



## POLICY

# Harmony Gold Mining Company Limited ("Harmony") CORPORATE GOVERNANCE AND COMPLIANCE POLICY AND FRAMEWORK CG001

DOCUMENT USERS : ALL HARMONY STAKEHOLDERS

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## **1. Introduction**

1.1 Harmony's board of directors (the board) understands the critical role of governance in supporting operations across the organisation. Good governance leads to good management and good performance. In addition, good governance enables the board to pursue its vision effectively and underpins that vision with mechanisms for control and management of risk. The board supports the definition of corporate governance as being the exercise of ethical and effective leadership towards the achievement of the following governance outcomes:

- Ethical culture and responsible corporate citizenship
- Good performance and value creation
- Effective control
- Legitimacy

1.2 These objectives form the foundation and framework for corporate governance within Harmony.

1.3 The King IV Report on Corporate Governance for South Africa, 2016 which was launched on 1 November 2016 outlines in part 5 thereof the King IV Code on Corporate Governance (King IV Code) under the following headings:

- 1.3.1 Leadership, ethics and corporate citizenship
- 1.3.2 Strategy, performance and reporting
- 1.3.3 Governing structures and delegation
- 1.3.4 Governance functional areas
- 1.3.5 Stakeholder relationship

1.4 Harmony's Corporate Governance and Compliance Policy and Framework are based on these principles. The framework provides an overview of compliance management within Harmony.

## **2. Ethical culture and responsible corporate citizenship**

### **2.1 Ethical leadership**

2.1.1 The board fully appreciates that it has to lead by example. Each member of the board is therefore expected to at all times exhibit the characteristics of integrity, competence, responsibility, accountability, fairness and transparency in his or her conduct. Collectively, the board's conduct, activities and decision-making are characterised by these attributes which also form part of the regular assessment of the board and individual directors' performance.

2.1.2 The board charter elaborates on the standard of conduct expected from board members. In addition, the board policy on the declaration of interests not only limits the potential for a conflict of interest but also ensures that in cases where

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conflict cannot be avoided, it is properly disclosed and proactively managed within the boundaries of the law and principles of good governance.

## **2.2 Organisational ethics**

The board sets the direction for how ethics should be approached in the group through a board approved behavioural code and code of conduct. Oversight and monitoring of organisational ethics is the mandated responsibility of the social and ethics committee which fulfils this role on behalf of the board.

## **2.3 Responsible corporate citizenship**

Harmony is a corporate citizen in its own right. This means it has rights, obligations and responsibilities towards society and the natural environment on which society depends. Being part of the mining industry introduces a unique responsibility and opportunity to the group to be a responsible corporate citizen. The board should oversee that Harmony is, and is seen to be a responsible corporate citizen. Although the board sets the tone and direction for the manner in which corporate citizenship should be approached and managed, the ongoing oversight and monitoring of the group's performance against set targets forms part of the mandate of the social and ethics committee.

## **3. Good performance and value creation**

### **3.1 Strategy**

- 3.1.1 The board is responsible for approving the group's short-, medium- and long-term strategy as formulated and developed by management. In doing so, the board focuses on a number of critical aspects of the strategy including, among others, the legitimate and reasonable needs, interests and expectations of material stakeholders as well as the impact of the group's activities and output on the various forms of capital employed as part of the business process. The risks and opportunities connected to the triple context (economy, society and the environment) within which the group operates are integral to the board's strategic reviews of the business.
  - 3.1.2 The board appreciates that Harmony's core purposes, its risks and opportunities, strategy, business model, performance, and sustainable development are all inseparable elements of the value creation process.
  - 3.1.3 Policies and operational plans that support the approved strategy are submitted regularly by management for review and formal board approval. Strategy forms part of the ongoing conversations in the boardroom and is a key feature of the agenda of every board meeting. Ongoing oversight of the implementation of strategy and operational plans take place against agreed performance measures and targets.
  - 3.1.4 As the company's reputation as a responsible corporate citizen is an invaluable attribute and asset of the group, the consequences of the activities and outputs of the group on the various capitals employed by the group are continuously assessed by the board through its subsidiary committees. This will ensure that
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we are able to respond responsibly to limit any negative consequences of our activities, to the extent reasonably possible. In addition, the board continuously monitors the reliance of the group on these capital inputs – employees, financial capital, the environment, our reserves and resources, communities and society at large, our mining infrastructure and our intellectual and technological know-how, as well as the solvency and liquidity and going concern status of Harmony.

## **3.2 Reporting**

3.2.1 In protecting and enhancing the legitimacy and reputation of Harmony and the group, the board ensures that comprehensive reporting is done on different platforms. In addition to the integrated annual report (which is available on the Harmony website at [www.harmony.co.za](http://www.harmony.co.za)), a separate report to shareholders as well as a financial report and a mineral resources and reserves report are published.

3.2.2 The group's performance as measured against the GRI Scorecard also forms part of the group's publications. It is the board's intention to not only meet minimum legal requirements but also the legitimate and reasonable information needs of material stakeholders. The board is comfortable with management's bases for determining materiality for the purposes of deciding what information should be included in our external reports. The audit and risk committee, with the assistance of the social and ethics committee, has been tasked with reviewing all external reports to verify the integrity of the information contained therein.

## **3.3 Political donations**

Harmony supports the democratic processes in the countries in which we operate and contributes to its political parties in terms of a political party donations policy.

## **4. Governing structures and processes**

### **4.1 Role of the board**

4.1.1 The board exercises its leadership role by:

- steering the group and setting its strategic direction
- approving policy and planning that gives effect to the direction provided
- overseeing and monitoring implementation and execution by management
- ensuring accountability for the group's performance by means of, among others, reporting and disclosures

4.1.2 The role and function of the board, including guidelines relating to the board's composition and procedures, are documented in detail in the board charter which is reviewed regularly to ensure that it remains relevant and applicable. A protocol

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is in place to be followed in the event of any of the board members or committees needing to obtain independent, external professional advice at the cost of the company on matters within the scope of their duties. Non-executive directors are also aware of the protocol to be followed for requisitioning documentation from, and setting up meetings with, management. Notwithstanding, board members have direct and unfettered access to the head of internal audit, the company secretary and members of executive management.

- 4.1.3 The board recognises that effective leadership is results-driven and pertains to the achievement of strategic objectives and positive outcomes.

## **4.2 Board committees**

- 4.2.1 The board has delegated particular roles and responsibilities to standing committees based on relevant legal requirements as well as what is appropriate for the group and achieving the objectives of delegation. The board recognises that duties and responsibilities can be delegated but that accountability cannot be abdicated and that the board therefore remains ultimately accountable.
- 4.2.2 The following committees have been established:
- Audit and risk committee
  - Remuneration committee
  - Nomination committee
  - Social and ethics committee
  - Technical committee
  - Investment committee
- 4.2.3 Formal terms of reference have been adopted for each board committee and are reviewed regularly to ensure that the content remains appropriate and relevant. The terms of reference address, as a minimum, the recommended items in the King IV Code.
- 4.2.4 In considering the membership of board committees, the board, with the assistance of the nomination committee, is mindful of the need for effective collaboration through cross-membership between committees, where required. Timings of committee meetings are co-ordinated so as to facilitate and enhance the effective functioning of and contribution made by each of the committees. The duties and responsibilities of each committee have been documented so as to clearly define the specific role and positioning of each committee in relation to topics that may be within the mandate of more than one committee. Membership of committees has also been approached in such a manner as to ensure a balanced distribution of power across committees so that no individual has the ability to dominate decision-making and no undue reliance is placed on any individual.
- 4.2.5 The board is comfortable that each committee as a whole has the necessary knowledge, skills, experience and capacity to execute its duties effectively. Each committee has, as a minimum, three members. Members of the executive and senior management are invited to attend committee meetings as deemed appropriate and necessary for the effective functioning of the committee.
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- 4.2.6 Any board member who is not a member of a specific committee is entitled to attend meetings of a board committee as an observer but is not entitled to participate without the consent of the committee chairman. Such individual also has no vote in meetings and will not be entitled to fees for attendance of the meetings unless specifically agreed by the board and provided for in the board fee structure as approved by shareholders.
- 4.2.7 The board considers the recommendations and provided by board committees in matters requiring board approval but remains responsible for applying its collective mind to the information, opinions, recommendations, reports and statements presented by the committees.

### **4.3 Appointment and delegation to management**

- 4.3.1 The board is responsible for appointing the chief executive officer, on the recommendation of the nomination committee. Harmony's chief executive officer is responsible for leading implementation and execution of the board-approved strategy, policy and operational planning and serves as a link between the board and management. He is accountable and reports to the board. The chief executive officer is not a member of the remuneration, audit and risk or nomination committees. He does however attend meetings of these committees as and when required for him to contribute insights and information.
- 4.3.2 A formal delegation of authority framework is in place and is reviewed regularly by the board to ensure its appropriateness and relevance to the business. The delegation of authority addresses the authority to appoint executives who may serve as ex officio executive members of the board and to make other executive appointments.
- 4.3.3 The board has identified key management functions and ensures that these functions are headed by individuals with the necessary competence and authority and are adequately resourced. The Office of the Chief Executive Officer provides strategic guidance to the group as mandated by the board. The South African operations are managed by the South African Executive team and the South East Asia operations are managed by the South East Asia Executive team.
- 4.3.4 Executive succession planning includes plans for executive management succession and other key positions in order to provide continuity of leadership. These plans are reviewed periodically by the nomination committee on behalf of the board.

## **5. Governance functional areas**

### **5.1 Risk governance**

- 5.1.1 Risk management is intrinsically linked to Harmony's strategy, performance and sustainability. The board appreciates that risk should be integral to the way it makes decisions and executes its duties. Risk governance in the boardroom encompasses both opportunities and risks as well as a consideration of the potential positive and negative effects of these risks on the achievement of the group's objectives.
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5.1.2 The group's risk appetite and tolerance levels, which support its strategic objectives, are considered annually. The board is supported in this area by the audit and risk committee.

5.1.3 Responsibility for implementing and executing effective risk management is delegated by the board to management. The board acknowledges the need to integrate and embed risk management in the business activities and culture of the group. The audit and risk committee is tasked with ensuring independent assurance on the effectiveness of risk management in the group as and when deemed necessary and appropriate.

## **5.2 Technology and information governance**

5.2.1 The board recognises that technology and information overlap but are also distinct sources of value creation which pose individual risks and opportunities. The board accepts responsibility for governing technology and information in a way that supports the group in setting and achieving its strategic objectives. The board is supported in this area by the audit and risk committee.

5.2.2 The audit and risk committee has delegated responsibility to management for implementing the policy on enterprise-wide information and technology management, and for embedding it into the day-to-day, medium- and long-term decision-making activities and culture of the organisation. Such policy will ensure that the management of technology and information results in:

- Integration of people, technologies, information and processes across Harmony
- Integration of technology and information risks into organisation-wide risk management
- Arrangements to provide business resilience
- Management of the performance of, and the risks pertaining to, third party and outsourced service providers
- Ethical and responsible use of technology and information

5.2.3 An information technology steering committee, chaired by the financial director and with its membership including the chief information officer and members of the group executive committee, has a well-defined charter and is responsible for the oversight of information technology direction, investment and alignment with business strategy and priorities.

5.2.4 Information technology management has adopted the IT Governance Institute's governance model and Control Objectives for Information and Related Technology (COBIT 5), as a framework for information technology governance, while continuing to employ best practice frameworks such as Information Technology Infrastructure Library and information security ISO 27001 as guidelines for establishing and maintaining effective internal controls, continuity and risk management.

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- 5.2.5 In line with COBIT 5, a framework for information technology policies has been developed and adopted, taking into consideration stakeholder needs, business imperatives, current legislation and information technology trends.
- 5.2.6 Internal audit provides assurance to management and the audit and risk committee on the effectiveness of the governance of information and technology.

### **5.3 Compliance governance**

- 5.3.1 The foundation of our corporate governance is compliance with the South African Companies Act, Act 71 of 2008, the requirements of the JSE, where we have our primary listing, and of the New York Stock Exchange as well as with the King IV Report and related principles and codes of good corporate governance. Harmony also complies voluntarily with the principles of the United Nations Global Compact, International Council on Mining and Metals, the Global Reporting Initiative and the Cyanide Code.
- 5.3.2 Developed to respond to the challenge of ethical conduct in the business environment, our code of conduct commits Harmony, our employees and our contractors to the highest moral standards, free from conflicts of interest. The board reviews the code of conduct at least every second year, while its application within Harmony is continually monitored by management. Our ethics programme is also subject to independent assurance as part of the internal audit coverage plan.
- 5.3.3 Our management ethics committee monitors our ethical culture and integrity. It also assesses declarations of interest in terms of the code of conduct and provides feedback to the executive committee, which then reports to the board's social and ethics committee. As a result, ethics are discussed and examined at every level of management within the company.
- 5.3.4 The code of conduct encourages employees and other stakeholders to report any suspected irregularities. All incidents reported are investigated and monitored by the white-collar crime committee, which comprises managers representing various disciplines in the company and reports to the management ethics committee.
- 5.3.5 During price-sensitive periods, our employees and directors are prohibited from dealing in Harmony shares. Written notice of these restricted periods is communicated to employees and directors by the company secretary. In addition, employees are reminded on a regular basis that they cannot trade in Harmony shares during any period in which they have access to material non-public, price sensitive information. In terms of regulatory and governance standards, directors are required to disclose any dealings in Harmony shares in accordance with the JSE Listings Requirements. The clearance procedure for directors and the company secretary to deal in Harmony shares is regulated by the company's policy on trading in shares and insider trading.
- 5.3.6 Being an ethical and responsible corporate citizen requires zero tolerance for any incidences of legislative non-compliance. In addition, compliance with adopted,



non-binding rules, codes and standards is essential in supporting the achievement of strategic business objectives. The compliance officer is tasked with monitoring regulatory compliance on behalf of the audit and risk committee under the supervision of the executive: legal.

- 5.3.7 It is expected of all employees and contractors to abide by the laws, rules and regulations applicable to Harmony. All heads of departments must have an understanding of the laws, rules and regulations that apply to the business for which the relevant head of department is responsible and to ensure that the employees of such business unit comply with such laws, rules and regulations. If a head of department or any other employee is uncertain about which laws, rules or regulations apply to Harmony or such terms, then he or she should consult the company's compliance officer or legal department.
- 5.3.8 The compliance officer must develop processes setting out how to identify and respond to compliance risks, incidents and issues (including potential or actual material noncompliance) to advise the heads of departments thereof and agree with them what steps should be taken to procure compliance, by whom the steps should be taken and by when.

#### **5.4 Remuneration governance**

- 5.4.1 The board recognises the importance of fair, responsible and transparent remuneration practices. This will result in the attraction and retention of required skills and also the achievement of strategic objectives, an ethical culture, responsible corporate citizenship as well as positive outcomes in the short, medium and long term.
- 5.4.2 The board acknowledges the importance of the use of performance measures that support positive outcomes across the economic, social and environmental context within which Harmony operates.
- 5.4.3 The board assumes responsibility for the governance of remuneration by approving a remuneration policy that sets the direction for how remuneration is to be approached organisation-wide.

#### **5.5 Assurance and internal audit**

- 5.5.1 The audit and risk committee oversees the arrangements for assurance services and functions on behalf of the board to ensure that those arrangements are effective in achieving the objectives of an enabling control environment and supporting the integrity of information, both for internal decision-making and external reporting purposes.
- 5.5.2 A combined assurance model should be applied that effectively covers the group's significant risks and material matters through a combination of internal functions and external service providers. Notwithstanding the output of the combined assurance model, board members are expected to apply an enquiring mind, form their own opinion on the integrity of the information and reports and the degree to which an effective control environment has been achieved.
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5.5.3 Internal audit plays an important part in the overall assurance approach and effectiveness of the assurance model. The audit and risk committee oversees the internal audit function on behalf of the board.

**6. Stakeholder relationships**

In furtherance of the reputation and legitimacy of Harmony and the group, the board sets the direction for how stakeholder relationships should be approached and conducted. In the best interests of the company, an inclusive stakeholder-engagement model and policy has been adopted that considers the legitimate needs, interests and expectations of all material stakeholders. The board is assisted in monitoring stakeholder relationships by the social and ethics committee.

**7. Responsibility for implementation and maintenance**

The compliance officer under the guidance of the executive: legal will be responsible for the implementation and maintenance of this policy.

**8. Scope of Application**

The policy is applicable to Harmony and all its subsidiary companies, including the board of directors, all employees, whether employed on a full-time or part-time basis as well as contractors and third parties that work on behalf of Harmony.

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