

Harmony, a gold mining and exploration company with more than six decades of experience, has operations in South Africa – one of the world's best known gold mining regions – and in Papua New Guinea – one of the world's premier new gold regions. In FY15, Harmony was the third largest gold producer in South Africa and the twelfth largest in the world. At Harmony, we understand the impact that our company has on the lives of the people we employ, the communities that surround our mines and the environment, as well as the economic contribution that we make to the countries in which we operate.

OUR WEBSITE

In this report we have included references to additional information on certain sections, either in the report itself or online.

Go to www.harmony.co.za and click on the investor tab where you will find a more detailed account of the environmental, socio-economic and governance aspects of Harmony's business for FY15.



The QR code link will take you to information suitable to view on your mobile device. Download an application for your phone, take a picture of the code and the relevant page will open in your browser window.

REFERENCE

A full glossary of terms is available on page 222.

Throughout this report, "\$" or "dollar" refers to US dollar, unless otherwise stated.

"K" refers to kina, the currency of Papua New Guinea.

"Moz" refers to million ounces.

All production volumes are in metric tonnes (t) unless specifically stated as imperial tons.

OUR VALUES

Our values are at the core of all we do – they underpin all our actions and are built into the design of our business.

WE MEASURE OURSELVES AGAINST THESE IN EVERYTHING WE DO AND ASK FOR.



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

KEY HIGHLIGHTS

REVENUE

R15.4bn

(FY14: R15.7bn)

SAFETY IMPROVED

FIFR: 0.11

(FY14: 0.26 per million hours worked)

SOLID BALANCE SHEET

**FUNDING OUR
OWN CAPITAL**

MAJOR COPPER-GOLD PROJECT: GOLPU

**IN FEASIBILITY
STAGE**

ACCOMMODATION

**EACH EMPLOYEE
IN HOSTEL HAS
OWN ROOM**



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HARMONY IN NUMBERS

Our annual financial statements are presented in full in the Financial Report 2015 which is available at www.har.co.za/15/download/HAR-FR15.pdf



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ABOUT THIS REPORT

Our Integrated Annual Report 2015 tells the story of Harmony Gold Mining Company Limited (Harmony) for our 2015 financial year (FY15), from 1 July 2014 to 30 June 2015. This report is not limited to this time period and also addresses certain comparative historical information where this is relevant and provides some insight into how we envisage our future.

In this report we aim to show readers what Harmony has done and achieved, what we plan to do and achieve in the future and how we intend to get there. The report reflects on our journey in FY15 – we explain our external and internal environments, our strategy and business model, together with our objectives and how we performed against these. For the purpose of integrated reporting, we have defined our readers as the primary providers of financial capital – that is shareholders. But, we understand that other stakeholders have a deep and vested interest in our company, and we have tried to address their interests and concerns where it has been possible and appropriate to do so.

Our company is built on the strength of our actions. This report examines the way in which we acted on our strategy in the past year, and the effects this has had on our business, our relationships and our prospects. This report has been compiled through conversations with a number of stakeholders so that it addresses and captures our full story. We have included extensive feedback from stakeholders and have highlighted key actions by Harmony during the year that showcase our commitment to our values and strategy, our integrated thinking and how we are mitigating key risks. The highlighting of noteworthy actions allows us to bring our reporting alive and provides insight into the Harmony story. A consistent thread throughout this report is the way in which we address our most material risks and issues.

This report covers all of Harmony's wholly-owned operations in South Africa as well as its joint venture and own exploration activities in Papua New Guinea. Discontinued operations have been excluded unless otherwise stated. In addition, this report details the environmental, socio-economic and governance aspects of these operations, and Harmony as a whole. A separate notice of annual general meeting with summarised financial statements is posted to shareholders and is available on our website.

For the purposes of this report we define the short, medium and long term as follows:

Short term – six months to a year

Medium term – one year to three years

Long term – longer than three years

In addition to this report, Harmony produces an annual report prepared on a Form 20-F, filed with the United States Securities and Exchange Commission, in compliance with the listing requirements of the New York Stock Exchange. Copies of this will be available from 23 October 2015, free of charge on the Electronic Data Gathering, Analysis and Retrieval system at www.sec.gov and on our website. In an effort to align the Form 20-F with the Integrated Report, we have included relevant information from the Form 20-F in this report. Any additional information can be found on our website at www.harmony.co.za/investors. This integrated report has been developed in line with the International Integrated Reporting Council Framework, the Global Reporting Initiative G4 guidelines and the King III Report on Governance for South Africa. The full Global Reporting Initiative index is available on pages 210 to 218.

In addition, our annual financial statements, including the summarised consolidated statements, have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board, the SAICA Financial Reporting Guideline as issued by the Accounting Practice Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act 71 of 2008, as amended (Companies Act) and the JSE Listings Requirements. For ease of reference, Harmony's audited annual financial statements are available in a separate report, the Financial Report 2015, which is also available online at www.harmony.co.za/investors/reporting/annual-reports.

Everything we do, from risk assessment and decision making to reporting, is informed by our understanding of how various elements of the business fit together. We have applied this approach to this report as well – it is a fully integrated document that gives insight into both our financial and non-financial performance. Summarised information on mineral resources and reserves appears on pages 159 to 167, with comprehensive information available in the report entitled Mineral Resources and Mineral Reserves 2015, which is available online at www.harmony.co.za/investors/reporting/annual-reports. The resource and reserve statements have been compiled in accordance with the South African Code for Reporting of Exploration Results, Mineral Reserves and Mineral Resources, the Australian Code for Reporting of Mineral Resources and Mineral Reserves, Industry Guide 7 of the United States' Securities and Exchange Commission and the JSE Listings Requirements. This information was gathered, reviewed and confirmed by the relevant competent persons. No restatements were made in the 2015 financial year.

At Harmony we acknowledge that this report is made meaningful by ensuring that the information contained in it is accurate and appropriate. As in previous years, this report has had its most material key performance indicators assured by PricewaterhouseCoopers Inc. A copy of their assurance report is available on page 204 of this report.

FEEDBACK

Our reporting, and the activities that it discusses, can be improved through feedback. As a result, if you have any comments or suggestions on this report, send them to our investor relations team: HarmonyIR@harmony.co.za.

DIRECTORS' RESPONSIBILITY FOR THE INTEGRATED ANNUAL REPORT 2015

Our board of directors has read and considered this annual report, and signed it off on 23 October 2015.

ABOUT HARMONY

ABOUT HARMONY

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WHO HARMONY IS

**"HARMONY UNDERSTANDS
THAT LONG-TERM VALUE
IS ABOUT MORE THAN THE
GOLD WE PRODUCE AND
THE PROFITS WE MAKE."**

Harmony, a gold-mining and exploration company, has operations in South Africa and Papua New Guinea, one of the world's best-known gold mining regions and one of the world's premier new gold regions respectively. Harmony, which has more than six decades of experience, was South Africa's third largest gold producer and the twelfth largest in the world in FY15.

At Harmony, we understand the significant impact our company has on the lives of people, on the communities that surround our mines, on the environment, and on the economic well-being of the countries in which we operate.

We measure, we measure up and we deliver.

OUR OPERATIONS AND PROJECTS

In South Africa, our operations are focused on the world-renowned Witwatersrand Basin, as well as the Kraaipan Greenstone Belt. We operate nine underground mines, one open-pit mine and several surface operations.

Our operations in Papua New Guinea form part of a 50:50 joint venture with Newcrest Mining Limited. These operations include the Hidden Valley open-pit gold and silver mine, the Golpu project in Morobe Province and significant exploration tenements. In addition to its joint ventures, Harmony also has a wholly-owned exploration portfolio that focuses on highly prospective areas in Papua New Guinea.

In FY15, our South African operations accounted for 91% of our total production of 1.08Moz, with the remaining 9% coming from Papua New Guinea. At the same time, our South African holdings represented 64% of our mineral resource base, while those in Papua New Guinea represented 36%.

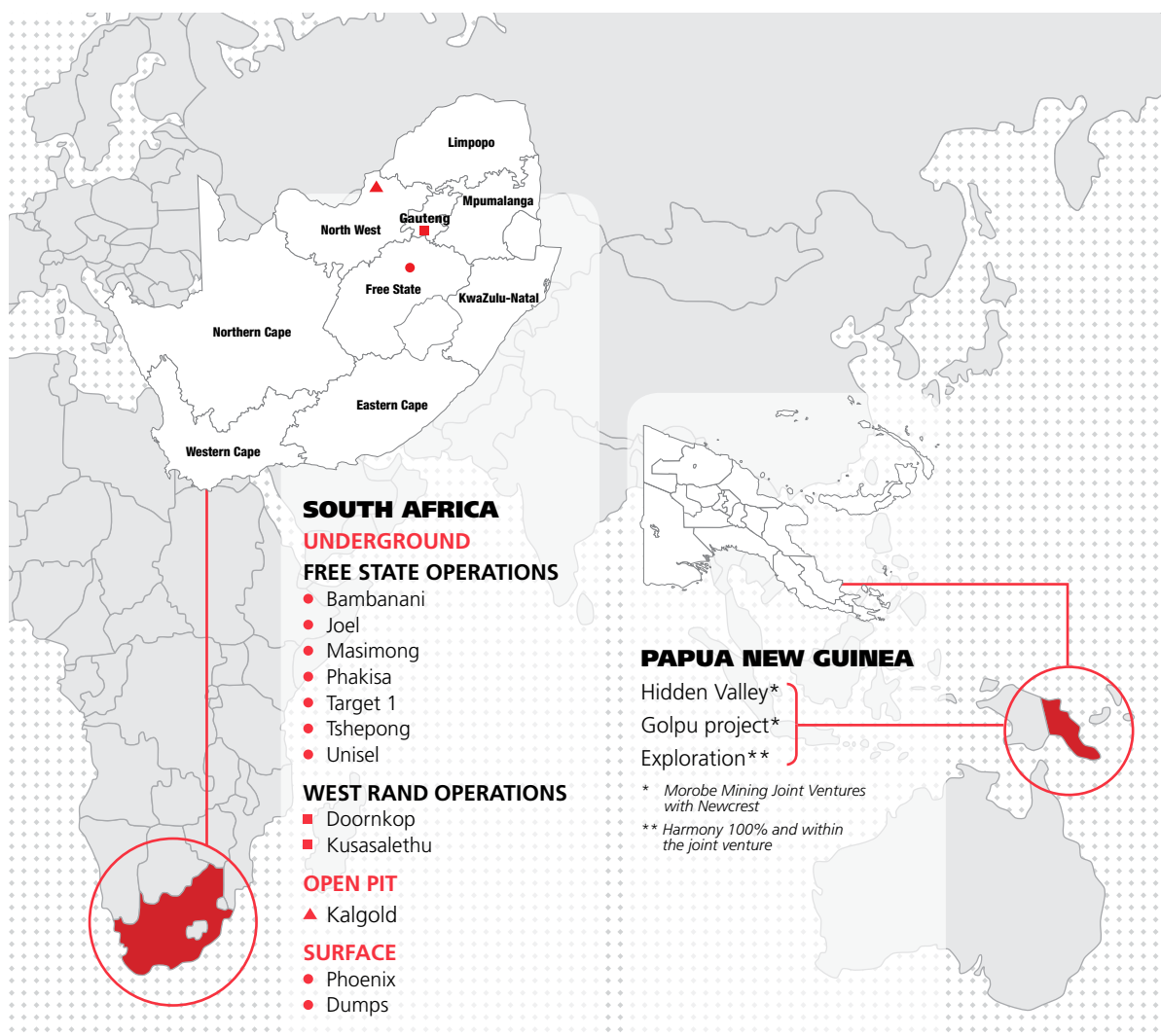
Looking ahead, the Golpu project is expected to be a game-changer for Harmony. This project is among the best gold-copper porphyries in south-east Asia. On 15 December 2014, Harmony's board approved the updated prefeasibility study for this project and agreed to progress it to feasibility study stage. The updated prefeasibility study entails low development capital cost, targets high grades to maximise free cash flow generation and demonstrates the potential of this world-class ore body.

The updated prefeasibility study supports our view that Golpu is a spectacular ore body with a large copper component and that it is affordable and mineable. Key objectives of the study – to reduce the capital cost of the project and lower operating costs so as to improve returns on capital – have been achieved. For more information refer to page 156 in this report.



Phakisa mine

WHERE WE OPERATE



HARMONY IN FY15

1.08Moz	31 114	42.6Moz	110.3Moz	R15.4 billion
GOLD PRODUCED	PEOPLE EMPLOYED	MINERAL RESERVES	MINERAL RESOURCES	REVENUE

WHO HARMONY IS CONTINUED

OUR PEOPLE

Our company delivers long-term benefits to a broad range of stakeholders. We rely on experienced, skilled teams who live our values and play their role in maintaining stakeholder relationships, growing profits and maintaining a sustainable company.

At the end of FY15, Harmony employed 31 114 people in total – 26 000 employees and 5 012 contractors in South Africa and 75 employees and 27 contractors in Papua New Guinea (excluding employees of the Morobe Mining Joint Ventures). Our employees are drawn from communities around our operations, and from other provinces in South Africa and other southern African countries.

Our corporate offices are located in Randfontein, South Africa, close to some of our South African operations, while our south-east Asia office is located in Brisbane, Queensland, Australia.

The company is governed by a board of directors which brings together a range of skills and experience and whose members are committed to maintaining the highest levels of corporate governance. In turn, the directors entrust the management of Harmony to skilled management teams which work towards ensuring that the company remains sustainable, towards improving margins and towards increasing the value of our assets in Papua New Guinea. For more on our board and management see page 28.

OUR VALUES AND THEIR ROLE IN CREATING VALUE

Harmony lives its values – safety, being accountable, achievement and being connected and honest. These are the compass points for our actions, ensuring that, in addition to achieving our strategic goals, we seek to make the right decisions and support the members of our teams in doing so. These values are ingrained in our training initiatives and decision-making processes, ensuring that they are at the front of employees' minds and actions. Our values extend beyond our operations' gates. They guide our interactions with external stakeholders, from shareholders and the media to local communities and those from which our employees are drawn. Our hope is that through a commitment to these values, we can build a company with which people want to be associated and which will generate shared value into the future.

As a company, Harmony understands that long-term value is about more than the gold we produce and the profits we make. These are fundamental to our ability to create value in the broadest sense, but our worth is better reflected in the impact we have on the lives of people, now and in the future.



Masimong underground

OUR SHAREHOLDERS

Harmony is listed on the Johannesburg Stock Exchange and on the New York Stock Exchange. The company's shares are quoted in the form of American Depositary Receipts on the New York Stock Exchange and as International Depositary Receipts on the Berlin exchange.

OUR AWARDS

In FY15, Harmony was once again admitted to the Johannesburg Stock Exchange's Socially Responsible Investment Index, as we have been since inception of that index. Our Integrated Annual Report FY14 received an African Gold Quill Award from the International Association of Business Communicators for excellence in the communication skills category. The award acknowledged our move away from printed to web-based reporting, an initiative aimed at making our reports more easily accessible to all stakeholders, decreasing our corporate costs and reducing the amount of paper consumed in the printing process.

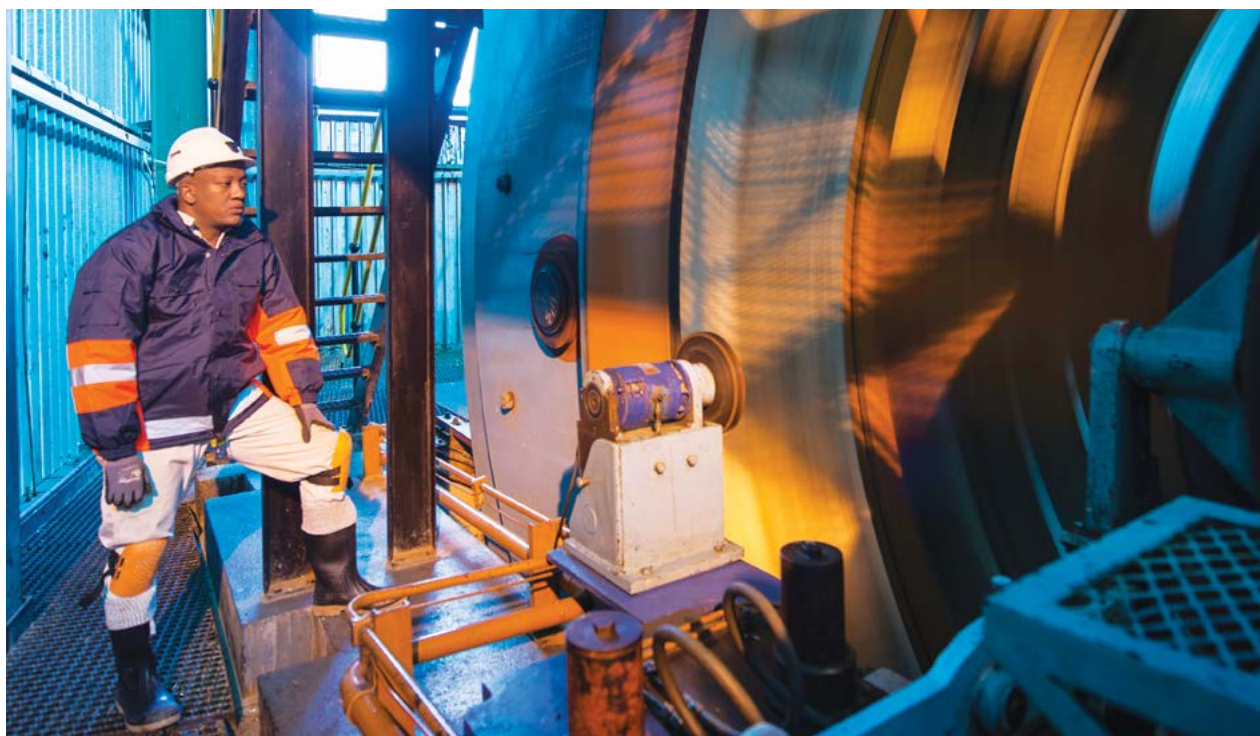
At the 2015 MINESAFE awards, Harmony's operations won five safety awards in the gold sector category:

- Bambanani mine – first place for best year on year improvement for the total injury frequency rate
- Target 1 mine – first place for 'best in class' for the total injury frequency rate
- Tshepong mine – third place for year on year improvement for the total injury frequency rate
- Joel mine – third place for 'best in class' for the total injury frequency rate
- Tshepong mine – fourth place for 'best in class' for the total injury frequency rate

The Kusasaletu proto captains received the MINESAFE proto award for rescuing 442 people from underground in the aftermath of the fire at the mine in February 2015.

Our Merriespruit 3 housing project was first runner up for the Govan Mbeki award in 2015. Our Masimong housing development was declared the winner both in the Govan Mbeki National Award for best housing development project in 2013 and in the Govan Mbeki National Award for the best community residential units project in 2014.

These awards all speak to our on-going commitment to building a sustainable business and we are proud to have been recognised.



Phakisa shaft

HOW WE PERFORMED

Relevant Global Reporting Initiative indicators: G4-EC1

		FY15	FY14	FY13	FY12
Operating performance					
Ore milled	000t	18 063	18 784	18 373	18 154
Gold produced ¹	kg	33 513	36 453	35 374	36 273
	000oz	1 077	1 172	1 137	1 166
Operating costs	R/kg	369 203	328 931	324 979	275 058
	US\$/oz	1 003	988	1 146	1 101
All-in sustaining costs	R/kg	458 626	413 433	431 745	357 390
	US\$/oz	1 246	1 242	1 522	1 431
Underground grade	g/t	4.75	4.77	4.54	4.26
Financial performance					
Revenue	R million	15 435	15 682	15 902	15 169
Production costs	R million	12 632	11 888	11 321	9 873
Production profit	R million	2 803	3 794	4 581	5 296
Operating margin	%	18	24	29	35
Net profit/(loss) for the year	R million	(4 536)	(1 270)	(2 349)	2 599
Total headline earnings/(loss) per share	SA cents	(189)	26	52	603
Capital expenditure	R million	2 593	2 528	3 649	3 049
Exploration spend ^{13, 14}	R million	263	458	673	500
Dividend spend	R million	–	–	435	431
Net debt	R million	(2 332)	(1 031)	(449)	(43)
Market performance					
Average gold price received ¹	R/kg	449 570	432 165	454 725	419 668
	US\$/oz	1 222	1 299	1 603	1 681
Total market capitalisation	R billion	6.8	13.6	15.6	33.0
	US\$ billion	0.56	1.3	1.6	4.0
Exchange rate	R/US\$	11.45	10.35	8.82	7.77
Reserves					
Gold and gold equivalents	Moz	42.6	49.5	51.5	52.9
Geographical distribution of gold reserves					
– South Africa	%	52	57	58	58
– Papua New Guinea	%	48	43	42	42
Safety					
FIFR – fatal injury frequency rate	per million hours worked	0.11	0.26	0.10	0.11
LTIFR – lost-time injury frequency rate	per million hours worked	9.24⁸	7.54 ⁷	5.46 ⁷	6.86 ⁷
TIA – total injury and accidents	number of incidents	1 210⁸	953	912	1 167
Health (South Africa)					
– Shifts lost due to occupational illness and injury		24 514	25 338	20 236	23 497
– Noise-induced hearing loss (NIHL) compensated cases		71	57	52	101
– Silicosis cases certified ⁴		197⁸	175 ⁷	185 ⁷	872

		FY15	FY14	FY13	FY12
People					
Total number of employees and contractors ²		31 114	34 746	36 579	36 915
South Africa: employees		26 000	28 991	30 867	31 566
South Africa: contractors		5 012	5 695	5 557	5 349
Papua New Guinea: employees ²		75	59	101	102
Papua New Guinea: contractors ²		27	1	54	106
Morobe Mining Joint Venture employees (100%)		1 390	1 534	1 628	1 798
Morobe Mining Joint Venture contractors (100%)		933	972	2 977	2 499
Employment equity (historically disadvantaged South Africans in management) ⁶	%	58⁸	46 ⁷	46 ⁷	44 ⁷
Number of people in single rooms ⁵		7 436⁸	1 678 ⁷	1 102 ⁷	555 ⁷
Number of people sharing		0⁸	6 841 ⁷	8 629 ⁷	10 237 ⁷
Number of people in critical-skill positions trained ¹²		69⁸	56 ⁷	124 ⁷	74 ⁷
Community – group local economic development¹¹	R million	63.5⁸	77.1 ⁷	87.5	61.6
Meaningful economic participation ⁹	%	28	28	28	28
Total discretionary spend	R million	5 565	5 595	5 956	5 329
Preferential procurement (BEE) spend	R million	3 849⁸	3 442 ⁷	2 459 ⁷	2 138 ⁷
Preferential procurement spend %	%	69	62	41	40
Environment					
Mineral waste (volume disposed)	000t	24 659⁸	33 498 ⁷	32 807 ⁷	20 252 ⁷
Total electricity use	000MWh	2 657⁸	2 798 ⁷	2 704 ⁷	3 058 ⁷
CO ₂ emissions					
– Scope 1	000t CO ₂ e	67⁸	75 ⁷	94	¹⁰
– Scope 2	000t CO ₂ e	2 686⁸	2 745 ⁷	2 648	3 047
– Scope 3	000t CO ₂ e	686⁸	661 ⁷	617	¹⁰
Water used for primary activities ³	000m ³	14 614⁸	16 495 ⁷	18 556 ⁷	32 979 ⁷
Funding/guarantees for rehabilitation and closure	R million	2 444	2 200	2 330	2 386

¹ Zero gold production capitalised in FY15, FY14 and FY13 (FY12: 36kg/1 157oz)

² Excluding employees from the Morobe Mining Joint Ventures

³ Definition changed for FY13 to exclude fissure water from the reported figure

⁴ The number of cases of pure silicosis confirmed by the South Africa's Medical Bureau of Occupational Diseases in FY13, FY14 and FY15. Previously we assured silicosis cases submitted to the Medical Bureau of Occupational Diseases

⁵ The number of single rooms only represent hostels which are 100% converted. At the end of FY15, all employees living in hostels were living in single rooms. In FY14, the total number of single rooms (including single rooms in incomplete hostels) was 5 027 (FY13: 3 214) (FY12: 1 757)

⁶ The increase in compliance indicators is due to alignment of Harmony's reporting with the Department of Labour's classification guidelines – (EEA9). For previous years, indicators were based on Patterson grade D-F only whereas C band employees are now classified as Junior Management and have been included in the 2015 employment equity percentage

⁷ Assured by independent auditors in prior years – refer to www.harmony.co.za/investors/reporting/annual-reports

⁸ Assured by independent auditors in the current year. Please refer to the Assurance Report on page 204 and Glossary of Terms for definitions applied on page 222

⁹ Percentage of production attributed to interests held by historically disadvantaged South Africans

¹⁰ Not previously reported

¹¹ In addition, capital of R89 million was spent in FY15 on the upgrading of hostel accommodation at various operations (FY14: R106 million)

¹² We invested R1 million in FY15 (FY14: R1.2million) to train people in critical-skill positions

¹³ As per income statement

¹⁴ Total exploration spend including capitalised amounts are R385 million (FY15), R470 million (FY14), R1.2 billion (FY13) and R811 million (FY12)

CHAIRMAN'S LETTER



Patrice Motsepe
Chairman

**"...WE CAN MAKE A
LASTING CONTRIBUTION
TO THE ECONOMIC AND
SOCIAL DEVELOPMENT
OF ALL STAKEHOLDERS IN
THE COUNTRIES WHERE
WE OPERATE"**

Dear Shareholder

During the past financial year the gold mining industry in South Africa and globally experienced a progressively weakening gold price and rising operating costs. Harmony responded to the lower gold price and higher costs, by restructuring and rationalising its asset portfolio, cutting costs, improving labour productivity, increasing the overall mining grade and focusing on mining only safe and profitable ounces.

Our company is well-positioned to benefit from higher gold prices and increased gold production. The gold mining industry, globally, responded to lower dollar gold prices in much the same way as it did in the preceding year. Shafts have been closed, capital spending has been deferred and management overhead costs have been reduced. While gold's average dollar price dropped by 6% to \$1 222/oz from the previous year's \$1 299/oz, the weakness of the rand against the dollar meant that in South African currency terms the average gold price received increased by 4% to R449 570/kg.

SAFETY

The safety and health of everyone in Harmony is our primary concern. Our efforts to address and consistently improve our safety standards are on-going. The preparedness and quality of our safety measures was shown on 22 February 2015 when an underground fire broke out at Kusasalethu mine and all employees working underground at the time were brought to surface safely, with no-one suffering harm or injuries. The Minister of Mineral Resources at the time, Ngoako Ramatlhodi, and the Chamber of Mines both commended the rescue teams. Some of the rescuers who assisted us came from across the industry, displaying the spirit of comradeship that characterises the South African mining industry.

One of the most positive developments is that there were no fatalities at our South African operations during the second quarter. Our safety record for the year as a whole in terms of fatalities was the best that the South African operations have recorded in more than a decade. Regrettably nine of our colleagues lost their lives in accidents during the year. We remain committed to zero fatalities at all our operations. I send my personal condolences and those of the entire Harmony to the families, friends and work colleagues of the nine who so tragically lost their lives at our operations.

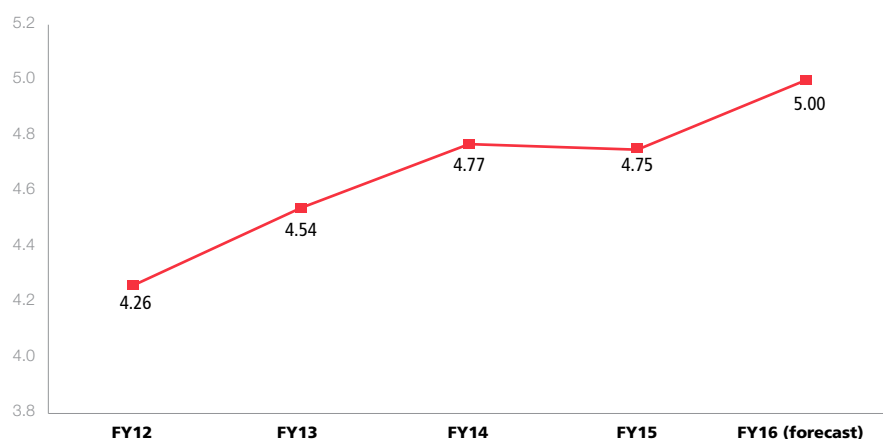
Our aim is to eliminate all work-related injuries and illnesses. All our operations are guided by our occupational health and safety policy, which is based on leading safety practices. This policy was formulated with the cooperation and active participation of management, unions and the Government.

In our drive to continually improve our safety performance, each operation is monitored monthly through a formal review system. Safety is a key performance indicator and a key component of performance reward for the vast majority of our people.

OPERATIONAL PERFORMANCE

Harmony's strategy of developing and operating higher grade, profitable mines resulted in the average underground recovery grades increasing in the past couple of years and remaining steady in FY15. Planned recovered grade for FY16 is 5g/t – see the graph on page 11.

Underground recovered grade (g/t)



Tightening margins, due to weak gold prices and rising costs have led to adjustments at our operations. To protect Harmony from the sliding gold price, we restructured some of our mines, right-sized employee numbers and mined only safe and profitable high-grade ounces. Target 3 was closed and Kusasaletu, Masimong, Doornkop and Hidden Valley were restructured. Our large capital investment in Kusasaletu has positioned us to mine the higher grade ore body and increase profitability.

The strategies and interventions by management to restructure and optimise our operations will position Harmony for a more profitable future. The benefits of this restructuring and optimisation will improve productivity, margins and profitability, even in these challenging times. In addition, cost management and cash generation will continue to be our primary focus in the year ahead.

Further details on the company's financial performance are provided in the Financial Director's Review on page 18 and on its operational performance in the section entitled Operational Performance on page 120.

PAPUA NEW GUINEA

We continue to gain invaluable knowledge of Papua New Guinea's people, business, social structure and its exciting and valuable geology. Currently, Harmony's principal objective is to develop the Golpu copper-gold deposit into a producing mine. The results of the updated prefeasibility support our view that this deposit will create significant value for our shareholders and benefit all stakeholders.

Given the subdued market, the updated prefeasibility was based on a reduced capital requirement and lower operating costs. This resulted in an improved rate of return. The updated prefeasibility study covers the first stage (stage 1) of Golpu's development. Stage 1 of the Golpu development, targets the upper higher value portion of the ore body. Work will continue on optimising a second stage mine development (stage 2), which will encompass the rest of the ore reserves. The early stages of the Golpu project will be funded internally. Initial indications are that first production would be in 2020 with full production of 500 000 equivalent gold ounces expected from 2024 to 2029.

The two proposed block caves in stage 1 are designed to access approximately 30% of the tonnes which contain approximately 40% of the metal (gold and copper) of the Golpu reserve. The mining and processing infrastructure would then be utilised to exploit the remaining 70% of the tonnes which contain about 60% of the contained metal (gold and copper) of the Golpu reserve.

Harmony will fund the first three years from operating cash flows and from FY18 onwards, debt financing will also be considered. From FY21 stage 1 will be cash flow positive after capital expenditure. At financial year-end, the Golpu team was in the process of negotiating a pre-mine development agreement – a precursor to commencing with advanced exploration and feasibility support activities – with the Papua New Guinean government. Discussions post year-end have progressed well with a final draft of the proposed agreement circulated to the cabinet of Papua New Guinea for consideration.

CHAIRMAN'S LETTER CONTINUED

During March 2015, we intersected a highly significant zone of copper-gold mineralisation at the Kili Teke exploration prospect which is located west of Golpu, in the Hela Province of the Papua New Guinean Highlands on one of our exclusively owned exploration licence areas. The Kili Teke exploration prospect has the potential to develop into a major copper-gold deposit similar to Golpu.

SOUTH AFRICA

Since June 2015, Harmony and other major South African gold companies have been engaged in wage negotiations with the different worker representative organisations. During October 2015, Harmony concluded a three-year wage agreement with the National Union of Mineworkers, Solidarity and United Association of South Africa, which was extended to the entire workforce in the bargaining unit, as these unions represent the majority of our workforce.

The Tlhakanelo Employee Share Ownership Plan gives all the non-managerial employees of Harmony an opportunity to benefit as shareholders in Harmony's gains. The Tlhakanelo Share Ownership Plan has realised R44 million for the Harmony employees in the financial year under review.

At year-end, Harmony and its industry counterparts were awaiting confirmation from the Department of Mineral Resources that both it and they had achieved the end-2014 empowerment targets set by the Mining Charter.

The differences in interpretation relating to the "once empowered, always empowered" principle should be resolved in a manner that will ensure the long term global competitiveness and attractiveness of the South African mining industry.

Harmony continues to be committed to running its mines and operations for the benefit of its shareholders, workers, communities neighbouring its operations and all other stakeholders.

PARTNERING WITH OUR STAKEHOLDERS

At Harmony we realise that, along with others in the mining sector, we can make a lasting contribution to the economic and social development of all stakeholders in the countries where we operate.

Our capacity to benefit all stakeholders is dependent and influenced by our long-term sustainability and profitability.

Our ability to develop and benefit all our stakeholders is influenced by and requires the cooperation and partnership of our employees, neighbouring communities and local and national Government.

One of our important objectives is to help our employees to acquire affordable housing in places where our people wish to live and where social and infrastructural facilities are readily available. Our programme of converting the former multi-occupancy hostels to provide private, married or single accommodation is largely complete and offers accommodation to those employees who choose to reside on mine properties. The workers who prefer to live elsewhere are paid a monthly living-out allowance that stood at R2 000 at the financial year-end.



Doornkop plant

We continue to work in partnership with the Department of Human Settlements to convert old hostels to family units. The Masimong 3 housing project has been completed while the conversion at Merriespruit is in progress. Additional housing and accommodation conversions are being investigated. Also noteworthy is that by December 2014, we had met our target in the hostels of one person per room.

Our approach to interacting with employees and Harmony's communities is based on direct, open and clear communication from which we can learn and understand their aspirations and needs. The full details are described elsewhere in this report, and we combine direct communication with indirect interaction through our employees' representative unions. This is particularly so on a day-to-day basis between mine managers and shaft stewards on issues that are specific to each mine.

CARING FOR THE ENVIRONMENT

The protection and conservation of the environment is an integral part of Harmony's culture and way of doing business. We comply in all respects with our obligations to protect and rehabilitate our mining footprints both during and after the end of mining.

South Africa's National Development Plan supports the development of environmentally sustainable renewable energy initiatives that contribute to the creation of jobs. To this end, in FY14, Harmony commissioned its bio-energy project which is designed to reduce our carbon footprint, rehabilitate our land and create approximately 200 jobs for women and youth from our host communities at full production. Bio-fuel energy will be produced in the form of natural gas from bio-mass grown on our mine properties in the Free State. First gas from this project is scheduled to be produced in April 2016.

THE GOLD MARKET

We at Harmony remain confident in gold's longer-term prospects. At the financial year-end, spot gold was trading in London at \$1 173/oz, almost 12% down on the \$1 327/oz at which it opened the year. It is more prudent to adopt a conservative approach and to expect a weaker gold price over the short to medium term period. While demand in the traditional market of India and China remains strong, speculative demand by investors in the mature Western economies remains vulnerable to when the United States Federal Reserve will raise interest rates.

In anticipation of higher interest rates in the United States, investors have been liquidating their positions in the gold exchange traded funds. Investment sentiment is also coloured by the fact that low inflation rates appear to be here to stay, at least for several years. This may tarnish gold's attraction as a safe-haven hedge.

In contrast, demand for gold to be held as a reserve by central banks has not waned. The central banks of China, Russia and others have been adding to their gold holdings for various reasons that often have more to do with domestic than with global economic issues. At the same time, official holdings by the world's mature economies have stopped declining.

As the dollar has strengthened against other currencies, helped in part by the prospect of higher interest rates in the United States, the metal's price in other currencies has actually increased. This is particularly so in South Africa where most of our operating costs are incurred in the local currency. This affords Harmony considerable flexibility in its operational planning and adds to our confidence in the metal which underpins our business.

THANKS

It gives me great pleasure to acknowledge and to express my gratitude to the directors of Harmony, our management team, employees and all our other stakeholders who contribute to making Harmony the fine company that it is.

I would also like to express my personal gratitude to Graham Briggs who will be retiring as our CEO when a suitable successor is appointed. Graham did a good job as our CEO and will assist with the exciting work in Papua New Guinea.

Harmony is currently facing and dealing with several challenges but I remain confident about its profitability and competitiveness.

Patrice Motsepe
Chairman

23 October 2015

CHIEF EXECUTIVE OFFICER'S REVIEW

THE MAJOR ISSUES OF FY15 AND BEYOND



Graham Briggs
Chief executive officer

Our strategy remains unchanged: a company that creates value by increasing its margins and generating the cash necessary to develop Golpu in Papua New Guinea – ensuring positive shareholder return in the long term. We have restructured underperforming operations, cut corporate costs, curtailed capital expenditure and reduced our employee numbers. We are now well-positioned to continue to produce safe, profitable ounces.

SAFETY AND HEALTH

I am pleased to report a significant improvement in our safety performance with Harmony recording its first ever fatality-free quarter for the South African operations in the second quarter of FY15. Harmony's safety performance in terms of all parameters measured improved over the year. However, we are not content with our performance, as nine lives were tragically lost at our mines during the year under review.

The colleagues we mourn are Mhanjelwa Cebani, a rockdrill operator at Doornkop, Mosoeu Ntsutheleng, a team leader at Kusasalethu, and Mariselunes Thibello, a rock drill operator at Bambanani, who were involved in fatal falls of ground; Mmaneo Florisa Muso from Tshepong, Michael Chobeng from Masimong and Maxwell Wari from Hidden Valley who were involved in transport accidents; Bernardo Ernesto Cuambe, an engineering assistant at Unisel, who was involved in a headgear accident; and security officers, Sello Jacob Bobejaan and Thapelo Andries Mofokeng who succumbed to gas and smoke inhalation from a self-made heating device inside their security cubicle at the Brand 1 ventilation shaft. To their families, their friends and their colleagues, I send our most sincere condolences.

We continue to strengthen our resolve to make our mines accident free. Following each incident in which an injury – whether fatal or not – occurs, an incident report detailing “lessons learnt” is circulated to all operations to enable them to scrutinise their own systems and procedures. This enables them to pro-actively identify potential shortcomings and to take remedial action where necessary to prevent a recurrence of any such incident.

To achieve zero harm, visible felt leadership is enforced at all levels. This is based on our commitment to safety as a priority that is embedded in our organisational culture. Initiatives implemented at the operations encourage safer behaviour throughout the company. Emphasis on health and safety campaigns has been reinforced, via communication initiatives and regular visits underground by senior management. The focus of these visits was training and coaching.

In terms of the delivery of health services, Harmony has moved away from the historic mine-hospital approach that was curative in nature to one that is more pro-active and focused on prevention. This approach entails providing decentralised primary healthcare-based services, called health hubs, as close as possible to where people are – that is at the operations. This health hub concept has been rolled out to the entire group and has delivered significant benefits, including decreased absenteeism, hospitalisation and medical mortality.

At an industry level in South Africa, we participate in an industry working group to address issues relating to compensation and medical care for occupational lung disease. The gold mining companies involved in the working group have engaged with all stakeholders to co-operate in the design and implementation of a comprehensive

**“EACH OPERATION HAS
BEEN POSITIONED TO BE
PROFITABLE. OUR PLANS
ARE REALISTIC AND CAN
BE ACHIEVED”**

solution that is fair to past, present and future employees, and one that is also sustainable for the sector. Harmony has been working for many years to eliminate the incidence of occupational lung disease. Various measures have been implemented to improve the management of dust underground – and these efforts continue.

RESTRUCTURING FOR SUSTAINABILITY AND PROFITABILITY

Among the challenges with which Harmony has had to contend has been that of sustaining operations – particularly those of mines that have fallen into losses, squeezed between accelerating costs and falling gold prices. Losses at two of our mines – Kusasalethu and Doornkop – have combined to pull Harmony's overall performance down.

Restructuring at Kusasalethu will contribute to restoring the mine's profits. We have closed the older, lower grade mine and are now mining in the higher grade, new areas. Doornkop, which operated at a loss in each of the past year's four quarters, presented and continues to present a significant challenge. Following several meetings with organised labour, Harmony and the unions have agreed to a new, revised operational plan for Doornkop that will return the mine to profitability, thus saving a significant number of jobs. The outcome of the Doornkop discussions is testimony to what can be achieved when all parties engage with the same aim in mind – to find a sustainable solution to ensure the mine's viability and at the same time securing the majority of jobs.

At Masimong, with its marginal grades, the mine has been restructured for profitability by reducing development rates and concentrating on higher-grade areas. This strategy will reduce the mine's remaining operational life expectancy to about two years and, while this is short, they are expected to be two profitable years.

At the Hidden Valley mine we have reduced the waste stripping to increase our profitability. Due to the lower metal prices we revised Hidden Valley's life of mine plan and focused on further cost savings. Post year-end, on 18 July 2015, a road accident occurred at Hidden Valley, fatally injuring one employee. The mine was closed for several weeks while intensive safety audits were conducted. This is likely to impact the production of the first quarter of FY16.

STAKEHOLDER RELATIONS

Stakeholder engagement is vital – in both South Africa and Papua New Guinea. In South Africa, several meetings were held during the year with various government officials to address issues of mutual interest, to influence legislation and to guide policy development. This included on-going meetings with the former Minister of Mineral Resources, Advocate Ngoako Ramatlhodi, to discuss gold industry and company issues.

We continue to participate in stakeholder and community forums that seek to address the challenges that the gold industry faces – whether with community members, our own employees, government or the Chamber of Mines.

In Papua New Guinea, our teams continue to engage with landowners in a constructive and professional manner. Government acknowledges the significant contribution from mining companies in the country and I find it encouraging that they are always willing to meet with management.

SOUTH AFRICA'S GOLD INDUSTRY

The South African gold sector – although viewed by critics as having reached a mature stage – continues to deliver a large fraction of the country's export earnings and employment opportunities.

Harmony brings a number of skills to the mining of narrow, deep-level and low-grade reefs, which will serve the industry well for some decades to come. That being said, the industry's future success and sustainability will depend on a great degree of cooperation and dedication across each mine as well as on government creating an economic environment that is conducive to profitable mining.

POWER IN SOUTH AFRICA

The electricity grid in South Africa has been under pressure since November 2014 and the national power supplier, Eskom, has announced that load shedding will continue in the medium term. Our primary concern is that load shedding can impact production and the safety of workers underground during a power outage. Various initiatives have been implemented to ensure that our employees remain safe, that production continues and that energy is managed efficiently. These initiatives range from optimising and managing our electricity consumption, especially during peak times, the installation of modern efficient equipment, the potential inclusion of renewable energy as a power source and co-generation as well as own generation. For more on this, see the Environmental Performance section on page 100.

CHIEF EXECUTIVE OFFICER'S REVIEW **CONTINUED**

SOUTH AFRICA'S CHANGING LABOUR ENVIRONMENT

At Harmony, we live our five values – safety, accountability, achievement, being connected and honesty. Our pro-active communication campaign focuses on keeping our employees informed about the state of the mine they work at as well as about the health of Harmony. We engage with all unions – whether formally recognised or not – and considerable emphasis has been given to direct engagement with employees and unions over the past two years. A particular emphasis during the year was on fostering an understanding of the economic circumstances of the sector as a whole and of Harmony's mines specifically.

During FY15, operational restructuring involving a reduction in employee numbers was undertaken at Masimong, Doornkop and Kusasalethu in South Africa. The Ernest Oppenheimer hospital and Target 3 mine in the Free State were closed. Mitigating alternatives to retrenchment were implemented, including transfers to other operations, voluntary separation, early retirement and re-skilling. Year-on-year, the total number of employees (including contractors) in South African fell by 11% to 31 012 in FY15.

South Africa's gold mining sector entered into biennial wage talks in June 2015. The manner in which negotiations had previously been managed was something of the past, as mining companies sought to move away from the previous positional approach to negotiations – with both sides setting out initial demands and offers and then moving towards a happy medium. Harmony and the other participating gold-mining companies sought rather to explain the industry's current difficulties and challenges so that talks could start with both sides knowing each other's position.

High wage increases and industrial action will result in the downscaling of operations and the closure of vulnerable mines. Job losses would be inevitable. As much as we at Harmony wish to sustain employee numbers, it is simply not possible if the very sustainability of our company is to be undermined. Mines and shafts will close as their resources are exhausted or become unviable, and that will mean fewer job opportunities. This is a situation that is faced not only by Harmony, but by the rest of South Africa's gold mining sector. Slowing, halting or lessening the process of job losses can only be achieved through honest co-operation between employers and employees.

We have reached a three-year wage agreement with the National Union of Mineworkers, United Association of South Africa and Solidarity, effective from 1 July 2015. Increases range from 6% for miners, artisans and officials to 10.4% for category 4 employees. Although it has been a protracted negotiation process, I believe that we have achieved what we set out to do – reaching an agreement which ensures that we remain sustainable as a company and as an industry, and at the same time limiting job losses.

MINING CHARTER AND SOCIAL RESPONSIBILITY

As calendar year 2014 came to an end, we were confident that we had achieved all of the empowerment targets. We believe that our performance in terms of each of the nine pillars of the Mining Charter illustrates that we have done more than just comply.

The former Minister of Mineral Resources, Advocate Ngoako Ramatlhodi, announced the department's assessment of the mining industry's compliance with the Mining Charter during May 2015. Harmony acknowledges the Department of Mineral Resources' account of the mining industry's successes in achieving these targets and that it recognised the role of the mining industry as a driver of growth and development in South Africa.

The Department of Mineral Resources disagreed with the mining industry's overall claims of compliance, particularly that of "once empowered, always empowered". It was then agreed that the mining companies and the department should together approach the court for clarification. The Chamber of Mines – on behalf of the mining industry – filed its application with the High Court on 4 June 2015.

Harmony will continue its journey to bolster its future in South Africa by proactively participating in transforming the South African mining industry. We are committed to identifying opportunities to facilitate ownership by historically disadvantaged South Africans, to transforming our workforce, to investing in developing South Africans and to creating opportunities for small business entrepreneurs. Our achievements in respect of the Mining Charter are reported more fully elsewhere in this Integrated Annual Report 2015.

PAPUA NEW GUINEA

Turning the Golpu deposit in Papua New Guinea into a producing mine with our joint venture partner is Harmony's principal growth project. Completion of the updated prefeasibility study in December 2014 was a major project milestone. The study was based on a vertically dipping ore body containing a resource of 20.2Moz of gold and 9.4Mt of copper. While a feasibility study has still to be completed, indications are that this world-class deposit could be worked from two block caves with first production in 2020 and

full production of 6Mt attained in 2024. Attributable annual production for Harmony will be significant and is estimated to average 500 000 gold equivalent ounces annually from 2024 to 2029. On this basis, the mine would have an initial estimated life of some 27 years, though the deposit remains open ended and may offer further scope for development.

Results of the updated prefeasibility study support our view that Golpu is a spectacular ore body with a large copper component. It is affordable and mineable. Key objectives of the study were to reduce the capital required for the project, lower operating costs and improve the rate of return.

The initial stages of the project will be funded from internal cash flows. Other funding options will be considered for later stages of the project. Given the current volatility in the gold price, we are focused – more than ever – on cost control and cash generation at existing operations to fund Golpu.

Elsewhere in Papua New Guinea, Harmony's exploration targets are centred on highly prospective areas where field work and surface sampling have delivered sound indications of copper and gold.

REPLACING OUNCES

As our current resources are finite, it is vital to have a project pipeline to replace reserves mined. During March 2015, a highly significant zone of copper-gold mineralisation was intersected at the Kili Teke exploration prospect, on one of our exclusively owned exploration licence areas in Papua New Guinea.

Initial diamond drill testing of the Kili Teke prospect is currently underway. Assays received from the first four holes have all returned broad porphyry-style copper-gold intercepts with mineralisation extending to surface. The mineralisation contains higher grade intervals of copper-gold mineralisation up to 202m @ 0.74% copper and 0.57g/t gold. At this stage, the mineralisation remains open through the drill pattern over 500m, and at depth.

In an environment where very little is being spent on exploration and with the paucity of new major copper and gold discoveries, the results from this grassroots prospect are very encouraging. As the extent of the surface copper-gold geochemical footprint is yet to be tested, there is potential to develop this find into a major copper-gold deposit similar to Golpu, Ok Tedi or Frieda River which have resource cut-off grades of around 0.2% copper. New discoveries are one of the best avenues to create shareholder value.

OUTLOOK FOR FY16

Our operational aims in FY16 will be to contain costs and remain South Africa's lowest-cost producer when measured in rands per tonne mined and ensure that every operation is profitable.

In contrast to South Africa where our mines are all mature operations, we are in the process of developing a greenfields project in Papua New Guinea. The feasibility study on stage 1 and the prefeasibility on stage 2 are due to be completed in December 2015. This, together with the completion of a pre-development agreement with the Papua New Guinean government, will add more certainty to the development of a mine at Golpu. Our exploration programme has enjoyed, and continues to enjoy, considerable success in locating copper-gold mineralisation and we shall continue this activity methodically.

I continue to believe in the future of Harmony. Each operation has been positioned to be profitable. Our plans are realistic and can be achieved.

RECOGNITION

During July 2015, I indicated to the board that I wish to retire from my role as chief executive officer and director of the board. Thank you to everyone who has contributed to making Harmony what it is. I am grateful for the support and guidance of our chairman, Patrice Motsepe, of my board colleagues and management team, and of the many people who work on our mines and in our exploration teams.

Graham Briggs
Chief Executive Officer
 23 October 2015

FINANCIAL DIRECTOR'S REVIEW



Frank Abbott Financial director

PERFORMANCE OVERVIEW FOR FY15

During the financial year under review, Harmony restructured its high-cost operations to optimise profitability. In particular:

- Target 3 was placed on care and maintenance at the end of the first quarter of FY15
- We embarked on a life-of-mine optimisation process at the South African operations to ensure a greater focus on profitability and the mining of higher grade areas. This process resulted in the restructuring of Kusasaletu, where the old mine levels were closed and a Section 189A process was completed in the third quarter of FY15
- Doornkop's life-of-mine plan was shortened and focused on higher grade areas
- Restructuring at Hidden Valley resulted in a revised mine plan to reduce costs that placed greater emphasis on operational improvements
- Masimong restructuring involved reducing development rates and a greater focus on mining higher-grade areas

The 8% decrease in production recorded for the year was mainly due to stoppages at Kusasaletu, the suspension of mining at Target 3 when it was placed on care and maintenance at the end of September 2014, and a decrease in production at Hidden Valley. The average underground grade remained stable in FY15. The Harmony group's revised business plans for FY16 resulted in an impairment of R2.1 billion (US\$174 million) for the Hidden Valley operation following the reduction in the life of mine. Other impairments include R1.0 billion (US\$85 million) following the restructuring and downsizing at Doornkop that was aimed at establishing a smaller but more profitable mine.

Harmony maintained a solid balance sheet. The strong cash flows generated from operations enabled Harmony to fund the majority of its own capital expenditure despite operational and market challenges experienced during the year.

KEY DRIVERS OF FINANCIAL PERFORMANCE IN FY15

	FY15	FY14	Change %
Gold produced (kg)	33 513	36 453	(8)
Gold produced (oz)	1 077 466	1 171 987	(8)
Underground recovered grade	4.75	4.77	–
Gold sold (kg)	34 332	36 288	(5)
Gold sold (oz)	1 103 793	1 166 682	(5)
Gold price received (R/kg)	449 570	432 165	4
• Gold price received (\$/oz)	1 222	1 299	(6)
• Exchange rate (R/US\$)	11.45	10.35	11
Cash operating costs and capital (R/kg)	442 895	397 964	(11)
Cash operating costs and capital (US\$/oz)	1 203	1 196	(1)
All-in sustaining costs (R/kg)	458 626	413 433	(11)
All-in sustaining costs (US\$/oz)	1 246	1 242	–

The **average gold price received** in rand terms increased by 4% as the weakening of the rand against the US\$ offset the continued decrease in the US\$ gold price.

All-in sustaining costs (R/kg) increased by 11% to R458 626/kg (0% to US\$1 246/oz). The increase is mainly attributable to the decrease in gold sales and the increase in production costs.

EXTRACT FROM THE INCOME STATEMENT

	FY15	FY14	Change %
Revenue	15 435	15 682	(2)
Production costs	12 632	11 888	6
Impairment of assets	3 471	1 439	>(100)
Employment termination and restructuring costs	251	274	8
Gross loss	3 618	406	>(100)
Exploration expenditure	263	458	43
Loss on scrapping of property, plant and equipment	491	–	(100)
Other expenses (net)	378	208	(82)
Taxation credit	704	279	>100
Net loss for the year	4 536	1 270	>(100)

Revenue for FY15 of R15 435 million is 2% lower (or US\$1 348 million, 11% lower) than FY14 mainly as a result of the 5% decrease in the volume of gold sold, which was offset partially by a 4% increase in the average rand gold price received.

Production costs were well controlled and only increased by 6% to R12 632 million (reduced by 4% to US\$1 103 million), despite higher-than-inflation price increases in electricity, labour costs and the cost of consumables.

A total **impairment** of R3.5 billion (US\$285 million) was recognised, which consisted of R2.1 billion (US\$174 million) for Hidden Valley, R1.0 billion (US\$85 million) for Doornkop, R278 million (US\$23 million) for Phakisa and R43 million (US\$3million) for Freddie's 9. The impairment of Hidden Valley was recorded following the reduction in its life of mine as the lower gold price and increasing costs continue to adversely impact its profitability.

Employment termination and restructuring costs of R251 million (US\$22 million) in FY15 are a result of the restructuring of under-performing operations.

Exploration expenditure of R263 million (US\$23 million) for FY15 relates mainly to the various projects in Papua New Guinea, of which most was spent on Golpu. The amount of spend reflected in the income statement decreased from the prior year as the Golpu project's stage 1 exploration expenditure was capitalised following the approval of the project's updated prefeasibility study by the Harmony and Newcrest boards in December 2014.

Loss on scrapping of property, plant and equipment of R491 million (US\$42 million), recorded mainly for Kusasalethu and Masimong, relates to the abandonment of unprofitable mining areas arising from the life-of-mine optimisation process, which placed greater emphasis on mining of profitable and higher grade areas.

Other expenses includes R382 million (US\$33 million) (2014: R155 million (US\$15 million)) for the foreign exchange translation loss on the US\$-denominated loan facilities.

The **taxation credit** in FY15 resulted from the reduction in the average deferred tax rates at the South African operations following completion of the annual life-of-mine plans.

The **net loss** for the year was mainly due to the impairments of Hidden Valley and Doornkop, the loss on the scrapping of property, plant and equipment following the life-of-mine optimisation process and reduced production.

FINANCIAL DIRECTOR'S REVIEW CONTINUED

NET DEBT

	FY15	FY14
Borrowings		
Long-term	(3 399)	(2 860)
Short-term	–	–
Total borrowings	(3 399)	(2 860)
Cash and cash equivalents	1 067	1 829
Net debt	(2 332)	(1 031)

In FY15, the syndicated US\$300 million loan facility was settled and Harmony entered into a new US\$250 million revolving credit facility. Translation losses of R382 million (US\$33 million) were recorded on the loans owing to the weakening of the rand against the dollar. The facility matures in February 2018.

A total of R400 million (US\$35 million) was drawn down on the R1.3 billion Nedbank revolving credit facility during the year. The facility matures in December 2016.

Cash and cash equivalents declined to R1 067 million (US\$88 million) from R1 829 million (US\$172 million).

EXTRACT FROM THE CASH FLOW STATEMENT

	FY15	FY14
Cash generated by operating activities	2 006	2 268
Cash utilised by investing activities	(2 908)	(2 640)
Cash generated by financing activities	148	144
Net decrease in cash and cash equivalents	(762)	(260)

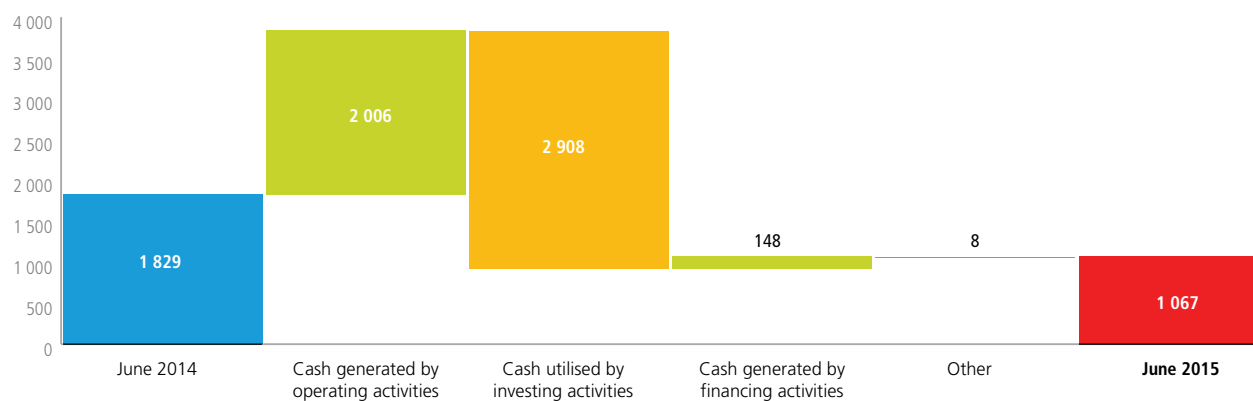
Cash generated by operating activities decreased by 12% to R2 billion (or 20% to US\$176 million) mainly due to the decrease in revenue and increased production costs (as noted).

Cash utilised by investing activities: Capital expenditure increased by 7% to R2 822 million (or 4% to US\$246 million) in FY15 from R2 648 million (US\$256 million) in FY14. Harmony's focus is on capital expenditure that supports safe production and a sustainable future.

Cash generated by financing activities: During the year, there was a net cash outflow of US\$20 million (R204 million) on the US\$ loan facilities and we raised borrowings of R400 million (US\$35 million) on the Nedbank ZAR facility.

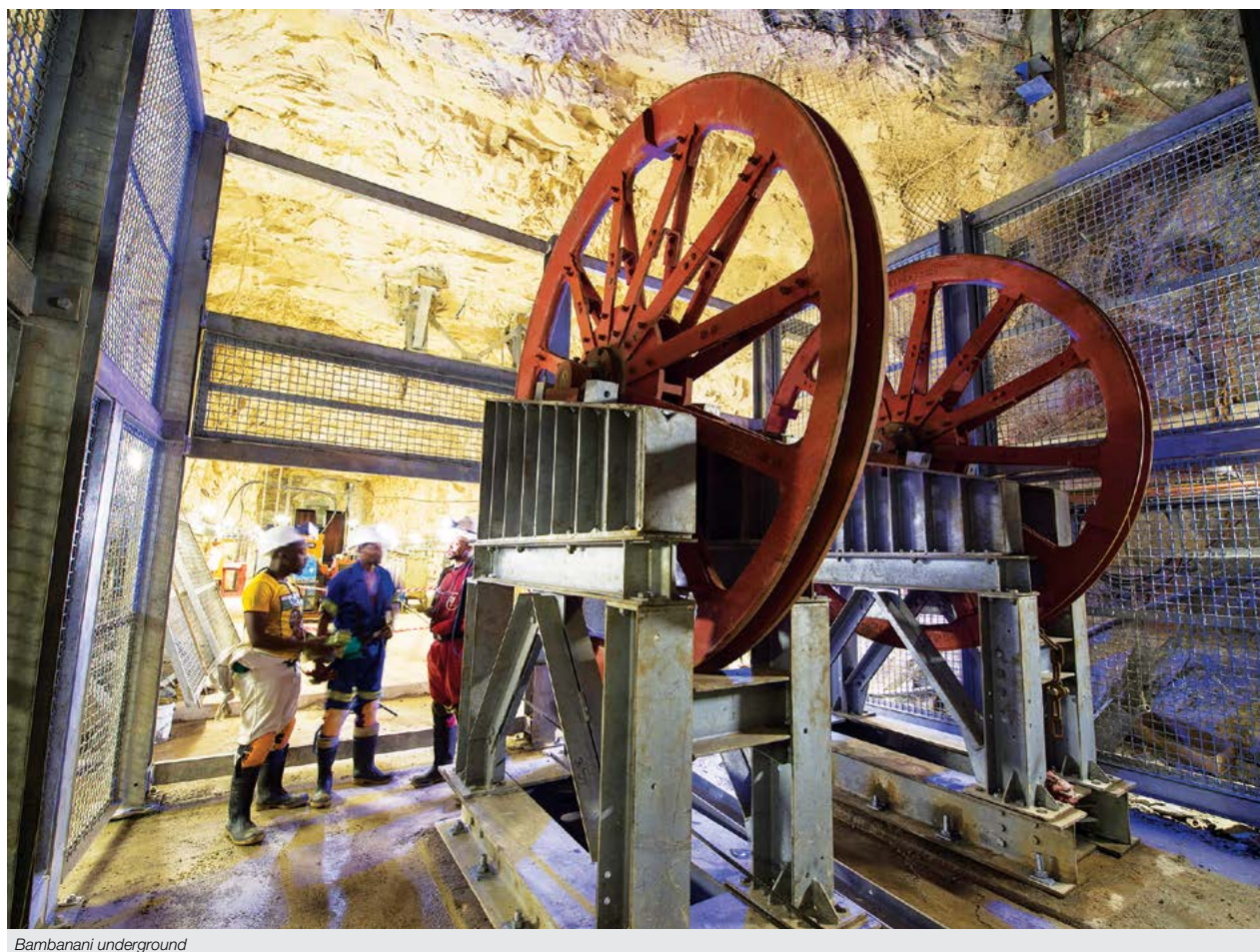
For more on this, refer to the consolidated financial statements in the Financial report 2015. Which is available at www.har.co.za/15/download/HAR-FR15.pdf.

Change in cash FY15 (Rm)



OUTLOOK

We believe that in restructuring and optimising our operations to focus on the mining of higher grade ore to grow gold production, we will increase margins and generate free cash flow.



Bambarani underground

SOCIAL AND ETHICS COMMITTEE CHAIRMAN'S REPORT

APPROACH TO SUSTAINABILITY



Modise Motloba

Independent non-executive
deputy chairman

Chairman, social and ethics committee

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

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

PURPOSE AND ROLE

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

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

APPROACH TO SUSTAINABILITY

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

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

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

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

ACTIONS IN FY15

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

PUBLIC SAFETY

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

MINING CHARTER TARGETS

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

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

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

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

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

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

BUILDING RELATIONSHIPS WITH OUR EMPLOYEES

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

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

SOCIAL AND ETHICS COMMITTEE

CHAIRMAN'S REPORT CONTINUED

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

ENVIRONMENTAL MANAGEMENT

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

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

ASSURANCE AND REPORTING

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

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

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

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

ETHICS

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

THANKS

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

Modise Motloba

Chairman: social and ethics committee

23 October 2015

OUR STRATEGY AND INVESTMENT CASE

Our strategy remains unchanged: to create value by increasing margins and generating the cash necessary to develop Golpu in Papua New Guinea. We revisit our strategy throughout the year to ensure that it remains relevant and appropriate, while being responsive and adaptive to both internal and external changes. We responded to changes in our economic environment and as a result restructured under-performing operations, cut corporate costs and curtailed our capital expenditure. These actions position our operations well to produce safe, profitable ounces in future.

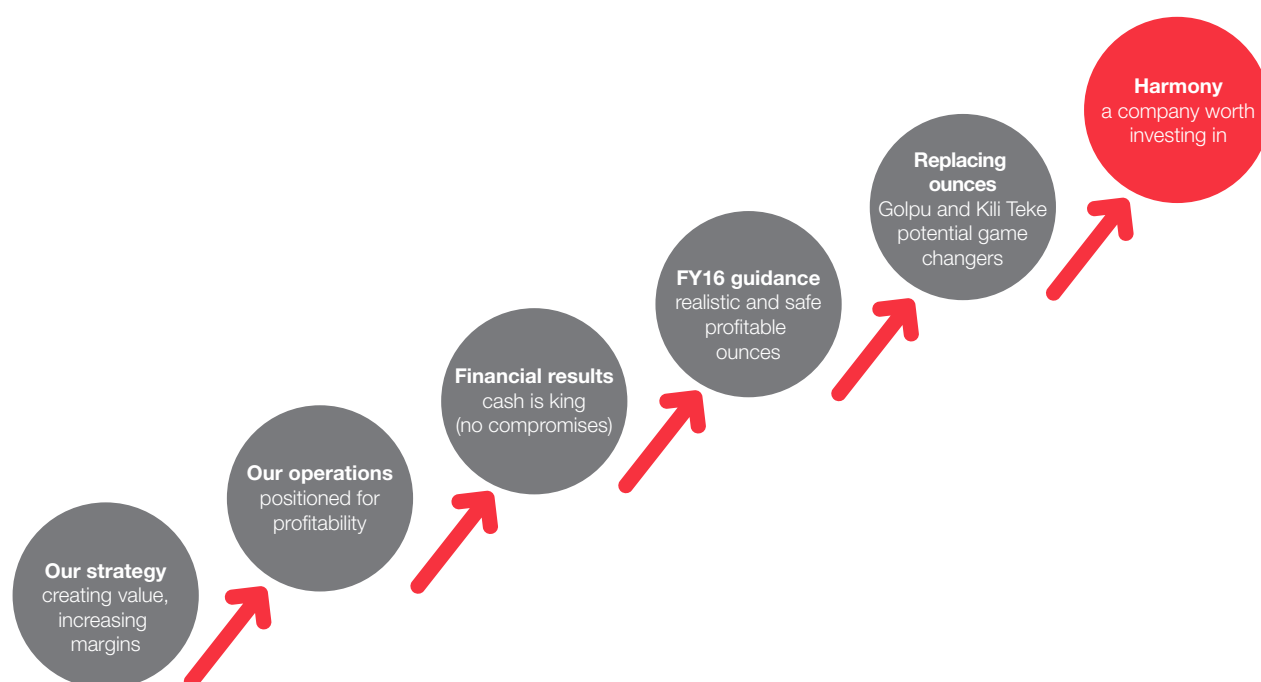
To ensure that the value of all our assets are accounted for in our share price and to create a viable investment case, we are assessing ways of funding Golpu and unlocking the true value of each of our assets. This will ensure positive shareholder returns in the long term.

Our strategy underpins our actions, allowing everyday decisions to move the company towards our goals. One of the ways in which we achieve our strategy is through having the right people in the right jobs, who understand our objectives and strive to achieve our strategy. We do this by highlighting our strategy in all training and communication between management and employees (refer to the section on Employees and Communities on page 78 for information on our employees).

Although we are not highly geared, we aspire to be debt free in the future. We have provided realistic operational guidance for FY16 (refer page 123 of the Operational Performance section) which forms the basis of what we set out to achieve in the year to come.

Harmony's investors have exposure to South Africa, Papua New Guinea, gold and copper. We released the updated prefeasibility study of our copper-gold project, the high grade Golpu deposit, in December 2014 (refer www.harmony.co.za/our-business/exploration/golpu-updated-prefeasibility-results or to page 154 of the Projects and Exploration section of this report). The feasibility study of the Golpu project has commenced and will be completed by the end of calendar year 2015, while the information is scheduled to be released to the market early in 2016.

During FY15, our greenfield exploration also yielded encouraging results from the Kili Teke prospect in Papua New Guinea which we will continue to pursue in FY16. For the latest exploration results, please refer to www.harmony.co.za/investors/news-and-events/company-announcements-2/announcements-2015/866-superb-exploration-results-from-harmony-s-kili-teke-prospect or refer to page 153 of the Projects and Exploration section of this report. We believe that the company has been positioned to benefit from higher gold prices. Unlocking the value in each of our assets – which is key to our strategy – involves positioning each operation to be profitable by driving production and limiting costs so as to create free cash flow. Our plans are realistic and achievable. We are one of the few companies that continues to spend on exploration and to find excellent deposits. Our company has an exciting future and is worth investing in.



HOW WE CREATE VALUE

OUR BUSINESS MODEL AND VALUE CHAIN

for the financial year ended 30 June 2015

HARMONY'S PROCESS



**LOCATE AND IDENTIFY
EXPLORATION TARGETS**
Obtain geological information



VALUATION STUDIES
Feasibility studies to determine
economic viability of ore bodies



**ESTABLISH INFRASTRUCTURE
AND BUILD MINES**
Obtain financing and create
infrastructure to access mineral resources

WE INVESTED



1.08Moz
**RESERVES CONVERTED TO
PRODUCTION**



31 114
PEOPLE



2 657GWh
POWER



R2 963m
**CAPITAL EXPENDITURE
AND EXPLORATION**



R12 632m
PRODUCTION COSTS

VALUE CREATED

R15 435m
REVENUE

R2 803m
PRODUCTION PROFIT

1.08Moz
GOLD PRODUCED

909 596oz
SILVER PRODUCED

Harmony creates value through more channels than just monetary spend. We continue to help improve education, build infrastructure, provide healthcare, stimulate local economies and rehabilitate the environment. Examples of this work can be found throughout this report.

Everything we do at Harmony is underpinned by our values:





MINING OPERATIONS
Extraction of mineral reserves



MARKETING AND BENEFICIATION
Extracting the gold from the ore and refining



DIVESTMENT AND CLOSURE
Mine closure and land rehabilitation

VALUE DISTRIBUTED

SHARE OF VALUE CREATED

BY COUNTRY

WAGES AND SALARIES PAID (incl. contractors)

47%

R7 025m South Africa
R493m Papua New Guinea

COMMUNITIES AND LOCAL ECONOMIC DEVELOPMENT¹

1%

R159m South Africa¹
R1m Papua New Guinea

TAXES AND ROYALTIES PAID

1%

R109m South Africa
R28m Papua New Guinea

CAPITAL EXPENDITURE AND EXPLORATION¹

18.6%

R2 270m South Africa¹
R693m Papua New Guinea

ELECTRICITY SPEND

12%

R1 829m South Africa
R84m Papua New Guinea

CONSUMABLES

20%

R2 592m South Africa
R707m Papua New Guinea

REHABILITATION

0.4%

R66m South Africa
R0m Papua New Guinea

¹ Capital of R89 million was spent on upgrading hostel accommodation in South Africa. This amount was included in our communities and local economic development spend and excluded from capital expenditure.

BOARD AND MANAGEMENT



BOARD

Chairman

PATRICE MOTSEPE (53)

BA (Legal), LLB

Appointed to the board on 23 September 2003, Patrice became non-executive chairman during 2004. He was a partner at one of the largest law firms in South Africa, Bowman Gilfillan Inc. He was a visiting attorney in the United States with the law firm, McGuire Woods Battle and Boothe. In 1994 he founded Future Mining, which grew rapidly to become a successful contract mining company. He then formed ARMgold in 1997, which listed on the Johannesburg Stock Exchange in 2002. ARMgold merged with Harmony in 2003 and this ultimately led to the takeover of Anglovaal Mining Limited.

In 2002 he was voted South Africa's Business Leader of the Year by the chief executive officers of the top 100 companies in South Africa. In the same year, he was the winner of the Ernst & Young Best Entrepreneur of the Year award. Patrice is a recipient of numerous other business and leadership awards, including:

- World Economic Forum Global Leader of Tomorrow, 1999
- Afrikaanse Handelsinstituut, MS Louw Award for Exceptional Business Achievement, 2003
- Jewish Achievers Awards, Chivas Humanitarian Award, 2013
- BRICS (Brazil, Russia, India, China, South Africa) Business Council, Outstanding Leadership Award, 2014

He is the executive chairman of African Rainbow Minerals Limited and the deputy chairman of Sanlam Life Insurance Limited. He is also a member of the International Business Council of the World Economic Forum, which is made up of 100 of the most highly respected and influential chief executives from all industries. He is a member of the JP Morgan International Council.

His past business responsibilities include being the chairman of the BRICS Business Council for 2013 and president of Business Unity South Africa, the representative voice of organised business in South Africa, from January 2004 to May 2008. He is also president of Mamelodi Sundowns Football Club.

Apart from being a non-independent non-executive chairman, he is also a member of the nomination committee.



Independent non-executive deputy chairman

MODISE MOTLOBA (49)

BSc, Diploma in Strategic Management

Modise was appointed to the board on 30 July 2004. He is the founder and chief executive officer of Quartile Capital Proprietary Limited, a black-owned, managed and controlled niche financial services and investment group with expertise in corporate finance, consulting, treasury services, investments and wealth.

Modise has more than 22 years' working experience in the financial sector both in South Africa and the United States and has operational expertise in treasury services, corporate finance, fund management and wealth management.

He has worked for local and global firms such as Rand Merchant Bank, Goldman Sachs, African Merchant Bank, African Harvest Fund Managers and PwC. In addition to Harmony, he has served on the boards of Deutsche Bank Securities, Landbank, Landbank Insurance and Rand Merchant Bank Structured Insurance. Modise has played organisational leadership roles for the South African Reserve Bank, the Financial Services Board, the Association of Black Securities and Investment Professionals, Nafcoc-Johannesburg Chamber of Commerce and Industries and the Black Business Council.

Chairman of the social and ethics committee and a member of the nomination committee and the audit and risk committee.

Lead independent non-executive director

FIKILE DE BUCK (55)

BA (Economics), FCCA

Fikile was appointed to the board on 30 March 2006. A chartered certified accountant, she was only the second person to obtain this qualification in Botswana. She was awarded the Stuart Crystal Prize for Best Accounting Student at Birmingham Polytechnic (UK), now Birmingham University, being the first black overseas student to be awarded this prize.

Fikile is a fellow of the Association of Chartered Certified Accountants United Kingdom. From 2000 to 2008, she worked in various capacities at the Council for Medical Schemes in South Africa, including as chief financial officer and chief operations officer. Prior to that she worked in various capacities at the Botswana Development Corporation and was its first treasurer. She also served on various boards representing the corporation's interests, and was the founding chairman of the Credit Guarantee Insurance Corporation of Africa Limited.

She has 23 years' experience in financial reporting at executive level. Fikile is a director of D&D Company Proprietary Limited, a non-executive director and chairman of the audit committee and a member of various other committees of Atlatsa Resources Corporation. She was included in the coffee table book, "South Africa's Most Inspirational Women" (2011). Fikile mentors a number of young people, mostly women. She is also a member of Women In Mining South Africa.

Chairman of the nomination committee and a member of the social and ethics committee, the remuneration committee and the audit and risk committee.



EXECUTIVE DIRECTORS

Chief executive officer

GRAHAM BRIGGS (62)

BSc (Hons) (Geology)

Graham joined Harmony in 1995 as new business manager and was appointed to the board on 6 August 2007. He has been in the mining industry for 43 years, initially as a geological technician, then, after obtaining a BSc (Hons), as a geologist. His operational and managerial experience was developed at a number of South African gold mines and as chief executive of Harmony Australia. Graham is currently vice president of the Chamber of Mines of South Africa. Post year-end, Graham indicated that he will be retiring and will leave the company after a new chief executive officer has been appointed.



BOARD AND MANAGEMENT CONTINUED



Financial director

FRANK ABBOTT (60)

BCom, CA (SA), MBL

Frank was appointed to the board as non-executive director on 1 October 1994, and as financial director in 1997. In 2004, he was appointed financial director of African Rainbow Minerals Limited, and resigned as such during 2009. He was reappointed financial director of Harmony in February 2012.

Frank joined the Rand Mines Group in 1981, where he obtained broad financial management experience at an operational level. He was a director of various listed mining companies and currently serves as a non-executive director on the board of African Rainbow Minerals Limited.



Executive director

HARRY EPHRAIM "MASHEGO" MASHEGO (51)

BA (Education), BA (Hons), (Human Resources Management) Joint Management Development Programme, Global Executive Development Programme

Mashego joined Harmony in 2005 and has been responsible for group human resources development, transformation and, most recently, government relations. He has more than 20 years' experience in human resources, acquired largely in the industrial sector. Mashego was appointed as an executive director on 24 February 2010.



INDEPENDENT NON-EXECUTIVE DIRECTORS

JOAQUIM CHISSANO (76)

PhD

Joaquim was appointed to the board on 20 April 2005. A former president of Mozambique (1986-2004), he also served as chairman of the African Union for 2003/2004. On leaving the presidency, he established the Joaquim Chissano Foundation for Peace Development and Culture, and has led various international peace initiatives on behalf of the United Nations, the African Union and the Southern African Development Community to Guinea-Bissau, the Democratic Republic of the Congo, Uganda and Madagascar. In 2006 he was awarded the annual Chatham House prize for significant contributions to improving international relations and in 2007 he received the inaugural Mo Ibrahim Prize for Achievement in African Leadership. Joaquim was appointed to the global development programme advisory panel of the Bill and Melinda Gates Foundation in December 2009.

Member of the nomination committee and the social and ethics committee.



KEN DICKS (76)

Mine Managers Certificate (Metalliferous Mines), Mine Managers Certificate (Fiery Coal Mines), Management diplomas (Unisa) and (INSEAD)

Ken was appointed to the board on 13 February 2008. He has a mining engineering background with 39 years' experience in the formal mining industry. He worked for the gold and uranium division of Anglo American plc and its precursor for 37 years in various senior positions.

Member of the technical committee and the investment committee.

DR SIMO LUSHABA (49)*BSc (Hons), MBA , DBA , CD (SA)*

Simo joined the board on 18 October 2002. He previously held senior management positions at Spoornet (Rail and Terminal Services division), was vice president of Lonmin Plc and chief executive of Rand Water. He is a non-executive director on the board of Cashbuild Limited and facilitates programmes on corporate governance for the Institute of Directors (South Africa), of which he is a member. He was also appointed as an administrator of the South African Post Office to develop the strategic turnaround plan following the resignation of its board.

Chairman of the investment committee and member of the audit and risk committee and the remuneration committee.

**CATHIE MARKUS (58)***BA, LLB*

Cathie was appointed to the board on 31 May 2007. After graduating from the University of the Witwatersrand, Cathie served articles, qualifying as an attorney, notary and conveyancer. She then joined the legal department of Dorbyl Limited before spending 16 years at Impala Platinum Holdings Limited, initially as legal advisor and, from 1998 to 2007, as executive director responsible for legal, investor and community affairs. She is currently a trustee of the Impala Bafokeng Trust and chairs the St Mary's School Waverley Foundation.

Chairman of the remuneration committee and member of the investment committee and the social and ethics committee.

**MAVUSO MSIMANG (74)***MBA (Project Management), BSc*

Mavuso was appointed to the board on 26 March 2011. He has 27 years' experience in management at executive level, and was involved in the successful transformation and restructuring of various state-owned entities over a period of 16 years, until 2010. Mavuso was director-general of the South African Department of Home Affairs and previously served successively as chief executive officer of the State Information Technology Agency, of South African National Parks and of SA Tourism. He was country representative of international development organisations World University Service/Canada and CARE-International in Ethiopia and Kenya. He also held senior management positions with the United Nations Children's Fund and the World Food Programme.

Member of the nomination committee and the social and ethics committee. Successor to the lead independent non-executive director.

**KARABO NONDUMO (37)***BAcc, HDip (Acc), CA (SA)*

Karabo was appointed to the board on 3 May 2013. She is an executive director of KMTech Proprietary Limited – a provider of integrated information and communications technology solutions to enterprises. She has held various roles at Vodacom Group Limited including that of executive head of Vodacom business as well as of Vodacom's mergers and acquisitions. She was inaugural chief executive officer of AWCA Investment Holdings Limited and former head of global markets operations at Rand Refinery Proprietary



BOARD AND MANAGEMENT CONTINUED

Limited. She was an associate and executive assistant to the former executive chairman at Shanduka Group. She was seconded to Shanduka Coal, where she was a shareholder representative, and also served on various boards representing Shanduka's interests. She is a qualified chartered accountant, a member of the South African Institute of Chartered Accountants and of African Women Chartered Accountants. She is an independent non-executive director of Merafe Resources Limited, Richards Bay Coal Terminal Proprietary Limited, MTN Group Limited's operating companies in Swaziland, Zambia and Sudan. She is on the advisory board of Senatla Capital.

Member of the audit and risk committee and of the technical committee.



VISHNU PILLAY (58)

BSc (Hon), MSc

Vishnu was appointed to the board on 8 May 2013 and is currently executive head of Anglo American Platinum Limited's joint venture operations. Before joining Anglo American Platinum in 2011, he was executive vice-president and head of South African operations for Gold Fields Limited and, prior to that, vice-president and head of operations at Driefontein Gold Mine. His 25 years at Gold Fields Limited were interrupted by a two-year period with the Council for Scientific and Industrial Research, where he was director of mining technology and group executive for institutional planning and operations.

Member of the technical committee, the investment committee and the remuneration committee.



JOHN WETTON (66)

CA (SA), FCA

John was appointed to the board on 1 July 2011. He was with Ernst & Young from 1967 to 2010, mainly in corporate audit, but for his final 10 years he played a business development role across Africa. He led Ernst & Young's mining group for a number of years and acted as senior partner for some of the firm's major mining and construction clients. He was a member of Ernst & Young's executive management committee and was, until retirement, a member of the Ernst & Young Africa governance board.

Chairman of the audit and risk committee and member of the social and ethics committee, remuneration committee and investment committee.

NON-EXECUTIVE DIRECTOR

ANDRÉ WILKENS (66)

Mine Manager's Certificate of Competency, MDPA, RMIIA, Mini MBA Oil and Gas



André was appointed to the board on 7 August 2007. He was appointed to the board of African Rainbow Minerals Limited in 2004 and was its chief executive officer until March 2012. He is currently executive director growth and strategic development (based in the office of African Rainbow Minerals' executive chairman). He headed ARMgold Limited for five years and ARM Platinum for a year before being appointed chief operating officer of Harmony after its merger with ARMgold in 2003. André has more than 46 years' experience in the mining industry, particularly in gold, platinum group metals, iron ore, manganese, coal, chrome, nickel and copper.

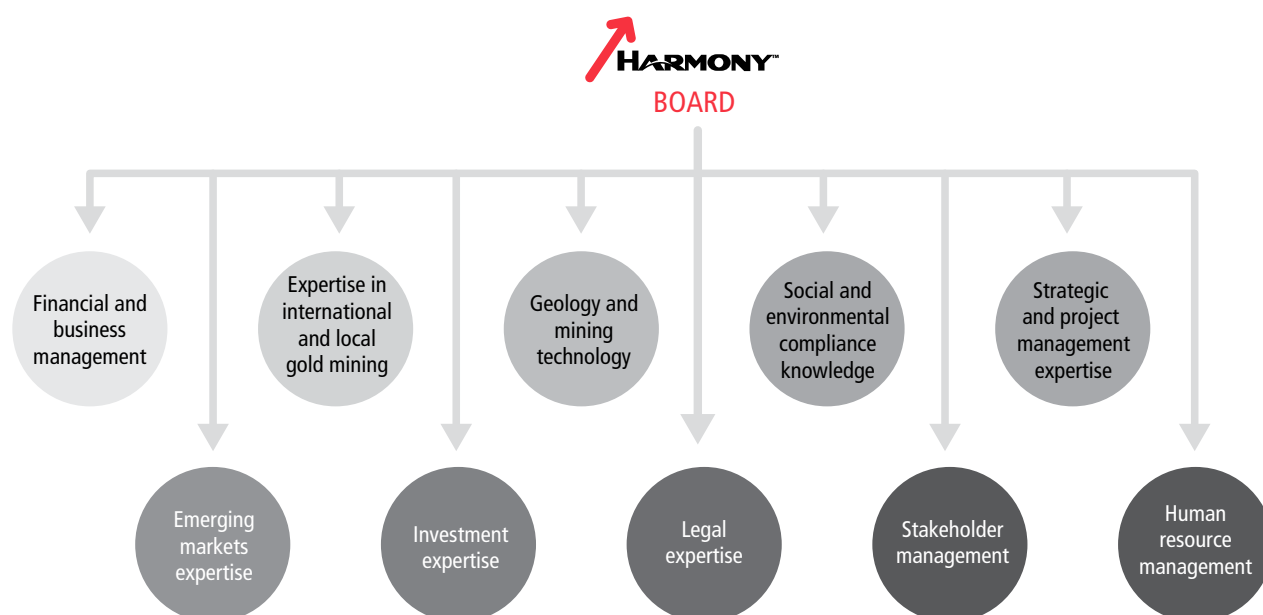
Chairman of technical committee and member of the investment committee and the remuneration committee.

BOARD COMPOSITION AND SKILLS

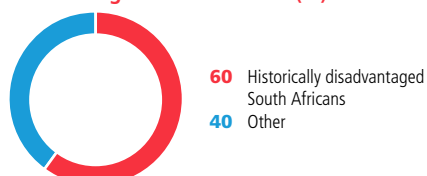
We have paid specific attention to the composition of our board to ensure that it reflects our objectives and that board members have the skills and expertise necessary to contribute to the sustainability of our company. Harmony has a unitary board comprising a majority of independent non-executive directors. We exceed the 2014 Mining Charter requirement that 40% of the board be drawn from historically disadvantaged South African groups. At year-end, that representation was 60%. Three of Harmony's non-executive directors are women and, in total, nine directors are drawn from groups considered to be historically disadvantaged South Africans.

Critical to the achievement of our strategy is ensuring the company consists of teams with the skills and vision necessary to reach strategic targets. The board is no exception – it is made up of individuals who understand our industry, our sector and our strategy. The diagram below explains the skills of our board members that are integral to our strategic development.

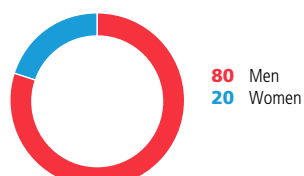
HARMONY BOARD: SKILLS



Composition of the board – by historically disadvantaged South Africans (%)



Composition of the board – by gender (%)



Composition of the board – by director (%)



BOARD AND MANAGEMENT CONTINUED



EXECUTIVE MANAGEMENT

Executive: Mineral resources development and growth

JACO BOSHOFF (46)

BSc (Hons), MSc, MBA, Pr Sci Nat

Jaco joined Harmony in April 1996. He has been in the mining industry for 20 years, initially as a geologist. Most of his career has been spent with Harmony, progressing from ore reserve manager at various operations to being the executive responsible for reserves and resources. He has been Harmony's designated competent person for statutory reserves and resources reporting since 2004.



Executive: Human resources

ANTON BUTHELEZI (51)

National diploma (Human Resources Management), BTech (Labour Relations Management), advanced diploma in labour law

Anton rejoined Harmony in 2005 as human resources manager at Evander. He has more than 24 years' experience in human resources management in the mining industry. Previous positions include senior human resources officer at AngloGold Ashanti Limited, and mid and senior managerial positions in the same field at African Rainbow Minerals Gold, Samancor Chrome and Harmony. He has a proven track record in the full spectrum of human resource functions. Anton also has an outstanding record in managing labour matters, especially in conducting and guiding negotiations with organised labour. He participates in the Chamber of Mines' gold sector caucus.



Executive: Environmental management

MELANIE NAIDOO-VERMAAK (41)

BSc (Hons) (Industrial Microbiology), MSc (Sustainable development) (UJ) and MBA

Melanie joined Harmony in 2009. Her expertise in sustainable development was built over 17 years in the private mining and public sectors in South Africa as well as in international environmental management exposure gained in the United Kingdom, Australia, Papua New Guinea, Fiji and elsewhere in Africa. She has worked at leading international mining companies, including De Beers Consolidated Mines Limited, BHP Billiton Limited and Anglo American plc. She currently holds directorships at Western Basin Environmental Corporation Proprietary Limited, Harambe Mineral Resources Proprietary Limited and Phoenix Corporation (Business Ventures Investment No 1692 Proprietary Limited), is chair of Harmony's environmental trusts and is a member of Harmony's social trust. In addition, she is a member of the Chamber of Mines' environmental policy committee, the Far West Rand Dolomitic Water Association and Mining Industries Group. She is also a board member of CareSA.



Chief operating officer: South Africa

ALWYN PRETORIUS (44)

BEng (Mining Engineering), BEng (Industrial Engineering), Mine Manager's Certificate of Competence

Alwyn joined Harmony on its merger with African Rainbow Minerals Gold Limited in 2003. He has 21 years of underground deep-level gold mining experience in different supervisory and management positions. Before assuming his current role, he was the

executive responsible for health and safety. He also serves as the chairman of the board of directors of Mine Rescue Services. Post year-end, Alwyn resigned as chief operating officer and will leave the company at the end of November 2015.

Executive: Corporate and investor relations

MARIAN VAN DER WALT (42)

BCom (Law), LLB BCom (Law), Higher Diploma in Tax, Diplomas in Corporate Governance and Insolvency Law, Certificates in Business Leadership

Marian, an admitted attorney and conveyancer, has been employed by Harmony since February 2003. She was appointed company secretary in 2003 and joined Harmony's executive committee in 2005 as executive: legal and compliance (which included taking responsibility for company secretarial, risk management, internal audit and Sarbanes-Oxley compliance). In 2008, she resigned as company secretary, enabling her to accept her current position as executive: corporate and investor relations. Marian began her career as an attorney and conveyancer in 1998 and held positions at Routledge Modise Attorneys, Deloitte & Touche and the Standard Bank of South Africa Limited. Marian also serves on the board of Rand Refinery Proprietary Limited as a non-executive director and served on the Johannesburg Stock Exchange's Social Responsibility Index Advisory Committee until May 2015.



Chief executive officer: South-east Asia

JOHANNES VAN HEERDEN (43)

BCompt (Hons), CA (SA)

Johannes joined Harmony in 1998 and was appointed chief executive officer of its south-east Asia operations in 2008. He is responsible for Harmony's Papua New Guinea assets including an extensive exploration portfolio and the Morobe Mining Joint Ventures' assets. He joined Harmony as financial manager with operational and group reporting responsibility for the Free State region. He was appointed group financial manager in 2001, and relocated to Harmony south-east Asia as chief financial officer two years later.



Executive: Risk management and services improvement

ABRÉ VAN VUUREN (55)

BCom, Development Programme in Labour Relations, Management Development Programme, Advanced Labour Law Programme, Board Leadership Programme

Abré joined Harmony in 1997. He has more than 31 years' experience in the mining industry, specifically in finance and human resources at various gold mines and collieries in the Rand Mines Group. As a member of Harmony's executive committee, he was initially responsible for industrial relations. He has held various positions in services and human resources prior to accepting his current position.



BOARD AND MANAGEMENT CONTINUED



REGIONAL GENERAL MANAGERS

Regional general manager

(responsible for Masimong, Joel, Unisel and Bambanani mines)

JAMES MUFARA (41)

B.Sc. (Hons) (Mining), MBA, Mine Manager's Certificate of Competency

James joined Harmony in 2011 as a general manager. He has been a regional general manager since 2012, a title previously known as operating officer. James has gained extensive operational and management experience in asbestos, nickel and gold mining, with 17 years' experience in the mining industry in total. He has worked in Zimbabwe and South Africa. He was previously a council member of the prestigious Association of Mine Managers of South Africa.



Regional general manager

(responsible for Target, Phakisa and Tshepong mines)

BEYERS NEL (38)

B. Eng (Mining Engineering), MBA, Professional Engineer (Pr. Eng)

Beyers joined Harmony on the merger with African Rainbow Minerals Gold in 2003. He has 15 years' experience in gold mining, gained on a variety of opencast, deep and ultra-deep gold mines in both supervisory and management positions. Before assuming his current role, he was general manager of Harmony's Phakisa mine. Beyers is currently the vice president of the Association of Mine Managers of South Africa.



Regional general manager

(responsible for Kusasalethu, Doornkop and Kalgold mines)

PHILLIP TOBIAS (45)

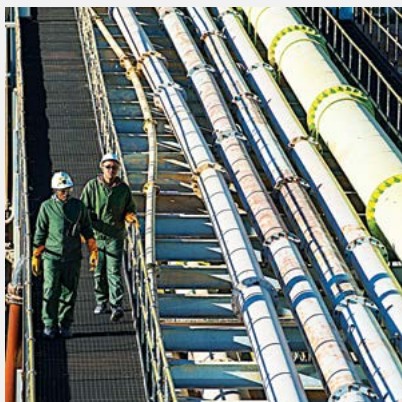
B.Sc (Mining Engineering), Wits International Executive Development Programme and GIBS Advanced Management Programme, Professional Engineer (Pr Eng) and Mine Manager's Certificate of Competence

Phillip Tobias joined Harmony on 1 July 2014 as the regional general manager for Kusasalethu, Doornkop and Kalgold. He has been in the mining industry for more than 20 years, initially as a postgraduate mining engineer with Gold Fields Limited at their various operations. His operational and managerial experience was developed at a number of gold and platinum mines. Prior to joining Harmony, he was a consulting mining engineer for Anglo American Platinum Joint Venture Operations. He was appointed the first black president of the Association of the Mine Managers of South Africa in 2008.

UNDERSTANDING HARMONY

UNDERSTANDING HARMONY

Our business context	38
Managing our risks and opportunities	41
Material issues	50
Stakeholder engagement	52



OUR BUSINESS CONTEXT

"THE BUSINESS CLIMATE AND CONTEXT WITHIN OUR COMPANY ARE BOTH DYNAMIC AND COMPLEX AND, IN MANY RESPECTS, ARE AFFECTED BY THE MANY CHANGES IN THE EXTERNAL ENVIRONMENT"

Relevant Global Reporting Initiative indicators: G4-EC5

At Harmony we understand that, as a business, we operate in a complex and ever-changing external environment – one that encompasses social, economic and environmental changes in the short, medium and long terms. At the same time, the business climate and context within our company are both dynamic and complex and, in many respects, are affected by the many changes in the external environment. We need to understand the external and internal environments as well as the relationships between the two to help us understand how we should position Harmony for success.

Identifying and understanding the factors that drive our internal and external business context require regular and consistent engagement with our stakeholders (see page 52). This section should be read in conjunction with the section Managing our Risks and Opportunities on page 41.

UNDERSTANDING OUR EXTERNAL ENVIRONMENT

The mining environment in South Africa has been particularly challenging in recent years. Most notable has been the public debate on mining's contribution to society and, since 2012, the nature of the labour relations environment. The industry and, in many cases, stakeholders have sought as far as possible to minimise negative impacts.

The gold price has been in steady decline since 2012, the first time since 2001, and in tandem prices of our most important inputs have been increasing in real terms.

Over the past year, the average gold price received in US dollars per ounce decreased by 6%, while the average price received in rands per kilogram increased by 4%, due to an 11% weakening in the average R/US\$ exchange rate for the year to R11.45/US\$.

There was a significant reduction in the US dollar gold price over the past year – from US\$1,326/oz at the beginning of the year to US\$1,171/oz at the end of the year. However, there was a concurrent depreciation in the rand:dollar exchange rate, from R10.68/US\$ at the beginning of the financial year to R12.16/US\$ at the end of the period. The depreciation in the rand helped to offset the reduced US dollar gold price with the rand per kilogram price remaining largely range bound during the course of the year.

The significant drop in global crude oil prices over the past year (down by 43.5%) has led to reduced global inflation expectations, which have in turn led to dampened demand for gold as a safe-haven investment. At the beginning of calendar 2015, increased uncertainty as a result of lower-than-expected economic growth in the United States and of the Swiss central bank decision to remove its national currency's floor to the euro, led to a short-lived increase in US dollar gold prices. The increased likelihood of the United States Federal Reserve increasing interest rates during the course of calendar 2015 has once again negatively affected gold prices.

As the financial year advanced, Asian gold consumers, who have been very supportive of the metal for some years, became progressively uneasy as the metal's price declined and fueled increasing market volatility. Investors turned to the growing Shanghai stock market in expectation of better investment returns and delayed gold purchases in anticipation of even lower prices.

After the end of our financial year, the picture changed radically as the Shanghai Stock Exchange's bubble burst and panic selling set in with growing uncertainty over China's slowing economic growth rate and its likely effect on the wider global economy. Prices of commodities such as iron ore have fallen sharply with slackening demand from China's steel mills while oil prices have more than halved as the effects of United States shale gas production became apparent.

Financial and regulatory interventions by the Chinese authorities briefly succeeded in supporting share prices. These interventions were faltering by mid-August this year (2015), leading worried investors across the world to turn to gold, the tried and trusted safe haven.

Annual global gold production of 2 860 tonnes (2014 calendar year) is rapidly depleting the world's ore bodies, which need to be replaced. Over the past few years, the discovery of new profitable and competitive ore bodies has decreased significantly. A slower pace of gold mine growth in calendar years 2015 and 2016 is likely, as lower prices delay new projects and reduce sustaining capital expenditure. Long-term fundamentals remain in place for continued growth in commodity demand. Unlike other precious metals, such as platinum, gold is not an industrial metal; its principal attraction lies in its historic role as a store of value, as a currency or as adornment. Since the financial crash of 2008, increased investment demand – particularly from exchange traded funds, central banks, India and China – has been among the gold market's principal drivers. While demand for all other metals is subject to changing technologies and economic developments, there is always a market for every ounce of newly-mined gold.

Harmony believes the gold price will remain flat in the medium term. In the long term, we may well see an increase in the gold price, as gold has a long history as an investment tool and a store of value. It remains a fairly secure investment. And, while the price may fluctuate, gold is always in demand in some form.

Our external environment is also important as it influences the way in which shareholders perceive investing in South Africa and Papua New Guinea, in investing in gold and, ultimately, in investing in Harmony. While investors may, at present, be generally bearish about the outlook for gold, some feel there are opportunities to trade stocks at certain levels. Shareholders taking a shorter-term view on gold equities are benefiting from the volatility of our share price. Over the past year investor confidence in South Africa has been muted. While most appreciate that there are gold assets worth investing in, they have raised concerns about production losses due to industrial action. Closely linked to this is the concern that higher wage demands will exacerbate the cost challenges most South African mining companies are already facing. Many investors are also apprehensive about the potential changes to legislation both in South Africa and in Papua New Guinea, which could leave mining companies in an unstable regulatory environment. We at Harmony have earmarked these as some of our material risks and address these concerns on page 50.

On the policy and regulatory side, amendments have been proposed to the Mineral and Petroleum Resources Development Act, particularly a proposal that would empower the Minister of Mineral Resources to declare one or more minerals to be strategic and to determine local prices for them. The previous Minister of Mineral Resources, Minister Ngoako Ramatlhodi, suspended its passing into law pending further review. The Department of Mineral Resources and the mining industry disagree on the interpretation of the Mining Charter's ownership requirement – the 26% black ownership of companies – and have separately approached the High Court to resolve the matter. Negotiations with the government on the proposed amendments to the Mineral and Petroleum Resources Development Act and the Mining Charter continue through the Chamber of Mines, on behalf of the gold mining sector.

On the labour relations front, there were signs of a more stable environment in the period under review, though the environment has, by no means, been unchallenging. The 2013 two-year wage agreement came to an end on 30 June 2015. The 2015 negotiations started in May 2015, with the National Union of Mineworkers still being the majority union in Harmony at 66% by the end of June 2015, with the Association of Mineworkers and Construction Union representing 15% of our workforce. At an industry level, representation of union membership of the gold mining companies represented by the Chamber of Mines had the National Union of Mineworkers as the majority union (at 52%) and the Association of Mineworkers and Construction Union at 30% at the end of June 2015 (see the section on Labour Relations on page 79). The 2015 negotiations are focused on the sustainability of the industry, rather than affordability.

A three-year wage settlement was reached with the unions representing the majority of employees at Harmony and was extended to all employees within the bargaining unit. For more detail on the wage agreement, please refer to www.harmony.co.za/investors/news-and-events.

It remains the responsibility of all role players to create an industry that will attract investment.

Further features of the external environment are increasing expectations and, indeed, the demands of external parties – communities, local governments, non-governmental organisations and others – on the mining sector. As a company, we recognise that Harmony has an important role to play as a corporate citizen. As a result, our relationships with all of our stakeholders are important – we engage and listen before agreeing on mutually beneficial actions. We have sponsored a number of youth development programmes, created job opportunities, built housing for local communities and provided bursaries, to name just a few of our community investment projects. See pages 88 to 98 for more details.

OUR BUSINESS CONTEXT CONTINUED

UNDERSTANDING OUR INTERNAL ENVIRONMENT

The most important aspects of our internal environment remain the safety and well-being of our employees, and the integrity and sustainability of our assets. Our internal environment is therefore shaped largely by factors which affect our employees or on which our employees have an impact. The environment and mining processes, combined with the behaviour of people, bring with them certain risks to our employees, which we aim to avoid, mitigate or manage. While we have seen significant improvements in recent years, we remain committed to further improvement, which is why keeping our employees safe and healthy is highlighted in our risks and is one of our material issues. (See page 50).

Occupational health risks are not the only health risks we work to mitigate – in South Africa our employees are at risk of contracting human immunodeficiency virus and tuberculosis, both of which are highly prevalent in our society, and we have put in place various initiatives to treat and prevent these illnesses. For more on this see page 65.

Both in South Africa and in Papua New Guinea, the level of skills among employees and prospective employees remains of great concern. High levels of illiteracy, often combined with relatively low levels of skills, limit the opportunity for growth and development among employees and their progression within the company. At Harmony we believe that our employees should be able to improve their lives through their work. As a result we offer extensive training and development programmes, including adult basic education and training, portable-skills training and on-the-job training. In addition, we invest in community education programmes to ensure that quality education is available at a young age and that promising students are given the tools to thrive. For more on these initiatives see page 88.

We acknowledge the imbalance caused by historical systems in South Africa and work to remedy this through a recruitment policy that focuses on employing historically disadvantaged South Africans at all levels of the company, from the board through to entry-level employees. Harmony is committed to black economic empowerment in South Africa, through direct equity ownership, our procurement spend, management representation and through our employee share ownership scheme, which allows employees to share in the company's success. We have also put considerable time and effort into developing a successful women-in-mining project, which has seen many women find fulfilment in their underground roles. See page 168 for more detail on how we have transformed the company in line with Mining Charter requirements.

By understanding what we need to do to help our employees feel safe and satisfied at work and by implementing various initiatives to achieve this and maintain open communication with them, we manage many of the factors that have an impact on our internal environment. Our emphasis on open communication also allows us to understand any emerging issues that may influence our efforts and gives us time to deal with them before they escalate.



Masimong underground



MANAGING OUR RISKS AND OPPORTUNITIES

WHY THIS IS MATERIAL TO HARMONY

By identifying and understanding the risks and opportunities facing our business, we are able to mitigate them or manage them to the best of our ability, thereby positioning the company for future challenges and growth prospects.

OUR APPROACH TO RISK MANAGEMENT

At Harmony, our approach to risk relies on continuously monitoring and, when appropriate, revising our mitigation procedures. Our risk management strategy is a management tool that aims to be practical and effective, rather than focusing only on compliance. For this reason, risk management is embedded within the day-to-day activities of the business, rather than being something that is dealt with only once a year.

OUR RISK MANAGEMENT PROCESS

Our risk management process is guided by regulatory and legislative requirements, and is championed internally by our chief executive officer. The audit and risk committee plays an oversight role, while management is responsible for implementation and compliance. While the audit and risk committee is responsible for overall oversight of the adequacy and effectiveness of the company's risk management process, the reporting on performance regarding risks is extended for the attention of the various board sub-committees.

Because relationships form part of everything we do, our risk management process is designed to accommodate engagement – from conversations between management and the board regarding risk, to discussions with various stakeholders – to ensure that we are addressing the correct risks appropriately.

The process has its starting point in the group's strategy. We need to understand what can affect our ability to deliver on our strategy, as well as to identify what opportunities will help us achieve our goals. In addition to this we also benchmark the risks and opportunities identified against those of our peers. This helps to ensure that the risks we identify are not only specific to Harmony but also cover industry challenges.

In preparing their formal reports to the board, the executive committee and the audit and risk committee meet quarterly to examine risks and discuss any changes in their importance or in their mitigation. The audit and risk committee's review is supplemented by feedback obtained from the various board sub-committees' reviews of specific risks falling within the ambit of their responsibilities.

Each quarterly examination is based on the experiences at the operations, feedback from key stakeholders, external factors and management meetings. In addition, various teams within the company address risk on a regular basis as part of their day-to-day roles. This creates a continual conversation about risk at different levels, allowing any changes to be captured on a continuous basis.

While risk management forms part of our day-to-day processes, a formal weekly risk review is undertaken by the management teams at our operations, to identify and prioritise specific high-risk issues at an operational level. These risk reviews are reported to the respective regional general managers and further oversight is carried out by the operations' committee on a continuous basis.

THE ROLES OF THE BOARD AND AUDIT AND RISK COMMITTEE

Risk is a standard item on the agenda of the audit and risk committee meeting and the committee's role played in our risk management process is multi-dimensional.

The audit and risk committee's primary task is to oversee the identification, prioritisation, management and monitoring of risk at Harmony. Our risk management process reflects our integrated approach to business. Therefore the committee – supported by the various board sub-committees – examines all risks affecting our strategy.

To do this, the committee spends considerable time reviewing and evaluating the processes in place to identify, monitor and manage risk. These include our risk management policy and process, our methodology and planning, our formal risk assessment, our internal controls and assurance process, our risk appetite and tolerance and our responses to risks. Once the audit and risk committee is satisfied with these, responsibility for their implementation devolves to executive management and their teams. In their turn, their task is to ensure that these risk processes are constantly applied in the day-to-day operations of the business.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

The audit and risk committee takes its findings from these reviews to the board. The top ten risks and mitigating factors are reported to the board on a quarterly basis.

OUR ACTIONS IN 2015

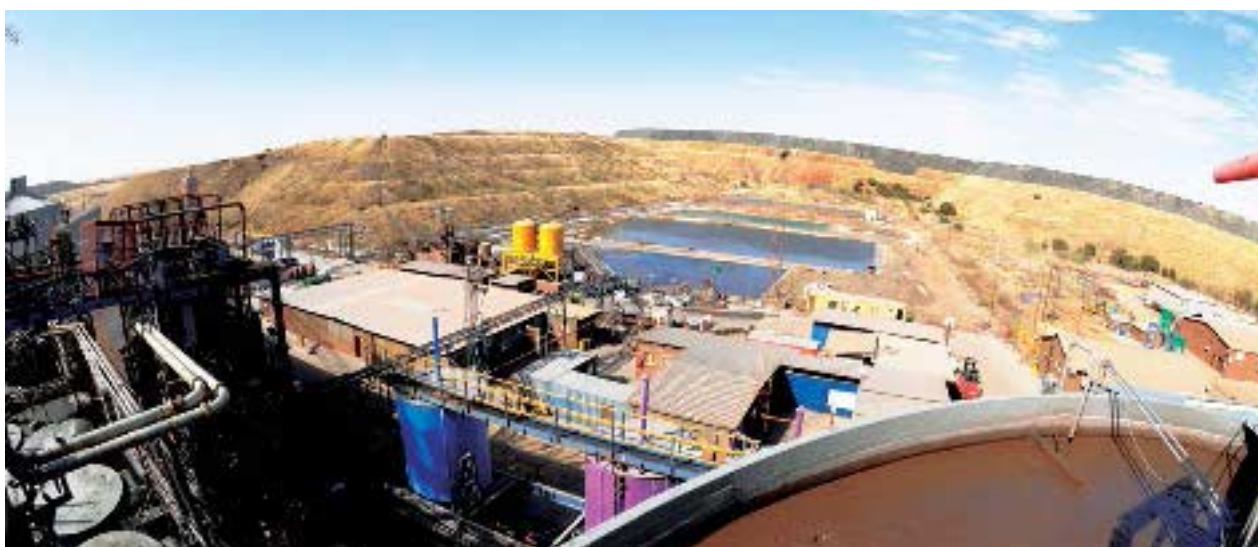
During the year under review, we formulated group-level risk appetite and tolerance levels, and continued to monitor our risks to identify and manage the most material ones facing the company.

While our group-level risk appetite and tolerance levels are subject to formal review on an annual basis, these are continuously monitored for relevance in accordance with changing macro-environment factors, and the tolerance level is further defined at lower/granular tolerance limits per risk. Our group-level risk appetite statement is:

RISK APPETITE

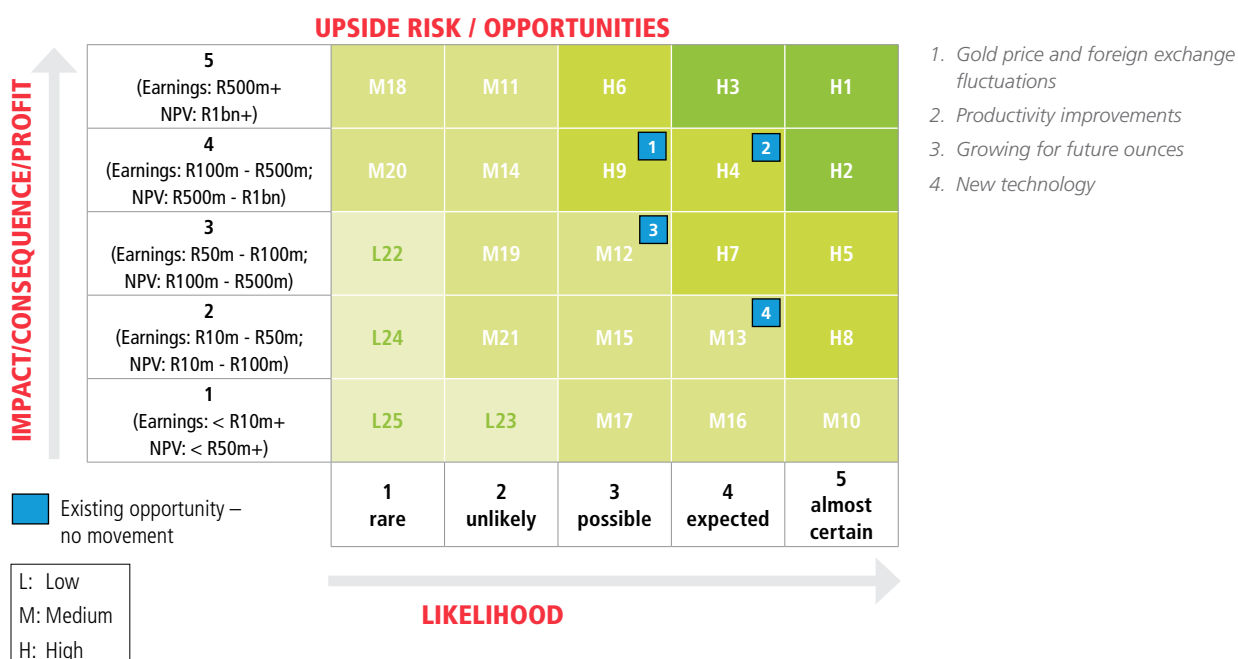
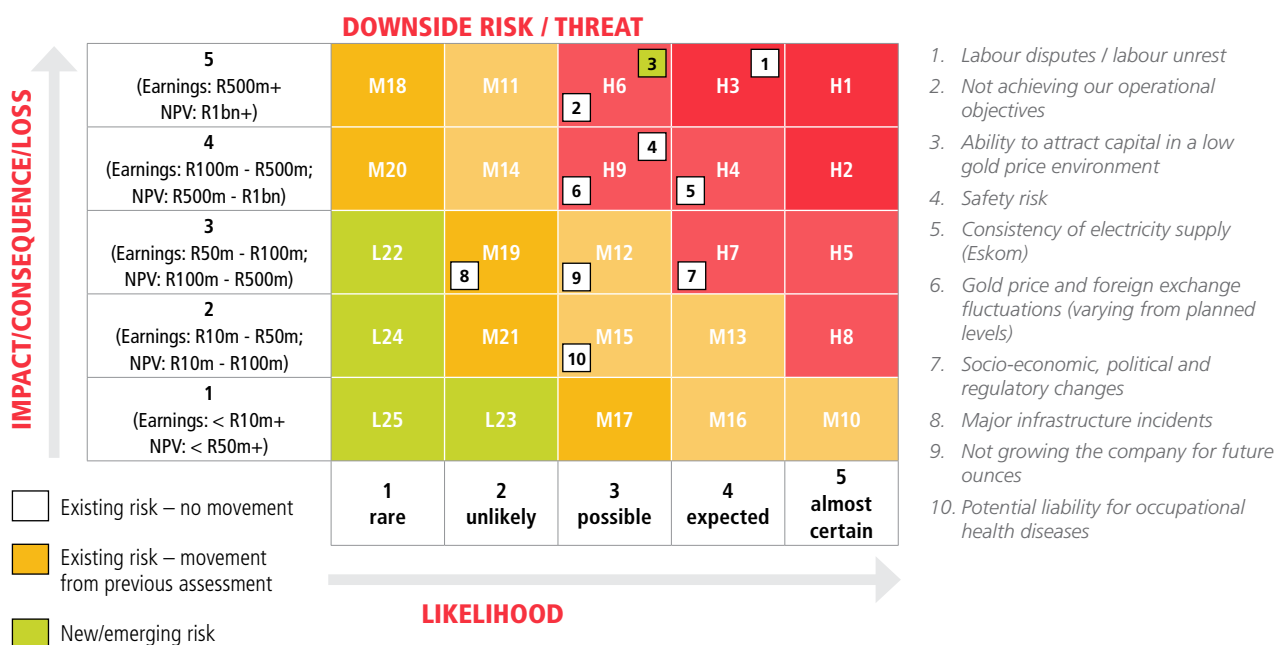
- Harmony is in the business of gold mining in South Africa and Papua New Guinea
- It is a high-risk high-reward business. We are involved in the whole gold mining value chain from exploration, feasibility studies, building and buying mines, operating mines and closing and rehabilitating mines at the end of their life
- We are exposed to the volatility of the gold price and exchange rates, and are unhedged by choice
- We operate well in emerging economies and have the ability to deal with the socio-political dispensations in these countries
- Exploration remains one of the most effective ways to grow an ore-body 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 gold mining in South Africa is very labour intensive – we have the skills to deal with the challenges of multi-stakeholder labour relations
- We continuously improve the health and safety of our employees
- We have experienced teams with strong values committed to deliver

Various risk factors contain an element of volatility, for example, commodity prices and exchange rates, labour dynamics and the regulatory environment. As a result, our risk profile reflects the dynamics of industry and Harmony-specific issues and opportunities at a point in time.



Kalgold plant

The following two graphs and table show our top strategic risks and opportunities:



MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Our risk profile contains potential events and/or factors that pose both a threat as well as an opportunity. These downside and upside risk factors are all duly taken into account in our day-to-day business activities and their recognition plays an integral role in the formation and management of our group strategy.

Risk/Opportunity	Context	Mitigation	Link to strategy
Labour disputes/ labour unrest	<p>In South Africa unstable labour relations are one of the largest risks facing the mining industry as a whole. In recent years there has been an increase in inter-union rivalry and prolonged strikes for higher wages. If unmanaged this could result in industrial action, as well as work stoppages and increased indebtedness for our employees, which could further aggravate the problem.</p> <p>In Papua New Guinea we face both labour and landowner unrest.</p> <p>Apart from the effect this has on our relationships with our employees and communities, it also has the potential to decrease our production, lead to damage to our assets and increase the need for security because of increased safety risks.</p> <p>In addition, prolonged strikes can have adverse financial impacts on employees, Harmony and the surrounding communities – something that undermines our work to bring economic stability to the environments where we work.</p>	<p>This is a risk where we believe that the key to effective mitigation lies in relationships.</p> <p>In South Africa, we have on-going engagement with organised labour, at both mine and company level, and take a pro-active approach to addressing employees' concerns. In consultation with the Chamber of Mines and other gold producers, we pro-actively seek to address labour-related issues to arrive at solutions which will serve the industry as a whole – while being sensitive to the long-term sustainability of producers as well as the needs of the workforce. These considerations will again be relevant to the 2015 wage negotiations in South Africa. We furthermore have contingency plans in place which could be called upon in the event of strike action – such plans address, <i>inter alia</i>, potential safety threats as well as short-term cost curtailment measures.</p> <p>We also embarked on a consultation process on the Employee Relations Policy Framework. In Papua New Guinea we continuously engage with all stakeholders, including employees, provincial and local government, landowners and regulators.</p>	<p>There is no question about the importance of this risk to our strategy – we cannot achieve any of our objectives without the support of the people of Harmony. By maintaining a stable workforce we are able to provide our employees with decent working conditions, while also being able to work consistently to achieve our strategy.</p>

For more on this see page 79.

Risk/Opportunity	Context	Mitigation	Link to strategy
Not achieving our operational objectives	While the risk exists that we may not meet our operational objectives it is something we monitor closely. In particular, unplanned events, operational results, cash flows and gold price fluctuations can all affect our ability to meet our strategic objectives, and so are factors that we watch carefully. Apart from the long-term impact of not meeting objectives on our strategy and sustainability, it can also affect our financial results and investor confidence, and could eventually lead to mine closures.	<p>During FY15 we continued with the identification and implementation of initiatives to improve productivity. This, coupled with stringent cost and capital control measures and the continued focus on engineering risks will remain an on-going process.</p> <p>During the year we completed a life-of-mine optimisation process which resulted in greater focus on mining profitable and higher grade areas at our South African operations.</p> <p>We responded to a lower gold price by rationalising our assets and restructuring our portfolio. We will continue to improve the performance of our assets by focusing on mining only safe, profitable ounces. For more on this refer to page 120 of the Operational Performance section of this report.</p>	Ultimately, Harmony needs to be a successful, resilient business before it can be a responsible corporate citizen and employer of choice. As a result, achieving our operational objectives is the crux of our strategy, as it allows us to strengthen and grow our business and to ultimately share the rewards with our stakeholders.
Ability to attract capital in a low gold price environment	<p>In order to grow our business we need to be able to fund projects and capital expenditure. While the mining industry is currently experiencing a cyclical downturn, the challenges of raising capital are exacerbated by rising costs, a global lack of appetite for gold investments and investors' focus on capital discipline and cash margins.</p> <p>The South African socio-economic climate furthermore creates uncertainty for investors, and while commodity prices remain low we may struggle to remain competitive – all this can impact our long-term investment case and stunt our ability to create value.</p>	To keep our cash flow healthy, a variety of mitigating actions are considered. These include focused efforts to achieve our operational objectives, as noted in the previous risk, as well as monitoring of capital markets for opportunities. While our focus remains on mining only safe and profitable ounces, we also evaluate other strategic solutions to unlock the value of our existing assets – strategies which need to respond to share price pressures and our ability to continue the funding of existing and future expansion and exploration projects.	The ability to raise funding is integral to our strategic intent of growing our business and to maintain our ability to create value.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Risk/Opportunity	Context	Mitigation	Link to strategy
Safety	Deep-level mining has inherent safety risks. We prioritise safety primarily to protect our people, who are at the centre of all we do at Harmony. Apart from the effect safety has on our employee mindsets and productivity, it also has the potential to affect our reputation, stop production, lead to litigation and decrease the overall value of Harmony. We view safety as an opportunity to engage with many key stakeholders, particularly our employees, and to entrench our values.	<p>Safety is one of our five fundamental values, making it the basis of all we do. Apart from the everyday safety procedures we have in place, we also engage with employees regularly on the topic through training sessions and open discussions.</p> <p>We maintain a risk-based safety management system that is integrated into our daily work philosophy and we continuously adopt the industry's leading safety practices.</p> <p>We also believe that if an incident happens it is best to learn from it. As a result our safety department verifies and evaluates every injury on an on-going basis. In addition, we have also standardised auditing and reporting of physical conditions at workplaces.</p> <p>For more on this refer to page 61 of the Safety and Health section.</p>	Safety is integral to the sustainability of our business – it helps foster our relationships with employees, maintain stable production and retain our licence to operate. It is a feature of our values, our material issues and underlies our strategy.
Consistency of electricity supply	Mining is an energy-intensive industry and the cost of energy is material to our total cost base. Our risk related to South Africa's energy crisis is two-fold. Firstly, the rising cost of energy is placing more pressure on our margins. Secondly, the reliability of uninterrupted supply threatens the achievement both of our safety and of our production targets.	<p>While we continue with efforts to focus on the reduction and optimisation of our energy consumption, we are also implementing load shifting opportunities which can be implemented with the least disruption to our operations and employees.</p> <p>Various efforts are under way to identify alternative sources of energy, including renewable energy in our energy portfolio.</p> <p>Our efforts to secure sustainable, reliable and cost-effective energy expand to active participation in collaboration with the South African Minister of Energy to implement a five-point plan aimed at stabilising the country's electricity supply risks.</p> <p>For more detail, see page 104 of the Environmental Performance section.</p>	Mining safe, profitable ounces is integral to the sustainability of our business. Thus, securing energy in a sustainable, cost-effective and uninterrupted manner speaks directly to our business goals and strategy.

Risk/Opportunity	Context	Mitigation	Link to strategy
Socio-economic, political and regulatory changes	It is imperative to our business that we maintain our licence to operate. This means that we need to stay up to date and comply with all necessary socio-economic, political and regulatory changes in both South Africa and Papua New Guinea.	We believe that the key to mitigating this risk is to develop and maintain healthy relationships with the parties involved, so as to always understand what is expected from us. For more on our stakeholder engagement during the year see page 52.	Maintaining our licence to operate is a material issue for us, as we recognise the requirements of South Africa and Papua New Guinea, and strive to be a socially responsible company. In addition, maintaining our right to mine is at the heart of our strategy, as it allows us to continue operating and building a sustainable business that shares the benefits we create.
	In South Africa these regulations include existing and new labour legislation, political and regulatory changes, and Mineral and Petroleum Resources Development Act amendments, among other regulatory requirements.	In South Africa, we have regular interactions with the regulator as a contribution to influencing legislation as well as regular meetings with community leaders to address community concerns. In addition we align our social and labour plans with municipal Economic Development Plans, and we keep organised labour abreast of developments in labour legislation.	
	In Papua New Guinea, we adhere to local legal and fiscal framework changes, while also addressing increased socio-economic investment expectations.	During FY15, the Department of Mineral Resources and the mining industry agreed to seek a declaratory order from a South African court to address a difference of opinion on how some black empowerment transactions are recognised. Harmony is part of this pro-active collaboration and we believe that our performance in terms of each of the nine pillars set out in the Mining Charter illustrates that we do more than just comply.	
	Not meeting these requirements could impact our reputation and investor confidence in our business. It could also mean that we need to pay fines for non-compliance or that we could lose our licence to operate.	In Papua New Guinea, the Morobe Mining Joint Ventures, Harmony and the local Chamber of Mines collectively participate in industry consultation.	

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Risk/Opportunity	Context	Mitigation	Link to strategy
Major infrastructure incidents	As a mining company, we rely on large infrastructure in order to maintain operations at our mines. Any breakdowns or infrastructure failures have the potential to cause production losses and expensive damage that could take time to repair as well as threaten the safety of our employees.	We spend a considerable amount of time on the maintenance of infrastructure to proactively address any potential problems. During the prior financial year, we strengthened our senior engineering capacity and improved our operational risk management processes. Furthermore, in line with our focus on engineering risks, we implemented a holistic engineering strategy during the year under review. For more on this see page 121.	Much like achieving our operational objectives, avoiding major infrastructure incidents relates to the everyday business side of our strategy – the only way to ensure a sustainable business is to continue mining daily, and we require functional, safe infrastructure to do so.
Growing the company for future ounces	A risk facing any mining company is that of sustainable production and of maintaining reserves and resources. Harmony is no different and we use exploration as an opportunity to improve our future production. However, we are aware of and need to manage the opportunity loss associated with not increasing our ore reserves sufficiently. Also, we face the risk that exploration may not result in a reserve base increase. All of this can affect investor confidence in us and our growth strategy.	<p>We face this from various sides. In order to maintain a competitive advantage, we aim to be one of the lowest cost producers (R/tonne) in the sector. In ensuring that exploration leads to sufficient resources, we have established a new business team to review and recommend opportunities to the board as well as scientific targeting of exploration targets and professional exploration teams. During the year under review we established an exploration joint-venture with a junior mining company adjacent to one of our Free State mineral rights areas. This joint venture will aid us in growing our company in an economical manner.</p> <p>In Papua New Guinea, we are actively pursuing the development of the Golpu project in order to gain exposure to copper. In South Africa we are evaluating opportunities where we can exploit our existing operating strengths while diversifying. Furthermore, we will continue to focus on mining only safe, profitable ounces.</p> <p>For more on this, see the sections in this report entitled Projects and Exploration on page 153 and Resources and Reserves on page 159.</p>	In order to remain globally competitive (our ultimate strategic goal), we must continue to have available profitable reserves and resources to mine. By focusing on exploration to secure quality tonnages, we are able to do this.

Risk/Opportunity	Context	Mitigation	Link to strategy
Potential liability for occupational health diseases	This is another industry-wide issue that we, as well as our South African peers, face with regard to work-related illnesses, such as silicosis. The risk is two-fold. Firstly, we need to address what has happened in the past. Secondly, we work now to mitigate occupational health risks to ensure that this risk does not continue into the future.	<p>We mitigate our health risks through a pro-active health strategy as well as an at-work management programme.</p> <p>During the year Harmony and industry peers continued with efforts to develop a long-lasting solution to address the socio-economic impact of silicosis.</p> <p>For more on this see page 69.</p>	Much like the nature of this risk, the impact it could have on our strategy is two-fold. Firstly, our people are at the heart of our business and we want to do all we can to ensure they remain healthy. Secondly, the potential liability could decrease our cash flow and make us less resilient in the future.
Gold price and foreign exchange fluctuations (varying from planned levels)	<p>We are highly geared to the gold price and foreign exchange fluctuations. An improvement in the gold price provides an immediate advantage, while lower gold prices decrease our margins.</p> <p>Our ability to deliver on production and growth targets to counter lower commodity cycles is important.</p>	<p>Mitigation includes conservative planning parameters with re-designed planning processes to focus on de-bottlenecking and optimisation.</p> <p>Mitigation also includes the rescheduling of capital expenditure and ensuring that sufficient funding facilities exist.</p>	Ultimately, Harmony needs to be a successful, resilient business before it can be a responsible corporate citizen and employer of choice. As a result, being profitable and achieving our operational objectives are the crux of our strategy, as they allow us to strengthen and grow our business and, ultimately, to share the rewards with our stakeholders.
Productivity	<p>To be a successful business, we need to produce enough gold to be profitable. This relates to productivity which is affected, in simple terms, by labour. If we have enough skilled, healthy, motivated and safe working labour, we are able to produce our targeted gold production. In addition, we focus on infrastructure, technical efficiencies and safe working areas.</p> <p>Productivity is both a risk and an opportunity for Harmony. If well-mitigated/managed it means we are able to produce volumes that are either in line with or above expectations. This, in turn, strengthens our business. However, if we produce below target it can destabilise our business, and make it harder for us to reach other business targets. As a result it is essential that we are producing enough tonnes or ounces per person working.</p>	<p>This is a complex risk, and we therefore mitigate it in various ways. These include a proactive health strategy and at-work management programme. See page 65 in the Safety and Health section for more on this.</p> <p>As with many of our risks we recognise how important relationships are in managing productivity and we work with both organised labour and our employees to prevent absenteeism.</p>	A stable workforce enables sustainable productivity which is imperative for achieving our business goals.

MANAGING OUR RISKS AND OPPORTUNITIES CONTINUED

Risk/Opportunity	Context	Mitigation	Link to strategy
New technology	New technology provides us with an opportunity to increase our competitive advantage and make our business model more resilient as we move into the future. For example, we can use new technology to respond to cost pressures such as electricity tariff increases and labour, which will allow us to make our production and costs more efficient. This, in turn, can help us increase revenue and share more benefits.	Ways in which we are working on capitalising from new technology include safety improvements, energy efficiency, alternative energy mix, water conservation technology, nuclear radiation rehabilitation and we also continue to evaluate new mining methods. For more on this, refer to page 65 of the Safety and Health section, page 112 of the Environmental Performance section and page 120 of the Operational Performance section of this report.	Every one of our strategic objectives can be enhanced by embracing innovation through new technology which will increase efficiencies, productivity and safety.

For more detailed information pertaining to risk factors and their potential impact see the Form 20-F as filed with the United States' Securities Exchange Commission at www.harmony.co.za/investors/reporting/20f

MATERIAL ISSUES

Our process of determining material issues emanates from our risk management process. We combine this with the Global Reporting Initiative's materiality assessment, in which we perform a gap analysis and benchmark against our peers to determine our key indicators. In addition, we consider those indicators that are most closely related to our values and strategy. From this process, we have derived the following five material issues, which encompass most of our key risks while also addressing our values.

1. Keeping our people safe and healthy

People are at the centre of our business. While we have made significant progress in recent years in improving safety and health underground, safety remains a priority for us. Measured in terms of fatalities, Harmony achieved the best safety performance recorded in 14 years. The fatal injury frequency rate for our South African operations decreased by 61% to 0.11 per million hours worked (FY14: 0.28). The fatal injury frequency rate for the Papua New Guinea operations for the year was 0.22 (FY14: 0.00) per million hours worked. The lost-time injury frequency rate for the South African operations was 9.57 per million hours worked (FY14: 8.09), a deterioration of 18%, mainly as a result of the Kusasaletu fire incident where 152 people were classified as lost time injuries, while that for the Papua New Guinea operations was 3.79 (FY14: 0.00). In all, 24 514 shifts were lost due to occupational injury in South Africa (FY14: 25 338) and 24 in Papua New Guinea (FY14: 0). We will continue with a pro-active people-focused approach, placing attention in the areas of training and communication to entrench safe behaviour in the workplace. We understand the need to make further safety advances by applying new technology and/or by advancing protection equipment. Physical danger is not the only threat to our employees who also face occupational health risks from working underground. We address all operational health risks and offer treatment for a variety of other health problems. We believe that prevention is better than cure and our pro-active health strategy and programmes are integrated and holistic. Our aim is to ensure our employees return home safely and in good health. For more on safety and health see page 58.

Relevant Global Reporting Initiative indicators: Occupational health and safety (G4-LA6, G4-LA7)

Related values: Safety, Accountable, Connected

Related key risks/opportunities: Safety, potential liability for occupational health diseases, achieving our operational objectives, productivity

MATERIAL ISSUES CONTINUED

2. Achieving our business objectives

The success of our core business drives what we do and what we are able to do. This does not mean that we are focused only on short-term success. As explained in the section Our Strategy and Investment Case (see page 25), our aim is to create a viable business for years to come. As a result, we also consider our future objectives, such as using technology and innovation, diversifying our resource base, and ensuring we have projects in place to sustain and grow our production.

Relevant Global Reporting Initiative indicators: Economic performance (G4-EC1, G4-EC7, G4-EC8)

Related values: Accountable, Achievement

Related key risks/opportunities: Safety, achieving our operational objectives, discovery/ acquisition of quality ore reserves, ability to attract capital in a low gold price environment, new technology, productivity improvements

3. Maintaining stability in our workforce

Amid a potentially fractious industrial relations environment in the South African mining industry, we focus on having positive and open relationships with our employees and the trade unions that represent them. By fostering conversation, we understand and are able to address grievances before industrial action. The benefits of a stable industrial relations climate are extensive. We want to create workplaces where employees feel safe, respected and valued. A stable workforce contributes to our aim of meeting our business objectives, as it results in lower employee turnover and stabilises production. The benefits of this are shared with employees through production bonuses, reward and recognition programmes and the employee share ownership scheme. For more on these see page 78.

Relevant Global Reporting Initiative indicators: Labour/management relations (MM4), Employment (G4-LA1)

Related values: Honesty, Connected and Accountable

Related key risks/opportunities: Labour disputes/ labour unrest, safety, achieving our operational objectives

4. Protecting our licence to operate

To be a successful company, we need to earn and retain our right to mine. This requires a clear understanding of local legislation and regulations, as well as solid relations with government, communities, industry bodies and local business partners. We seek more than compliance: we will transform our workforce, ensure good corporate governance, and be a responsible corporate citizen. For more on our compliance see page 179.

Relevant Global Reporting Initiative indicators: Diversity and equal opportunity (G4-LA12), Local communities (G4-S01), Environmental compliance (G4-EN29)

Related values: Accountable, Honesty

Related key and/or opportunities: Socio-economic, political and regulatory changes

5. Managing our impact

The resources available to our business are finite and we respect this. We are environmentally responsible through careful monitoring of our consumption, emissions and impact. Our commitment to improving health and safety speaks to our need to protect human resources, while our training and development programmes highlight how we encourage each employee to learn and grow their skills. Responsible resource management is also crucial to our socio-environmental rehabilitation planning. While our mines are operational, we want to do all we can to improve the living conditions of employees and communities, and to bolster both socio-economic and ecological developments, so that when our mines close we will leave behind us viable communities able to support their economies and which are not plagued by environmental or health issues. This entails planning now, ahead of mine closure, and is something we are constructively working towards. For more on our skills training and rehabilitation initiatives see pages 81 and 116 respectively.

Relevant Global Reporting Initiative indicators: Energy (G4-EN5), Effluents and Waste (G4-EN22, G4-EN23, G4-EN24, MM3), Local communities (G4-S02, MM6, MM7)

Related values: Safety, Accountable, Honesty

Related key risks/ opportunities: Major infrastructure incidents, socio-economic, political and regulatory changes



STAKEHOLDER ENGAGEMENT

WHY THIS IS MATERIAL TO HARMONY

To be a profitable, responsible and sustainable business we must have mutually beneficial and sustainable relationships with our various stakeholders. In pursuit of this, we believe it essential that we understand and meet our stakeholders' needs where possible. Effective engagement is essential to the establishment of such mutually beneficial and sustainable relationships.

Relevant material issues:

- Maintaining dialogue and promoting stable relations in our workforce
- Engaging with our shareholders to create an understanding of the company's investment case
- Protecting our licence to operate
- Ensuring that host communities have a voice in our business
- Ensuring alignment with government imperatives as they relate to our business

OUR APPROACH TO STAKEHOLDER ENGAGEMENT

To Harmony, stakeholder engagement is not just about policies and guidelines. Effective stakeholder relations are about building lasting relationships, and making a meaningful contribution to the communities and countries in which we work.

Our stakeholders include, but are not exclusively, shareholders, our employees and contractors, communities in the areas in which we operate, trade unions, government regulatory bodies, suppliers, analysts and the media.

The primary aim of communicating with stakeholders is, simply, to share and gather information to inform our business decisions. This communication is guided by both our values and our strategic intent:

- **Improve the lives** of host communities/stakeholders through participation in appropriate programmes or projects
- **Find solutions** to the various challenges facing our society and host communities, including unemployment and lack of economic activity, by collaborating with stakeholders and forming meaningful partnerships
- **Find a balance** between the expectations of stakeholders and shareholders

Our communication with stakeholders is inclusive, so that this communication is:

- **Meaningful**, and addresses what is material to stakeholders
- **Complete**, so that we understand the views, needs, perceptions and expectations linked to issues that stakeholders view as material
- **Responsive**, so that we respond to material issues timeously, coherently and appropriately

Our approach to communication, with internal and external stakeholders, is integrated into the way we do business. Stakeholder relations are an integral part of our business and shape our actions in determining strategy, addressing problems, and allocating resources.

Effective stakeholder engagement helps us better manage risks, opportunities, and enhances the company's reputation, which is essential to the long-term sustainability of Harmony. Furthermore, effective, meaningful stakeholder engagement contributes to our store of knowledge as a company and provides information which leads to improved decision-making processes.

Every executive member of Harmony is involved in building and maintaining stakeholder relationships – both internal and external. The board social and ethics committee oversees stakeholder relations, while the board itself monitors relations with stakeholders.

OUR STAKEHOLDERS

Our engagement complies with relevant legislation and standards, including ISO 14001, OHSAS 18001 and ISO 9000. Using our stakeholder engagement policy and strategy we identify various stakeholders, internal and external, across our business process. In conjunction with this, and in line with ISO 14001 implementation, a formal stakeholder analysis was conducted using experienced, external social consultants. From these two processes, we developed the following stakeholder map.

OUR ENGAGEMENT IN 2015

Below, we have detailed our communication with key stakeholders, highlighting their expectations as communicated to us, the specific benefits to be gained from effective communication and information on our interaction with each stakeholder during the year. In all our engagements with stakeholders, we strive for communication that is regular, consistent, relevant and transparent.

OUR STAKEHOLDERS

"OUR STAKEHOLDER ENGAGEMENT IS ABOUT MORE THAN POLICIES AND GUIDELINES, IT IS ABOUT BUILDING LASTING RELATIONSHIPS AND MAKING MEANINGFUL CONTRIBUTIONS."

- Internal stakeholders
- External stakeholders



SHAREHOLDERS

Expectations: Consistent returns and growth in investment directly and relative to peers, timely and transparent disclosure on objectives, performance and expectations.

Benefits of engagement: Share price resilience, continued investment, creating an understanding of the company's short- and long-term objectives; open, on-going conversation allows us to deal with any concerns or queries at an early stage.

Discussions during the year: Shareholders asked questions pertaining to planned and on-going restructuring, expectations on wage negotiations, impact of power supply restrictions in South Africa, clarity on changes to grade and planned improvements, production, safety, Harmony's strategy, our ability to fund Golpu, and sustaining cash flows.

How we engage	How often
Information and compliance releases through the Stock Exchange News Service of the Johannesburg Stock Exchange and through the Electronic Data-Gathering, Analysis and Retrieval system of the United States Securities and Exchange Commission	As required and on-going
Harmony and related South African gold mining industry websites (www.harmony.co.za , www.thisisgold.co.za and www.goldwagenegotiations.co.za)	On-going
Releases and information sent to the shareholder database	On-going
Results presentations and webcasts	Quarterly
Ad hoc presentations on specific issues	As required
Conferences	Throughout the year, the chief executive officer and senior executives present the Harmony story at global conferences and/or by means of virtual conferences.

STAKEHOLDER ENGAGEMENT CONTINUED

How we engage	How often
Investor roadshows	Throughout the year. Travel has been reduced in line with our cost-saving initiatives. More regular calls (conference and/or one-on-one) have been set up to compensate for not having meetings in person (especially as it relates to international investors). We have also explored participation in virtual conferences.
Documents and correspondence sent by post and e-mail	Quarterly and as required
Conference calls	On-going
One-on-one meetings	On-going
Integrated report	Annually

EMPLOYEES AND CONTRACTORS

Expectations: A safe, stimulating and rewarding work environment that offers opportunities for personal and career development.

Benefit of engagement: A more-engaged organisation with a clear vision, fewer strikes, high levels of productivity, low turnover.

Discussions during the year: In our engagements with employees the following issues have been raised and discussed – safety and health, operational challenges, asset optimisation, productivity improvements, recognition and rewards, wage negotiation demands, and opportunities at other Harmony mines.

How we engage	How often
Employee engagement surveys	Annually
Meetings with organised labour	On a regular basis
General manager's presentations to all mine employees	Quarterly
General manager's mass meetings	Monthly
Chief executive officer roadshows to all our operations	Every six months
Future forums, mass meetings, work groups	On-going
Workshops	As required
Newsletters, mine TV, podcasts, text messages, posters, emails, intercom system, desktops, screen savers and signage	On-going
Harmony website (www.harmony.co.za)	On-going
Twitter	Daily
Intranet (local, internal Harmony internet)	On-going
Company emails	Weekly
Sport at shafts (such as cricket, soccer, netball or rugby) is used to share information and build relationships	On-going
Shaft and cultural events	When required
Briefs or memos	When required
Communication campaigns	When required
Suggestion box at all operations	Weekly
Community media houses (newspaper and radio)	When required
Harmony and related South African gold mining industry websites (www.harmony.co.za , www.thisisgold.co.za and www.goldwagennegotiations.co.za)	On-going

GOVERNMENT AND REGULATORS

Expectations: Compliance to host country legislation, cooperation and continual improvement and contribution to national policy formulation.

Benefit of engagement: The regulator and Harmony are better able to engage and reach agreement on compliance and our licence to operate.

Discussions during the year: During engagement with the government and regulators this year certain regulatory matters were brought to our attention and we were encouraged to participate in joint initiatives, such as the Deputy President's Framework Agreement for a Sustainable Mining Industry. We were also closely involved in influencing legislative changes such as those proposed to the Mineral and Petroleum Resources Development Act, environmental management plans, the National Environmental Management Act, etc.

How we engage	How often
Industry bodies	As an active member of the Chamber of Mines, Harmony contributes to policy formulation
Personal interaction	Dedicated senior executive responsible for government relations
Harmony website (www.harmony.co.za)	On-going

INDUSTRY BODIES

Expectations: Mutually beneficial relationships founded on integrity, constructive engagement and mutually beneficial outcomes.

Benefit of engagement: Firm understanding of our industry and our place in it.

Discussions during the year: During the year under review we worked closely with the Chamber of Mines regarding changes to the Mineral and Petroleum Resources Development Act, we partnered with them and other gold mining companies for a joint communication campaign during the wage negotiations and seeking a declaratory order in respect of the ownership requirement as per the Mining Charter.

How we engage	How often
Conferences	Quarterly
Presentations	On-going
Workshops	As required
Meetings, for special interests such as wage negotiations	As required
Harmony website (www.harmony.co.za)	On-going

SUPPLIERS OF GOODS AND SERVICES

Expectations: Mutually beneficial relationships founded on equal opportunity and integrity.

Benefit of engagement: Reliable supply chain management. Sustaining solid working relations cements current partnerships and paves the way for future work and a continuous supply of goods and services at the best price.

Discussions during the year: We have engaged with suppliers this year on curbing annual increases and to ensure that their processes are in line with our human rights and environmental standards, our code of ethics and our empowerment requirements.

How we engage	How often
Presentations	On-going
Workshops	As required
Harmony website (www.harmony.co.za)	On-going
Harmony Enterprise Development Centres	On-going
Written communication	As required
Contractual negotiations	As required
Face-to-face interaction	On-going
Requests for quotations and tenders	As required

HOST COMMUNITIES, LABOUR-SENDING AREAS AND NEIGHBOURS

Expectations: Mutually beneficial relationships founded on shared goals, constructive engagement and long-term commitments.

Benefit of engagement: Stable community relations, increased opportunity to make a meaningful difference through appropriate corporate social investment projects, clarity in respect of expectations versus Harmony's commitments to its host communities.

Discussions during the year: The most important issues raised by our communities and local government are questions relating to our corporate social investment projects, social and labour plans, job creation, training and the like. In addition, issues/concerns raised regarding our mining activities were discussed and addressed. Major environmental changes or operational changes that will have an impact on the environment were also discussed with surrounding communities. We use all of this to inform our planning for the future. For more on our community relations see page 87.

How we engage	How often
Conferences	Quarterly
Presentations	On-going
Workshops	As required
Community radio and billboards	As required
Harmony website (www.harmony.co.za)	On-going
Contractual negotiations	As required
Face-to-face interaction	On-going

STAKEHOLDER ENGAGEMENT CONTINUED

MEDIA AND ANALYSTS

Expectations: Mutually beneficial relationships founded on mutual respect, open conversation and constructive engagement.

Benefit of engagement: Allows outsiders to understand Harmony's story.

Discussions during the year: Most questions related to results announcements, labour, wages, costs, grade and environmental issues.

How we engage	How often
Information and compliance releases via the Stock Exchange News Service of the Johannesburg Stock Exchange and via the Electronic Data-Gathering, Analysis and Retrieval system of the United States Securities and Exchange Commission	On-going and as required
Harmony website (www.harmony.co.za)	On-going
Presentations	Quarterly and as required
Conference calls	On-going
One-on-one meetings	On-going
E-mail	On-going
Face-to-face interaction	On-going

TRADE UNIONS

Expectations: Mutually beneficial relationships founded on openness and integrity.

Benefit of engagement: Constructive engagement to understand issues raised by both the employer and the unions and a willingness to resolve these issues.

Discussions during the year: Our engagement with various unions during the year encompassed the recognition of the Association of Mining and Construction Union, de-recognition of the National Union of Mineworkers at Kusasalethu and the transfer of employees from closed shafts to Harmony mines in build-up.

How we engage	How often
Wage negotiations	Every second year
Operational negotiations or consultations	As required, but at least monthly
Presentations	Quarterly
Meetings	On-going
Committees, dealing with issues such as health, safety and employment equity	On-going, but at least monthly
Harmony website (www.harmony.co.za)	On-going

BANKS/FINANCIAL INSTITUTIONS

Expectations: Debt investors expect to be rewarded with interest and protected by the certainty that debt covenants will be met.

Benefit of engagement: Access to affordable funding, healthy relationships allowing on-going, honest conversation that provides stability.

Discussions during the year: The issues that dominate our discussions with banks/financial institutions tend to be cash flow generation, management's response to challenges, updates on operational results, possible corporate action, future strategy, management structures, as well as our future business plans, including the Golpu project.

How we engage	How often
Financial reporting	Quarterly
Presentations, press releases and the Johannesburg Stock Exchange's Stock Exchange News Service	As required
Meetings and discussions	As required
Harmony website (www.harmony.co.za)	On-going

SAFETY AND HEALTH

Achievements

- Measured in terms of fatalities, best safety performance recorded in 14 years
- Participation in an industry working group to address issues relating to compensation and medical care for occupational lung disease in the gold mining industry in South Africa
- Moved away from the historic mine hospital-centric, health service delivery model which is curative in nature, to a more pro-active, preventative model of health service delivery. We have seen significant benefits, such as decreased absenteeism, hospitalisation and medical mortality. Tuberculosis rates have also decreased dramatically, while awareness of the human immunodeficiency virus exceeds the national average. See page 67 for more information
- Collaboration with peers in the industry on various government structures to ensure that there is a robust effective mechanism in place to address silicosis-related challenges

Challenges

- Behavioural aspects in breach of compliance with standards
- Operational stoppages such as section 54/55 instructions continue to hamper production
- Unhealthy behaviour and lifestyles which predispose employees to chronic diseases
- Although tuberculosis rates have declined, it remains one of our top five health risks

WHY SAFETY AND HEALTH ARE MATERIAL TO HARMONY

Relevant material issues:

- Keeping our people safe and healthy
- Protecting our licence to operate

At Harmony, the safety and health of our employees and contractors is not only a moral imperative but essential for creating a sustainable, responsible business. Safety, one of our five values, is a key priority. Without a safe and healthy workforce, we cannot be productive and profitable. We aim to eliminate and prevent all fatalities and work-related injuries and illnesses by promoting a culture that gives priority to health and safety.

LINKS TO RISK



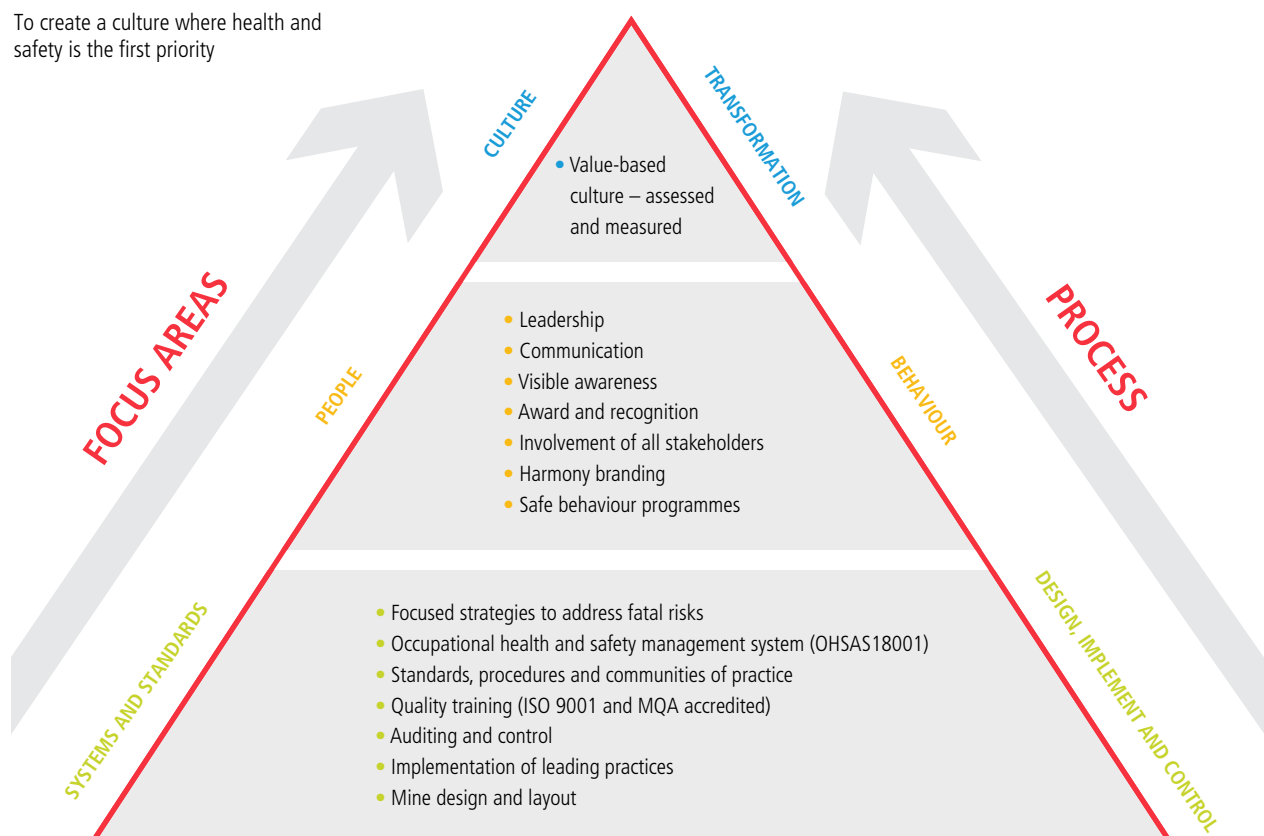
OUR APPROACH

Both our occupational health and safety policy and our health and safety management framework are aligned with the Mine Health and Safety Act in South Africa and mine health and safety legislation in Papua New Guinea. Representatives from all levels of management, union and government are encouraged to participate actively in our health and safety framework. The relevant strategy is guided by our health and safety policy.

Health and safety committees are in place at all our operations to ensure the active participation of all employees in safety management. Safety and health are also agenda items at all union and management engagements. There are currently 34 full-time

OUR HEALTH AND SAFETY STRATEGY MODEL

To create a culture where health and safety is the first priority



health and safety stewards at our South African operations (FY14: 42). The decrease in number can be attributed to the closure of Target 3 and the downscaling of the workforce at several operations following the revision of production plans aimed at restoring these operations to profitability. Our operations have a sufficient number of full-time stewards to deal appropriately with health and safety concerns. The technical committee, on behalf of the board, is responsible for approving and monitoring compliance with our safety and health policy. The social and ethics committee oversees public safety on behalf of the board. Quarterly reports on health and safety are provided to these board committees.

Safety performance, a key performance indicator for management, is monitored to determine remuneration in terms of the safety-related bonuses to be paid.

SAFETY

SAFETY STRATEGY – SOUTH AFRICA AND PAPUA NEW GUINEA

We aspire to zero harm. To achieve this goal, continuous improvement in our safety performance is required. At Harmony, we have a co-operative approach to safety to ensure that the necessary infrastructure and systems are in place; from planning to communication and training. While management holds legal responsibility for safety, in reality it is up to management and employees to take joint responsibility for their actions, to stop work when they believe that a workplace is unsafe and/or to prevent others from acting in an unsafe manner. Continual reinforcement of safe behaviour in the workplace is overseen by line managers and supervisors. Operations have introduced site-specific safe behaviour initiatives as well as behaviour re-enforcement programmes.

The safety strategy can be divided into three categories – short term, medium term and long term.

The **short-term strategy** comprises visible felt leadership, communication and report reviews:

- **Visible felt leadership**

Leadership is expected to conduct at least two underground/workplace visits per week, including irregular (shifts outside normal working hours) shifts. Visits to high-risk workplaces are prioritised, while training and coaching are guiding principles during the visits.

- **Communication**

Safety is a standard agenda item at all meetings throughout the company. Improved safety awareness through pro-active communication at weekly team leader workgroups meetings with the general manager at each mine; the on-going broadcast of safety messages on mine televisions that are placed throughout our operations (surface and underground); and weekly

SAFETY AND HEALTH CONTINUED

communication meetings between the general manager and safety representatives. Each general manager also attends monthly safety mass meetings at their operation.

• Report reviews

Weekly reports on the top five safety risks are made to the general manager of each operation. These reports are reviewed with the relevant supervisors and actions are shared with the mining teams. General managers also review repetitive A-hazards reported during the week. An A-hazard is anything that has the potential to cause harm. If an A-hazard is noticed, it requires immediate remedial action – stop, fix or barricade. Exception reports from the various services departments on A-hazards are submitted daily to all general managers for action.

The senior management team conducts monthly, formal safety reviews to assess all major safety risks at the South African operations. Each operation provides information on the relevant controls introduced and action plans to address risks identified to ensure lessons learned are implemented throughout the company.

Part of the short-term safety strategy was the implementation of phase two of the electronic safety management system (Pivot). This system makes safety analyses and trends more readily available to the organisation, enabling more informed decision making and quicker, more pro-active responses to exposures and risks.

The **medium-term strategy** involves the implementation of the fatal risk management system. Eight fatal risks have been identified and for which fatal risk standards with measurable critical controls have been drawn up. These fatal risk standards cover areas of fall of ground, underground tramming, electricity, working at heights, winches, mud-rush and inundation, fire prevention and explosives. The standards have been finalised and signed off by the operational committee at the end of July 2015. The process to roll these standards out across the company commenced in August 2015.

The **long-term strategy** focuses on industry leading practices, namely:

- Separating the employee from the risk or hazard through more extensive barrier controls
- Focusing on embedding a safety-conscious culture
- Ensuring that people are committed to our values
- Sharing of information and the adoption of best proven pro-active safety measures

Safety performance at our Papua New Guinea operations is monitored by Harmony's south east Asia team. Safety managers at the Papua New Guinea operations report to Harmony's south east Asia executive committee through regular notifications and formal monthly reports. This committee in turn reports to the technical committee and the board.

SAFETY PERFORMANCE

Relevant Global Reporting Initiative indicators: G4-LA5, G4-LA6 and G4-LA8

Regrettably there were eight fatalities during the year at our South African operations (FY14: 22) and one fatality at our Papua New Guinea operations (FY14: 0).

In memoriam

Date	Operation	Name	Occupation	Cause
29 Jul 2014	Doornkop	Mhanjelwa Cebani	Driller	Gravity related fall of ground
25 Aug 2014	Tshepong	Mmaneo Florisa Muso	Tramming crew supervisor	Trucks, tramming and transport
6 Dec 2014	Hidden Valley	Maxwell Wari	Fitter and turner	Trucks, tramming and transport
13 Jan 2015	Kusasaletu	Mosoeu Ntsutheleng	Team leader	Gravity related fall of ground
18 Jan 2015	Masimong	Michael Chobeng	Team leader	Trucks, tramming and transport
4 Apr 2015	Unisel	Bernardo Ernesto Cuambe	Engineering Assistant	Caught in headgear sheave wheel
30 May 2015	Bambanani	Mariselunes Thibello	Driller	Gravity related fall of ground
14 Jun 2015	Brand 1A Ventilation Shaft) (closed shaft)	1. Sello Jacob Bobejaan 2. Thapelo Andries Mofokeng	Security officers	Overcome by carbon monoxide

SAFETY IN ACTION

Harmony prioritises safety and has a number of measures in place to ensure that safety remains a priority at all levels of the company:

- Management spends a great deal of time in the workplace coaching employees on ways to work safely. These conversations are shaped by messages agreed by management in consultation with the unions
- External safety initiatives or leading practices are reviewed and implemented. 'Champions' have been nominated for each aspect of leading practice for mining industry occupational safety and health leading practice. Each champion must attend all industry meetings and ensure that all relevant information is disseminated to the operations
- Comprehensive safety reporting allows us to track incidents, measure safety performance and report back to mines on performance. An electronic safety management system (Pivot) is used for this purpose as mentioned under the short-term safety strategy
- Safety roles and accountabilities are clearly defined in job descriptions and used to measure the performance of teams. This ensures that every person at Harmony understands how they can work safely
- Risk assessments are performed before any work is done and a change management procedure is being aggressively implemented
- Mining and engineering committees have been established to ensure that company standards on various mining and engineering work are being drawn up, approved and distributed to operations.

Fatalities

	FY15	FY14	FY13	FY12	FY11
South Africa	8	22	9	10	15
Papua New Guinea	1	–	–	–	1
Group total	9	22	9	10	16

In line with our values and policies, Harmony provides the family of the deceased with counselling and financial assistance. A fund was established in FY14 to support the educational needs of the school-going dependents of all Harmony employees and contractors who lose their lives in the workplace.

The fatal injury frequency rate for our South African operations decreased by 61% to 0.11 per million hours worked (FY14: 0.28). The fatal injury frequency rate for the Papua New Guinea operations for the year was 0.22 (FY14: 0.00) per million hours worked. The lost-time injury frequency rate for the South African operations was 9.57 per million hours worked (FY14: 8.09), a deterioration of 18%, mainly as a result of the Kusasalethu fire incident where 152 people were classified as lost time injuries, while that for the Papua New Guinea operations was 3.79 (FY14: 0.00). In all, 24 514 shifts were lost due to occupational injury in South Africa (FY14: 25 338) and 24 in Papua New Guinea (FY14: 0).

Fatal injury frequency rate (per million hours worked)

	FY15	FY14	FY13	FY12	FY11
South Africa	0.11	0.28	0.11	0.12	0.18
Papua New Guinea	0.22	0.00	0.00	0.00	0.22
Group total	0.11	0.26	0.10	0.11	0.18

Lost-time injury frequency rate (per million hours worked)

	FY15	FY14	FY13	FY12	FY11
South Africa	9.57	8.09	6.03	7.54	8.67
Papua New Guinea	3.79	0.00	0.12	0.45	0.45
Group total	9.24	7.54	5.46	6.86	8.25

Shaft management meets weekly to discuss and document operational and business risks. Remedial action plans are then drafted to mitigate the risks identified.

SAFETY AND HEALTH CONTINUED

Pivot safety management system

The training, roll-out and implementation of the Pivot safety management system (Safety phase 2 – group 1) has been completed. Harmony trained 1 050 users for this phase and the system is actively being used. A super-user workgroup, which consists of a specialised user per operation, has been established to assist all operations with support.

The next phase of the project (group 2) commenced on 19 January 2015. Group 2 consists of the remainder of the occupational health and safety management system modules that were not implemented in group 1. Below is a summary of the modules to be implemented:

- Management and administration (module 1)
- Procedures, code of practice, managerial instructions (module 3)
- Occupational health and safety training (module 4)
- Personal protective equipment (module 5)
- Purchasing and contractor management (module 6)
- Communication (module 7)
- Emergency preparedness (module 8)

The project team is currently busy with the Group 2 requirement analysis. The project is expected to be completed by the end of October 2015.

The Pivot safety management system is a tool which enables all operations to identify risks on a daily basis through various disciplines. Once these deviations have been captured, the system identifies and highlights hotspot working places through a risk ranking system which enables management to focus immediately on the correct areas. This entails that certain reports will be escalated to a higher level, depending on the risk ranking. The actions manager module ensures that all deviations are assigned to a responsible person for corrective action and follow up.

The system will also ensure effective data analysis and remedial action implementation. The currently implemented Pivot safety management system provides functionality to capture the following at each Harmony operation:

- Baseline risk assessments
- Issue based risk assessments
- Critical task assessments
- Continuous risk assessments:
 - Inspections
 - Audits
 - Task observations
 - Shift boss and engineering foreman logbooks (we are awaiting approval from the Department of Mineral Resources in the Free State for the use of the electronic format logbooks)
- Accident and incident reporting and investigation

Expectra, an external company, has been contracted to review, revise and re-implement the existing occupational health and safety management system.

SOUTH AFRICA

The number of Section 54/55 instructions increased to 229 (FY14: 204), mainly as a result of the continuous and increased focus on the South African mining industry by the Department of Mineral Resources. Except for the operations where fatalities and major incidents occurred, no operation was completely stopped as a result of these audits. All other instructions were issued to rectify deviations from mine standards and affected specific sections of the relevant operation.

The total amount of production lost during FY15 which directly relate to section 54/55 instructions is 588 kilograms (18 904 ounces).

Year on year, the fall-of-ground injury frequency rate improved by 18% to 1.26 (FY14: 1.53). There were three gravity related fall-of-ground fatalities in FY15.

Fall-of-ground injury frequency rate

Per million hours worked	FY15	FY14	FY13	FY12	FY11
South Africa	1.26	1.53	1.29	2.22	1.90

Several safety achievements were recorded during the year. The most significant achievements were as follows:

Operation	Achievement
Bambanani	6 million rail-bound equipment fatality-free shifts
Phakisa	5 million rail-bound equipment fatality-free shifts
Joel	4 million rail-bound equipment fatality-free shifts
Kusasaletu	4 million fall-of-ground fatality-free shifts
Free State surface operations	3.25 million fatality-free shifts
Kusasaletu	3 million rail-bound equipment fatality-free shifts
South African operations	3 million fatality-free shifts
South Africa – metallurgy	2.5 million fatality-free shifts
Hidden Valley	2.5 million fatality-free shifts
Target 1	2 million fall-of-ground fatality-free shifts
Target 1	2 million fatality-free shifts
Harmony One Plant	1.5 million fatality-free shifts
Phakisa	1 million fall-of-ground fatality-free shifts
Tshepong	1 million fall-of-ground fatality-free shifts
Unisel	1 million fatality-free shifts
Kusasaletu	1 million fatality-free shifts
Phakisa	1 million fatality-free shifts
Masimong	1 million rail-bound equipment fatality-free shifts
Doornkop	1 million rail-bound equipment fatality-free shifts

PAPUA NEW GUINEA

During the year the joint venture steering committee approved the implementation of the International Council on Mining and Metals guidelines to safety reporting. The International Council on Mining and Metals safety reporting standards are well aligned with Harmony's reporting standards in South Africa and reporting in accordance with the International Council on Mining and Metals standard will commence in FY16.

The Papua New Guinea operations recorded one fatal accident and 17 lost-time injuries during FY15. The fatal accident occurred when a wheel-loader operator reversed into the access road at the Hidden Valley process plant.

During FY15, the sling load (helicopter) procedures and standards were reviewed and amended after construction material fell out of the sling net while in transit.

During the year there were several near-miss incidents that are of major concern. The mountainous terrain, high rainfall and quickly changing weather conditions in Papua New Guinea which contribute to landslides and/or slope failures make aviation and vehicle use much riskier activities.

Vehicle use in Papua New Guinea remains an extremely high-risk activity both on-site, which is within our control, and off-site, on public roads, where contractors and employees come into contact with the public and their vehicles and where we have less

SAFETY AND HEALTH CONTINUED

control. While we may have limited or no control over the natural environmental factors that contribute to the risk involved in operating vehicles, we do have some measure of control over driver skills and competency, ie the ability of the driver to adapt behaviour to changing conditions, and the enforcement of standards and procedures, which can exacerbate or lessen the risk in operating a vehicle.

There were several near-miss vehicle incidents during the year and several resulted in minor injuries. Further work undertaken during the year to mitigate the risk of vehicle-related incidents included:

- revising the specifications of logistics trucks used on the Hidden Valley mine access road by limiting this to 6x6 trucks only
- ensuring qualified driving trainers are supplied by the contractor
- declaring mandatory stops for all trucks prior to the hazardous inclines on the Hidden Valley mine access road to check trailers, radio communication, escort vehicles, etc.

Natural landslides are a relatively common occurrence in Papua New Guinea and together with potential man-made landslides (slope failures associated with open-pit mining) pose a significant safety risk to our operations in Papua New Guinea. During the year a real-time slope stability radar monitoring system was implemented at Hidden Valley and the eastern wall failure and other smaller failures were well managed throughout the year.

The Chief Inspector of Mines' office however did impose restrictions due to the risk of possible slope failures, to mining operations in one area which affected mining flexibility. Specific geotechnical risk assessments are undertaken for all work sites in Papua New Guinea and associated mitigation plans are updated at least once a year.

PUBLIC SAFETY

In South Africa, the board reviewed the social and ethic committee's responsibility in terms of the Act with regard to the monitoring of safety and in future, the committee will receive quarterly reports from management on public safety. Refer to the social and ethics committee report on page 22.

Brand 1 methane explosion incident

A methane explosion occurred at the Brand 1A ventilation shaft in Welkom, which was being rehabilitated as part of Harmony's extensive rehabilitation programme underway in the Free State.

The accident occurred as a result of the ignition of methane within the explosive range in the shaft barrel when reinforced concrete material was thrown down. Given the presence of flammable gas and methane in particular, Harmony is re-drafting its rehabilitation procedure regarding the filling up of redundant shafts with inert material. Extensive testing for the presence of flammable gas prior to backfilling will be undertaken at all shafts scheduled for rehabilitation.

A special operations centre was set up for the reporting of any damage sustained as a result of this incident; in all 1 122 reports of damage to properties were received. All damage to houses and property reported is being repaired at an estimated cost of R25 million.

A permanent plug was subsequently designed for the Brand 1A shaft to prevent any such explosions in future.

SAFETY OBJECTIVES FOR FY16

Our focus will remain on drastically reducing our fatal accident rate with the ultimate aim of having zero fatalities. We know that safety must be approached holistically. We are aiming for a 38% year on year improvement in the total accident and injury frequency rates at the South African operations. The implementation of the electronic safety management system (Pivot) will assist in the analysis of accident trends as well as workplace risk rankings. Management will maximise the use of the information available to ensure that the necessary attention and action are given to workplaces in need thereof.

Behavioural change remain a challenge and we will continue with our strategy to improve both leadership behaviour and our safety messaging to give effect to a long-term shift in thinking and behaviour in terms of safety.

HEALTH

Health strategy

Relevant Global Reporting Initiative indicators: G4-LA7 and G4-LA2

South Africa

Harmony's proactive health strategy focuses on employee well-being, and improving work attendance and individual capabilities. This strategy aims to prevent illness and/or identify disease early through medical surveillance, active case finding, early detection and treatment as part of an integrated management healthcare system.

Harmony hosted the World Tuberculosis Day on 25 March 2015 at our Doornkop mine in collaboration with the Mine Health and Safety Council. The Department of Mineral Resources and the provincial health department were also represented at the event. Harmony also commemorated World Acquired Immune Deficiency Syndrome Day on 5 December 2014 at Phakisa with the support of the Free State departments of Mineral Resources and of Health.

In the Free State region, Harmony participated in the World Tuberculosis Day celebrations by hosting the Member of the Executive Council for Health at Joel as part of the dialogue with the employees and government representatives. On 6 May 2015, Harmony was invited by South African Business Coalition on Health and Acquired Immune Deficiency Syndrome in the Free State to share best practice in tuberculosis management. We also presented our human immunodeficiency virus in the workplace programme at the International Acquired Immune Deficiency Syndrome Conference 2014 in Melbourne. Our proactive approach to healthcare over the past five years has started delivering the expected benefits. The Harmony healthcare programme provides primary, secondary and tertiary healthcare as well as occupational health services to all employees, through company-managed healthcare facilities and medical aid membership, as well as by means of external healthcare providers.

Medical surveillance is on-going at dedicated centres where 42 570 medical examinations were conducted during the year (FY14: 49 214).

Harmony invested more than R100 million in rolling out and establishing seven health hubs, medical surveillance systems (Pivot), clinical systems as an electronic health record system in line with company electronic data solution strategy, data warehousing, predictive analytics, research and service transformation initiatives. Further focus on people-skills development, transformation and service delivery is expected to have a positive impact on team effectiveness and alignment with the strategy.

Harmony has successfully moved away from the historic mine hospital-centric, health service delivery model which is curative in nature, to a more pro-active, preventative health service delivery model. This decentralised service continues to bring primary care-based services as close as possible to the operations, and is being delivered through seven health hubs and two primary health centres. As a result, Harmony closed the Ernest Oppenheimer Hospital and associated pharmacy in Welkom on 22 December 2014 and no longer operates a hospital. This is in line with National Health Insurance strategy and these health hubs provide integrated, proactive healthcare to employees and contractors, in close proximity to the mine, improving the quality of healthcare available and decreasing the costs of centralised healthcare services.

The benefits of these health hubs include:

- Alignment with proposed national health insurance processes and requirements
- Compliance with the requirements of the Department of Mineral Resources
- Facilitation of individual risk profiling, proactively managed by a significantly enlarged, multi-disciplinary team
- Active disease case-finding
- On-site case management
- Continued surveillance and close monitoring of diseases
- A holistic approach to providing healthcare
- Providing a proactive employee assistance programme
- Improved health insurance cover for most employees, including contractors
- Improved quality assurance through health teams at operations
- A decrease in the fixed costs of healthcare delivery through expensive and under-utilised old mine hospitals
- A decrease in the number of shifts lost per medical visit or time spent at the central medical facilities
- A reduction in the sick absenteeism rate and a 14% reduction in health-related absence since January 2014

SAFETY AND HEALTH CONTINUED

- A marked decrease in the hospitalisation rate
- A more focused approach to medical disability
- A decrease of 10% in the rate of medical mortality
- An increase in human immunodeficiency virus counselling and testing offering from 49% to 70%
- Increase – from 39% to 60% – in the number of employees knowing their status

The lag in the certification process of occupational lung diseases by the Medical Bureau of Occupational Diseases remains a major challenge in the mining industry and for the Department of Health. However, the mining industry is collaborating with the department to find a sustainable solution. The tuberculosis incidence rate in South Africa and Harmony remains alarmingly high compared with the World Health Organisation benchmark, though the trend at Harmony is moving in the right direction. Motivating employees to confirm their status, despite perceived stigma and confidentiality issues, remains one of the biggest challenges and is one that we are tackling head on.

In FY15, we set a new target for health-related absence to include sick absenteeism. A new healthcare focus area was introduced – an initiative to ensure 28% more people are fit for work at the operations. This initiative revisited the reasons for absence from work and a new definition of sick absenteeism has now been established; it has been broadened and re-defined to include all health-related absence from work. This revised definition now includes mine-accident sick leave, mine-accident hospitalisation, permanent disability, occupational health assessments, and screening to determine heat tolerance. The initiative to profile individual health risks will incorporate all of these risk factors as critical elements for future productivity initiatives.

A very successful “At-work” management programme was introduced at the health hubs in collaboration with other service departments, such as human resources. For the past year more than 8 500 individual medical cases were reviewed by a team of healthcare professionals. The aim of this programme is to early-identify potentially chronically ill employees, to review and monitor their medical condition closely to ensure their early return to work as healthy, productive employees.

The health-related absence from work (14% reduction from January 2015 and 9.5% reduction year on year), indicates overall success at operations, if the full health-related absence set of reasons is analysed and managed at individual operations.

PAPUA NEW GUINEA

In Papua New Guinea, the provision of full-time primary healthcare and occupational health surveillance to employees, dependants and the local community is provided by medical centres at Hidden Valley, Wafi and Wau. The Wau centre is only available to dependants and community members for emergencies, while four community health facilities provide services at Babuaf (near Wafi) and Nauti, Kwembu and Winima (near Hidden Valley).

Upper respiratory tract infections remain one of Harmony's main medical issues in Papua New Guinea with nearly 2 719 presentations to the medical centres. An integrated business information system provides administrative functions for health, safety, risk management and human resources. Medical registers are used to track and review each patient's progress from the first visit through to the final treatment.

A total of 13 715 health examinations took place at the Morobe Mining Joint Ventures' medical centres during FY15 (FY14: 15 726), of which 3 467 (FY14: 3 584) were random drug and alcohol tests.

HEALTH PERFORMANCE

Healthcare delivery

In South Africa, membership of a medical scheme is compulsory for all Category 9(+) employees and is voluntary for Category 4 – 8 employees. Approximately 6 770 employees participated in medical schemes in FY15 (FY14: 6 400), with Harmony subsidising these costs by an amount of R11 million per month (FY14: R10 million per month).

In all, 21 780 Category 4 – 8 employees have so far elected not to join a medical scheme. Instead they receive comprehensive health services from mine medical facilities and associated preferred providers at no cost to this category of employee.

Harmony undertakes active case-finding and screening for employees as well as active disease management in respect of chronic conditions who are not members of a medical scheme. Approximately 8 600 (FY14: 10 202) employees are on chronic medication, with one third of these employees being treated for two or more chronic conditions. Chronic conditions include hypertension, human immunodeficiency virus or acquired immunodeficiency syndrome, diabetes, asthma and tuberculosis.

Tuberculosis

Tuberculosis is recognised as one of the most pressing health concerns in South Africa and the gold mining industry. Harmony's tuberculosis control programme is in line with the relevant guidelines and prescriptions of the World Health Organisation. It is also in line with the national tuberculosis strategic plan in South Africa, which is focused on an integrated approach to addressing human immunodeficiency virus or acquired immunodeficiency syndrome, tuberculosis and sexually transmitted diseases, and with the Mining Charter which covers silicosis as part of the human immunodeficiency virus or acquired immunodeficiency syndrome and tuberculosis programme in its management approach.

Harmony's tuberculosis programme focuses on early case findings, directly observed therapy short-course, chemotherapy, radiological tuberculosis screening and hospitalisation until sputum conversion. In addition, various measures are implemented over and above the national tuberculosis strategic plan, such as identifying early tuberculosis resistance through specialised generic and biochemical tests and analysis, and investigative diagnostic tests for early detection.

A total of 1 140 (FY14: 1 022) ultraviolet lights for infection control have been installed in areas of high risk for tuberculosis infection, including the newly-established health hubs. Ultraviolet lights sterilise the air and reduce the risks of inhaling micro-organisms, including the tuberculosis germ called mycobacterium tuberculosis that is spread from person to person through the air. Employees exposed to dusty work environments are screened annually by means of a chest X-ray in order to detect tuberculosis infection.

Continuous monitoring and education are conducted at the health hubs which oversee major campaigns as per the national health calendar. The completion of an annual individual tuberculosis questionnaire has become standard practice in recent years.

Among employees, a total of 288 cases of tuberculosis were certified (FY14: 353) in South Africa. This figure includes contractors, who have also been included in the full tuberculosis programme since 1 August 2013 so as to proactively contain and prevent any further spread of tuberculosis, and to achieve a higher cure rate and lower tuberculosis incidence rate.

There has been a significant decrease in the number of new tuberculosis cases since the inception of the proactive healthcare strategy in FY10. This downward trend is depicted below:

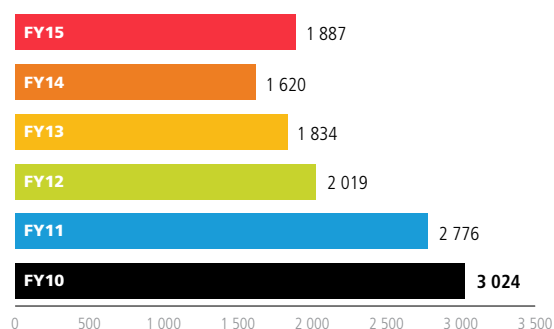
Cases of tuberculosis

	FY15	FY14	FY13*	FY12*	FY11*
South Africa					
Certified	288	353	629	568	973
New cases	621	568	678	906	1 201

* Evander has been excluded from the FY11 – FY13 figures for comparison

Tuberculosis incidence

100 000



Three (FY14: one) new tuberculosis cases were reported during the year in Papua New Guinea. During the year, Hard Hat Health (on behalf of the joint ventures) had consultations with other companies operating in Papua New Guinea to ensure their learnings with regards to tuberculosis management in Papua New Guinea can be incorporated into the tuberculosis management plan. (Refer to page 74 for more detail).

SAFETY AND HEALTH CONTINUED

Multidrug-resistant tuberculosis remains of increasing concern to the gold industry and South African population; treatments are expensive and protracted as employees affected are unlikely to return to work. Multidrug-resistant tuberculosis can be identified by sophisticated technology at multidrug-resistant tuberculosis hospitals. Given multidrug-resistant tuberculosis's close association with human immunodeficiency virus, Harmony has developed a human immunodeficiency virus and tuberculosis treatment which will be integrated into the company's healthcare management programme.

A total of 23 new cases of multidrug-resistant tuberculosis were diagnosed in FY15 (FY14: 25) and 21 employees are currently on multidrug-resistant tuberculosis treatment (FY14: 29). Employees who are on multidrug-resistant tuberculosis treatment are removed from all risk-work (dusty environment) as a preventative measure.

HUMAN IMMUNODEFICIENCY VIRUS OR ACQUIRED IMMUNODEFICIENCY SYNDROME

The human immunodeficiency virus or acquired immunodeficiency syndrome pandemic in South Africa continues to have a significant impact on employees, their dependants, as well as local and labour-sending communities. This illness, caused by human immunodeficiency virus or acquired immunodeficiency syndrome, can result in higher levels of co-infections of other diseases, increased absenteeism and reduced performance levels, loss of skills, increased economic burden, and sometimes death.

At the South African operations, human immunodeficiency virus prevalence, as per our actuarial model, is estimated at 27% of the labour force (FY14: 22%). Harmony manages human immunodeficiency virus or acquired immunodeficiency syndrome through its clinics, human immunodeficiency virus or acquired immunodeficiency syndrome committees and healthcare specialists. Our human immunodeficiency virus or acquired immunodeficiency syndrome strategy is based on promoting health through education and awareness programmes, preventative strategies to reduce the number of new cases, evidence-based curative interventions to ensure treatment, and on-going monitoring of compliance.

During the year, 4 016 employees were registered on the antiretroviral therapy programme (FY14: 4 640) at an average monthly cost of R515 per person (FY14: R549). Harmony encourages all human immunodeficiency virus-positive employees to participate in the wellness programme, which includes counselling, treatment of infections and antiretroviral therapy, to which all employees have access.

In Papua New Guinea, the Hidden Valley joint venture, with the assistance of Hard Hat Health, acquired a digital x-ray machine and set up a medical laboratory with equipment to enable the accurate testing of malaria, tuberculosis, human immunodeficiency virus or acquired immunodeficiency syndrome, etc. Staff members were trained to operate the equipment and the clinic was also registered with Papua New Guinea medical council to enable two nurses to commence voluntary counselling and testing for human immunodeficiency virus or acquired immunodeficiency syndrome.



Carletonville – Silicosis First Stop Centre

Voluntary counselling and testing for human immunodeficiency virus or acquired immunodeficiency syndrome

Pre-counselling and voluntary counselling and testing are offered to all employees through on-going interventions at all Harmony healthcare centres. A total of 19 234 (FY14: 33 531) employees received voluntary counselling and testing during the year and of these, 14 933 (FY14: 14 060) employees confirmed their status. Although fewer employees were counselled this year, more employees agreed to be tested – 79% in FY15 compared with 42% in FY14.

Number of employees tested per mine

Mines	FY15	FY14	FY13	FY12	FY11
Target 1	1 025	1 475	1 842	3 575	1 841
Tshepong	3 164	4 609	2 103	964	1 310
Masimong	2 935	6 906	853	574	1 016
Bambanani	1 148	1 436	589	1 722	911
Unisel	776	920	317	662	1 015
Joel	2 022	4 656	806	601	443
Phakisa	1 337	1 319	2 893	2 063	1 302
Doornkop	3 356	3 318	2 531	1 101	808
Kusasaletu	3 053	1 605	2 916	2 265	546
Kalgold	573	427	231	111	97
Other*	1 183	6 860	2 768	4 445	3 759

* Other – includes contractors, service departments and shafts that closed or were sold

Preventative healthcare

Health promotions and education: Harmony carries out monthly awareness campaigns on various health-related topics such as reducing the human immunodeficiency virus infection rate to zero, voluntary counselling and testing, the human immune system, means of infection with a focus on unsafe sex, taking care of your body through a healthy diet and lifestyle, the risk factors associated with diabetes and the warning signs of chronic diseases.

Positive behaviour reward programme

In the second quarter of FY15, the health services team piloted an innovative positive behaviour programme to reward outstanding health behaviour and sustain testing for human immunodeficiency virus or acquired immunodeficiency syndrome as a new culture in Harmony. Employees were offered cell phone airtime to encourage testing for human immunodeficiency virus or acquired immunodeficiency syndrome. As a result, 87% of employees who were counselled agreed to be tested, compared to 56% in FY14 in the same quarter. This initiative led to a second phase of this programme which commenced at the end of May 2015, resulting in an additional 700 employees confirming their human immunodeficiency virus status for the first time in Harmony.

The positive behaviour programme has led to the identification of more than 400 new human immunodeficiency virus cases which have been enrolled as part of our wellness programme.

Influenza vaccines: A total of 5 286 (FY14: 5 563) employees consented to receive influenza vaccinations during the year. The year on year decline is attributable to the late arrival of 2015 vaccine in South Africa. This initiative is seen as a proactive measure to prevent employees from falling ill during the winter season. Employees who received the influenza vaccines will be monitored in terms of sick absenteeism to measure the effectiveness of this intervention.

OCCUPATIONAL DISEASES

Silicosis

Silicosis is caused by long-term exposure to high levels of quartz silica dust and can cause increased susceptibility to tuberculosis. Silicosis in South Africa, and at Harmony, remains a material concern. The integrated Harmony human immunodeficiency virus or acquired immunodeficiency syndrome, tuberculosis and silicosis policy and programme were developed to manage the debilitating disease responsibly so as to minimise the risk and to proactively prevent further deterioration. The trend for silicosis indicates a decline in incidence.

SAFETY AND HEALTH CONTINUED

During FY15, 313 cases of silicosis were reported to the Medical Bureau of Occupational Diseases and, of these, 197 cases were certified (FY14: reported 437, certified 175).

Harmony is a member of the Chamber of Mines and is participating in processes to address issues relating to historical silicosis cases. The legal action against the gold mining companies is in an early stage and it is too soon to estimate the extent of any possible claims.

The silicosis working group (initiated by the South African gold mining companies who are members of the Chamber of Mines) continues to search for a sustainable, inclusive and comprehensive solution for current and legacy dilemmas. Meetings with stakeholders continued during the year.

Some of the activities included:

- The immediate operational focus on input and support of the Medical Bureau of Occupational Diseases where a lack of resources and management skills prevents the certification and compensation of current silicosis patients
- Participation in the 2015 Science conference organised by the National Department of Health with the aim of finding sustainable solutions to the current dysfunctional situation, and working towards an ultimate solution
- On-going support for the Medical Bureau of Occupational Diseases, in association with the Chamber of Mines, with data analysis and actuarial support. Assessment of the first 100 000 cases was concluded, and data for 700 000 pending files captured at the Medical Bureau of Occupational Diseases
- Provision of operational support to the Carletonville and Mthatha one-stop service centres of the Medical Bureau of Occupational Diseases where ex-miners can do their biannual benefit examinations and submission of claims
- Launch of a multi-stakeholder engagement initiative by the working group involving the departments of Health, Labour and Mineral Resources together with representatives from neighbouring countries. Other stakeholders include the unions, other mines, attorneys representing claimants in the class action, as well as ex-miners' organisations

Project Ku-Riha (the Tsonga word for "compensation") was launched on 29 May 2015 and is being rolled out by the Department of Health, with the goal of making substantial inroads into addressing the backlog of compensation claims from mineworkers who suffered occupational lung diseases while working in the mining sector, and ensuring that new valid claims are paid within a reasonable timeframe. Harmony and seven other South African mining companies are participating in the initiative.

The companies see this project as being fundamental to their broader initiative announced on 18 November 2014 to address issues relating to compensation and medical care for occupational lung disease in the South African gold mining industry. The companies are engaging a range of stakeholders in a quest to design and implement a comprehensive solution that is both fair to past, present and future gold mining employees, and that is also sustainable for the sector.

Project Ku-Riha marks a turnaround in the administration and operation of the compensation fund on which mine workers who have contracted occupational diseases depend. All parties recognise that the compensation system has not been operating as effectively as it should, with significant backlogs in claims processing having built up over the years.

For the companies, an efficiently operating compensation system is a critical part to the comprehensive solution being sought. This project builds on work already done between the Department of Health and the Chamber of Mines that led to the establishment of the first two one-stop service centres in Carletonville and Mthatha.

These centres offer medical examinations, rehabilitation assessments, health promotion and counselling to all patients, as well as referrals to other medical specialists if necessary. Patients can now be diagnosed, treated and receive the help they need to stay healthy, in one place. In addition, the centres help individuals prepare and submit compensation claims to the Medical Bureau for Occupational Diseases.

The eight mining companies have jointly committed to a R5 million funding programme for Project Ku-Riha which has enabled the Medical Bureau for Occupational Diseases and the Compensation Commissioner for Occupational Diseases to employ a project manager and an additional 18 financial and government administration graduate professionals to carry out the necessary work.

Among other things, the work of Project Ku-Riha includes:

- Data capturing and verification: confirming the contents of the files and capturing the most important information in each on an electronic database. Accurate data is critical for the claim to be processed and compensated

- Dealing with certification backlogs
- Project management
- Financial assistance to the Carletonville one-stop service centre

Dust control

In order to decrease our employees' exposure to silica dust, Harmony uses a range of engineering controls to minimise dust. Mining Industry Occupational Safety and Health (MOSH) leading practices such as the fogger system at strategic underground areas and the implementation of foot- and side-wall treatment in identified intake airways to allay dust have been adopted.

In addition, multi-stage dust filtration systems have been installed. We are also in the process of installing winch covers for all of our winches. Progress on winch cover installation is 86.7% with a total of 946 units out of the 1 091 units having been fitted. Action plans with completion dates have been drawn up by each of the operations, indicating the number of winches on site, the number fitted with covers, the number outstanding still to be fitted with covers and by when. It is envisaged that all winches will have covers by the end of the second quarter of FY16. It is now standard practice that all new winches purchased must be fitted with dust covers.

The silica quartz content of dust is highly variable; this can pose a challenge when measuring the effectiveness of the engineering controls. Harmony therefore concentrates on controlling the total respirable dust load in order to reduce the amount of exposure to silica quartz. Training and awareness programmes address the concerns of dust control in stoping workplaces and all development ends are equipped with water blasts to settle dust directly after a blast.

Dust discharge occurs during activities where the rock is broken at source i.e. stoping, development and trackless mining. Engineering controls focused on dust allaying at source are being investigated through the Mining Industry Occupational Safety and Health dust task team. A prototype waterblast which can be used in both stoping and development is currently being tested on a few mines.

The following measures were implemented at our operations during the year to combat silicosis:

- Revision of the airborne pollutant baselines to identify hotspots and to assess the effectiveness of engineering controls is in progress at all operations of which 91% (FY14: 67%) of total samples have been completed. All Harmony operations are utilising the portable spot dose rate meter PDR 1500 measurement instruments to identify high dust load areas. Evaluation of suitable/improved respirators has been completed, of which five different units meet the South African National Standards homologation standard for men. Currently three units meet the standard for women
- All Harmony operations are members of the Community of Practice for Adoption forum to monitor the progress of Mining Industry Occupational Safety and Health initiatives

Industry milestone: elimination of silicosis

By December 2024, 95% of all exposure measurement results will be below the milestone level for respirable crystalline silica of 0.05 mg/m³ (these results are individual readings and not average results).

Using present diagnostic techniques, no new cases of silicosis will occur amongst previously unexposed individuals ("previously unexposed individuals" are those unexposed to mining dust prior to December 2008 i.e. equivalent to a new person who entered the industry in 2009)

Workshops have been conducted by the occupational hygienists from all the operations to establish a strategy to achieve this milestone. The various options will be discussed early in the new financial year by senior management.

In Papua New Guinea, we experience around 3-4 metres of rain a year, which is a good dust suppression measure. Additional dust suppression methods are used in the open pits and at the crushers and conveyors. Papua New Guinea also has a low respirable silica risk. The combination of these factors means that dust is generally well-controlled at our Papua New Guinea operations.

Noise-induced hearing loss

Harmony embarked on an Oto-Acoustic-Emissions initiative as a measure for the detection of early hearing loss. The Council for Scientific and Industrial Research has collaborated and analysed the data and confirmed that Oto-Acoustic-Emissions detect damage two years earlier than an audiogram. We have received a proposal from the researchers at the University of Pretoria to continue with further technical developments that could help prevent noise-induced hearing loss and also to develop leading indicators for the industry.

SAFETY AND HEALTH CONTINUED

All Harmony employees who are exposed to high noise levels are issued with personalised hearing protection devices, which reduce noise levels by 25 decibels.

During the year, 98.9% of occupationally exposed employees, including contractor employees (59.6%), were issued with personalised hearing protection devices (FY14: 93.8% and 62%), with a progressive total of 21 921 personalised devices issued in FY15 (FY14: 27 238). Sound attenuators were also fitted to all equipment, resulting in no noise level exceeding 110 dB(A)-weighted decibels from any machine, in compliance with our noise milestone.

The number of early noise-induced hearing loss cases (5 to 10% shift) decreased by 1 204 cases to 526 in FY15.

New industry milestones for the elimination of noise-induced hearing loss were introduced by the Mine Health and Safety Council which took effect 1 January 2015.

New industry milestones:

- By December 2016, no employee's standard threshold shift (STS) will exceed 25dB from the baseline when averaged at 2 000Hz, 3 000Hz and 4 000Hz in one or both ears
- By December 2024, the total operational or process noise emitted by any equipment must not exceed a milestone sound pressure level of 107 dB(A).

Although Harmony has a 'buy quiet' policy in place, more engagement with original equipment manufacturers will be required to work towards the milestone.

Audiometric testing during annual medical examinations tests for hearing loss. The early detection of hearing loss is part of Harmony's hearing conservation programme and this is done at least annually at occupational health hubs by an appointed audiometrist.

Harmony has placed increased emphasis on the monitoring of employee compliance regarding the use of personalised hearing protection devices in the workplace. An awareness drive was initiated at all operations by supervisors, assistant occupational hygienists and health and safety representatives to ensure employees are aware of the benefits of wearing personalised hearing protection. A monitoring programme was also implemented to measure actual compliance in the workplace of the use of personalised hearing protection.

Compliance monitoring is done during routine occupational hygiene inspections and an ad hoc audit was conducted by a high-level audit team during the year.

Workshops with employees exposed to noise have been initiated to promote a better understanding of the reasons why people are not wearing noise clippers underground. The benefits of using personalised hearing protection devices are described in the e-learning training material used in employee training courses.

As part of the initiative to prevent noise-induced hearing loss, 22 418 employees participated in the 'hearing coach promotion' initiative during the year. Evaluations were done and guidance provided where necessary regarding the use of customised hearing protection devices.

During the year under review, an audiometric screening/testing system was acquired in Papua New Guinea to ensure that hearing loss can be measured against a baseline.

Heat stress

Extensive refrigeration and ventilation measures are in place at all operations where temperatures exceed normal working ranges. Heat-tolerance testing and acclimatisation programmes support and protect employees exposed to excessive heat in the workplace. In FY15, 6 736 heat-tolerance tests were undertaken (FY14: 11 163).

Heat-related illness cases decreased from 64 to 23 cases in FY15.

Radiation protection

All our operations in South Africa comply with the dose limit of 50 millisievert in a year and 100 millisievert in five years. Operational controls have been established to ensure that elevated monitoring results are investigated and corrected where required.

Radiological clearances are conducted at decommissioned sites to ensure the future declassification of these areas.

The National Nuclear Regulator approved the land clearance application submitted for the reduced footprint around Eland Shaft.

Managing chronic diseases

As part of Harmony's integrated approach to healthcare, specific initiatives have been implemented to manage chronic diseases, with our focus on the human immunodeficiency virus, tuberculosis, diabetes, hypertension and silicosis, as well as asthma and epilepsy. In FY15, 42% of our Category 4 – 8 employees in South Africa received treatment for chronic conditions (FY14: 42%).

Harmony's health initiatives focus on the most common diseases and the e-learning module covers these diseases in the induction programme. Other initiatives that have been used are pamphlets, management healthcare memorandums that focus on mine-based health and safety topics, health-worker training to recognise the most prevalent diseases, screening at all medical centres, disease management interventions and quality assurance. In addition, branding on Harmony buses is used to help educate employees on human immunodeficiency virus matters and promote voluntary counselling and testing, as are podcasts and liquid-crystal display monitors.

Upper respiratory tract infections

In Papua New Guinea, Hidden Valley is located approximately three kilometres above sea level and most employees reside in the lower, warmer areas; the regular change in altitude contributes to various respiratory ailments, mostly viral infections. Other factors contributing to these infections include air-borne pollen during peak flowering times (thick rain forest and montane forest) which affects air quality. The heavy rainfall all year round maintains high levels of humidity (around 80-90%) which creates favourable conditions for fungus (spores), bacteria and viruses to proliferate.

In Papua New Guinea, a total of 2 719 employees were treated for respiratory ailments in FY15 (FY14: 2 921). There has been a decline in the number of cases of upper respiratory tract infections presented since FY12, with a decrease of 7% recorded for FY15. Harmony has successfully rolled out a programme to educate employees regarding respiratory ailments and gastro-intestinal hygiene.

Upper respiratory tract infections

	FY15	FY14	FY13	FY12	FY11
Number of employees treated	2 719	2 921	5 083	5 428	4 605

Malaria

Malaria is endemic to many parts of Papua New Guinea, which includes work sites such as Wafi-Golpu and Lae but excludes Hidden Valley. Importantly, many employees and contractors working at Hidden Valley reside in areas where malaria is endemic, and this is where our community health projects play a vital role in combatting the disease.

Over the past two years, there has been a 70% decrease in the presentation of patients with malaria-like symptoms at the clinics in Papua New Guinea. This is primarily as a result of the following:

- Continued support for provincial programmes to eradicate the disease by the use of residual spraying and fogging
- Standardised testing that allows for more consistent testing for malaria. The turnaround time of blood tests has been increased, meaning that patients are tested twice before receiving treatment, allowing the treatment provided to be appropriate
- The distribution of treated mosquito nets and treatment regimes
- On-going malaria awareness education that is provided to employees, contractors and communities
- As part of the malaria awareness campaign, Morobe Mining Joint Ventures has been issuing treated mosquito nets as standard personal protective equipment to all employees and contractors on site. In addition, work clothes issued at sites like Wafi-Golpu are impregnated with insecticides, and insect repellents are issued to all employees and contractors

SAFETY AND HEALTH CONTINUED

The Morobe Mining Joint Ventures' malaria programme is now being managed and overseen by the general manager: health and safety.

Hard Hat Health

During the year, in Papua New Guinea, Morobe Mining Joint Ventures' contract with the International Organisation for Standardisation expired and a new contract with Hard Hat Health became effective. Hard Hat Health, an Australian-owned company based in Sydney, is owned and managed by three senior executives in the medical services industry. Hard Hat Health provides the following services to Morobe Mining Joint Ventures:

- Supply of qualified staff – paramedic at Hidden Valley (1 position)
- Co-ordination of both international and domestic medical evacuations
- Restructuring of the medical staff in the Morobe Explorations, Hidden Valley and Wafi-Golpu joint ventures which will include the updating of job descriptions and the integration of standards and procedures, among others
- Staff training
- Reviewing and updating the clinical governance framework for the joint ventures
- General corporate medical support

Once the emergency protocols and governance structures are updated and embedded within the organisation, the scope of work of the contractor and the joint venture medical staff will change to focus on the pro-active health care management of our employees.

Hard Hat Health's progress during FY15

Scope element	Status
Supply of qualified staff	Complete
Coordination of medical evacuations	Commenced and on-going
Restructuring of the medical staff which will include updating of job descriptions	Complete
Integration of standards and procedures	Commenced
Staff training	Commenced
24/7 medical support (phone) from a doctor for all serious injuries, repatriations and other issues as per agreed guidelines	Commenced and on-going
Standardisation of medical reporting	Commenced – changes to information management system required
Overseeing regular internal audits	Commenced
Review of emergency equipment on site and recommendation for potential changes	Complete – additional equipment delivered to site
Review of site formulary, inventory, supply line and storage of medications and consumables	Completed
Consultancy on local vector control programmes at sites including specialist entomologist advice and oversight where required	Commenced
Review current policies and procedures for pre-employment, pre-deployment, regular and post-deployment physical assessments	Updated procedures approved
Review malaria programme and provide recommendations or if required formalise an implementation plan	Review commenced

MANAGEMENT INFORMATION

In collaboration with the Harmony Business Intelligence Team, the healthcare team successfully managed to deposit medical data into the Harmony Data Warehouse. However some of the primary healthcare data remains a challenge. The Harmony Business Intelligence team has developed an internal individual medical risk profile model to assist clinicians in making timeous medical decisions. The model will form the basis for individual treatment plans, and for work management and health risk assessments to aid future decision making regarding health and safety.

HEALTH OBJECTIVES FOR FY16

Harmony's healthcare strategy is aimed at improving the well-being of every employee. Targets for FY16 include:

- Continued improvements in health-related absenteeism rates, specifically a 28% decline in absenteeism
- Continued improvements in the availability of Pivot data. In the long term, data from sources such as Pivot and clinical data will be combined in an integrated approach that will assist doctors and healthcare workers in making holistic, informed decisions about a person's health
- On-going regulatory and legislative compliance
- Continued standardisation of medical surveillance processes with written procedures
- Launch of a positive behaviour reward system to promote healthy lifestyles among employees



Target 1 – Health Hub

EMPLOYEES AND COMMUNITIES

EMPLOYEES

Relevant Global Reporting Initiative indicators: G4-LA1, G4-LA9 and G4-LA12

Achievements	Challenges
<ul style="list-style-type: none"> We provide jobs in the areas in which we operate: <ul style="list-style-type: none"> South Africa – total number of employees (including contractors) of 31 012 (FY14: 34 686) Papua New Guinea – Harmony employees (excluding Morobe Mining Joint Ventures): 102 (FY14: 60) Achieved our employment equity target in South Africa (historically disadvantaged South Africans in management) <ul style="list-style-type: none"> Board: 60% versus 40% target (FY14: 60%) Executive: 44% versus 40% target (FY14: 50%) Senior management: 40% vs 40% target (FY14: 49%) Middle management: 46% versus 40% target (FY14: 41%) Junior management: 60% versus 40% target (FY14: 46%) Core skills: 87% versus 40% target (FY14: 75%) Leadership training and investment in human resources <ul style="list-style-type: none"> hours of employee training and development: 1 757 704 hours (FY14: 2 084 469 hours) training and development group aggregate: human resources development expenditure at 5% of payroll – in line with the 5% target Financial training for employees to date: 10 778 employees have received training on personal indebtedness In FY15, the number of hostel dwellers sharing accommodation declined from 6 841 (FY14) to zero, with all employees now housed in single rooms Health hubs close to operations promote pro-active healthcare for our employees Compliance with Mining Charter <ul style="list-style-type: none"> Ownership > 26% Hostel conversions to single rooms > 100% of target Procurement <ul style="list-style-type: none"> capital goods 76% vs 40% target services 70% vs 70% target consumer goods 66% vs 50% 	<ul style="list-style-type: none"> Although our restructuring programme involved retrenchments to reduce costs, we also need to ensure that we retain the skills and experience required to operate our mines efficiently <p>Employee turnover in FY15:</p> <p>South Africa: 13.1% (FY14: 11.7%)</p> <p>Papua New Guinea: 11.4%(FY14: 33.6%)</p>

WHY THIS IS MATERIAL TO HARMONY

Employees are our most valuable asset at Harmony – without them we would not be able to operate. Our employees contribute to the growth and development of our company and we, in turn, contribute to the growth and development of our people. Our aim is to provide the means for our employees to achieve a good quality of life for themselves and their families, and to provide the opportunity for each individual to develop to his or her full potential.

Relevant material issues:

- Maintaining stability in our workforce
- Establishing a committed, dedicated culture of delivery
- Ensuring our workforce is healthy and safe
- Protecting our licence to operate
- Being relevant in the communities in which we operate

At the end of FY15, in South Africa, our employee complement was 31 012 (FY14: 34 686) - 84% permanent employees and 16% contractors. In Papua New Guinea, the staff complement of 102 (FY14: 60) excludes employees of Morobe Mining Joint Ventures. Of these, 74% were permanent employees and 26% were contractors working on specific construction projects (FY14: 98% permanent; 2% contractors). Our recruitment initiatives focus on local communities, with more than 75% (FY14: 76%) of the South African workforce being local, and in Papua New Guinea 96% (FY14: 88%) are local. The slight decrease in the local South African component is due to the restructuring of operations.

Objectives	Progress/ initiatives in FY15
Complete Merriespruit 3 housing project during FY15	Merriespruit 3 housing project was 81% completed by June 2015 Merriespruit 3 provides 448 family units
Maintain healthy relationships with organised labour	Future forums instituted at all operations
Productivity improvement initiatives	Right size operations – have the right people in the right position at the right time
Continuing adult basic education and training programmes and working towards the target of having a fully literate workforce by 2024	572 employees attended these programmes (FY14: 880) We are at 77% literacy levels compared to 72% in FY14
Informed, engaged and empowered workforce	<ul style="list-style-type: none"> • Leadership training • Employee communication strategy

Given our aim to have motivated and competent employees, our human resources initiatives focus on four underlying goals, namely to:

- Entrench a single organisational culture
- Attract and retain employees with high potential
- Develop employees to address skills shortages and improve efficiency
- Maintain an effective employee performance management system

During FY15, we continued our cultural alignment programme, with 68 management employees completing the related Breakthrough sessions. The programme is aimed at achieving cohesion throughout the company by shaping leadership, and by empowering and engaging employees.

Leadership shaping encourages our senior leadership to set Harmony's cultural direction and to devise ways of achieving it. This includes a well-defined set of values, compiled following the 2011 culture survey, as well as the Harmony leadership brand that is cascaded down from the more senior leaders to those below by means of coaching. This process is assisted by a suite of Breakthrough programmes that enable leaders to drive our preferred company culture through the various layers of Harmony. This step of the programme leads to the next – an empowered leadership team that continually shapes the Harmony culture.

EMPLOYEES AND COMMUNITIES CONTINUED

Early indications show that those leaders who have embraced and driven a single culture outperform their peers in terms of production and safety. The lower incidence and decreased impact of industrial action also points to a more aligned culture where people are more engaged and are able to contribute.

EMPLOYEE ENGAGEMENT

The Connect value, in particular, ensures that our employees feel part of the Harmony family. Internal communications is a continuous interactive process. We use multiple platforms, such as regular meetings with the heads of departments, work groups and general manager engagement platforms (mass meetings and quarterly productivity meetings). We also use traditional media such as print (posters, newsletters ('Nuggets'), memos, flyers), digital (mine television, intranet, website, text messages) and social media in the form of Twitter. The chief executive officer also communicates with the workforce by means of e-mails ('Notes from the CEO's desk') and meetings with employees during internal roadshows.

For employees to be committed, productive and conscientious, we believe they should feel valued and therefore we ensure that our employees know their roles, their company and what is happening in the industry:

- they are the first to hear important news
- they are consulted regularly
- they are listened to and we provide them with the opportunity to be heard
- their suggestions are acted upon

EMPLOYMENT STANDARDS

Relevant Global Reporting Initiative indicators: G4-LA2

In South Africa, employment policies and practices are governed by the Labour Relations Act 66 of 1995, the Basic Conditions of Employment Act 75 of 1997, the Mine Health and Safety Amendment Act 74 of 2008, Skills Development Act 97 of 1998, the Employment Equity Act, by company and operation-based recognition agreements and by other collective bargaining agreements.

The company provides a wide range of benefits to employees that includes sick, annual and maternity/paternity leave, production and performance-based bonuses, housing and housing allowances, home ownership benefits, funeral fund, medical aid, disability cover as well as provident and pension funds.

Employee relations in Papua New Guinea are regulated by the Employment Act of 1978 and the Employment of Non-Citizens Act 1978. Engagement of Papua New Guinea citizens is guided by a Memorandum of Agreement between the Landowner Association, the company and the government, with preference for employment given to locals.

In Papua New Guinea, efforts to reduce reliance on contractors by the Morobe Mining Joint Ventures and Harmony operations continued in FY15, resulting in further reductions in the contractor workforce by the end of the year under review.

A review of all human resource procedures and policies is on-going, including remuneration and incentive schemes.

REMUNERATION POLICY

Our remuneration policy is aligned with Harmony's strategic direction, business-specific value drivers and operational results at all levels across the company. (See page 191 for our full remuneration policy).

EMPLOYEE SHARE OWNERSHIP: SOUTH AFRICA

In FY12, Harmony launched the Tlhakanelo Employee Share Ownership Plan which resulted in all non-managerial employees becoming eligible to be shareholders with a total potential stake of 2.9% in Harmony. Currently, employees through the share plan collectively own 0.24% of Harmony's issued shares. This gives employees the opportunity to share in Harmony's gains and to benefit from their hard work, in line with our values of achievement and connectedness.

In this financial year the Tlhakanelo share plan realised R43 million for employees.

The rules of the scheme are communicated through offer, vesting and allocation letters. In addition, human resource leaders receive frequent training to ensure that they are equipped to address employee queries. We also use mine-based audio-visual facilities to communicate related information. For more details please refer to the remuneration report on page 190.

LABOUR RELATIONS

Union leadership empowerment programme

An empowerment programme aimed at sharing the business imperatives and performance, the company strategy and an understanding of business principles was initiated during the year. In all, 61 union representatives attended the programme and positive feedback was received from attendees. The intention is to ensure that our organised labour is fully engaged.

Restructuring of our South African operations and corporate office

During FY15, Target 3 and the Ernest Oppenheimer Hospital were closed and Kusasalethu, Doornkop and Masimong were restructured. As a result, a total of 1 917 employees were transferred to other operations, 80 took early retirement, 492 accepted voluntary retrenchment packages and 235 were retrenched. In FY15, we also reduced staff at our corporate office in Randfontein – 16 took early retirement, 66 accepted voluntary retrenchment packages and 144 were retrenched.

South African gold wage negotiations

Relevant Global Reporting Initiative indicators: G4-EC5

Harmony negotiates changes to wages and other conditions of employment through recognised collective bargaining structures, including a centralised industry forum under the Chamber of Mines. Negotiations began in June 2015. A three-year wage settlement was reached with the unions representing the majority of employees at Harmony and was extended to all employees in the bargaining unit. For more detail on the wage agreement, please refer to www.harmony.co.za/investors/news-and-events.

Labour disputes and strikes

Relevant Global Reporting Initiative indicators: MM4, G4-LA16, G4-HR11

Labour disputes and strikes are considered one of our material issues because, in addition to the resulting loss of production, disputes affect morale and reputation, and present a risk to non-striking employees, to communities and to company assets. (See page 50 for full details of our material issues).

To mitigate the risk of labour disputes in South Africa, we constantly engage with organised labour at mine and company level. Human resources adopts a proactive approach in addressing employees' queries.

Harmony has embarked on various initiatives to address the scourge of employee over-indebtedness. These include, among other things, financial literacy training, discontinuation of non-statutory payroll deductions and notifying employees about emolument attachment orders against their pay. In all, 10 778 employees (FY14: 5 593) have attended the financial literacy programme since its launch in September 2013.

Below are some of the key themes gathered from feedback from those who have attended the programme:

- The devastating effect that debt has had on their families' lives
- A desire to be in control of their own spending, and have a life without debt
- Recognition that they do not have power over their spending
- Strong awareness of the need to budget

Other initiatives still being rolled out include the verification of emolument attachment orders by the National Debt Mediation Association and the launch of a helpline for financially troubled employees.

In Papua New Guinea, we participate in on-going engagement with all stakeholders, including employees, provincial and local government, landowners and regulators.

EMPLOYEES AND COMMUNITIES CONTINUED

During FY15, Harmony was not affected by strike action. In South Africa, the two-year wage agreement is up for renewal and planning for the negotiations commenced in May 2015.

In Papua New Guinea, no strike action took place during the year.

NOTEWORTHY ACTION

Maintaining peace and stability in our workforce

We endeavour to maintain peace and stability in our workforce at all times. We want our employees to feel and to be safe in all aspects at work. For more on this issue see page 59.

Our multi-union environment promotes co-existence, inclusion and collaboration. Our value of accountability extends to our unions, with all labour relations structures and processes being bound by national legislation, agreement and best practice. In addition to quarterly regional meetings with our unions, we also encourage proactive and robust engagement to address issues, on which we follow up promptly. Because communication is on-going at all levels, we have contact daily with full-time stewards, while our general managers/human resources leaders have regular interactions at branch level and with shaft committees. Harmony also engages with the unions on a wide range of employee-related issues, such as housing and employment equity.

Given the valuable role our employees play in our business, it is important that we share the news of the business with the unions. We do this through the monthly communication of operational performance to union structures.

We also work directly with our employees to address a number of issues that are key to our relationship with them. These include reviewing production incentives, introducing financial literacy to address the problem of indebtedness and replacing payroll deductions with a new system to manage emolument attachment orders and garnishee orders.

We will continue this work in FY16 and hope to continue improving both our relations with employees and their daily experiences at Harmony.

Freedom of association

Relevant Global Reporting Initiative indicators: G4-HR4

We recognise the right of employees and contractors to freedom of association and adhere to collective bargaining agreements in each country. Honesty is one of our values and we strive for honest, two-way discussions through collective bargaining.

In South Africa, Harmony recognises four labour unions. As at financial year-end, these unions and their corresponding representation were as follows, namely the National Union of Mineworkers (at 66%); the Association of Mineworkers and Construction Union (at 15%); the United Association of South Africa (at 10%) and Solidarity (at 2%). About 93% of our South African workforce is unionised, with the balance not belonging to a union.

Union representation at Harmony's South African operations (%)



* Sum of agency shop agreements and non-unionised

There are no active unions at our Papua New Guinea sites. Industrial relations at Hidden Valley are currently managed by the mine's employee representative committee.

TRAINING AND DEVELOPMENT IN SOUTH AFRICA

Relevant Global Reporting Initiative indicators: G4-LA9

We are in competition for key human resources and critical skills. Upskilling in core and critical areas increases the skills pool and lends stability to continued operations.

Employee development is pivotal to Harmony's strategic and operational delivery. All training and development programmes are carried out in line with the company's strategic and operational needs through a wide range of programmes. These include skills development, adult education and training, the bridging school, learnerships, bursaries, graduate development, talent management and supervisory and leadership development. Some 4.9% (FY14: 4%) of the payroll is spent on human resource development.

In addition to upskilling our own employees, we recognise that community members could benefit from our programmes. We devote considerable effort to programmes such as bursaries and the bridging school – that allow young learners from local communities to improve and continue their studies. This has the potential to benefit Harmony in the long run, too, as it encourages promising students to take up careers in fields in the mining industry.

In FY15, 96% of our workforce received training compared with 62% in FY14. This increase was mainly due to the effect of the restructuring where employees were transferred to other operations and/or positions. Training costs during the year amounted to R371 million (US\$32 million) including support for South African-based research and development initiatives intended to develop solutions in exploration, mining, processing, technology efficiency, beneficiation as well as environmental conservation (FY14: R283 million (US\$27 million)). In FY15, 69 people were trained in critical skills at a cost of R1.0 million (US\$0.1 million), compared with 56 people in FY14 at a cost of R1.1 million (US\$0.1 million).

To facilitate transformation in South Africa, a total of 1 159 employees received training on diversity management issues which served as groundwork for the proper implementation of employment equity. Of those who received such training, 68% (FY14: 67%) were historically disadvantaged South Africans of whom 14% (FY14: 12%) were women.

The Mining Charter in South Africa placed significant emphasis on training and development. At the end of our reporting period, Harmony's operations met the requirement that 5% of the payroll costs be spent on employee training and development.

Adult education and training

Relevant Global Reporting Initiative indicators: G4-LA10

Adult education and training centres at Harmony's South African operations run full-time classes to ensure that employees are functionally literate and numerate so as to allow for personal growth and transformation within South Africa.

In FY15, 476 employees (FY14: 1 099) and community members were enrolled for classes, at a cost of R32 million (US\$3 million) (FY14: R52 million (US\$5 million)).

The overall pass rate for FY15 was 53%, a 12% improvement on the previous year (FY14: 41%). The roll-out of e-learning at the adult education and training centres, which is scheduled to begin around September 2015, will increase the number of participants in the programme since employees will have the opportunity to study at their own pace.

EMPLOYEES AND COMMUNITIES CONTINUED

Bursary programme

Harmony offers a bursary programme and a subsequent graduate-development programme. Harmony awarded a total of 33 (FY14: 38) bursaries for university studies during FY15, with 29 (88%) (FY14: 24; 63%) of these students coming from our local communities.

Discipline	4th Year		3rd Year		2nd Year		1st Year		Total by gender		Total
Gender	M	F	M	F	M	F	M	F	M	F	
Mining	2	1	2	2	1	2	1	0	6	5	11
Engineering	0	0	2	0	2	0	0	0	4	0	4
Survey	0	0	0	1	0	0	0	0	0	1	1
Geology	0	1	0	0	1	0	0	0	1	1	2
Environmental	0	0	0	0	0	0	1	0	1	0	1
Other – Services	0	1	0	0	6	6	1	0	7	7	14
Total	2	3	4	3	10	8	3	0	19	14	33

Bridging school

Harmony's bridging school supports mathematics and science at grade 12 level to assist school leavers in improving their final results to gain admission to tertiary studies. Upon successful completion of their grade 12, some are awarded bursaries while others follow the learnership route, increasing the company's learnership intake.

Since inception of the school in 1996, we have registered a total of 370 students. Of the total number enrolled over the years, 36 (10%) were awarded bursaries, 179 (48%) went through learnerships and the balance were appointed to various permanent positions, some of whom are now in management positions.

Learnerships

Five formal learnership programmes are in place at Harmony: mining operations L2, rock breaking L3, artisan L3/4, service person L2 and winding engine driver L3. In FY15, Harmony had 247 (FY14: 283) active learners at different levels in their respective learnership programmes, of whom 55 (FY14:81) completed their learnerships. Most have been appointed to critical positions within the company.

Internship and experiential programmes

In support of our social and labour plans, Harmony hosted 71 students (48 internships and 23 experiential trainees) during FY15 (FY14: 31 students – 20 interns and 11 trainees). Of the total number engaged, 25 (FY14: 10) students completed their exposure programmes during the period under review. Harmony currently has a total of 46 active students – 31 internship students and 15 experiential trainees (FY14: 21 students – 17 interns and four trainees).

Our social plan programme

Through its social plan programme, facilitated by the framework agreement entered into between Harmony and the National Union of Mineworkers in 2003, which was and still is the majority union, the company continues to provide alternative skills training to employees (both current and retrenched employees). This enables people to be economically active beyond mining. It also cushions the impact of unavoidable retrenchments for economic reasons or when our mines reach the ends of their lives. The alternative skills acquired give employees access to employment opportunities in other sectors of the economy outside mining, and promote a culture of self-employment to improve quality of life.

The social plan framework agreement provides for employees who elect not to undergo training themselves to nominate a dependant (proxy) to receive training in their stead.

Future forums

Future forums are in place at Harmony's operations and comprise representatives from mine management and organised labour. Future forums were set up to deal with issues such as productivity improvements and long-term mine sustainability, job security and creation, and ameliorating the impact of downscaling and retrenchments on employees (and their families), communities and the local economies where these cannot be avoided.

Members of future forums are inducted or capacitated on a continuous basis based on: the National Social Plan Policy, Harmony's Social Plan Framework Agreement, compliance with Social and Labour Plan Regulations, and their functions.

The forums are consensus driven and operate in a completely transparent environment. Parties to the forums work together to achieve its objectives. The culture and approach of the forums is one of joint problem solving, with management and organised labour negotiating to prolong the life of the mine so as to achieve the best possible benefits for all stakeholders. All necessary information is made available to the forums to ensure they make fully informed decisions.

Portable skills development

During the period under review, 421 employees were trained, of which around 83% were proxies (dependants of mine employees). Since the execution of Harmony's mining licences, some 4 451 employees have been trained in portable skills.

The range of basic skills provided cuts across economic sectors, ranging from information technology (computer literacy), electrical, welding and basic motor mechanics to catering, baking and clothing manufacturing.

Portable skills training conducted in FY15

Mine	Number of employees (or proxies) trained	
	FY15	FY14
Bambanani	34	54
Joel	17	–
Masimong	144	176
Phakisa	56	–
Target 3	6	–
Tshepong	74	48
Unisel	90	166
Total	421	394

TRAINING AND DEVELOPMENT IN PAPUA NEW GUINEA

In FY15 there were 4 653 workforce training events at Morobe Mining Joint Ventures in Papua New Guinea. Specific initiatives in FY15 included:

- Personal development courses
- Level 2 supervisor development programme for mining supervisors
- Integration of level 1 programme for drill and blast supervisors and coordinators
- Information and technology training for trainer supervisors
- Tier 1 and 2 induction and training
- Operator efficiency training

Employee educational support

Morobe Mining Joint Ventures provided over R44 million (US\$3.9 million) in Educational Support for 347 employees' dependants in Papua New Guinea.

Morobe Mining Joint Ventures' landowner school tuition assistance

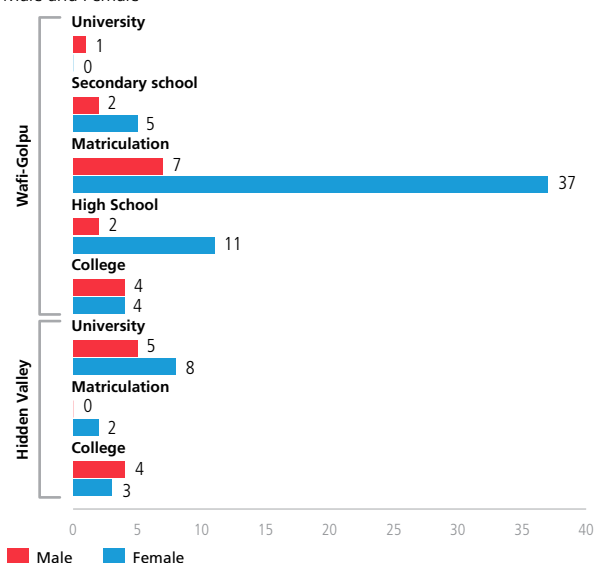
The Morobe Mining Joint Ventures tuition assistance programme for Hidden Valley and Wafi-Golpu landowners was completed in quarter 3 of FY15, with 95 successful applications and R473 877 (US\$41 000) paid to 14 institutions.

EMPLOYEES AND COMMUNITIES CONTINUED

Compared to 2014, there was a significant 62% increase in successful applications in 2015, including 42 for distance-mode education, 13 for colleges and four for universities. Current trends indicate that more Hidden Valley students attend tertiary institutions while Wafi-Golpu has more students opting to upgrade to matriculation (University Entry Level) through distance education at the University of Papua New Guinea's Morobe University Centre. See figure below.

Morobe Mining Joint Ventures landowner tuition assistance FY15

Male and Female



Women's development programme

Landowner women's groups from the Hidden Valley area submitted proposals to the Mineral Resource Authority Women in Mining Small Grant Programme and three were considered successful by the programme steering committee. The project agreements were finalised with the Mineral Resource Authority and more than R1.08 million (US\$0.1 million) were released to the groups for their respective proposals including guesthouses and passenger motor vehicles.

A training needs analysis of 165 women between the ages of 15 and 60 years was conducted by the Chamber of Mines and Petroleum Women in Mining Programme. The data was then analysed and results used to assist with the development of programme plans for impacted and affected areas.

In December 2014, the new Wau Women's Resource Centre was successfully completed and formally handed over to the community.

Education programmes

The Department of Education and the Morobe Mining Joint Ventures' education team inducted 12 trainee teachers from six elementary schools in the Wafi-Golpu region. This resulted in two schools starting early childhood classes in Pekumbe and Venembeli, while Hekeng and Towangola continued classes.

Teachers at all operating schools in Bulolo received their back-pay after many years of teaching without pay, and are now on the government payroll.

Morobe Mining Joint Ventures funded excellence awards for students in 14 elementary schools. District education advisors and the Honorable Member for Huon Gulf, Ross Seymour, acknowledged Morobe Mining Joint Ventures for the awards. Since 2012, Morobe Mining Joint Ventures has provided excellence awards to a total of 83 students.

The Nauti Elementary School is now fully operational with four teachers and has enrolled 167 students in all four classes. The Nauti community contributed a house, kitchen and toilet for the newly appointed community school teacher.

During the fourth quarter, the Morobe Mining Joint Ventures' education team assisted with a two-week in-service course for 11 elementary teachers from five elementary schools in the Wafi-Golpu region. It was jointly facilitated with Bulolo District Elementary trainers and standards officer.

EMPLOYMENT EQUITY

Relevant Global Reporting Initiative indicators: G4-EC6, G4-HR3

A representative workforce is both a legislative and moral imperative in South Africa, one which ensures economic growth benefits for all stakeholders. As a result, employment equity is an important consideration, taking into account the historical context of the areas in which we work to ensure equality wherever possible.

We ensure that our migrant employees are able to return home regularly. We also aim to make it easier for employees to have their families visit them by making available spouse quarters for visiting family members. We have several local economic development projects in labour-sending areas, such as Mozambique and Lesotho, as well as an agreement to provide home-based care to medically incapacitated employees from all areas.

The company reports its employment equity plan and progress to the social and ethics committee quarterly and to the Departments of labour and mineral resources annually.

In FY15, 58% (FY14: 46%) of Harmony's management staff were historically disadvantaged South Africans, exceeding Mining Charter targets for company-level compliance. The increase in compliance indicators is due to alignment of Harmony's reporting with the Department of Labour's classification guidelines – (EEA9). For previous years, indicators were based on Patterson grade D-F only whereas C band employees are now classified as Junior Management and have been included in the 2015 employment equity percentage.

Women employed at management level stood at 16% (FY14: 20%) The decrease is due to retrenchments during the year which included women. There is no difference between salary scales for men and women at Harmony.

Employment equity plan

Occupational categories	2014 Plan (%)	Achieved June 2015 (%)
Board	40	60
Top management – Executives	40	44
Senior management	40	40
Middle management	40	46
Junior management	40	56
Core and critical	40	63

In Papua New Guinea, we are focused on attracting and retaining both externally and locally recruited employees, particularly landowners and local citizens. Operations are governed by a three-year training plan lodged with the Department of Labour. Under this plan, the joint ventures must ensure locally sourced employees are continuously trained and succession is managed. 95% of all Morobe Mining Joint Ventures' employees are Papua New Guinean citizens.

At Hidden Valley, women in the workforce stood at 10% in FY15 (FY14: 13%), below the national average of 14% (FY14: 15%). This fall is due to the reduction of the Morobe Mining Joint Ventures' workforce during FY15.

HOUSING AND LIVING CONDITIONS: SOUTH AFRICA

Improved living conditions for our employees are directly linked to enhanced employee well-being and productivity. In addition, our housing programme creates jobs and supports local business. Harmony only appoints local empowered companies (see our procurement spend on page 98 of this report, in line with the Mining Charter) when embarking on construction and building projects. Our key challenge in FY15 was that we were unable to comply fully with the Mining Charter target for housing and living conditions.

Our housing strategy is focused on promoting home ownership and rental options and on integrating mining communities into local municipal structures. We make land available and facilitate affordable housing development on our redundant mine land – for all new developments we fund construction of infrastructure such as power and water, manage the project and monitor quality. We also proclaim mine villages for inclusion within municipal areas. In line with our focus on home ownership, employees who do not live in company hostels receive living-out or housing allowances.

EMPLOYEES AND COMMUNITIES CONTINUED

Our hostel de-densification programme ensures that employees have access to private living space. To enable employees to move their families closer to our operations, our hostel conversion programme makes available family units; we also seek to provide family accommodation in local towns. At Harmony, we are aware that corporate social responsibility extends beyond the surrounding communities.

	Mining Charter target 2014	Harmony target 2015	2015 *		2014		2013	
	%		%	Achieved	%	Achieved	%	Planned
Hostel (operational) conversion to single rooms by 31 December 2014	100	8 658	100	8 695	19	1 678**	13	1 102**
Hostel (non-operational) conversion to family units	100	1 100	84	927*	69	761	61.7	561
Facilitation of home ownership***		4 719	63	2 961***	59	2 800	53	2 496
Total			82		49		42	

* To date, we have been unable to procure funding from the government and/or the Department of Human Settlements for the Deelkraal hostel conversion

** The data reported for 2013 and 2014 represents units in 100% converted hostels. The number of single rooms, including those in uncompleted hostels, totalled 5 027 in FY14 (FY13: 3 214)

*** Houses sold to employees and other housing development programmes (actual achieved will depend on employee affordability profiles and the ability to obtain finance). Certain elements are beyond Harmony's control, such as whether employees are granted bonds or receive state subsidies. Therefore bank lending, affordability and indebtedness remain stumbling blocks to increased home ownership

In FY15, the number of hostel dwellers sharing accommodation declined from 6 841 (FY14) to zero, with all employees now housed in single rooms. We aim to build 1 100 family units over three years. Some 927 units have been built to date – 84% of the total planned (FY14: 761 units, 69% of that planned). Merriespruit 3 is in progress while Deelkraal is at feasibility stage.

To further facilitate home ownership, Harmony subscribes to and supports the pension-backed home loan scheme as negotiated for the industry by the Chamber of Mines. In all, 1 441 (FY14: 1 100) of our employees have already made use of this facility. During FY15, 110 of our houses were purchased by way of a 'rent-to-own scheme' (FY14: 12).

HUMAN RIGHTS

Relevant Global Reporting Initiative indicators: G4-LA14, G4-HR3, G4-HR10 and G4-HR12

Respect for human rights is entrenched within the company's values and specifically catered for in human resource policies, charters and contracts of engagement. This is closely monitored by our human resources function and community engagement managers at operational level.



Merriespruit housing complex

We abide by the human rights conventions of the International Labour Organisation, as supported by the South African constitution. Our adherence is monitored by the social and ethics committee. In addition, certain human rights requirements are built into contracts with new suppliers.

No incidents of discrimination were reported in South Africa or Papua New Guinea in FY15.

The South African constitution also prohibits forced, compulsory or child labour. None of Harmony's operations are at risk of human rights contraventions and no contraventions of these principles were alleged or reported in FY15.

COMMUNITIES

Relevant Global Reporting Initiative indicators: G4-S01

Key statistics: local economic development spend	FY15	FY14
Group local economic development spend	R63.5 million (US\$6 million)	R77.1 million (US\$7.4 million)
– South Africa	R62.5 million (US\$5.5 million)*	R71.7 million** (US\$6.9 million)
– Papua New Guinea	R1.0 million (US\$0.1 million)	R5.4 million (US\$0.5 million)

* In addition, capital of R89 million (US\$8 million) was spent in FY15 on hostel upgrades

** In addition, capital of R106 million (US\$10 million) was spent in FY14 on hostel upgrades

We are committed to the sustainable socio-economic development and well-being of the communities where we operate. We recognise that it is from these communities that we draw our employees and that healthy, flourishing communities can provide us with the calibre of employees we need to run our business. Their well-being and development underpins our own sustainability. Apart from being a statutory requirement, our strategic objective is to contribute to the sustainable development of our communities long after mining has ceased.

In South Africa, Harmony's operations are governed by the allocation of mining rights, with each mining right area bound by an approved social and labour plan. In Papua New Guinea, regulatory control vests in a memorandum of agreement between Morobe Mining Joint Ventures and local communities and key landowners with similar social commitments to those in South Africa.

Harmony has reached the end of the first five-year Mining Charter target period. Please refer to page 168 for the status of Harmony's achievements in terms of the Mining Charter targets. All of Harmony's mining rights scored in the 'Excellent Performance' category for 2012, 2013 and 2014 calendar years. In addition, we operated in line with our social and labour plan commitments at all South African operations.

SOCIO-ECONOMIC, POLITICAL AND REGULATORY CHANGES

Our company, employees and communities are affected by socio-economic, political and regulatory changes. Changes include amendments to labour, mining and environmental legislation and political and regulatory changes. Our compliance efforts impact directly on our social licence to operate and thus on our sustainability. We endeavour not just to comply with laws and regulations but to "go the extra mile". We conduct regular meetings with stakeholders such as government and community leaders to address concerns, grievances and misperceptions.

SOCIAL AND LABOUR PLANS

Relevant Global Reporting Initiative indicators: G4-EC4

For the five-year cycle ending December 2017, Harmony's planned social and labour plans constitute R844 million of which, as at 30 June 2015, we had spent R405 million on local economic development projects.

To make a relevant and thus sustainable contribution to local communities, we have aligned our social and labour plans with municipal integrated development plans. Social and labour plans are currently in place for each mining right for the period 2013 to 2017.

A Harmony-led forum meets regularly, bringing together stakeholders to discuss and agree on key projects for the Free State goldfields region, with the aim of identifying and developing industries lacking in the local economy and the enterprises necessary to service those industries.

Expenditure on local economic development projects in South Africa decreased from R71.7 million (US\$6.9 million) in FY14 to R62.5 million (US\$5.5 million) in FY15. This decrease was due to delays in various projects, which we are addressing and trying to resolve quickly.

EMPLOYEES AND COMMUNITIES CONTINUED

NOTEWORTHY ACTION

LOCAL ECONOMIC DEVELOPMENT PROJECTS: MAKING A DIFFERENCE

Legacy projects

(projects aimed at leaving something for the community after all mining operations in the area have been closed)

The legacy projects are applicable to all Free State operations in the Lejweleputswa Municipal District

Merriespruit 3 hostel conversion project

The contract for the conversion of the Merriespruit 3 hostel to community rental units was signed on 28 March 2013. A 100% black-owned construction company was awarded the tender and started with the project in June 2013. The project was 81% complete as at 30 June 2015.

972 jobs were created during construction and 30 permanent jobs. All these jobs were filled by members of the local community.

We will continue this work in FY16 and hope to continue improving both our relations with employees and their daily experiences at Harmony.

Film studio

A film studio project was launched in 2012 to establish an international film and television studio facility on a site (approximately 700 square metres) in Welkom, in the Free State province. The film studio company signed a land availability agreement with Harmony on 24 April 2012, giving the studio access to land for the development of a television and film studio facility.

The film studio company has also secured the commitment of the Free State Provincial Government which has in turn appointed three departments, namely, Sports, Arts and Culture, Tourism, and Economic and Environmental Affairs, to work alongside the team to ensure the success of the project.

During the year, a feasibility study and a business plan were completed. The land agreement was signed and the process to provide a radiation clearance certification is in progress.

Virginia Sports Academy

The purpose of this project is to identify sporting talent among previously disadvantaged youth. Those identified are each offered an annual bursary to the value of R94 000. The students stay in our hostel and attend local schools. Signed contracts are in place between parents/legal guardians and the Virginia Sports Academy.

The bursary covers the following:

- Accommodation, including three meals daily
- School fees
- School clothes
- Sports clothing
- Transport to and from school and sports tournaments
- Medical expenses

Beneficiaries of this project are talented youths from both local communities and those in our labour-sending areas. The cost of this project, which employs 16 people on a permanent basis, is R8 million annually. In all, 72 boys (36 soccer players and 36 rugby players) benefit annually.

This project also has a dedicated functional website (www.vsportsacademy.co.za).

Some of the well-known students from the academy include Cecil Afrika (SA Rugby), Branco du Preez (SA Rugby), Seabelo Senatla (SA Rugby), Eugene Cunha (Blue Bulls Rugby), Tumelo Nhlapo (Bafana Bafana), Lerato Manzini (Bloemfontein Celtics), Nelson Molale (Kaiser Chiefs) and Keamo Wolff (Jomo Cosmos).

Nyakosoba High School

This project for Nyakosoba High School, located in Lesotho, was started during 2010 and was completed during FY15. It has provided 10 classrooms, ablution facilities both for learners and for educators, an administration block with offices for the school principal, the deputy principal and administration staff and a staff room as well as a kitchen.

NOTEWORTHY ACTION *continued***Virginia Jewellery School**

This project was identified for the Matjhabeng Municipality, Lejweleputswa district. In all, this jewellery school has created 150 jobs since its inception. Of these, 10 are permanent. Currently, 18 Mining Qualifications Authority students and eight students attend the school. All local communities benefit from this project, as jobs are created and jewellery skills training and assessment of learnerships is done in the area. The Virginia Jewellery School has produced five qualified goldsmiths.

The total cost of the jewellery school since inception in the year 2000 is R18 million. A dedicated website (vjsjewellers.co.za) for the jewellery school was completed and went live at the end of December 2014.

The school, which now employs four qualified goldsmiths, opened an outlet shop in the Goldfields Mall, in Welkom, in April 2015. A trade-off agreement has been signed with a well-known retail group, in line with Harmony's strategy to enable this project to become self-sustaining.

Bridging school

Local students are selected to improve their matric grades in mathematics and science. This initiative ultimately assists such students to improve their chances of securing bursaries to study further, of acceptance at tertiary institutions and of entering into various learnerships as part of Harmony's talent pool.

In all, 20 local youth, who are classified as being historically disadvantaged, are given the opportunity to attend Harmony's bridging school for one year after finishing their Grade 12 school year. The pass rate for the students improved from 57% to 63% for mathematics, and from 54% to 61% in science during the 2014 academic school year. All students began learnerships with Harmony in January 2015 (12 in mining and eight in engineering).

Harmony Business Development Centre

The Harmony Business Development Centre also known as the Enterprise Development Centre is the main vehicle through which we drive our Enterprise Supplier Development initiatives. Since opening its doors in Welkom in 2009, the business development centre has created a platform for more than 500 companies that have sought to do business with Harmony. The majority of these companies are in the maintenance and construction sector as opportunities in this area were set aside exclusively for historically disadvantaged South African companies.

Relevant companies submit their profiles to the Harmony Business Development Centre and, if their services or product offerings match procurement opportunities that arise, they are invited to quote and submit tenders. The Harmony Business Development Centre provides technical guidance and support to the companies that succeed in accessing business at Harmony. The centre oversaw contracts with the companies selected to the value of R163 million from inception in 2008 to December 2014.

Other activities that Enterprise Supplier Development and the centre focused on included the following:

- Registering companies as vendors to Harmony
- Facilitating shorter payment periods
- Coaching and mentoring
- Training and skills development
- Incubation
- Provision and facilitation of financing
- Ensuring compliance with applicable legislation

The business development centre provided seven employees with permanent jobs and R1.6 million was spent on the centre in the 2014 calendar year.

Training programmes

A number of training workshops have been conducted in the past, including training conducted by Enactus. They trained suppliers on the Harmony Business Development Centre database and a company called 'Running Business Today'. The training conducted is comprehensive and based on business simulations for youth and women in the community of Nyakallong near Allanridge. Business training for 24 beneficiaries to the value of R81 851 was conducted in FY15.

EMPLOYEES AND COMMUNITIES CONTINUED

NOTEWORTHY ACTION *continued*

Reasebetsa Women Co-operative

Reasebetsa Women Co-operative is 100%-owned by women, to which Harmony has given the opportunity to reclaim bricks and steel from the African Rainbow Mineral 1 mine site, near the Harmony Business Development Centre. The project is a test study to determine if this approach to reclaim and rehabilitate land will benefit the targeted groups, namely women and youth. The project generates income for about 15 people who did not previously earn an income. Harmony bought tools and relevant equipment to be used to reclaim and clean the bricks and is also to assist with market development. A service provider named 'MCBE' was enlisted to guide and advise on this project. Reasebetsa took over the site in August 2014 and by the end of December 2014, about 100 pallets of bricks had been collected. These bricks were sold to members of the public.

Project beneficiaries include the youth from Thabong community, who were part of the pressure group that marched to demand jobs from Harmony. This initiative is viewed by stakeholders as being progressive and worth implementing at other Harmony sites targeted for demolition. Harmony spent R128 738 on training in FY15 and Reasebetsa generated revenue of approximately R70 000 and the lives of the participants have improved substantially.

Tsebo Multi Skills Co-operative

Tsebo is a youth-owned co-operative from Nyakallong near Allanridge. The Harmony Business Development Centre facilitated Tsebo's becoming a vendor in the field of construction and maintenance. Tsebo was awarded its first construction job at the Phakisa mine in December 2014 to renovate the training centre. An established contractor, The Power of Junction, was asked to guide and mentor Tsebo through the project.

Small, medium and micro enterprise development – expansion of the feed mill

Harmony facilitated the granting of funding to the amount of R9 million from the National Empowerment Fund for the establishment of a feed mill. The feed mill is situated at Dihoai farm, which is in the Matjhabeng municipality between Welkom and Odendaalsrus towns. Chicken feed is the most expensive input material in the poultry business and the ability to access feed at a cheaper rate would enable small chicken farmers to be more competitive and increase their chances of making a profit. By end of FY15, the feed mill construction was 100% completed and the civil works around the plant was completed.

Construction of the feed mill led to the creation of 19 permanent jobs and the beneficiaries of the mill were co-operatives and local small, medium and micro enterprise development.

Small, medium and micro enterprise development – upgrading of abattoir

The need for an abattoir to cater for the small poultry producers was identified, where small poultry producers can slaughter their fully grown chickens at an affordable price. Harmony undertook the renovation of an existing abattoir that had not been built to the correct standards and specifications so that it now meets the requirements of the Department of Agriculture. Harmony engaged contractors to do the renovations, and to install electricity, air conditioners, refrigerators and cooler rooms.

In all, this project created 20 permanent jobs during 2014 and, as with the expansion to the feed mill, the beneficiaries were the co-operatives and local small-, medium-, micro-enterprise development. The total cost of the project is R5 million, of which R683 392 was spent during calendar year 2014. The project is expected to be completed by December 2015.

Training was provided by Harmony and a partnership was formed with the Department of Agriculture.

Small, medium and micro enterprise development – manufacturing of Motoho

The project, identified for the municipal district of Lejweleputswa in the Matjhabeng local municipality, involves Golden Goose Catering Services, a black woman-owned enterprise that produces Motoho, a soft porridge drink, which is very popular in the local communities. This enterprise employs 40 people and the beneficiaries of this project will be local communities, the owners of Golden Goose and the consumers of the product.

The cost of the project will amount to R1.2 million. Timing for completion is dependent on marketing and trade off agreements, estimated to be completed December 2015.

Thabong Industrial Project

The Matjhabeng Municipal Council requested Harmony's assistance with the formalising of the informal light industrial park in Thabong, in the Lejweleputswa district municipality of the Matjhabeng local municipality. The aim of this project is the development of the Thabong Industrial area alongside Constantia Road West. The intention is to establish land zoned for light industrial use by emerging entrepreneurs alongside the busiest road leading into Thabong.

NOTEWORTHY ACTION *continued*

Harmony approached the Enactus students from Central University of Technology in June 2014 who agreed to assist with the ground work. The council provided the students with a letter of approval and they started work on a survey of the current status of the entrepreneurs who operate from this site, and what specific requirements would be needed to formalise the site.

The students embarked on a site-cleaning campaign followed by a marketing drive and a day of training on health and safety, marketing and business skills.

A professional team compiled a report on how best to turn the site into a state-of-the-art light industrial area. The completed report has been submitted to the council. This project will generate employment for 400 people. Currently 162 people are employed. The feasibility study was completed in January 2015 and the business plan requesting funding has been revised and submitted to the Department of Trade and Industry. The total estimated value of the project is R70 million, of which Harmony has so far contributed R1 million for the feasibility study and paid R269 000 for the business plan.

Currently, there are 24 different businesses on site. The businesses represent 12 different types of manufacturing and two different tailors. This project has tremendous potential to prove that municipalities can be developmental in nature. It must be seen as a “best practice exercise” where, through careful research and a variety of inputs from various stakeholders, township businesses and manufacturing can become fully competitive and commercial.

Wellness Centre Kutloanong

The clinic is in the municipal district of Lejweleputswa, in the Matjhabeng local municipality. The clinic is housed in the multipurpose centre in Kutloanong, the municipality building, that was renovated at the cost of R521 000. Renovations were done by a local black empowered company and three temporary jobs were created. Beneficiaries of this project are the local communities of Kutloanong.

Among other things, the centre is also used for the following:

- Hosts HIV/AIDS support groups in the area, as well as young adults over the age of 25
- Provides career information and other social interventions to young people
- Public meetings and literacy classes for the elderly

Small, medium and micro enterprises and skills development centre

The second phase of the small, medium and micro enterprises and skills development centre was completed in August 2014 and the project handed over to the local municipality. This second phase included paving of walkways and the parking area and landscaping.

The goal of the project was the establishment of a skills development and small, medium and micro enterprises centre to facilitate skills diversification within the Ratlou local municipality.

Beneficiaries of the project, which has created 30 temporary jobs, are the communities within the Ratlou local municipality. The third phase of the project – development of the digital hub (computer centre) is in the planning phase.

Tshwaraganang sewing

Tshwaraganang Sewing is a co-operative belonging to 10 women from Kraaipan. Harmony helped find accommodation to house the co-operative and purchased 10 sewing machines for the women's use. The women received training on how to use the machines and were awarded certificates. The local communities of the Ratlou Local Municipality, Ngaka, Modiri and the Molema District Municipality will benefit from this co-operative.

Harmony contributed R800 000 towards this project which has been completed in December 2014.

Upgrading of the water supply in Kraaipan Village

This project, which addresses the local service-delivery backlog, was agreed with the Ratlou municipality which had requested assistance together with the Department of human settlement department within the Ngaka Modiri Molema district.

The first phase of this project was to provide water and reverse-osmosis purification plants for the Kraaipan area. Harmony contributed funding of R3.5 million to the Ratlou municipality for this project. The reverse-osmosis machine and holding tank were installed onsite and the holding dam and commissioning of the plant were completed by the end of May 2015.

This first phase created 18 jobs during the year, with the beneficiaries all being from Kraaipan Village.

Ludeke Junior Primary School

The Ludeke Primary School is located at the Ludeke Mission in the OR Tambo district municipality in the Eastern Cape, about 15 kilometres away from the OR Tambo monument. It was established in 1914 as a mission school. The school has a rich heritage, having produced world-class alumni, most notably the late world-renowned freedom fighter, Oliver Reginald Tambo.

EMPLOYEES AND COMMUNITIES CONTINUED

NOTEWORTHY ACTION *continued*

The school is overcrowded with, on average, more than 60 learners per classroom. All buildings have deteriorated over the last 27 years. The now-dilapidated buildings were constructed using prefabricated material. Harmony will be one of two funders supporting this project. The renovations will consist of building classrooms, ablution facilities, a library, a computer centre and the administration block. The school, which employs 20 teachers, enrolls pupils from Grade R up to Grade 9. Total enrolment is 684 pupils, the immediate beneficiaries.

It is estimated that this project will benefit around 27 000 children over the next 40 years. It will also empower the local community to take ownership of their school, ensure long-term sustainability and give their children the education that every South African child deserves.

Harmony, which will contribute R1 million annually to this project, has signed a three-year memorandum of understanding in July 2013 with the South African National Civic Organisation's Development Initiative (the principal of the Ludeke Junior Primary School Renovations project).

This first phase of the project began on 28 March 2014 and was completed on 1 October 2014. Phase one generated employment for 13 people within the community. Phase two, scheduled for completion in December 2015, aims at building classrooms.

Waste Recycling Project, Khutsong

This is a collaborative project between three mining companies – including Harmony — and the Merafong municipality. Each mining company will contribute R1 million over three years (2012- 2014). The project site is in Fochville within the Merafong City local municipality. The aims of the project are community empowerment, job creation, recycling of waste within the Merafong community and addressing environmental issues. The project is going well and the following key components have been accomplished:

- Paper from Harmony's Randfontein Office Park is collected for recycling by the project
- The permanent structure is complete and construction of two additional toilets is in progress
- Application for an electrical connection has been made and the fees paid to the municipality. Installation will be done by the municipality, but in the meantime equipment is being run on temporary supply
- A bailing machine has been purchased and is in use
- A community event was held in July 2014 in Kokosi Extension 5 to promote recycling and environmental issues. This event prompted a dramatic increase in incoming recyclables and enabled the project to establish relationships with many collectors in the area
- Eight local people are permanently employed and an administration assistant will be employed shortly
- An agreement has been reached with a big recycling company which already has waste paper for recycling

Merafong Digital Hub

This hub is doing well and has begun several computer training programmes for out-of-school youth and for the members of the community. Harmony continued to support the youth of Merafong with computer-literacy training. There was another intake in August 2014 of 50 young people for the Computer Literacy Course. The Computer Training National Qualifications Framework Level 3 is a three-month course. The course, which covers basic information technology skills, is accredited by Media, Information and Communication Technologies Sector Education and Training Authority E-Learner and endorsed by International Computer Driving South Africa.

This project is a collaboration between Harmony and one of our peers. Each company contributed R500 000 to establish a community digital hub which is housed at the Khutsong Business Centre.

The aims of the project are to:

- give young people an opportunity to develop digital media skills and training
- foster innovation, technological development and creativity in a supportive entrepreneurial environment
- offer members of the local community the opportunity to gain information technology skills
- provide the community with services such as the typing of curricula vitae, printing, copying, binding, faxing and so on, at affordable rates and without added travelling costs

NOTEWORTHY ACTION *continued***Deelkraal Community Rental Units**

This proposed project entails the development of the vacant Deelkraal hostel complex into a community rental project with all the amenities necessary to sustain a vibrant community. The planned project will consist of 556 one- to three-bedroom flats and will include a primary school and other social amenities. The aim is to provide affordable rental units to the local mining communities.

The estimated project value is in the region of R180 million and will be a joint effort by Harmony and the Merafong municipality. The project will ultimately be handed over to the municipality as the owner and manager. Harmony has completed the development of eight show flats to the value of R2.8 million. A funding application and feasibility report have been submitted to the Gauteng Department of Human Settlements and we await its favourable response.

Small, medium and micro enterprises development

The Merafong local municipality has requested Harmony's assistance with the branding of the small, medium and micro enterprises stalls that have been built. The municipality has embarked on the formalisation of small businesses. This branding will enhance visibility of the stalls and attract customers, as well as save on marketing costs.

Communities will also recognise that Harmony is integral to their lives. In the next financial year (FY16), the project will continue with the renovations of hawkers' stalls in Wedela, Kokosi and Carletonville.

Woolgrowers Support Programme

The objective of this project is to build capacity for woolgrowers in the Eastern Cape. The project caters for 183 individuals with 1 900 sheep. Villages involved are Thonti, Mazeni, Magamzeni, Mabovu, Bipha, Mfundisweni, Ndakeni and Dudumeni.

Services include training in sheep shearing, sorting and the packaging of wool. They also help farmers to understand the supply chain and how it affects them, helps organise the sheep farmers into a legal entity and enhance the farmers' capacity to increase their negotiating power. Harmony worked in partnership with Department of Agriculture on this project, which was completed in the 2014 calendar year.

Slovoville and Dobsonville digital hubs

This project commenced towards the end of May 2014. The model for the digital hub was taken from the one which was successfully implemented in Merafong.

The Soweto hubs employ 20 people, and beneficiaries of this R2.5 million project include the local communities and youth co-operatives.

The digital hubs in Slovoville and Dobsonville were completed and have been operating since October 2014. The hubs provide communities with much-needed services closer to home and more-reasonably priced. Services offered include typing, printing, copying, binding, faxing, Internet access (which enables people to look for employment) and facilitates business development and training. The two co-operatives (five members each) running both hubs have received on-the-job training in 2015.

Small, medium and micro enterprises development – cleaning detergent factory

This R1.9 million project is in the municipal district of the City of Johannesburg.

The factory manufactures cleaning detergents and operates from Roodepoort. Project implementation included finding suitable land, construction of the factory, power, water and sewer connections, equipment sourcing, labour sourcing, training, sales and marketing, branding, accounting and web design.

The factory initially started with eight people and increased this number to 25 as it grew and expanded its market. The factory is busy creating more than 80 self-employment opportunities by locating merchants (people willing to buy and sell our products).

Both the employees and the distributors are beneficiaries of this project. Implementation was completed and the factory was fully functional and operational in October 2014.

EMPLOYEES AND COMMUNITIES CONTINUED

SOCIO-ECONOMIC INVESTMENT

Relevant Global Reporting Initiative indicators: G4-SO2

Our corporate social responsibility policy recognises the need for socio-economic investment in South Africa and Papua New Guinea, starting with the broader communities in which we operate. This policy includes local economic development initiatives executed in terms of the Mining Charter, the Mineral and Petroleum Resources Development Act and the codes of good practice for the minerals and mining industry. In Papua New Guinea, we comply with local, regional and national legislation, licence conditions and memorandums of agreement with associated communities and key landowners.

Our corporate social responsibility activities are monitored by the social and ethics committee at board level. In South Africa, projects and programmes are considered, approved and monitored by a corporate social responsibility committee at management level. In Papua New Guinea, this responsibility lies with the head of our south east Asian operations. In South Africa, we identify suitable programmes through stakeholder engagement and in partnership with the Chamber of Mines' community development forum, non-governmental organisations, communities, government departments, municipalities, educational institutions and the governments of Lesotho, Mozambique and Swaziland.

CORPORATE SOCIAL RESPONSIBILITY

South Africa

In FY15, Harmony spent R6.3 million (US\$0.6 million) (FY14: R8 million (US\$0.8 million)) on corporate social responsibility projects in South Africa. Key projects focused on educational support, social development, community support and sports and recreational development.

Harmony's corporate social responsibility priorities in FY15 concentrated on implementing programmes in mathematics, science and technology advancement, community project-based entrepreneurial skills development, sports and recreation development. Our programmes address key social issues such as building and supporting education systems and processes, including sports infrastructure and social and enterprise development initiatives.

Community project-based entrepreneurial development programme

This programme is aimed at developing entrepreneurial skills within communities so as to promote job creation and at eradicating poverty. In 2006, Harmony established a collaborative partnership with Enactus (an implementing organisation) for youth and student leadership development so as to increase leadership capacity within South Africa, uplift the poor and fast-track enterprise and socio-economic development initiatives.

Enactus is an international non-profit organisation that brings together students, academics and business leaders who are committed to using the power of entrepreneurial action to improve the quality of life and standard of living for people in need. In southern Africa, Enactus has established student programmes on university campuses and at other institutions of higher learning (i.e. about 28 institutions in South Africa and eight in Swaziland).

Guided by academic advisors and business experts, participating students form teams on their campuses and apply business concepts to develop and implement community outreach projects that improve the quality of life and standard of living for people in need. The experience not only transforms lives, it helps students develop the kind of talent and perspective essential to leadership in an ever-more complicated and challenging world.

To date, Harmony has invested approximately R17 million in the development of the communities in which it operates and its labour-sending communities (including those in Swaziland).

More than 113 000 lives have been positively affected by the programme and the transfer of business and socio-economic skills since Harmony started supporting it.

Among the projects pursued by the Enactus teams to improve the quality of life and standard of living for people, were the bio-gas project, the arts and crafts project and the essential oils project.

- **Bio-gas outreach project – creating affordable bio-friendly alternative energy**

The bio-gas outreach project generates gas to supply sufficient power to operate a bakery. This project has successfully involved training 19 previously unemployed youths to generate bio-gas and to use this gas to operate a bakery. The bakery produces 3 000 loaves a month at a cost of R5.00 and a selling price of R7.80 each. It is a project initiated by University of Fort Hare's Enactus

team aimed at providing an alternative source of energy, through a bio-digester, in the Melani and Fort Cox communities near the town of Alice in the Eastern Cape. Most residents have no alternative but to use firewood, wood pellets or kerosene to supply the energy resources they desperately need – this project therefore provides the community with a sustainable solution. These communities cannot afford basic energy costs as they live below the poverty line of R24.00 per person per day.

The by-product of the bio-digester's slurry is utilised as an organic fertilizer in gardens, therefore reducing reliance on artificial fertilizers and increasing yield. An additional benefit is that the by-product of the bio-mass digester used to generate the bio-gas can be used as organic fertilizer in gardens. This reduces reliance on artificial fertilizers and increases yields.

Project facts

- Electricity is produced using an alternative energy source
- Biomass plant electricity generated and supplied to bakery
- Skilled and employed 19 community members to run the bakery
- Bakery produces 3 000 loaves each month
- Each loaf is produced at a cost of R5.00 and is sold for R7.80
- The bakery has a monthly turnover of R24 000
- 51 people are impacted directly (19 youths and 32 are other beneficiaries/members of the project)
- The provision of gas stoves has changed lives
- Beneficiaries receive a stipend to help feed their families
- Reduced reliance on government social grants

Growth prospects

This project is currently being extended with the roll-out of bio-gas digesters to other villages, and the establishment of a centre of excellence in bio-gas generation, as an alternative source of energy at the University of Fort Hare where future beneficiaries are trained.

The team overseeing this project plans to increase the number of beneficiaries in future and to continue expanding the bakery to allow more people to be employed and to produce a wider range of baked products.

• Arts and crafts project

The Enactus team of the Mangosuthu University of Technology established a centre as a platform for crafters in the Umlazi area in the province of KwaZulu-Natal, to showcase and market their products, and so promote their ability to generate income and create job opportunities. The centre also serves as a potential market place where residents and tourists can buy the arts and crafts products. The crafters, some of whom are physically challenged, are organised as a co-operative.



Kutlwanong Taxi Rank

EMPLOYEES AND COMMUNITIES CONTINUED

Achievements

- Beneficiaries are trained in sewing, beading and pottery skills
- A co-operative for the physically challenged is empowered to design and produce furniture (i.e. chairs and tables)

Impact to date

- 22 beneficiaries benefit directly
- An additional eight jobs have been created, bringing the total number of jobs created to 15
- Through the efforts of the Mangosuthu University of Technology's Enactus team, funding amounting to R71 000 was secured from the national lottery to assist in buying production machines
- The crafters collectively generated a total income of R273 000 (US\$ 24 000) in FY15

Project growth and sustainability

The project's growth strategy involves expanding to other areas around Umlazi and Durban to market and sell their products. This will include securing stalls (business space) at arts festivals and renting shops in shopping malls.

The artists and crafters have embarked on a skills development programme for learners from various high schools in art-making skills.

• Essential oils project

This is a co-operative project initiated by the University of Zululand's Enactus team, to produce essential oils in South Africa by growing aromatic crops (e.g. rose geranium). The essential oils are to be used as ingredients in the manufacture of pharmaceuticals syrup in food and drink flavouring.

This eight-member project is located at Matshana village in rural Nqutu, 30 kilometres from the University of Zululand. The project employed eight more people to assist with the planting, harvesting and distilling of the essential oils. Planning for the project, which is in the development stage of its life cycle, started in 2013.

Achievements

- The Small Enterprise Development Agency from uThungulu assisted with the development of a comprehensive business plan for the project
- The University of Zululand's Enactus team secured funding amounting to R350 000 from the Department of Trade and Industry to help expand the project
- Eight jobs secured to date

Impact to date

- Eight job opportunities created
- The facilitated partnership with the South African Essential Oil Business Incubator helped to secure 100 hectares of land and seedlings to expand the project

Future plans

- The team is planning to target export markets in the United States and Europe
- About 20 to 27 additional job opportunities will be created as the result of the project expansion

The work done by the Enactus teams and the projects developed and implemented address the twin challenges of poverty alleviation and job creation. Ultimately our objectives are to upscale and duplicate these projects in other areas of the province.

Advancing science and mathematics

The incessantly poor uptake of mathematics and science subjects at secondary and tertiary levels is shrinking the pool of qualified scientists, engineers, innovators and researchers, and subsequently threatening the future of scientific development in South Africa. The South African Agency for Science and Technology Advancement, the business unit of the National Research Foundation tasked with advancing public awareness, appreciation of and engagement with science, technology, engineering, mathematics and innovation in South Africa, is making strides in communicating the value and impact of science and technology in a dynamic knowledge-based economy, and simultaneously building the science, engineering and technology human resource base in South Africa.

The South African Agency for Science and Technology Advancement and Harmony established a partnership in 2005 to identify and nurture talent in the critical areas of science and technology and to contribute toward addressing the shortage of skills in mathematics, science, engineering, technology and innovation, both in South Africa and the other countries making up the Southern African Development Community. Harmony became the main sponsor of the National Science Olympiad, an initiative of the South African Agency for Science and Technology Advancement.

Milestones

Over the years, the National Science Olympiad has achieved several milestones, in particular:

- A major three-year sponsorship was secured from Harmony in 2009 which was later renewed for four consecutive years to 2015
- Through the Federation for Engineering, Science and Technology Olympiad and Competitions, the Department of Science and Technology provides the South African Agency for Science and Technology Advancement with funding to increase the participation of Dinaledi Schools by funding their entry fees. These 500 schools are earmarked by the Department of Basic Education, from across the provinces, in pursuit of improving the quality of teaching and learning in Mathematics and Science

The increased participation is due in part to the following:

- The sponsorship secured from Harmony
- Mathematics, Science and Technology coordinators
- South African Agency for Science and Technology Advancement aggressive marketing strategy within the rural areas
- Collaboration with the Department of Basic Education at provincial level through the Mathematics, Science and Technology coordinators

With Harmony's continued support, more than 127 800 learners from across South Africa and certain South African Development Community countries like Lesotho, Zimbabwe, Malawi, Mozambique and Namibia were reached over the past six years through the National Science Olympiad.

International collaboration and learner exposure

In January 2015, South Africa's four top best-performing Grade 12 learners and two top achievers in Grade 11, who participated in the 50th National Science Olympiad in 2014, were given an opportunity to attend either the International Youth Science Forum in Australia or in the United Kingdom for two weeks.

Papua New Guinea

In line with our goal of generating sustainable benefits for our communities, the focus in Papua New Guinea during FY15 remained on health, education, agriculture and infrastructure.

Hidden Valley's infrastructure programme focuses on constructing, repairing and upgrading roads, bridges, educational facilities, health facilities and water supply in the three landowner villages of Nauti, Kuembu and Winima and impacted communities along the Watut River corridor.

In the area of agriculture, the primary industry team focused on the Lower Watut cocoa programme and the preparation of strategic plans for agriculture and aquaculture programmes under the community participation agreement for the Wafi-Golpu communities. Farming tools and equipment were delivered and demonstrated to 36 cocoa cluster groups.

Community health and education projects undertaken and completed in FY15 include:

- The completion of a community feedback workshop on health matters during which community health surveys were reviewed. Results will be used to enhance community awareness and training aspects of the community and employee health programme and to enhance treatment and monitoring of the more prevalent diseases
- The opening of one new community health aid post and three renovated aid posts
- The Morobe Mining Joint Ventures' community affairs team in partnership with Mumeng and Wampar Health Centres fielded medical visits to Wafi villages, focusing on immunisation of community members and health talks. Some 1 814 outpatients were treated and 1 837 children were immunised against water-borne diseases (FY14: 4 022 outpatients and 906 children)
- 41 water supply and sanitation projects have now been completed, servicing 15 000 people

EMPLOYEES AND COMMUNITIES CONTINUED

- Construction of teachers' and community health officers' houses, and school toilets at Hidden Valley and Wafi communities
- A total of six matric students from Hidden Valley and Wafi-Golpu landowning communities were sponsored for vocational and university studies in FY15
- Entrepreneurial skills training was held during January 2015 for 25 members of the Wafi-Golpu community
- Further expansion of the Women's Development Programme, which is aimed at ensuring women's issues and needs are heard and addressed with assistance from Harmony, government, donors and non-governmental organisations
- Distribution of teaching and learning materials to classrooms and presentation of excellence awards to 15 students (FY14: 18)
- Morobe Mining Joint Ventures' Cocoa Partnership initiative and collaboration with Monpi Cocoa Limited focused on funding and training of the Watut cocoa farmers
- The Nauti women's passenger motor vehicle was delivered by the Mineral Resources Authority, through the Small grant programme during January 2015. Activities are continuously being monitored
- The Yinyin Water Supply and Sanitation Project in the Middle Watut Region of the Watut River was completed during 2015. The project delivered 19 water tap stands, 11 showers and water tap combination with nine latrines were constructed. The water supply will serve a population of 1 300 community members along the Watut River
- Completion of Personal Viability training for 24 small-business entrepreneurs
- The Morobe Mining Joint Ventures tuition assistance programme for Hidden Valley and Wafi-Golpu landowners was completed during 2015 with 95 successful applications, a 62% increase compared with 2014

PROCUREMENT

Relevant Global Reporting Initiative indicators: G4-LA15, G4-SO10

Harmony recognises that extending our supplier network to include emerging businesses makes possible a more equitable distribution of economic benefits. Our preferential procurement strategy in South Africa complies with the country's legislation. Harmony's procurement processes and expenditure are governed by our group strategy and policy. We support this approach by helping to develop the business management skills required for these emerging enterprises to succeed.

Our preferential procurement strategy encompasses:

- Regional enterprise development centres, which make it easier for qualifying suppliers to do business with our company
- Amending tender policies to help Harmony meet Mining Charter requirements
- Measuring each mine's procurement from historically disadvantaged South African entities against targets in the Mining Charter scorecard
- Small, medium and micro enterprises and/or historically disadvantaged South African-compliant vendor development aimed at maintaining acceptable standards

Harmony's preferential procurement strategy promotes expenditure with companies recognised as black economic empowerment entities under the Mining Charter. Compliance with the target for procurement spend on services for the Doornkop mining licence was a challenge. In South Africa in FY15, procurement expenditure with black economic empowerment entities stood at R3.8 billion (US\$332 million) or 69% of total discretionary spend (FY14: R3.4 billion (US\$333 million) or 63%). The Mining Charter requires the following three black economic empowerment spend targets:

South African black economic empowerment spend

Required as per Mining Charter	Mining Charter (% of total spend)	FY15* progress (%)	FY14 progress (%)
Capital goods	40	76	72
Services	70	70	57
Consumables	50	66	63

* Calculation of these figures was based on Harmony's financial year 1 July 2014 to 30 June 2015

Annual procurement spend from multinational suppliers was 0% versus the Mining Charter target of 0.5% of any supply contract. The Mining Charter of 2010 required all mining companies to “Ensure that multinational suppliers of capital goods annually contribute a minimum of 0.5% of annual income generated from local mining companies towards socio-economic development of local communities into a social development fund from 2010”. Harmony engaged all its multinational suppliers by means of a letter urging them to contribute to socio-economic development, as prescribed by the Mining Charter. Harmony is also currently exploring the potential of a Harmony-supported fund for this very purpose, which will allow for proper monitoring of contributions made by our suppliers.

In Papua New Guinea, under agreements with government authorities (local, regional and national level governments), landowners and communities, we issue contracts to local citizens wherever possible. During the year, contracts valued at R2.2 billion (US\$193 million) were awarded to local companies (FY14: R599 million; US\$58 million). Supply expenditure by Morobe Mining Joint Ventures in FY15 amounted to R3.0 billion (US\$267 million), of which R2.2 billion (US\$193 million) was expended in Papua New Guinea or 72.2% (FY14: R3.5 billion; US\$340 million and R2.1 billion; US\$200 million at 59%). Of the amount expended in Papua New Guinea, R1.2 billion (US\$108 million) was expended in Morobe Province on goods and services (FY14: R1.2 billion; US\$118 million).

Contracts awarded by Morobe Mining Joint Ventures to local landowner companies included catering, fuel haulage, general freight, plant hire, security, labour hire, cleaning, rehabilitation and bus services. Landowner companies billed R526 million (US\$46 million) during FY15, or 17.2% of Morobe Mining Joint Ventures’ total expenditure (FY14: R347 million/US\$34 million or 10% of expenditure). In line with the current Memorandum of Agreement on the Hidden Valley mine, Morobe Mining Joint Ventures continues to comply by offering business development opportunities to landowners. These opportunities will increase with the proposed development of the Golpu project.



Donation of desks and library books to Werewere Primary School - Wau District in Papua New Guinea