

# CHIEF EXECUTIVE OFFICER'S REVIEW



*"We have re-engineered our portfolio and deleveraged our balance sheet to give us optionality while investing in our stakeholders and our future."*

**Peter Steenkamp**  
Chief executive officer

## Overview

As we reflect on the past financial year (FY21), the resilience and determination shown throughout the company ensured we achieved our strategic objectives of operational excellence, responsible stewardship, cash certainty and effective capital allocation, and delivered stellar full-year results. The ongoing Covid-19 pandemic has been unprecedented, yet we adapted to a changed environment. The successful acquisition and integration of Mponeng and related assets are reflecting in our results. This demonstrates how we have further transformed our earnings profile by acquiring high-grade assets while delivering on our strategy of safe, profitable ounces and increasing margins.

As the largest gold producer in South Africa by volume, we embrace our moral obligation to ensure the wellbeing and safety of our people, along with the belief that the value created by our operations extends to all stakeholders and shareholders. We have proven this in South Africa and Papua New Guinea through the effective allocation of capital, continued operational optimisation and productivity enhancements across our portfolio.

Wage negotiations began in July 2021. In September 2021, we reached a historic wage agreement, with all five labour unions simultaneously signing the three-year settlement. This was the first time a wage agreement was reached outside the auspices of the Mineral Council's central bargaining unit and reflects the strong partnership between Harmony and organised labour. This further demonstrates our commitment to our people, who are the bedrock of our long-term sustainability. We thank everyone involved for engaging constructively and in the best interests of all.

We have re-engineered our portfolio and significantly reduced our debt, resulting in a strong, flexible balance sheet with greater optionality. Through exploration and brownfield projects, we will benefit from existing operational leverage as we convert our resources to reserves.

## Safety and health

Safety is a core value at Harmony and we are resolute about achieving our goal of zero harm. The safety and health of our employees and their families remain our top priority. In FY21, we continued our journey to embed a proactive safety culture throughout the company. The results of our hard work are evident in key safety metrics, with our South African operations' lost-time injury frequency rate (LTIFR) improving by 3% to 6.46 per million shifts from 6.69 in FY20.

Despite this progress, accidents remain a constant and real threat. Our year-on-year fatality injury frequency rate regressed from 0.08 in FY20 to 0.11 in FY21, which is unacceptable.

It is with great sadness that we report losing 11 colleagues in mine-related incidents in FY21. We pay tribute to Zamokuhle Shabane (team leader, Bambanani), Zakhele Lubisi, (artisan, Kusasalethu), Alexis Lesiamang Ntjantso (driller, Doornkop), Tsoaela Botsane (team leader, Tshepong), Tisetso Pati (winch operator, Tshepong), Rakitsi Seseli (driller, Kusasalethu), Makhetha Allerdice Makobane (driller, Bambanani), Flip Kearabetswe Mahloko (contractor, Free State surface operations), Tsietsi Petrus Mateane (driller, Phakisa), Neo Mofokeng (underground assistant, Target 1) and Peter Bangixhanti Fosilara (artisan, Moab Khotsong). We extend our heartfelt condolences to their families, friends and colleagues.

Building on lessons learned in 2020, we are managing the risk of Covid-19 against strict protocols and with ongoing coordination from all stakeholders, management and employees in South Africa and Papua New Guinea. We continue our initiatives to reduce the spread of infection by implementing precautionary measures, including education and awareness, improved hygiene and infection-control practices. As noted by the chairman, we are rolling out a vaccination programme in South Africa and Papua New Guinea, and we continue to encourage our employees and their families to get vaccinated at one of our accredited sites. We expect to reach our goal of having 80% of our employees at least partially vaccinated by October 2021.

### ESG or environment, social and governance

Good governance is overarching and embodies everything we do as a business. We believe ethical leadership equals ethical mining. Our ESG initiatives resulted in Harmony's inclusion in the FTSE4Good Index, where we continue to outperform the gold subsector and basic metals sector averages. In FY21, MSCI upgraded Harmony to a B rating on the back of our strong governance framework and we were included in the Bloomberg Gender-Equality Index for a third consecutive year. It is evident from these external recognitions and continual improvements in our ratings that we are committed to a greener and more equitable future.

### Renewable energy and power

Our renewable energy journey will be rolled out in phases. In the initial phase, we will construct three 10-megawatt (MW) (30MW) solar plants in the Free State, with plans in the next phase for an additional 70-80MW of renewable energy over the next 24 months. In addition, we have a pipeline of renewable and alternative energy projects in various stages of development. We have also implemented over 200 energy-savings initiatives that have yielded estimated savings of R1 billion since 2016 and reduced energy consumption by around 1.3 terawatt hours or 1.2 million tons of carbon dioxide.

### Operational excellence

We are pleased to report that total gold production for FY21 was 26% higher at 47 755kg (1 535 352oz) compared to 37 863kg (1 217 323oz) in FY20. The higher production was in line with guidance and due mainly to including Mponeng and related assets into our portfolio. This number was further enhanced as we achieved our operational plans and regained mining flexibility at most of our mines after the impact of Covid-19. The average underground recovered grade increased 1% to 5.51g/t from 5.45g/t in FY21.

Our new assets added 8 948kg (287 683oz) in FY21. They have recorded excellent performance in the nine months since we took ownership, exceeding expectations across production metrics, while the surface retreatment operations also performed well.

Hidden Valley's FY21 gold production declined 4% to 4 689kg (150 755oz) from 4 872kg (156 639oz) in FY20, while silver production declined 32% to 63 482kg or 2 040 994oz from 93 858kg (3 017 620oz). Gold and silver production were affected by the Covid-19 outbreak and related international travel restrictions and operational constraints, in addition to mechanical repairs required on some major infrastructure. Despite these events, production profit was 10% higher, driven by an improvement in recovered gold grade to 1.37g/t from 1.25g/t in FY20 and a 12% higher gold price received of R847 027/kg (US\$1 711/oz) compared to R757 348/kg (US\$1 504/oz) in FY20.

### Investing in growth

One of the key events in FY21 was the successful acquisition and integration of Mponeng and related assets. This transaction, along with the acquisition of Moab Khotsong in 2018, was strategically important and set Harmony on a new growth trajectory.

We have identified substantial opportunities in our existing portfolio through exploration and brownfield projects that will extend the life of some of our larger and higher-grade assets, adding lower-risk, higher-margin ounces to Harmony's portfolio. In addition to our existing projects, the key new projects include Zaaipplaats, Mine Waste Solutions and the Hidden Valley extension. Each project brings multiple benefits to Harmony and exceeds all our minimum criteria for allocating capital. We will continue to focus on ensuring all our mines operate safely and optimally, and on investing across our operations to ensure optimal production.

### Wafi-Golpu project

Harmony is committed to its aspiration of becoming a specialist emerging-market copper-gold producer. In December 2020, after a rigorous environmental impact assessment, the environmental permit for the Wafi-Golpu project was approved by the Papua New Guinean Conservation and Environment Protection Authority and issued by the director of environment. Harmony, together with its Wafi-Golpu joint-venture partner, Newcrest Mining Limited, continue discussions with the state on the special mining lease.

### Conclusion

Harmony is more than just mining; we are about people. The actions we take today are the foundations of tomorrow. We have an exciting investment case with our world-class pipeline of projects and embedded approach to ESG. We are committed to creating opportunities through sustainable mining, while creating value and delivering positive returns for all our shareholders and stakeholders.

**Peter Steenkamp**  
*Chief executive officer*

28 October 2021