred tax rates for all the South African operations.

The principal considerations for our determination that performing procedures relating to deferred taxes is a critical audit matter are (i) the significant judgment applied by management when determining future taxable profits to assess the recoverability of the deferred tax assets and determining the deferred tax rates; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's forecasted cash flows used to determine future taxable profits which are impacted by significant assumptions, including commodity prices, exchange rates, annual life-of-mine plans as well as management's probability scenarios used to determine forecasted cash flows as a result of the impact of the COVID-19 pandemic; and (iii) the audit effort involved the use of professionals with specialised skill and knowledge to assist in performing these procedures and evaluating the audit evidence obtained from these procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's deferred tax calculations, including management's recoverability assessment on deferred tax assets and, in turn, controls over management's process for determining the life-of-mine plans. These procedures also included, among others, testing management's process for developing forecasted cash flows to determine future taxable profits, testing the completeness, accuracy and relevance of the underlying data used in the forecasted cash flows, and evaluating the significant assumptions used by management. These significant assumptions included commodity prices, exchange rates, and annual life-of-mine plans. Evaluating management's significant assumptions related to life-of-mine plans involved (i) evaluating the reasonableness of the cash flow forecasts used in the life-of-mine plans by comparing the cash flow forecasts to current and historical operational results, the reserves and resources declaration, and final approved budgets, (ii) evaluating the consistency of the prior period forecast to the current year's forecast, (iii) evaluating the accuracy and completeness of the life-of-mine cash flows included in the determination of the taxable income and the appropriateness of the deferred tax rates,(iv) evaluating the reasonableness of management's forecasted commodity price and exchange rates against external market and third party data, and (v) evaluating the reasonableness of judgements made in determining the potential impact of COVID-19 on production, the duration of the disruption period and direct costs relating to the pandemic. Professionals with specialised skill and knowledge were used to assist in the evaluation of management's deferred tax calculations, to assess the viability of management's deductions applied against taxable income and whether or not these were permitted by taxation legislation and certain significant assumptions including commodity prices, exchange rates and management's probability scenarios used in determining forecasted cash flows.

/s/ PricewaterhouseCoopers Inc.

Johannesburg, Republic of South Africa
29 October 2020

We have served as the Company's auditor since 1950.

GROUP INCOME STATEMENT
for the year ended 30 June 2020

		SA Rand		
Figures in million	Notes	**2020**	2019	2018
Revenue	5	**29 245**	26 912	20 452
Cost of sales	6	**(25 908)**	(28 869)	(23 596)
Production costs		**(22 048)**	(20 324)	(15 084)
Amortisation and depreciation		**(3 508)**	(4 054)	(2 570)
Impairment of assets		**—**	(3 898)	(5 336)
Other items		**(352)**	(593)	(606)
Gross profit/(loss)		**3 337**	(1 957)	(3 144)
Corporate, administration and other expenditure		**(611)**	(731)	(813)
Exploration expenditure		**(205)**	(148)	(135)
Gains/(losses) on derivatives	18	**(1 678)**	484	99
Other operating expenses	7	**(1 201)**	(186)	(667)
Operating loss		**(358)**	(2 538)	(4 660)
Share of profits from associate	20	**94**	59	38
Acquisition-related costs	12	**(45)**	—	(98)
Investment income	8	**375**	308	343
Finance costs	9	**(661)**	(575)	(330)
Loss before taxation		**(595)**	(2 746)	(4 707)
Taxation	10	**(255)**	139	234
Net loss for the year		**(850)**	(2 607)	(4 473)
Attributable to:				
Non-controlling interest		**28**	—	—
Owners of the parent		**(878)**	(2 607)	(4 473)
Loss per ordinary share (cents)				
Total loss	11	**(164)**	(498)	(1 003)
Diluted loss per ordinary share (cents)				
Total diluted loss	11	**(166)**	(500)	(1 004)

The accompanying notes are an integral part of these consolidated financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2020

		SA Rand		
Figures in million	Notes	**2020**	2019	2018
Net loss for the year		**(850)**	(2 607)	(4 473)
Other comprehensive income for the year, net of income tax		**(1 958)**	(684)	(660)
Items that may be reclassified subsequently to profit or loss	24	**(1 998)**	(677)	(647)
Foreign exchange translation gain/(loss)		**1 199**	(50)	83
Remeasurement of gold hedging contracts		**(3 197)**	(627)	(730)
Items that will not be reclassified to profit or loss:	24	**40**	(7)	(13)
Gain on assets measured at fair value through other comprehensive income		**25**	—	—
Remeasurement of retirement benefit obligation				
Actuarial gain/(loss) recognised during the year		**17**	(7)	(11)
Deferred taxation thereon		**(2)**	—	(2)
Total comprehensive income for the year		**(2 808)**	(3 291)	(5 133)
Attributable to:				
Non-controlling interest		**12**	—	—
Owners of the parent		**(2 820)**	(3 291)	(5 133)

The accompanying notes are an integral part of these consolidated financial statements.

GROUP BALANCE SHEET

Figures in million	Notes	SA Rand At 30 June 2020	SA Rand At 30 June 2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	**29 186**	27 749
Intangible assets	14	**536**	533
Restricted cash	15	**107**	92
Restricted investments	16	**3 535**	3 301
Investments in associates	20	**146**	110
Inventories	22	**47**	43
Deferred tax assets	10	**531**	1
Other non-current assets	17	**388**	333
Derivative financial assets	18	**50**	197
Total non-current assets		**34 526**	32 359
Current assets			
Inventories	22	**2 421**	1 967
Restricted cash	15	**62**	44
Trade and other receivables	19	**1 308**	1 064
Derivative financial assets	18	**18**	309
Cash and cash equivalents		**6 357**	993
Total current assets		**10 166**	4 377
Total assets		**44 692**	36 736
EQUITY AND LIABILITIES			
Share capital and reserves			
Attributable to equity holders of the parent company		**23 371**	22 614
Share capital and premium	23	**32 937**	29 551
Other reserves	24	**3 017**	4 773
Accumulated loss		**(12 583)**	(11 710)
Non-controlling interest		**4**	—
Total equity		**23 375**	22 614
Non-current liabilities			
Deferred tax liabilities	10	**996**	688
Provision for environmental rehabilitation	25	**3 408**	3 054
Provision for silicosis settlement	26	**717**	942
Retirement benefit obligation	27	**193**	201
Borrowings	30	**7 463**	5 826
Other non-current liabilities	29	**101**	5
Derivative financial liabilities	18	**879**	172
Total non-current liabilities		**13 757**	10 888
Current liabilities			
Provision for silicosis settlement	26	**175**	—
Borrowings	30	**255**	89
Trade and other payables	31	**3 006**	2 875
Derivative financial liabilities	18	**4 124**	270
Total current liabilities		**7 560**	3 234
Total equity and liabilities		**44 692**	36 736

The accompanying notes are an integral part of these consolidated financial statements.

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 30 June 2020

	Number of ordinary shares issued	Share capital and premium	Accumulated loss	Other reserves	Non controlling interest	Total
Notes	23	23		24	34	
Figures in million (SA Rand)						
Balance – 30 June 2017	439 957 199	28 336	(4 486)	5 441	—	29 291
Issue of shares						
– Shares issued and fully paid	55 055 050	1 004	—	—	—	1 004
– Exercise of employee share options	5 239 502	—	—	—	—	—
Share-based payments	—	—	—	374	—	374
Net loss for the year	—	—	(4 473)	—	—	(4 473)
Other comprehensive income for the year	—	—	—	(660)	—	(660)
Reclassification from other reserves	—	—	10	(10)	—	—
Dividends paid	—	—	(154)	—	—	(154)
Balance – 30 June 2018	500 251 751	29 340	(9 103)	5 145	—	25 382
Impact of adopting IFRS 9	—	—	—	82	—	82
Re-presented opening balance - 1 July 2018	500 251 751	29 340	(9 103)	5 227	—	25 464
Issue of shares						
– Shares issued and fully paid	11 032 623	211	—	—	—	211
– Exercise of employee share options	21 856 821	—	—	—	—	—
– Harmony ESOP Trust	6 700 000	—	—	—	—	—
Share-based payments	—	—	—	230	—	230
Net loss for the year	—	—	(2 607)	—	—	(2 607)
Other comprehensive income for the year	—	—	—	(684)	—	(684)
Balance – 30 June 2019	539 841 195	29 551	(11 710)	4 773	—	22 614
Issue of shares						
– Shares issued and fully paid	**60 278 260**	**3 386**	**—**	**—**	**—**	**3 386**
– Exercise of employee share options	**3 023 251**	**—**	**—**	**—**	**—**	**—**
Share-based payments	**—**	**—**	**—**	**186**	**—**	**186**
Recognition of non-controlling interest	**—**	**—**	**5**	**—**	**(5)**	**—**
Net loss for the year	**—**	**—**	**(878)**	**—**	**28**	**(850)**
Other comprehensive income for the year	**—**	**—**	—	**(1 942)**	**(16)**	**(1 958)**
Dividends paid	**—**	**—**	**—**	**—**	**(3)**	**(3)**
Balance – 30 June 2020	**603 142 706**	**32 937**	**(12 583)**	**3 017**	**4**	**23 375**

The accompanying notes are an integral part of these consolidated financial statements.

GROUP CASH FLOW STATEMENT
for the year ended 30 June 2020

		SA Rand		
Figures in million	Notes	**2020**	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated by operations	32	**5 031**	5 052	4 289
Interest received		**86**	69	82
Interest paid		**(370)**	(387)	(180)
Income and mining taxes paid		**(24)**	(55)	(307)
Cash generated by operating activities		**4 723**	4 679	3 884
CASH FLOW FROM INVESTING ACTIVITIES				
Increase in restricted cash		**(21)**	(15)	(32)
Decrease in amounts invested in restricted investments	16	**5**	187	—
Acquisition of Moab Khotsong	12	**—**	—	(3 474)
Additions to intangible assets	14	**(8)**	(1)	(9)
Redemption of preference shares from associates	20	**59**	32	—
Capital distributions from investments	17	**7**	30	—
Proceeds from disposal of property, plant and equipment		**2**	5	2
Additions to property, plant and equipment		**(3 602)**	(5 035)	(4 562)
Cash utilised by investing activities		**(3 558)**	(4 797)	(8 075)
CASH FLOW FROM FINANCING ACTIVITIES				
Borrowings raised	30	**6 541**	1 522	6 937
Borrowings repaid	30	**(5 661)**	(1 353)	(4 063)
Proceeds from the issue of shares	23	**3 466**	211	1 003
Dividends paid	11	**(3)**	—	(154)
Lease payments	28	**(38)**	—	—
Cash generated from financing activities		**4 305**	380	3 723
Foreign currency translation adjustments		**(106)**	25	(72)
Net increase/(decrease) in cash and cash equivalents		**5 364**	287	(540)
Cash and cash equivalents - beginning of year		**993**	706	1 246
Cash and cash equivalents - end of year		**6 357**	993	706

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 30 June 2020

1 GENERAL INFORMATION

Harmony Gold Mining Company Limited (the company) and its subsidiaries (collectively Harmony or the group) are engaged in gold mining and related activities, including exploration, extraction and processing. Gold bullion, the group's principal product, is currently produced at its operations in South Africa and Papua New Guinea (PNG). Uranium and silver are produced as by-products.

The company is a public company, incorporated and domiciled in South Africa. The address of its registered office is Randfontein Office Park, Corner Main Reef Road and Ward Avenue, Randfontein, 1759.

The consolidated financial statements were authorised for issue by the board of directors on 29 October 2020.

2 ACCOUNTING POLICIES

BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied in all years presented except for the changes as described under "Recent accounting developments" below.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) Interpretations (collectively IFRS).

The consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared to the nearest million and rounding may cause differences.

RECENT ACCOUNTING DEVELOPMENTS

New standards, amendments to standards and interpretations to existing standards adopted by the group

During the financial year, the following new standards, amendments to standards and interpretations to existing standards were adopted by the group. No other standards and amendments to standards that became effective during the 2020 year had a material impact on the consolidated financial statements.

Impact of the adoption of IFRS 16 *Leases*

Scope of IFRS 16
IFRS 16 replaces the previous accounting standard on leases, IAS 17 *Leases* and related Interpretations. The new standard introduces a single lease accounting model and requires a lessee to capitalise most leases with certain exemptions. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Transition
The group has elected to apply IFRS 16 utilising the modified retrospective approach, under which the cumulative effect of adopting the new standard is recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 with no restatement of comparative information. The cumulative effect of adopting the standard had no impact on opening retained earnings and resulted in the recognition of right-of-use assets, lease liabilities and the resultant deferred tax. The group has reassessed all contracts in determining the lease population. Refer to note 28 for details on the amount of right-of-use assets and lease liabilities recognised as well as the incremental borrowing rates used.

Transition options
- The group has elected to recognise the right-of-use assets at an amount equal to the lease liability at 1 July 2019 together with the ability to set off deferred tax assets and liabilities resulting from the leased assets and liabilities. The lease liabilities were measured at the present value of the remaining lease payments at 1 July 2019 and discounted using the relevant incremental borrowing rate; and
- The accounting for operating leases with a remaining lease term of less than 12 months as at date of adoption have been classified as short-term leases and have not been recorded on the balance sheet.

2 ACCOUNTING POLICIES continued

RECENT ACCOUNTING DEVELOPMENTS continued

New standards, amendments to standards and interpretations to existing standards adopted by the group continued

Impact of the adoption of IFRS 16 *Leases* continued

Practical expedients applied

- The low value lease exemption - the group has elected to take the low value exemption with a value of R50 000 for the individual leased asset value and also applied its accounting policy on capitalisation of assets based on IAS 1 materiality assessment;
- The short-term lease exemption - leases with a duration of less than a year will be expensed in the income statement on a straight-line basis;
- Use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease where appropriate;
- Non-lease components - the group has applied the practical expedient not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component for the classes of underlying asset where it is appropriate to do so; and
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

Accounting policy
The leases accounting policy is applicable from 1 July 2019. Refer to note 28 for the policy.

IFRS 16 *Leases* (Amendment)

On 1 June 2020, the IASB issued COVID-19-Related Rent Concessions, which amended IFRS 16 Leases.The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. To provide the practical expedient when needed most, the IASB enabled immediate application of the amendment in any financial statements—interim or annual—not authorised for issue at the date the amendment was issued. The amendments did not have a material impact on the group.

IAS 19 *Employee Benefits* (Amendment)

The amendments require an entity to use the updated assumptions from a remeasurement of net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. The amendments apply for annual periods beginning on or after 1 January 2019. The amendments did not have a material impact on the group.

IAS 23 *Borrowing Costs* (Amendment)

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.The amendments apply for annual periods beginning on or after 1 January 2019. The amendments did not have a material impact on the group.

IAS 28 *Investments in Associates and Joint Ventures* (Amendment)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate and joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments apply for annual periods beginning on or after 1 January 2019. The amendments did not have a material impact on the group.

IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes and is effective for annual periods beginning on or after 1 January 2019. IFRIC 23 specifically clarifies how to incorporate this uncertainty into the measurement of tax as reported in the consolidated financial statements. The interpretation does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about judgements made, assumptions and other estimates used and the potential impact of uncertainties that are not reflected. The interpretation did not have a material impact on the group.

2 ACCOUNTING POLICIES continued

RECENT ACCOUNTING DEVELOPMENTS continued

New standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, the standards, amendments to standards and interpretations listed below were in issue but not yet effective. These new standards and interpretations have not been early adopted by the group and the group plans on adopting these standards, amendments to standards and interpretations on the dates when they become effective.

IFRS 3 *Business Combinations* (Amendment)

These amendments are effective for annual periods beginning on or after 1 January 2020 and make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:
- Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs;
- Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

All acquisitions going forward will be assessed using these amendments. Refer to note 12. The amendments are not expected to have a material impact on the group.

IFRS 7 *Financial Instrument: Disclosures* and IFRS 9 *Financial Instruments* (Amendment)

The IASB issued an amendment to IFRS 9, IAS 39 and IFRS 7 insofar as they are affected by the Interest Rate Benchmark Reform and uncertainty during the reform period. The amendment addresses only the following hedge accounting requirements that are based on a forward-looking analysis:
- The highly probable requirement;
- Prospective assessments; and
- Separately identifiable risk components.

The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. Other than these specific amendments, the hedge accounting requirements would be unchanged. This amendment is effective for annual periods beginning on or after 1 January 2020. The amendments are not expected to have a material impact on the group.

IFRS 7 *Financial Instrument: Disclosures* and IFRS 9 *Financial Instruments* (Amendment)

The IASB has published 'Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' with amendments that address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted. Harmony is still assessing the impact of this amendment.

IFRS 9 *Financial Instruments* (Amendment)

The amendment to IFRS 9 clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. This amendment is effective for annual periods beginning on or after 1 January 2022. The amendment is not expected to have a material impact on the group.

IAS 1 *Presentation of Financial Statements* (Amendment)

The IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position. The amendments are effective from annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the group.

IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Amendment)

The amendments, effective for annual periods beginning on or after 1 January 2020, clarify and align the definition of "material" and provide guidance to help improve consistency in the application of materiality whenever it is used in IFRS Standards.

2 ACCOUNTING POLICIES continued

RECENT ACCOUNTING DEVELOPMENTS continued

New standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted continued

IAS 16 *Property, Plant and Equipment* (Amendment)

The IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. This amendment is effective for annual periods beginning on or after 1 January 2022. Management is currently assessing the impact this would have on the group.

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Amendment)

The IASB issued Onerous Contracts–Cost of Fulfilling a Contract, which specifies which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. This amendment is effective for annual periods beginning on or after 1 January 2022. The amendment is not expected to have a material impact on the group.

MEASUREMENT BASIS

The financial statements have been prepared under the historical cost convention except for certain financial assets and financial liabilities which are measured at fair value through profit or loss or other comprehensive income - refer to note 37.

GROUP ACCOUNTING POLICIES

Accounting policies are included in the relevant notes to the consolidated financial statements and have been highlighted between red lines in the notes to the consolidated financial statements. The accounting policies that follow are applied throughout the financial statements.

2.1 Consolidation

The group recognises that control is the single basis for consolidation for all types of entities in accordance with IFRS 10 – *Consolidated Financial Statements.*

The consolidated financial information includes the financial statements of the company, its subsidiaries, interest in associates and joint arrangements and structured entities. Where the group has no control over an entity, that entity is not consolidated.

Control
The group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the investee.

The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

(i) Subsidiaries
Subsidiaries are entities over which the group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the group up until when that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of an acquiree is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement below operating profit or loss.

2 ACCOUNTING POLICIES continued

GROUP ACCOUNTING POLICIES continued

2.1 Consolidation continued

(ii) Associates
Associates are entities in which the group has significant influence, but not control, over operational and financial policies. This may be when there is a shareholding of between 20% and 50% of the voting rights or when significant influence can be otherwise demonstrated, for example where the group has the right of representation on the board of directors, or other governing body, of the entity.

Investments in associates are accounted for by using the equity method of accounting, and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The group's share of the associates' post-acquisition profits or losses is recognised in the income statement, and its share of post acquisition movement in reserves is recognised in other reserves. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The carrying value of an associate is reviewed on a regular basis and, if impairment in the carrying value has occurred, it is written off in the period in which such impairment is identified.

Accounting policies of associates have been reviewed to ensure consistency with the policies adopted by the group.

(iii) Joint arrangements
Joint arrangements are arrangements of which two or more parties have joint control and are contractually bound. The joint arrangement can either be a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement and have the right to the assets, and obligations for the liabilities, relating to the arrangement. These parties are called joint operators. A joint venture is a joint arrangement where the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

For interest in joint operations, the group includes its share of the joint operations' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements.

Where an additional interest in a joint operation is acquired, the principles of IFRS 3 are applied to account for the transaction.

The group recognises the portion of gains or losses on the sale of assets by the group to the joint operation that is attributable to the other joint operators. The group does not recognise its share of profits or losses from the joint operation that results from the purchase of assets by the group from the joint operation until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

The group recognises its interest in a joint venture as an investment and accounts for it using the equity accounting method.

(iv) Structured entities
A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The accounting treatment for a structured entity will fall into one of the aforementioned categories (i to iii) depending on whether the group has control over that structured entity.

2.2 Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African Rand, which is the group's presentation currency.

References to "A$" refers to Australian currency, "R" to South African currency, "$" or "US$" to United States currency and "K" or "kina" to Papua New Guinean currency.

(ii) Transactions and balances
Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation to year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. This includes the gains and losses on the translation of the US$-denominated facilities. Gains and losses recognised in the income statement are included in the determination of other operating expenses.

NOTES TO THE GROUP FINANCIAL STATEMENTS continued

for the year ended 30 June 2020

2 ACCOUNTING POLICIES continued

GROUP ACCOUNTING POLICIES continued

2.2 Foreign currency translation continued

(iii) Group companies
The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet while equity items are translated at historic rates;
- Income and expenses for each income statement are translated at average exchange rates (the rate on the date of the transaction is used if the average is not a reasonable rate for the translation of the transaction);
- All resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold or control is otherwise lost, exchange differences that were recorded in other comprehensive income are recognised in profit or loss in the period of the disposal or change in control. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.3 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The difference between the fair value of the derivative at initial recognition and expected forward transaction price is deferred and recognised as a day one gain or loss. The day one gain or loss is amortised over the derivative contract period and recognised in profit or loss in gains/losses on derivatives.

The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months; it is classified as a current asset or liability when the remaining maturity is less than 12 months.

(i) Cash flow hedge
The group designates certain derivatives as hedges of a particular risk associated with the cash flows of highly probable forecast transactions (cash flow hedges). At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within gains/losses on derivatives.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the forecast sale that is hedged takes place and affects profit or loss. The gain or loss relating to the effective portion of the Rand and US$ gold forward sales contracts is recognised in profit or loss within revenue.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction that was hedged is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ii) Derivatives not designated for hedge accounting purposes
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value as well as gains and losses on expiry, disposal or termination of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in gains/losses on derivatives.

2 ACCOUNTING POLICIES continued

GROUP ACCOUNTING POLICIES continued

2.4 Exploration expenditure

The group has elected to expense all exploration and evaluation expenditures until it is concluded that the project is technically feasible and commercially viable, and that future economic benefits are therefore probable. The information used to make that determination depends on the level of exploration as well as the degree of confidence in the ore body as set out below.

Exploration and evaluation expenditure on greenfield sites, being those where the group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until the technical and commercial viability of the project has been demonstrated usually through the completion of a final feasibility study. However, in certain instances, the technical and commercial viability of the deposit may be demonstrated at an earlier stage, for example where an extended feasibility study is conducted and the underlying feasibility study in respect of specific components of the mineral deposit has advanced to such a stage that significant commercially viable reserves has been established, and the other criteria for the recognition of an asset have been met. At this point the expenditure is capitalised as mine development cost to the extent that future economic benefits are expected.

Exploration and evaluation expenditure on brownfield sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the group is able to demonstrate that future economic benefits are probable through the completion of a feasibility study, after which the expenditure is capitalised as mine development cost to the extent that future economic benefits are expected. A 'feasibility study' consists of a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating economic factors and the evaluation of other relevant factors. The feasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allows the group to conclude that the project is technically feasible and commercially viable.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost following the completion of an economic evaluation equivalent to a feasibility study. This economic evaluation is distinguished from a feasibility study in that some of the information that would normally be determined in a feasibility study is instead obtained from the existing mine or development. This information, when combined with existing knowledge of the mineral property already being mined or developed, allows the directors to conclude that the project is technically feasible and commercially viable.

2.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation or depreciation and are tested annually for impairment or when there is an indication of impairment.

Assets that are subject to amortisation are reviewed annually on 30 June for impairment or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating unit or CGU). Each operating shaft, along with allocated common assets such as plants and administrative offices, is considered to be a cash generating unit as each shaft is largely independent from the cash flows of other shafts and assets belonging to the group.

Fair value less cost to sell is generally determined by using discounted estimated after-tax future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected commodity prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, all based on life-of-mine (LoM) plans. Future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. Refer to note 13 for detail.

The term "recoverable minerals" refers to the estimated amount of gold that will be obtained from reserves and resources and all related exploration stage mineral interests (except for other mine-related exploration potential and greenfields exploration potential discussed separately below) after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such related exploration stage mineral interests will be risk adjusted based on management's relative confidence in such materials.

In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. With the exception of other mine-related exploration potential and greenfields exploration potential, estimates of future undiscounted cash flows are included on an area of interest basis, which generally represents an individual operating mine, even if the mines are included in a larger mine complex.

2 ACCOUNTING POLICIES continued

GROUP ACCOUNTING POLICIES continued

2.5 Impairment of non-financial assets continued

In the case of mineral interests associated with other mine-related exploration potential and greenfields exploration potential, cash flows and fair values are individually evaluated based primarily on recent exploration results and recent transactions involving sales of similar properties, if any. Assumptions underlying future cash flow estimates are subject to significant risks and uncertainties.

Impairment losses on goodwill are recognised immediately in the income statement and are not reversed. The impairment testing is performed annually on 30 June or when events or changes in circumstances indicate that it may be impaired.

Non-financial assets other than goodwill that suffered an impairment are reviewed annually for possible reversal of the impairment at 30 June. Reversal of impairments is also considered when there is objective evidence to indicate that the asset is no longer impaired. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not higher than the carrying value that would have been determined had no impairment been recognised in prior years.

2.6 Operating profit

The group defines operating profit as the profit earned from the normal core mining operations. In reporting operating profit in the income statement, transactions for capital transactions involving subsidiaries, joint arrangements and associates are excluded from operating profit as these are not considered to be part of the mining operations of the Harmony group. Any gains or losses on capital transactions are presented below the operating profit line.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Refer to the specific notes below for further information on the key accounting estimates and assumptions applied.

- Estimate of taxation – note 10;
- Recognition of deferred tax asset – note 10;
- Gold mineral reserves and resources – note 13;
- Production start date – note 13;
- Stripping activities – note 13;
- Impairment of assets – note 13;
- Depreciation of property plant and equipment – note 13;
- Exploration and evaluation assets – note 13;
- Impairment of goodwill – note 14;
- Valuation of interest in associate – note 20;
- Provision for stock obsolescence - note 22;
- Estimate of exposure and liabilities with regard to rehabilitation costs – note 25;
- Estimate of provision for silicosis settlement – note 26;
- Estimate of employee benefit liabilities – note 27;
- Leases - note 28;
- Fair value of share-based payments – note 34;
- Assessment of contingencies – note 36; and
- Valuation of derivative financial instruments – note 37.

4. COVID-19 IMPACT

SOUTH AFRICA

On 27 March 2020, South Africa was placed under national lockdown, to curb the spread of the Coronavirus (COVID-19) and allow the country time in which to prepare for the demands the pandemic would have on its health care system. All of Harmony's underground operations were placed on care and maintenance, with the surface operations permitted to continue working at close to full capacity.

Harmony rolled out a risk assessment-based COVID-19 prevention strategy across all of its operations before the lockdown was announced. The objective of the risk assessment was to identify, evaluate and rank the hazards associated with any exposures to COVID-19 and potential infections. It allowed the company to reduce or eliminate the probability of an employee contracting COVID-19 and to limit the severity should an employee be infected.

4. COVID-19 IMPACT continued

SOUTH AFRICA continued

Harmony has been managing COVID-19 related health risks through the following measures:
- a risk awareness campaign through various communication channels;
- identification of high-risk employees;
- the compulsory use of preventative personal protection equipment, which includes face masks, in designated areas in the workplace, increased hand washing and social distancing;
- the sanitation of common areas and surfaces on a regular basis during the day;
- placement of hand sanitisers and additional hand washing stations at the surface areas of the mines;
- group meetings are avoided and where possible, meetings are conducted virtually in the form of tele-conferences or video-conferences;
- implementation of work from home practices for central services and corporate office;
- implementation of a comprehensive employee wellness monitoring and support programme, which includes a COVID-19 hotline.

On 1 May 2020, South African underground operations were granted concessions to start producing at a maximum capacity of 50% and as of 1 June 2020, operational restrictions were lifted further to allow the mining industry to operate at 100% of its labour capacity. Harmony's COVID-19 Standard Operating Procedure (SOP) was adopted and rolled out, ensuring a safe return to work for each of its employees. Harmony's SOP was informed by guidelines provided by the Department of Mineral Resources and Energy, the National Council for Infectious Diseases and the World Health Organisation.

The SOP included the transport of South African employees from remote labour-sending areas back to the company's mines. All requisite staffing, facilities and equipment were put in place to ensure rigorous screening as employees return to work and when at work, as well as isolate or quarantine employees infected by or exposed to COVID-19, with subsequent testing and treatment. Return to work has progressed smoothly albeit slowly, with the return of foreign nationals to South Africa taking longer than anticipated.

PAPUA NEW GUINEA

Harmony's Hidden Valley mine in Papua New Guinea has continued to operate at 100% of its labour capacity during the COVID-19 State of Emergency declared in that country. The delivery of essential supplies to the mine has continued, with strict isolation control measures in place. All non-essential staff has been removed from site and certain activities and expenditures have been curtailed to focus on safe, profitable operations during the pandemic. Protocols were adopted to allow the safe movement of personnel to and from site during this period.

FINANCIAL RISK MANAGEMENT

The effects of COVID-19 and other macro developments have increased financial risks such as exchange rate, interest rate and commodity price volatility, while also impacting on liquidity and credit risk. Management has put various measures in place to mitigate and/or manage the risks and continues to monitor the situation closely. Refer to note 37 for additional detail.

Balance sheet protection and liquidity measures

The company committed to several measures to protect its balance sheet in the face of the global pandemic. These included cash preservation, the suspension of exploration and major capital projects and declaration of *force majeure* on select supplier agreements. Specific measures aimed at ensuring liquidity were undertaken, such as restructuring a portion of the derivatives maturing during April and May 2020 into the first three quarters of the new financial year, as well as drawing down on the Rand and US Dollar facilities.

During June 2020, the company's lenders agreed to relax certain requirements for compliance with debt covenants until December 2020. Refer to note 30 for disclosures on debt covenants.

Market impact

Exchange rates

Due to the impact of the COVID-19 pandemic, the Rand has weakened significantly from the beginning of the 2020 calendar year, which was at levels of around R14.00/US$1, to its weakest level at the beginning of April 2020 of R19.05. The Rand strengthened through May and June and the Rand closed at R17.32 on 30 June 2020. The Rand started weakening against the Australian dollar in April 2020 and closed at R11.96/A$1 on 30 June 2020, a 21% decrease in value. These movements in the currencies expose the group's operations to foreign currency gains and losses on foreign-denominated receivables and liabilities, including derivatives, and also impact the group's translation of its international operating results and net assets into its Rand presentation currency, which resulted in a foreign exchange translation movement of R1.2 billion in other comprehensive income.

The most significant impact was on the increase in the Rand gold price Harmony received on its gold sales, of which R2.3 billion of the increase in revenue can be attributed to the weakening of the Rand. This was calculated by multiplying actual kilograms sold in the 2020 financial year by the variance in the average exchange rates year on year and 2019's average US$ gold price received.

4. COVID-19 IMPACT continued

FINANCIAL RISK MANAGEMENT continued

Market impact continued

Commodity prices

Gold prices have rallied to an all-time high following the global economic fallout of COVID-19 and ongoing geopolitical uncertainty supporting its safe haven status with investors. The price of gold in US$ terms increased significantly over the period, closing at US $1 781/oz on 30 June 2020. This is a 26% increase from the closing price of US$1 410/oz on 30 June 2019. The average spot gold price received (that is, excluding the impact of hedging gains or losses) for the 2020 financial year was 21% higher at US$1 529/oz than in 2019 (US$1 263/oz), contributing approximately R5.2 billion to the increase in revenue year on year. This was calculated by multiplying actual kilograms sold in the 2020 financial year by the variance in the average US$ gold price year on year and 2020's average R/US$ exchange rate.

Interest rates

The US Federal Reserve lowered interest rates several times during the year, the majority unrelated to the COVID-19 pandemic. The rate cuts of 25 basis points were made on each of the following dates, 31 July 2019, 18 September 2019, 30 October 2019 and 3 March 2020. At an unscheduled meeting on 15 March 2020, an additional cut of 100 basis points was announced, reducing the rate to a range of between 0% and 0.25% as a benchmark for most interest rates.

The South African Reserve Bank (SARB) announced similar decreases in the repo rate during the year. The adjustment in the repo rate then affects the prime lending rate at which commercial banks lend money. The repo rate was cut by 25 basis points at the July 2019 and January 2020 SARB meetings respectively. Following the interest rate cut by the Federal Reserve in March 2020, the SARB also announced a 100 basis point cut. At a special unscheduled meeting in April 2020, the SARB cut the rate by a further 100 basis points. During the scheduled May 2020 meeting, another 50 basis point cut was decided on, bringing the prime lending rate to 7.25% and the total cuts for the 2020 financial year to 300 basis points.

These decreases have had a favourable impact on the cost of debt, as the debt facilities are linked to variable rates, US LIBOR and JIBAR specifically. However, the finance cost on the US-denominated debt is impacted by the movement in the Rand/US$ exchange rate.

IMPACT ON PRODUCTION

Management has worked with suppliers to ensure that there are minimal disruptions to the supply chain, which would otherwise impact negatively on the ability to continue with production. Stock levels for critical production and safety items were increased to cover an additional four weeks. In South Africa, some issues have been experienced where raw materials are imported as well as where certain manufacturers have been affected by absenteeism due to COVID-19. Supplies to the operations in Papua New Guinea have not been affected as management has been able to find alternative sources where necessary.

CONTRIBUTING TO COMMUNITIES

Harmony's response to COVID-19 demonstrated once again its ability to respond quickly to challenging issues; in this case, protecting the lives and livelihoods of its employees, ensuring the continued viability of the business, and contributing to the wellbeing of surrounding communities and countries in which the group operates.Notwithstanding the challenges the group faced during the pandemic, Harmony provided emergency help and support in various forms to families most in need in host and neighbouring communities, both in South Africa and Papua New Guinea.

TAXATION

In response to challenges faced by companies during the COVID-19 pandemic, governments have implemented various stimulus packages to provide some relief to companies. In South Africa, various taxes have been delayed, such as carbon tax, where the first payment has been postponed to October 2020. In addition, a tax holiday of the skills development levy was introduced.

IMPACT ON CRITICAL ESTIMATES AND JUDGEMENTS

The uncertainty of the impact of the COVID-19 pandemic on the global economy caused significant volatility in the markets, as discussed above. This impacted on certain assumptions and estimates as at 30 June 2020 that management used in calculations which are revised annually or assessed at each reporting date.

Key assumptions for the calculation of the mining assets' recoverable amounts include commodity prices and exchange rates. The increase in the US$ gold price and the weakening of the Rand against the US$ affected the short- and medium-term views in the forecasts management received from various institutions in order to determine the assumptions for impairment testing. However, management determined its reserves using the long-term price of US$1 350/oz or R630 000/kg and prepared the life-of-mine plans for the 2021 financial year at this price. Refer to note 13 for further details on the assumptions used in the impairment test.

4. COVID-19 IMPACT continued

IMPACT ON CRITICAL ESTIMATES AND JUDGEMENTS continued

The valuation of the derivatives was also impacted by the changes in the commodity prices and Rand/US$ exchange rate. Refer to notes 18 and 37 for details of the fair value movements at 30 June 2020.

The changes in the interest rates impacted on discount rates that are based on risk-free rates. These include, but are not limited to, the provisions for environmental rehabilitation, silicosis settlement and post-retirement benefits, the determination of recoverable amounts for testing impairments of non-financial assets as well as in recoverability of financial assets. Where possible and deemed relevant, management used weighted averages over a period of time to determine the estimated rates. In all cases, the discount rate decreased, the quantum of the decrease depending on whether the rate was a short-, medium- or long-term rate.

5 REVENUE

ACCOUNTING POLICY

Revenue from metal sales include the sale of gold, silver and uranium. Revenue from metal sales is recognised when the group satisfies its performance obligations under its contract with the customer, by transferring such metals to the customer's control. Transfer of control is generally determined to be when the risk and title to the metals passes to the customer. Revenue is measured based on the consideration specified in the contract with the customer and is driven by the quoted market prices of the metals.

The effective portion of gains or losses on the derivatives designated as cash flow hedging items (forecast sales transactions) are recognised in revenue when the forecast sales transactions occur. See the accounting policy for derivatives and hedging activities in note 2.

	SA Rand		
Figures in million	**2020**	2019	2018
Revenue from contracts with customers	**30 642**	26 459	19 255
Gold	**29 704**	25 693	19 162
Silver[1]	**839**	589	74
Uranium[2]	**99**	177	19
Hedging gain/(loss)[3]	**(1 397)**	453	1 197
Total revenue[4]	**29 245**	26 912	20 452

[1] Derived from the Hidden Valley operation in Papua New Guinea.
[2] Derived from the Moab Khotsong operation.
[3] Relates to the realised effective portion of the hedge-accounted gold derivatives. Refer to note 18 for further information.
[4] A geographical analysis of revenue is provided in the segment report in note 39.

The points of transfer of control are as follows:

• Gold: South Africa	Gold is delivered and certificate of sale is issued.
• Gold and silver: Hidden Valley	For sales up to 13 February 2019: metal is delivered and metal account credited by the customer.
	Sales from 14 February 2019 onwards: metal is collected from Hidden Valley and a confirmation of collection is sent to and accepted by the customer.
• Uranium	Confirmation of transfer is issued.

The increase in gold and silver revenue for 2020 is mainly due to the higher commodity prices. The increase in gold revenue is offset by the decrease in production of 15% from 44 734kg in the 2019 to 37 863kg in the current year. Silver produced increased by 11% to 97 332 kg from 87 325 kg in the prior year. The decrease in uranium revenue is due to lower sales volumes as a result of the South African nationwide lockdown that took place due to COVID-19.

5 REVENUE continued

Below are the average commodity prices received for the financial years:

	2020	2019	2018
Gold[1]			
– US$ per ounce (US$/oz)	**1 461**	1 287	1 380
– Rand per kilogram (R/kg)	**735 569**	586 653	570 709
Silver			
– US$ per ounce (US$/oz)	**16.85**	15.00	16.88
– Rand per kilogram (R/kg)	**8 485**	6 837	6 974
Uranium			
– US$ per pound (US$/lb)	**25.34**	26.23	23.71
– Rand per kilogram (R/kg)	**875**	820	672

[1] The gold price includes the realised effective portion of the hedge-accounted gold derivatives.

6 COST OF SALES

	SA Rand		
Figures in million	2020	2019	2018
Production costs (a)	**22 048**	20 324	15 084
Amortisation and depreciation of mining assets (b)	**3 409**	3 961	2 468
Amortisation and depreciation of assets other than mining assets (b)	**99**	93	102
Rehabilitation expenditure (c)	**47**	33	67
Care and maintenance costs of restructured shafts	**146**	134	128
Employment termination and restructuring costs (d)	**40**	242	208
Share-based payments (e)	**130**	155	244
Impairment of assets (f)	**—**	3 898	5 336
Other	**(11)**	29	(41)
Total cost of sales	**25 908**	28 869	23 596

(a) Production costs include mine production and transport and refinery costs, applicable general administrative costs, movement in inventories and ore stockpiles, ongoing environmental rehabilitation costs and transfers for stripping activities. Employee termination costs are included, except for employee termination costs associated with major restructuring and shaft closures, which are separately disclosed.

Production costs increased during the 2020 year mainly in line with expectations, with the South African national lockdown from the end of March 2020 due to COVID-19 impacting on production volumes while the cost base remained mostly unchanged. Contributing to the increase year on year is a decrease of R557 million in the capitalised stripping credit related to the Hidden Valley operation.

6 COST OF SALES continued

(a) Production costs continued

Production costs, analysed by nature, consist of the following:

	SA Rand		
Figures in million	**2020**	2019	2018
Labour costs, including contractors	**13 004**	12 715	9 750
Consumables	**5 441**	5 532	3 418
Water and electricity	**3 664**	3 398	2 551
Insurance	**154**	126	86
Transportation	**377**	354	121
Change in inventory	**(70)**	(166)	(211)
Capitalisation of mine development costs	**(1 485)**	(1 880)	(1 552)
Stripping activities	**(675)**	(1 197)	(167)
Royalty expense	**327**	193	121
Other	**1 311**	1 249	967
Total production costs	**22 048**	20 324	15 084

(b) Lower production volumes during the 2020 year, partially due to the closure of underground mines following the announcement of the South African national lockdown due to COVID-19, impacted on the depreciation recorded and contributed to the decrease year on year. The completion of the mining of Stage 5 at Hidden Valley during the December 2019 quarter also contributed to the decrease. The impairments recognised on certain operations in South Africa during the 2019 year significantly impacted on the base which depreciation is calculated on and the lower carrying values contributed to the lower total compared to the comparative period.

Amortisation and depreciation of assets other than mining assets includes the amortisation of intangible assets.

(c) For the assumptions used to calculate the rehabilitation costs, refer to note 25. This expense includes the change in estimate for the rehabilitation provision where an asset no longer exists as well as costs related to the rehabilitation process. For 2020, R47 million (2019: R86 million) (2018: R94 million) was spent on rehabilitation in South Africa. Refer to note 25.

(d) The employment termination and restructuring expenditure for 2020, 2019 and 2018 relates to the voluntary severance program in place to reduce labour costs.

(e) Refer to note 34 for details on the share-based payment schemes implemented by the group.

(f) Management performed an assessment for impairment triggers as well as indications of reversal of previously recorded impairment losses at 30 June 2020. Due to the uncertainty of the impact of the COVID-19 pandemic and the South African national lockdown would have on the South African underground operations, as well as the increase in the short-term gold price, the recoverable amounts for these cash-generating units (CGUs) were calculated.

Based on the impairment tests performed, no impairments were recorded for the 2020 year. Where CGUs had previously been impaired, management considered whether the impairment loss (or the contributors to the previously recognised impairment loss) no longer exists or might have decreased. Management considered general and specific factors for each CGU and concluded that although overall the gold price had improved from the time that the impairment losses had been recognised, the specific circumstances that led to the original impairments had not reversed. Management also considered the level of uncertainty of the impact of COVID-19 on production and therefore on the cash flows. Due to the volatility embedded in the potential upside driven by the higher gold prices in the short to medium term, coupled with the fact that the factors resulting in the previously recognised impairment losses had not reversed, management resolved it to be appropriate for no reversal of previously recognised impairment losses to be recorded for the period under review.

Refer to note 13 for further information.

6 COST OF SALES continued

(f) Impairment continued

The impairment of assets consists of the following:

	SA Rand		
Figures in million	**2020**	2019	2018
Tshepong Operations	—	2 254	988
Kusasalethu	—	690	579
Target 1	—	312	699
Target 3	—	318	—
Joel	—	198	160
Other mining assets	—	120	319
Bambanani	—	6	—
Doornkop	—	—	317
Unisel	—	—	487
Masimong	—	—	329
Target North	—	—	1 458
Total impairment of assets	—	3 898	5 336

There was no reversal of impairment for the 2020, 2019 or 2018 financial years.

The recoverable amounts for these assets have been determined on a fair value less costs to sell basis using the assumptions per note 13 in discounted cash flow models and attributable resource values. These are fair value measurements classified as level 3.

The recoverable amounts of the CGUs where impairments were recognised as at 30 June 2019 are as follows:

	SA Rand		
	Recoverable amount		
Figures in million	**Life-of-Mine plan**	**Resource base**	**Total**
Tshepong Operations			
The impairment was due to the increased costs to exploit the resource base as well as a lower expected recovered grade. The decrease in the recovery grade is as a result of the change in the dilution factors applied to the outside life of mine resources.	3 811	2 055	5 866
Kusasalethu			
The decrease in grade and increased estimated costs in the resource base resulted in a lower recoverable amount. The decrease in the recovery grade is as a result of the change in the dilution factors applied to the outside life of mine resources.	1 297	—	1 297
Target 1			
The recoverable amount decreased as a result of increased costs and decrease in grade in the resource base together with the estimated impact of carbon tax. The increase in discount rate due to increased risk factors also negatively impacted on the recoverable amount.	467	609	1 076
Target 3			
The operation remained under care and maintenance. A change in valuation method from discounted cash flow model to resource multiple approach reduced the recoverable amount.	None	182	182
Joel			
The increased capital costs in the resource base together with carbon tax negatively impacted the net present value of expected cash flows.	765	87	852
Other mining assets			
The updated life-of-mine plans for the CGUs in Freegold and Avgold resulted in the impairment of other mining assets.	335	None	335
Bambanani			
The impairment of goodwill reduced the carrying amount of intangible assets. As goodwill is not depreciated, it resulted in an impairment as the life of the operation shortens.	763	None	763

6 COST OF SALES continued

(f) Impairment continued

The recoverable amounts of the CGUs where impairments were recognised as at 30 June 2018 are as follows:

	SA Rand		
	Recoverable amount		
Figures in million	Life-of-Mine plan	Resource base	Total
Tshepong Operations			
The impairment was mainly driven by sensitivity to fluctuations in the gold price. Furthermore the updated life-of-mine for the Tshepong operations presented a marginal decrease in recovered grade.	4 279	3 147	7 426
Kusasalethu			
Kusasalethu's old section of the mine at the operation was excluded in the FY19 life-of-mine plan.	1 019	1 119	2 138
Target 1			
Exploration drilling results during the year pointed towards lower grade estimates within certain blocks that have now been excluded from the life-of-mine plans.	471	746	1 217
Joel			
The updated life-of-mine for the Joel operation presented a marginal decrease in recovered grade.	540	336	876
Other mining assets			
The updated life-of-mine plans for the CGUs in Freegold and Harmony resulted in the impairment of other mining assets.	366	None	366
Doornkop			
The impairment of Doornkop is primarily as a result of a decrease in the Kimberley Reef's resource values.	1 552	1 178	2 730
Unisel			
Excluded the Leader Reef from the life-of-mine plan to focus on the higher grade Basal Reef. This reduced the life-of-mine from four years to eighteen months.	38	None	38
Masimong			
The impairment at Masimong was as a result of the depletion of the higher grade B Reef and subsequent reduced life-of-mine.	58	None	58
Target North			
The impairment of Target North was as a result of a decrease in resource values.	None	3 681	3 681

7 OTHER OPERATING EXPENSES

	SA Rand		
Figures in million	**2020**	2019	2018
Social investment expenditure	**143**	155	73
Loss on scrapping of property, plant and equipment (a)	**62**	21	1
Foreign exchange translation loss (b)	**892**	86	682
Silicosis settlement provision/(reversal of provision) (c)	**36**	(62)	(68)
Reversal of provision for ARM BBEE Trust loan (d)	**—**	—	(43)
Loss allowance	**63**	7	12
Other (income)/expenses - net	**5**	(21)	10
Total other operating expenses	**1 201**	186	667

(a) These losses arise from the derecognition of property, plant and equipment that is no longer in use. No future economic benefits are expected from the use or disposal of these assets. Refer to note 13 for further detail.

(b) The foreign exchange loss is driven primarily by the prevailing exchange rates at the drawdown and repayment dates of the US$-denominated loans as well as the exchange rate movements during the year. Refer to note 30 for the details of the foreign exchange translation loss on the US$ borrowings.

(c) Refer to note 26 for details on the movement in the silicosis settlement provision.

7 OTHER OPERATING EXPENSES continued

(d) Pursuant to the adoption of IFRS 9 on 1 July 2018, the ARM BBEE Trust loan is carried at fair value through profit or loss with the movement in fair value recognised in net gains on financial instruments (refer to note 8). In 2018, the provision was reversed following an increase in African Rainbow Minerals Limited's share price and dividends paid in the period between July 2017 and June 2018, which form part of the recoverability test at 30 June 2018. Refer to note 17 for further details on the loan.

8 INVESTMENT INCOME

ACCOUNTING POLICY

Interest income is recognised on the effective interest method, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group. Dividend income is recognised when the shareholder's right to receive payment is established. This is recognised at the last date of registration.

Cash flows from interest and dividends received are classified under operating activities in the cash flow statement.

	SA Rand		
Figures in million	**2020**	2019	2018
Interest income from financial assets at amortised cost	**257**	244	272
Net gain on financial instruments[1]	**118**	64	71
Total investment income	**375**	308	343

[1] Primarily relates to the environmental trust funds and the Social Trust Fund (refer to note 16) and also includes the fair value movement of the ARM BBEE Trust loan (refer to note 17).

9 FINANCE COSTS

ACCOUNTING POLICY

Borrowing costs are capitalised to the extent that they are directly attributable to the acquisition and construction of qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use. These costs are capitalised until the asset moves into the production phase. Other borrowing costs are expensed. The foreign exchange translation loss is included in the borrowing cost calculation to the extent that it is considered to be a part of interest.

	SA Rand		
Figures in million	**2020**	2019	2018
Financial liabilities			
Borrowings	**424**	402	227
Other creditors and liabilities	**9**	2	1
Total finance costs from financial liabilities	**433**	404	228
Non-financial liabilities			
Post-retirement benefits	**19**	17	18
Time value of money component of silicosis settlement provision	**69**	79	76
Time value of money and inflation component of rehabilitation costs	**194**	208	191
Total finance costs from non-financial liabilities	**282**	304	285
Total finance costs before interest capitalised	**715**	708	513
Interest capitalised (a)	**(54)**	(133)	(183)
Total finance costs	**661**	575	330

9 FINANCE COSTS continued

(a) The capitalisation rate used to determine capitalised borrowing costs is:

	2020	2019	2018
Capitalisation rate	**9.4%**	10.4%	10.5%

The decrease in the borrowing costs capitalised in 2020 is due to Joel's decline project reaching commercial levels of production as well as the cessation of capitalising borrowing costs for Wafi-Golpu. For Joel, the capitalisation of borrowing costs ceased and depreciation commenced as of 1 January 2020. Refer to note 13 for further detail.

10 TAXATION

ACCOUNTING POLICY

Taxation is made up of current and deferred taxation. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised on temporary differences existing at each reporting date between the tax base of all assets and liabilities and their carrying amounts. Substantively enacted tax rates are used to determine future anticipated effective tax rates which in turn are used in the determination of deferred taxation, except to the extent that deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and does not affect the accounting or taxable profit or loss at the time of the transaction. Deferred tax is charged to profit or loss, except where the tax relates to items recognised in other comprehensive income or directly in equity in which case the tax is also recognised in other comprehensive income or directly in equity. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, unutilised tax losses, unutilised capital allowances carried forward and unrealised gains and losses on the gold forward sale contracts. Deferred tax assets relating to the carry forward of unutilised tax losses and unutilised capital allowances are recognised to the extent that it is probable that future taxable profit will be available against which the unutilised tax losses and unutilised capital allowances can be utilised. The recoverability of these assets is reviewed at each reporting date and adjusted if recovery is no longer probable.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group is subject to income tax in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which the temporary differences are expected to reverse. At the group's South African operations, such average tax rates are directly impacted by the profitability of the relevant mine. The deferred tax rate is therefore based on the current estimate of future profitability of an operation when temporary differences will reverse, based on tax rates and tax laws that have been enacted at the balance sheet date. The future profitability of each mine, in turn, is determined by reference to the life-of-mine (LoM) plan for that operation. The LoM plan is influenced by factors as disclosed in note 13, which may differ from one year to the next and normally result in the deferred tax rate changing from one year to the next.

Management has to exercise judgement with regard to deferred tax assets. Where the possibility exists that no future taxable income may flow against which these assets can be offset, the deferred tax assets are not recognised.

10 TAXATION continued

The taxation (expense)/credit for the year is as follows:

	SA Rand		
Figures in million	**2020**	2019	2018
SA taxation			
Mining tax (a)	**(56)**	(19)	(42)
- current year	**(61)**	(14)	(42)
- prior year	**5**	(5)	—
Non-mining tax (b)	**(2)**	(124)	(163)
- current year	**(2)**	(121)	(163)
- prior year	**—**	(3)	—
Deferred tax (c)	**(197)**	282	439
- current year	**(197)**	282	439
Total taxation (expense)/credit	**(255)**	139	234

(a) Mining tax on gold mining taxable income in South Africa is determined according to a formula, based on the taxable income from mining operations. 5% of total revenue is exempt from taxation while the remainder is taxable at a higher rate (34%) than non-mining income (28%) as a result of applying the gold mining formula. Mining and non-mining income of Australian entities and PNG operation are taxed at a standard rate of 30%.

All qualifying mining capital expenditure is deducted from taxable mining income to the extent that it does not result in an assessed loss. Accounting depreciation is eliminated when calculating the South African mining tax income. Excess capital expenditure is carried forward as unredeemed capital to be claimed from future mining taxable income. The group has several tax paying entities in South Africa. In terms of the mining ring-fencing application, each ring-fenced mine is treated separately and deductions can normally only be utilised against mining income generated from the relevant ring-fenced mine.

(b) Non-mining taxable income of mining companies and the taxable income for non-mining companies are taxed at the statutory corporate rate of 28%.The expense for the 2019 and 2018 years relates to non-mining tax arising from derivative gains (realised and unrealised) recognised on the foreign currency derivatives as well as the realised gains on the commodity forward sale contracts. During 2020, the losses on the derivative contracts resulted in non-mining tax losses. See discussion on deferred tax below. Refer to note 18 for details on the group's derivative gains and losses recorded.

(c) The deferred tax rate used to calculate deferred tax is based on the current estimate of future profitability when temporary differences will reverse based on tax rates and tax laws that have been enacted at the balance sheet date. Depending on the profitability of the operations, the deferred tax rate can consequently be significantly different from year to year.

Following the completion of the annual life-of-mine plans, management revised the weighted average deferred tax rates for all the South African operations. The higher short-term gold price assumption used resulted in an increase in the estimated profitability and consequently higher rates than in the prior year. Refer to note 13 for the assumptions used. These changes, together with changes in the temporary differences, had the following impacts:

- The change in rates on temporary differences at the individual company level, other than hedge accounted derivatives, resulted in an increase in the deferred tax expense and liability to the amount of R493 million.
- Unwinding of temporary differences related to unredeemed capital expenditure balance resulted in an increase of R298 million in the deferred tax expense.
- The weakening of the Rand against the US$ and the increase in the commodity prices negatively impacted on the valuation of the derivative financial instruments. Refer to notes 18 and 37 for detail. The temporary differences related to the Rand gold derivatives changed from taxable temporary differences (ie resulting in a deferred tax liability) to deductible temporary differences (resulting in a deferred tax asset). Management assessed the rates at which the temporary differences are expected to reverse and as the expected non-mining losses can be set off against the mining profits, the rates have been revised from the non-mining tax rate of 28% to the weighted average deferred tax rate. This accounts for R510 million of the deferred tax credit directly charged to other comprehensive income.

10 TAXATION continued

(c) Deferred tax continued

- The net deferred tax positions for each of the group's entities are assessed separately. Two companies have net deferred tax asset positions and therefore recoverability of these assets was considered. The position at 30 June 2020 was as follows:

	SA Rand	
Figures in million	**Harmony Company**	**Randfontein Estates**
Deductible/(taxable) temporary differences	**1 079**	**(155)**
Tax losses	**574**	**534**
Total	**1 653**	**379**
Deferred tax rate	**29.8%**	**10.1%**
Deferred tax asset	**492**	**39**

At 30 June 2020, management considered whether the unrecognised deferred tax asset (DTA) related to the Harmony company should be recognised, partially or in full. A portion of the DTA relates to a tax loss of R574 million, which primarily arose due to the foreign exchange translation losses and losses on derivatives recorded in 2020. The company's operations include the Central Plant Reclamation (CPR), a tailings retreatment facility. As a low cost producer, its profit margins are highly sensitive to fluctuations in the gold price. In addition, the higher short-term gold price also significantly benefits Masimong's profitability, which following the revision of its life-of-mine at 30 June 2020 has two years remaining of its life. Due to the significant expected increase in the short-term Rand gold price used in the estimation of future taxable profits for the mining operations owned by the Harmony company, it is considered probable that sufficient future taxable profits will be available against which the aforementioned tax loss and the current deductible temporary differences existing at the reporting date can be utilised. Consequently, a deferred tax asset of R492 million has been recognised, consisting of R171 million relating to the tax loss and R321 million relating to deductible temporary differences.

Management believes there will be sufficient future taxable income from the operations owned by Randfontein Estates Limited and therefore the entire balance of R39 million was recognised at 30 June 2020.

10 TAXATION continued

INCOME AND MINING TAX RATES

The tax rate remains unchanged for the 2018, 2019 and 2020 years.

Major items causing the group's income tax provision to differ from the South African mining statutory tax rate of 34% were:

	SA Rand		
Figures in million	**2020**	2019	2018
Tax on net loss at the mining statutory tax rate	**202**	934	1 600
Non-allowable deductions	**(221)**	(241)	(513)
Share-based payments	**(62)**	(70)	(104)
Impairment of assets	**—**	(2)	(219)
Loan-related costs	**(19)**	(18)	(24)
Exploration expenditure	**(55)**	(36)	(74)
Finance costs	**(76)**	(68)	(54)
Other	**(9)**	(47)	(38)
Movement in temporary differences related to property, plant and equipment	**(355)**	(1 388)	(1 248)
Movements in temporary differences related to other assets and liabilities	**(452)**	98	55
Difference between effective mining tax rate and statutory mining rate on mining income	**10**	(175)	(550)
Difference between non-mining tax rate and statutory mining rate on non-mining income	**—**	19	35
Effect on temporary differences due to changes in effective tax rates[1]	**(469)**	83	675
Prior year adjustment	**5**	(8)	—
Capital allowances[2]	**766**	684	604
Deferred tax asset not recognised[3]	**34**	133	(424)
Deferred tax asset previously not recognised now recorded[4]	**225**	—	—
Income and mining taxation	**(255)**	139	234
Effective income and mining tax rate (%)	**(43)**	5	5

[1] This mainly relates to movements in the deferred tax rate related to Harmony (25.7% to 29.8%) (2019: 10.5% to 25.7%) (2018: 19.4% to 10.5%), Freegold (8.1% to 11.4%) (2019: 8.7% to 8.1%) (2018: 12.5% to 8.7%), Randfontein Estates Limited (Randfontein) (4.5% to 10.1%) (2019: 1.8% to 4.5%) (2018: 3.8% to 1.8%) and Moab (4.7% to 17.3%) (2019: 9.1% to 4.7%) (2018: 9.1%).

[2] This relates to the additional capital allowance that may be deducted from taxable income from mining operations in South Africa. A significant portion relates to Avgold Limited (Avgold) which has a 0% effective tax rate.

[3] This relates to tax losses and deductible temporary differences for which future taxable profits are uncertain and are not considered probable.

[4] Harmony company has sufficient future profits as well as taxable temporary differences which the deductible temporary differences can be reversed against. Therefore the deferred tax asset not recognised in the 2019 year has been recognised.

10 TAXATION continued

DEFERRED TAX

The analysis of deferred tax assets and liabilities is as follows:

	SA Rand	
Figures in million	**2020**	2019
Deferred tax assets	**(1 803)**	(550)
Deferred tax asset to be recovered after more than 12 months	**(1 091)**	(49)
Deferred tax asset to be recovered within 12 months	**(712)**	(501)
Deferred tax liabilities	**2 268**	1 237
Deferred tax liability to be recovered after more than 12 months	**2 034**	1 125
Deferred tax liability to be recovered within 12 months	**234**	112
Net deferred tax liability	**465**	687

Deferred tax liabilities and assets on the balance sheet as of 30 June 2020 and 30 June 2019 relate to the following:

	SA Rand	
Figures in million	**2020**	2019
Gross deferred tax liabilities	**2 268**	1 237
Amortisation and depreciation	**2 211**	1 229
Other	**57**	8
Gross deferred tax assets	**(1 803)**	(550)
Unredeemed capital expenditure[1]	**(4 923)**	(4 044)
Provisions, including non-current provisions	**(1 156)**	(844)
Derivative financial instruments	**(505)**	(88)
Tax losses[2]	**(1 718)**	(1 209)
Deferred tax asset not recognised[3]	**6 499**	5 635
Net deferred tax liability	**465**	687

[1] Unredeemed capital expenditure mainly consists of Hidden Valley R4 555 million (2019: R3 745 million).
[2] The majority of the amount relates to Hidden Valley's tax losses of R1 327 million (2019: R1 066 million).
[3] The majority of the deferred tax asset not recognised of R6 499 million relates to Harmony's PNG operations (2019: R5 293 million).

Movement in the net deferred tax liability recognised in the balance sheet is as follows:

	SA Rand	
Figures in million	**2020**	2019
Balance at beginning of year	**687**	1 145
Expense/(credit) per income statement	**197**	(282)
Tax directly charged to other comprehensive income	**(419)**	(177)
Balance at end of year	**465**	687
Deferred tax asset per balance sheet	**(531)**	(1)
Deferred tax liability per balance sheet	**996**	688

10 TAXATION continued

DEFERRED TAX continued

Figures in million	SA Rand 2020	2019
As at 30 June, the group had the following potential future tax deductions:		
Unredeemed capital expenditure available for utilisation against future mining taxable income[1]	**43 395**	39 725
Tax losses carried forward utilisable against mining taxable income[2]	**7 356**	5 494
Capital Gains Tax (CGT) losses available to be utilised against future CGT gains[4]	**570**	571
As at 30 June, the group has not recognised the following deferred tax asset amounts relating to the above:	**14 618**	12 935
The unrecognised temporary differences are:		
Unredeemed capital expenditure[3]	**40 330**	35 038
Tax losses[2]	**5 156**	5 109
CGT losses[4]	**570**	571

[1] Includes Avgold R21 483 million (2019: R19 086 million), Randfontein R2 261 million (2019: R2 134 million), Moab Khotsong R625 million (2019: R1 755 million) and Hidden Valley R18 847 million (2019: R16 333 million). These have an unlimited carry-forward period.
[2] Relates mainly to Hidden Valley and the PNG exploration operations. These have an unlimited carry-forward period.
[3] Relates to Avgold and Hidden Valley.
[4] The CGT losses relate to the gross CGT losses available to be utilised against future CGT gains.

DIVIDEND TAX (DT)

The withholding tax on dividends remained unchanged at 20%.

11 EARNINGS/(LOSS) PER SHARE

BASIC EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the net income attributable to shareholders by the weighted number of ordinary shares in issue during the year.

	2020	2019	2018
Ordinary shares in issue ('000)	**603 143**	539 841	500 252
Adjustment for weighted number of ordinary shares in issue ('000)	**(61 306)**	(12 974)	(54 304)
Weighted number of ordinary shares in issue ('000)	**541 837**	526 867	445 948
Treasury shares ('000)	**(6 501)**	(3 058)	(52)
Basic weighted average number of ordinary shares in issue ('000)	**535 336**	523 809	445 896

	SA Rand 2020	2019	2018
Total net loss attributable to shareholders (million)	**(878)**	(2 607)	(4 473)
Total basic loss per share (cents)	**(164)**	(498)	(1 003)

DILUTED EARNINGS/(LOSS) PER SHARE

For diluted earnings/(loss) per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares as a result of share options granted to employees under the share option schemes in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares, based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

11 EARNINGS/(LOSS) PER SHARE continued

DILUTED EARNINGS/(LOSS) PER SHARE continued

	2020	2019	2018
Weighted average number of ordinary shares in issue ('000)	**535 336**	523 809	445 896
Potential ordinary shares[1] ('000)	**11 858**	9 537	19 423
Weighted average number of ordinary shares for diluted earnings per share[1] ('000)	**547 194**	533 346	465 319

	SA Rand		
	2020	2019	2018
Total diluted loss per share (cents)[2]	**(166)**	(500)	(1 004)

[1] Due to the net loss attributable to shareholders, the inclusion of the share options as potential ordinary shares had an anti-dilutive effect on the loss. The issue price and the exercise price of share options issued to employees include the fair value of any service to be supplied to the entity in the future under the share option or other share-based payment arrangement.

[2] The dilution is as a result of the potential reduction in earnings attributable to equity holders of the parent company as a result of the exercise of the Tswelopele Beneficiation Operation (TBO) option. TBO contributed a profit for the six months ended 31 December 2019 and therefore the reduction in earnings attributable to Harmony would increase the loss and loss per share. Following the vesting of the option (refer to note 34), there has been no further impact.

DIVIDENDS

ACCOUNTING POLICY

Dividends declared are recognised in the period in which they are approved by the board of directors. Dividends are payable in South African Rand.

Cash flows from dividends paid are classified under financing activities in the cash flow statement.

- On 17 August 2017, the board declared a final dividend of 35 cents for the year ended 30 June 2017. R154 million million was paid on 16 October 2017. No dividends were paid on ordinary shares by Harmony during the 2020 and 2019 financial year. The payment in 2020 relates to the non-controlling interest in Tswelopele Beneficiation Operation. Refer to note 34.
- Harmony declares an annual preference share dividend to the Harmony Gold Community Trust (the Trust). On 30 July 2019, Harmony declared a preference dividend of R9 million to the Trust which was paid on 2 September 2019. As the Trust is consolidated by Harmony, the dividend is eliminated on consolidation.

	SA Rand		
	2020	2019	2018
Dividend declared (millions)	**—**	—	154
Dividend per share (cents)	**—**	—	35

12 ACQUISITIONS AND BUSINESS COMBINATIONS

ACQUISITION OF ANGLOGOLD ASHANTI'S REMAINING SOUTH AFRICAN OPERATIONS

TRANSACTION

On 12 February 2020, Harmony announced that it has reached an agreement with AngloGold Ashanti Limited (AGA) to purchase AGA's remaining South African producing assets and related liabilities. The transaction includes the following assets and liabilities:

- The Mponeng mine and its associated assets and liabilities;
- The Tau Tona and Savuka mines and associated rock-dump and tailings storage facility reclamation sites, mine rehabilitation and closure activities located in the West Wits region and their associated assets and liabilities;
- First Uranium (Pty) Limited which owns Mine Waste Solutions (Pty) Limited and Chemwes (Pty) Limited as well as associated tailings assets and liabilities (the FUSA Group);
- Covalent Water Company (Pty) Limited (CWC), AngloGold Security Services (Pty) Limited and Masakhisane Investments (Pty) Limited; and
- Certain rock-dump reclamation, mine rehabilitation and closure activities located in the Vaal River region and their associated assets and liabilities (the VR Remaining assets).

12. ACQUISITIONS AND BUSINESS COMBINATIONS continued

TRANSACTION continued

Consideration for the transaction is a cash payment of US$200 million, due on the closing date, and a contingent consideration subject to the following criteria:
- US$260 per ounce payable on all underground production from the Mponeng, Savuka and Tau Tona mines in excess of 250 000 ounces per year for six years commencing 1 January 2021; and
- US$20 per ounce payable on underground production from the Mponeng, Savuka and Tau Tona mines sourced from levels developed in the future below the current infrastructure.

At 30 June 2020, the closing of the transaction was still subject to certain conditions precedent. Refer to note 38.

FUNDING OF ACQUISITION CONSIDERATION THROUGH DEBT AND SHARES

Harmony concluded a bridge loan to fund the acquisition consideration. Refer to note 30 and note 38 for further detail.

As part of the funding strategy, Harmony approached its shareholders for authorisation to issue shares up to US$200 million to fund the acquisition consideration through:
- A general authority to issue ordinary shares for cash, subject to the restrictions set out in the JSE Listings Requirements including that only public shareholders may participate;
- A vendor consideration placement as set out in the JSE Listings Requirements, which would enable non-public shareholders to participate subject to certain conditions; and
- Or a combination of the above.

An Extraordinary General Meeting was held on 11 June 2020 and the requisite majority of the shareholders approved all of the ordinary and special resolutions. Following this, on 24 June 2020 Harmony successfully completed the share placement of 60 278 260 new ordinary shares in Harmony with existing and new institutional investors at a price of R57.50 per share, raising the proceeds of US$200 million (R3 466 million). The shares issued represented, in aggregate, approximately 11.1% of Harmony's issued ordinary share capital before the placing. The placing price represented a discount of 5.4% to the closing share price on 24 June 2020 and a 3.5% discount to the 30-day volume-weighted average price (VWAP). The shares were issued on 30 June 2020 and the proceeds were received on the same day. The share issue costs amounted to R80 million.

ACQUISITION AND INTEGRATION COSTS

In anticipation of the transaction, Harmony has incurred various costs directly attributable to the acquisition process. These costs include attorney and advisory fees as well as costs related to the bridge loan. The acquisition-related costs are shown as a separate line in the income statement.

There have also been costs incurred in preparation for the integration of the acquired assets into Harmony's existing structures and systems. These costs amount to R4 million for the 2020 year and have been included in corporate, administration and other expenditure.

ACCOUNTING CONSIDERATIONS

Management has performed an initial assessment of the assets to be acquired and has determined that they meet the definition of a business per IFRS 3, *Business Combinations* (as amended and applicable to Harmony from 1 July 2020).

Following the fulfilment of the conditions precedent, management will begin with a fair value exercise in accordance with the requirements of IFRS 3 for the business combinations. The process is expected to take several months to complete.

SUBSEQUENT EVENTS

Refer to note 38 for developments after the reporting date.

ACQUISITION OF THE MOAB KHOTSONG OPERATIONS

Effective 1 March 2018 the group acquired the Moab Khotsong and Great Noligwa mines and related infrastructure as well as gold-bearing tailings and the Nufcor uranium plant (collectively the Moab Khotsong operations) from AGA on a going concern basis. The combined assets acquired and liabilities assumed constitute a business as defined by IFRS 3. The cash consideration paid to acquire the Moab Khotsong operations amounted to R3 474 million ($300 million). The group incurred acquisition-related costs of R98 million on advisory and legal fees. These costs were recognised as acquisition-related costs in the income statement. Furthermore, the group incurred R63 million on the integration of the operation in 2018 and R8 million in 2019. These costs were recognised as corporate, administration and other expenditure in the income statement in the relevant years.

13 PROPERTY, PLANT AND EQUIPMENT

	SA Rand	
Figures in million	**2020**	2019
Mining assets	**22 174**	20 549
Mining assets under construction	**2 714**	2 964
Undeveloped properties	**4 024**	3 965
Other non-mining assets	**274**	271
Total property, plant and equipment	**29 186**	27 749

MINING ASSETS

ACCOUNTING POLICY

Mining assets including mine development costs and mine plant facilities are initially recorded at cost, whereafter they are measured at cost less accumulated depreciation and impairment. Costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

The net assets of operations placed on care and maintenance are impaired to their recoverable amount. Expenditure on the care and maintenance of these operations is charged against income, as incurred. Mineral and surface use rights represent mineral and surface use rights for parcels of land both owned and not owned by the group.

Mineral and surface rights include acquired mineral use rights in production, development and exploration phase properties. The amount capitalised related to a mineral and surface right, either as an individual asset purchase or as part of a business combination, is the fair value at acquisition.

The group's mineral use rights are enforceable regardless of whether proved or probable reserves have been established. In certain limited situations, the nature of use changes from an exploration right to a mining right upon the establishment of proved and probable reserves. The group has the ability and intent to renew mineral use rights where the existing term is not sufficient to recover all identified and valued proved and probable reserves and/or undeveloped mineral interests.

Depreciation

Depreciation of mining assets is computed principally by the units-of-production method over life-of-mine based on estimated quantities of economically recoverable proved and probable reserves, which can be recovered in future from known mineral deposits.

In most instances, proved and probable reserves provide the best indication of the useful life of the group's mines (and related assets). However, in some instances, proved and probable reserves may not provide a realistic indication of the useful life of the mine (and related assets). This may be the case, for example, where management is confident that further inferred resources will be converted into measured and indicated resources and if they are economically recoverable, they can also be classified as proved and probable reserves. Management is approaching economic decisions affecting the mine on this basis, but has chosen to delay the work required to designate them formally as reserves.

In assessing which resources to include so as to best reflect the useful life of the mine, management considers resources that have been included in the life-of-mine plan. To be included in the life-of-mine plan, resources need to be above the cut-off grade set by management, which means that the resource can be economically mined and is therefore commercially viable. This consistent systematic method for inclusion in the life-of-mine plan takes management's view of the gold price, exchange rates as well as cost inflation into account.

In declaring the resource, management would have had to obtain a specified level of confidence of the existence of the resource through drilling as required by the South African Code for Reporting Exploration Results, Mineral Resources and Mineral Reserves (SAMREC).

Additional confidence in the existence, commercial viability and economical recovery of such resources may be based on historical experience and available geological information, such as geological information obtained from other operations that are contiguous to the group's as well as where the group mines continuations of these other operations' orebodies and reefs. This is in addition to the drilling results obtained by the group and management's knowledge of the geological setting of the surrounding areas, which would enable simulations and extrapolations to be done with a reasonable degree of accuracy.

13 PROPERTY, PLANT AND EQUIPMENT continued

MINING ASSETS continued

ACCOUNTING POLICY continued

Depreciation continued

In instances where management is able to demonstrate the economic recovery of such resources with a high level of confidence, such additional resources, which may also include certain, but not all, of the inferred resources, as well as the associated future development costs of accessing those resources, are included in the calculation of depreciation. The future development costs are those costs that need to be incurred to access these inferred resources, for example the costs to complete a decline or level, which may include infrastructure and equipping costs. These amounts have been extracted from the cash flow projections for the life-of-mine plans.

Mineral rights associated with production phase mineral interests are amortised over the life of mine using the units-of-production method in order to match the amortisation with the expected underlying future cash flows.

Impairment

Testing for impairment is done in terms of the group policy as discussed in note 2.5.

Scrapping of assets

Where significant adverse changes have taken place relating to the useful life of an asset, that asset is tested for impairment in terms of the group policy as discussed in note 2.5. Whether or not an impairment is recognised, it is then necessary to review the useful lives and residual values of the assets within the CGU – this is reviewed at least annually. Where necessary, the useful lives and residual values of the individual assets are revised.

Where the useful life of an asset is nil as a result of no future economic benefit expected from the use or disposal of that asset, it is necessary to derecognise the asset. The loss arising from the derecognition is included in profit or loss in the period in which the asset was derecognised.

Stripping activities

The removal of overburden and other mine waste materials is often necessary during the initial development of an opencast mine site, in order to access the mineral ore deposit. The directly attributable cost of this activity is capitalised in full within mining assets under construction, until the point at which the mine is considered to be capable of commercial production.

The removal of waste material after the point at which a mine is capable of commercial production is referred to as production stripping.

When the waste removal activity improves access to ore extracted in the current period, the costs of production stripping are charged to the income statement as operating costs in accordance with the principles of IAS 2, *Inventories*.

Where production stripping activity both produces inventory and improves access to ore in future periods the associated costs of waste removal are allocated between the two elements. The portion which benefits future ore extraction is capitalised within stripping and development capital expenditure. If the amount to be capitalised cannot be specifically identified it is determined based on the volume of waste extracted compared with expected volume for the identified component of the orebody. Components are specific volumes of a mine's orebody that are determined by reference to the life-of-mine plan.

In certain instances significant levels of waste removal may occur during the production phase with little or no associated production. The cost of this waste removal is capitalised in full.

All amounts capitalised in respect of waste removal are depreciated using the units-of-production method based on proved and probable ore reserves of the component of the orebody to which they relate.

The effects of changes to the life-of-mine plan on the expected cost of waste removal or remaining reserves for a component are accounted for prospectively as a change in estimate.

13 PROPERTY, PLANT AND EQUIPMENT continued

MINING ASSETS continued

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – GOLD MINERAL RESERVES AND RESOURCES

Gold mineral reserves and resources are estimates of the amount of ounces that can be economically and legally extracted from the group's properties. In order to calculate the gold mineral reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, commodity prices and exchange rates.

Estimating the quantities and/or grade of the reserves and resources requires the size, shape and depth of the orebodies to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate the gold mineral reserves and resources change from year to year, and because additional geological data is generated during the course of operations, estimates of the mineral reserves and resources may change from year to year. Changes in the reserves and resources may affect the group's financial results and financial position in a number of ways, including:

- Asset carrying values may be affected due to changes in estimated cash flows;
- Scrapping of assets to be recorded in the income statement following the derecognition of assets as no future economic benefit expected;
- Depreciation and amortisation charged in the income statement may change as they are calculated on the units-of-production method;
- Environmental provisions may change as the timing and/or cost of these activities may be affected by the change in mineral reserves; and
- Useful life and residual values may be affected by the change in mineral reserves.

At the end of each financial year, the estimate of proved and probable gold mineral reserves and resources is updated. Depreciation of mining assets is prospectively adjusted, based on these changes.

SENSITIVITY ANALYSIS – GOLD MINERAL RESERVES AND RESOURCES EFFECT ON DEPRECIATION

The group includes certain inferred resources in the denominator and future development costs in the numerator when performing the depreciation calculation for certain of its operations, where proved and probable reserves alone do not provide a realistic indication of the useful life of mine (and related assets). During periods presented, this mainly related to Doornkop. Had the group only used proved and probable reserves in its calculations, depreciation for 2020 would have amounted to R3 533 million (2019: R4 116 million) (2018: R2 753 million), compared with the reported totals of R3 508 million (2019: R4 054 million) (2018: R2 570 million).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – PRODUCTION START DATE

Various relevant criteria are considered in order to assess when the mine is substantially complete and ready for its intended use and moves into the production phase. Some of the criteria would include but are not limited to the following:

- The level of capital expenditure compared to the total project cost estimates;
- The ability to produce gold in a saleable form (where more than an insignificant amount of gold has been produced); and
- The ability to sustain the ongoing production of gold.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – STRIPPING ACTIVITIES

The determination of the volume of waste extracted and the expected volume for the identified component of the orebody is dependent on an individual mine's design and life-of-mine plan and therefore changes to the design or life-of-mine plan will result in changes to these estimates. Identification of the components of a mine's orebody is made by reference to the life-of-mine plan. The assessment depends on a range of factors including each mine's specific operational features and materiality.

13 PROPERTY, PLANT AND EQUIPMENT continued

MINING ASSETS continued

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – IMPAIRMENT OF ASSETS

The recoverable amount of mining assets is generally determined utilising real discounted future cash flows (post tax). Management also considers such factors as the quality of the individual orebody, market risk, asset specific risks and country risk in determining the fair value.

Key assumptions for the calculations of the mining assets' recoverable amounts are the commodity prices, resource values, marketable discount rates, costs to sell, exchange rates and the annual life-of-mine plans. In determining the commodity prices and resource values to be used, management assesses the long-term views of several reputable institutions on commodity prices and based on this, derives the commodity prices and resource values.

The life-of-mine plans are based on the proved and probable reserves as included in the Reserve Declaration, which are determined in terms of SAMREC, as well as resources where management has high confidence in the orebody and economical recovery of gold, based on historic and similar geological experience.

During the year under review, the group calculated the recoverable amounts (generally fair value less costs to sell) based on updated life-of-mine plans and the following gold price, silver price and exchange rates assumptions:

	2020	2019	2018
US$ gold price per ounce			
– Year 1	**1 610**	1 325	1 250
– Year 2	**1 558**	1 310	1 250
– Year 3	**1 469**	1 290	1 250
– Long term (Year 4 onwards)	**1 350**	1 290	1 250
US$ silver price per ounce			
– Year 1 and Year 2	**17.00**	15.75	17.00
– Long term (Year 3 onwards)	**17.00**	17.00	17.00
Exchange rate (R/US$)			
– Year 1	**16.72**	14.43	13.30
– Year 2	**15.47**	14.25	13.30
– Year 3	**15.29**	14.11	13.30
– Long term (Year 4 onwards)	**14.51**	14.11	13.30
Exchange rate (PGK/US$)	**3.45**	3.34	3.17
Rand gold price (R/kg)			
– Year 1	**865 000**	615 000	535 000
– Year 2	**775 000**	600 000	535 000
– Year 3	**722 000**	585 000	535 000
– Long term (Year 4 onwards)	**630 000**	585 000	535 000

The following is the attributable gold resource value assumption:

	South Africa			**Hidden Valley**		
US dollar per ounce	**2020**	2019	2018	**2020**	2019	2018
Measured	**25.00**	25.00	25.00	**n/a**	n/a	n/a
Indicated	**8.00**	8.00	8.00	**8.00**	8.00	5.84
Inferred	**2.80**	2.80	2.80	**n/a**	n/a	5.84

The recoverable amount of mining assets is determined utilising real discounted future cash flows or resource multiples in the case of undeveloped properties and certain resource bases.

One of the most significant assumptions that influence the group's operations' life-of-mine plans, and therefore the impairment assessment, is the expected gold price. Due to the increase in the US$ commodity price and weakening of the rand against the US$ at the end of the financial year, management decided it would be appropriate to differentiate between short-, medium- and long-term assumptions used in the models.

13 PROPERTY, PLANT AND EQUIPMENT continued

MINING ASSETS continued

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – IMPAIRMENT OF ASSETS continued

The long-term price was determined as part of the annual budgeting process and is used in the life-of-mine plans and is also the cut-off price for calculating reserves included in the declaration of reserves and resources in terms of SAMREC. The resource multiple values are unchanged from the prior year, given the long-term nature of the projects that are valued in this manner.

Due to the volatilities experienced in the markets and the uncertainty in forecasting future cash flows due to the impact of the COVID-19 pandemic, management has used various probability scenarios in determining the recoverable amounts for the CGUs at 30 June 2020.

The following were factored into management's judgements:
- Infection rates and the timing of the expected peaks in the provinces that Harmony's operations are situated in, based on models prepared by the South African government;
- Expected disruptions to production together with the mitigation strategies management has in place;
- Potential duration of the impact of the virus and the related restrictions in operations; and
- Potential changes of the timing of various cash flows due to shortened production breaks.

Management included estimates of the staffing costs for screening and monitoring employees at work as well as those that are in quarantine. The cost estimates also include the accommodation expenses for employees in quarantine or isolation as well as the treatment cost for those with mild symptoms and those with severe symptoms that need to be hospitalised. These estimates were based on actual costs incurred for the period March to June 2020.

In preparing the various scenarios, management considered and varied:
- The potential impact on production and therefore on the revenue cash flows, based on historical trends that have been extrapolated to account for varying disruption levels;
- The duration of potential disruptions to production, ranging from 12 months to 24 months;
- The infection rates and associated costs. Where infections were assumed to continue into Year 2, the rate was dependant on the assumed infections in Year 1, with a higher rate in Year 1 resulting in a lower rate in Year 2, and vice versa.

Management assumed that the production costs would be largely unaffected as employees would either be at work or on sick leave, while the strategy of moving crews around would ensure production carried on without undue disruption and therefore would not impact on costs such as consumables and electricity.

The calculated cash flows were then weighted based on management's expectation of each of the scenarios occurring. The resulting amounts were discounted using the specific discount rate for each operation in order to determine the recoverable amount.

The post-tax real discount rate for Hidden Valley was 9.02% (2019: 10.13%) (2018: 9.91%) and the post-tax real discount rates for the South African operations ranged between 9.62% and 11.53% (2019: 8.90% and 11.10%) (2018: 8.35% and 10.25%), depending on the asset, were used to determine the recoverable amounts. Cash flows used in the impairment calculations are based on life-of-mine plans which exceed five years for the majority of the mines. Cash flows from potential projects, life-of-mine extensions and residual ounces can also be included in the impairment assessment where deemed appropriate. An additional risk premium is added to the post-tax real discount rates in these instances.

Refer to note 6 for details of impairment testing performed and impairments recorded.

Should management’s estimate of the future not reflect actual events, further impairments may be identified.

Factors affecting the estimates include:
- Changes to proved and probable ore reserves;
- Economical recovery of resources;
- The grade of the ore reserves may vary significantly from time to time;
- Review of strategy;
- Unforeseen operational issues at the mines;
- Differences between actual commodity prices and commodity price assumptions;
- Changes in the discount rate and foreign exchange rates;
- Changes in capital, operating mining, processing and reclamation costs;
- Mines' ability to convert resources into reserves;
- Potential production stoppages for indefinite periods;
- The impact of the COVID-19 pandemic on the global economy, commodity prices and exchange rates, as well as the impact in the countries the group operates in, resulting in production curtailment; and
- Carbon tax.

13 PROPERTY, PLANT AND EQUIPMENT continued

MINING ASSETS continued

SENSITIVITY ANALYSIS - IMPAIRMENT OF ASSETS

One of the most significant assumptions that influence the life-of-mine plans and therefore the impairment assessment is the expected commodity prices. The sensitivity scenario of a 10% decrease or increase in the commodity price used in the discounted cash flow models and the resource values used (with all other variables held constant) would have resulted in the following impairment being recorded as at 30 June 2020 and 2019:

	SA Rand	
Figures in million	**2020**	2019
- 10% decrease		
Tshepong Operations	**3 352**	7 155
Target 1	**804**	1 278
Joel	**716**	984
Kusasalethu	**441**	1 962
Bambanani[1]	**94**	331
Other Freegold assets	**20**	—
Moab Khotsong[1]	**15**	2 758
Unisel	**6**	45
Doornkop	**—**	1 350
Hidden Valley	**—**	749
Target 3	**—**	337
Target North	**—**	291
Other surface operations	**—**	178
Masimong	**—**	105
Kalgold	**—**	39
+ 10% increase		
Target 3	**—**	300

[1] The carrying amounts of these CGUs include goodwill and any impairment losses are allocated first to goodwill and then to the identifiable assets.

At all other operations, a 10% increase in the gold price would have resulted in no impairments being recorded.

13 PROPERTY, PLANT AND EQUIPMENT continued

MINING ASSETS continued

The movement in the mining assets is as follows:

	SA Rand	
Figures in million	**2020**	2019
Cost		
Balance at beginning of year	**53 629**	49 741
Fully depreciated assets no longer in use derecognised	**—**	(302)
Additions[1]	**3 180**	4 113
Disposals	**(85)**	(16)
Scrapping of assets	**(268)**	(117)
Adjustment to rehabilitation asset	**(48)**	(439)
Transfers and other movements	**1 348**	801
Translation	**1 980**	(152)
Balance at end of year	**59 736**	53 629
Accumulated depreciation and impairments		
Balance at beginning of year	**33 080**	25 538
Fully depreciated assets no longer in use derecognised	**—**	(302)
Impairment of assets	**—**	3 880
Disposals	**(70)**	(16)
Scrapping of assets	**(206)**	(96)
Depreciation	**3 563**	4 184
Translation	**1 195**	(108)
Balance at end of year	**37 562**	33 080
Net carrying value	**22 174**	20 549

[1] Included in additions for 2020 is an amount of R97 million (2019: R173 million) for capitalised depreciation associated with stripping activities at the Hidden Valley operations.

Loss on scrapping of property, plant and equipment

Refer to note 7 for details.

Stripping activities

Included in the balance for mining assets is an amount of R84 million (2019: R48 million) relating to Kalgold and R598 million (2019: R1 160 million) relating to Hidden Valley. Depreciation of R17 million (2019: R13 million) and R668 million (2019: R89 million) was recorded for Kalgold and Hidden Valley respectively.

Transfer of assets

Transfer of assets mainly relates to assets under construction transferred to mining assets.

Hidden Valley
During the 2020 year an amount of R438 million (2019: R607 million) was transferred to mining assets at Hidden Valley. This related to ongoing mining development costs.

Joel
At 1 January 2020, management performed an assessment of Joel's Level 137 decline project to determine whether it had reached commercial levels of production. It was considered substantially complete and ready for its intended use as:
- Capital expenditure is 98% of project cost estimates;
- More than an insignificant amount of gold is being produced in a saleable form; and
- The level has the ability to sustain the ongoing production of gold.

The capitalisation of borrowing costs ceased and depreciation commenced as of 1 January 2020. An amount of R897 million was transferred to mining assets.

13 PROPERTY, PLANT AND EQUIPMENT continued

MINING ASSETS UNDER CONSTRUCTION

ACCOUNTING POLICY

At the group's surface mines, when it has been determined that a mineral property can be economically developed as a result of establishing proved and probable reserves, costs incurred to develop the property are capitalised as incurred until the mine is considered to have moved into the production phase. These costs include costs to further delineate the orebody and remove overburden to initially expose the orebody. At the group's underground mines, all costs incurred to develop the property, including costs to access specific ore blocks or other areas of the underground mine, are capitalised to the extent that such costs will provide future economic benefits. These costs include the cost of shaft sinking and access, the costs of building access ways, lateral development, drift development, ramps, box cuts and other infrastructure development. Revenue earned during the pre-production phase is credited to the asset.

Where a depreciable asset is used in the construction or extension of a mine, the depreciation is capitalised against the mine's cost.

Exploration properties acquired are recognised in the balance sheet within development cost and are shown at cost less provisions for impairment determined in accordance with the group's accounting policy on impairment of non-financial assets.

Mineral interests associated with development and exploration phase mineral interests are not amortised until such time as the underlying property is converted to the production stage.

Capitalisation of pre-production costs ceases when commercial levels of production are reached. Commercial levels of production are discussed under "production start date" above.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – EXPLORATION AND EVALUATION ASSETS

The recoverability of exploration and evaluation expenditure is assessed at the end of each reporting period. Significant judgement is required as to whether an area of activity is to be carried forward on the balance sheet, or written off through the identification of areas of activity which have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves, where there is no continuing significant activity plan in relation to the area.

The movement in the mining assets under construction is as follows:

	SA Rand	
Figures in million	**2020**	2019
Cost		
Balance at beginning of year	**2 964**	2 528
Additions	**687**	1 070
Depreciation capitalised[1]	**4**	50
Finance costs capitalised[2]	**54**	133
Transfers and other movements	**(1 334)**	(802)
Translation	**339**	(15)
Balance at end of year	**2 714**	2 964

[1] 2020 relates to Tshepong only. 2019 relates primarily to Hidden Valley.
[2] Refer to note 9 for further detail on the capitalisation rate applied.

Wafi-Golpu development

Capitalisation of certain project expenses on Wafi-Golpu was halted from 1 July 2019 following delays in the permitting of the project (see below). The ongoing expenses in the 2020 financial year were for holding purposes and did not result in future economic benefit. These have been included in exploration expenditure in the income statement and amounted to R123 million for the 2020 year.

13 PROPERTY, PLANT AND EQUIPMENT continued

MINING ASSETS UNDER CONSTRUCTION continued

Wafi-Golpu development continued

Following submission of the Special Mining Lease (SML) and Environment Impact Statement applications to the regulators in March 2018 and July 2018 respectively, the Wafi-Golpu joint operation entered into a memorandum of agreement with the Papua New Guinea government (the State) in December 2018, targeting an SML grant by June 2019. The milestones set for assessment of the applications and associated permitting work streams are not being achieved, and as a result the project permitting roadmap and timeline remain uncertain. Delays in discussions with the State are attributed to the judicial review of the memorandum of agreement initiated by the Governor of the Morobe Province in May 2019. This judicial review was concluded on 11 February 2020 with the National Court dismissing the case on the basis that the State's withdrawal from the memorandum of agreement rendered the matter nugatory. The stay order issued by the National Court in that connection was lifted. On 20 March 2020, the Morobe Governor appealed the dismissal of the action to the Papua New Guinea Supreme Court, and intends to seek reinstatement of the stay order.

Management is confident that the permitting process will continue, given the progress to date on the various agreements required for the permitting process and granting of a Special Mining Licence. Key permitting activities are continuing and are fully supported and resourced.

UNDEVELOPED PROPERTIES

ACCOUNTING POLICY

Undeveloped properties are initially recognised at cost, which is generally based on the fair value of resources obtained through acquisitions. The carrying values of these properties are tested annually for impairment. Once development commences, these properties are transferred to mining properties and accounted for in accordance with the related accounting policy.

The movement in the undeveloped properties is as follows:

	SA Rand	
Figures in million	**2020**	2019
Cost		
Balance at beginning of year	**5 437**	5 446
Translation	**62**	(9)
Balance at end of year	**5 499**	5 437
Accumulated depreciation and impairments		
Balance at beginning and end of year	**1 472**	1 472
Translation	**3**	—
Balance at end of year	**1 475**	1 472
Net carrying value	**4 024**	3 965

OTHER NON-MINING ASSETS

ACCOUNTING POLICY

Land is shown at cost and not depreciated. Other non-mining fixed assets are shown at cost less accumulated depreciation and accumulated impairment losses. Other non-mining fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:
- Vehicles at 20% per year.
- Computer equipment at 33.3% per year.
- Furniture and equipment at 16.67% per year.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

13 PROPERTY, PLANT AND EQUIPMENT continued

OTHER NON-MINING ASSETS continued

The movement in the non-mining assets is as follows:

Figures in million	SA Rand 2020	SA Rand 2019
Cost		
Balance at beginning of year	**658**	609
Fully depreciated assets no longer in use derecognised	**—**	(9)
Additions	**39**	59
Transfers and other movements	**—**	1
Translation	**6**	(2)
Balance at end of year	**703**	658

Figures in million	SA Rand 2020	SA Rand 2019
Accumulated depreciation and impairments		
Balance at beginning of year	**387**	345
Fully depreciated assets no longer in use derecognised	**—**	(9)
Depreciation	**38**	39
Impairment	**—**	12
Translation	**4**	—
Balance at end of year	**429**	387
Net carrying value	**274**	271

14 INTANGIBLE ASSETS

ACCOUNTING POLICY

Intangible assets consist of all identifiable non-monetary assets without physical substance. They are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The following are the main categories of intangible assets:

Goodwill

Goodwill is an intangible asset with an indefinite useful life which is not amortised but tested for impairment on an annual basis, or when there is an indication of impairment. The excess of consideration transferred over the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill on acquisition of subsidiaries, joint operations and businesses is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and tested for impairment as part of the overall balance.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. If the composition of one or more cash generating units to which goodwill has been allocated changes due to a re-organisation, the goodwill is re-allocated to the units affected.

The gain or loss on disposal of an entity includes the carrying amount of goodwill relating to the entity sold.

Technology-based assets

Acquired computer software licences that require further internal development are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These technology-based assets are classified as intangible assets with a finite useful life. These assets are amortised on a straight-line basis over their estimated useful lives, which are reviewed annually, as follows:
• Computer software at 20% per year.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS - IMPAIRMENT OF GOODWILL

Due to the wasting nature of mining assets and the finite life of a mine's reserves, the allocation of goodwill to a mine or cash generating unit will eventually result in an impairment charge for the goodwill. The group tests annually whether separately identifiable goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.5. These calculations use estimates as per note 13.

	SA Rand	
Figures in million	**2020**	2019
Goodwill	**520**	520
Technology-based assets	**16**	13
Total intangible assets	**536**	533

GOODWILL

The movement in goodwill is as follows:

	SA Rand	
Figures in million	**2020**	2019
Cost		
Balance at beginning and end of year	**2 675**	2 675
Accumulated amortisation and impairments		
Balance at beginning of year	**2 155**	2 149
Impairment[1]	**—**	6
Balance at end of year	**2 155**	2 155
Net carrying value	**520**	520
The net carrying value of goodwill has been allocated to the following cash generating units:		
Bambanani	**218**	218
Moab Khotsong	**302**	302
Net carrying value	**520**	520

[1] In 2020 no impairment on goodwill was recorded as the recoverable amounts exceeded the carrying values. In 2019 an impairment of R6 million on goodwill was recorded for Bambanani as the carrying values exceeded the recoverable values of the related cash generating units. Refer to note 6 for further details on the impairment assessment.

TECHNOLOGY-BASED ASSETS

The movement in technology-based assets is as follows:

	SA Rand	
Figures in million	**2020**	2019
Cost		
Balance at beginning of year	**39**	48
Fully depreciated assets no longer in use derecognised	**—**	(10)
Additions	**8**	1
Balance at end of year	**47**	39

14 INTANGIBLE ASSETS continued

TECHNOLOGY-BASED ASSETS continued

	SA Rand	
Figures in million	**2020**	2019
Accumulated amortisation and impairments		
Balance at beginning of year	**26**	29
Fully depreciated assets no longer in use derecognised	**—**	(10)
Amortisation charge	**5**	7
Balance at end of year	**31**	26
Net carrying value	**16**	13

ACCOUNTING POLICY - FINANCIAL ASSETS (APPLICABLE TO NOTES 15, 16, 17, 18 AND 19)

Financial assets are initially recognised when the group becomes a party to their contractual arrangements. On initial recognition, a financial asset is classified as measured at:
- Amortised cost;
- Fair value through other comprehensive income (FVTOCI); or
- Fair value through profit or loss (FVTPL).

A financial asset is classified as measured at amortised cost if it is held within the business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The group measures a financial asset initially at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed. The subsequent measurement of financial assets is discussed below.

Financial asset category	Description
Debt instruments at amortised cost	Financial assets at amortised cost consist of restricted cash, restricted investments, loans, trade receivables and cash and cash equivalents. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented in other operating expenses in the income statement.
Debt instruments at fair value through profit or loss	Equity-linked investments which are held to meet rehabilitation liabilities are classified as FVTPL. Debt instruments where the contractual cash flows fail to meet the solely payments of principal and interest (SPPI) criteria are also classified as FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within investment income in the period in which it arises. On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in profit or loss.
Equity instruments designated at fair value through OCI	The group's equity investments are designated as FVTOCI. The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments are recognised when the group’s right to receive payments is established either in profit or loss as other income or as a deduction against the asset if the dividend clearly represents a recovery of part of the cost of the investment. Residual values in OCI are reclassified to retained earnings on derecognition of the related FVTOCI instruments.

Impairment losses on financial assets at amortised cost are assessed using the forward-looking expected credit loss (ECL) approach. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). At each reporting date, the group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Trade receivable loss allowances are measured at an amount equal to lifetime ECLs. Loss allowances are deducted from the gross carrying amount of the assets.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

ACCOUNTING POLICY - FINANCIAL ASSETS (APPLICABLE TO NOTES 15, 16, 17, 18 AND 19) continued

Accounting policy applicable before 1 July 2018

Financial assets are initially measured at fair value when the group becomes a party to their contractual arrangements, with the exception of loans and receivables which are recognised on origination date. Transaction costs are included in the initial measurement of financial instruments, with the exception of financial instruments classified at fair value through profit or loss. The subsequent measurement of financial assets is discussed below.

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the group has transferred its rights to receive cash and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss recognised in equity is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The group classifies financial assets as follows:

- **Loans and receivables** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method. Loans and receivables include trade and other receivables (excluding VAT and prepayments), restricted cash and cash and cash equivalents.

    - **Cash and cash equivalents** are defined as cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents exclude restricted cash.
    - **Trade and other receivables** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of the trade receivable is expected in one year or less it is classified as current assets. If not, it is presented as non-current assets. A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment (allowance account) and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

- **Available-for-sale financial assets** are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are subsequently carried at fair value. The fair values of quoted investments are based on current bid prices. If the fair value for a financial instrument cannot be obtained from an active market, the group establishes fair value by using valuation techniques. The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

- **Held-to-maturity** investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. The group's held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. The group assesses at the end of each reporting period whether there is objective evidence that a held-to-maturity investment is impaired as a result of an event.

    A portion of restricted investments held by the trust funds (refer to note 16) are classified as held-to-maturity investments.

- **Financial assets at fair value through profit or loss** have two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. Derivative assets are categorised as held for trading unless designated as hedging instruments (refer to note 2.3). These assets are subsequently measured at fair value with gains or losses arising from changes in fair value recognised in the income statement in the period in which they arise.

15 RESTRICTED CASH

Figures in million	SA Rand 2020	2019
Non-current (a)	**107**	92
Current (b)	**62**	44
Total restricted cash	**169**	136

(a) The amount primarily relates to funds set aside to serve as collateral against guarantees made to the Department of Mineral Resources and Energy (DMRE) in South Africa for environmental and rehabilitation obligations. Refer to note 25. The funds are invested in short-term money market funds and call accounts.

(b) Cash of R22 million (2019: R20 million) relates to monies released from the environmental trusts as approved by the DMRE which may only be used for further rehabilitation. Cash of R32 million (2019: R24 million) relates to monies set aside for affected communities in the group's PNG operations. Cash of R8 million relates to monies held by Harmony Gold Community Trust.

16 RESTRICTED INVESTMENTS

Figures in million	SA Rand 2020	2019
Investments held by environmental trust funds	**3 513**	3 273
Investments held by the Social Trust Fund	**22**	28
Total restricted investments	**3 535**	3 301

ENVIRONMENTAL TRUST FUNDS

ACCOUNTING POLICY

Contributions are made to the group's environmental trust funds, created in accordance with statutory requirements, to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the group's mines. The trusts are consolidated into the group as the group exercises control of the trusts. The measurement of the investments held by the trust funds is dependent on their classification under financial assets. Income received and gains are treated in accordance with these classifications. The equity-linked notes are classified and measured at fair value through profit or loss whilst the interest-bearing short-term investments are classified and measured as debt instruments at amortised cost.

The environmental trust funds are irrevocable trusts under the group's control. Contributions to the trusts are invested in interest-bearing short-term and medium-term cash investments and medium term equity-linked notes issued by commercial banks that provide guaranteed interest and additional interest or growth linked to the growth of the Top 40 index of the JSE. These investments provide for the estimated cost of rehabilitation at the end of the life of the group's mines. Income earned on the investments is retained in the funds and reinvested.

The environmental trust funds consist of:

Figures in million	SA Rand 2020	2019
Fixed deposits	**2 632**	2 015
Cash and cash equivalents	**66**	30
Equity-linked deposits	**815**	1 228
Total environmental trust funds	**3 513**	3 273

16 RESTRICTED INVESTMENTS continued

ENVIRONMENTAL TRUST FUNDS continued

Reconciliation of the movement in the investments held by environmental trust funds:

	SA Rand	
Figures in million	**2020**	2019
Balance at beginning of year	**3 273**	3 238
Interest income	**163**	168
Fair value gain	**77**	48
Equity-linked deposits (matured)/acquired	**(490)**	300
(Maturity)/acquisition of fixed deposits	**456**	(481)
Net transfer of cash and cash equivalents	**34**	183
Withdrawal of funds for rehabilitation work performed	**—**	(183)
Balance at end of year	**3 513**	3 273

THE SOCIAL TRUST FUND

The Social Trust Fund is an irrevocable trust under the group's control. The purpose of the trust is to fund the social plan to reduce the negative effects of restructuring on the group's workforce, to put measures in place to ensure that the technical and life skills of the group's workforce are developed and to develop the group's workforce in such a manner as to avoid or minimise the effect of job losses and a decline in employment through turnaround or redeployment strategies.

The Social Trust Fund investment comprises a unit trust portfolio that is exposed to the fair value changes in the equity market and is classified as a fair value through profit or loss investment.

17 OTHER NON-CURRENT ASSETS

	SA Rand	
Figures in million	**2020**	2019
Debt instruments	**311**	274
Loans to associates (a)	**116**	116
Loan to ARM BBEE Trust (b)	**306**	271
Other loans	**5**	3
Loss allowance (a)	**(116)**	(116)
Equity instruments	**77**	59
Rand Mutual Assurance (c)	**69**	52
Other investments	**8**	7
Total other non-current assets	**388**	333

The movement in the loss allowance for debt instruments during the year is as follows:

	SA Rand	
Figures in million	**2020**	2019
Balance at beginning of year	**116**	119
Impact of adoption of IFRS 9 (b)	**—**	(3)
Balance at end of year	**116**	116

(a) A loan of R116 million (2019: R116 million) owed by Pamodzi Gold Limited (Pamodzi) who were placed into liquidation during 2009 was provided for in full. Harmony is a concurrent creditor in the Pamodzi Orkney liquidation.

17 OTHER NON-CURRENT ASSETS continued

(b) During 2016, Harmony advanced R200 million to the ARM BBEE Trust, a shareholder of African Rainbow Minerals Limited (ARM). The trust is controlled and consolidated by ARM, who holds 12.38% of Harmony's shares at 30 June 2020. Harmony is a trustee of the ARM BBEE Trust. The loan is subordinated and unsecured. The interest is market related (3 months JIBAR plus 4.25%) and is receivable on the maturity of the loan on 31 December 2022.

On adoption of IFRS 9 in 2019, it was assessed that the contractual cash flows fail the solely payments of principal and interest (SPPI) characteristics and that the loan will therefore be carried at fair value through profit or loss and the previously recognised provision was derecognised.The group determined that the contractual terms include exposure to risk and volatility that is inconsistent with a basic lending arrangement. In making this assessment the group considered contingent events that would change the amount and timing of cash flows and potential limits on the group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements).

At 30 June 2020 the loan has been remeasured to its fair value of R306 million (2019: R271 million) using a discounted cash flow model. The fair value adjustment is recorded in gains on financial instruments - refer to note 8.

(c) On adoption of IFRS 9 on 1 July 2018, an irrevocable election was made to classify the equity instruments previously classified as available-for-sale as at FVOCI. The new standard impacted the measurement of the group's unquoted equity investments as IFRS 9 eliminated the exemption provided under IAS 39 where unquoted equity investments were measured at cost when fair value could not be reliably measured. This change resulted in revaluing the unlisted investment in Rand Mutual Assurance, which had a cost of Rnil to fair value of R82 million in 2019. The difference between the carrying amounts of financial instruments before the adoption of IFRS 9 and the new carrying amount calculated in accordance with the standard at 1 July 2018 was recognised directly in the opening balance of equity. Refer to the statements of changes in equity.

The movement in the investment in Rand Mutual Assurance is as follows:

	SA Rand	
Figures in million	**2020**	2019
Balance at beginning of year	**52**	—
Fair value on adoption of IFRS 9	**—**	82
Capital dividend received	**(7)**	(30)
Fair value gain	**24**	—
Balance at end of year	**69**	52

On 6 December 2019, RMA declared a dividend that relates to the first tranche of the contingent consideration for the sale of shares in one of its subsidiaries.The dividend is seen as a recovery of capital as it reduced Harmony's effective share in the investment. The dividend relating to the second tranche of the contingent consideration is expected to be received during the 2021 financial year. The fair value gains are a result of the favourable financial position of the total investment. Please refer to note 37 on the fair value valuation technique.

18 DERIVATIVE FINANCIAL INSTRUMENTS

The group has the following derivative financial instruments:

Figures in million (SA Rand)	Rand gold hedging contracts (a)	US$ gold hedging contracts (b)	US$ silver contracts (b)	Foreign exchange contracts (c)	Rand gold derivative contracts (a)	Total
At 30 June 2020						
Derivative financial assets	**19**	**8**	**11**	**30**	**—**	**68**
Non-current	10	5	5	30	—	50
Current	9	3	6	—	—	18
Derivative financial liabilities	**(3 626)**	**(356)**	**(4)**	**(760)**	**(257)**	**(5 003)**
Non-current	(717)	(96)	(1)	(65)	—	(879)
Current	(2 909)	(260)	(3)	(695)	(257)	(4 124)
Net derivative financial instruments	**(3 607)**	**(348)**	**7**	**(730)**	**(257)**	**(4 935)**
Unamortised day one net loss included above	18	8	—	—	—	26
Unrealised losses included in other reserves, net of tax	3 053	342	—	—	—	3 395
Movements for the year ended 30 June 2020						
Realised losses included in revenue	(1 263)	(134)	—	—	—	(1 397)
Unrealised losses on gold contracts recognised in other comprehensive income	(4 820)	(391)	—	—	—	(5 211)
Gains/(losses) on derivatives	—	—	6	(1 235)	(174)	(1 403)
Unrealised losses reclassified to profit or loss as a result of discontinuance of hedge accounting	(235)	—	—	—	—	(235)
Day one loss amortisation	(34)	(6)	—	—	—	(40)
Total gains/(losses) on derivatives	**(269)**	**(6)**	**6**	**(1 235)**	**(174)**	**(1 678)**
Hedge effectiveness						
Changes in the fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	(4 820)	(391)	—	—	—	(5 211)
Changes in the fair value of the hedged item used as the basis for recognising hedge ineffectiveness	4 820	391	—	—	—	5 211

18 DERIVATIVE FINANCIAL INSTRUMENTS continued

Figures in million (SA Rand)	Rand gold hedging contracts (a)	US$ gold hedging contracts (b)	US$ silver contracts (b)	Foreign exchange contracts (c)	Rand gold derivative contracts (a)	Total
At 30 June 2019						
Derivative financial assets	45	5	—	456	—	506
Non-current	23	1	—	173	—	197
Current	22	4	—	283	—	309
Derivative financial liabilities	(322)	(55)	(2)	(2)	(61)	(442)
Non-current	(158)	(14)	—	—	—	(172)
Current	(164)	(41)	(2)	(2)	(61)	(270)
Net derivative financial instruments	(277)	(50)	(2)	454	(61)	64
Unamortised day one net loss included above	36	5	—	—	—	41
Unrealised losses included in other reserves, net of tax	165	49	—	—	—	214
Movements for the year ended 30 June 2019						
Realised gains included in revenue	453	—	—	—	—	453
Unrealised gain/loss on gold contracts recorded in other comprehensive income	(302)	(49)	—	—	—	(351)
Gains/(losses) on derivatives	—	—	13	554	(51)	516
Day one loss amortisation	(31)	(1)	—	—	—	(32)
Total gains/(losses) on derivatives	(31)	(1)	13	554	(51)	484
Hedge effectiveness						
Changes in the fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	(302)	(49)	—	—	—	(351)
Changes in the fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	302	49	—	—	—	351

Figures in million (SA Rand)	Rand gold hedging contracts (a)	US$ gold derivative contracts (b)	US$ silver contracts (b)	Foreign exchange contracts (c)	Rand gold derivative contracts (a)	Total
Movements for the year ended 30 June 2018						
Realised gains included in revenue	1 197	—	—	—	—	1 197
Unrealised gains on gold contracts recognised in other comprehensive income	413	—	—	—	—	413
Gains/(losses) on derivatives	(12)	29	6	113	—	136
Day one loss amortisation	(37)	—	—	—	—	(37)
Total gains/(losses) on derivatives	(49)	29	6	113	—	99

18 DERIVATIVE FINANCIAL INSTRUMENTS continued

Hedge accounting
Harmony has entered into gold forward sale derivative contracts to hedge the risk of lower gold prices. Cash flow hedge accounting is applied to the majority of these contracts, resulting in the effective portion of the unrealised gains and losses being recorded in other comprehensive income (other reserves - refer to note 24). Refer to note 37 for a summary of the risk management strategy applied and the balances relating to designated hedging instruments as at reporting date.

Hedge effectiveness is determined at the inception of the hedge relationship and through periodic prospective effectiveness assessments. The group enters into gold forward contracts that have similar terms as the hedged item, such as notional amount, maturity date and reference gold spot price thereby ensuring that an economic relationship exists between the hedging instrument and the hedged item and resulting in a hedge ratio of 1:1. Potential sources of hedge ineffectiveness include counterparty and own credit risk, day one gains and losses, a mismatch in the timing of the derivative and underlying gold sale maturities, location differential and the refining margin. Hedge ineffectiveness is measured by comparing the change in the expected cash flows from a forward sale contract versus the sale of an equivalent quantity of gold in the open market. Ineffectiveness results when the changes in the fair values in the hedging instruments exceed the fair value changes in the hedged item. A negligible amount of hedge ineffectiveness was experienced in the years presented.

The gains and losses from derivative contracts to which hedge accounting is not applied is included in gains/(losses) on derivatives in profit or loss.

(a) **Rand gold contracts**

Discontinuance of hedge accounting

As a result of the original 21-day lockdown announced in South Africa, effective 27 March 2020, aimed to slow the spread of COVID-19, Harmony placed all deep-level underground mines in South Africa on care and maintenance. As a result, a significant volume of the underlying exposure that was originally intended to be hedged was delayed.

A total of 63 400 ounces of gold forwards were originally set to mature in the months of April and May 2020. After assessing forecasts of gold production at 1 April 2020, the hedged items, being the sales of gold, relating to 30 500 ounces of gold forwards were assessed to no longer be probable. The hedged items relating to the remaining balance of gold forwards were still considered to be highly probable.

Due to the fact that the occurrence of the forecast transactions/hedged items were no longer considered probable, there was no longer an effective hedging relationship and therefore hedge accounting for these hedges was discontinued. Unrealised losses relating to the hedges amounting to R48 million and R187 million of restructured contracts discussed below, previously recognised in other comprehensive income, were immediately reclassified to profit or loss as gains/losses on derivatives.

Restructuring of contracts

In response to the gold forwards' hedged items no longer being probable and in order to better match the cash flows relating to the underlying exposure, certain of the Rand gold forwards with maturities between 15 April 2020 and 31 May 2020 were effectively extended to mature between the periods July 2020 and March 2021.

The restructured gold forwards retained the pricing of the original forwards. They were not designated as hedging instruments as the difference in the costing structure would have required a different effectiveness assessment than currently used by management. Unrealised losses relating to the hedges amounting to R187 million, previously recognised in other comprehensive income, were immediately reclassified to profit or loss as gains/losses on derivatives. All future gains and losses on the restructured hedges will be recognised in profit or loss. Subsequently, losses of R70 million have been recognised in profit or loss.

(b) **US$ commodity contracts**

Harmony maintains a derivative programme for Hidden Valley by entering into commodity derivative contracts. The contracts comprise US$ gold forward sale contracts as well as silver zero cost collars which establish a minimum (floor) and maximum (cap) silver sales price. Hedge accounting is applied to all US$ gold forward sale contracts entered into from 1 January 2019 and these are shown separately from the silver zero cost collars that are not hedge accounted.

(c) **Foreign exchange contracts**

Harmony maintains a foreign exchange derivative programme in the form of zero cost collars, which sets a floor and cap Rand/US$ exchange rate at which to convert US dollars to Rands, and foreign exchange forward contracts. Hedge accounting is not applied to these contracts.

18 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following table shows the open position at the reporting date:

	FY2021				FY2022				TOTAL
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Foreign exchange contracts									
Zero cost collars									
US$m	**116**	**115**	**99**	**65**	**47**	**42**	**27**	**—**	**511**
Average Floor	**15.36**	**15.40**	**15.44**	**15.91**	**16.32**	**16.93**	**17.99**	**—**	**15.81**
Average Cap	**16.45**	**16.58**	**16.62**	**17.28**	**17.90**	**18.54**	**19.65**	**—**	**17.09**
Forward contracts									
US$m	**66**	**44**	**35**	**12**	**9**	**9**	**8**	**—**	**183**
Average Forward rate	**15.83**	**15.82**	**16.13**	**16.93**	**18.18**	**18.41**	**18.71**	**—**	**16.38**
R/gold									
'000 oz - restructured	**8**	**8**	**8**	**—**	**—**	**—**	**—**	**—**	**24**
'000 oz - cash flow hedge	**80**	**78**	**77**	**71**	**61**	**44**	**25**	**10**	**446**
Average R'000/kg	**673**	**679**	**691**	**737**	**806**	**851**	**950**	**1037**	**743**
US$/gold									
'000 oz - cash flow hedge	**12**	**12**	**12**	**12**	**12**	**12**	**10**	**5**	**87**
Average US$/oz	**1 413**	**1 442**	**1 489**	**1 521**	**1 561**	**1 606**	**1 710**	**1 760**	**1 543**
Total gold									
'000 oz	**100**	**98**	**97**	**83**	**73**	**56**	**35**	**15**	**557**
US$/silver									
'000 oz	**360**	**340**	**300**	**270**	**230**	**90**	**10**	**—**	**1 600**
Average Floor	**17.47**	**17.87**	**18.01**	**18.17**	**18.21**	**17.86**	**18.40**	**—**	**17.91**
Average Cap	**18.92**	**19.37**	**19.50**	**19.70**	**19.75**	**19.44**	**20.15**	**—**	**19.41**

Refer to note 37 for the details on the fair value measurements.

19 TRADE AND OTHER RECEIVABLES

SA Rand

Figures in million	2020	2019
Financial assets		
Trade receivables (metals)	**623**	448
Other trade receivables	**215**	230
Loss allowance	**(135)**	(68)
Trade receivables - net	**703**	610
Interest and other receivables	**88**	7
Employee receivables	**13**	10
Non-financial assets		
Prepayments	**79**	67
Value added tax and general sales tax	**425**	281
Income and mining taxes	**—**	89
Total trade and other receivables	**1 308**	1 064

The movement in the loss allowance for trade and other receivables during the year was as follows (refer to note 37 for details):

SA Rand

Figures in million	2020	2019
Balance at beginning of year	**68**	60
Increase in loss allowance recognised during the year	**104**	47
Reversal of loss allowance during the year	**(37)**	(39)
Balance at end of year	**135**	68

The loss allowance for 2020 includes R53 million relating to a mining company who is in financial difficulties due to the impact of the South African national lockdown as a result of the COVID-19 pandemic. The remaining movement relates to various other individually immaterial debtors.

The loss allowance for trade and other receivables stratified according to the ageing profile at the reporting date is as follows:

SA Rand

Figures in million	Gross	Loss allowance
30 June 2020		
Not past due[1]	**702**	**31**
Past due by 1 to 30 days	**9**	**3**
Past due by 31 to 60 days	**5**	**3**
Past due by 61 to 90 days	**21**	**8**
Past due by more than 90 days	**51**	**45**
Past due by more than 361 days	**50**	**45**
	838	**135**
30 June 2019		
Not past due[1]	562	—
Past due by 1 to 30 days	3	—
Past due by 31 to 60 days	30	—
Past due by 61 to 90 days	9	—
Past due by more than 90 days	12	11
Past due by more than 361 days	62	57
	678	68

[1] The gross amount includes the full trade receivables (metals) balance, which has no attributable loss allowance.

19 TRADE AND OTHER RECEIVABLES continued

During 2019 and 2020 there was no renegotiation of the terms of any of the receivables. As at 30 June 2020 and 30 June 2019, there was no collateral pledged or held for any of the receivables.

20 INVESTMENTS IN ASSOCIATES

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The investments in associates are evaluated for impairment by comparing the entire carrying value of the investment (including loans to associates and preference shares) to the recoverable amount, which is the higher of value in use or fair value less costs to sell. Discounted cash flow models are used to calculate the net present value of the investments. The cash flows in the models include expected interest and capital payments on loans, dividends, redemption amounts and proceeds on disposal.

(a) Harmony acquired a 32.4% interest in Pamodzi on 27 February 2008, initially valued at R345 million. Pamodzi was listed on the JSE and had interests in operating gold mines in South Africa. Pamodzi was placed in liquidation in March 2009. As at 30 June 2020, the liquidation process has not been concluded. Refer to note 17(a) for details of the loan and provision of impairment of the loan.

(b) Rand Refinery provides precious metal smelting and refining services in South Africa. Harmony holds a 10.38% share in Rand Refinery. This investment is a strategic investment for the group as Rand Refinery is the only company that provides such services in South Africa. Although the group holds less than 20% of the equity shares of Rand Refinery, the group is able to exercise significant influence by virtue of having a right to appoint a director on the board. Through the 10.38% shareholding and the right to appoint a director on the board, the investment has been accounted for as an associate.

In December 2014, Rand Refinery drew down on a shareholder's loan of which Harmony's portion thereof was R120 million. Following an amended loan agreement signed in June 2017, the loan was converted into cumulative redeemable preference shares of no par value. During 2020, Rand Refinery redeemed preference shares to the value of R58 million (2019: R32 million).

Rand Refinery has a 31 August financial year-end.

The movement in the investments in associates during the year is as follows:

	SA Rand	
Figures in million	**2020**	2019
Balance at beginning of year	**110**	84
Redemption of preference shares	**(58)**	(32)
Share of profit in associate	**94**	59
Balance at end of year	**146**	110

21 INVESTMENT IN JOINT OPERATIONS

The group has a 50% interest in certain mining and exploration assets located in the Morobe province, PNG. Newcrest Mining Limited owns the remaining 50% interest in these assets. The asset in the joint arrangement is the Wafi-Golpu project. The joint arrangement is accounted for as a joint operation.

Under the conditions of the Wafi-Golpu exploration tenements, the State has reserved the right prior to the commencement of mining to take up an equity interest of up to 30% of any mineral discovery within the Wafi-Golpu tenements. The right is exercisable by the State once at any time prior to the commencement of mining. If the State exercises this right, the exercise price is a pro-rata share of the accumulated exploration expenditure. Once the right is exercised, the State is responsible for its proportionate share of ongoing exploration and project development costs. During February 2012, the State indicated its intention to exercise its option. As at 30 June 2020, this option has not been exercised.

The carrying amount of the project amounts to R3.0 billion at 30 June 2020.

22 INVENTORIES

ACCOUNTING POLICY

Inventories, which include bullion on hand, gold-in-process, gold in lock-up, ore stockpiles and consumables, are measured at the lower of cost and net realisable value. Net realisable value is assessed at each reporting date and is determined with reference to relevant market prices.

The cost of bullion, gold-in process and gold in lock-up is determined by reference to production cost, including amortisation and depreciation at the relevant stage of production. Ore stockpiles are valued at average production cost. Stockpiles and gold in lock-up are classified as non-current assets where the stockpile's volume exceeds current processing capacity and where a portion of static gold in lock-up is expected to be recovered more than 12 months after balance sheet date.

Gold in-process inventories represent materials that are currently in the process of being converted to a saleable product. In-process material is measured based on assays of the material fed to process and the projected recoveries at the respective plants. In-process inventories are valued at the average cost of the material fed to process attributable to the source material coming from the mine or stockpile plus the in-process conversion costs, including the applicable depreciation relating to the process facility, incurred to that point in the process. Gold in-process includes gold in lock-up which is generally measured from the plants onwards. Gold in lock-up is expected to be extracted when plants are demolished at the end of their useful lives, which is largely dependent on the estimated useful life of the operations feeding the plants.

At the group's open pit operations, gold in-process represents production in broken ore form.

Consumables are valued at weighted average cost value after appropriate allowances for slow moving and redundant items.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgement is applied in estimating the provision for stock obsolescence. The provision is recognised on items not considered critical as a percentage of the value of the inventory depending on the period elapsed since the inventory was purchased or issued. Inventory held for longer than five years is written down to zero unless there is sufficient evidence of a recoverable amount.

	SA Rand	
Figures in million	**2020**	2019
Gold in lock-up	**47**	43
Gold in-process, ore stockpiles and bullion on hand (a)	**936**	780
Consumables at weighted average cost (net of provision) (b)	**1 485**	1 187
Total inventories	**2 468**	2 010
Non-current portion of gold in lock-up and gold in-process	**(47)**	(43)
Total current portion of inventories	**2 421**	1 967
Included in the balance above is:		
Inventory valued at net realisable value	**47**	334

(a) The run-of-mine (ROM) stock at the Hidden Valley operations increased R294 million year on year following the commencement of the stage 6 cut-back. The increase includes approximately R72 million which is attributable to translation. This was offset by gold in-process which decreased R169 million year on year due to the lower production during the last quarter of the 2020 financial year as well as the plants being cleaned out during the South African COVID-19 national lockdown.

(b) The consumables' balance increased R298 million year on year, primarily as a result of the impact of the weakening of the Rand against the Australian dollar from R9.91/A$1 at 30 June 2019 to R11.96/A$1 at 30 June 2020 and the resultant movement when translating the balance for the Hidden Valley operations at year-end.

During the year, an increase of R51 million (2019: R1 million decrease) to the provision for slow-moving and redundant stock was made. The total provision at 30 June 2020 was R331 million (2019: R281 million).

23 SHARE CAPITAL

ACCOUNTING POLICY

Ordinary shares are classified as equity, incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The cost of treasury shares is eliminated against the share capital balance.

AUTHORISED

1 200 000 000 (2019: 1 200 000 000) ordinary shares with no par value.
4 400 000 (2019: 4 400 000) convertible preference shares with no par value.

ISSUED

603 142 706 (2019: 539 841 195) ordinary shares with no par value. All issued shares are fully paid.
4 400 000 (2019: 4 400 000) convertible preference shares with no par value.

SHARE ISSUES

Share placing
During June 2020, Harmony conducted a placement of ordinary shares with existing and new institutional investors. A total of 60 278 260 new ordinary shares were placed at a price of R57.50 per share, raising gross proceeds of approximately R3.466 billion. The Placing Shares issued represent, in aggregate, approximately 11.1% of the group's issued ordinary share capital before the Placing. The Placing Price represents a discount of 5.4% to the closing share price on 24 June 2020 and a 3.5% discount to the 30-day volume-weighted average price (VWAP). The Placing Shares rank *pari passu* in all respects with the existing Harmony ordinary shares, including the right to receive all dividends and other distributions declared, made or paid after the date of issue thereof. The proceeds of the Placing will be used by Harmony to discharge the US$200 million cash consideration to acquire AGA's remaining South African assets (refer to note 12). The share issue costs amounted to R80 million.

Accelerated bookbuild
During June 2018, Harmony conducted a placement of 55 055 050 new ordinary shares to qualifying investors through an accelerated bookbuild. ARM subscribed for an additional 11 032 623 shares at R19.12 a share, totalling R211 million, in July 2018. The issue resulted in ARM maintaining its shareholding of 14.29% post the placement of shares. In total, gross proceeds of R1.26 billion were raised to fund part of the outstanding bridge loan raised for the acquisition of the Moab Khotsong operations.

Share issues relating to employee share options
An additional 3 023 251 (2019: 21 856 821) shares were issued to settle the exercise of share options by employees relating to Harmony's management share option schemes. During the 2019 financial year, Harmony implemented a new employee share option scheme referred to as the Sisonke Employee Share Ownership Plan. An amount of 6 700 000 shares were issued to the Harmony ESOP Trust as part of the new scheme. Note 34 sets out the details in respect of the share option schemes.

Convertible preference shares
On 20 February 2019, Harmony issued 4 400 000 convertible preference shares to the Harmony Gold Community Trust. The convertible preference shares carry a minimum annual preference dividend of R2 per share and are convertible into ordinary shares on a 1:1 basis after the tenth anniversary of the date on which the shares were issued. The conversion is at the election of Harmony.

23 SHARE CAPITAL continued

TREASURY SHARES

Included in the total of issued shares are the following treasury shares:

	Number of shares	
	2020	2019
Ordinary shares		
Lydenburg Exploration Limited[1]	**335**	335
Kalgold Share Trust[2]	**47 046**	47 046
Harmony ESOP Trust[2]	**6 335 629**	6 592 900
Convertible preference shares		
Harmony Gold Community Trust[3]	**4 400 000**	4 400 000

[1] A wholly-owned subsidiary.
[2] Trust controlled by the group.
[3] The issue of the convertible preference shares did not impact the group's consolidated financial statements as the Harmony Gold Community Trust is controlled by the group.

24 OTHER RESERVES

	SA Rand	
Figures in million	**2020**	2019
Foreign exchange translation reserve (a)	**3 588**	2 389
Hedge reserve (b)	**(3 395)**	(214)
Share-based payments (c)	**2 950**	2 764
Post-retirement benefit actuarial gain/(loss) (d)	**(4)**	(19)
Acquisition of non-controlling interest in subsidiary (e)	**(381)**	(381)
Equity component of convertible bond (f)	**277**	277
Repurchase of equity interest (g)	**(98)**	(98)
Equity instruments designated at fair value through other comprehensive income (h)	**104**	79
Other	**(24)**	(24)
Total other reserves	**3 017**	4 773

(a) The balance of the foreign exchange translation reserve movement represents the cumulative translation effect of the group's off-shore operations.

(b) Harmony has entered into gold hedging contracts. Cash flow hedge accounting is applied to these contracts, resulting in the effective portion of the unrealised gains and losses being recorded in other comprehensive income (other reserves). Refer to note 18 for further information.

24 OTHER RESERVES continued

(b) Hedge reserve continued

The reconciliation of the hedge reserve is as follows:

	SA Rand	
Figures in million	**2020**	2019
Balance at beginning of year	**(214)**	413
Remeasurement of gold hedging contracts	**(3 197)**	(627)
Unrealised gain/(loss) on gold hedging contracts	**(5 211)**	(351)
Unrealised losses reclassified to profit or loss as a result of discontinuance of hedge accounting	**235**	—
Released to revenue on maturity of the gold hedging contracts	**1 397**	(453)
Foreign exchange translation	**(37)**	—
Deferred taxation thereon	**419**	177
Attributable to non-controlling interest	**16**	—
Balance at end of year	**(3 395)**	(214)
Attributable to:		
Rand gold hedging contracts	**(3 053)**	(165)
US dollar gold hedging contracts	**(342)**	(49)

(c) The reconciliation of the movement in the share-based payments is as follows:

	SA Rand	
Figures in million	**2020**	2019
Balance at beginning of year	**2 764**	2 534
Share-based payments expensed (i)	**186**	230
Balance at end of year	**2 950**	2 764

(i) The group issues equity-settled instruments to certain qualifying employees under an employee share option scheme and employee share ownership plan (ESOP) to award shares from the company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instruments at the grant date and are expensed over the vesting period, based on the group's estimate of the shares that are expected to vest. Refer to note 34 for more details.

(d) The actuarial gains or losses related to the post-retirement benefit obligation will not be reclassified to the income statement. The movement is as follows:

	SA Rand	
Figures in million	**2020**	2019
Balance at beginning of year	**(19)**	(12)
Actuarial gain/(loss)	**17**	(7)
Deferred tax	**(2)**	—
Balance at end of year	**(4)**	(19)

(e) On 15 March 2004, Harmony announced that it had made an off-market cash offer to acquire all the ordinary shares, listed and unlisted options of Abelle Limited, held by non-controlling interests. The excess of the purchase price of R579 million over the carrying amount of non-controlling interest acquired, amounting to R381 million, has been accounted for under other reserves.

(f) On 24 May 2004, the group issued a convertible bond. The amount representing the value of the equity conversion component is included in other reserves, net of deferred income taxes. The equity conversion component is determined on the issue of the bonds and is not changed in subsequent periods. The convertible bonds were repaid in 2009.

24 OTHER RESERVES continued

(g) On 19 March 2010, Harmony Gold Mining Company Limited concluded an agreement with African Vanguard Resources (Proprietary) Limited (AVRD), for the purchase of its 26% share of the mining titles of the Doornkop South Reef. The original sale of the 26% share in the mining titles was accounted for as an in-substance call option by AVRD over the 26% mineral right. The agreement to purchase AVRD's 26% interest during the 2010 financial year was therefore considered to be a repurchase of the option (equity interest). The 26% interest was transferred from AVRD to Harmony in exchange for Harmony repaying the AVRD Nedbank loan and the issue of 2 162 359 Harmony shares. The difference between the value of the shares issued of R152 million, the liability to the AVRD and transaction costs, have been taken directly to equity.

(h) Includes R106 million (2019: R82 million) related to the fair value movement of Harmony's interest in Rand Mutual Assurance. Refer to note 17.

ACCOUNTING POLICY - PROVISIONS (APPLICABLE TO NOTES 25, 26, 27 AND 29)

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the net present value of the best estimate of the expenditure required to settle the present obligation at balance sheet date using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The estimate takes into account the associated risks and uncertainties. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed.

25 PROVISION FOR ENVIRONMENTAL REHABILITATION

ACCOUNTING POLICY

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on the group’s environmental management plans in compliance with current technological, environmental and regulatory requirements.

Based on disturbances to date, the net present value of expected rehabilitation cost estimates is recognised and provided for in full in the financial statements. The estimates are reviewed annually and are discounted using a pre-tax risk-free rate that is adjusted to reflect the current market assessments of the time value of money and the risks specific to the obligation.

Annual changes in the provision consist of finance costs relating to the change in the present value of the provision and inflationary increases in the provision estimate, as well as changes in estimates. The present value of environmental disturbances created are capitalised to mining assets against an increase in the rehabilitation provision. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, impairment is performed in accordance with the accounting policy dealing with impairments of non-financial assets (refer to note 2.5). Rehabilitation projects undertaken included in the estimates are charged to the provision as incurred. The cost of ongoing current programmes to prevent and control pollution is charged against income as incurred. Over time, the liability is increased to reflect an interest element, and the capitalised cost is depreciated over the life of the related asset.

25 PROVISION FOR ENVIRONMENTAL REHABILITATION continued

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant judgement is applied in estimating the ultimate rehabilitation cost that will be required in future to rehabilitate the group's mines, related surface infrastructure and tailings dams. Ultimate cost may significantly differ from current estimates. The following rates were used in the calculation of the provision:

	2020 %	2019 %	2018 %
South African operations			
Inflation rate			
- short term (Year 1 and Year 2)	**4.50**	5.25	5.50
- long term (Year 3 onwards)	**5.00**	5.25	5.50
Discount rates			
- 12 months	**3.90**	6.50	6.70
- one to five years	**5.55**	6.85	7.00
- six to nine years	**8.20**	8.50	8.20
- ten years or more	**10.95**	9.60	8.60
PNG operations:			
Inflation rate	**6.28**	5.00	6.00
Discount rate	**5.50**	6.25	6.25

The group's mining and exploration activities are subject to extensive environmental laws and regulations. The group has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements.

The following is a reconciliation of the total provision for environmental rehabilitation:

	SA Rand	
Figures in million	**2020**	2019
Balance at beginning of year	**3 054**	3 309
Change in estimate - Balance sheet[1]	**(48)**	(439)
Change in estimate - Income statement	**47**	33
Utilisation of provision	**(47)**	(86)
Time value of money and inflation component of rehabilitation costs	**194**	208
Transfer	**—**	37
Translation	**208**	(8)
Balance at end of year	**3 408**	3 054

[1] In 2019 the biggest contributor was Moab Khotsong where a decrease of R240 million was recognised while movement in 2020 is minimal.

The environmental provision for PNG amounts to R1 267 million (2019: R994 million) and is unfunded due to regulations in the operating country.

25 PROVISION FOR ENVIRONMENTAL REHABILITATION continued

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the group has estimated that, based on current environmental and regulatory requirements, the total undiscounted cost for the operations, in the current monetary terms, is as follows:

	SA Rand	
Figures in million	**2020**	2019
Future net undiscounted obligation		
Ultimate estimated rehabilitation cost	**4 600**	4 139
Amounts invested in environmental trust funds (refer to note 16)	**(3 513)**	(3 273)
Total future net undiscounted obligation	**1 087**	866

The group's mines are required to comply with the National Environmental Act's (NEMA) financial provision requirements, and are required to substantively review and align their financial provision in accordance with these regulations during the relevant transitional period, which was to expire in February 2020, but has now been extended to 19 June 2021.

The group intends to finance the ultimate rehabilitation costs from the money invested in environmental trust funds as well as the proceeds on sale of assets and gold from plant clean-up at the time of mine closure. The group has guarantees in place, some cash-backed, relating to some of the environmental liabilities. Refer to notes 15 and 36.

26 PROVISION FOR SILICOSIS SETTLEMENT

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant judgement is applied in estimating the cost that will be required in future to settle any claims against certain of the group's mines. The ultimate cost may differ from current estimates.

The provision amount was based on estimates of number of potential claimants, levels of disease progression and take-up rates. These estimates were informed by historic information, published academic research and professional opinion. The key assumptions that were made in the determination of the provision amount include:
- Silicosis prevalence rates;
- Estimated settlement per claimant;
- Benefit take-up rates;
- Disease progression rates; and
- Timing of cash flows.

A discount rate of 7.6% (2019: 8.5%) (2018: 8.5%) was used, based on South African government bonds with similar terms to the obligation.

There is uncertainty with regards to the rate at which potential claims would be reported as well as the benefit take-up rates. Refer to sensitivity analysis on the key assumptions below.

Consolidated class action

Harmony and certain of its subsidiaries (Harmony group), together with other mining companies, were named in a class action suit for silicosis and tuberculosis which was certified by the Johannesburg High Court in May 2016. On 26 July 2019, the Johannesburg High Court approved the R5.2 billion settlement of the silicosis and tuberculosis class action suit between the Occupational Lung Disease Gold Working Group (the Working Group) – representing Gold Fields, African Rainbow Minerals, Anglo American SA, AngloGold Ashanti, Harmony and Sibanye Stillwater – and lawyers representing affected mineworkers (settlement agreement). The mandatory three-month period, during which potential beneficiaries could opt out of the settlement agreement and the audit thereof was completed in December 2019. The Tshiamiso Trust will oversee the tracking and tracing of class members, process all submitted claims, including the undertaking of benefit medical examinations, and pay benefits to eligible claimants. A jointly controlled Special Purpose Vehicle has been set-up to act as an agent for the Working Group in relation to certain matters set out in the settlement agreement and trust deed.

The Working Group has paid the legal costs of the claimants' attorneys and other initial amounts as set out in the settlement agreement. On 31 January 2020, the Working Group commenced the payment of their quarterly administration and benefit contributions to the Tshiamiso Trust to enable the trustees to settle benefits of eligible claimants.

Harmony has provided for the estimated cost of the settlement based on actuarial assessments. A portion of the provision has been transferred to current liabilities.The nominal amount for Harmony group is R1.14 billion.

26 PROVISION FOR SILICOSIS SETTLEMENT continued

The following is a reconciliation of the total provision for the silicosis settlement:

Figures in million	SA Rand 2020	2019
Balance at beginning of year	**942**	925
Change in estimate	**36**	(62)
Time value of money and inflation component	**69**	79
Payments to Tshiamso Trust and claimant attorneys	**(155)**	—
Balance at end of year	**892**	942
Current portion of silicosis settlement provision	**175**	—
Non-current portion of silicosis settlement provision	**717**	942

Sensitivity analysis

The impact of a reasonable change in certain key assumptions would increase or decrease the provision amount by the following amounts:

Figures in million	SA Rand 2020	2019
Effect of an increase in the assumption:		
Change in benefit take-up rate[1]	**72**	66
Change in silicosis prevalence[2]	**72**	66
Change in disease progression rates[3]	**36**	33
Effect of a decrease in the assumption:		
Change in benefit take-up rate[1]	**(72)**	(66)
Change in silicosis prevalence[2]	**(72)**	(66)
Change in disease progression rates[3]	**(36)**	(33)

[1] Change in benefit take-up rate: the take-up rate does not affect the legal cost allocation, but a 10% change results in a proportionate change in the other values.

[2] Change in the silicosis prevalence: the assumptions that will result in a change in the estimated number of cases are either a 10% change in the assumed labour number or a 10% change in the disease risk.

[3] Change in disease progression rates: a 10% shorter/longer disease progression period was used. This assumption is not applicable to the dependant or TB classes.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. A change in the settlement claim amount would result in a change in the provision amount on a Rand for Rand basis.

The ultimate outcome of this matter remains uncertain, with the number of eligible potential claimants successfully submitting claims and receiving compensation being uncertain. The provision recorded in the financial statements is consequently subject to adjustment or reversal in the future.

27 RETIREMENT BENEFIT OBLIGATION

ACCOUNTING POLICY

The group provides medical cover to current employees and certain retirees through certain funds. The medical accounting costs for the defined benefit plan are assessed using the projected unit credit method. The health care obligation is measured at the present value of the estimated future cash outflows using government bond interest rates consistent with the terms and risks of the obligation. Actuarial gains and losses as a result of these valuations are recognised in other comprehensive income (OCI) at revaluation date. Actuarial gains and losses recognised in OCI will not be recycled to profit or loss. The future liability for current and retired employees and their dependants is accrued in full based on actuarial valuations obtained annually.

27 RETIREMENT BENEFIT OBLIGATION continued

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

An updated actuarial valuation is carried out at the end of each financial year. Assumptions used to determine the liability include a discount rate of 11.2%, no increases in employer subsidies (in terms of the agreement), mortality rates according to the SA 1956/62 mortality table (SA “”a mf”” tables) (retirement age of 60) and a medical inflation rate of 8.5% (2019: discount rate of 9.7%, retirement age of 60 and 7.8% inflation rate) (2018: discount rate of 9.8%, retirement age of 60 and 7.9% inflation rate).

Management determined the discount rate by assessing South African government bonds with similar terms to the liability. The changes to the discount rate and medical inflation rate are similar to changes in interest and inflation rates in South Africa.

(a) Pension and provident funds

The group contributes to several pension and provident funds governed by the Pension Funds Act, 1956 for the employees of its South African subsidiaries. The pension funds are multi-employer defined contribution industry plans. The group’s liability is therefore limited to its monthly determined contributions. The provident funds are funded on a “monetary accumulative basis” with the member’s and employer’s contributions having been fixed in the constitution of the funds.

The Australian group companies make contributions to each employee’s superannuation (pension) funds in accordance with the Superannuation Guarantee Scheme (SGS). The SGS is a Federal Government initiative enforced by law which compels employers to make regular payments to regulated funds providing for each employee on their retirement. The SGS were set at a minimum of 9.5% of gross salary and wages for the 2020 year (2019: 9.5%). The fund is a defined contribution plan.

The PNG Superannuation Act 2002 requires a compulsory employer contribution of 8.4% (2019: 8.4%) into an approved superannuation (pension) fund if an employee is appointed for a period of three months or more. The approved superannuation funds are defined contribution plans.

Substantially all the group’s employees are covered by the above mentioned retirement benefit plans. Funds contributed by the group for the 2020 financial year amounted to R842 million (2019: R766 million).

(b) Post-retirement benefits other than pensions

Harmony inherited a post-retirement medical benefit obligation, which existed at the time of the Freegold acquisition in 2002. The group also inherited various post-retirement medical benefit obligations with the acquisition of the Moab Khotsong operations in 2018. Given the insignificant values attributed to the Moab Khotsong obligations, the details have not been included in the discussion below. Except for the abovementioned employees, Harmony has no other post-retirement benefit obligation for the other group employees.

The group’s obligation is to pay a subsidy of 2% for every completed year of employment up to a maximum of 50% of total medical aid contributions, commencing on date of retirement. Should the employee die, either in service or after retirement, this benefit will transfer to his/her dependants. The medical aid tariffs are based on the Bestmed medical scheme (Bestmed) options.

The principal actuarial assumptions used to determine the present value of unfunded obligations are discussed above. In addition the following was also considered:

- It is assumed that all Continuation and Widow Members (CAWMs) will remain on the current benefit option and income band. For employed members, post-employment contributions were assumed to be equal to the average payable for the current CAWMs membership;
- It is assumed that not all employed members will remain employed until retirement therefore estimated resignation and ill-health retirement rates are also taken into account;
- It is assumed that 90% of employed members will be married at retirement or earlier death and that wives are four years younger than their husbands.

Through the post-employment medical plan, the group is exposed to a number of risks, the most significant of which are discussed below:

- Change in bond yields: A decrease in the bond yields will increase the plan liability.
- Inflation risk: The obligation is linked to inflation and higher inflation will lead to a higher liability.
- Life expectancy: The obligation is to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan’s liabilities.

The liability is unfunded and will be settled out of cash and cash equivalents when it becomes due. The liability is based on an actuarial valuation conducted during the year ended 30 June 2020, using the projected unit credit method. The next actuarial valuation will be performed on 30 June 2021.

27 RETIREMENT BENEFIT OBLIGATION continued

(b) Post-retirement benefits other than pensions continued

Figures in million	SA Rand 2020	2019
Present value of all unfunded obligations	**193**	201
Current employees	**56**	54
Retired employees	**137**	147
The movement in the retirement benefit obligation is as follows:		
Balance at beginning of year	**201**	186
Contributions paid	**(12)**	(12)
Other expenses included in staff costs/current service cost	**2**	3
Finance costs	**19**	17
Net actuarial (gain)/loss recognised in other comprehensive income during the year	**(17)**	7
Balance at end of year	**193**	201

The net actuarial gain for 2020 was mainly caused by an increased discount rate as well as a decline in members (2019: net actuarial loss was mainly due to an increase in subsidy inflation).

Figures in million	SA Rand 2020	2019
The net liability of the defined benefit plan is as follows:		
Present value of defined benefit obligation	**193**	201
Fair value of plan assets	**—**	—
Net liability of defined benefit plan	**193**	201

The effect of a percentage point increase and decrease in the assumed medical cost trend rate is as follows:

Figures in million	SA Rand 2020	2019
Effect of a 1% increase on:		
Aggregate of service cost and finance costs	**3**	2
Defined benefit obligation	**22**	23
Effect of a 1% decrease on:		
Aggregate of service cost and finance costs	**(2)**	(2)
Defined benefit obligation	**(19)**	(19)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The analysis is performed on the same basis for 2019.

The group expects to contribute approximately R11 million to the benefit plan in 2021. The weighted average duration of the defined benefit obligation is 12.5 years.

28 LEASES

ACCOUNTING POLICY

The leases accounting policy is applicable from 1 July 2019.

The group assesses the presence of a lease in a contract as at the commencement date of the agreement. Having determined that a contract contains a lease asset (and respective contractual cash obligations), Harmony recognises a right-of-use asset and lease liability. The group discloses expensed amounts for contracts assessed as variable leases, low value asset leases and short-term leases. The disclosed value of these expensed leases is either determined on a straight-line basis over the duration of the lease or on a systematic basis that fairly indicates the consumption of the lease contract. All expensed lease contracts are recognised in production costs, corporate, administration and other expenditure in the income statement.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate. The group has applied the IFRS 16 portfolio approach in determining the discount rate for leases. As such a single discount rate has been used for contracts that share similar characteristics. The group has determined that a portfolio of contracts that are denominated in the same currency may use a single discount rate. This rate has been determined using various factors including in-country borrowings as well as other sources of finance. The nature of the right-of-use assets was also considered.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The non-current and current portions of the lease liability is included in other non-current liabilities and trade and other payables in the balance sheet respectively.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, any initial direct costs and restoration costs as described below. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The lease term shall be determined as the non-cancellable period of a lease, together with:
- Periods covered by an option to extend the lease if management is reasonably certain to make use of that option; and / or
- Periods covered by an option to terminate the lease, if management is reasonably certain not to make use of that option.

Whenever the group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in the property, plant and equipment line in the balance sheet. The group applies its existing accounting policy on impairment of non-financial assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss accordingly.

28 LEASES continued

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key judgements applied in determining the right-of-use assets and lease liability were:

- Assessing whether an arrangement contains a lease: various factors are considered, including whether a service contract includes the implicit right to the majority of the economic benefit from assets used in providing the service;
- Determining the lease term: management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The company applies the considerations for short-term leases where leases are modified to extend the period by 12 months or less on expiry and these modifications are assessed on a standalone basis; and
- Determining the discount rate: in determining the incremental borrowing rates, management considers the term of the lease, the nature of the asset being leased, in country borrowings as well as other sources of finance.

The movement in the right-of-use assets is as follows:

	SA Rand
Figures in million	**2020**
Balance at beginning of year	**—**
Impact of adopting IFRS 16 at 1 July 2019	**81**
Additions	**106**
Depreciation	**(45)**
Terminations	**(8)**
Translation	**17**
Balance at end of year	**151**

The non-current and current portions of the lease liability is included in other non-current liabilities and trade and other payables in the balance sheet respectively.

The movement in the lease liabilities is as follows:

	SA Rand
Figures in million	**2020**
Balance at beginning of year	**—**
Impact of adopting IFRS 16 at 1 July 2019	**81**
Additions	**93**
Interest expense on lease liabilities	**8**
Lease payments made	**(46)**
Terminations	**(8)**
Translation	**13**
Balance at end of year	**141**
Current portion of lease liabilities	**60**
Non-current portion of lease liabilities	**81**

The maturity of the group's undiscounted lease payments is as follows:

	SA Rand
Figures in million	**2020**
Less than and including one year	**67**
Between one and five years	**86**
Five years and more	**—**
Total	**153**

28 LEASES continued

Reconciliation between lease commitments at 30 June 2019 and IFRS 16 lease liability at 1 July 2019:

	SA Rand
Figures in million	**2020**
Lease commitments at 30 June 2019[1]	**38**
Effect of options to extend the lease term	**64**
Discounting of lease liabilities	**(21)**
Impact of adopting IFRS 16 at 1 July 2019	**81**

[1] The lease commitments represent solely payments under non-cancellable periods per the contracts and exclude any options to extend the lease term.

The weighted average incremental borrowing rate at the date of initial application is 9.82% for the South African operations and 5.84% for the South-east Asian region.

The amounts included in the income statement relating to leases:

	SA Rand
Figures in million	**2020**
Depreciation of right-of-use assets[1]	**45**
Interest expense on lease liabilities[2]	**8**
Short-term leases expensed[3, 4]	**96**
Leases of low value assets expensed[3]	**19**
Variable lease payments expensed[3, 5]	**690**

[1] Included in depreciation and amortisation.
[2] Included in finance costs.
[3] Included in production costs and corporate, administration and other expenditure.
[4] The amount includes leases that expire within 12 months of adoption as management elected the short-term expedient.
[5] These payments relate mostly to mining and drilling contracts. Variable lease payments made comprise 81% of the total lease payments made during the period. The majority of the variable lease payments made relate to the contracting of specialists for mining operations at Harmony's open pit mines and are determined on a per tonne or square metre basis.

The total cash outflows for leases are:

	SA Rand
Figures in million	**2020**
Lease payments made for lease liabilities	**46**
Short-term lease payments	**96**
Lease payments of low value assets leased	**19**
Variable lease payments	**690**
Total cash outflows for leases	**850**

29 OTHER NON-CURRENT LIABILITIES

	SA Rand	
Figures in million	**2020**	2019
Sibanye Beatrix ground swap royalty[1]	**15**	2
Lease liability - non-current[2]	**81**	—
Provision for Harmony Education Benefit Fund	**5**	3
Total non-current liabilities	**101**	5

[1] The increase is mainly due to the estimated gold allocation increasing from 220kgs to 1 862kgs based on approved life-of-mine plans.
[2] Refer to note 28 for an analysis of the lease liability.

ACCOUNTING POLICY - FINANCIAL LIABILITIES (APPLICABLE TO NOTES 30 AND 31)

Financial liabilities are initially measured at fair value when the group becomes a party to their contractual arrangements. Transaction costs are included in the initial measurement of financial liabilities, with the exception of financial liabilities classified at fair value through profit or loss. The subsequent measurement of financial liabilities is discussed below. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The group classifies financial liabilities as follows:

- **Borrowings** are initially recognised at fair value net of transaction costs incurred and subsequently measured at amortised cost, comprising original debt less principal payments and amortisation, using the effective yield method. Any difference between proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

  Fees paid on the establishment of the loan facilities are capitalised as a pre-payment and amortised over the period of the facility to which it relates, to the extent it is probable that some or all of the facility will be drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is expensed.

  Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- **Trade and other payables** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables are classified as current liabilities if payment is due within a year or less. If not, they are presented as non-current liabilities.

30 BORROWINGS

SUMMARY OF FACILITIES' TERMS

	Commenced	Tenor (Years)	Matures	Secured	Security	Interest payment basis	Interest charge	Repayment term	Repaid
Existing									
R2 billion facility	November 2018	Four	November 2022	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable			n/a
- R600 million term loan							JIBAR + 2.9%	Eight equal quarterly instalments starting from February 2021 with the final instalment on maturity	
- R1.4 billion revolving credit facility							JIBAR + 2.8%	On maturity	
US$400 million facility	September 2019	Three	September 2023[1]	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable		On maturity	n/a
- US$200 million revolving credit facility		Extendable by 1 Year					LIBOR + 2.9%		
- US$200 million term loan							LIBOR + 3.05%		
US$24 million Westpac loan	July 2018	Four	July 2022	Yes	Cession and pledge of vehicles and machinery	Variable	LIBOR + 3.2%	Quarterly instalments	n/a
US$200 million bridge loan	June 2020	One	June 2021[2]	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable		On maturity	n/a
						First 6 months	LIBOR + 1.8%		
						Next 3 months	LIBOR + 2.4%		
						Last 3 months	LIBOR + 3.0%		

SUMMARY OF FACILITIES' TERMS

	Commenced	Tenor (Years)	Matures	Secured	Security	Interest payment basis	Interest charge	Repayment term	Repaid
Matured									
R1 billion revolving credit facility	February 2017	Three	February 2020	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable	JIBAR + 3.15%	On maturity	November 2018
US$350 million facility	July 2017	Three	July 2020	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable		On maturity	October 2019
- US$175 million revolving credit facility							LIBOR + 3.00%		
- US$175 million term loan							LIBOR + 3.15%		
US$200 million bridge loan	October 2017	One	October 2018	Yes	Cession and pledge of operating subsidiaries' shares and claims	Variable		On maturity	July 2018
						First 6 months	LIBOR + 2.5%		
						Next 3 months	LIBOR + 3.0%		
						Last 3 months	LIBOR + 3.5%		

[1] The syndicate of lenders for the US$400 million facility agreed to the one year extension during July 2020, extending the maturity date to September 2023. Refer to note 38 for details on subsequent events.
[2] This facility was subsequently cancelled on 6 July 2020. Refer to note 38 for details on subsequent events.

30 BORROWINGS continued

DEBT COVENANTS

The debt covenant tests for both the Rand and US dollar facilities are as follows:

- The group's interest cover ratio shall be more than five times (EBITDA[1]/ Total interest paid);
- Tangible Net Worth[2] to total net debt ratio shall not be less than four times or six times when dividends are paid;
- Leverage[3] shall not be more than 2.5 times.

[1] Earnings before interest, taxes, depreciation and amortisation (EBITDA) as defined in the agreement excludes unusual items such as impairment and restructuring cost.
[2] Tangible Net Worth is defined as total equity less intangible assets. During June 2020, lenders agreed to relax the Tangible Net Worth to total net debt covenant from four times to two times until December 2020, in order to provide flexibility to the group following the disruptions from the COVID-19 pandemic.
[3] Leverage is defined as total net debt to EBITDA.

No breaches of the covenants were identified during the tests in the 2019 and 2020 financial years.

INTEREST BEARING BORROWINGS

	SA Rand	
Figures in million	**2020**	2019
Non-current borrowings		
R1 billion revolving credit facility	**—**	—
Balance at beginning of year	**—**	497
Draw down	**—**	500
Refinancing	**—**	(997)
R2 billion facility	**1 351**	1 489
Balance at beginning of year	**1 489**	—
Refinancing	**—**	1 000
Draw down	**1 100**	700
Repayments	**(1 100)**	(200)
Transferred to current liabilities	**(150)**	—
Issue cost	**—**	(16)
Amortisation of issue cost	**12**	5
Westpac fleet loan	**132**	194
Balance at beginning of year	**194**	—
Draw down	**—**	322
Repayments	**(96)**	(64)
Transferred to current liabilities	**(16)**	(89)
Translation	**50**	25
US$350 million facility	**—**	4 143
Balance at beginning of year	**4 143**	4 427
Repayments	**(4 465)**	(422)
Amortisation of issue costs	**24**	44
Translation	**298**	94
US$400 million facility	**5 980**	—
Draw down	**5 441**	—
Issue cost	**(95)**	—
Amortisation of issue costs	**12**	—
Translation	**622**	—
Total non-current borrowings	**7 463**	5 826

30 BORROWINGS continued

INTEREST BEARING BORROWINGS continued

	SA Rand	
Figures in million	**2020**	2019
Current borrowings		
R1 billion revolving credit facility	**—**	—
Balance at beginning of year	**—**	3
Refinancing	**—**	(3)
R2 billion facility	**150**	—
Transferred from non-current liabilities	**150**	—
Westpac fleet loan	**105**	89
Balance at beginning of year	**89**	—
Transferred from non-current liabilities	**16**	89
US$200 million bridge loan	**—**	—
Balance at beginning of year	**—**	687
Repayments	**—**	(667)
Translation	**—**	(20)
Total current borrowings	**255**	89
Total interest-bearing borrowings	**7 718**	5 915

	SA Rand	
Figures in million	**2020**	2019
The maturity of borrowings is as follows:		
Current	**255**	89
Between one to two years	**405**	4 232
Between two to four years	**7 058**	1 594
	7 718	5 915

	SA Rand	
Figures in million	**2020**	2019
Undrawn committed borrowing facilities		
Expiring within one year	**—**	—
Expiring after one year	**1 366**	1 277
	1 366	1 277

30 BORROWINGS continued

EFFECTIVE INTEREST RATES

	2020 %	2019 %
R1 billion revolving credit facility	—	10.1
R2 billion facility	**9.3**	10.0
Westpac fleet loan	**4.4**	5.5
US$400 million facility	**3.7**	—
US$350 million facility	**5.6**	5.6
US$200 million bridge loan	—	5.1

Refer to note 38 for subsequent events relating to the borrowings.

31 TRADE AND OTHER PAYABLES

ACCOUNTING POLICY

The group accrues for the cost of the leave days granted to employees during the period in which the leave days accumulate.

	SA Rand	
Figures in million	**2020**	2019
Financial liabilities		
Trade payables	**706**	763
Lease liability - current[1]	**60**	—
Other liabilities (a)	**204**	167
Non-financial liabilities		
Payroll accruals	**616**	548
Leave liabilities (b)	**537**	540
Shaft related accruals	**585**	556
Other accruals	**213**	148
Value added tax	**85**	98
Income and mining tax	—	55
Total trade and other payables	**3 006**	2 875

[1] Refer to note 28 for an analysis of the lease liability.

(a) Includes a loan from Village Main Reef Limited of R55 million. The loan was taken on with the acquisition of the Moab Khotsong operations. The loan is unsecured, interest free and has no fixed terms of payment.

(b) Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. The movement in the liability recognised in the balance sheet is as follows:

	SA Rand	
Figures in million	**2020**	2019
Balance at beginning of year	**540**	504
Benefits paid	**(567)**	(537)
Total expense per income statement	**538**	575
Translation (gain)/loss	**26**	(2)
Balance at end of year	**537**	540

32 CASH GENERATED BY OPERATIONS

	SA Rand		
Figures in million	**2020**	2019	2018
Reconciliation of loss before taxation to cash generated by operations:			
Loss before taxation	**(595)**	(2 746)	(4 707)
Adjustments for:			
Amortisation and depreciation	**3 508**	4 054	2 570
Impairment of assets	**—**	3 898	5 336
Share-based payments	**180**	230	363
Net decrease in provision for post-retirement benefits	**(12)**	(12)	(10)
Net decrease in provision for environmental rehabilitation	**—**	(53)	(27)
Loss on scrapping of property, plant and equipment	**62**	21	1
Profit from associates	**(94)**	(59)	(38)
Investment income	**(375)**	(308)	(343)
Finance costs	**661**	575	330
Inventory adjustments	**(70)**	(166)	(211)
Foreign exchange translation difference	**989**	95	668
Non cash portion of gains/losses on derivatives	**1 382**	(429)	549
Day one loss amortisation	**40**	32	37
Silicosis settlement provision	**(119)**	(62)	(68)
Other non-cash adjustments	**22**	(16)	(72)
Effect of changes in operating working capital items			
(Increase)/decrease in Receivables	**(349)**	32	(106)
(Increase)/decrease in Inventories	**(150)**	(88)	(351)
Increase/(decrease) in Payables	**(49)**	54	368
Cash generated by operations	**5 031**	5 052	4 289

ADDITIONAL CASH FLOW INFORMATION

The income and mining taxes paid in the statement of cash flow represents actual cash paid less refunds received. Investment income from restricted investments is considered non-cash for the purposes of the cash flow statement. Included in investment income is interest earned from restricted investments of R163 million (2019: R168 million) (2018: R157 million).

At 30 June 2020, R1 366 million (2019: R1 277 million) (2018: R845 million) of borrowing facilities had not been drawn and are therefore available for future operational activities and future capital commitments. Refer to note 30.

The share issue costs were accrued at year-end and do not reflect in the financing section of the cash flow.

(a) Acquisitions of investments/business

The conditions precedent for the acquisition of Moab Khotsong operations were fulfilled in 2018 and the transaction was completed. Refer to note 12 for details on the consideration paid.

(b) Principal non-cash transactions

Share-based payments (refer to note 34).

33 EMPLOYEE BENEFITS

ACCOUNTING POLICY

- **Pension, provident and medical benefit plans** are funded through monthly contributions. The group pays fixed contributions into a separate entity in terms of the defined contribution pension, provident and medical plans which are charged to the income statement in the year to which they relate. The group's liability is limited to its monthly determined contributions and it has no further liability, legal or constructive, if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Refer to note 27 for details of the post-retirement medical benefit plan.

- **Termination benefits** are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

	2020	2019
Number of permanent employees as at 30 June:		
South African operations	**31 504**	31 199
International operations[1]	**1 589**	1 638
Total number of permanent employees	**33 093**	32 837

	SA Rand	
Figures in million	**2020**	2019
Aggregate earnings		
The aggregate earnings of employees including executive directors were:		
Salaries and wages and other benefits (excluding share-based payments)	**10 540**	10 623
Retirement benefit costs	**842**	766
Medical aid contributions	**276**	259
Total aggregated earnings[2]	**11 658**	11 648

[1] The Wafi-Golpu joint operation's employees included in the total is 81 (2019: 194).
[2] These amounts have been included in cost of sales, corporate expenditure and capital expenditure.

During the 2020 financial year, R122 million (2019: R248 million) was included in the payroll costs for termination costs. Termination costs include the cost relating to the voluntary retrenchment and restructuring process as well as retrenchments due to shaft closures.

34 SHARE-BASED PAYMENTS

ACCOUNTING POLICY

The group operates the following employee share incentive plans where the group granted share options to certain employees in exchange for services received:

- The 2006 equity-settled share-based payments plan;
- The equity-settled Sisonke Employee Share Ownership Plan (ESOP) awarded in 2019; and
- The equity-settled Management Deferred Share Plan (DSP) awarded during the 2020 financial year.

Equity-settled share-based payments are measured at fair value that includes market performance conditions but excludes the impact of any service and non-market performance conditions of the equity instruments at the date of the grant. The share-based payments are expensed over the vesting period, based on the group's estimate of the shares that are expected to eventually vest. The group used an appropriate option pricing model in determining the fair value of the options granted. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the estimates of the number of options that are expected to become exercisable are revised.

The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity. The proceeds received (if any) net of any directly attributable transaction costs are credited to share capital and premium when the options are exercised.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The fair value of options granted under the 2006 plan was determined using a Monte Carlo valuation model. The significant inputs into the model are: vesting period, risk free interest rate, volatility, price on date of grant and dividend yield. There were no options granted under the 2006 plan in the current financial period. The fair value of the options granted under the Sisonke ESOP was based on the Harmony spot share price of R28.29 at grant date as there were no market conditions attached to the grant. The fair value of the options granted under the DSP was based on the Harmony spot share prices of between R45.89 and R56.87 at grant date as there was no market condition attached to the grant.

EMPLOYEE SHARE-BASED PAYMENTS

The objective of these schemes is to recognise the contributions of employees to the group's financial position and performance and to retain key employees.

The total cost relating to employee share-based payments is made up as follows:

	SA Rand	
Figures in million	**2020**	2019
2006 share plan	**83**	197
Sisonke ESOP	**73**	33
Management DSP	**30**	—
Total employee share-based payments	**186**	230

The directors are authorised to issue up to 60 011 669 ordinary shares to participants who have received awards in accordance with Harmony's employee share incentive schemes. Subsequent to the annual general meeting held on 1 December 2010, 40 573 097 shares have been issued in terms of the various share schemes. At 30 June 2020, 12 792 357 share option awards are outstanding in terms of the authorisation and relate to the 2006 share plan.

In December 2018, the board approved the new Total Incentive Plan for management which includes deferred shares. The first allocations under the new plan occurred in October 2019. Our shareholders have authorised up to 25 000 000 shares of the issued share capital to be used for this plan.

34 SHARE-BASED PAYMENTS continued

EMPLOYEE SHARE-BASED PAYMENTS continued

Options granted under the 2006 share plan

The 2006 share plan consists of share appreciation rights (SARs), performance shares (PS) and restricted shares (RS). The share plan is equity-settled.

Award	Vesting	Performance criteria
SARs	SARs will vest in equal thirds in year three, four and five, subject to the performance conditions having been satisfied. The SARs will have an expiry date of six years from the grant date and the offer price equals the closing market prices of the underlying shares on the trading date immediately preceding the grant.	*2013 to 2014 allocation:* The group's headline earnings per share must have grown since the allocation date by more than the South African Consumer Price Index (CPI).
PS	The PS will vest after three years from the grant date, if and to the extent that the performance conditions have been satisfied.	*2015 to 2017 allocation:* • 50% of the number of rights awarded are linked to the total shareholder return of the group on an absolute basis. • 50% of the number of rights awarded are linked to the total shareholder return of the group as compared to that of the South African gold index.
RS	The RS will vest after three years from grant date.	The participant is still employed within the group.

Termination of employees' participation in the share plan is based on "no fault" and "fault" definitions.

• Fault	All unvested and unexercised SARs and all PS and RS not yet vested are lapsed and cancelled.
• No fault	Accelerated vesting occurs and all unvested and unexercised share options are settled in accordance with the rules of the plan.

Executive management is encouraged to retain performance shares when they vest and a minimum shareholding requirement has been introduced to achieve this. This shareholding is meant to align shareholder and executive objectives to grow total shareholder return.

Activity on share options

	SARs		PS	RS
Activity on options and rights granted but not yet exercised	**Number of options and rights**	**Weighted average option price (SA Rand)**	**Number of rights**	**Number of rights**
For the year ended 30 June 2020				
Balance at beginning of year	**6 713 044**	**26.45**	**21 007 596**	**—**
Options exercised	**(6 086 252)**	**50.16**	**—**	**—**
Options forfeited and lapsed	**(249 459)**	**23.97**	**(8 592 572)**	**—**
Balance at end of year	**377 333**	**18.41**	**12 415 024**	**—**

34 SHARE-BASED PAYMENTS continued

EMPLOYEE SHARE-BASED PAYMENTS continued

Options granted under the 2006 share plan continued

Activity on share options continued

	SARs		PS	RS
Activity on options and rights granted but not yet exercised	**Number of options and rights**	**Weighted average option price (SA Rand)**	**Number of rights**	**Number of rights**
For the year ended 30 June 2019				
Balance at beginning of year	9 847 860	50.20	42 427 284	550 996
Options exercised	(1 564 486)	27.50	(20 166 093)	(550 996)
Options forfeited and lapsed	(1 570 330)	56.29	(1 253 595)	—
Balance at end of year	6 713 044	26.45	21 007 596	—

	SARs		PS and RS	
Options and rights vested but not exercised at year end	**2020**	2019	**2020**	2019
Options and rights vested but not exercised	**377 333**	5 692 965	**—**	—
Weighted average option price (SA rand)	**18.41**	27.89	**n/a**	n/a

List of options and rights granted but not yet exercised (listed by grant date)	**Number of options and rights**	**Award price (SA Rand)**	**Remaining life (years)**
As at 30 June 2020			
Share appreciation rights			
17 November 2014	**377 333**	**18.41**	**0.4**
	377 333		
Performance shares			
15 November 2017	**12 415 024**	**n/a**	**0.4**
	12 415 024		
Total options and rights granted but not yet exercised	**12 792 357**		

	SA Rand	
Figures in million	**2020**	2019
Gain realised by participants on options and rights traded during the year	**142**	484
Fair value of options and rights exercised during the year	**144**	489

34 SHARE-BASED PAYMENTS continued

EMPLOYEE SHARE-BASED PAYMENTS continued

Options granted under the Sisonke ESOP

In December 2017 Harmony approved the establishment of the Sisonke ESOP with the aim to facilitate beneficial interest and ownership by non-managerial employees in South Africa (the beneficiaries) of Harmony shares in order to:
- Facilitate economic empowerment of Harmony's employees;
- Incentivise Harmony's employees, so as to promote the shared interests of employees and shareholders in the value growth of Harmony; and
- Further align the interests of the Harmony shareholders and those of the employees of Harmony.

The shares were issued to the Harmony ESOP Trust (the Trust) on 15 January 2019 which is also the date on which the required service period of three years commenced. Each beneficiary under the scheme was awarded 225 Participation Units (PU). The Sisonke ESOP is equity-settled.

Award	Vesting	Performance criteria
PU*	The PU will vest after three years from the date on which the service period commenced	The participant is still employed within the group

* The term Participation Units means the vested rights of a beneficiary to an equal number of Harmony shares held by the Trust.

Termination of employees' participation in the share scheme is based on "no fault" and "fault" definitions.

• Fault	All unvested and unexercised DS not yet vested are lapsed and cancelled.
• No fault	Accelerated vesting occurs and all unvested and unexercised DS are settled in accordance with the rules of the plan.

Activity on share options

	Number of PU	
Activity on PU granted but not exercised	**2020**	2019
Balance at beginning of year	**6 819 025**	—
Options granted	**366 960**	**6 974 500**
Options vested	**(257 271)**	**(107 100)**
Options forfeited and lapsed	**(160 152)**	**(48 375)**
Balance at end of year	**6 768 562**	**6 819 025**

	2020	2019
Gain realised by participants on options exercised during the year (R'million)	**12**	3
Weighted average share price at the date of exercise (SA Rand)	**48.21**	27.16
Remaining life (years)	**1.5**	2.5

34 SHARE-BASED PAYMENTS continued

EMPLOYEE SHARE-BASED PAYMENTS continued

Options granted under the Management Deferred Share Plan

Harmony implemented the Total incentive Plan, comprising a long-term Deferred Share Plan (DSP) and a short-term annual cash payment with effect from 1 July 2019. The total incentive for each management-level employee is determined every year through a balanced scorecard calculation.

The balanced scorecard result includes a number of key short- and long-term company performance measures (to be measured over trailing three- and one-year periods). The measures are reviewed and defined annually with appropriate weightings. A portion of the total incentive is paid immediately in cash and the balance is settled by means of deferred shares, which will vest at a rate of 20% per annum over the following five years for the executive managers and prescribed officers, and one-third per annum over the following three years for qualifying management.

Award	Vesting	Performance criteria
DS*	The awards will vest at a rate of 20% per annum over the following five years for executive directors and prescribed officers, and one-third per annum over the following three years for qualifying management.	The participant is still employed within the group

* Deferred shares

Termination of employees' participation in the share plan is based on "no fault" and "fault" definitions.

- Fault — All unvested and unexercised DS not yet vested are lapsed and cancelled.
- No fault — Accelerated vesting occurs and all unvested and unexercised DS are settled in accordance with the rules of the plan.

Activity on share options

	Number of DS
Activity on DS granted but not exercised	**2020**
Balance at beginning of year	**—**
Options granted	**1 218 013**
Options exercised	**—**
Options forfeited and lapsed	**(55 861)**
Balance at end of year	**1 162 152**

List of options granted but not yet exercised (listed by grant date)	**Number of options**	**Remaining life (years)**
As at 30 June 2020		
Deferred shares		
18 September 2019 - 3 years	**871 859**	**2.2**
18 September 2019 - 5 years	**290 293**	**4.2**
Total options granted but not yet exercised	**1 162 152**	

34 SHARE-BASED PAYMENTS continued

OTHER SHARE-BASED PAYMENTS

On 20 March 2013 Harmony signed transaction and funding agreements to give effect to an empowerment transaction to dispose of 30% of its Free State based Phoenix operation (Phoenix) to BEE shareholders, which includes a free-carry allocation of 5% to a community trust that has been created and is currently controlled by Harmony. The transaction closed on 25 June 2013, following the fulfilment of the last condition precedent. In terms of the agreements Phoenix was transferred to a newly incorporated subsidiary; 'PhoenixCo' which subsequently changed its name to Tswelopele Beneficiation Operation (TBO).

The awards to the BEE partners have been accounted for as in-substance options as the BEE partners will only share in the upside, and not the downside of their equity interest in TBO until the date the financing provided by Harmony is fully repaid. On this date the options will be exercised and a non-controlling interest in TBO will be recognised. The award of the options to the BEE partners is accounted for by the group as an equity-settled share-based payment arrangement. The in-substance options carry no vesting conditions and the fair value of the options of R23 million was expensed on the grant date, 25 June 2013.

On 31 December 2019, the loans were settled in full and the option was exercised. The portion of the BEE shareholders' interest in TBO was measured at the net asset value of negative R5 million and reclassified to non-controlling interest on this date. On initial recognition, TBO's negative net asset value of R5 million consists of accumulated profits of R222 million and a historic debit common control reserve of R250 million.

The total comprehensive income attributable to the BEE shareholders allocated to non-controlling interest for the six months ended 30 June 2020 was R12 million and includes a portion of the unrealised loss from the hedges in other reserves. A dividend was declared by TBO on 5 March 2020 and the portion to non-controlling interests amounted to R3 million.

35 RELATED PARTIES

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had an interest, directly or indirectly, in any transaction from 1 July 2017 or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, other than as stated below.

DIRECTORS AND OTHER KEY MANAGEMENT

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the group.

The directors' remuneration is as follows:

	SA Rand	
Figures in million	**Executive directors**	**Non-executive directors**
2020		
Salaries	**19**	**—**
Retirement contributions	**3**	**—**
Bonuses	**5**	**—**
Exercise/settlement of share options	**9**	**—**
Directors' fees	**—**	**13**
	36	**13**
2019		
Salaries	18	—
Retirement contributions	3	—
Bonuses	14	—
Exercise/settlement of share options	30	—
Directors' fees	—	12
	65	12

In January 2020, Harmony announced the appointment of Ms Boipelo Lekubo as financial director of the company, effective 3 March 2020. Mr Frank Abbott, Harmony's long-serving financial director, remained on the board as an executive director and assumed responsibility for business development, effective from 3 March 2020.

35 RELATED PARTIES continued

DIRECTORS AND OTHER KEY MANAGEMENT continued

The following directors and prescribed officers owned shares in Harmony at year-end:

	Number of shares	
Name of director/prescribed officer	**2020**	2019
Directors		
Peter Steenkamp	**512 000**	512 000
Andre Wilkens	**101 301**	101 301
Frank Abbott[1]	**1 142 010**	1 142 010
Harry 'Mashego' Mashego[2]	**—**	593
Ken Dicks[3]	**35 000**	35 000
Prescribed officers		
Beyers Nel	**42 486**	42 486
Johannes van Heerden	**160 000**	160 000
Philip Tobias	**169 294**	169 294

[1] Frank Abbott retired as an executive director effective 30 September 2020.
[2] The movement in shares for the 2020 financial year includes the sale of ordinary shares.
[3] Ken Dicks resigned as a non-executive director effective 30 September 2020.

Modise Motloba, Harmony's deputy chairman, is a director of Tysys Proprietary Limited (Tysys). Tysys entered into a contract with the group during the 2017 financial year to provide services relating to the group's small and medium enterprise development projects. The contract has a value of up to R5 million per annum. Approximately R5 million (2019: R4 million) was paid during the 2020 financial year relating to services rendered in the current and prior financial years. The contract has a 30-day notice period.

Refer to note 38 for subsequent events relating to changes to the directors and prescribed officers. There were no other changes to the directors' interest between the reporting date and the date of the approval of the financial statements other than indicated above.

OTHER RELATED PARTIES

All the production of the group's South African operations is sent to Rand Refinery in which Harmony holds a 10.38% interest. Refer to note 20.

	SA Rand	
Figures in million	**2020**	2019
Sales and services rendered to related parties		
Joint operations	**3**	3
Total	**3**	3

	SA Rand	
Figures in million	**2020**	2019
Purchases and services acquired from related parties		
Directors	**5**	4
Associates	**39**	40
Total	**44**	44

36 COMMITMENTS AND CONTINGENCIES

COMMITMENTS AND GUARANTEES

	SA Rand	
Figures in million	**2020**	2019
Capital expenditure commitments		
Contracts for capital expenditure	**262**	313
Share of joint operation's contracts for capital expenditure	**106**	105
Authorised by the directors but not contracted for	**1 314**	1 499
Total capital commitments	**1 682**	1 917

Contractual obligations in respect of mineral tenement leases amount to R19 million (2019: R83 million). This includes R18 million (2019:R81 million) for the Wafi-Golpu joint operation.

	SA Rand	
Figures in million	**2020**	2019
Guarantees		
Guarantees and suretyships	**143**	143
Environmental guarantees[1]	**479**	479
Total guarantees	**622**	622

[1] At 30 June 2020 R104 million (2019: R89 million) has been pledged as collateral for environmental guarantees in favour of certain financial institutions. Refer to note 15.

CONTINGENT LIABILITIES

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Contingencies will only realise when one or more future events occur or fail to occur. The exercise of significant judgement and estimates of the outcome of future events are required during the assessment of the impact of such contingencies.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which the suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the group may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the group could be materially affected by the outcome of the litigation.

The following contingent liabilities have been identified:

(a) On 1 December 2008, Harmony issued 3 364 675 Harmony shares to Rio Tinto Limited (Rio Tinto) for the purchase of Rio Tinto's rights to the royalty agreement entered into prior to our acquisition of the Wafi deposits in PNG. The shares were valued at R242 million on the transaction date. An additional US$10 million in cash will be payable when the decision to mine is made. Of this amount, Harmony is responsible for paying the first US$6 million, with the balance of US$4 million being borne equally by the joint operators.

36 COMMITMENTS AND CONTINGENCIES continued

CONTINGENT LIABILITIES continued

(b) The group may have a potential exposure to rehabilitate groundwater and radiation that may exist where the group has and/or continues to operate. The group has initiated analytical assessments to identify, quantify and mitigate impacts if and when (or as and where) they arise. Numerous scientific, technical and legal studies are underway to assist in determining the magnitude of the contamination and to find sustainable remediation solutions. The group has instituted processes to reduce future potential seepage and it has been demonstrated that Monitored Natural Attenuation (MNA) by the existing environment will contribute to improvement in some instances. Water treatment facilities were successfully implemented at Doornkop, Tshepong Operations and Kusasalethu. These facilities are now assisting in reducing our dependency on state supplied potable water and will be key in managing any post closure decant should it arise.

In terms of Free State operations, Harmony has taken the initiative to develop a comprehensive regional closure plan in addition to updating the regional water balance, which will ensure that there is sufficient water for our organic growth initiatives. The geohydrological studies confirm that there is no risk of decant in Welkom.

Should the group determine that any part of these contingencies require them being recorded and accounted for as liabilities, that is where they become estimable and probable, it could have a material impact on the financial statements of the group.

(c) Due to the interconnected nature of mining operations in South Africa, any proposed solution for potential flooding and potential decant risk posed by deep groundwater needs to be a combined one, supported by all the mines located in these goldfields. As a result, the Department of Mineral Resources and Energy and affected mining companies require the development of a regional mine closure strategy. Harmony operations have conducted a number of specialist studies and the risk of surface decant due to rising groundwater levels has been obviated at the entire Free State region and Kalgold. In addition, the decant from the KOSH groundwater system tied with our Moab Khotsong operation has been managed through an appropriate groundwater closure plan and sufficient provision has been set aside for this. Therefore, there is no contingency arising from these operations. Additional studies have been commissioned at Doornkop and Kusasalethu. Studies that have been conducted indicate that there is no risk of decant from Doornkop and Kusasalethu, but it is recommended that confirmatory studies be completed. In view of the limitation of current information for accurate estimation of a liability, no reliable estimate can be made for these operations.

(d) The individual Harmony mining operations have applied for the respective National Water Act, Section 21 Water Use Licenses (WUL) to the Department of Water and Sanitation (DWS). The respective Water Use License Applications (WULA's) have subsequently not yet been approved by DWS. Two WUL have been issued by DWS for Kalgold and Kusasalethu (amendment currently being drafted for both operations), with neither licence having any material impact to the operation. The remaining WULA's have not yet been approved by DWS. The WUL conditions for the respective operations are subsequently not yet known and the subsequent potential water resource impact liability as part of the mine rehabilitation and closure process (to which DWS is an important participant and decision maker) is uncertain. The existing WUL for Moab Khotsong, which was recently acquired by Harmony, has already been approved by the DWS. The transferral of the licence and its conditions to Harmony is currently being processed. All operations continue to operate legally and responsibly.

(e) In terms of the sale agreements entered into with Rand Uranium, Harmony retained financial exposure relating to environmental disturbances and degradation caused by it before the effective date, in excess of R75 million of potential claims. Rand Uranium is therefore liable for all claims up to R75 million and retains legal liability. The likelihood of potential claims cannot be determined presently and no provision for any liability has been made in the financial statements.

37 FINANCIAL RISK MANAGEMENT

The group's operating activities expose it to a variety of financial risks: market risk (including commodity price risk, currency risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk. The group may use derivative financial instruments to hedge certain risk exposures.

The group's financial assets and liabilities are classified as set out below:

Figures in million (SA Rand)	Debt instruments at amortised cost	Equity instruments designated at fair value through OCI	Derivatives designated as cash flow hedges	Derivatives at fair value through profit or loss	Debt instruments at fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2020						
Financial assets						
Restricted cash	169	—	—	—	—	—
Restricted investments	2 698	—	—	—	837	—
Other non-current assets	5	77	—	—	306	—
Non-current derivative financial instruments	—	—	15	35	—	—
- Rand gold hedging contracts	—	—	10	—	—	—
- US$ gold hedging contracts	—	—	5	—	—	—
- US$ silver contracts	—	—	—	5	—	—
- Foreign exchange contracts	—	—	—	30	—	—
- Rand gold derivative contracts	—	—	—	—	—	—
Current derivative financial instruments	—	—	12	6	—	—
- Rand gold hedging contracts	—	—	9	—	—	—
- US$ gold hedging contracts	—	—	3	—	—	—
- US$ silver contracts	—	—	—	6	—	—
Trade and other receivables	804	—	—	—	—	—
Cash and cash equivalents	6 357	—	—	—	—	—
Financial liabilities						
Non-current derivative financial instruments	—	—	813	66	—	—
- Rand gold hedging contracts	—	—	717	—	—	—
- US$ gold hedging contracts	—	—	96	—	—	—
- US$ silver contracts	—	—	—	1	—	—
- Foreign exchange contracts	—	—	—	65	—	—
Current derivative financial instruments	—	—	3 169	955	—	—
- Rand gold hedging contracts	—	—	2 909	—	—	—
- US$ gold hedging contracts			260	—	—	—
- US$ silver contracts	—	—	—	3	—	—
- Foreign exchange contracts	—	—	—	695	—	—
- Rand gold derivative contracts	—	—	—	257	—	—
Borrowings	—	—	—	—	—	7 718
Other non-current liabilities	—	—	—	—	—	96
Trade and other payables	—	—	—	—	—	970

37 FINANCIAL RISK MANAGEMENT continued

Figures in million (SA Rand)	Debt instruments at amortised cost	Equity instruments designated at fair value through OCI	Derivatives designated as cash flow hedges	Derivatives at fair value through profit or loss	Debt instruments at fair value through profit or loss	Financial liabilities at amortised cost
At 30 June 2019						
Financial assets						
Restricted cash	136	—	—	—	—	—
Restricted investments	2 045	—	—	—	1 256	—
Other non-current assets	3	59	—	—	271	—
Non-current derivative financial instruments	—	—	24	173	—	—
- Rand gold hedging contracts	—	—	23	—	—	—
- US$ gold hedging contracts	—	—	1	—	—	—
- Foreign exchange contracts	—	—	—	173	—	—
Current derivative financial instruments	—	—	26	283	—	—
- Rand gold hedging contracts	—	—	22	—	—	—
- US$ gold hedging contracts	—	—	4	—	—	—
- US$ silver contracts	—	—	—	—	—	—
- Foreign exchange contracts	—	—	—	283	—	—
Trade and other receivables	627	—	—	—	—	—
Cash and cash equivalents	993	—	—	—	—	—
Financial liabilities						
Non-current derivative financial instruments	—	—	172	—	—	—
- Rand gold hedging contracts	—	—	158	—	—	—
- US$ gold hedging contracts	—	—	14	—	—	—
Current derivative financial instruments	—	—	205	65	—	—
- Rand gold hedging contracts	—	—	164	—	—	—
- US$ gold hedging contracts	—	—	41	—	—	—
- US$ silver contracts	—	—	—	2	—	—
- Foreign exchange contracts	—	—	—	2	—	—
- Rand gold derivative contracts	—	—	—	61	—	—
Borrowings	—	—	—	—	—	5 915
Other non-current liabilities	—	—	—	—	—	2
Trade and other payables	—	—	—	—	—	930

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges certain selected financial risks in close cooperation with the group's operating units. The audit and risk committee and the board provides written principles for overall risk management, as well as written policies covering specific areas, such as commodity price risk, foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

Since March 2020, the COVID-19 pandemic has impacted on various aspects of Harmony's operating environment. Where relevant, reference is made to certain impacts in the discussions below, however a detailed discussion thereof is included in note 4.

37 FINANCIAL RISK MANAGEMENT continued

MARKET RISK

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (US$). Foreign exchange risk arises when future commercial transactions or recognised financial assets or liabilities are denominated in a currency that is not the entity's functional currency. Harmony's revenues are sensitive to the R/US$ exchange rate as all revenues are generated by commodity sales denominated in US$. Harmony may enter into hedging transactions to reduce this risk. The limit currently set by the board is 25% of the group's foreign exchange risk exposure for a period of 24 months. Refer to note 18 and the fair value determination for financial assets and liabilities section below for details of the contracts. The audit and risk committee review the details of the programme quarterly.

The Rand has weakened significantly during the 2020 year, especially during the June 2020 quarter as a result of the COVID-19 pandemic, closing at R17.32/US$1 on 30 June 2020 (2019: R14.13/US$1).This negatively impacted on the valuation of contracts that matured during the quarter and that were outstanding at 30 June 2020. However Harmony continues to enjoy favourable foreign exchange pricing on the uncovered portion of its exposure, while simultaneously locking-in the current higher prices as part of its derivative programme.

The group is exposed to foreign exchange risk arising from borrowings and cash denominated in a currency other than the functional currency of that entity (refer to note 2.2 for details on the group's functional currencies). These exposures are mainly to the US$. The Rand's levels impacted negatively on the translation of the US$ debt facilities at 30 June 2020. Refer to note 30 for further detail.

Translation of the international net assets was impacted by a similar weakening of the Rand against the Australian dollar from R9.91/A$1 at 30 June 2019 to R11.96/A$1. A gain of R1.2 billion has been recognised in other comprehensive income.

The group has reviewed its foreign currency exposure on financial assets and financial liabilities and has identified the following sensitivities for a 10% change in the exchange rate that would affect profit or loss. Management considers a range between 10% and 20% to be a reasonable change given the volatility in the market. The analysis has been performed on the same basis for 2019.

	SA Rand	
Figures in million	**2020**	2019
Sensitivity analysis - borrowings		
Rand against US$		
Balance at 30 June	**5 990**	4 143
Strengthen by 10%	**599**	414
Weaken by 10%	**(599)**	(414)
Closing rate	**17.32**	14.13
US$ against Kina		
Balance at 30 June	**237**	283
Strengthen by 10%	**21**	26
Weaken by 10%	**(27)**	(31)
Closing rate	**0.29**	0.30

37 FINANCIAL RISK MANAGEMENT continued

MARKET RISK continued

Foreign exchange risk continued

	SA Rand	
Figures in million	**2020**	2019
Sensitivity analysis - financial instruments		
Rand against US$		
Balance at 30 June	**(731)**	454
Strengthen by 10%	**954**	567
Weaken by 10%	**(1 106)**	(1 511)
Closing rate	**17.32**	14.13
US$ against AUD		
Balance at 30 June	**339**	—
Strengthen by 10%	**31**	—
Weaken by 10%	**(38)**	—
Closing rate	**0.69**	0.70
US$ against Kina		
Balance at 30 June	**—**	211
Strengthen by 10%	**—**	19
Weaken by 10%	**—**	(23)
Closing rate	**0.29**	0.30

37 FINANCIAL RISK MANAGEMENT continued

MARKET RISK continued

Commodity price sensitivity

The profitability of the group's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold, and in the case of Hidden Valley, silver as well. Harmony entered into Rand gold and US dollar forward gold sale contracts to manage the variability in cash flows from the group's production, in order to create cash certainty and protect the group against lower commodity prices. The general limit for gold hedging currently set by the board is 20% for a 24-month period. The limit set by the board is 50% of silver exposure over a 24-month period. Management continues to top up these programmes as and when opportunities arise to lock in attractive margins for the business, but are not required to maintain hedging at these levels. The audit and risk committee review the details of the programme quarterly.

The exposure to the variability in the price of gold is managed by entering into gold forward sales contracts for a portion of the group's production. A portion of the production of the South African operations is linked to Rand gold forward contracts and US$ gold forward contracts were entered into for the production from Hidden Valley. The exposure to the variability in the price of silver for Hidden Valley is managed by entering into US$/silver zero cost collars. These contracts have not been designated as hedging instruments for hedge accounting and the gains and losses are accounted for in the income statement. Refer to note 18 and the fair value determination for financial assets and liabilities section below for further detail on these contracts.

Due to the COVID-19 pandemic, markets experienced extreme volatility in the last four months of the 2020 financial year. As a result of the heightened risk globally, the price of gold in US$ terms increased significantly over the period with the spot price increasing by 26% year on year. This increase, together with the weakening of the Rand discussed above, had a negative impact on the contracts that matured during the June 2020 quarter as well as those that were outstanding at 30 June 2020. However Harmony continues to enjoy favourable commodity and foreign exchange pricing on the unhedged portion of its exposure, while simultaneously locking-in the current higher prices as part of its hedging programme.

The group has reviewed its exposure to commodity linked instruments and has identified the following sensitivities for a 10% change in the commodity price specified per contract that would affect other comprehensive income and profit or loss. Management considers a range between 10% and 20% to be a reasonable change given the recent volatility in the market. The analysis has been performed on the same basis for 2019.

	SA Rand	
Figures in million	**2020**	2019
Sensitivity analysis		
Rand gold derivatives		
Profit or loss		
Increase by 10%	**(91)**	(76)
Decrease by 10%	**102**	79
Other comprehensive income		
Increase by 10%	**(1 279)**	(1 162)
Decrease by 10%	**1 433**	1 174
US$ gold derivatives		
Profit or loss		
Increase by 10%	**—**	(20)
Decrease by 10%	**—**	20
Other comprehensive income		
Increase by 10%	**(258)**	(110)
Decrease by 10%	**279**	113
US$ silver derivatives		
Profit or loss		
Increase by 10%	**(40)**	—
Decrease by 10%	**41**	4

37 FINANCIAL RISK MANAGEMENT continued

MARKET RISK continued

Other price risk

The group is exposed to the risk of fluctuations in the fair value of fair value through profit or loss financial assets as a result of changes in market prices (other than changes in interest rates and foreign currencies). Harmony generally does not use any derivative instruments to manage this risk.

Sensitivity analysis

Certain of the restricted investments are linked to the Top 40 Index on the JSE. A 10% increase in the Top 40 index at the reporting date, with all other variables held constant, would have increased profit or loss by R79 million (2019: R76 million); an equal change in the opposite direction would have decreased profit or loss by R42 million (2019: R17 million).

Interest rate risk

The group's interest rate risk arises mainly from long-term borrowings. The group has variable interest rate borrowings. Variable rate borrowings expose the group to cash flow interest rate risk. The group has not entered into interest rate swap agreements as this is a risk that management is prepared to take as the risk is deemed to be low. The audit and risk committee reviews the exposures quarterly.

The interest rate cuts by both the US Federal Reserve and the SARB had a favourable impact on the cost of debt during the year. This was offset by the weakening of the Rand on the cost for the US$ facilities, as well as the increased debt levels, especially in the last quarter, as discussed in Capital Risk Management below.

Interest rate risk arising from long-term borrowings is offset by cash, restricted cash and restricted investments held at variable rates. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis has been performed on the same basis for 2019.

	SA Rand	
Figures in million	**2020**	2019
Sensitivity analysis - borrowings (finance costs)		
Increase by 100 basis points	**(77)**	(59)
Decrease by 100 basis points	**77**	59
Sensitivity analysis - financial assets (interest received)		
Increase by 100 basis points (a)	**58**	44
Decrease by 100 basis points (a)	**(58)**	(44)

(a) The computed sensitivity analysis permissibly excludes cash received on 30 June 2020 as a result of the the equity raise on 24 June 2020 in note 12.

37 FINANCIAL RISK MANAGEMENT continued

CREDIT RISK

Credit risk is the risk that a counterparty may default or not meet its obligations in a timely manner. Financial instruments which are subject to credit risk are restricted cash, restricted investments, derivative financial instruments and cash and cash equivalents, as well as trade and other receivables (excluding non-financial instruments).

Assessment of credit risk

In assessing the creditworthiness of local institutions, management uses the national scale long-term ratings. The credit risk arising from restricted cash, cash and cash equivalents, restricted investments and derivative financial assets is managed by ensuring amounts are only invested with financial institutions of good credit quality based on external credit ratings. The group has policies that limit the amount of credit exposure to any one financial institution. The audit and risk committee reviews the exposure on a quarterly basis. Exposure to credit risk on trade and other receivables is monitored on a regular basis by management.

Predominantly as a result of the global COVID-19 pandemic, on 27 March 2020, Moody's Investor Service downgraded the South African government's long-term foreign currency and local currency issuer ratings to Ba1 from Baa3, which is a sub-investment grade rating. The country's sovereign downgrade prompted a re-rating of the five major banks' international credit ratings as the local banks cannot have a rating higher than the country's sovereign rating.

Furthermore, on 31 March 2020, Fitch Ratings (Fitch) downgraded South Africa's five major banks citing an adverse impact (driven by the virus) on the banks' operating environment and key financial metrics, notwithstanding any uncertainty on the full economic and financial market implications.

Taking the above events into consideration, the effects of COVID-19 have resulted in the credit ratings of financial institutions dropping by a notch, however, the national scale investment grade rating of these banks is still high, between A+ and AA, and in line with the group's credit risk policy. An assessment of the expected credit losses for the financial assets measured at amortised costs at 30 June 2020 resulted in an immaterial amount for each instrument, in line with the assessment performed in 2019 (refer to Expected credit loss assessment below for further detail). The downgrade therefore had an immaterial effect on these financial instruments.

Management will continue to review the underlying strength of the South African economy as well as the creditworthiness of the financial institutions during this uncertain time and make any changes deemed necessary to safeguard the assets and reduce the credit risk.

The group's maximum exposure to credit risk is represented by the carrying amount of all financial assets determined to be exposed to credit risk, amounting to R11 244 million as at 30 June 2020 (2019: R5 837 million).

The Social Trust Fund of R22 million (2019: R28 million) has been invested in unit trust investments comprising shares in listed companies.

37 FINANCIAL RISK MANAGEMENT continued

CREDIT RISK continued

Assessment of credit risk continued

Financial institutions' credit rating by exposure (Source: Fitch Ratings and Global Credit Ratings)

	SA Rand	
Figures in million	**2020**	2019
Cash and cash equivalents		
AA	**—**	671
AA-	**6 357**	322
	6 357	993
Restricted cash		
AA	**—**	109
AA-	**169**	27
	169	136
Restricted investments (environmental trusts)		
AA	—	3 273
AA-	**3 513**	—
	3 513	3 273
Derivative financial assets		
AA	**10**	393
AA-	**41**	69
A+	**15**	44
	66	506

Expected credit loss assessment

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The group's debt instruments at amortised cost consist of cash and cash equivalents, restricted cash, a portion of restricted investments and trade and other receivables. The assessment of ECLs for the different debt instruments is discussed below:

Cash and cash equivalents
The cash and cash equivalents are held with banks and financial institutions which are rated AA- (see above). The ECL on cash and cash equivalents has been determined using the simplification that allows the group to assume that the credit risk on financial instruments determined to have low credit risk at the reporting date, has not increased significantly since initial recognition of the financial instrument. The ECL was estimated with reference to a probability of default model using external credit ratings in determining the default risk of counterparties. The ECL was determined to be immaterial.

Restricted cash and investments
The restricted cash and investments relate largely to the environmental trust funds. These funds are held with banks and financial institutions which are rated AA- (see above). Impairment of these investments has been determined using the simplification that allows the group to assume that the credit risk on financial instruments determined to have low credit risk at the reporting date, has not increased significantly since initial recognition of the financial instrument. The group considers that its restricted investments and cash have low credit risk based on the external credit ratings of the counterparties with which the funds are deposited with. The ECL was estimated with reference to a probability of default model using external credit ratings in determining the default risk of counterparties.

Concentration of credit risk on restricted cash and investments is considered minimal due to the group's investment risk management and counterparty exposure risk management policies. The ECL was determined to be immaterial.

37 FINANCIAL RISK MANAGEMENT continued

CREDIT RISK continued

Expected credit loss assessment continued

Trade and other receivables
The group's exposure to credit risk arising from trade receivables (metals) and other trade receivables is influenced mainly by the individual characteristics of each customer.

Trade receivables result largely from the sale of gold and are fully performing. Exposure to credit risk on receivables from gold sales is limited through payment terms of two to three days after recognition of revenue for gold sales. The majority of other receivables comprise of a limited number of individually significant customers. The group determines the ECL on trade receivables and individually significant other receivable balances with reference to a probability of default model using external credit ratings in determining the default risk of counterparties. The external credit ratings used range between A+ to AA. The ECL was determined to be immaterial.

Loss allowances on individually insignificant other trade receivables has been determined using the simplified ECL approach using a provision matrix and reflects the short-term maturities of the exposures and past experienced credit judgement. Refer to note 19 for details on the amount of the loss allowance recognised and the stratification of trade and other receivables for purposes of the assessment.

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

In the ordinary course of business, the group receives cash from its operations and is required to fund working capital and capital expenditure requirements. Management prepares cash flow forecasts weekly and ensures that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk. The group maintains and refinances committed credit facilities as medium-term forecasts require. The audit and risk committee reviews the updated forecasts quarterly. The group is able to actively source financing at competitive rates. Where necessary, funds will be drawn from its revolving credit facilities (refer to note 30).

The following are the undiscounted contractual maturities of financial liabilities (including principal and interest payments assuming the closing R/US$ exchange rate and interest rate at year end):

	SA Rand	
Figures in million	**Current**	**More than 1 year**
2020		
Other non-current liabilities	**—**	**101**
Trade and other payables (excluding non-financial liabilities)	**969**	**—**
Derivative financial liabilities	**4 238**	**962**
Borrowings		
Due between 0 to six months	**257**	**—**
Due between six to 12 months	**399**	**—**
Due between one to two years	**—**	**779**
Due between two to four years	**—**	**7 536**
	5 863	**9 378**

37 FINANCIAL RISK MANAGEMENT continued

LIQUIDITY RISK continued

	SA Rand	
Figures in million	**Current**	**More than 1 year**
2019		
Other non-current liabilities	—	2
Trade and other payables (excluding non-financial liabilities)	930	—
Derivative financial liabilities	280	194
Borrowings		
Due between 0 to six months	242	—
Due between six to 12 months	241	—
Due between one to two years	—	4 578
Due between two to four years	—	1 624
	1 693	6 398

CAPITAL RISK MANAGEMENT

The primary objective of managing the group's capital is to ensure that there is sufficient capital available to support the funding requirements of the group, in a way that optimises the cost of capital and matches the current strategic business plan.

The group manages and makes adjustments to the capital structure, which consists of debt and equity, as and when borrowings mature or when funding is required. This may take the form of raising equity, market or bank debt or hybrids thereof. In doing so, the group ensures it stays within the debt covenants agreed with lenders. The group may also sell assets to reduce debt or schedule projects to manage the capital structure.

On 30 June 2020 the group received R3 466 million, through an equity raise, in order to fund the acquisition of AGA's remaining South African assets (refer to note 12). This capital injection has in part attributed to the increase in cash reserves and the consequential decline in the net debt balance.

Harmony drew down additional funds from its debt facilities to sustain ordinary operations and resist any detrimental impacts of COVID-19, resulting in an increase in borrowings (refer to note 30). The levels in Rand terms were also impacted by the translation of US dollar denominated borrowings following the weakening of the Rand.

It is the group's objective to adhere to a conservative approach to debt and maintain low levels of gearing.

Net debt is as follows:

	SA Rand	
Figures in million	**2020**	2019
Cash and cash equivalents	**6 357**	993
Borrowings	**(7 718)**	(5 915)
Net debt	**(1 361)**	(4 922)

There were no changes to the group's approach to capital management during the year.

37 FINANCIAL RISK MANAGEMENT continued

FAIR VALUE DETERMINATION FOR FINANCIAL ASSETS AND LIABILITIES

The fair value levels of hierarchy are as follows:
Level 1: Quoted prices (unadjusted) in active markets;
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from other prices);
Level 3: Inputs for the asset that are not based on observable market data (that is, unobservable inputs).

The following table sets out the group's assets and liabilities measured at fair value by level within the fair value hierarchy:

	SA Rand			
Figures in million	**At 30 June 2020**		**At 30 June 2019**	
	Level 2	**Level 3**	**Level 2**	**Level 3**
Fair value through other comprehensive income				
Other non-current assets (a)	**—**	**77**	—	59
Fair value through profit or loss				
Restricted investments (b)	**837**	**—**	1 256	—
Derivative financial assets (c)	**68**	**—**	506	—
Derivative financial liabilities (c)	**(5 003)**	**—**	(422)	—
Loan to ARM BBEE Trust (d)	**—**	**306**	—	271

(a) The increase in level 3 fair value measurement relates to the equity investment in Rand Mutual Assurance previously carried at cost. The fair value of the investment was estimated with reference to an independent valuation. A combination of the "Embedded Valuation" and "Net Asset Value" techniques were applied to revalue the investment as at 30 June 2020. In evaluating the group's share of the business, common practice marketability and minority discounts as well as additional specific risk discounts were applied.

(b) The majority of the balance is directly derived from the Top 40 index on the JSE, and is discounted at market interest rate. This relates to equity-linked deposits in the group's environmental rehabilitation trust funds. The balance of the environmental trust funds are carried at amortised cost and therefore not disclosed here.

(c) The mark-to market remeasurement of the derivative contracts was determined as follows:
- Foreign exchange contracts comprise of zero cost collars and FECs: The zero cost collars were valued using a Black-Scholes valuation technique derived from spot Rand/US$ exchange rate inputs, implied volatilities on the Rand/US$ exchange rate, Rand/US$ inter-bank interest rates and discounted at market interest rate (zero-coupon interest rate curve). The value of the FECs is derived from the forward Rand/US$ exchange rate and discounted at market interest rate (zero-coupon interest rate curve).
- Rand gold contracts (forward sale contracts): spot Rand/US$ exchange rate, Rand and dollar interest rates (forward points), spot US$ gold price, differential between the US interest rate and gold lease interest rate which is discounted at market interest rate.
- US$ gold contracts (forward sale contracts): spot US$ gold price, differential between the US interest rate and gold lease interest rate and discounted at market interest rate.
- Silver contracts (zero cost collars): a Black-Scholes valuation technique, derived from spot US$ silver price, strike price, implied volatilities, time to maturity and interest rates and discounted at market interest rate.

(d) The increase in level 3 fair value measurement relates to the ARM BBEE loan that was carried at amortised cost prior to 1 July 2018. Refer to note 17. The fair value was calculated using a discounted cash flow model taking into account projected interest payments and the projected share price for African Rainbow Minerals Limited (ARM) on the expected repayment date. A 10% change in the discount rate of 9.8% would not cause a material change to the fair value of the loan. The fair value of the loan balance is limited to the sum of the capital amounts plus cumulative interest not paid, being R316 million.

The carrying values (less any impairment allowance) of short-term financial instruments are assumed to approximate their fair values. This includes restricted investments carried at amortised cost.

The fair values of borrowings are not materially different to their carrying amounts since the interest payable on those borrowings is at floating interest rates. The fair value of borrowings are based on discounted cash flows using a current borrowing rate. The determination of the fair values are level 3 in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

38 SUBSEQUENT EVENTS

(a) On 6 July 2020 Harmony and its subsidiaries cancelled the bridge loan of US$200 million (refer to note 30). The cancellation followed the successful equity raise on 24 June 2020 (refer to note 12).

(b) On 6 July 2020 a payment of R300 million was made on the R2 billion facility while two payments of US$20 million each were made on 2 July 2020 (R340 million) and 8 July 2020 (R339 million) respectively on the US$400 million facility. Additional payments were made on the R2 billion facility and US$400 million facility of R600 million on 6 October 2020 and of US $30 million (R497 million) on 8 October 2020 respectively.

(c) The syndicate of lenders for the US$400 million million facility agreed to the one year extension during July 2020, extending the maturity date to September 2023.

(d) On 14 August 2020, Ms Shela Mohatla was appointed as Group Company Secretary by the board of directors. At the same time Mrs Marian van der Walt was appointed as Senior Group Executive: Enterprise Risk and Investor Relations and will be regarded as a prescribed officer going forward.

(e) By 1 September 2020, Harmony had completed the recall of all operational employees.

(f) The last condition precedent for the acquisition of AGA's remaining South African assets (refer note 12 for further detail) was fulfilled during September 2020. The cash consideration of US$200 million was paid on 30 September 2020 and amounted to R3.366 billion based on the average exchange rate set out in the agreement. Control transferred to Harmony on 1 October 2020.

Following the effective date, management has started with a fair value exercise process in accordance with IFRS 3, *Business Combinations*. An updated life-of-mine plan will be prepared for the various operations that have been acquired.

(g) On 30 September 2020, Harmony announced the resignations of Mr Ken Dicks and Mr Max Sisulu as independent non-executive directors as well as the retirement of Mr Frank Abbott as executive director with immediate effect.

39 SEGMENT REPORT

ACCOUNTING POLICY

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The chief operating decision-maker has been identified as the CEO's office.

The group has one main economic product, being gold. In order to determine operating and reportable segments, management reviewed various factors, including geographical location as well as managerial structure. It was determined that an operating segment consists of a shaft or a group of shafts or open pit mine managed by a single general manager and management team.

After applying the qualitative and quantitative thresholds from IFRS 8, *Operating Segments*, the reportable segments were determined as: Tshepong Operations, Moab Khotsong, Bambanani, Joel, Doornkop, Target 1, Kusasalethu, Masimong, Unisel and Hidden Valley. All other operating segments have been grouped together under all other surface operations.

The CODM has been identified as the CEO's office consisting of the chief executive officer, financial director, executive director: new business development, executive director: corporate affairs, chief operating officer: new business development, corporate strategy and projects, chief executive officer: South-east Asia and chief operating officer: South Africa operations. During 2020, the executive: business development was added to the CEO's office, following the appointment of a new financial director. When assessing profitability, the CODM considers the revenue and production costs of each segment. The net of these amounts is the production profit or loss. Therefore, production profit has been disclosed in the segment report as the measure of profit or loss. The CODM also considers capital expenditure, gold production and tonnes milled when assessing the overall economic sustainability of each segment. The CODM, however, does not consider depreciation or impairment and therefore these amounts have not been disclosed in the segment report.

Segment assets consist of mining assets and mining assets under construction included under property, plant and equipment which can be attributed to the segment. Current and non-current group assets that are not allocated at a segment level form part of the reconciliation to total assets.

A reconciliation of the segment totals to the group financial statements has been included in note 40.

39 SEGMENT REPORT continued

	Revenue 30 June			Production cost 30 June			Production profit/ (loss) 30 June			Mining assets 30 June			Capital expenditure# 30 June			Kilograms produced* 30 June			Tonnes milled* 30 June		
	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018	2020	2019	2018
	Rand million			Rand million			Rand million			Rand million			Rand million			Kg			t'000		
South Africa																					
Underground																					
Tshepong Operations	**5 452**	4 685	5 389	**4 298**	3 973	3 799	**1 154**	712	1 590	**6 733**	6 297	8 078	**930**	1 130	1 008	**7 293**	7 967	9 394	**1 417**	1 612	1 716
Moab Khotsong	**5 008**	4 470	1 672	**3 344**	3 101	952	**1 664**	1 369	720	**3 842**	3 634	3 670	**498**	559	173	**6 592**	7 928	3 296	**746**	970	327
Bambanani	**1 591**	1 477	1 616	**1 040**	994	896	**551**	483	720	**443**	562	659	**50**	61	64	**2 132**	2 515	2 821	**200**	230	233
Joel	**1 037**	957	954	**1 010**	971	920	**27**	(14)	34	**1 080**	947	995	**151**	187	250	**1 391**	1 567	1 635	**349**	429	454
Doornkop	**2 270**	1 931	1 958	**1 730**	1 564	1 411	**540**	367	547	**2 841**	2 759	2 721	**281**	308	274	**2 994**	3 273	3 429	**681**	730	696
Target 1	**1 524**	1 585	1 630	**1 499**	1 491	1 318	**25**	94	312	**1 276**	1 076	1 260	**347**	297	309	**2 244**	2 653	2 854	**543**	588	680
Kusasalethu	**2 293**	2 975	2 483	**2 577**	2 395	2 026	**(284)**	580	457	**1 253**	1 300	2 151	**188**	316	289	**3 015**	4 989	4 429	**615**	742	670
Masimong	**1 401**	1 359	1 505	**1 258**	1 205	1 154	**143**	154	351	**41**	106	57	**24**	109	129	**1 999**	2 309	2 623	**489**	602	647
Unisel	**681**	713	733	**580**	564	771	**101**	149	(38)	**6**	46	38	**7**	45	85	**982**	1 212	1 280	**219**	256	376
Surface																					
All other surface operations	**3 302**	2 403	2 009	**2 135**	1 938	1 521	**1 167**	465	488	**745**	724	553	**118**	84	136	**4 349**	4 099	3 570	**16 264**	15 931	14 143
Total South Africa	**24 559**	22 555	19 949	**19 471**	18 196	14 768	**5 088**	4 359	5 181	**18 260**	17 451	20 182	**2 594**	3 096	2 717	**32 991**	38 512	35 331	**21 523**	22 090	19 942
International																					
Hidden Valley (a)	**3 748**	3 591	409	**1 639**	1 362	234	**2 109**	2 229	175	**3 810**	3 694	3 884	**959**	1 591	1 563	**4 872**	6 222	2 862	**3 906**	3 886	2 499
Total international	**3 748**	3 591	409	**1 639**	1 362	234	**2 109**	2 229	175	**3 810**	3 694	3 884	**959**	1 591	1 563	**4 872**	6 222	2 862	**3 906**	3 886	2 499
Total operations	**28 307**	26 146	20 358	**21 110**	19 558	15 002	**7 197**	6 588	5 356	**22 070**	21 145	24 066	**3 553**	4 687	4 280	**37 863**	44 734	38 193	**25 429**	25 976	22 441
Reconciliation of segment information to the consolidated income statement and balance sheet	**938**	766	94	**938**	766	82	**—**	—	12	**22 622**	15 591	15 455									
	29 245	26 912	20 452	**22 048**	20 324	15 084	**7 197**	6 588	5 368	**44 692**	36 736	39 521	**3 553**	4 687	4 280	**37 863**	44 734	38 193	**25 429**	25 976	22 441

Capital expenditure for international operations excludes expenditure spent on Wafi-Golpu of R54 million (2019: R350 million) (2018: R288 million).
(a) Capital expenditure for 2018 comprises of expenditure of R2 609 million net of capitalised revenue of R1 046 million. No revenue was capitalised in 2019 or 2020.
* Production statistics are unaudited.

40 RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED INCOME STATEMENTS AND BALANCE SHEETS

	SA Rand		
Figures in million	**2020**	2019	2018
Reconciliation of production profit to consolidated profit/(loss) before taxation			
Revenue per segment report	**28 307**	26 146	20 358
Revenue per income statement	**29 245**	26 912	20 452
Other metal sales treated as by-product credits in the segment report	**(938)**	(766)	(93)
Other adjustments	**—**	—	(1)
Production costs per segment report	**(21 110)**	(19 558)	(15 002)
Production costs per income statement	**(22 048)**	(20 324)	(15 084)
Other metal sales treated as by-product credits in the segment report	**938**	766	93
Other adjustments	**—**	—	(11)
Production profit per segment report	**7 197**	6 588	5 356
Revenue not included in segments	**—**	—	1
Production costs adjustments not included in segments	**—**	—	11
Cost of sales items other than production costs	**(3 860)**	(8 545)	(8 512)
Amortisation and depreciation of mining assets	**(3 409)**	(3 961)	(2 468)
Amortisation and depreciation of assets other than mining assets	**(99)**	(93)	(102)
Rehabilitation expenditure	**(47)**	(33)	(67)
Care and maintenance cost of restructured shafts	**(146)**	(134)	(128)
Employment termination and restructuring costs	**(40)**	(242)	(208)
Share-based payments	**(130)**	(155)	(244)
Impairment of assets	**—**	(3 898)	(5 336)
Other	**11**	(29)	41
Gross profit/(loss)	**3 337**	(1 957)	(3 144)
Corporate, administration and other expenditure	**(611)**	(731)	(813)
Exploration expenditure	**(205)**	(148)	(135)
Gains/(losses) on derivatives	**(1 678)**	484	99
Other operating expenses	**(1 201)**	(186)	(667)
Operating loss	**(358)**	(2 538)	(4 660)
Share on profit from associate	**94**	59	38
Acquisition-related costs	**(45)**	—	(98)
Investment income	**375**	308	343
Finance costs	**(661)**	(575)	(330)
Loss before taxation	**(595)**	(2 746)	(4 707)

40 RECONCILIATION OF SEGMENT INFORMATION TO CONSOLIDATED INCOME STATEMENTS AND BALANCE SHEETS continued

	SA Rand		
Figures in million	**2020**	2019	2018
Reconciliation of total segment assets to consolidated assets includes the following:			
Non-current assets			
Property, plant and equipment	**7 116**	6 604	6 903
Intangible assets	**536**	533	545
Restricted cash	**107**	92	77
Restricted investments	**3 535**	3 301	3 271
Investments in associates	**146**	110	84
Inventories	**47**	43	46
Deferred tax assets	**531**	1	—
Other non-current assets	**388**	333	264
Derivative financial assets	**50**	197	84
Current assets			
Inventories	**2 421**	1 967	1 759
Restricted cash	**62**	44	38
Trade and other receivables	**1 308**	1 064	1 139
Derivative financial assets	**18**	309	539
Cash and cash equivalents	**6 357**	993	706
	22 622	15 591	15 455