



# SOUND VALUES



2011 SUSTAINABILITY REPORT

## Key Performance Indicators

| Focus Area | Performance Indicator | GRI | FY 2011 | FY 2010 | FY 2009 |
|------------|-----------------------|-----|---------|---------|---------|
|------------|-----------------------|-----|---------|---------|---------|

| Generating Shareholder Value |   |     |           |           |           |
|------------------------------|---|-----|-----------|-----------|-----------|
| Economic Performance*        | Net sales (\$000)   | EC1 | 3,772,345 | 3,364,428 | 2,854,895 |
|                              | Net income (loss) from continuing operations (\$000)              |     | 135,916   | 35,178    | (422,345) |
|                              | Diluted earnings (loss) per share from continuing operations (\$) |     | 1.90      | 0.50      | (7.19)    |

| Promoting Safe, Sound Enjoyment |  |     |      |      |   |
|---------------------------------|--|-----|------|------|---|
| Employee Health and Safety      | Recordable injury and illness cases (per 100 employees) <sup>1</sup> | LA7 | 1.40 | 1.24 | - |

| Innovating to Improve our Environmental Performance |  |      |                           |         |         |
|---|--|------|---------------------------|---------|---------|
| Energy  | Fuel consumed (GJ) <sup>1</sup>  | EN3  | 51,473                    | 41,904  | 39,426  |
|   | Electricity consumed (GJ) <sup>1</sup>                                   | EN4  | 263,401                   | 247,980 | 214,053 |
|   | Greenhouse gas emissions <sup>1, 3</sup> (metric tons CO <sub>2</sub> e) | EN16 | 39,647                    | 37,180  | 31,324  |
| Solid Waste   | Landfilled (metric tons)   | EN22 | Data Collection Initiated |         |         |
|   | Recycled (metric tons)   | EN2  |                           |         |         |
| Water   | Usage (m <sup>3</sup> )  | EN8  |                           |         |         |
| Wastewater  | Discharge (m <sup>3</sup> )  | EN21 |                           |         |         |

| Making Sound Investments in our People and Communities |   |      |                           |       |       |
|--|---|------|---------------------------|-------|-------|
| Talent acquisition and retention                       | Voluntary turnover rate (%)   | LA2  | Data Collection Initiated |       |       |
|  | Diversity: Male/Female (%) <sup>4</sup>   | LA13 | 55/45                     | 62/38 | 65/35 |
| Training and development                               | Average training per employee (days) <sup>2</sup>                                     | LA10 | 1.67                      | 1.34  | 0.43  |
| Ethical business practices                             | Completion rate for targeted employees enrolled in ethics and compliance training (%) | SO3  | 90                        | 90    | 78    |
| Supply chain practices                                 | Suppliers screened for SA 8000 compliance (%) <sup>5</sup>                            | HR2  | 100                       | 100   | 100   |

<sup>1</sup> Reflects automotive manufacturing sites. Expanded training in place across global sites and data collection initiated.

<sup>2</sup> Reflects automotive manufacturing sites in Germany. Data collection initiated at other sites.

<sup>3</sup> Reflects natural gas and fuel oil consumption.

<sup>4</sup> 2009 and 2010 data reflects analysis of 15 European sites. 2011 data reflects global workforce.

<sup>5</sup> Agreements require suppliers to certify compliance with the Harman Supplier Code of Conduct.

\* Fiscal Years run from July 1 to June 30.



## From the Chairman

I am pleased to share with you the HARMAN Sustainability Report 2011. This is the first such report in our company's 60-plus year history, and a key step toward communicating our value strategy.

The term sustainability brings many different thoughts to mind. For some, sustainability equates to sharing the ideas and good fortunes of a successful enterprise so that others may also prosper. Others think of sustainability as empowering those who surround us, looking out for their safety, health and welfare while providing an environment of ethics and integrity in which to pursue our mutual goals.



These and similar fundamentals add up to my preferred definition of sustainability – an integrated set of actions and measurements that empower a successful business to *endure*.

Sustainability at HARMAN is not a stand-alone concept. If we are to continue to endure and prosper, we must sustain not only our own business but also those upon which we depend – and the complex world in which we live.

To that end, we have developed a simple and straightforward sustainability vision: To become the leading premium audio and infotainment company in a safe, sound world. This vision is supported by three key pillars, as follows:

- ◀ Generating shareholder value and promoting safe, sound enjoyment.
- ◀ Innovating to improve our environmental performance.
- ◀ Making sound investments in our people and communities.

We have already set challenging financial goals, and we report on those regularly. To ensure our sustainability journey is firmly embedded in the company's DNA, we are focusing on new product design and the operational aspects of our business. We are in the process of setting new targets to reduce our manufacturing energy use and greenhouse gas emissions, and will report on these operational targets and our progress towards achieving them in our next report. In addition, we continue to incorporate our sustainability vision into the design of our products. Finally, we will consult with our key stakeholders on establishing a dedicated HARMAN Fund to invest in community music education, events and infrastructure.

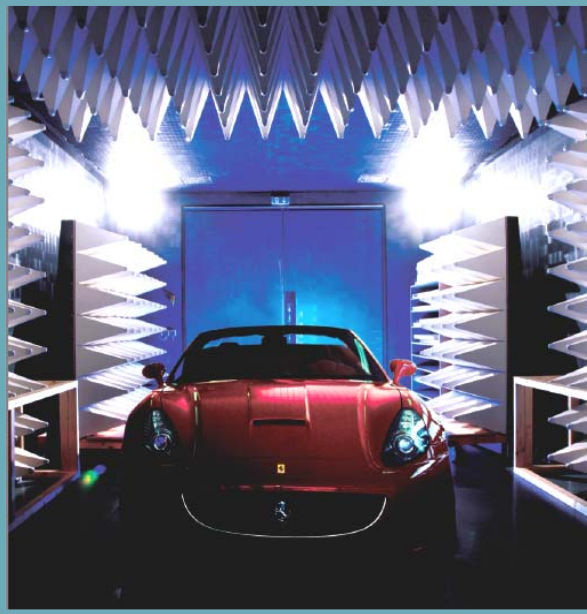
Sustainability at HARMAN means thinking toward the future, managing today's business challenges, and having the right fundamentals in place. It is the strategy through which we will differentiate HARMAN from its competitors, and we look forward to reporting on this journey.

Best regards,

*Dinesh C. Paliwal*  
Chairman, President and  
Chief Executive Officer

## Generating Shareholder Value

In order to successfully navigate the sustainability journey, we wanted to ensure we had the fundamentals right. At HARMAN, we have achieved dramatic change over the past few years by focusing on continuous cost management and growth at both the top and bottom line. As many companies still struggle to emerge from a global economic downturn, we have the tools firmly in place to navigate the headwinds.



We have made dramatic progress where some suggested we would falter. We have learned many important lessons along the way and applied these to new endeavors. We have surprised those who said we couldn't generate savings during an economic downturn and still grow our top and bottom line. Over the past four years, we have reshaped our global structure, sharpened our innovation pipeline, and instituted more than \$400 million in permanent cost savings.

But we didn't just cut our cost base. We have grown both revenues and profits, and turned the corner to a new business structure that will position HARMAN to compete aggressively for a leading share in the infotainment, lifestyle and professional audio markets. We took these difficult steps well ahead of the external forces that prompted others to do so . . . that's what sustainable industry leaders do.

As you read about the HARMAN of today, you will find it is a distant cousin of the company it was just a few years ago. Leading an industry, any industry, requires a certain positive restlessness as those who are content simply to reach the finish line have likely lost the pulse of the race. True winners will circle the track a few more times beyond the checkered flag while others simply head for the pit to reflect on their performance. We cite this analogy because true leaders never stop . . . they are in constant motion. That is the kind of culture we are building at HARMAN.

Our goals for the future underscore this type of leadership. We intend to double the size of our business building upon the foundation that has positioned HARMAN to capture growth in every major market, mature or emerging. Our strong financial foundation gives us the flexibility to act swiftly when the right opportunities emerge. We are investing in our brands and innovation pipeline while strengthening our relationships with existing customers and adding new ones. We have recently brought on new and experienced people to complement the strengths of our talented employee team, and will ensure they have the necessary tools to lead.

We will continue to build this great company, creating an environment that is the envy of our industry and a sustainable business model that helps HARMAN claim its rightful position as a leader in its space.

## Our Business Environment

HARMAN is fortunate to serve as a leader in many businesses where we operate. As with any robust business, however, we also face challenges. A sound sustainability strategy requires that we address each of these proactively, helping to mitigate potential risk, capitalize on opportunities, and preserve the competitive advantage that comes from HARMAN innovation.

The rapid growth of mobile infotainment technology has created a challenging opportunity for manufacturers to optimize the confluence of mobile phones, social networking and similar innovations with driver safety.

Amidst this rapid growth in popularity, government regulators and consumer advocates in many countries are demanding that new product offerings reduce potential driver distractions.



Our recent acquisition of online content aggregator Aha Radio was a milestone step toward this goal. We are working with many internal and external experts to further develop solutions that integrate technology effectively with the driving task such as hands-free Bluetooth integration of mobile devices, sound management technologies to reduce road and wind noise, multi-language voice navigation, and speech dialog technologies that allow voice control of additional in-car functions.

Our innovation pipeline will take the driver safety agenda many steps further, adding such innovations as true text-to-speech technology, augmented navigation that blends live camera views with in-dash displays, and in-car systems that alert drivers to approaching vehicles. We will continue working with customers, car manufacturers, key research institutions and transportation safety experts to build a global coalition that will showcase our innovative technologies and promote safe, sound enjoyment.

A very different market challenge is faced in our acoustics business, where specialized magnets lie at the core of loudspeaker performance. The magnets typically preferred for premium acoustic applications contain two rare earth materials, dysprosium and neodymium, which are mined in relatively few places around the world. China and Russia control more than 60 percent of world reserves for these important materials, and recent export control measures in China have resulted in significant supply and pricing pressures.



HARMAN is working closely with the magnet suppliers who fabricate these materials to our specifications, negotiating agreements that will help maintain continuity of supply. Meanwhile, our engineering and design teams will continue to explore design options that yield great HARMAN sound from alternate materials.

# Promoting Safe, Sound Enjoyment of Our Products

Harman is focused on design innovations that lead to sustainable solutions amidst ever-changing consumer demands. The advent of electric and hybrid cars, for example, poses special challenges for automotive designers. HARMAN is committed to meeting our customers' needs with innovations that make driving safer and more convenient for both pedestrians and drivers.

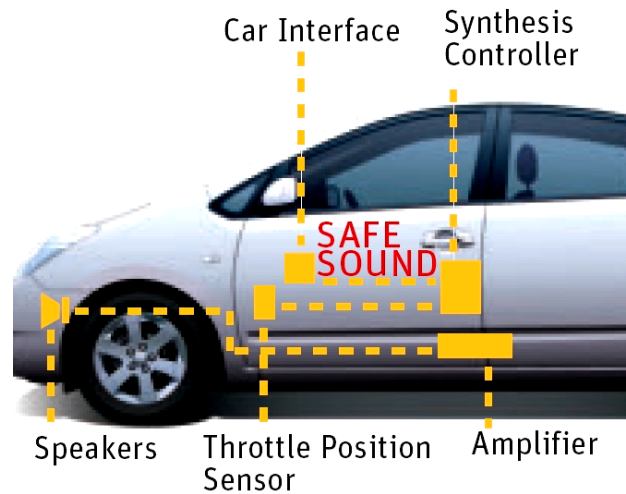
HARMAN is setting the pace for the electric vehicle age with innovative solutions for safer driving.

Due to their unusually quiet drive systems, most electric and hybrid vehicles do not provide the same audible feedback as traditional vehicles. Drivers lack the familiar engine sounds that help keep them aware of speed, and pedestrians and nearby motorists may not always be aware that a quiet, electric powered vehicle is approaching.

Working in collaboration with automotive pioneer Lotus Engineering, HARMAN has developed the HALOSonic™ sound management solution to equip electric vehicles with audible feedback both inside and outside the car.



Using the same design principles deployed in high-end consumer and professional audio, the HARMAN HALOSonic controller synthesizes traditional engine sounds in direct correlation to vehicle speed. These are projected from the front of the car to alert nearby pedestrians through high-fidelity speakers, and may also be experienced inside the car at the driver's option.



In addition to improving safety for pedestrians and nearby drivers, HARMAN HALOSonic technology reduces unwanted road noise normally experienced inside the car through principles similar to those used in noise-cancellation headphones. This provides a more comfortable ride, while reducing driver stress.

Today's connected generation has grown accustomed to a "real-time" lifestyle experience. The Internet, social networking, and diverse multimedia choices are now a staple of life at home and on the go. But taking this rich content on the road poses special challenges in order to keep consumers connected while ensuring a safe, distraction-free driving experience.

HARMAN is a leading player in speech synthesis and recognition technologies to address this important goal. Our premium audio and infotainment systems empower users to control many elements of the in-vehicle experience with simple voice commands.

Integrated, hands-free telephone systems, for example, allow drivers to initiate and receive important calls via portable smart phone interface without ever touching a button.

Other HARMAN innovations help drivers manage the car's audio and entertainment devices, navigation system or climate control in multiple spoken languages. Simple spoken commands help drivers keep both hands on the wheel for greater safety and convenience.



To extend this safety and convenience to mobile social networking, HARMAN has introduced the innovative Aha Radio™ application. This robust audio publishing platform delivers streaming, online content that blends user preferences, behavior, and predictive web search technologies to deliver a customized infotainment experience that adapts based on the driver's anticipated traffic corridor.



A Nearby Traffic feature even verbally alerts drivers to real-time traffic conditions and construction delays.

The end result of these HARMAN innovations is to help mitigate many of the potential distractions facing drivers on the road today, improving safety in an era of unprecedented demand for mobile connectivity.





# Innovating to Improve Our Environmental Performance

Few criteria are more important in designing today's advanced products than energy efficiency. Whether on the road or around the home, the goals of reducing energy costs, protecting the environment and conserving precious natural resources are vital.



HARMAN is responding to this call with its GreenEdge™ audio and infotainment technology. Through the use of innovative microprocessor, speaker and amplifier design, HARMAN GreenEdge achieves power-to-performance efficiencies of up to 90 percent – more than double the efficiency of traditional audio systems.

The GreenEdge design begins with advanced amplifier technology that converts low input power into premium audio output. The result: Waste heat is eliminated, so bulky cooling fans or heat sinks are not required.

Added to this are HARMAN's high-efficiency speakers, which deliver higher sound pressure than conventional products for higher acoustic transparency. System components are packaged in light-weight housings, using advanced materials such as carbon fiber.

For automotive applications, GreenEdge solutions mean lower emissions, thanks to lighter weight and reduced power consumption. These criteria are especially valuable for the coming wave of electric and hybrid vehicles, where HARMAN GreenEdge technology delivers longer battery life, greater travel range, and more power for other automotive accessories.

HARMAN GreenEdge also offers sweeping benefits for the operators of large professional audio systems such as those used for outdoor sporting and music venues. GreenEdge systems installed in a typical baseball or football stadium deliver the same high fidelity as traditional audio systems while significantly reducing electricity consumption as compared to conventional audio technologies.

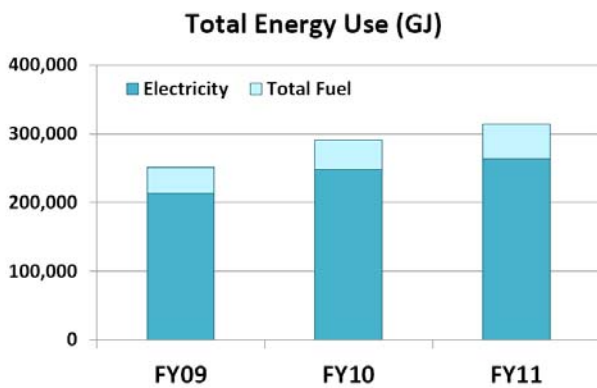
HARMAN GreenEdge™ audio and infotainment systems deliver more than twice the efficiency of traditional technologies, without compromising performance.



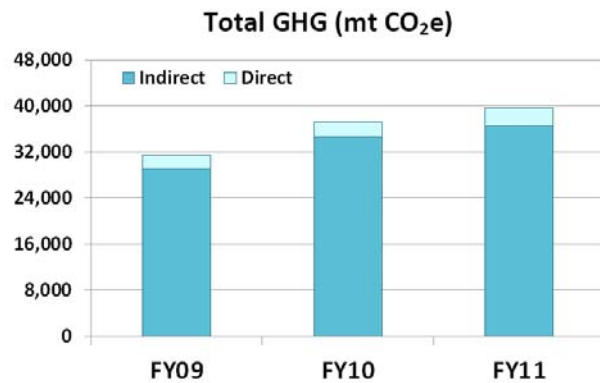
During a 2011 materiality survey of HARMAN management, energy and environmental efficiency ranked among the top three focus areas for achieving business objectives. This efficiency begins in the design stage, and continues throughout the Company's manufacturing operations.

Total energy usage has increased over the last three fiscal years consistent with production increases, while normalized energy usage has declined over the same time frame. Various initiatives are under way to reduce both overall and normalized energy usage at company facilities worldwide.

Energy assessments and select energy-reduction projects have been completed at several automotive manufacturing sites in Germany and a global energy strategy is being developed to reduce usage, particularly electricity consumption. High priority initiatives are focused on heat production and distribution, compressed air and process cooling.



Total Greenhouse Gas (GHG) emissions have increased over the last three fiscal years consistent with increases in energy usage. Fuel use (direct emissions) is small in comparison to GHG generated from electricity consumption (indirect emissions). Implementation of electricity reduction measures will be the primary driver to reduce total GHG emissions.



Complementing the Company's energy and GHG reduction initiatives, our Lifestyle business has developed new packaging designs that significantly reduce the amount of material consumed and ultimately disposed.

In our Automotive operations, manufacturing sites have been consolidated closer to key customers to save transportation costs, fuel, and environmental impact. Other automotive initiatives have focused on reducing and recycling scrap material and reconfiguring production processes for fewer steps.

Our Professional Division has deployed new logistics assets to support leading audio contractors across the globe, providing both new products and lifecycle service closer to the point of use. As noted earlier, HARMAN's advanced GreenEdge audio systems amplify the action for large entertainment and sporting crowds while consuming a fraction of the electricity of their predecessor products.

## Making Sound Investments in Our People and Communities

Partnering with community groups whose success is integral to our own, and those who simply need a helping hand, is a part of life at HARMAN. Our employees give generously of their time and resources, with a growing focus on music education and the arts.

Other beneficiaries include a wide range of local and national charities, non-governmental organizations and community initiatives. During 2011, HARMAN and its employees actively supported such national organizations as the Red Cross, Habitat for Humanity, the United Way, Toys for Tots and the Salvation Army.

More localized community-outreach initiatives included the St. Anna Children's Hospital in Vienna, Austria; the Rose Bruford College of Theatrics in the United Kingdom; and The Road Home shelter for homeless families in Utah.

Following the devastating earthquake and tsunami that touched Japan in 2011, HARMAN immediately established a matching contributions program for employees worldwide. The program was administered by the International Red Cross with whom HARMAN has partnered previously on several occasions when global help is needed.



Demonstrating its passion for great sound and artistic talent, HARMAN sponsorships during the year included such milestone events as the 2011 GRAMMY® Awards, the Miss Universe China competition, and the MusiCares Initiative which provides support for members of the music industry in times of personal or financial need.

HARMAN became a premier sponsor of the Stamford Symphony, which serves the Metro New York area adjacent to our group headquarters. The HARMAN Orchestra Classics Series celebrates the world's great composers and helps empower the talented musicians who bring their artistry to life. We support similar cultural initiatives in many countries, including a recently announced "Music Campus" project in China to engage regional students and professionals toward continuing music education.





Further helping to support tomorrow's generation of music professionals, our AKG brand continued its annual Scholarship of Sound initiative. A dozen emerging musicians and producers earned a week-long visit to the company's studios in Germany, where they studied under the guidance of leading music industry professionals.



Throughout these many initiatives, the passion of HARMAN people for sharing great sound consistently shines through. The talents of our employees, many of whom began their careers in the music industry, are a regular feature during both workplace and community events.



In the sporting world, HARMAN and its brands helped sponsor a number of initiatives that blend fitness with charitable support. The Golden State Racing Series, serving Northern California and Nevada, brought together cycling fans

from every age group through a partnership between our JBL brand and the legendary Rio Strada racing organization.

This artistic passion is also evident when HARMAN people engage their own communities through a variety of volunteer projects and cultural initiatives. Localized employee involvement activities during 2011 included community arts sponsorships, health and wellness education, domestic violence awareness, food bank and clothing drives, literacy initiatives, and a variety of similar programs in the communities surrounding company facilities.

HARMAN and its employees contribute generously to various charitable and relief initiatives that help the communities where we live and work recover from natural disasters.

# Empowering Our Talented Employees

HARMAN recognizes that its many talented employees around the world are the foundation for achieving our vision, and an important element of the sustainability journey. Attracting and retaining talented and highly-qualified employees and key managers is vital to the success of our future operations.

The process begins with hiring, where HARMAN strives for a robust blend of promotion from within and recruiting fresh new talent from the world's leading institutes of higher education.

Each employee then benefits from an annual HARMAN "people cycle" which ensures regular performance reviews, clear target setting for the year ahead, and compensation programs that clearly link each employee's pay with measured performance toward individual and group goals.

In addition to this annual performance-based people cycle, we administer a program called Harman Heroes which enables peers or managers to nominate employees for special recognition. Cash or equity awards are granted to those team members who distinguish themselves by embracing HARMAN values or contributing to improved performance.

During 2011, employees were recognized through this program for such achievements as increasing e-Commerce revenues, improving customer service, and reducing warranty costs. Others were rewarded for optimizing the company's emerging market footprint and improving annual business forecast processes.



Specialized learning and development programs are offered to HARMAN employees at many levels. These include advanced programs in such areas as Lean Six Sigma, Project Management, and effective communications. During 2011, for example, we certified some 50 people to the standards of the Project Management Institute and some 60 others engaged in Lean Six Sigma training. Six of these employees recently achieved Green Belt status while contributing to a number of key projects during the year.

Employee feedback on these learning and development programs underscores their worth. Participants report a greater feeling of empowerment and better understanding of cross-division goals. Building upon these, HARMAN has initiated a management apprentice program that will offer selected people mentoring directly by members of the Group Executive Committee.





This culture of development, recognition and opportunities for growth is reflected in the accomplishments of HARMAN employees across the globe. Their positive sentiments are expressed both in town hall meetings with senior management and through various awards by independent organizations.

For example, the company's Tijuana, Mexico facility was recently recognized by the Great Place to Work Institute as one of the Top 100 employers in the country. Our plant in Franklin, Kentucky recently celebrated two million work hours without a lost-time accident.



In order to build upon these significant achievements, HARMAN also offers its employees outside education opportunities through tuition reimbursement, internship and coop programs. For example,

we have partnered with China's Nanjing University to conduct advanced acoustic research in cooperation with our nearby Suzhou engineering and development facility.

HARMAN's support for employee welfare extends well beyond the workplace. We have established two independent schools in Mexico to serve the communities where our people live and work. Our employees in Brazil are active participants in the Pescar Foundation, which assists adolescents from low-income families with on-site professional training and career planning services.

In memory of our late Founder, Dr. Sidney Harman, the company recently launched the HARMAN "Vision" Scholarship to assist the children of employees with advanced education.

The same commitment to health and safety that drives our product designs also applies to HARMAN's valued employees. We administer various programs to promote employee health and wellness, as well as vigorous enforcement of work rules focused on employee safety. These encompass, among other factors, careful ergonomic design of work processes to reduce the risk of injuries, formal health and safety policies at all HARMAN locations, and prompt reporting of potential violations and suggestions for improvement.

Investing soundly in our people is and will remain a priority at HARMAN. We are committed to providing an environment of opportunity and integrity in which to work, while generously supporting the future of those who drive our company and our industry.

HARMAN established two community schools in Mexico and announced a new global scholarship to support higher education among the children of our employees.

## Stakeholder Engagement

Sustainability at HARMAN means interacting and collaborating with a broad range of key constituents. We recognize the synergy of our own success with that of investors, customers, channel partners, and governments around the world. We regularly arrange events where these diverse groups can exchange perspectives and strengthen the collaboration toward shared goals.



Our financial reporting processes offer maximum transparency into HARMAN's business results and forward strategy. Beyond the company's scheduled quarterly and annual reports, we regularly host key analysts and investors for a first-hand look at HARMAN's key facilities, managers, and cutting-edge technologies.

Our corporate governance processes are guided by an experienced Board of Directors whose members hail from multiple countries and boast extensive management experience in finance, human resources, sales and marketing, and similar global business processes.

To keep customers informed about leading-edge developments at HARMAN, we participate in many of the world's premier exhibitions and trade fairs. These include such milestone events as the Detroit, Geneva and Shanghai motor shows, as well as annual exhibitions focused on the consumer and professional audio markets.

In order to increase impact and optimize the costs of these marketing activities, we routinely team with both customers and technology partners for shared presentations. Automotive partners such as Audi, BMW, Mercedes, Porsche, Toyota and concept vehicle pioneer Rinspeed regularly host HARMAN technologies in their own displays to showcase our joint developments.

Technology leaders including Intel, Nuance and Sierra Wireless are integral components of both our development and marketing activities. In the consumer sector, we partner with such leading names as Apple, Sony, Amazon and Best Buy to engage customers through the power of our respective brands.





Government relations took on increased importance during 2011 as HARMAN worked with leaders in several countries to expand our emerging market footprint and contribute our expertise to such initiatives as distraction-free driving. We engaged key government officials such as the honorable Yang Xiong (above), executive vice mayor of Shanghai, to leverage their support for HARMAN expansion programs.

In the United States and elsewhere, we are working with government transportation officials to communicate the benefits of HARMAN technologies that will allow customers to stay connected on the road while reducing the potential distractions sometimes associated with mobile communications.



At the local and state level, we hosted a number of public officials, such as US Senate leader Mitch McConnell (left), to strengthen the key relationships that have led to significant financial incentives to fund HARMAN training and expansion programs.

These outreach efforts have led to a dramatic evolution of HARMAN's global resources in recent years. We broke ground in early Fiscal Year 2011 for what will become the company's largest development and manufacturing facility in northern China, and the new site prepared for startup as the fiscal year drew to a close. Similar expansion programs were completed during the fiscal year in Brazil, India and Russia.

In the United States, we consolidated our manufacturing operations to better utilize capacity and position resources closer to our major customers. We also strengthened our supplier rules of conduct, to optimize compliance with the environmental, health and safety criteria of the Social Accountability 8000 reference standard.



HARMAN's robust partnership with key stakeholders is illustrated by a Fiscal Year 2011 event which brought together in China nearly 300 global customers, channel partners, technology leaders and government representatives from the city, state and national level. The Company's entire Board of Directors and Executive Committee hosted the activities to break ground for a major new HARMAN facility, reinforce our commitment in the region, and exchange perspectives with other leaders on our shared goals.



# Our Governing Standards

## Equal Employment Opportunity

It is the policy of HARMAN to seek and employ the best qualified candidates and to provide equal employment opportunities in all of its Human Resources activities, including, but not limited to, recruiting, hiring, promotion and training, and to administer these in a manner which will not discriminate against any person because of race, color, religion, sex, national origin, age, physical or mental disability, or any other status protected by federal, state or local law.

## Supplier Code of Conduct



All suppliers with whom HARMAN conducts business must have established policies for social accountability. The preferred reference for these processes is the SA8000 standard from Social Accountability International. Each supplier must comply with applicable environmental, health and safety standards.

Each must provide safe and healthy working conditions for its employees. Each is also required to actively support HARMAN in minimizing potential adverse environmental, health and safety impact during the various phases of the lifecycle of HARMAN products from development through manufacturing, usage and responsible product disposition.

## Environmental Policy

HARMAN is committed to continual improvement in our environmental performance as prescribed in ISO 14001. These efforts include, but are not limited to, the following principles:

- ◀ Maintain and improve a common worldwide Environmental Management System that includes the practice of continual improvement.
- ◀ Ensure our activities, products and operations are in compliance with all applicable federal, state, and local environmental laws, and other requirements to which we subscribe.
- ◀ Conduct our operations in a manner that is committed to prevention of pollution, conservation of resources, careful handling of hazardous substances and promotion of environmental responsibility.
- ◀ Review our environmental procedures periodically and set objectives and targets that minimize negative environmental impact and lead to continuous improvement.
- ◀ Communicate our environmental commitments to all persons working for or on behalf of HARMAN and to our customers. Additional details on the Company's environmental policy and similar directives are available at [www.harman.com](http://www.harman.com).



## Code of Ethics

It is the policy of HARMAN that each of the Company's employees, including senior officers and Board shall be accountable for adhering to the following principles:

- ◀ Act with honesty and integrity, avoiding actual or apparent conflicts between his or her personal, private interests and those of the Company.
- ◀ Ensure that periodic reports are filed with the SEC, and that all such public communications are accurate, complete, fair and understandable.
- ◀ Comply with federal, state, and local laws applicable to the Company and those of private and public regulatory agencies.
- ◀ Act in good faith, responsibly, with due care and diligence, without misrepresenting or omitting material facts or compromising judgment.
- ◀ Respect the confidentiality of information acquired except when authorized or otherwise legally obligated to disclose.
- ◀ Proactively promote ethical behavior among subordinates and peers, and prompt internal reporting of any violations.
- ◀ Use corporate assets and resources employed or entrusted in a responsible manner.
- ◀ Do not use corporate information, assets, opportunities or one's position for personal gain.

## Whistleblower Reporting Policy

The Company provides telephone hotline, Intranet and mailbox channels to employees for reporting of suspected violations of its ethics and governance policies. All reports are kept confidential and are investigated by the Company's Internal Auditor. The Audit Committee of the Board of Directors is provided, at regular intervals, with a report on messages received and the results of any investigation.

## Health and Safety Policy

HARMAN is committed to the continuous improvement of health and safety standards to help achieve the greatest benefit for our stakeholders and to ensure the welfare of our employees. It is our policy to meet or exceed all applicable environmental, health and safety laws and regulations in each location where we operate, and to facilitate full and open discussion to address responsible standards and practices where such laws and regulations do not exist.



## Governance and Committee Structure

One of the most important responsibilities of the HARMAN Board of Directors is to determine the appropriate leadership structure for the Board which, in turn, helps to ensure the effective, independent oversight of management on behalf of the company's stockholders.

The HARMAN Board of Directors has three standing committees who collaborate regularly to provide this governance oversight. These include the Audit Committee, the Nominating and Governance Committee, and the Compensation and Option Committee. Each of these committees is composed entirely of independent directors.

## The Journey Ahead

As discussed earlier, publication of this first Sustainability Report is an important milestone for HARMAN, reinforcing the Company's commitment to a sustainable business model. We have taken concrete steps to ensure we collect quality data required for sustainability reporting, and we are revising our sustainability data collection systems so that we can measure our progress going forward. Based on the information gathered thus far, we will be implementing pilot energy reduction initiatives at three of our largest operations. We will report on the design and results of this initiative in our next report.



As we continue the HARMAN sustainability journey, our first priority will remain to create sustainable value for our stakeholders through these primary strategies:

- ▶ Leveraging our global customer base, market and technology strengths in order to achieve continued profitable growth.
- ▶ Continuously improving the product design and state-of-the-art operations through which we serve our customers in both mature and emerging markets.
- ▶ Continuously improving our cost and capital structure so we can reinvest in growing our business.

Toward these goals, we will continually prioritize and refine the market segments we pursue, the materials and suppliers we select, and the customers and channel partners with whom we engage. We will also closely monitor the key challenges facing our industry, including the leading-edge technologies necessary to address the issue of distracted driving, as well as the cost and availability concerns of key components such as magnets containing rare earth minerals.

HARMAN remains committed to serving as *the* premium audio and infotainment company in a converging marketplace. Our consumers increasingly expect an always-on, connected lifestyle, and we are prepared to deliver the experience based on our deep integration expertise. Advanced technologies and innovation are at the heart of our sustainability journey, and we will remain vigilant in creating products and systems that can be enjoyed safely and that have a beneficial long-term impact on our stakeholders and the planet.

## About HARMAN

Everywhere discriminating people gather, HARMAN is there to make the moment more enjoyable and informative. We create value for our stakeholders by enabling rich lifestyle experiences around the home, on the road, and in the world's most prestigious public venues.

Our legendary portfolio of brands, 12,500 talented people, and diverse global resources combine to deliver the most robust range of audio and infotainment solutions in the industry. Audiophiles from every generation relax at home and on the go to the great sound of products from the wide range of HARMAN brands. Some 25 million vehicles on the road today offer a sweeter ride thanks to HARMAN audio and infotainment. And we help to provide visitors to the world's leading performance and sporting venues with the best seats in the house.

But seizing the rich opportunities of today's global markets requires much more than legendary sound. We have aggressively re-shaped the HARMAN organization and cost structure to become a more agile competitor in a changing world. We have dramatically expanded the resources with which we serve the high-growth emerging markets, and we have focused our resources in every market to work more closely with our loyal customers. We have continued the track record of innovation that has distinguished our company and its premium audio and infotainment brands for more than 60 years.

Our loyal customers have responded to these sound strategies, rewarding HARMAN with profitable repeat business, a multi-year backlog of awarded audio and infotainment projects, and seven consecutive quarters of top-line and bottom line growth through Fiscal Year 2011. Welcome to the world of HARMAN.

Special thanks to the following individuals for their contributions to this 2011 Sustainability Report.

|                              |                    |
|------------------------------|--------------------|
| Christian Baum               | Denis Kerrigan     |
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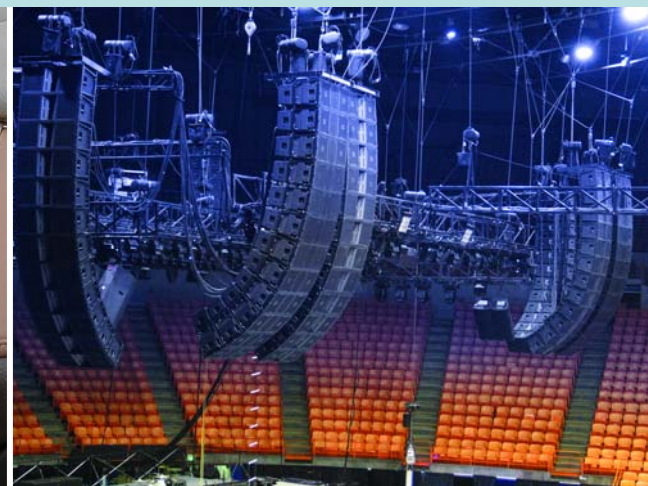


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