

CHAIRMAN'S REVIEW



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Dr Patrice Motsepe
Chairman

Dear shareholders and stakeholders

Harmony's excellent results for the 2021 financial year (FY21) were based on implementing its strategic objectives as stated in the CEO's report. These results were achieved despite ongoing macro-economic uncertainties as the world deals with successive waves of the Covid-19 pandemic.

Gold, once more reflected its safe-haven investment status, as its price climbed from around US\$1 500/oz in early 2020 when Covid-19 was declared a global pandemic and peaked at US\$2 063/oz in August 2020, when vaccines became a reality and investors began rotating out of gold into other investment classes.

At year end, the gold price was US\$1 769.80/oz, reaffirming our positive outlook on the commodity in a volatile macro-environment.

For Harmony, this translated into an 18% increase in the US\$/oz gold price received compared to the prior year. Gold production also increased by 26% from the 2020 financial year (FY20) when production was significantly affected by national lockdowns in

South Africa in the final quarter of FY20 and the integration of Mponeng and related assets into our portfolio from October 2020. The company recorded a commendable 66% increase in production profit in the year under review.

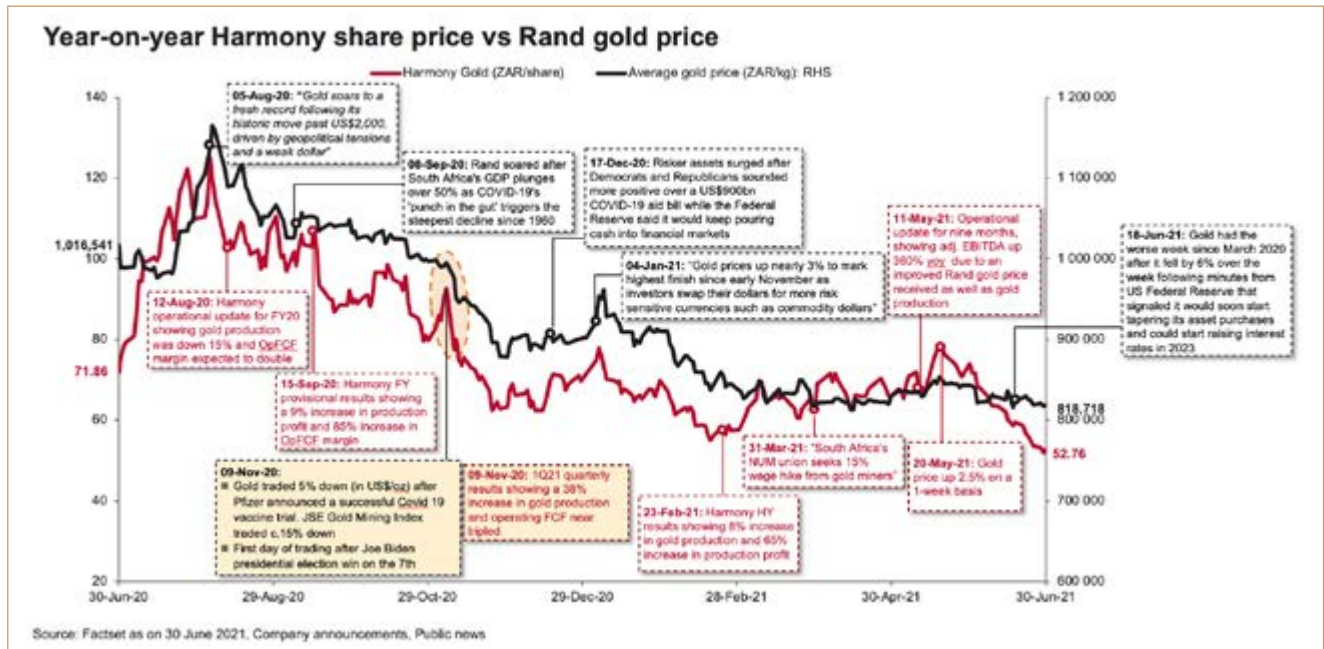
As planned, the newly acquired assets of Mponeng and related assets, which accounted for 19% of group production in just nine months, boosted production to over 1.54Moz.

The Harmony share price moved in tandem with the gold price and a stronger Rand, coming off its peak last year to close at R52.76 per share, resulting in a market capitalisation of R32.5 billion (US\$2.3 billion) at 30 June 2021.

The South African gold-mining industry

In calendar 2020, the South African industry employed 93 682 people, paid R25.6 billion (US\$1.6 billion) in wages, salaries and employee benefits and recorded gold sales of R78.2 billion (US\$4.8 billion).

CHAIRMAN'S REVIEW continued



Against this background, we believe Harmony has demonstrated its investment case and shown that it can offer significant value in a high-price commodity cycle.

Whereas the price of gold is outside Harmony's control, the company focuses on what it can influence, which is being a sustainable and competitive business which creates shared value through organic growth and value-creating acquisitions in the long term. Our re-engineered portfolio has significantly reduced our debt which has resulted in a strong and flexible balance sheet.

Vital to being a responsible and integrated business is embedding environment, social and governance (ESG) matters into our decision-making. Responsible stewardship is an important pillar of Harmony's strategy.

Maintaining a safe and healthy work environment

The safety and health of our approximately 48 000 employees is both our primary responsibility and a business imperative. Safety is a foundational value at Harmony. Safe production at all our operations and at all times is non-negotiable.

Our ESG report details results stemming from the proactive behavioural safety journey we initiated years ago to improve the culture of safety in Harmony. Regrettably, we lost 11 employees during the year in work-related incidents, and we extend our sincere condolences to their families, friends and colleagues. We are deeply disappointed by our safety performance in FY21 and are committed to reviewing our safety systems, policies and cultures.

Covid-19 remains a major focus area and a risk to our business. Our robust and collaborative response contained the Covid-19 active case level to 0.27% of our workforce. In line with government programmes in South Africa and Papua New Guinea, we have been rolling out our vaccine programme since June 2021, aiming to cover 80% of our South African workforce by October 2021.

Investing in our employees

As noted, we provide employment for approximately 48 000 people, most of whom live in communities around our operations. Our collaborative and inclusive approach supports constructive relationships with our employees and their representative trade unions. This is further demonstrated by the conclusion of our wage negotiations in September 2021, where we reached a three-year wage agreement with all five labour unions.

During the year, we invested R1 billion (US\$65 million) in the health and wellbeing of our employees, of which R292 million (US\$19 million) was specifically to manage and mitigate the impact of Covid-19. In addition, we invested R488 million (US\$32 million) in employee training, development and career advancement.

Ongoing commitment to host communities

The sustainability of our business is interlinked with the socio-economic sustainability of our host communities. We contribute to improving the living conditions of our host communities by initiating infrastructure development projects, creating employment opportunities and providing skills training and preferential procurement. Equally important is contributing to their sustainability by creating economic opportunities in the agricultural sector to promote women and youth employment and by creating enterprises that can sustain themselves post-mining.

The pandemic affected all our host communities, particularly those most in need. In addition to Covid-19 public awareness campaigns, we continued to support our doorstep communities by providing food and hygiene products and funded income-generating projects such as the manufacturing of masks.

In FY21, we invested R71 million (US\$5 million) in community development and upliftment projects, and corporate social investment. In addition to allocating resources focused on Covid-19, we concentrated on providing infrastructure and supporting enterprise development for small, medium and micro-businesses.

In South Africa and Papua New Guinea, we supported agricultural projects led by women and the youth. In the past three years, we have invested R36 million (US\$2 million) in agricultural projects in host communities in South Africa. Similarly, we have invested R408 385 (US\$27 115) in coffee and cocoa agricultural projects in Papua New Guinea and employed agricultural officers at Hidden Valley mine to support and coordinate these activities.

We also contribute significantly to taxes and royalties in the countries where we operate. In FY21, we paid R1.2 billion (US\$79 million) in South Africa and about R127 million (US\$8 million) in Papua New Guinea. We also paid R15.3 billion (US\$995 million) in wages and salaries, and spent R13.0 billion (US\$844 million) on local procurement.

📶 More information on our socio-economic development initiatives can be found in our [ESG report 2021](#).

Our commitment to the environment and its resources

📶 In FY21, Harmony continued to apply global good practice in managing our scarce natural resources. These initiatives have been recognised by global research agencies (see our [ESG report 2021](#)).

The lasting impact of climate change is arguably the most critical global challenge of our time. In line with our business strategy, we remain committed to participating in the global response to reduce carbon emissions and mitigate the physical impacts of climate change.

We are reducing our carbon footprint and are committed to making more progress in this regard. We have reduced our energy intensity by 28% over the past six years, reducing CO₂ emissions by 1.2 million tons and saving R1 billion in energy costs.

We welcome the South African President's announcement in June 2021 of a 100 megawatt (MW) cap for embedded generation, effectively doubling the amount of energy our industry can generate for self-use. We are exploring a number of self-generation renewable energy options, including solar projects. Harmony plans to bring the first 30MW of solar power into production in early 2022 while developing a pipeline of projects for an additional 137MW.

In South Africa, a water-scarce region, we have almost doubled the quantity of recycled water and reduced our water consumption intensity (which measures the quantity of water required to treat a tonne of treated ore) by 37% over five years.

📶 For more on our environmental management activities, see our [ESG report 2021](#).

Commitment to good governance

Our board formulates robust governance standards and ensures that we conduct our business ethically and in line with global good governance practice.

Amid the prevailing social, political, economic and environmental challenges, the depth of expertise on Harmony's board has been invaluable.

In December 2020, Ms Grathel Motau resigned as an independent non-executive director and investment committee member to pursue other career opportunities. We thank Ms Motau for her contribution.

Mr Peter Turner was appointed to the board as an independent non-executive director in February 2021 and was subsequently appointed as a member of the technical and investment committees. His extensive experience in open-pit and deep-level underground gold mining in Africa makes a significant contribution to the technical expertise required for the company's safety, development and growth initiatives.

Two of our longest serving board members, Ms Fikile De Buck and Dr Simo Lushaba, who retire by rotation this year, although eligible, will not be seeking re-election to the board. This will be effective as of the conclusion of the 2021 annual general meeting. Ms De Buck and Dr Lushaba have contributed immensely to the growth and success of Harmony. On behalf of the board I would like to thank them for their invaluable contribution over many years.

The board has embarked on a transitional plan to ensure that its composition and functioning is in line with global best practices.

📶 For further details, refer to [Corporate governance](#) in the [ESG report 2021](#).

My gratitude

Our management teams and employees have proven their mettle in the face of ongoing Covid-19 challenges and its impact on their work environment. On behalf of the board, I thank them for their resilience and commitment.

We are also deeply grateful for the continued support and cooperation of our host communities, shareholders and all other stakeholders.

I would also like to thank our chief executive officer, Peter Steenkamp, and his management team for their exemplary leadership and hard work. Their collective contribution has been pivotal to the success and growth of Harmony and our ability to create shared value.

My deep gratitude also goes to every member of our board for their guidance and advice during these challenging and demanding times.

Dr Patrice Motsepe
Chairman

28 October 2021