

LONMIN

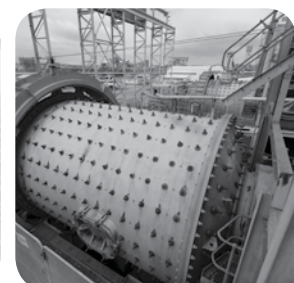


# Rebuilding Bridges

Sustainable Development Report 2014

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## CONTACTS

Lonmin welcomes feedback from stakeholders on the Sustainable Development Report, approach to reporting according to the various frameworks, and how it addresses its material focus areas. For feedback or requests for more information on sustainable development please contact:

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## FORWARD-LOOKING STATEMENTS

This report includes forward-looking statements that involve inherent risks and uncertainties and, if one or more of these risks materialise, or should the underlying assumptions prove incorrect, actual results may be different from those anticipated. Words such as "believe", "anticipate", "intend", "seek", "will", "plan", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. Forward-looking statements apply only as of the date on which they are made, and Lonmin does not undertake to update or revise any of them, whether as a result of new information, future events or otherwise.

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# Reporting approach

This report provides information about Lonmin's sustainable development policies, practices and performance and should be read in conjunction with the 2014 Annual Report and Accounts, and supplementary reports available online at [www.lonmin.com](http://www.lonmin.com). Lonmin seeks to present to stakeholders detailed information about Lonmin's approach to sustainability and presents to readers the most material sustainability issues the Company faced and how challenges were addressed.

## REPORTING GUIDELINES

This is the first report prepared according to the Global Reporting Initiative's (GRI's)<sup>1</sup> revised guidelines (G4) and the revised GRI's Mining and Metals Sector Supplement. This report has been prepared in accordance with the core GRI G4 basis. Lonmin's independent assurance providers conducted a gap assessment of this report to assist the transition from GRI G3.1 reporting guidelines to the revised G4 guidelines. The report has also taken into consideration the International Council on Mining and Metals (ICMM) and the United Nations Global Compact (UNGC)<sup>2</sup> principles and reporting requirements.

## BOUNDARY AND SCOPE

This report covers the financial year from 1 October 2013 to 30 September 2014. The previous sustainability report covered the financial year ending 30 September 2013.

The reported information relates to Lonmin group subsidiaries: Western Platinum Ltd (WPL), Eastern Platinum Ltd (EPL) and Messina Platinum Mines Ltd (MPML), as well as the joint ventures and exploration activities over which the Company exercised management control during the financial year. There have been no significant changes in the Company's size, structure, ownership or products that have materially altered the boundary of this year's report.

The report is presented according to material focus chapters that analyse and present the relevant data and statistics pertinent to that area. To keep the report concise, relevant and material, as endorsed by the G4 reporting guidelines, certain previously reported areas have been removed. Some of these are covered in supplementary reports and a comprehensive GRI index that are available on the Company's website. The boundary of data remains unchanged.

The Rand weakened against the Dollar during the year averaging South African Rands (R)10.55 to US Dollars (US\$) 1 compared to an average of R9.24 to US\$1 in the 2013 financial year. All monetary amounts reflected in the report are expressed in South African Rands or in US\$. A total production of 882,094 platinum group metal ounces is used to calculate intensity or efficiency in the report, unless indicated otherwise.

<sup>1</sup> The GRI is a global reporting guideline that provides a framework for sustainable development reporting (<https://www.globalreporting.org>). The GRI index is available online at [www.sd-report.lonmin.com/2014/reporting-approach](http://www.sd-report.lonmin.com/2014/reporting-approach).

<sup>2</sup> The UNGC sets universal principles on labour, environment, anti-corruption and Human Rights. <http://www.unglobalcompact.org>.

## DATA AFFECTED BY THE STRIKE

Five months of limited to no production due to the strike had an impact on the comparability of data contained in this report with that of 2013. Where possible, the data has been normalised for purposes of like-for-like comparison and trend analysis. However, in the majority of cases normalisation has not been possible, resulting in the reporting of actual data. Therefore, data should be understood in the context of the five-month long strike. In data tables and graphs where data has been severely impacted by the strike it has been noted and/or indicated with an icon. !

## ASSURANCE

KPMG has provided assurance on selected sustainability information in this report and the supplementary reports provided online. This is in line with the ISAE 3000 assurance standard and the International Council on Mining and Metals (ICMM) sustainable development framework: *Assurance procedure* and the ICMM Subject Matters 1 – 4. ICMM Subject Matter 5 no longer applies (as it refers to the GRI G3 guidelines). The scope of the assurance, the data assured and statement of assurance are provided on page 110 of this report.

Assurance provided by KPMG: Reasonable (✓R), Limited (✓L)

## RESTATEMENT

### 1

#### MEASUREMENT UNITS

The greenhouse gas emissions efficiency rates measurement unit that was provided for in the *Key performance statistics* table in the 2013 Sustainable Development Report incorrectly referred to **kilo** tonnes CO<sub>2</sub>e/PGMoz; the measurement unit which aligns to the units reflected is **tonnes** of CO<sub>2</sub>e/PGMoz.

The measurement unit that was provided for the tailings and waste rock data provided in the *Summary of waste streams table* in the 2013 Sustainable Development Report incorrectly referred to **tonnes**; the measurement unit which aligns to the units reflected is **kilotonnes**.

## SPECIFIC TERMS AND REFERENCES

Data in the report is provided in terms of both operations and geographic areas, as outlined below:

- Marikana: refers to the operational activities of WPL and EPL in the North West Province
- The PMR: owned by WPL, refers to the precious metal refinery, located in Brakpan, Gauteng Province
- Limpopo operations: refers to MPML, owned by WPL and located in Limpopo Province
- GLC: refers to the Greater Lonmin Community, which incorporates the communities within a 15km radius of the Company's Marikana operations

# Corporate profile

## AT A GLANCE

Lonmin Plc (Lonmin or the Company) is one of the largest primary producers of PGMs in the world. These metals are essential for many industrial applications, especially catalytic converters for internal combustion engine emissions. Lonmin has been granted a new order mining licence by the South African government for our core operations which runs to 2037 and is renewable to 2067.

### WHERE

- Operations are based in the North West, Limpopo and Gauteng provinces of South Africa
- Operational head office is located in Johannesburg, South Africa
- Corporate office is located in London, United Kingdom
- Premium listing on the London Stock Exchange (LSE)
- Secondary listing on the Johannesburg Stock Exchange (JSE)

### WHAT

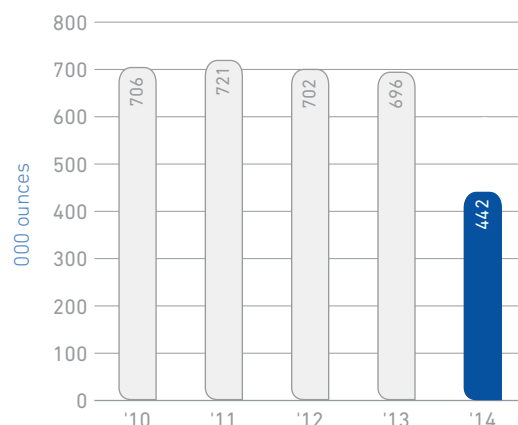
- Mining operations
  - Located at Marikana in the North West Province and currently sources more than 95% of production
  - At Marikana the Company has 10 active shafts, one on care and maintenance as well as open cast operations
  - An additional mine at the Limpopo operations under care and maintenance
  - Pandora operations – a joint venture in which Lonmin has a 42.5% interest; it is a source of 5% of our production
  - Exploration both in South Africa and international
- Process operations
  - Seven concentrators at Marikana and one concentrator in Limpopo
  - Smelter and a base metal refinery (BMR) at Marikana
  - Precious metal refinery (PMR) at Brakpan, Gauteng

### WHO

- The Company employs 38,292 people – 28,276 own employees (2013: 28,379) and 10,016 contractors (2013: 10,042)
- Of own employees, 98% are employed at the North West operations, 1% in Gauteng and 0.2% at the Limpopo operations
- Women constitute 8% of own employees
- There are an estimated 186,000 people in communities that fall within a 15km radius of the Marikana operations, known as the Greater Lonmin Community
- Lonmin directly and indirectly sustains the livelihoods of over 126,000<sup>1</sup> people connected to its business

<sup>1</sup> Based on the assumption that every employee and contractor supports 3.3 dependants which is based on the result of the South African Census 2011 – Statistical Release (revised) P0301.4 by Statistics South Africa.

## Platinum sales (000 ounces) ⓘ



## PLATINUM GROUP METALS (PGMs)

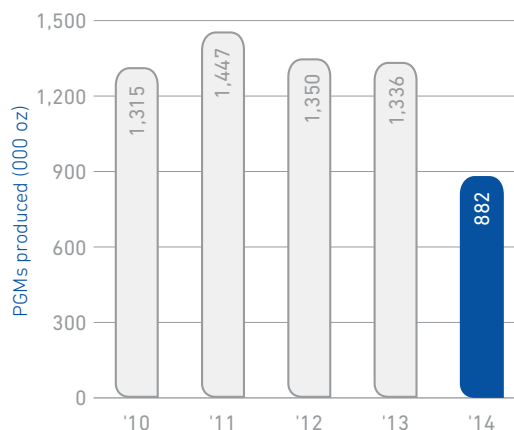
PGMs are precious metals found in PGM-bearing rock. PGMs are highly durable and have robust catalytic and electrical properties.

PGMs mined by Lonmin are platinum, palladium, gold, rhodium, ruthenium and iridium, of which platinum is the biggest proportion.

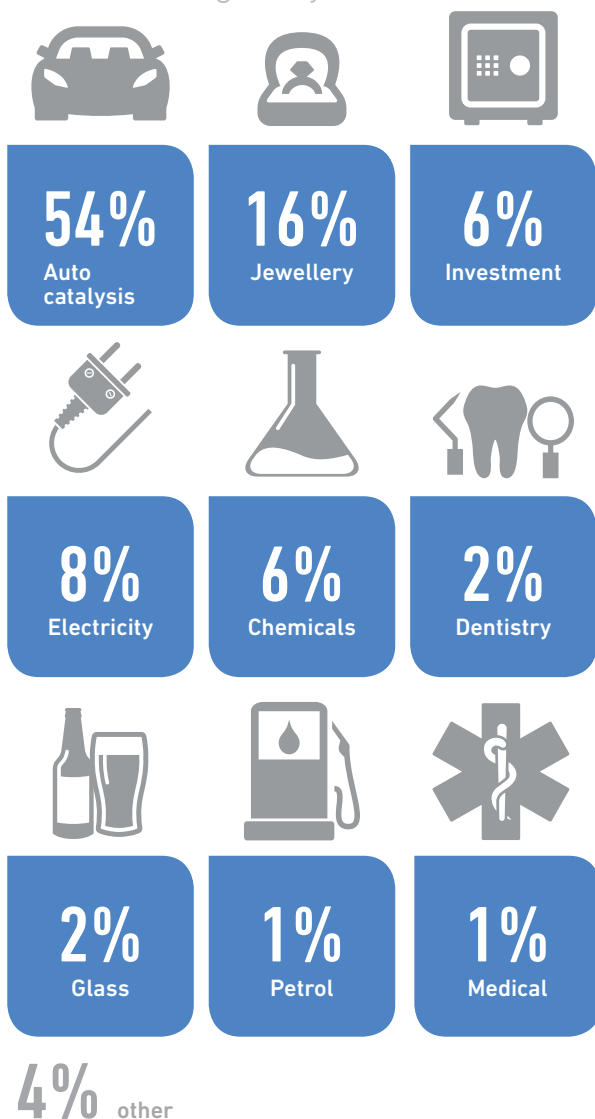
PGMs are used rather than consumed, they have a long life cycle and PGMs can be recovered for reuse. The high recyclability complements and mitigates the energy intensive impact of primary production.

The primary use of PGMs is in the application of their catalytic properties in the automotive industry. The second major industry for platinum is jewellery. Its white colour, weightiness and resistance to tarnishing make platinum an attractive medium for jewellery-making.

### Lonmin PGM production (000 ounces)



### Uses of PGMS globally<sup>1</sup>



The use of PGMs in automotive catalytic converters reduces emissions produced by motor vehicles, thereby mitigating the impact of air pollution and greenhouse gases on climate change.

#### FOR EXAMPLE,

100 cars fitted with PGM-loaded exhaust systems in 2014 will emit less pollutants due to the catalytic converters fitted, than a single car manufactured in the 1960s.

*Refer to the online supplementary reporting piece: Life cycle assessment*

Source: SFA (Oxford)

## MARKET OVERVIEW

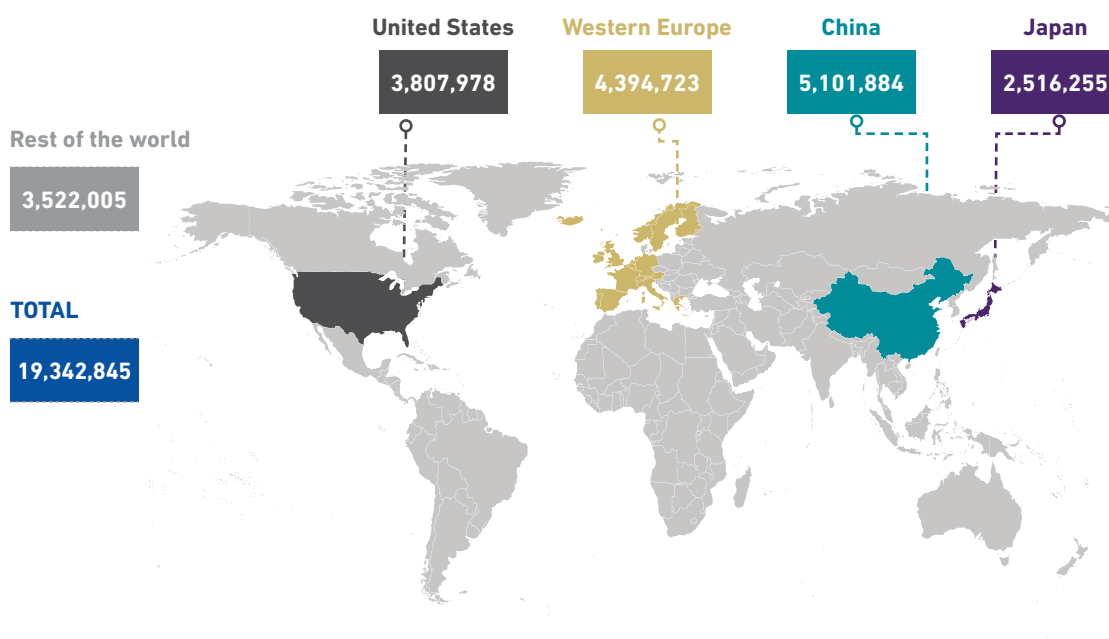
During the year under review the platinum price has fallen short of market expectations. Significant destocking by mining companies during the longest strike in platinum's history, not to mention the growth of platinum exchange traded funds products in South Africa, should have led to higher prices than prevail today.

However, speculative investment positions have been long for some time, constraining upward price movement leaving platinum largely range bound throughout most

of 2014. During the last two weeks of September a strengthening dollar combined with uneven global economic trends resulted in significant liquidation and price depreciation.

Nonetheless, as investors have shifted from relatively overweight to underweight in platinum, the health of market fundamentals is expected to exert greater influence on future price recovery.

### Global Platinum Group Metals (PGMs) demand by region (ounces)



Source: SFA (Oxford)

## VALUE-ADDED STATEMENT

Lonmin distributes financial value to a variety of stakeholders through business operations, shareholdings, investments, procurement contracts and development projects.

### VALUE-ADDED STATEMENT



US\$ million	2013	2014
<b>Net cash generated</b>		
<i>Customers, consumers and investment income</i>		
Cash received for products	1,529	<b>972</b>
Cash returns on investment	1	<b>15</b>
<i>Suppliers<sup>1</sup></i>		
Cash payments for materials and services purchased	(443)	<b>(174)</b>
Cost of borrowings	(34)	<b>(31)</b>
<b>Net cash flows</b>	<b>1,053</b>	<b>782</b>
<b>Cash distributed</b>		
Human capital (salaries and benefits)	742	<b>563</b>
Social capital <sup>2</sup>	7.9	<b>6.6</b>
Donations	0.2	<b>0.1</b>
Other community projects <sup>3</sup>	7.7	<b>6.5</b>
Government taxes	37	<b>18</b>
Shareholders' distribution	–	<b>–</b>
Cash retained for growth	266 <sup>4</sup>	<b>194</b>
<b>Net cash distributed</b>	<b>1,053</b>	<b>782</b>

For further information on directors' remuneration please refer to the Annual Report and Accounts 2014.

<sup>1</sup> Lonmin has a 30-day payment policy on services and procurement.

<sup>2</sup> This includes the expenses related to the Social and Labour Plan community projects, donations and other community investments.

<sup>3</sup> This includes salaries and administrative costs.

<sup>4</sup> Inclusive of directors' remuneration.







### DISTRIBUTION OF CASH TO STAKEHOLDERS

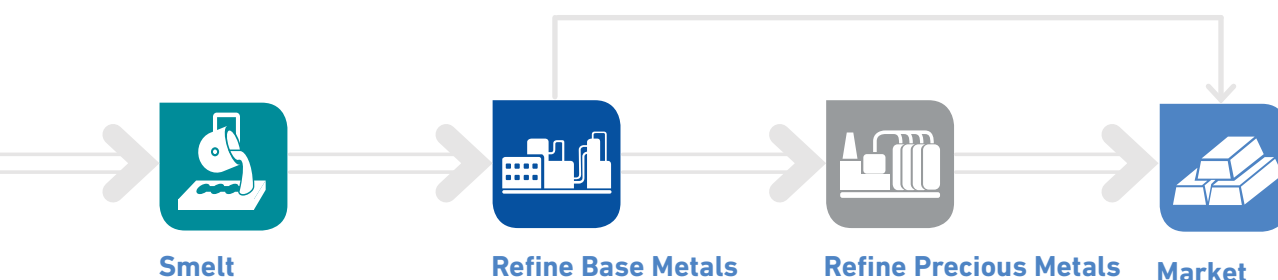
Destination	US\$m	Cents in the Dollar
Payments to employees	<b>563</b>	<b>57</b>
Payments to suppliers*	<b>174</b>	<b>17</b>
Government taxes	<b>18</b>	<b>2</b>
Payments to/for communities	<b>7</b>	<b>1</b>
Payments to bank lenders (interest etc.)	<b>31</b>	<b>3</b>
Cash retained for reinvestment	<b>194</b>	<b>20</b>
<b>Reconciling to cash earned in the year</b>	<b>987</b>	<b>100</b>

\* A significant proportion will be wages paid to contractors. We estimate around 60% of our costs are labour related.

## LONMIN'S BUSINESS

Lonmin's current productive operations are all in South Africa. Lonmin has small projects in Canada, Northern Ireland and Kenya. Although Lonmin will continue to seek further economic PGM resources, our principal asset base is our substantial investment in the major and established mines in South Africa, the world's premier PGM deposit.

				
Process	Explore	Mine	Mill	Concentrate
Description	Explore for potentially economic PGM mineralisation	Underground and surface mining of two 'reefs', Merensky and UG2 each approximately 1m thick	Crushing circa 11 million tonnes of ore delivered to surface to the consistency of talc, circa 75 microns	Separation of metalliferous particles from host rock using basic physical chemistry
Output measurement	Mineral Resources (PGM ounces)	Millions of tonnes	Millions of tonnes	Kilograms of PGMs in concentrate
Effectiveness measurement	Increase or replace Mineral Resources	Tonnes hoisted Ore reserves, available to be mined	Tonnes milled	PGMs in concentrate (kg) recovery rate (%) of contained PGMs recovered
Quality measures	In situ PGM grade and tonnes	Underground head grade, per ore type (grams per tonne)	Milled head grade (grams per tonne)	Concentrate grade (grams per tonne)
Efficiency measures	Resources converted to Reserves	Cost per ounce	Cost per tonne milled	Cost per ounce recovered
Supply chain	The Company has 7,873 discretionary suppliers registered on our data base. Of these suppliers 84.3% are based in South Africa and 15.7% are internationally based.			



Smelt	Refine Base Metals	Refine Precious Metals	Market
Further separation of metals (matte) from silicate host rock (slag) using electrically generated heat	Chemical and electro-chemical separation of base metals (for sale in finished or semi-finished form) from PGMs within the matte	Chemical separation of the individual PGMs contained in BMR matte and refining to purity of 99.995% or better for sale in various finished forms	Two principal customers with global presence and several discretionary customers for PGMs. Six customers for base metals
Kilograms of PGMs in smelter matte	Troy ounces of PGMs in BMR matte	Troy ounces of finished metals in the form of sponge and ingot	Troy ounces of finished metals purchased in the form of sponge and ingot
Primary tonnes smelted recovery rate (%) of contained PGMs recovered	Recovery rate (%) of contained PGMs recovered	PGMs in saleable form recovery rate (%) of contained PGMs recovered	Revenues per PGM ounce achieved relative to market-related prices as published by appropriate exchanges
Converter matte grade (grams per tonne) recovery rate (%) of contained PGMs recovered	Base metal purity (%) PGM (%)	Purity (%)	Adherence to internationally set and monitored purity and quality levels
Cost per tonne smelted	Cost per refined ounce	Cost per refined ounce First pass recoveries (percentage of each metal recovered) Throughput time	Days from delivery of PGMs to cash settlement
View the supplementary reporting piece on the Supply Chain at <a href="http://www.sd-report.lonmin.com/2014/supplementary-reporting/employee-volunteering-and-donations.pdf">www.sd-report.lonmin.com/2014/supplementary-reporting/employee-volunteering-and-donations.pdf</a>			

## LETTER FROM THE CHIEF EXECUTIVE OFFICER



**Our aim** is to **ensure** that the **changes** to the Company take place in a sustainable manner in which all stakeholders share the same **vision** of **value** creation.



### DEAR STAKEHOLDER

Success depends on a robust strategy, operational excellence and the quality of relationships. We are focusing on our relationships with our critical stakeholders – employees, unions, government and communities to build on the platforms we have already established.

Lonmin has undergone challenging times in recent years that have tested our resilience. During the year, a protracted strike led to five months of no normal production – yet, we came through the experience with a renewed commitment to fundamental change. Our aim is to ensure that the changes to the Company take place in a sustainable manner in which all stakeholders share the same vision of value creation. “Rebuilding bridges” symbolises this shared vision we aim to create, by recognising challenges and building a positive future through collaboration and constructive stakeholder engagement.

I am pleased that the Lonmin Renewal Plan, which was created to address the challenges immediately following the events that changed our lives in August 2012, enabled us to focus on a path of fundamental change. The Board’s longer-term initiatives drew on the plan to articulate the specific programmes and projects needed to achieve our goals over five years. The underlying spirit of these broad frameworks is to build sustainable relationships and improve the lives of our employees and the communities on whom we rely to run our business. A robust collaboration with government, particularly local government, is necessary for the Company to deliver the initiatives that comprise its Employee Value Proposition



**Ben Magara**  
Chief Executive Officer

and Community Value Proposition. Refer to pages 35 and 67 for further detail.

We are determined to emerge stronger from the challenges of recent years and move towards a better future where Lonmin is competitively positioned, and can deliver value through sustainable stakeholder relationships.

### GOVERNANCE

Lonmin is committed to the principles of good corporate governance. The Board is ultimately responsible for ensuring that business is conducted in an ethical and sustainable manner. Sustainability imperatives inform our decision-making processes and drive our approach to risk management. We are a signatory to the United Nations Global Compact and endorse its principles.

### HIGHLIGHTS

Though the year was dominated by the five-month strike, the following was achieved:



Detailed planning and execution resulting in an efficient, rapid and safe start-up process



Historic conclusion of three broad based economic empowerment deals with the Bapo Ba-Mogale, Marikana Community and Employee Share Trusts



JT Ryan award for the safest shaft (4B/1B) in South Africa for the third year running

A milestone reached after the 2014 financial year-end was the achievement of one year fatality free on 26 October 2014.

### EMPLOYEE RELATIONS

Improving our relationship with our employees is of utmost importance to the sustainability of the business. We appreciate that our success in this endeavour will depend on our ability to deliver demonstrable progress in addressing certain socioeconomic conditions experienced by our workforce. Key initiatives include our integrated human settlements plan as well as health and employee development programmes.

The wage settlement agreement – which we signed in June 2014 with the Association of Mineworkers and Construction Union as well as with UASA and Solidarity – places us on a two-year path of aligning objectives, during which time we will focus on building a robust and mutually beneficial relationship, as articulated in our Relationship Charter. We are focusing on strengthening our relations and working towards a common goal to build Lonmin into a sustainable, thriving PGM producer and employer. We uphold the rights of minority unions as we believe that every employee has a right to be heard and we have signed recognition agreements to this effect.

In an effort to address the underlying causes of many of the organisation's systemic challenges, we have embarked on an internal process of cultural transformation to drive change and transformation at an individual level.

### EMPLOYEE SAFETY AND HEALTH

A year ago, I spoke about a belief that Zero Harm is achievable and the experiences following the strike have reaffirmed that belief. That we were able to return to work efficiently, rapidly and safely is testimony to our ability to achieve Zero Harm. Every incident is a human tragedy and I extend my condolences to the family of Mr Siyabonga Sibango who was a passenger in a tragic vehicle accident and lost his life at East 3 shaft on 26 October 2013. He is survived by his wife Nolusindiso Sibango and their two children.

### SOCIAL LICENCE TO OPERATE

The Company strives to maintain our social licence to operate through securing the trust and acceptance of communities and stakeholders as they are both impacted by the Company and have the capacity to affect Lonmin into the long term. This is achieved through our community projects.

We concluded a historic three broad based empowerment deal. We need to maintain this momentum and it must be underpinned by a relentless focus on exceptional execution which can only be achieved through relationship

building with our unions, our communities and our stakeholders to help create a more predictable and stable operating environment for the future.

### ENVIRONMENT

As a mining company, our operations have an impact on the environment and it is our responsibility to mitigate that impact.

Environmental management will always be a key priority as our licence to operate depends on responsible stewardship practices. Our aim is to leave a positive legacy following the closure of our operations.

### RELATIONSHIP WITH GOVERNMENT

Lonmin and the government have a shared responsibility to improve the socioeconomic conditions in which employees and communities live.

We are encouraged by the progress we have already made in partnering with government and donated the 50 hectares of land to the North West provincial government.

### OPPORTUNITIES AND OUTLOOK

In the short-term we expect the market to remain challenging, but the fundamentals of PGMs remain solid. We will continue to work hard to take advantage of changing conditions, and opportunities that may arise.

Lonmin's people are resilient. Lonmin's people are able to learn from experience and build a better future. I am proud of our fortitude during 2014 which saw us through the strike and back to work with a renewed commitment to change. We are determined to rebuild bridges and share in a common purpose of a sustainable Lonmin in which stakeholders can benefit from the Company's success.

### APPRECIATION

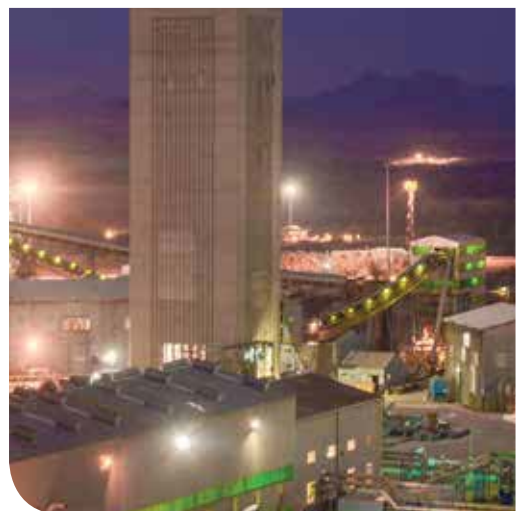
This past year saw our engagement with our stakeholders reach a new level and I wish to extend my gratitude to everyone who played a role in sustaining the Company through a tough year and in reaffirming our commitment to a successful future through operational credibility.



**Ben Magara**

*Chief Executive Officer*

15 December 2014



# Evolution of the strategy

## CONTEXT

2014 has been challenging, with a combination of factors that influenced the industry, and particularly Lonmin. The Company faced a five- month long strike compounded by an already subdued metal pricing environment.

The issues that were raised by the strike and the volatility of platinum prices require continued pursuit of the vision for operational excellence with optimised value. This requires an environment in which Lonmin's stakeholders support the business and wish to see it prosper and ultimately deliver shareholder and stakeholder value.

Reclaiming our relationship with employees and rebuilding our reputation are essential to future success, with increased focus on cost and efficiency to ensure the Company remains profitable in the current economic climate.

A detailed overview of Lonmin's operational context and strategy can be found in the Annual Report and Accounts 2014.

## STRATEGIC PRIORITIES

In 2013, Lonmin began a fundamental review of the business and five initiatives were laid out around social and community issues as well as operational optimisation. Throughout, and after, the subsequent five-month strike in 2014, Lonmin took the opportunity to adapt our thinking. This has developed into the strategy, which takes into account the Board initiatives laid out in early 2013 and comprises the following four pillars:

- Operational excellence
- Enhance balance sheet strength
- People and relationships
- Corporate citizenship agenda

A detailed overview of Lonmin's strategic priorities is provided in the Annual Report and Accounts.

The Lonmin Renewal Plan which was discussed in previous reports, has been absorbed into the initiatives to ensure that building relationships and improving lives are embedded. These critical areas are operationalised through various programmes and projects across the business. The Company discusses its progress on the five initiatives throughout the material focus chapters on pages 28 to 103.

- |   |  |
|---|--|
| 1 | <b>Employee relations</b><br>Renegotiate union recognition agreements  |
| 2 | <b>Empowering employees and communities</b><br>Addressing needs via the Employee Value Proposition (EVP) and Community Value Proposition (CVP) |
| 3 | <b>Migrant and local labour</b><br>Review the current shift system and leave cycles and limit our dependence on migrant labour over time       |
| 4 | <b>Use of invested capital and infrastructure</b><br>Total cost of ownership and theory of constraints   |
| 5 | <b>Housing and accommodation</b><br>Continue conversion of hostels and implementing projects to address the living conditions                  |

Initiatives

## LIFE OF BUSINESS PLAN

All strategic imperatives and projects need to be aligned with the Lonmin Life of Business Plan (LoBP). This is a comprehensive operational management tool used by the Company for long-term planning on a 40 to

60-year horizon. The LoBP caters for aspects such as energy and water requirements, labour, projects, and calculates the costs required to mine until ore reserves are exhausted.



## SUSTAINABILITY STRATEGY

The sustainability strategy aims to integrate sustainable development thinking into the Company's DNA, such that the generation of financial and social value is mutually reinforcing, rather than a trade-off between the two. Lonmin incorporates the following into its sustainability strategy:

→ The sustainability model focuses on the development and wellbeing of employees and environmental management and seeks to improve the lives of communities surrounding the business

→ International Council on Metals and Mining – 10 principles advocating safe and sustainable practices in mining

→ United Nations Global Compact – 10 principles for businesses to adopt to ensure human rights, fair labour practices, environmental stewardship and ethical behaviour

→ The Safety and Sustainable Development Policy which is available at [www.sd-report.lonmin.com/2014/evolution-of-strategy](http://www.sd-report.lonmin.com/2014/evolution-of-strategy)

Fair, honest and transparent communication to build trust with stakeholders.

To achieve the objectives of the strategy, a number of internal initiatives were implemented, most notably the Lonmin Sustainable Development Standards. Read more detail on these standards at [www.sd-report.lonmin.com/2014/evolution-of-strategy](http://www.sd-report.lonmin.com/2014/evolution-of-strategy). For the Lonmin Safety and Sustainability policy, refer to [www.sd-report.lonmin.com/2014/evolution-of-strategy](http://www.sd-report.lonmin.com/2014/evolution-of-strategy).

The sustainability strategy is reviewed annually against the Lonmin strategy and LoBP to ensure relevance and alignment. Simultaneously, stakeholder concerns that have been prominent during the year are considered and, if required, adjustments are made to the tactical plans that operationalise the sustainability strategy.

# Addressing the strike

## INTRODUCTION

2014 saw an unprecedented and the most costly strike ever experienced in South African history. The five months of halted production affected far more than output and profits for the three largest platinum-producing companies – it sent waves across the country's political, social and economic spheres that will resonate for years to come.

A combination of macroeconomic and socioeconomic factors contributed to employees' decision to embark on a protected strike and forego all earnings for five months.

### FIVE-MONTH STRIKE:

Lonmin impact:



Period: 23 January 2014 – 24 June 2014, employees returned to work on 25 June 2014



The number of employees that were not at work during the strike: 18,200



A total of 2,811 patients defaulted on chronic medication



Number of person days lost due to the strike: 2 million days



Estimated production loss to Lonmin: 391,000 saleable platinum ounces

Lonmin established a toll-free support line and SMSs that were sent to employees regularly, were translated into three different languages. The employees who required detailed information could phone the support line and/or send an SMS requesting feedback.

Estimated revenue lost due to the strike

# R8.3 billion

## AN AGREEMENT REACHED

"The road ahead remains a challenging one and it will take some time for our operations to resume full production, with the safety and wellness of employees being paramount. This is at a time when the platinum market remains subdued, and operational profitability remains constrained.

We acknowledge the work that needs to be done to improve the lives of our employees and members of our communities. We will work toward these goals in committed partnership with their representatives and the South African government at all levels."

Collectively Lonmin, Impala Platinum Holdings Limited (Implats) and Anglo American Platinum Limited (Amplats) participated in the negotiations to reach an agreement. This was the first time that the platinum industry collaborated on negotiating with unions.

*Joint statement by the chief executive officers of Lonmin, Implats and Amplats after the signing of the settlement agreement on 24 June 2014.*

## SETTLEMENT AGREEMENT: KEY FACTS

→ The agreement is effective from 1 October 2013 until 30 June 2016

→ Within a week of the settlement agreement, all Lonmin employees received back pay from the increase date of 1 October 2013 to 22 January 2014, the day before the start of the strike

→ Benefits (including medical aid and pension fund contribution) and allowances (including living out allowance, annual leave allowance and attendance allowance) will increase by amounts linked to the inflation rate

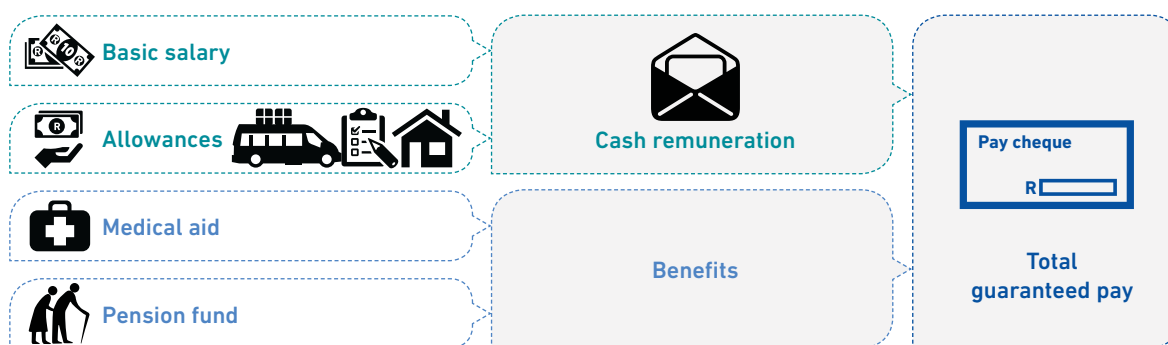
A simplified format payslip was rolled out in July 2014 allowing employees to better understand how their pay is calculated. This was accompanied by a training campaign for all supervisors and AMCU shop stewards on how to explain items on these payslips. For further detail, refer to page 37 of this report.

The Company made payments on behalf of some employees during the strike period, including garnishee orders and medical aid contribution for dependants. The settlement agreement incorporated a two-month debt holiday for employees who return to normal working routines before the deductions were made.

The wage agreement covers three aspects of an employee's package: basic salary increases, cash remuneration and total guaranteed pay.



## PAY PACKAGE STRUCTURES



Employee remuneration includes attendance allowances, living out allowances, holiday leave allowances and a skills allowance, which applies to certain scarce skills. Holiday leave allowances are paid out as a lump sum when an employee takes annual leave.

Employees are compensated for overtime and are rewarded bonuses should they meet certain targets.

Benefits include medical aid and contributions to a defined-pension fund. The pension fund includes risk cover that pays out in the event of death or disability.

## IMPACT OF THE STRIKE

Work stoppages pose a risk to operational safety. Firstly, it is the nature of the mining industry that the heavy infrastructure and equipment are not designed to remain inactive for lengthy periods. For this reason, Lonmin continued running maintenance and performance checks on all active shafts and plants throughout the strike.

Secondly, safe behaviour is habitual and easily unlearned over long periods away from work. As such, employees required extensive retraining before they could return underground or to the plants safely.

The majority of employees passed their health and fitness assessments. However, 11% of employees were declared

temporarily unfit. This was due to a combination of a 30% increase in defaulters on chronic medicine provided by the Company and employees being less active during the five-month strike period. The full impact that those months without regular medication will have on the workforce is still to be determined.

A number of projects were deferred as a result of the strike, these include the hostel conversions and the implementation of the new shift system. The impact of the strike extended to communities, suppliers and employees.

### RETURNING TO PRODUCTION KEY FACTS

→ The lessons learned during the ramp-up period in 2012 were useful to facilitate a smooth and efficient return-to-work process for employees.

→ On 25 June almost 85% of Lonmin employees immediately returned to work following the signing of the wage agreement on 24 June 2014.

→ The Company achieved a steady-state production within eight weeks.

→ Lonmin called in all non-core employees and hired external helpers at mobile data centres to manage the volume of work required upon start-up. Over a period of three weeks 6,172 returning employees received refresher training and licence renewals before returning to work.

→ A total of 1,030 supervisors, managers and team leaders underwent preparatory training on how to engage with returning employees proactively and positively once the strike came to an end.

→ Throughout the ramp-up process, the Company's activities were closely monitored and regulated by various government representatives including those from the Department of Mineral Resources and the Department of Health.

→ Health screening was conducted at shafts, training centres and other workplaces and comprised a health questionnaire and brief medical check by trained medical professionals. In total, 17,757 health screens were performed of which 292 employees (1.6%) were referred to the clinics for further assessment.

- Additional mobile medical units were hired to assist with the start-up phase
- In the first 12 days, 11,970 successful medical surveillance tests were performed
- In the first month after start-up 2,394 patients, of the 2,811 patients on chronic medication resumed treatment.

*More detail on the ramp-up can be found in the Annual Report and Accounts 2014.*



## OUTLOOK

### WE DIG TO BUILD

The Company will use the experiences learnt from the challenges of the past two years to enable meaningful change and shared value for its stakeholders. As a first step, Lonmin embarked on a campaign of renewal driven by Chief Executive Officer Ben Magara under the banner *We dig to improve lives*.

The vision of the campaign is to unite the internal forces by aligning individual employee success with Lonmin's

success through a shared value structure. It is also a message to the Country and global investors that, with the support of all stakeholders, Lonmin is on a path to success and sustainability. The slogan features a play on words, indicating that Lonmin embraces its role as a miner "digging" for its business and that it is passionate about mining – and "digs" it.

# Reporting

## ACCORDING TO THE MATERIAL FOCUS AREAS

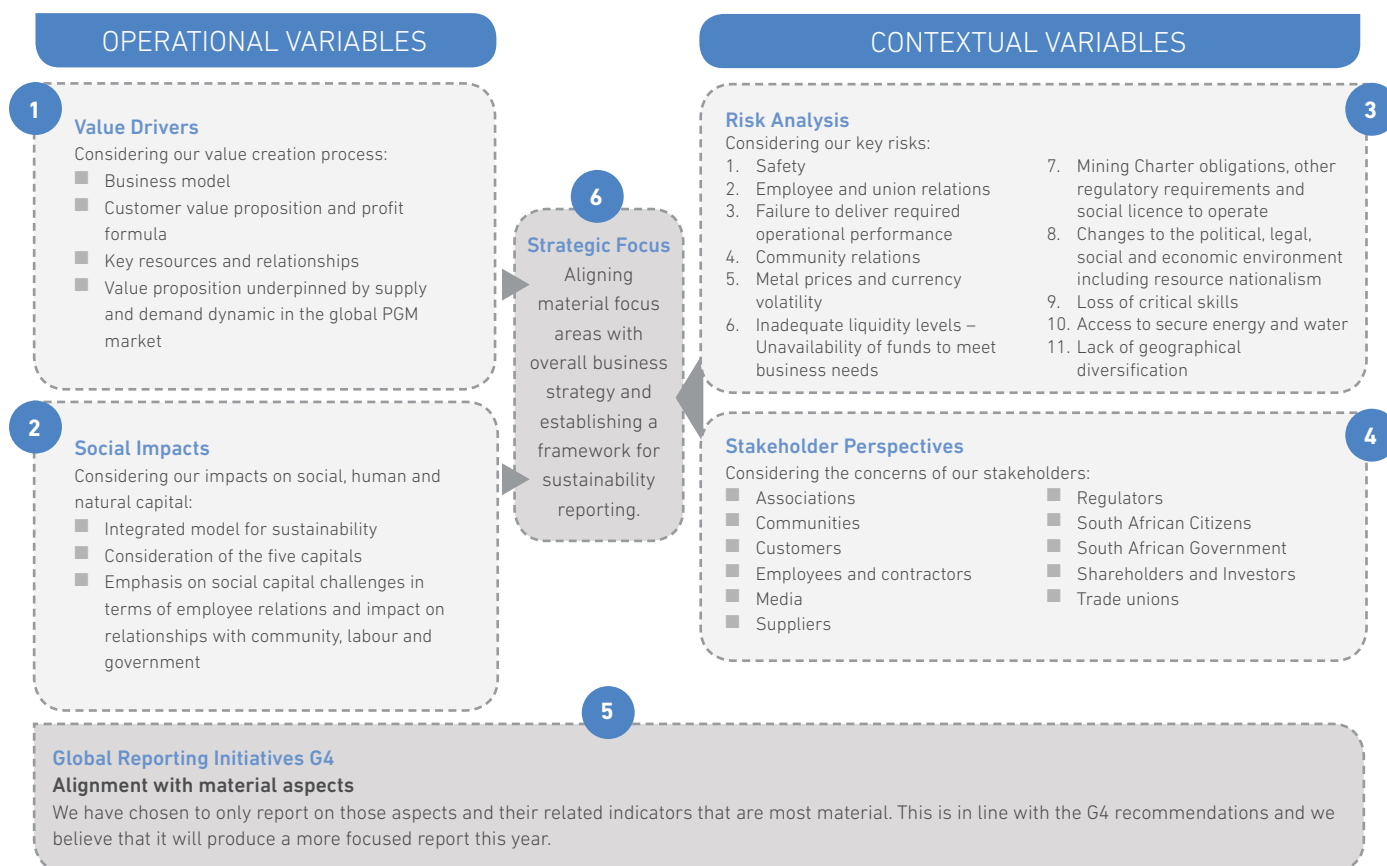
### OVERVIEW

Lonmin is faced by challenges that affect the daily operations of its business. The most material of these are those that substantively affect the Company's ability to create long-term value, those that reflect significant impact, and those that considerably influence stakeholder decisions.

An analysis of internal operational variables and external factors took place to determine the most material focus areas. This analysis followed a structured six-step process, as depicted below, that identified the five material focus areas that form the framework for this year's Sustainable Development Report.

The steps of determining materiality considered the Company's values-based approach to broad sustainability objectives and culminated in an exercise of aligning these with the overall business strategy. The six steps involved considering value drivers, social impact, risks and stakeholders, which were then used to determine those areas most material to the Company. These were then aligned with the Global Reporting Initiative's (GRI) G4 aspects and the Company strategy, as depicted below.

### SIX STEP MATERIALITY PROCESS



## FIVE MATERIAL FOCUS AREAS

- 1** **EMPLOYEE RELATIONS:** Investing in employee relationships and development (page 28)
- 2** **EMPLOYEE SAFETY AND HEALTH:** Promoting employee safety and health (page 46)
- 3** **SOCIAL LICENCE TO OPERATE:** Maintaining social licence to operate and investing in the community (page 60)
- 4** **ENVIRONMENT:** Managing environmental impacts and opportunities (page 78)
- 5** **RELATIONSHIPS WITH GOVERNMENT:** Improving relationships with government (page 98)

## RISK ANALYSIS

Lonmin follows an integrated approach to risk management to ensure that risks are used to inform the internal audit process. This process includes the implementation of mitigation measures, where necessary. The risk management process is illustrated in the risk management structure below, which displays how risk is integrated into, and cascaded throughout, the various levels of the organisation.

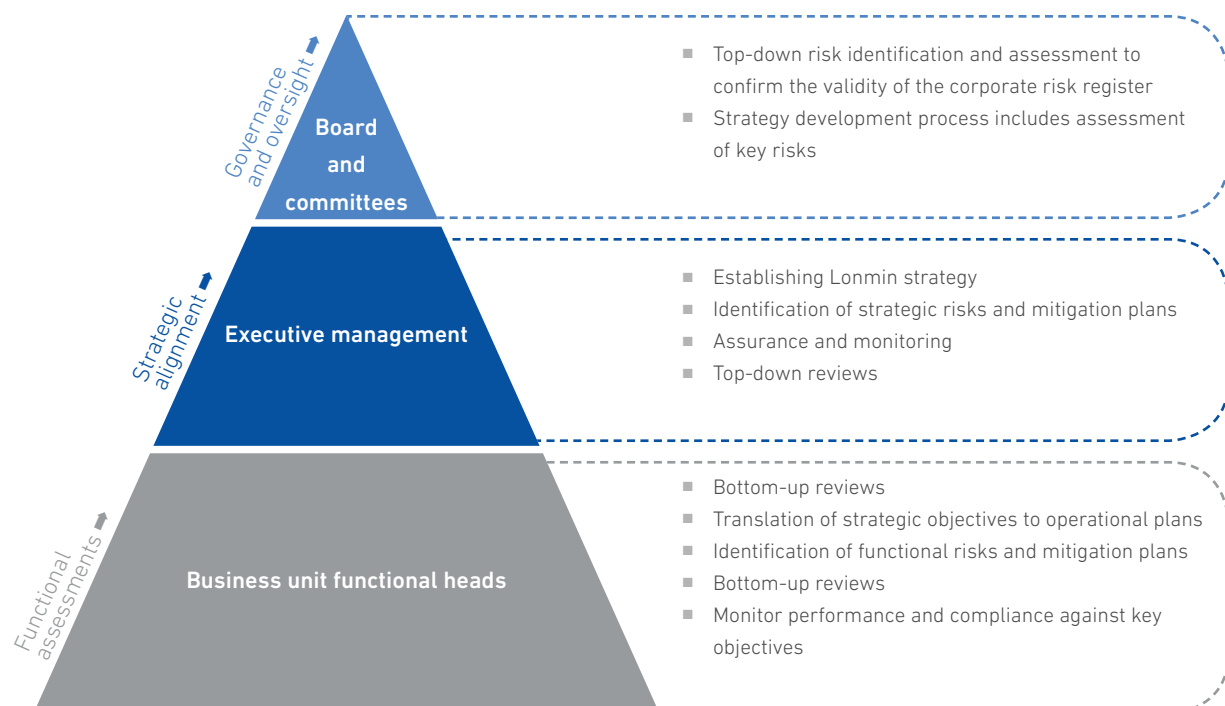
Sustainability risks make up a substantial portion of the Company's risk profile. These risks are reviewed by the Safety, Health and Environment and the Social, Ethics and Transformation Board sub-committees.

Refer to the Annual Report and Accounts 2014 for further information.

### RISK TOLERANCE

Risk tolerance is an indication of the amount of risk a company is willing to accept in order to meet its strategic objectives. Lonmin has a matrix scoring system in place in terms of which risks are rated based on their probability of occurrence and potential severity should it materialise.

## RISK MANAGEMENT STRUCTURE



## STAKEHOLDER PERSPECTIVES

A stakeholder priority table was developed to identify stakeholder dependence on and expectation of Lonmin. This enables the Company to determine the possible impact certain groups may have on the execution of Lonmin's strategy, and these reviews have been considered during the strategic alignment segment of the risk process.

The importance of genuine and robust stakeholder engagement has become increasingly apparent over the past decade. We need to understand stakeholder expectations and communicate on key issues transparently, consistently and in a timely manner. We have identified and prioritised our stakeholder groups through desktop reviews, analysis of media coverage, online sources, internal conversations and consultation sessions. Our aim is to rebuild and protect Lonmin's relationships with critical stakeholders who have a significant ability to impact Lonmin's operations and investment case. The renewed focus and energy on stakeholder engagement acknowledges the role of partnerships in confronting the challenges plaguing the industry. Functional partnerships between Government, organised labour and community leaders are essential if we are to create the necessary environment for a sustainable future.

The events of August 2012, the protracted strike of 2014 and the media reporting about the Farlam Commission of Inquiry have all impacted negatively on the Lonmin brand. Our reputation is, and will continue to be, shaped by what we do and not by what we say. This principle underlies our approach to all stakeholder engagement.

The role of communications has been critically examined, specifically with respect to rebuilding trust externally as well as internally between management and employees, and creating an environment of peace and tolerance.

This renewed focus on communication, transparency and genuine engagement led to several structural changes in a bid to align the Company and our stakeholders to a shared vision of a sustainable and profitable Lonmin through all cycles and minimise business interruptions.

Projects such as the Employee Value Proposition and the Community Value Proposition are focused on improving relationships and rebuilding trust.

The Executive Vice-President of Communications and Public Affairs is responsible for corporate communications, media and public relations and stakeholder management.

A more detailed report on stakeholder engagement, including an overview of the method and frequency of engagement, concerns raised and Lonmin's responses can be found online at [www.sd-report.lonmin.com/2014/evolution-of-strategy](http://www.sd-report.lonmin.com/2014/evolution-of-strategy).

### Events at Marikana – two years on

**The events that changed our lives in August 2012 began a nationwide process of introspection. The Farlam Judicial Commission of Inquiry has been concluded and the final finding and recommendations are due to be presented to the President in March 2015.**

**Lonmin is a signatory of the July 2013 Framework Agreement for a Sustainable Mining Industry, also known as the Peace Accord, which was facilitated by then Deputy President Kgalema Motlanthe. The Company has, and always will, condemn the use of violence and intimidation to achieve a desired outcome and supports employees' right to collective bargaining through peaceful negotiations.**

Rebuilding  
Bridges



## OVERVIEW OF MATERIAL FOCUS AREAS

The following table depicts Lonmin's five material focus areas. It summarises the key elements of each focus area, the applicable KPI's, stakeholders and risks. It also links these areas to various frameworks and guiding principles used in preparing this report.

Material focus areas	KPIs
<b>EMPLOYEE RELATIONS</b> <i>INVESTING IN EMPLOYEE RELATIONSHIPS AND DEVELOPMENT</i> <ul style="list-style-type: none"> <li>■ Culture transformation</li> <li>■ Employee Value Proposition</li> <li>■ Improving internal customer service</li> <li>■ Engaging with unions</li> <li>■ Contractor management</li> <li>■ Migrant and local labour</li> <li>■ Employee development</li> <li>■ Transformation and empowerment</li> <li>■ Human settlements</li> </ul>	<ul style="list-style-type: none"> <li>■ Number of employees</li> <li>■ Number of contractors</li> <li>■ HDSAs, including white women, employed in management on a permanent basis (%)</li> <li>■ Women employed in mining (%)</li> <li>■ Women employed at the mine (%)</li> <li>■ Employee turnover rate (%)</li> <li>■ Number of people attending adult basic education and training (ABET)</li> <li>■ Number of people on the bursary programme</li> <li>■ Number of graduates</li> <li>■ Number of people on the learnership programme</li> <li>■ Number of hostel blocks converted</li> <li>■ Human Resources Development expenditure as percentage of annual payroll</li> </ul>
<b>EMPLOYEE SAFETY AND HEALTH</b> <i>PROMOTING EMPLOYEE SAFETY AND HEALTH</i> <ul style="list-style-type: none"> <li>■ Safety at Lonmin</li> <li>■ Safety performance</li> <li>■ Safety stoppages</li> <li>■ Contractor safety and health</li> <li>■ Health strategy</li> <li>■ Medical scheme</li> <li>■ Employee health services</li> <li>■ Safety performance per operation*</li> <li>■ Life cycle assessment*</li> </ul>	<ul style="list-style-type: none"> <li>■ Fatalities</li> <li>■ Lost time injury frequency rate</li> <li>■ New noise-induced hearing loss (NIHL) cases diagnosed – employees</li> <li>■ NIHL cases compensated – employees</li> <li>■ Diagnosed and treated tuberculosis cases</li> <li>■ HIV/Aids-related deaths</li> <li>■ Voluntary counselling and testing conducted</li> <li>■ Patients on antiretroviral treatment</li> <li>■ Patients on the wellness programme</li> </ul>

\* Supplementary reports available online.



	Stakeholders	Risks relating to the material focus area	GRI aspects	Strategic alignment
	<ul style="list-style-type: none"> <li>■ Employees</li> <li>■ Unions</li> <li>■ Contractors</li> </ul>	<ul style="list-style-type: none"> <li>■ Employee and union relations</li> <li>■ Loss of critical skills</li> </ul>	<ul style="list-style-type: none"> <li>■ Market presence</li> <li>■ Employment</li> <li>■ Training and education</li> <li>■ Labour practices and decent work</li> <li>■ Freedom of association and collective bargaining</li> <li>■ Labour/management relations</li> </ul>	<ul style="list-style-type: none"> <li>■ Initiative 1: Employee relations</li> <li>■ Initiative 2: Empowering employees and communities</li> <li>■ Initiative 3: Migrant and local labour</li> <li>■ Initiative 5: Housing and accommodation</li> <li>■ ICMM Principle: 3</li> <li>■ UNGC Principles: 3, 4, 5, 6</li> </ul>
	<ul style="list-style-type: none"> <li>■ Employees</li> <li>■ Contractors</li> <li>■ Communities</li> <li>■ Government</li> <li>■ Industry partners</li> </ul>	<ul style="list-style-type: none"> <li>■ Safety</li> </ul>	<ul style="list-style-type: none"> <li>■ Occupational health and safety</li> </ul>	<ul style="list-style-type: none"> <li>■ Initiative 2: Empowering employees and communities</li> <li>■ Initiative 5: Housing and accommodation</li> <li>■ ICMM Principle: 5</li> </ul>

Material focus areas	KPIs
<b>SOCIAL LICENCE TO OPERATE</b> <i>MAINTAINING SOCIAL LICENCE TO OPERATE AND INVESTING IN THE COMMUNITY</i> <ul style="list-style-type: none"> <li>Community development</li> <li>Transformation through social and economic development</li> <li>Human rights</li> <li>Employee volunteering and donations*</li> <li>Supply chain*</li> </ul>	<ul style="list-style-type: none"> <li>Rand value spent on Social and Labour Plan projects</li> <li>Number of community members receiving bursaries</li> <li>Number of community members on the university preparedness programme and technical preparedness programme</li> <li>Number of community members receiving ABET training</li> <li>Number of community members receiving mining skills and portable skills training</li> <li>Number of infrastructure projects completed</li> <li>Number of local suppliers receiving training and/or contracts from Lonmin</li> <li>Procurement spend on BEE entities</li> </ul>
<b>ENVIRONMENT</b> <i>MANAGING ENVIRONMENTAL IMPACTS AND OPPORTUNITIES</i> <ul style="list-style-type: none"> <li>Climate change</li> <li>Energy security and usage</li> <li>Air quality management</li> <li>Water management</li> <li>Waste management</li> <li>Biodiversity and land use*</li> <li>Research and development*</li> </ul>	<ul style="list-style-type: none"> <li>Total fresh water consumption (m<sup>3</sup>)</li> <li>Total fresh water intake efficiency (m<sup>3</sup>/PGMoz)</li> <li>Electricity (MWh)</li> <li>Electricity efficiency (MWh/PGMoz)</li> <li>Total direct and indirect energy (Terajoules)</li> <li>Energy efficiency (GJ/PGMoz)</li> <li>Total scope 1, 2 and 3 greenhouse gas emissions (t CO<sub>2</sub>e)</li> <li>Greenhouse gas efficiency (t CO<sub>2</sub>e/PGMoz)</li> <li>Tailings disposed to tailings facilities (kt)</li> <li>Waste rock disposed to rock dumps (kt)</li> <li>Hazardous waste disposed of to landfill and incineration (tonnes)</li> <li>General waste to landfill (tonnes)</li> <li>Average sulphur dioxide emissions (t/d)</li> </ul>
<b>RELATIONSHIPS WITH GOVERNMENT</b> <i>IMPROVING RELATIONSHIPS WITH GOVERNMENT</i> <ul style="list-style-type: none"> <li>Key government departments</li> </ul>	<p>Performance against KPIs across all operational aspects of the business is measured according to various government policies and compliance requirements.</p>

\* Supplementary reports available online.

<sup>1</sup> Detailed information on Resource Nationalism as a risk is provided in the Annual Report and Accounts 2014.

	Stakeholders	Risks relating to the material focus area	GRI aspects	Strategic alignment
	<ul style="list-style-type: none"> <li>■ Communities</li> <li>■ Non-governmental organisations</li> <li>■ Government</li> </ul>	<ul style="list-style-type: none"> <li>■ Community relations</li> <li>■ Mining Charter obligations, other regulatory requirements and social licence to operate</li> </ul>	<ul style="list-style-type: none"> <li>■ Economic performance</li> <li>■ Indirect economic impact</li> <li>■ Procurement practices</li> <li>■ Security practices</li> <li>■ Local communities</li> </ul>	<ul style="list-style-type: none"> <li>■ Initiative 2: Empowering employees and communities</li> <li>■ Initiative 5: Housing and accommodation</li> <li>■ ICMM Principles: 9,10</li> <li>■ UNGC Principles: 1, 2</li> </ul>
	<ul style="list-style-type: none"> <li>■ Government and regulators</li> <li>■ Communities</li> <li>■ Industry bodies and associations</li> </ul>	<ul style="list-style-type: none"> <li>■ Mining Charter obligations, other regulatory requirements and social licence to operate</li> <li>■ Access to secure energy and water</li> </ul>	<ul style="list-style-type: none"> <li>■ Economic performance</li> <li>■ Energy</li> <li>■ Water</li> <li>■ Emissions</li> <li>■ Effluents and waste</li> </ul>	<ul style="list-style-type: none"> <li>■ ICMM Principles: 6, 7</li> <li>■ UNGC Principles: 7, 8, 9</li> </ul>
	<ul style="list-style-type: none"> <li>■ Various government departments</li> <li>■ National, provincial and municipal role players</li> </ul>	<ul style="list-style-type: none"> <li>■ Community relations</li> <li>■ Mining Charter obligations, other regulatory requirements and social licence to operate</li> <li>■ Changes to the political, legal, social and economic environment including resource nationalism<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>■ Diversity and equal opportunity</li> </ul>	<p>The array of national and international frameworks for ethical and sustainable mining to which the Company subscribes are incorporated in its mine licence requirements</p>





## Material focus area: **Employee relations**



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# Overview

## EMPLOYEE RELATIONS

Success depends on the Company's ability to engage with and develop employees. Employees have a significant impact on the sustainability of the Company. Conventional mining is a labour-intensive industry and the Company provides employment to 38,292 people, including contracted employees (2013: 38,421). Without the support of its labour force, the Company cannot produce.

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➔ **Lonmin:** rebuild our relationships with our employees and develop our relationship with all the unions that represent our employees

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The traditional distinction between migrant and local labour has become less clear. This phenomenon is not unique to Lonmin – the historical legacy of migrant labour across the South African mining industry has resulted in multifaceted challenges such as the growth in informal housing communities around the operations. This has put pressure on service delivery and local infrastructure.

The events at Marikana during August 2012 and the 2014 extended strike were each unprecedented and precipitated a fundamental change in South Africa's industrial relations. Established practices and expectations around collective bargaining and labour relations had to be recreated and re-established to remain relevant. Employee relations are no longer internal matters but have become a multi-stakeholder challenge.

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➔ **Lonmin:** committed to effective and constructive relationships

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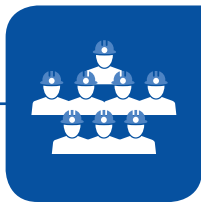
This chapter will outline the Company's approach to employee development, engagement and performance against the objectives over the past year.

The content of this chapter is applicable to all operations. Housing data is predominantly for the North West Province operations.

We employ on a full-time basis **28,276** (2013: 28,379) people (**21,929** are historically disadvantaged South Africans (HDSAs), **98%** of whom are based at the mining operations in Marikana in the North West Province. We also employ **10,016** (2013: 10,042) contractors; of these **897** contractors are women.

		Own employees as at	
Employment category	Paterson band	30 September 2013	30 September 2014
Unskilled	A-band	14,425	<b>14,391</b>
Semi-skilled	B-band	9,938	<b>9,889</b>
Skilled technical and academically qualified: junior management; supervisors; foreman and superintendents	C-band	3,479	<b>3,480</b>
Professionally qualified and experienced specialists and mid-management	D-band	369	<b>354</b>
Senior management	E-band	152	<b>149</b>
Top management	F-band	16	<b>13</b>
<b>Grand total</b>		28,379	<b>28,276</b>

# Key stakeholders

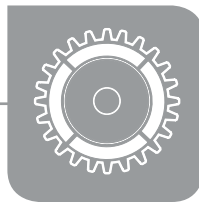


## EMPLOYEES

Lonmin continues to rebuild its relationship with employees. Engagement takes place on an ongoing daily basis between leaders and their teams and these relationships are critical to improving Company-wide employee relations. Employees are encouraged to address their concerns to management in a constructive and open manner. Channels of communication include shaft *legotlas* (large meetings between shaft senior management and employees) and line of sight<sup>1</sup> and mission directed work<sup>2</sup> team meetings.

<sup>1</sup> The safety and productivity performance programme in place at the shafts that involves structured meetings on a daily or weekly basis to map out their performance against set targets.

<sup>2</sup> Performance improvement programme in the concentrators, smelting and refinery plants.



## UNIONS

The Company focuses on rebuilding relations with its employees while enabling the unions to be effective representatives.

Following the strike there is willingness on all sides to rebuild the relationship. AMCU is the majority union and the Company provides limited organisational rights to the minority unions. Lonmin subscribes to a multi-union model and it supports its workers' right to choose their organised labour representatives. Union members are represented throughout the operations in various service departments and authority structures.



## CONTRACTORS

Our workforce includes contracted labour. When a contracted individual works on Lonmin property under the terms and conditions of a formal contract, their safety and health becomes the shared responsibility between their employer and Lonmin. Therefore, it is essential that the procurement assessment process establishes that all contracted companies operate sound business models that protect the basic rights of their employees and facilitate an environment of productivity and development.

The Company endeavours to avoid using labour brokers and only 1.13% of its workforce are contracted in this manner. The Company only uses labour brokers when it does not have an immediate replacement for a vacant position.

The Company cannot operate every aspect of its operations without contractors and it is critical to business success that all external partners provide an effective, reliable and ethically-sound service. All contracted service providers initially engage with the Procurement department and thereafter with the on-site contractor hub that assesses their medical fitness and provides induction to contractors.

The Company strives to maintain open communication with respective parties as outlined in its formal service agreements, which can be either transient and small-scale, or long-term, large-scale professional partnerships. The terms and conditions contracting companies have to sign require them to adhere to Lonmin's Sustainable Development Standards<sup>1</sup> and to the Basic Conditions of Employment Act, 75 of 1997.

<sup>1</sup> The supplementary report that is available at [www.sd-report.lonmin.com/2014/supplementary-reporting/Lonmins-15-Sustainable-Development-Standards.pdf](http://www.sd-report.lonmin.com/2014/supplementary-reporting/Lonmins-15-Sustainable-Development-Standards.pdf) provides a list of the standards.

# Sustainability risks and opportunities

The table below discusses why the following risks to sustainability have been identified with reference to employee relations, and indicates where more detail can be found in the chapter on how Lonmin manages and mitigates these risks.

## EMPLOYEE AND UNION RELATIONS

### RISK

A volatile industrial relations environment characterised by poor communication, mistrust and industrial action, including strikes, exacerbated by poor macroeconomic and socioeconomic factors, could result in disruptions to operations and have a material adverse effect on the Group's financial position.

The three largest South African PGM producers, including the Company, experienced a significant strike during the year due to a breakdown in wage negotiations with the majority union, AMCU. The five-month long strike at our Marikana operations resulted in the loss of around 391,000 saleable platinum ounces and an average revenue lost of R8.3 billion. Striking employees lost, on average, 45% of their annual earnings and many suffered deterioration in their health and wellbeing due to poor nutrition and reduced access to health care and medication. The protracted strike also severely impacted local communities and businesses, suppliers and, more broadly, led to a deterioration in investor confidence in the sector and in the region.

### OPPORTUNITIES

- Improving internal customer services to build internal employee relationships
- Piloting a shift system that increases employees' quality of life as longer rest periods can be accommodated
- Partnering with government to address housing around operations
- Building an improved relationship bridge between Lonmin and the trade unions

### MORE DETAIL CAN BE FOUND IN THIS CHAPTER UNDER THE FOLLOWING HEADINGS

- Culture transformation
- Employee Value Proposition
- Improving internal customer service
- Engaging with unions
- Contractor management
- Migrant and local labour
- Employee development
- Human settlements

## LOSS OF CRITICAL SKILLS

### RISK

Increased global investment in mining over the past few years has driven demand for skilled workers around the world. In South Africa, this is compounded by the requirement to increase the proportion of HDSAs represented in management to 40% by the end of 2014.

The loss of critical skills could negatively impact safety, production and the ability to deliver against targets. Failure to meet HDSA targets could also negatively impact Lonmin's mining rights.

### OPPORTUNITIES

- To retain skilled labour, the Company continuously reviews the market related remuneration packages as compared to the incentive and retention schemes offered by Lonmin
- To continue to develop employees through training initiatives and creating opportunities for development e.g. through mentoring

### MORE DETAIL CAN BE FOUND IN THIS CHAPTER UNDER THE FOLLOWING HEADINGS

- Employee development
- Transformation and empowerment

More detail on the risk management approach can be found in the Annual Report and Accounts 2014.

# Accountability and governance

Management of employee relations falls under the human resources function. Within Lonmin the senior responsibility for union negotiations resides with the Executive Vice President of Human Resources.

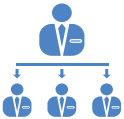
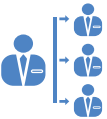
Employee development programmes are an integral part of Lonmin's overarching business strategy for developing a sustainable, empowered and competent workforce for the future. Shortage of skills remains of critical concern and we operate a range of employee development initiatives in partnership with various external service providers

to facilitate talent management – upskilling our existing employees and development of new and future employees.

The Company has formal mechanisms in place for employees to lodge grievances. Employees can approach the human resource practitioner or line manager to set up a mediation session between both parties. The formal procedure follows guidelines set out in the corrective action procedure. An ethics hotline is also available should an employee wish to remain anonymous when lodging a labour-related issue. For more detail, refer to pages 77 and 106 of this report.

## GOVERNANCE TOOLS

The table below lists the key applicable internal and external policies, frameworks, procedures and regulations that govern employee relations at Lonmin.

 INTERNAL	 EXTERNAL
<ul style="list-style-type: none"> <li>■ Human resources strategy</li> <li>■ Social and Labour Plans</li> <li>■ Internal indicators and targets that are reported on a monthly basis</li> <li>■ Bonus scheme that includes transformation-related targets</li> <li>■ Initiatives<sup>1</sup> <ul style="list-style-type: none"> <li>□ Initiative 1: Employee relations</li> <li>□ Initiative 2: Empowering employees and communities</li> <li>□ Initiative 3: Migrant and local labour</li> <li>□ Initiative 5: Housing and accommodation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ The International Council on Mining and Metals principles of sustainable development               <ul style="list-style-type: none"> <li>□ Principle 3: Uphold fundamental human rights and respect cultures, outcomes and values in dealings with employees and others who are affected by its activities</li> </ul> </li> <li>■ United Nations Global Compact 10 principles               <ul style="list-style-type: none"> <li>□ Principle 3: Businesses should uphold the freedom of association and effective recognition of the right to collective bargaining</li> <li>□ Principle 4: The elimination of all forms of forced and compulsory labour</li> <li>□ Principle 5: The effective abolition of child labour</li> <li>□ Principle 6: The elimination of discrimination in respect of employment and occupation</li> </ul> </li> <li>■ Minerals and Petroleum Resource Development Act, 28 of 2002 stipulates requirements for social development through Social and Labour Plans (SLPs)</li> <li>■ Mining Charter categories               <ul style="list-style-type: none"> <li>□ Housing and living conditions</li> <li>□ Employment equity</li> <li>□ Human resource development</li> </ul> </li> </ul>

<sup>1</sup> As laid out by the Board in 2013.

# Approach and performance

## CULTURE TRANSFORMATION

The Company understands that fundamental cultural transformation does not take place overnight. Instead, the Company engages with employees at all levels of the organisation. As previously reported, the Company identified behaviour that needs to stop, behaviour that must stay and new practices that need to start. The three 'S's are applied holistically to all aspects of the business and a working group has been established to embed the changes in the way we work at Lonmin.

The Company identified behaviour that needs to **stop**, behaviour that must **stay** and new practices that need to **start**.

Rebuilding  
Bridges

## EMPLOYEE VALUE PROPOSITION

The Employee Value Proposition comprises a broad set of programmes and initiatives that define the overall package a full-time employee can expect to receive from the Company in terms of pay and benefits, as well as development and advancement opportunities. Benefits include on-site healthcare, life and disability insurance, which include an education protection plan and retirement provisions. The Company also operates a defined-contribution pension scheme.

All employees who reside within the Greater Lonmin Community have access to Lonmin's free transport service to and from shafts, plants, hostels and bus stops. Other benefits include study assistance, study leave, training and four months paid maternity leave.

Employees are also incentivised through various bonus schemes that directly relate to performance. The majority of employees in operations participate in production-related bonus schemes which are based on specific

targets which have to be achieved. The Company has a corporate Balanced Scorecard in place that management employees can participate in. This is designed to incentivise safe behaviour and cost control, the delivery of Mining Charter imperatives, as well as production outcomes. Employees participate in either the Balanced Scorecard bonus or the relevant production bonus scheme.

More detail on the Balanced Scorecard can be found in the Annual Report and Accounts 2014.

As per the wage agreement signed with AMCU in June 2014, employees' monthly pay package will increase incrementally over the next three years, depending on the category of the employee. Currently, the monthly package, including benefits (which excludes bonus and overtime) of lowest-paid employees, is R11,241<sup>1</sup> and is made up as follows:

<sup>1</sup> This is before taxes and bonuses.

## BREAKDOWN OF TOTAL PAY PACKAGE FOR AN ENTRY-LEVEL EMPLOYEE AT LONMIN<sup>1</sup>

	2013	2014
Basic wage	R5,921	<b>R6,921</b>
Living-out/accommodation allowance	R2,000	<b>R2,000</b>
Holiday leave allowance	R435	<b>R577</b>
Attendance allowance	R201	<b>R266</b>
<b>Cash package</b>	<b>R8,557</b>	<b>R9,764</b>
Value of medical benefits	R584	<b>R626</b>
Employer contribution to pension fund	R774	<b>R931</b>
<b>Total package per month before taxes and bonuses</b>	<b>R9,915</b>	<b>R11,321</b>

Employees can receive additional earnings through production bonuses.

The living-out allowance is part of the overall package for category 4-9 employees and was introduced to support employees in paying for their own accommodation –

95% of the workforce (2013: 92%) received a living-out allowance.

### EMPLOYEE TURNOVER

During the year, employee turnover was 5% (2013: 6.2%). The turnover rate in the 2013 reporting year reflects management retrenchment.

### EMPLOYEE TURNOVER BY REASON (NUMBER)

	2013			2014		
	Male	Female	Total	Male	Female	Total
New recruits	1,735	119	1,854	<b>1,158</b>	<b>156</b>	<b>1,314</b>
Resignations	(1,548)	(157)	(1,705)	<b>(231)</b>	<b>(68)</b>	<b>(299)</b>
Deaths (not work related)	(224)	(14)	(238)	<b>(226)</b>	<b>(9)</b>	<b>(234)</b>
Deaths (work related)	(3)	–	(3)	<b>(1)</b>	–	<b>(1)</b>
Dismissals	(667)	(50)	(717)	<b>(606)</b>	<b>(49)</b>	<b>(655)</b>
Retirements	(101)	(1)	(102)	<b>(35)</b>	–	<b>(35)</b>
Retrenchments	(166)	(17)	(183)	<b>(31)</b>	<b>(1)</b>	<b>(32)</b>
<b>Net gain/(loss)</b>	<b>187</b>	<b>(38)</b>	<b>149</b>	<b>(128)</b>	<b>(38)</b>	<b>(166)</b>

<sup>1</sup> Employees working on surface and in employee category 4. Further information on pay packages can be viewed at [www.lonmin.com/media centre](http://www.lonmin.com/media centre).

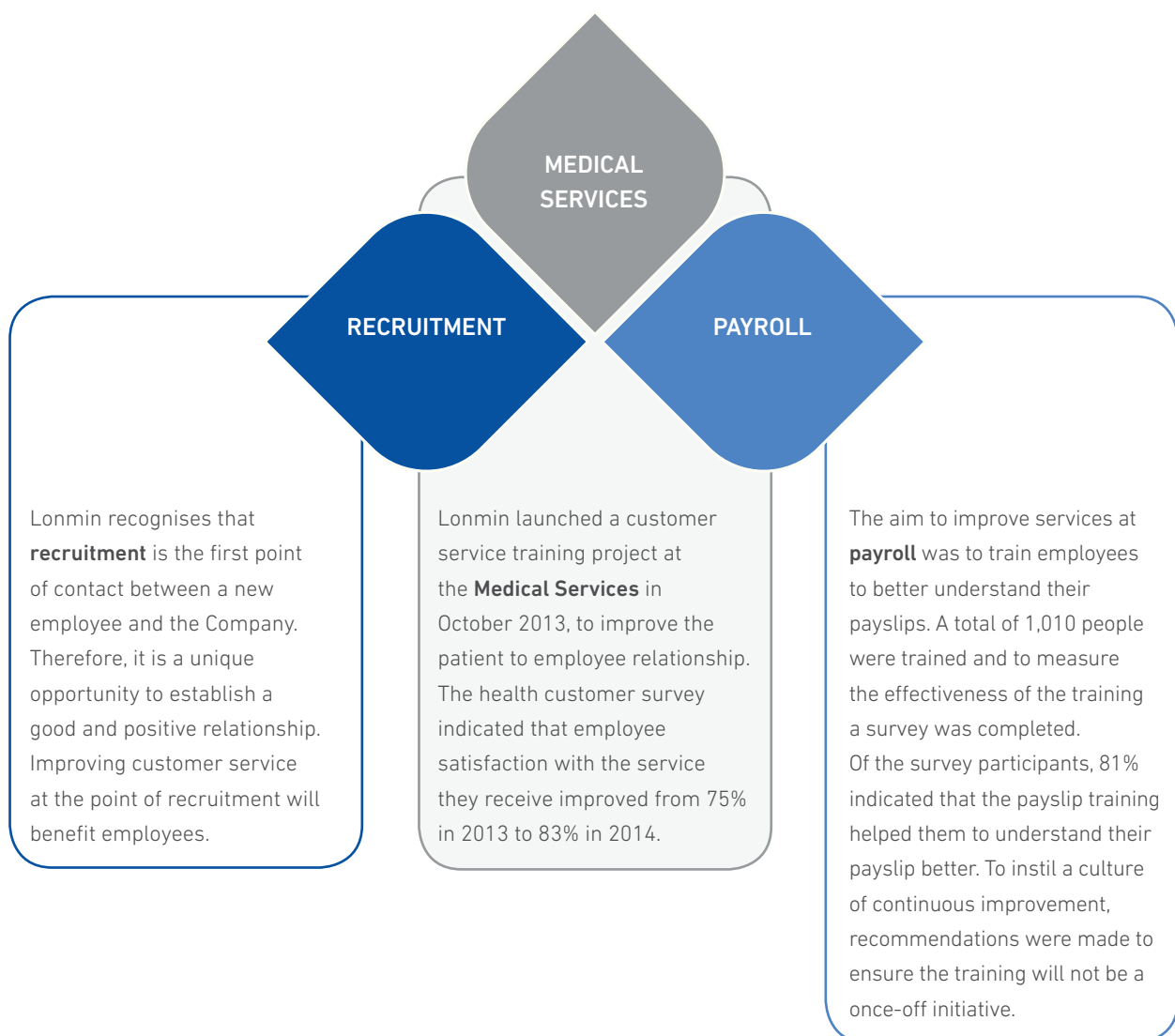
## EMPLOYEES SHARE OWNERSHIP TRUST (EST)

We expanded the Employee Value Proposition with the introduction of an employee share ownership trust (EST) for non-management employees. We view this as critical in terms of the Mining Charter requirements and in achieving our deeper culture transformation goals. By aligning individual performance with the rewards of a successful business, the EST creates a greater sense of shared ownership among our employees.

## IMPROVING INTERNAL CUSTOMER SERVICE

The customer service improvement project forms an integral part of the Employee Value Proposition. The Company identified the following customer service process where value can be added and relationships rebuilt:

- Recruitment
- Medical services
- Payroll



### FINANCIAL DEBT COUNSELLING

Lonmin entered into a partnership with an external service provider in October 2013 to assist employees in financial difficulty. There are on-site consultation centres where employees can seek financial advice on how to manage their debt and any employee with a garnishee order is referred to these centres for assistance. Subsequently, 21,027 permanent employees (2013:

11,362) have undergone financial literacy training on basic financial matters such as credit, debt and budgeting. 1,465 employees made use of the financial counselling services. The Company estimates that, in partnership with the external service provider, it helped employees save almost R3.6 million through stopping garnishee orders from unscrupulous lenders.



The Company estimates that, in partnership with the external service provider, it **helped employees save almost R3.6 million.**



### ENGAGING WITH UNIONS

The Company respects its employees' right to collective bargaining and freedom of association, and for trade unions to negotiate terms and conditions of employment on behalf of their members. At 30 September 2014, 25,041 employees, or 88.6% of the labour force (2013: 87.7%), are members of organised trade unions.

#### RECOGNITION STRUCTURES

##### MAJORITY UNION AMCU

As the majority union representing 72.6% of the workforce (2013: 66.1%), the Association of Mineworkers and Construction Union (AMCU) has bargaining rights, unrestricted access and rights to deductions, full-time shop stewards and office facilities on the Company's property.

Alongside the formal recognition agreement signed in August 2013, which outlines the legal aspects of the Company's relationship with AMCU, a Relationship Charter has been created that outlines the expectations and accountability of both parties that aims to facilitate a healthy and constructive relationship. The spirit of this relationship agreement is to be replicated and adapted at all levels between the two organisations to arrive at a robust culture of co-operation to ensure that the conditions that led to the strike should not recur.

In line with Lonmin's commitment to a multi-union model, the Company provides limited organisational rights to minority unions.

## UNION REPRESENTATION

Trade union	Percentage representation (%)	
	2013	2014
Association of Mineworkers and Construction Union (AMCU)	66.1	72.6
Chemical Energy Paper Printing Wood and Allied Workers Union (CEPPWAWU)	0.6	0.6
National Union of Mineworkers (NUM)	13.8	8.1
Solidarity	3.7	3.7
United Association of South Africa (UASA)	3.5	3.6
<b>Total unionised</b>	<b>87.7</b>	<b>88.6</b>
No trade union	12.3	11.4
	<b>100%</b>	<b>100%</b>

## CONTRACTOR MANAGEMENT

All contracting companies undergo rigorous assessment, which involves either yearly or half-yearly reassessments for long-term contractors. The assessment places particular emphasis on safety, environment and aspects of human rights. All contractors are familiarised with internal safety procedures at the contractor hub prior to commencing work at any of the Company's facilities. The Company offers all on-site contractors access to its healthcare facilities.

While Lonmin does not have direct influence over decisions such as the remuneration and accommodation of contracted employees, part of the terms and conditions of each contract are that the contractor must provide evidence of internal processes that ensure fair treatment and their employees' right to collective bargaining.

## MIGRANT AND LOCAL LABOUR

Migrant labour can no longer be simply defined as workers who stay in a hostel near the mine and return to their families for brief periods during the year. Many employees who originate from elsewhere have made their permanent homes in the community and have become "localised", while others consider their place of origin their ultimate home to which they intend to return. In many cases, financial necessity pulls individuals from their places of origin to seek employment. Beginning with initiative 3<sup>1</sup>, first identified in 2013, the Company is on a journey to better understand this complex subject as legacies of the migrant labour system are at the root of many of its most material social risks and challenges.

Lonmin has a series of interventions in place to address the key symptoms of migrant labour-related challenges in the business, primarily absenteeism and human settlements; the latter is covered in a separate section on page 44.

<sup>1</sup> Migrant and local labour.

## EMPLOYEE DEMOGRAPHICS BY GEOGRAPHIC ORIGIN AT 30 SEPTEMBER 2014

Province	2013		2014	
	Number of employees	Percentage of total employees	Number of employees	Percentage of total employees
Eastern Cape	10,202	36	9,222	33
North West	7,935	28	8,827	31
Limpopo	1,416	5	1,375	5
Gauteng	1,128	4	1,519	5
Free State	1,138	4	1,007	4
KwaZulu-Natal	849	3	786	3
Mpumalanga	566	2	430	2
Northern Cape	288	1	293	1
Western Cape	279	1	11	0
<b>Total foreign</b>	<b>4,578</b>	<b>16</b>	<b>4,806</b>	<b>16</b>
<b>Grand total</b>	<b>28,379</b>	<b>100</b>	<b>28,276</b>	<b>100</b>

### ABSENTEEISM

The rate of absenteeism, was exacerbated this year by the conditions leading up to, during and after the strike. If Lonmin continued with normal operations the absenteeism rate would have been 6.3%. Absenteeism in 2014 was 29.3% and is a direct result of the strike and the Company lost 2.6 million person days due to absenteeism. Particularly in the mining operations, employees work in teams, and it affects a team's ability to function safely and optimally when members are not at work. Bonus payments are linked to attendance with measures in place to discourage absenteeism.

The intention to run a pilot project testing the new shift system was delayed by the strike. Lonmin will trial the new shift pattern at E1 shaft, to monitor the impact on employees and the productivity of the shaft over a 12-month period. Once a thorough assessment of the pilot project has been made, an informed decision can be made on whether the new shift pattern could be successfully introduced across the Company's operations.

The intended benefits of the new shift pattern are that employees will have more time to spend with their families and more time to go about their personal business, reducing absenteeism.

### IMPROVING THE SHIFT SYSTEM

Lonmin has identified the shift system as a potential means of improving employees' quality of life and ultimately making for a more fulfilled and productive workforce. The Company has the objective to find a solution to absenteeism, by addressing its underlying causes and improving the productivity of its operations.



## EMPLOYEE DEVELOPMENT

Employee development programmes are an integral part of Lonmin's business strategy, as it needs to develop a sustainable, empowered and competent workforce for the future. Shortage of skills remains a critical concern and there are a range of employee development initiatives to facilitate talent management through the upskilling of existing employees and the development of new and future employees.

The prolonged strike had a significant impact on the various development programmes planned and committed to for 2014. However, in many cases, the deferred programmes that form a critical part of the business strategy and Social and Labour Plan will be restarted and re-energised.

During the financial year, the Company invested R172 million (3.25%<sup>1</sup> of the annual payroll) on employee development and R311.1 million is allocated for 2015.

### BREAKDOWN OF AVERAGE TRAINING HOURS PER EMPLOYEE

Employee category	2013		2014	
	Male	Female	Male	Female
Contractors	37.2	36.8	28.5	15.4
Unskilled	54.5	73.6	31.0	26.9
Semi-skilled and discretionary decision making	51.2	58.3	29.4	23.6
Skilled technical and academically qualified, junior management, supervisors, foremen and superintendents	47.2	28.7	19.5	13.2
Professionally qualified, experienced specialists, and mid-management	21.6	24.0	14.6	12.1
Senior management	20.2	12.8	11.6	8.1
Top management	10.8	–	13.1	11.5

Lonmin trained 21,141 employees and 9,590 contractors during the year; investing in 1,819,276 hours of training.

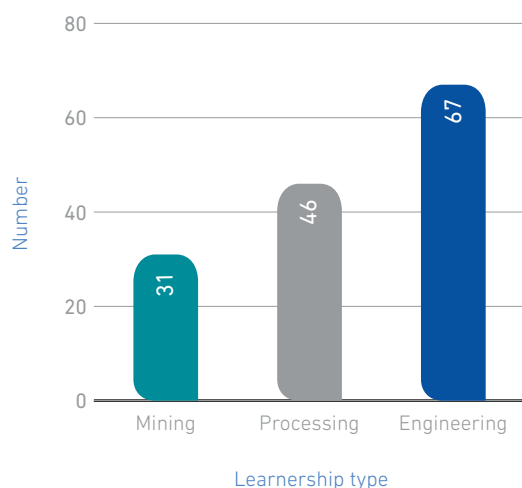
## LEADERSHIP STAIRCASE

Lonmin's broad approach to employee development is encapsulated in the leadership staircase, an overarching model to facilitate employee development enacted in various leadership development programmes throughout the business.

## LEARNERSHIPS

Lonmin provides technical skills training in the form of learnerships in our mining and processing operations, and engineering function. Unfortunately, this programme was affected by the prolonged strike, but 144<sup>✓</sup> learners (2013: 181) continued with their learnerships during the year.

### Learnerships (number)



## BURSARIES AND GRADUATES

Lonmin recognises the need to ensure that competent people are recruited, developed and retained to meet the current and future human resource and transformational needs of the business. The Lonmin bursary scheme forms a vital part of the business strategy in terms of meeting these business needs.

Comprehensive bursaries are offered to students who wish to pursue a career in mining or mining-related disciplines such as Mining, Electrical, Mechanical or Chemical Engineering, Metallurgy and Mining Technical Services disciplines (e.g. Geology). Preference is given to HDSA candidates and those from the Greater Lonmin Community. In 2014, Lonmin allocated 89<sup>✓</sup> bursaries –

56 (63%) are members of the community, 74 (83%) are HDSA and 24 (27%) are female candidates.

Bursars that successfully complete their studies enter the organisation as graduates in training where they complete a structured work development programme. In 2014, Lonmin had 34<sup>✓</sup> graduates on the programme; 28 (83%) are HDSA and 9 (27%) are women.

## MENTORSHIP PROGRAMME AND INDIVIDUAL DEVELOPMENT PLANS (IDPs)

Formal mentorships and IDPs represent the core drivers of the talent management strategy. Mentorships allow for skills transfer and knowledge sharing. Lonmin had 75 (2013: 63) active mentorship relationships in place as at end of September 2014. IDPs encourage employees to set personal goals for their current and future development and there were 1,735 (2013: 2,205) employees with formal IDPs in place at the end of September 2014.

In 2014 the focus shifted to increase the quality of the content of the development plans as well as the validity of review periods. This resulted in a decrease of IDPs due to the stricter enforcement of guideline principles.

## ADULT BASIC EDUCATION AND TRAINING (ABET)

The Lonmin Academy provides courses on pre-ABET and ABET level one to four; level four is the equivalent of a Grade 9 qualification in the South African schooling system. In 2014, a total of 473 people were registered, including employees (353), contractors (22) and community members (98). This training was stopped for the duration of the strike, therefore the number of candidate registrations are reported rather than those who completed their training.

## PORTABLE SKILLS TRAINING

Lonmin offers portable skills training to individuals who have recently left employment e.g. retired and who are interested in acquiring practical skills that can be applied outside of the mining industry. During 2014, 378 people (2013: 386) received portable skills training, of whom 220 (2013: 232) are employees and 158 (2013: 154) are members of the community. Most of the portable skills training takes place in August and September and was therefore not impacted by the strike.

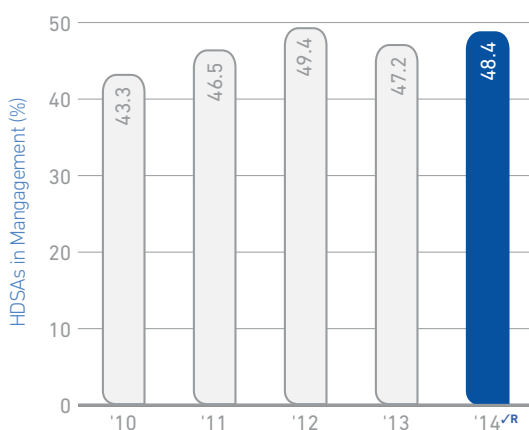
## TRANSFORMATION AND EMPOWERMENT

Through the requirements of the Mining Charter, and because it is important to the business, transformation imperatives are entrenched in policies within the recruitment, succession planning and talent management functions that enable opportunities for historically disadvantaged South Africans (HDSAs)<sup>1</sup>.

The aim is to create a pipeline of strong internal candidates, particularly HDSAs and women, to take Lonmin into the future.

The Company also has an internal employment equity score at management level, which excludes white women from the calculation and focuses specifically on HDSAs. Significant progress has been made in this area, achieving 37.8%<sup>✓R</sup> (2013: 35.8%). However, there is still room for improvement and various employee development programmes – particularly the leadership staircase – aim to raise this figure over time. The regulatory employment equity score is informed by legal parameters, which include white women and the Company surpassed the required target of 40% at management level and achieved 48.4%<sup>✓R</sup> (2013: 47.2%).

### HDSAs in management (including white women) (%)



<sup>1</sup> Lonmin employs a total of 21,929 employees that are HDSA.

### WOMEN IN MINING

Lonmin is committed to cultivating a working environment that welcomes the contribution of women to an industry that has historically been dominated by men. The Company actively seeks ways of attracting and retaining more women, but there is no simple solution. Lonmin differentiates between women who work at Lonmin and those working in core mining activities.

In 2014, 8.18%<sup>✓R</sup> (2013: 8.0%) of the total workforce was women and 5.35%<sup>✓R</sup> (2013: 5.09%) of the core mining positions were occupied by women. Although an increase is observed in both measurements, the target of 10% of women working for Lonmin that was set for 2014 has not been achieved and this remains a major challenge for the organisation as part of its transformation journey. The drive to establish structures for women in the Company has been revitalised and notable steps were taken during 2014. Projects are underway to better equip the mining environment for women. These projects include improvements of the Maternity Policy and reviewing the Personal Protective Equipment Policy to better cater for women in the workforce.

### Women employed at Lonmin (%)



## HUMAN SETTLEMENTS

### CHALLENGES

To appreciate the scope of the human settlements challenge, the current situation needs to be explained in the context of recent history.

Following the dismantling of the hostel system, many companies in the industry introduced a living-out allowance to give employees the freedom to choose their own accommodation, as opposed to live-in male-only communal compounds. Though the intention of this policy was positive, the abolition of the hostels created a number of unanticipated and undesirable consequences. Many employees have opted not to invest their resources in formal housing and have chosen to live in informal housing. This has precipitated the emergence of a back-room informal economy, which brings with it a host of negative socioeconomic issues, not least of which is a rapidly growing community without basic services and infrastructure.

In the past the Company committed to the construction of houses for employees to buy and own, but this had to be curtailed as the overwhelming majority of employees prefer to rent. This has been the almost unanimous response from the initial pilot project, confirmed by subsequent surveys and market research. Rental options will be the leading drivers in delivering on initiative 5 to facilitate the provision of accommodation for all.

### INTEGRATED HUMAN SETTLEMENTS STRATEGY

Housing development and construction falls outside of the Company's core business. Therefore, the integrated human settlements strategy will focus on building partnerships with property developers, providers of capital, lending institutions, local and provincial municipalities and government. Mining towns struggle to function normally

or continue with business once the mining activities stop. Through the Human Settlement strategy the aim is to reduce or avoid this from happening.

If successful, absenteeism will reduce, workforce stability will be achieved as well as family wellbeing established. The ultimate objective is to grow the local economy by keeping the wealth in the region in the form of a stable population that is housed comfortably with access to the relevant social and economic resources to sustain it over the long term. The strategy for achieving this comprises three pillars as set out on the next page.

### PROVISION OF LAND FOR DEVELOPMENT

Following the announcement of the Special Presidential Package initiative, Lonmin, in collaboration with the North West Department of Human Settlements, contributed 50ha of land to develop housing. It was donated, on 10 July 2014, in an effort to address the critical issue of accommodation in the area. This donation was made directly to the Department of Human Settlement, the North West Public Safety and Liaison Department and Rustenburg Local Municipality. The building of anticipated housing units has commenced. The premier of the North West Province announced that R462 million has been set aside to fund this project in phases. Phase one is already underway and comprises 292 *Breaking New Ground* units (formerly known as RDP housing) and 252 *community residential units*.



## HOSTEL CONVERSIONS AND ADDITIONAL HOUSING

Lonmin is on track to deliver on the target to convert all hostel blocks on the property at a total cumulative cost of R387 million to single or family units. The last blocks have been completed and bring the total number of converted hostel blocks (renovated apartments) to 128.

The second phase of the development is to investigate the option to utilise the open spaces between the existing converted buildings for additional housing, thereby using existing bulk infrastructure, i.e. water, power and sewage facilities. Work will commence in the 2015 financial year with the aim to provide between 4,000 and 5,000 units.

The challenges to this project will be:

- achieving fairness in the rentals, as rates for single and family units have been subsidised by Lonmin in the past; and
- competing with the back-room subletting economy of the informal settlements.



## AFFORDABLE HOUSING

Under the auspices of the Marikana Housing Development Company, a section 21 NPC company, 1,149<sup>1</sup> homes are available for outright purchase or on a rent-to-buy scheme. The selling price of these 45m<sup>2</sup> homes is R62,426, including land. Despite efforts to encourage home-ownership, only 305 people (2013: 297) have taken ownership of these houses.

<sup>1</sup> Lonmin also built houses during 2000 – 2004 at Karee (369) and at Wonderkop (280) and are available for rent.



## FUTURE HOUSING PLANS

Lonmin engages with external partners in a collaborative effort to provide a sustainable housing proposition for employees. It is critical that the Company achieves its human settlements objectives by providing the land, the research and the resources to a third party who is responsible for construction, administration, rental collection and maintenance of the properties. The Company is currently engaging with potential partners in the field of property development and administration finding a solution that balances affordability, profit and quality.





## Material focus area: **Employee safety and health**



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# Overview

## EMPLOYEE AND CONTRACTOR: SAFETY AND HEALTH

Lonmin's core business is mining and refining PGMs, which is a labour intensive activity exposing employees to a range of potential safety and health hazards. Lonmin acknowledges the interconnectedness of safety and health and is constantly exploring ways to improve safety in the workplace to prevent incidents and occupational health risks. A part of the Employee Value Proposition is to create a work environment that is conducive to overall wellness and productivity. There is only one manner in which to approach safety and health and that is to aspire to a target of Zero Harm.

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### **Lonmin:** acknowledges the interconnectedness of safety and health

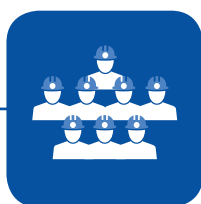
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The Company appreciates that individual safety and health is not isolated to the workplace. Many of the safety awareness and healthcare programmes have been expanded into the communities around the operations. The informal accommodation conditions of many of the settlements where employees live are not conducive to wellness and have a pervasive impact on safe and healthy behaviour.

An indirect negative consequence of the strike is that returning employees have to relearn the practices that are so vital to the safety of their fellow miners. The number of people who default on their chronic medication is affected directly during periods of labour unrest, resulting in health deterioration and decreased quality of life.

This chapter will provide an overview of the Company's approach to safety management across all Lonmin operations. It also outlines the healthcare facilities, programmes and services available to employees.

# Key stakeholders



## EMPLOYEES AND CONTRACTORS

The various awareness campaigns<sup>1</sup> and training interventions around safety and health practices are all geared towards creating a work culture that is conducive to employee and contractor wellness and productivity. This includes the requirement that unsafe work is stopped or not undertaken and empowers the workforce to ensure that this expectation is understood and complied with. This chapter describes how the Company supports employees to enact and implement safe and healthy practices at work and at home.

<sup>1</sup> For example, 'talk topics' cover subjects such as road safety, workplace safety, wellness, chronic diseases and HIV/Aids.



## GOVERNMENT

Lonmin's legal licence to operate as a mine requires that Lonmin demonstrates that its operations are compliant, particularly in safety and health practices. The Department of Mineral Resources (DMR) functions as a regulator of performance in the form of assessments, site inspections and, when necessary, work stoppages. Lonmin engages with government representatives regularly on Company matters and participate in industry forums. Lonmin continues building relations with the regulators.



## INDUSTRY PARTNERS

Lonmin is represented on several industry-wide forums to learn what works elsewhere. Participation in mine industry occupational safety and health (MOSH), facilitated by the South African Chamber of Mines, has led to the adoption of several safety initiatives at operations. This platform of shared knowledge remains beneficial for the Company.

As a member of the International Council on Mining and Metals (ICMM), Lonmin participates in ICMM health and safety activities, which enables benchmarking of health and safety activities and outcomes against mining companies globally. The Company also participates in various forums such as the Health Policy Committee, Mine Health and Safety Council, and Global business coalition on health.

# Sustainability risks and opportunities

The table below discusses why the following risks to sustainability have been identified with particular reference to employee health and safety, and indicates where more detail can be found in the chapter on how Lonmin manages and mitigates these risks.

## SAFETY

### RISK

Lonmin values its people. The Company endeavours to position itself as an employer of choice, and to provide safe jobs for employees, contractors and the communities that Lonmin operates in. However, the mining industry has inherent risks that can cause fatalities or injuries.

A failure in safety performance could result in injury or a loss of life which would have tragic implications for employees, their families and the local communities. It would also severely disrupt operations and would result in safety stoppages.

### OPPORTUNITIES

Opportunities exist in the sharing of lessons on safety and health matters to save lives. ICMM and industry forums provide opportunities to share lessons among member companies.

MORE DETAIL CAN BE FOUND IN THIS CHAPTER UNDER THE FOLLOWING HEADINGS

- Safety at Lonmin
- Safety performance
- Stoppages
- Contractor safety and health

## NOISE-INDUCED HEARING LOSS (NIHL) CASES DIAGNOSED<sup>4</sup>

### RISK

NIHL remains a significant occupational disease and exposure to high noise levels is continually addressed through various programmes.

### OPPORTUNITIES

Increased awareness on the importance of wearing hearing protection equipment should be created. A hearing conservation committee will seek opportunities to reduce noise levels in work areas.

MORE DETAIL CAN BE FOUND IN THIS CHAPTER UNDER THE FOLLOWING HEADINGS

- Health strategy
- Employee health services

## DISEASE PROFILE WITH HIGH INCIDENCE OF TB AND HIV/AIDS<sup>5</sup>

### RISK

HIV/Aids and tuberculosis are a threat to the wellbeing of a person. HIV/Aids remains the biggest cause of in-service deaths and those defaulting on antiretroviral and tuberculosis treatment are a concern.

### OPPORTUNITIES

Increased awareness campaigns will be held to create further awareness about the importance of employee health and behaviour associated with a healthy lifestyle.

MORE DETAIL CAN BE FOUND IN THIS CHAPTER UNDER THE FOLLOWING HEADINGS

- Health strategy
- Employee health services

<sup>4,5</sup> These risks are not part of Lonmin's top 12 strategic risks, but in the context of health important to note.

More detail on the risk management approach can be found in the Annual Report and Accounts 2014.

# Accountability and governance

Every person employed by the Company is responsible for behaviour and practices that build a safer and healthier Lonmin. Line managers are responsible for the safety of their teams and daily incident reports are consolidated, analysed and ultimately reported to the Executive Committee.


In 2014, there were 17 (2013: 12) full-time safety and health representatives and 3,028 (2013: 1,365) safety representatives employed throughout the operations.

These individuals represent employees on Health and Safety Committees that meet quarterly.

The health department is responsible for healthcare delivery, occupational health and hygiene policies, standards, monitoring and auditing of these services. Lonmin's safety department holds the responsibility to monitor and audit safety protocols and standards. The Chief Executive Officer is ultimately accountable for the health, safety and wellbeing of all employees and contractors when they are on site.

## GOVERNANCE TOOLS

The table below lists the key applicable internal and external policies, procedures and regulations that govern employee safety and health at Lonmin.

 INTERNAL	 EXTERNAL
<ul style="list-style-type: none"><li>■ Safety and Sustainable Development Policy</li><li>■ Lonmin Sustainable Development Standards</li><li>■ Induction programme that all employees have to undergo</li><li>■ Every supplier signs terms and conditions committing to adhere to Lonmin's policies and standards</li><li>■ Safety<ul style="list-style-type: none"><li>□ Lonmin Life Rules</li><li>□ Fatal Risk Control Protocols</li><li>□ Contractor Safety Management Protocol</li></ul></li><li>■ Health<ul style="list-style-type: none"><li>□ Lonmin HIV/Aids and Tuberculosis Policy</li><li>□ Lonmin Medical Scheme</li></ul></li><li>■ Safety, Health and Environment Committee of the Board</li><li>■ Internal indicators and targets that are reported against on a monthly basis</li><li>■ Initiatives<sup>1</sup>:<ul style="list-style-type: none"><li>□ Initiative 2: Empowering employees and communities</li><li>□ Initiative 5: Housing and accommodation</li></ul></li></ul>	<ul style="list-style-type: none"><li>■ South African Mining Charter</li><li>■ Occupational Health and Safety Standards (OHSAS) 18001</li><li>■ South African Mines Health and Safety Act</li><li>■ ICMM principles of sustainable development<ul style="list-style-type: none"><li>□ Principle 5: Seek continual improvement of health and safety performance</li></ul></li><li>■ Mineral and Petroleum Resources Development Act, 28 of 2002, stipulates requirements for social development through Social and Labour Plans</li><li>■ Department of Health and Department of Mineral Resources tuberculosis programme management guidelines</li></ul>

<sup>1</sup> As laid out by the Board in 2013

# Approach and performance

## SAFETY AT LONMIN

Lonmin formalised its safety strategy in 2009 with three key objectives:

- Fatality prevention
- Injury prevention
- A safe culture

The strategy was bolstered in 2013 incorporating the overarching slogan and vision: Zero Harm to everyone, everywhere, every day. The Company reviews the safety

strategy on an annual basis in line with the overall business strategy to identify strengths, risks and opportunities to improve.

The overarching frameworks under which the Company operates are the Safety and Sustainable Development Policy, Sustainable Development Standards and the Fatal Risk Control Protocols. Four strategic enablers have been identified on an operational level for which the senior management is responsible:

### Strategic enablers

#### TRANSFORMED CULTURE

To reach a high level of safety awareness driven by the employees to entrench safe behaviour in the operational DNA.

#### LEADERSHIP

To develop strong leaders supported by safety professionals to lead the workforce in the right decision making and behaviour.

#### SIMPLE, FIT-FOR-PURPOSE SYSTEMS

To invest in systems that will record real-time information for trend analysis and incident prevention.

#### ENABLING ENVIRONMENT

To understand risks and optimise control and management, moving beyond compliance to an environment of excellence.

### TRANSFORMED CULTURE

A significant challenge is that the workforce are at different stages of safety awareness and independence, and safety plans need to be appropriate for these audiences. To transform and empower our workforce – we will continue with safety training and create awareness that any employee or contractor has the right to withdraw from any unsafe work area. This has, and will, reinforce the belief that the underlying enabler is a transformed culture, which will drive Lonmin towards Zero Harm.

### LEADERSHIP

Safety training forms part of the employee and contractor induction. Lonmin's objective is that every individual in the business has a personal understanding of and respect for the importance of safety in the workplace. This is achieved by entrenching safety principles in the organisation and increasing visibility on safety matters.

Lonmin aims to empower its managers, supervisors and team leaders to play a direct and integral role in the functioning of the workforce through the promotion of Visible Felt Leadership. This approach positions the leader as an agent of change who leads by example and not by power, and who has a personal commitment with each member of the team to collectively enable a safe and transformed environment in the workplace.

### INDUSTRY BODIES

Lonmin continues to work with the Chamber of Mines to identify leading practices in safety and health in mining, for example through the Mine Industry Occupation Safety and Health (MOSH) initiatives and to eliminate fatalities, a CEO forum.

## MOSH INITIATIVES ADAPTED AND IMPLEMENTED

### APPLY LONMIN LIFE RULES AND RESPONSE TRIGGERS (ALLeRT)

The ALLeRT initiative is a tool specifically developed to provide guidance on how to manage the risk of falls of ground, which is historically the biggest contributor to fatalities in mining.

The initiative is based on two Lonmin Life Rules:

- Entry examination
- Support installations and geological hazard identification

With the aim of:

- Withdrawing people from possible unsafe conditions and to request assistance from specialists.

We require all supervisors to attend a rock engineering course during implementation of the ALLeRT initiative to assess the safety of underground conditions effectively.

During this course, 795 crews were trained, enabling them to apply the ALLeRT initiative.


### PROXIMITY DETECTION SYSTEM (PDS)

PDS refers to collision avoidance systems or collision avoidance technologies, which are implemented to reduce the risk of vehicle-related accidents.

Current functionality gives a warning to slow the vehicle down to a predetermined speed when vehicles are in close proximity to each other.

## SIMPLIFIED SYSTEMS

Lonmin has an internal audit programme in place for the 15 Lonmin Sustainable Development Standards<sup>1</sup> to improve the safety governance practices. The audit programme continued during the year and this year the operations completed self-assessments to evaluate their compliance and implementation of the standards. Externally, Lonmin obtained OHSAS 18001 certification at all processing plants.



This year the Karee 4B/1B shaft was recognised with the JT Ryan award for Safest Mine in South Africa for the third time in a row at the annual MineSafe Conference held on in August 2014. This shaft is the industry leader in safety with more than 8,000,000 fatality free shifts.

More detail on safety achievements per operation can be found online at [www.sd-report.lonmin.com/2014/evolution-of-strategy](http://www.sd-report.lonmin.com/2014/evolution-of-strategy).

## SAFETY PERFORMANCE

The lost time injury frequency rate (LTIFR)<sup>2</sup> declined by 4.6% in 2014, from 3.50 per million man hours worked in 2013, to 3.34<sup>✓R</sup> per million man hours worked. The target for 2014 aimed to reduce the LTIFR by a further 5%; this target has not been achieved by a narrow margin. We will again aim in 2015, to improve our LTIFR rate by 5% against the 2013 base year.

The lost time injuries (LTIs) for 2014 were 217 (2013: 317). The primary causes of LTIs relate to falls of ground (35%) and scraping and rigging (26%). The Company recorded 12,598 days lost due to LTIs. The severity rate

was 194.16, a year-on-year decrease of 7.7%. There were 12 level 3 safety incidents in 2014 compared to 21 incidents in 2013.

The Company also monitors first aid treatment cases (2014: 141) and cases of medical treatment (2014: 315). The system to improve reporting on first aid cases is still maturing.

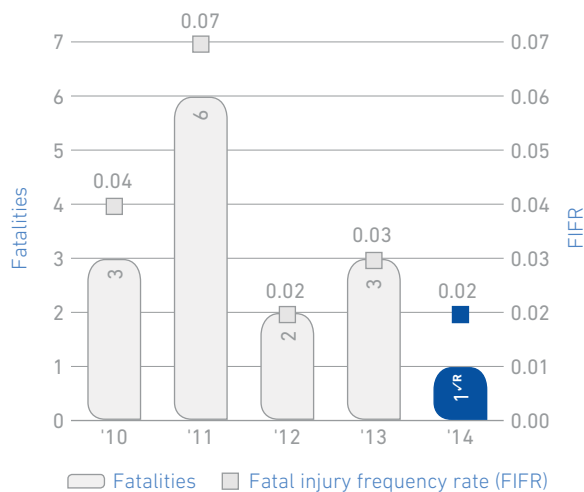
These statistics need to be interpreted in the context of the prolonged strike as risk of injury is heightened during restart and ramp-up.

<sup>1</sup> Please refer to the supplementary reporting piece to view the comprehensive list of the 15 standards.

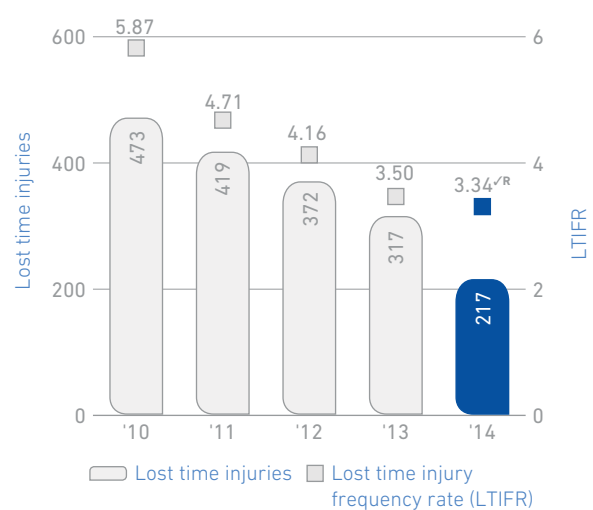
<sup>2</sup> LTIFR = LTIs (217) per million hours worked (64,885,341).



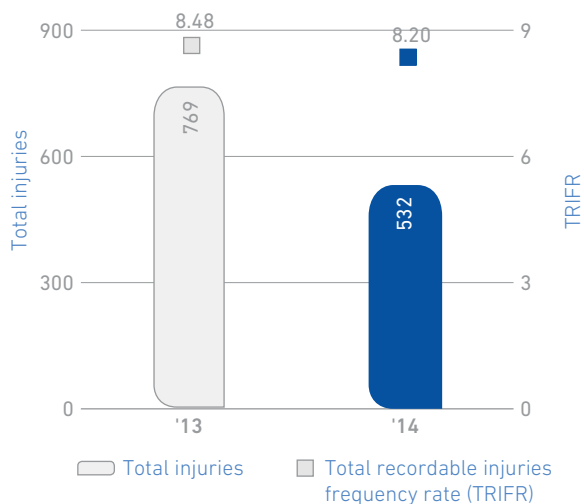
### Fatalities and FIFR



### Lost time injuries and LTIFR



### Total injuries and TRIFR



#### IN MEMORIAM

Sadly, on 26 October 2013, Mr Siyabonga Sibango was a passenger in a tragic vehicle accident at East 3 Shaft that took his life. He is survived by his wife Ms Nolusindiso Sibango and their two children.

A full investigation was conducted by an external expert assisted by an internal team of subject matter experts. Speed control, braking systems, how equipment is being transported as well as driver and passenger safety were reviewed. The decision was taken to stop the use of conventional light duty vehicles for underground applications. Special built emergency and service vehicles have been designed and ordered and the Lonmin Standards have been changed to incorporate the new designs.

## SAFETY STOPPAGES

Section 54 stoppages are imposed by the DMR under the Mine Health and Safety Act, 29 of 1996. The Company also initiates its own safety stoppages when Lonmin's Life Rules have been violated. Section 54s occur when the inspector of the DMR has reason to believe that any practice or conditions at a mine endangers the health or safety of any person at the mine. During 2014, 20 section 54 stoppages were imposed at operations, resulting in 55.5 production lost days. This figure is higher than the 18 Section 54 stoppages in 2013.

Lonmin is committed to building relationships with the DMR and participates in forums in which industry, labour and government representatives discuss expectations and shared objectives on safety stoppages.

## CONTRACTOR SAFETY AND HEALTH

All companies contracted by Lonmin are subject to rigorous protocols, in which health and safety items are assessed. All contractors are required to register on a formal industry-wide database with their full compliance accreditation as evidence of good practice.

Contractors have access to healthcare facilities. These include health and safety induction, medical surveillance, voluntary counselling and testing (VCT), treatment of injuries on duty, wellness campaigns, tuberculosis (TB) screening and treatment and NIHL mitigation measures.

Lonmin and other industry partners have been involved in the establishment of a non-profit organisation called the South African Mining Contractors Association, or SAMCA.

This is intended to create an environment for sharing of best practices and standardisation of safety practices.

## HEALTH STRATEGY

The Company, through its occupational health and hygiene department, adopted the slogan Your Health, Our Priority to align its broad approach to the provision of healthcare and operates according to the following six focus areas:

- Fitness to work
- Employee wellbeing, care and rehabilitation
- Medical surveillance
- Increased occupational hygiene monitoring and footprint
- Deliver on Social and Labour Plan projects – community health
- Medical service delivery model

Lonmin offers employees a healthcare service which extends various programmes to the Greater Lonmin Community (GLC). For further detail on community health projects, refer to pages 70 and 71.

## MEDICAL SCHEME

A medical scheme administered by a third-party service provider is offered to all employees. The Lonmin Medical Scheme fully covers the cost of all medical treatment of the member, with subsidised treatment for dependants. Employees who opt to have their own medical schemes receive subsidies on their monthly payments from the Company.

## EMPLOYEE HEALTH SERVICES

The Company provides employees with a range of occupational and primary healthcare services as part of the Employee Value Proposition. Every employee has to undergo health assessments on a regular basis. This year Lonmin invested over R150 million in employee health programmes.

### OCCUPATIONAL HEALTH AND HYGIENE

NIHL is a key occupational health and hygiene risk for employees and contractors. Lonmin set a target to reduce NIHL cases by 10% from a 2012 baseline year, this has not been achieved. In 2014, 66<sup>✓R</sup> new cases of NIHL were diagnosed (2013: 48), an increase of 38%. Contributing factors to the increase in NIHL cases are the employees' age, number of years exposed to noise, concurrent medical conditions and non-compliance with wearing of hearing protection devices. 49<sup>✓R</sup> cases of NIHL have received compensation during the year (2013: 36). All rock drills and noise sources have been silenced to below 110 dB(A). The Hearing Conservation Committee continually seeks and investigates additional methods to reduce noise exposure and prevent NIHL. Through awareness campaigns, greater emphasis will be placed on the importance of wearing hearing protection equipment.



## OTHER OCCUPATIONAL HEALTHCARE PROGRAMMES



### PHYSICAL AND FUNCTIONAL WORK CAPACITY FITNESS TESTING

These tests assess the cardiorespiratory fitness, as well as work simulation assessments as part of a comprehensive medical surveillance programme.

#### STATUS

- 62% of employees successfully passed their fitness assessment in 2014. When an employee fails they will be referred to physiotherapy or alternative job placement will be sought.
- As women have a higher failure rate when assessed for work fitness, an exercise programme is provided for women to follow at home. We have seen a higher pass rate when the exercise programme has been followed.



### PHYSIOTHERAPY, OCCUPATIONAL THERAPY AND REHABILITATION

- Therapy and rehabilitation programmes are available for employees that have chronic diseases or injuries.
- The Company is formalising its disability management framework, which makes provision for accommodation, retraining or alternative job placement of people with disabilities.

#### STATUS

- An average of 120 clients are treated at physiotherapy per month.
- 1.4% of employees are people with disabilities (2013: 0.9%).



### OTHER OCCUPATIONAL DISEASES MANAGEMENT

Occupational diseases such as Platinum Salt Sensitivity and occupational asthma remain concerns in the processing of platinum. Lonmin works with the International Platinum Group Metals Association specifically to understand and manage Platinum Salt Sensitivity better.

#### STATUS

- Two employees were diagnosed with occupational asthma, i.e. five per 100,000. No dermatitis or Platinum Salt Sensitivity cases have been diagnosed during 2014.

## PRIMARY HEALTHCARE

Lonmin offers its employees a range of services that address non-work related health issues, many of which are extended to contractors and community members. HIV/Aids, TB and chronic illnesses are the most common diseases that afflict employees and contractors. A formal policy is in place for the management of HIV/Aids, which remains the primary cause of mortality among

in-service employees. This policy focuses on education and awareness in an effort to combat the stigma around the disease, as well as on the provision of medical and emotional support to infected patients. In 2014, R23.1 million (2013: R26.6 million) was related to the prevention and management of HIV/Aids.

### FIVE-YEAR PERFORMANCE: TB AND HIV/AIDS

	2010	2011	2012	2013	2014
Diagnosed and treated TB cases	528	545	527	446	436 <sup>✓L</sup>
HIV/Aids-related deaths	88	139	104	99	97
Voluntary counselling and testing (VCT) tests conducted	39,006	31,666	46,945	17,682	17,964
Patients on antiretroviral treatment (ART)	1,349	2,022	2,510	3,288	3,666
Patients on the wellness programme	498	526	657	690	637

## PRIMARY HEALTHCARE PROGRAMMES

### HIV/AIDS AND TB

HIV/Aids remains the main cause of employee deaths with 97 HIV/Aids-related deaths in 2014. Furthermore, the high number of people (1,065) who defaulted ART during the strike is concerning. Lonmin's target is to reduce the rate of ART defaulters to below 3%, which has not been achieved this year. There are 3,666 patients that participate in the ART programme, an increase of 11% from 2013. The ART wellness programme supports patients through group counselling sessions, training on the treatment and healthy eating. Due to the strike the Company was not able to increase the number of patients participating in the wellness programme. The Company supplies free ART to employees and covers the estimated cost of R8,504 per person on treatment annually.

Awareness and voluntary testing campaigns were interrupted due to the prolonged strike. This year, two campaigns were held and 17,964 employees and contractors were tested for HIV, of which 10.3% were

positive. On-site peer educators raise awareness and there is one trained peer educator for every 75 employees, which is in line with the 2014 target. The target for 2015 will remain the same. Workplace peer educators decreased substantially during the strike period and only 201 remain active, a ratio of one for every 141 employees.

Individuals infected with HIV/Aids are more prone to TB infection and it is therefore important to monitor and track TB. This year, there were 436<sup>✓L</sup> new cases of TB diagnosed and treated, 17 of multi-drug resistant TB and no new cases of extreme drug resistant TB. The Company continued efforts to trace the individuals and those in contact with TB patients. Lonmin kept the hospital and clinics operational 24 hours a day during the entire strike period. The TB cure rate<sup>1</sup> and treatment completion rate is 85.1% against the 2014 target of 85% cure and treatment completion rate. The target for 2015 will remain the same.

<sup>1</sup> The percentage of patients who tested positive for TB and converted to test negative for TB.



## CHRONIC DISEASE TREATMENT

### DESCRIPTION

- Chronic diseases prevalent amongst the workforce include HIV, asthma, diabetes, epilepsy and hypertension.
- The Company provides care for chronic and acute illness with channels for referring to specialist care.
- Outcomes of disease treatment are monitored through controlled treatment programmes.

### STATUS

- There are 4,224 patients (2013: 3,552) registered for chronic treatment. During the strike, 1,065 patients defaulted on ART and 1,746 patients defaulted on chronic medication.



## TRAUMA AND EMERGENCY CARE

### DESCRIPTION

- Casualty capacity for emergency cases.
- Disaster plan that has been tested.
- Extended support from peers and other hospitals to support the Company in emergency situations.

### STATUS

- Regular emergency drills to test emergency preparedness.



## WOMEN'S HEALTH

### DESCRIPTION

- In support of women's healthcare and to better cater for women in medical services, specific initiatives have been embarked on.

### STATUS

- Established a female-only ward in 2013.
- Ante-natal care provided on-site.



## EMPLOYEE WELL-BEING SERVICE

### DESCRIPTION

- The Company provides counselling and follow-up service to employees for medical, social and financial issues.
- Support includes emotional and psychological treatment.
- Support service is extended to family members.

### STATUS

- Two full-time social workers on-site and psychologists and a psychiatrist at the Rustenburg medical centre.



## DIETICIAN

### DESCRIPTION

- Nutrition is closely connected to health and wellbeing.
- Nutrition consultations held twice a month to promote healthy diets.

### STATUS

- This service has been introduced in 2014.





Material focus area:  
**Social licence  
to operate**



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# Overview

## SOCIAL LICENCE TO OPERATE

### CONTEXT

Maintaining the social licence to operate through securing the trust and acceptance of communities is important as, due to their location surrounding the Company's operations, they have the capacity to affect Lonmin in the long term. Improving our social licence to operate is achieved through:

- Stakeholder engagement to ensure social expectations are understood
- Community upliftment initiatives to address social issues

- Transformation initiatives to meet the government's social and economic development goals
- Ethical business practices that include the commitment to uphold human rights

The Company's community upliftment focus includes education, health and infrastructure programmes through which Lonmin aims to address some of the socio-economic challenges of the Greater Lonmin Community (GLC). The programmes aim to provide a pipeline of skilled local employees and increased procurement from the local community.

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### → **Lonmin:** relationship building with local government is a key enabler for the social licence to operate

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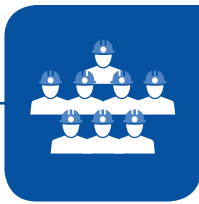
Dialogue and relationship building with local government is a key enabler for the social licence to operate. Community liaison officers and stakeholder engagement officers engage with local communities. Community members can raise concerns directly with these officers either formally in writing or verbally at the community offices or during engagement sessions.

The Company's commitment to partner with communities is entrenched in our charter and commitments are outlined in the Safety and Sustainable Development Policy. As a member of the ICMM, Lonmin supports the

Position Paper on Mining and Indigenous People, which includes a number of commitments to respect and have meaningful engagement with indigenous people. In our local communities, this is driven by the Community Value Proposition (CVP) process, which aims to identify community needs accurately through consultation and to prioritise these through a collaborative process.

The content of this chapter provides an overview of the initiatives aimed at local communities with a predominant focus on the GLC, due to the majority of the Company's operations being in the North West Province.

# Key stakeholders



## COMMUNITIES

The local community surrounding the operations consists of the Bapo Ba-Mogale traditional community and various other communities. The Bapo are surrounded by formal settlements and burgeoning informal settlements of transient migrant workers from across southern Africa. These communities provide an assortment of challenges, including a lack of formal governance structures in informal settlements and providing jobs equitably to local community members without infringing migrant workers' right to work.

The CVP is a means by which to communicate with local ward councillors and traditional authorities, and it facilitates community engagement. This enables the Company to understand their needs and expectations and to ensure collaboration in contributing to the GLC.



## GOVERNMENT

To ensure viability and sustainability, socioeconomic development efforts need to align with the National Development Plan and regional Integrated Development Plans (IDPs). In specific areas, regular engagement takes place with the Department of Basic Education, the Department of Health, the Department of Trade and Industry and the Department of Mineral Resources.

These departments are all sources of partnership, but also provide an oversight role on projects implemented by the Company to ensure alignment with standards and goals.



## NON-GOVERNMENTAL ORGANISATIONS (NGOs), NON-PROFIT ORGANISATIONS (NPOs) AND CHURCHES

Around the operations NGOs, NPOs and churches play a critical role. They support communities, raise awareness on social matters and support local people in need.

Lonmin engages with NGOs, NPOs and churches through a variety of methods including formal written correspondence, direct communication or informal discussions.

Through partnership and collaboration with this stakeholder group we can better address many social challenges.

# Sustainability risks and opportunities

The table below discusses why the following risks to the sustainability of the business have been identified with particular reference to the social licence to operate, and indicates where more detail can be found in the chapter on how Lonmin manages and mitigates these risks.

## COMMUNITY RELATIONS

### RISK

Dysfunctional relationships with local government hinder transformation and can lead to operational disruption.

Poor relationships with the local communities as a result of inadequate services and high unemployment can result in civil unrest which could severely disrupt our operations. As many of the employees live locally, any disruptions within the communities and poor living conditions can have a direct impact upon our employees. The failure to deliver social upliftment projects (triggering protests or violence) and corporate reputational damage can result if communication with these stakeholders is not managed effectively. The environmental, health and social impacts of mining can be felt by those communities who live and work in close proximity to the operations.

### OPPORTUNITIES

The Community Value Proposition provides the opportunity to improve community engagement to build relationships.

MORE DETAIL CAN BE FOUND IN THIS CHAPTER UNDER THE FOLLOWING HEADINGS

- Community development
- Transformation through social and economic development
- Human rights

## MINING CHARTER OBLIGATIONS, OTHER REGULATORY REQUIREMENTS AND SOCIAL LICENCE TO OPERATE

### RISK

Lonmin is heavily regulated by a vast array of regulatory requirements including the Mineral and Petroleum Resources and Development Act (MPRDA). This legislation is critical as it impacts Lonmin's operating licence. Various compliance with other regulatory requirements are also required to be complied with and it is therefore critical that they are understood and that appropriate measures are implemented to achieve compliance. Alongside these legal and regulatory obligations and, equally critical, are our social responsibility obligations by which we earn our social licence to operate in the communities that host our operations.

Lonmin's New Order Mining Rights are conditional upon the performance of obligations set out in the Social and Labour Plans agreed with the DMR and which detail the Group's responsibilities under the Mining Charter. Failure to meet these obligations can impact Lonmin's operating licence and can result in deteriorating relationships with our stakeholders, reputational damage, regulatory fines and other punitive measures. In addition, certain of the Company's BEE partners are reliant on funding provided by the Company and have significant balances owing to the Company.

### OPPORTUNITIES

Lonmin has the opportunity to support government's social and economic development goals to develop communities and develop a pipeline of healthy, skilled prospective employees.

MORE DETAIL CAN BE FOUND IN THIS CHAPTER UNDER THE FOLLOWING HEADINGS

- Transformation through social and economic development
- Human rights

More detail on the risk management approach can be found in the Annual Report and Accounts 2014.

# Accountability and governance

The Lonmin Social, Ethics and Transformation Committee is responsible for ensuring that the Company meets its commitments in the areas of transformation and community development.

The Executive Vice President of Communications and Public Affairs is responsible for the commitments regarding community development. Transformation commitments lie with the Executive Vice President of Transformation. Both EVPs reports to the Chief Executive Officer.


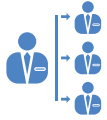
Prior to the introduction of new projects, engagement takes place with members of the GLC and monthly

meetings are held with ward councillors to gather community input. Any new projects are developed in partnership with, or approved by, the relevant municipalities and government departments.

Community development is overseen by the community development department who works in close relationship with the enterprise development arm of the procurement department to leverage the substantial synergy between the local economic development (LED) projects and enterprise development (ED) projects.

## GOVERNANCE TOOLS

The table below lists the key internal and external policies, procedures and regulations that apply to Lonmin's social licence to operate.

 INTERNAL	 EXTERNAL
<ul style="list-style-type: none"> <li>■ SLP, which has been submitted to the DMR for approval</li> <li>■ Community investment programme</li> <li>■ Security Risk Management Policy</li> <li>■ Code of Conduct for Security</li> <li>■ Lonmin Sustainable Development Standards</li> <li>■ Internal indicators and targets that are reported against on a monthly basis</li> <li>■ Initiatives<sup>1</sup> <ul style="list-style-type: none"> <li>□ Initiative 2: Empowering employees and communities</li> <li>□ Initiative 5: Housing and accommodation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Mining Charter categories               <ul style="list-style-type: none"> <li>□ Ownership</li> <li>□ Procurement and enterprise development</li> <li>□ Mine community development</li> </ul> </li> <li>■ ICM principles of sustainable development               <ul style="list-style-type: none"> <li>□ Principle 9: Contribution to social, economic and institutional development of the communities in which the Company operates</li> <li>□ Principle 10: Implement effective and transparent engagement, communication and independently verified reporting arrangements with stakeholders</li> </ul> </li> <li>■ United Nations Global Compact Ten Principles               <ul style="list-style-type: none"> <li>□ Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights</li> <li>□ Principle 2: Businesses should ensure that they are not complicit in human rights abuses</li> </ul> </li> <li>■ Broad-based Black Economic Empowerment Act, 53 of 2003</li> <li>■ Preferential Procurement Policy Framework Act, 5 of 2000</li> <li>■ Mineral and Petroleum Resources Development Act, 28 of 2002 stipulates requirements for social development through SLPs</li> </ul>

<sup>1</sup> As laid out by the Board in 2013.

# Approach and performance

## COMMUNITY DEVELOPMENT

The Lonmin community development strategy is aligned with the notion of creating social and economic value and states that community development projects and programmes should:

- Alleviate poverty and unemployment
- Enable communities to participate in decision making to achieve greater long-term control over their lives and development thereof
- Ensure communities are resourceful, skilled and able to take full advantage of economic opportunities

- Enable community businesses to become a business partner of choice and contribute to the growth of Lonmin

Lonmin invests in community development projects that are aligned to enterprise and skills development, education development, community health and social infrastructure (including housing). Expenditure on socioeconomic development (SED) for the year amounts to R69.6 million (of which R47,672,897<sup>✓R</sup> was spent on community projects that are part of the SLPs<sup>1</sup>). As a result of the prolonged strike, a number of interventions had to be placed on hold, but will be continued as per the SLP commitments.

### SUMMARY OF COMMUNITY EXPENDITURE



	2013 Rm	2014 Rm
<b>SED financial investment in communities</b>		
Spend on community education programme (in schools)	6.9	6.4
Spend on skills development (ABET, portable skills training, technical skills, university preparedness and learnerships for communities)	9.1	11.0
Spend on sports, arts and culture	1.3	0.6
Spend on community health programmes (including nutrition programme spend)	5.1	5.1
Spend on local economic development <sup>2</sup>	32.0	28.0
Donations	2.8	1.0
Supplier development	3.9	5.1
Other infrastructure projects (such as waste management)	10.5	9.9
Overheads	2.1	2.5
<b>Total<sup>3</sup></b>	<b>73.7</b>	<b>69.6</b>
	<b>or US\$7.9</b>	<b>US\$6.6<sup>4</sup></b>

<sup>1</sup> Social and Labour plan dated 23 November 2013: refer to Annual Report and Accounts 2014.

<sup>2</sup> This includes salaries and wages.

<sup>3</sup> This includes programmes over and above SLP projects for Western Platinum Ltd and Eastern Platinum Ltd.

<sup>4</sup> Using an exchange rate of R10.55.

## COMMUNITY VALUE PROPOSITION (CVP)

The CVP project that commenced in 2013 is aimed at better understanding the impact of the company and the development needs of the community to deliver focused

social investment that is sustainable. The Company's objective is to make a social investment that has a lasting impact beyond the life of the mines.

## The CVP process comprised three phases.

1

### PHASE ONE

**Research** to ensure alignment with the National Development Plan (NPD), municipal IDPs and other contextual frameworks.

2

### PHASE TWO

**CVP stakeholder engagement process.** A series of engagements with prominent community stakeholders and other interested and affected parties to understand the socioeconomic background, developmental needs and priorities of the communities.

The two main priority areas that emerged were:

- Those that improve living conditions
- Long-term investments that will facilitate the reduction in high levels of unemployment, increase access to health services and maintain sustainable access to basic social services.

3

### PHASE THREE

**Provide feedback** to communities selected for projects.

The successful outcomes of this process would result in a mutual-beneficial and symbiotic relationship between the Company and its communities.

## EDUCATION AND SKILLS DEVELOPMENT

Lonmin views education and skills development as a long-term investment that benefits, supports and carries the learner through the education value chain to create employable, skilled individuals. This is a social and a commercial imperative as a poorly educated and illiterate community leads to several social risks, including those of increased unemployment and misinterpretation of communication. Skilled community members will provide a pipeline of local employees for the Company and local industries providing the opportunity to lower unemployment levels.

The Lonmin community education programme provides support in a value chain of six key areas of education: school infrastructure development, learner support, educator support, parent support, school nutrition, and sport, arts and culture<sup>1</sup>.

## SCHOOL INFRASTRUCTURE DEVELOPMENT

In 2014, the Company assisted schools in repairing damaged buildings, electrical wiring and plumbing to ensure that learners and educators can continue working and learning in a safe environment. Major infrastructure work was typically stopped due to the strike and subsequent cash-flow constraints. Despite these challenges, some infrastructure projects continued. A crèche was built at Thlapi Moruwe Primary School in Wonderkop that will benefit 100 grade R<sup>2</sup> learners and four grade R<sup>2</sup> educators.

## LEARNER SUPPORT

Lonmin provides support to learners in the GLC to improve the quality of education being provided. At a primary school level, Lonmin provides a holiday programme for grade four to seven learners to supplement classroom learning.

<sup>1</sup> In addition, the Company provides transport in the form of nine school buses per day, which make an estimated 2,000 trips every month and are available to all the schools in the GLC, at a cost of R7.1 million per year affecting 675 learners per day.

<sup>2</sup> The grade a child is in prior to starting with formal schooling.

Secondly, the Company aims to improve matric<sup>1</sup> results, where 500 learners (2013: 260) from the GLC will benefit through the Ithutheng Saturday School aimed at top learners in grade 12, and the Saturday and holiday Examination Preparedness and Support (EPS) programme.

These sponsorship programmes also target the tertiary level through the University Preparedness Programme (UPP), which assisted 13 students in 2014 to transition from secondary to tertiary education through either a university or a technical stream. In addition to this, the Technical Preparedness Programme (TPP) enables school leavers to achieve N3 accreditation for their technical skills within three years of training; and the Mining-related Skills Programme, provides skills development opportunities to local youth who have reached NQF level 4 (equivalent to grade nine) and are seeking employment. The total students on UPP and TPP are 56<sup>2</sup>.

The students in the university stream qualify for the Company's bursary pipeline, while the students in the technical stream qualify for Lonmin's learnership pipeline. 63% of available bursaries on the Lonmin bursary scheme have been awarded to learners from the GLC, an increase from 34% in 2011.

#### EDUCATOR SUPPORT

The Company considers Early Childhood Development (ECD) to be a critical part of socioeconomic development in the region and the country as a whole, as it builds a vital foundation for successful education. A significant number of local children do not have access to formal education during early childhood, and are cared for in informal day care facilities. Lonmin is currently aware of 52 such informal day care facilities and provides support in the form of the Ready Steady Learn programme. This programme provides the carer with basic skills to teach the children the foundations required to begin with their formal schooling. Sixteen educators are attending ECD Level 4 accredited training and should finish by the end of December 2014.

Mathematics, technology and physical science workshops have also been provided to 300 educators for the year through in-class and off-site training.

#### PARENT SUPPORT

Lonmin organised a career day and invited the parents to attend. The career day is not only to illustrate career opportunities for learners, but also to create awareness

among parents about the exposure programmes Lonmin offers. The aim is to motivate parents to support their children's performance such that they will be able to enter the programmes that Lonmin offers.

#### SCHOOL NUTRITION PROGRAMME

For detail on this programme, refer to page 70 of this report.

#### SPORT, ART AND CULTURE DEVELOPMENT

This year, various teams were sponsored to participate in different sporting events, including two learners that represented South Africa at a gymnastics event in Mexico.

#### SOCIAL IMPACT

Visit the online clip for feedback by community stakeholders who benefit from these projects.  
[www.sd-report.lonmin.com/2014/community-clip](http://www.sd-report.lonmin.com/2014/community-clip)

#### SKILLS DEVELOPMENT

Lonmin has identified the need for specific skills development interventions and programmes to bridge the gap created by local schools not offering technical programmes, and school leavers not having the requisite skills to enter into employment at the mines. These are offered through one-year skills programmes (Process Division Exposure Programme and Mine Technical Skills Programme) that are structured to empower school leavers with skills suited for positions in the mining industry.

Graduates of these programmes are able to enter the job market with a quality skill set that makes them attractive to the Company as potential employees.

#### PORTABLE SKILLS TRAINING

Lonmin offers portable skills training for employees and community members, seeking employment opportunities outside of the mining industry but who lack formal education. This training especially focuses on artisanal trades, enabling entrepreneurial individuals to develop small businesses. In especially promising cases, these small businesses are connected with the opportunities provided by the Shanduka Black Umbrellas<sup>2</sup> for further funding and development.

<sup>1</sup> The final year to complete in South African schools.

<sup>2</sup> Shanduka Black Umbrellas is an incubator that mentors, partners and collaborates with black South African entrepreneurs to create a new era of economic and social evolution.

## OVERVIEW OF SKILLS DEVELOPMENT PROGRAMMES AND BENEFICIARIES

Skills development programme	2014 progress and beneficiaries
<b>TECHNICAL</b>	
Technical Preparedness Programme (TPP)	39 of the 43 TPP students obtained their N2 qualifications in either electrical, mechanical or both. They commenced with their N3 classes in August.
Mine Technical Services	Eight community learners are currently placed in the mine technical service teams and feedback from the business is that the learners are doing exceptionally well, especially those who were obtained their N1 and N2 qualification through the TPP programme.
<b>TERTIARY</b>	
University Preparedness Programme (UPP)	17 UPP students (13 community students and four Lonmin bursary students) who concluded their Cambridge AS level Mathematics examinations in May passed (of the 17 students, three learners achieved over 70%, placing them among the best students internationally; 10 learners achieved 60% or more and four learners achieved 50% or more).
Community Bursaries	Thirty-nine community members are currently assisted financially to further their studies. (Refer to page 42 for further information on the bursary programme.)
<b>EXPOSURE</b>	
Process Division Exposure Programme	36 community learners are taking part in this programme. After an initial focus on mathematics, communication skills and operational skills programmes and training modules, the students have been placed at the concentrators and smelters plants working with production teams. Learners completed a matrix of theoretical assessments and all were found competent. Practical assessments will be conducted from September 2014.
Community Learnerships	41 community students are on these learnerships, 54 vacancies were placed on hold due to the strike.
<b>Projects affected/on hold due to the prolonged strike</b>	
Portable Skills	Training of 158 community members has been completed. Members were trained on landscaping, cooking and housekeeping.
Mining-related Skills Programme	<p>The future focus of this programme is to train women</p> <ul style="list-style-type: none"> <li>■ 242 community women are in the process of being screened, and undergoing medical assessment for training in mining skills</li> <li>■ The training of 60 community members will commence every eight weeks</li> </ul>

## COMMUNITY HEALTH

The Company recognises that the health status of the community has a direct impact on its employees as they reside in the community.

Community health programmes are managed with various partners. Through the 2012 GLC health survey, it was identified that many of the challenges to health and wellbeing in the community are the systemic outcomes of the socioeconomic conditions which characterise informal settlements. To address this, Lonmin's community health programme primarily comprises awareness, promotion and prevention, and where possible, infrastructure development to alleviate these issues.

Of the R5.1 million spend on community health initiatives, R1.3 million (2013: R2.8 million) was spent on health infrastructure and vehicles. Community health programmes are implemented in all the operational areas, i.e. Marikana, Lebowakgomo (Limpopo) and at PMR, as well as in the Eastern Cape labour sending area of Silindini.

### AWARENESS, PROMOTION AND PREVENTION

#### HIV/AIDS

Lonmin held four formal health promotion days that focus on HIV, tuberculosis (TB) and sexually transmitted infections (STIs). Volunteers from within the community go on door-to-door campaigns to perform mobile assessments on community members in their own homes. 225 specimens were sent for TB analysis and 608 community members were tested for HIV at a 7.2% positive rate. The prevention of HIV infection in the communities remains important, and to address this, the Company runs two programmes to educate members of the community about HIV/Aids, and offer training to volunteers (40) from within the GLC to spread awareness. These peer educators are working closely with seven community clinics.

The Company also supports 84 home-based carers who attend to those who are too ill to leave their homes. Volunteers receive in-service training and medical kits provided by the Company and are assisted in registering as formal carers with the Department of Health. These volunteers provide social assistance to orphans and vulnerable children who have lost their parents to the disease by making sure they are registered to receive support from the government and have the means to go to school every day.

Lonmin encourages and supports volunteer peer educator and home-based carer networks towards forming NPOs with the relevant structures and systems to be self-sustaining entities. There are currently nine successful NPOs operating in the GLC run by 134 community volunteers.

#### HEALTH PROMOTION

Health promotion programmes within the GLC are mainly directed at school children and school leavers. Awareness campaigns are regularly conducted at all of the high schools in the GLC where sexual health and substance abuse are discussed.

Lonmin's TB awareness and contact tracing extends into the communities by visiting households of employees that were diagnosed with TB for case finding and health education. Health awareness campaigns at the Limpopo and Marikana operations reached 3,459 households.

#### NUTRITION

Lonmin recognises that nutrition and health are inextricably connected and that without a healthy diet, people are more vulnerable to illness and fatigue. Particularly in the case of growing children, nutrition plays a vital role in physical and mental development. Lonmin has been providing food to the GLC learners since 2007 and has eight food centres that provide food to orphaned and vulnerable children in the community. These food centres operate throughout the year to provide a daily meal to children who would otherwise go hungry over weekends and holidays. At four of the centres, there are permaculture food gardens where volunteers are trained on how to cultivate food and are encouraged to start their own gardens.

There are food gardens at 17 of the 26 schools in Marikana and four of the 12 schools in Limpopo. An annual competition encourages participation among the schools to establish the best and most productive gardens. The students learn invaluable lessons on how to grow their own food and are able to share this knowledge with their families.

### HEALTH INFRASTRUCTURE PROJECTS

Lonmin is working with various partners to improve access to basic healthcare in the GLC. This responsibility is shared with various stakeholders, including the Department of Health and local government. This year's infrastructure projects were severely affected by the strike. Procurement contracts have been approved for the planned 2014 infrastructure projects, however, due to the strike these will be taken forward to the 2015 financial year. Plans included the purchase of an obstetric ambulance, the refurbishment of the mortuary facility in

Brits (a town near our operations), computers and security at GLC clinics and construction of three maternity waiting homes at provincial community health centres.

Lonmin played an integral part in improving the emergency services control centre in Rustenburg by successfully engaging the service of Telkom to install a sophisticated communications system at the control centre enabling the public to have emergency services respond to urgent situations in the immediate region.



Health awareness campaigns at the Limpopo and Marikana operations reached 3,459 households.



### INFRASTRUCTURE DEVELOPMENT

The economic footprint and the CVP project have further highlighted the pressing need to continue improving living conditions in the GLC. Local economic development (LED) investment includes bulk water infrastructure, road infrastructure, waste removal and lighting to improve public safety.

Although Lonmin is aware of its responsibility and works to address these needs, infrastructure development is a shared responsibility between the Company and government. As such, dialogues take place between the Company and government offices to ensure that both sides contribute co-operatively in line with their skills and resources, and deliver according to agreed timelines to provide long-term solutions.

LED expenditure amounted to R28 million in 2014, a decrease of 12.5% from 2013.

#### BULK WATER INFRASTRUCTURE

Bulk water infrastructure projects have been identified to enable access to potable water and sanitation facilities, with priority focus on the Wonderkop area. Currently, Lonmin provides 5,000 litres per day of bulk water supply in Wonderkop. Water availability is also improved through the fixing of leaks and broken pipes. Furthermore, water from the Lonmin owned reservoir goes directly to the municipal reservoir and provides water to the various communities. Over the last five years Lonmin has invested in various water-related projects of which the bulk water infrastructure project at Wonderkop is the most recent.

#### ROAD INFRASTRUCTURE

Lonmin's road infrastructure project involves the construction of new access roads and improvement of existing roads to provide access for employees living in surrounding communities and settlements, with a bus and taxi drop-off zone. Construction is underway, providing contract opportunities for local civil construction companies and short-term job opportunities. The first link road is under construction.



#### WASTE REMOVAL

To assist communities to manage their waste removal needs while at the same time creating employment in the GLC, Lonmin partnered with a waste management company, Tedcor<sup>1</sup>, since 2012. This year 3,887 tonnes of general waste was collected from the GLC and disposed of at Lonmin's permitted landfill site. Lonmin aims to hand over the project to the municipality in 2016 and develop an affordable pricing model to ensure its sustainability. It currently costs Lonmin R26 per month for waste removal per household.

#### LIGHTING FOR PUBLIC SAFETY

A rise in crime in Nkaneng and Wonderkop, the community settlements near Marikana, has identified the need for lighting to counteract unlawfulness. New installations and repairs to existing lights have resulted in 11 functioning high mast lights in the Wonderkop area (formal and informal sides). Eight more installations need to be completed by 2015 to reach the total target of 19. Lonmin works closely with Eskom to ensure prompt approval, connection and supply of the power.

#### UPDATE ON PREVIOUSLY REPORTED LED PROJECTS

Ipopeng Community Centre in Modderspruit, which accommodates a food centre, an arts and crafts centre, government services and office space for three local SMEs, was completed in 2012 and handed over to the community in 2013 and is now operational.

Mnxekasi JSS comprehensive school in the Eastern Cape has been completed. The school consists of seven classrooms, a multi-media centre, science laboratory, multi-purpose hall, grade R facility and administration block.

The brick-making facility in Bapong is in the final year of receiving assistance from Lonmin, and it should be able to run independently in the coming year. The project reaching self-sustainability and it employs an average of 32 local people.

## TRANSFORMATION THROUGH SOCIAL AND ECONOMIC DEVELOPMENT

The contribution Lonmin makes towards South Africa's transformation agenda has a direct impact on its social licence to operate and is managed through the commitment to the Mining Charter and good corporate citizenship.

Transformation is promoted throughout the business in accordance with the requirements of the Mining Charter. To retain the social licence to operate, particular focus is placed on the Mining Charter ownership and procurement clauses that seek to accelerate the participation of HDSAs in the mainstream economy.

<sup>1</sup> Tedcor trains and develops entrepreneurs from historically disadvantaged backgrounds to provide cost-effective, sustainable waste management services in South Africa's disadvantaged and under-served areas.

## BEE EQUITY OWNERSHIP

The Company is required to increase HDSA ownership in its prospecting and mining ventures by 31 December 2014 from its current holding of 18% to at least 26% as required under the Mining Charter.

As flagged to shareholders in the regulatory release of 30 July 2014, Lonmin announced that it had entered into binding agreements with the Bapo ba Mogale Traditional Community (the Bapo) in relation to a series of transactions which would enable Lonmin to meet its Black Economic Empowerment (BEE) targets. Lonmin also stated its intention to implement an Employee Share Ownership Plan (ESOP) and a Community Share Ownership Trust for the benefit of the local communities on the western portion of our Marikana operations. All three transactions were intended to collectively provide the additional 8% equity empowerment which Lonmin requires to achieve the 26% effective BEE equity ownership target by 31 December 2014.

On 26 November 2014<sup>1</sup> Lonmin announced completion of the three transactions, which combined make up 8% additional equity empowerment:

- Completion of the royalty-for-equity swap transaction with the Bapo Ba Mogale Traditional Community ("the Bapo") already approved by shareholders in general meeting. The transaction includes a swap of the Bapo's interest in Pandora for Plc shares and the establishment of a Bapo Community Trust holding a 0.9% equity stake in Lonplats. This results in Lonmin achieving 3.3% HDSA equity empowerment.
- The establishment of the Lonplats Employees Share Ownership Trust (EST) which will acquire 3.8% of the ordinary share capital in Lonplats. Lonplats will implement a profit shares scheme for the benefit of employees through this Trust.
- The establishment of the Lonplats Marikana Community Development Trust (CDT) which will acquire 0.9% of the ordinary shares in Lonplats for the benefit of specific communities residing in the western portion of Lonmin's Marikana operations.

<sup>1</sup> Outside the financial year 2014.

## BAPO TRANSACTION

The Bapo Transaction involved a royalty for equity swap and the sale of the Bapo 7.5% stake in the Pandora Joint Venture to a Lonmin subsidiary. This transaction provided the Bapo Community with equity participation of circa 2.25% at Plc level, a deferred royalty payment of R20 million per annum payable by Lonplats (Eastern and Western Platinum combined) in each of the five years following completion of the transaction, and provides opportunity to participate in R200 million of procurement.

## EMPLOYEE SHARE OWNERSHIP TRUST (EST)

The EST proposed by Lonmin (which is based on a profit-sharing scheme) will result in economic partnership and ownership by our employees and sharing the responsibilities and involvement that this ownership brings. This implementation will ensure that Lonmin receives HDSA equity accreditation of 3.8%.

## COMMUNITY TRUSTS

Two separate community trusts have been established – one for the Bapo Community and the other for the communities on the western side of our operations. Each community trust will hold Lonplats shares and will be entitled to dividend payments which will be used for upliftment projects in the respective communities. To the extent that no dividend is payable in a particular year, each community trust will be entitled to a minimum annual payment of R5 million escalating in line with CPI each year.

## PREFERENTIAL PROCUREMENT

To facilitate entrepreneurial upliftment the Preferential Procurement Strategy is pursued as a Group priority, with a focus on maximising expenditure with local suppliers and using procurement criteria to support environmental, safety, health and community programmes. Lonmin's strategic objective is to provide opportunities to empowered companies in terms of Broad-based Black Economic Empowerment (B-BBEE), female representation and, where possible, to focus on candidates within the GLC.

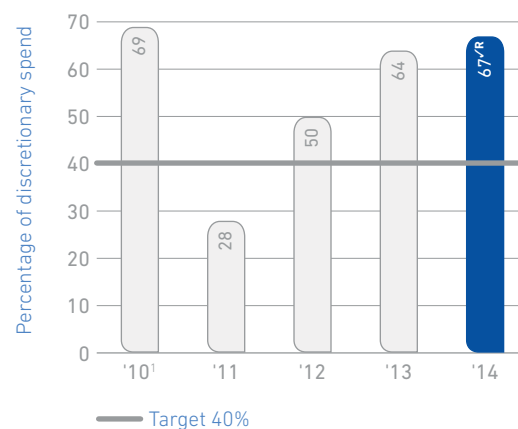
It is vital that the businesses surrounding the operations are economically diversified and financially robust. Compliance with Mining Charter targets of 70% services, 50% consumable goods and 40% capital goods expenditure with HDSA-owned suppliers has been a major component in the preferential procurement strategy. The Company has achieved its targets in two of the three preferential procurement categories and is making progress towards achieving the target for the services category by the end of the 2014 calendar year.

Beyond these external requirements, the Company operates according to a set of internal transformation targets, which focus on black-owned business (20%) and black women-owned business (10%). Lonmin actively designates certain contracts to local suppliers based in the GLC. There is growing direction from the DMR to increase discretionary expenditure with companies with a higher proportion of black ownership and especially black female ownership and Lonmin continues to make progress in these areas.

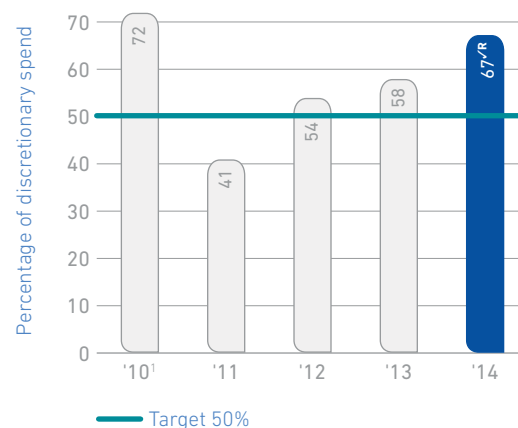
Challenges during the year related primarily to the strike where, despite an initial decision not to issue *force majeure* status on any suppliers, this was eventually unavoidable. More detail on the supply chain can be found online at [www.sd-report.lonmin.com/2014/evolution-of-strategy](http://www.sd-report.lonmin.com/2014/evolution-of-strategy) and the impact of the strike on page 18 of this report.

<sup>1</sup> Black-owned was defined differently in 2010 and a company with more than 5% HDSA ownership was regarded as BEE compliant. However, since 2011 the measurement is defined as a company with 25% HDSA ownership status plus one vote.

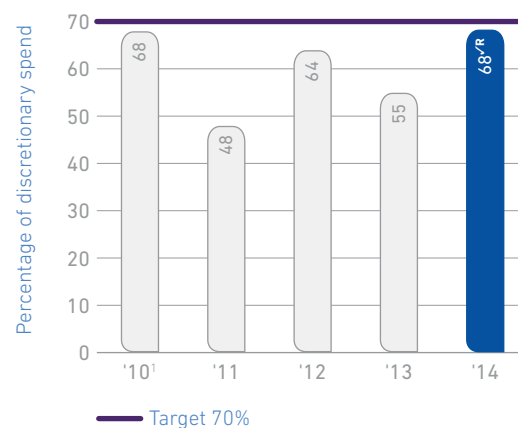
## Preferential procurement of capital goods (%)



## Preferential procurement of consumable goods (%)



## Preferential procurement of services (%)





**R1.8 bn**  
spend on local  
procurement

**Lonmin** has established a small business incubation centre in partnership with **Shanduka**, called the **Shanduka Black Umbrellas**.

Rebuilding  
Bridges

#### PROCUREMENT WITH LOCALLY BASED SUPPLIERS

Locally based suppliers	2013	2014
Total value spent on local procurement	R3.2bn	<b>R1.8bn</b>
Percentage of discretionary expenditure	42%	<b>81%</b>
Amount spent with suppliers based within GLC	R337m	<b>R427m</b>
Number of suppliers registered as vendors from GLC	101	<b>423</b>

#### TOTAL SPEND WITH NEW VENDORS CREATED 2014



Vendors	2013 R million	2014 R million
Black-owned	34.4	<b>14.6</b>
Non-BEE	40.4	<b>16.8</b>
Other	7.5	<b>0.8</b>

#### ENTERPRISE DEVELOPMENT

##### SHANDUKA BLACK UMBRELLAS

In response to members of the GLC approaching Lonmin in a bid to find work, Lonmin opted to create a programme to develop a pool of sustainable businesses within the GLC. Lonmin has established a small business incubation centre in partnership with Shanduka, called the Shanduka Black Umbrellas (SBU). SBU provides a holistic set of training including mentorship and business plan development as well as practical resources such as office space at the Lonmin community office and IT resources for interested GLC members, resulting in a database of robust, accredited vendors for the company to employ from. Currently there are 39 entrepreneurs in the small business incubator, with 16 in pre-incubation, five in residual incubation and 18 in virtual incubation.

##### BADUMELA

Badumela Projects, a youth-owned enterprise from the local community Bapong, has a joint venture called Concentrate Carriers, a local company that holds a R45 million transportation contract from Lonmin. This company is 100%-owned by GLC youth in Bapong, increasing the GLC supplier participation in Lonmin's supply chain.



## OTHER ENTERPRISE DEVELOPMENT PROJECTS

### TECHNICAL MENTORSHIP

#### BENEFICIARIES

39 GLC entrepreneurs within Shanduka Black Umbrellas Incubator.

#### PROGRESS

Entrepreneurs are registered at Shanduka Black Umbrellas to be provided with entrepreneurial skills.

#### BENEFIT

- Opportunity for skills transfer from expert individuals and suppliers to GLC entrepreneurs.

### SIGNAGE MANUFACTURING

#### BENEFICIARIES

Awarding the contract to TM Eureka (a GLC supplier) will create 12 job opportunities for local community members.

#### PROGRESS

The project is complete and set for implementation during 2015.

#### BENEFITS

- Created 12 job opportunities
- Local procurement
- Promotion of local enterprises

### MANUFACTURING OF PERSONAL PROTECTIVE EQUIPMENT

#### BENEFICIARIES

18 GLC women

#### PROGRESS

Sewing machines valued at R220,000 have been purchased for 18 local women beneficiaries, and a suitable building for the business has been identified.

#### BENEFITS

- 18 GLC women will obtain employment
- Local procurement
- Promotion of local enterprises

Employees have again volunteered their time this year to support various community programmes. View the online supplementary reporting piece on *Employee volunteering and donations* at [www.sd-report.lonmin.com/2014/supplementary-reporting/employee-volunteering-and-donations.pdf](http://www.sd-report.lonmin.com/2014/supplementary-reporting/employee-volunteering-and-donations.pdf).

## HUMAN RIGHTS

Lonmin is committed to providing a working environment that upholds international standards for human rights in alignment with internal values and the Code of Business Conduct. The commitments contained in Lonmin's Human Rights policy have been incorporated into the Lonmin Sustainable Development Standards. With the support of the Company Secretary, the Chief Executive Officer is ultimately accountable for human rights matters across all operations.

Lonmin is committed to developing a policy response to the United Nations' Guiding Principles on Business and Human Rights and ensuring that its grievance mechanisms are both compliant and effective. Work on this was due to start in 2014 but had to be deferred as a result of the strike, during which time the Company focused on conserving its resources and reaching a solution that benefited all stakeholders.

### APPROACH

Employees and contractors receive information about human rights during training and induction programmes and mandatory annual refresher training. These sessions inform attendees of their rights, expectations, standards and mechanisms to report grievances or incidents, which include a toll-free ethics hotline service. This year, 35,266 people (including contractors) attended the induction programme, and about 578,220 hours of induction training was provided.

### PERFORMANCE

Lonmin remains committed to human rights through:

- Equality and fair labour practices free of discrimination
- Prohibiting forced or child labour
- Rights of freedom of association and collective bargaining
- Employees voluntarily enter into their employment conditions and this is regulated by legislation. Overtime is restricted to national permitted levels by the Basic Conditions of Employment Act, 75 of 1997

Incidents of human rights violations are recorded and followed up wherever possible. In 2014, there were 16 reported cases of intimidation and one case of discrimination. All the intimidation cases have been reported to the South African Police Service. There have been no incidents of forced or child labour at the operations.

### HUMAN RIGHTS AND THE SUPPLY CHAIN

All new suppliers are screened, when registering under vendor database. Compliance audits are also conducted, this year 15 audits were completed. Three cases were investigated and the contracts suspended due to unethical business practices. Contractual agreements with suppliers contain clauses pertaining to human rights requirements.

### HUMAN RIGHTS AND SECURITY

Besides the security personnel employed directly by Lonmin, a number of contracted security representatives provide various services at our operations. Appointments are subject to Lonmin's procurement assessments and controls to ensure that all security personnel associated with the Company are trained in human rights and ethical behaviour.





Material focus area:  
**Environment**



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# Overview

## ENVIRONMENT

Lonmin mines, refines and markets platinum group metals, creating economic and shareholder value, but not without environmental impact. Therefore, it is important for the Company to prevent, mitigate or remediate these effects throughout the life cycle and value chain of its operations. Lonmin manages environmental impacts through four environmental strategic imperatives: to maintain the licence to operate, manage resource usage, minimise environmental footprint and reduce the environmental impact. In the South African context water, electricity and legislation changes regarding waste were the most prominent matters raised by stakeholders during the year.

### **WATER**

The community water protests across South Africa earlier this year highlight the water crisis, the role the Company has in conserving and optimising this resource, as well as the role government plays in providing these services. The Company works towards reducing its use of this resource by recycling.

### **ELECTRICITY**

Eskom declared a number of power system emergencies during the year, which required large consumers (industrial and domestic alike) to reduce their load, further emphasising the need to take measures to secure energy supply as well as actively implement plans to reduce usage.

### **WASTE**

Over the course of 2014, several of the pending environmental regulations were finalised and published by the various government departments, for example the Department of Environmental Affairs (DEA). These will add a significant administrative and cost burden to the Company. Changes to the Waste Act, where residue stockpiles will now be classified as hazardous waste, will have significant cost implications. The change requires that all hazardous waste sites (waste residue stockpiles, including tailings dams and waste rock dumps) will require a landfill liner equivalent to the waste classification and disposal site rating determined. This will double the cost of the design and construction of a tailings facility in particular. It is also important for the Company to understand fully the differences, discrepancies and obligations these regulations bring. Lonmin commits to the duty of care principle as defined in environmental legislation.

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➔ **Lonmin:** Environmental awareness is created via communication channels e.g. talk topics, newsletters, and by celebrating environmental awareness days

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This chapter will provide an overview of the significant environmental impact, how it is managed, monitored and where possible, mitigated. The information in this chapter is both internally and externally focused and the programmes discussed are predominantly located at the North West operations near Marikana, which is the location of the majority of Lonmin's operations.

Following the strike, the challenge is to report the environmental footprint in a manner which is comparable with previous years, particularly energy efficiency. Although there was no production, core equipment for ventilation and water pumps was required and maintenance took place. The Company has provided actual data for the year, and explained the impact the strike had on performance.

# Key stakeholders



## GOVERNMENT AND REGULATORS

Government has the task of ensuring that equitable access to natural resources is allowed, and that the direct and indirect costs of environmental impacts of the mining industry are managed responsibly. This requires a co-ordinated effort by government departments to set regulatory standards and ensure compliance. These include primarily the Department of Mineral Resources which is responsible for overseeing the mining industry of South Africa and the extraction of the country's mineral resources, the Department of Energy; the Department of Water and Sanitation; and the Department of Environmental Affairs.

Lonmin engages with each of these departments regularly through workshops, meetings and/or written communication to support better environmental management, ensure compliance to regulation and to secure the Company's licence to operate.



## COMMUNITY

Lonmin shares environmental resources with the communities in which it operates. Therefore, it is necessary for engagement and awareness building around responsible use of resources, by both the Company and the community.



## INDUSTRY BODIES AND ASSOCIATIONS

The Company engages with Business Unity South Africa, the South African Chamber of Mines (CoM) and other stakeholders seeking that the environmental legislation is passed in a form that promotes sustainability, balancing environmental responsibility, in consideration of business and industry needs.

Through memberships in the International Council on Mining and Metals (ICMM) and the CoM, the Company is indirectly involved in advocacy on environmental issues such as the feasibility of renewable energy programmes to supplement the national grid, carbon tax and climate change. A prominent area of engagement this year is around the reclassification of waste streams under the National Environmental Management: Waste Act.

# Sustainability risks and opportunities

The table below discusses why the following risks to sustainability have been identified with particular reference to the environment, and indicates where more detail can be found in the chapter on how Lonmin manages and mitigates these risks.

## MINING CHARTER OBLIGATIONS, OTHER REGULATORY REQUIREMENTS AND SOCIAL LICENCE TO OPERATE

### RISK

Increasing environmental legislation for mining and processing requires careful understanding and management to ensure compliance and avoid unnecessary costs. Various regulatory requirements are required to be complied with and it is therefore critical that they are understood and that appropriate measures are implemented to ensure compliance. Alongside these legal and regulatory obligations, and equally critical, are the Company's social responsibility obligations by which it earns the social licence to operate in the communities that host Lonmin's operations.

### OPPORTUNITIES

The opportunity exists to work more closely with industry partners so that environmental matters are sustainably managed on both a regional and national basis.

MORE DETAIL CAN BE FOUND IN THIS CHAPTER UNDER THE FOLLOWING HEADINGS

- Accountability and governance
- Climate change
- Waste management

## ACCESS TO SECURE ENERGY AND WATER

### RISK

Lonmin faces potential supply constraints in energy and water together with increased costs in the consumption of these utilities. Electricity supply is likely to be especially at risk in the next two years until Eskom's new power stations, which are currently behind schedule, come on stream. In 2013, the National Energy Regulator of South Africa granted Eskom an 8% average increase per annum over the next five years. Despite these tariff increases being lower than those in the previous few years, they continue to be higher than inflation. Water availability is particularly problematic in provinces such as the North West and Limpopo where the infrastructural capacity to store and transfer water is limited and where long periods of drought are common. Furthermore, water for mining is increasingly competing with other priorities, such as water for communities, agriculture and other industries.

Supply constraints in respect of energy or water could impact upon our ability to operate effectively and meet our production targets. Furthermore, cost increases in respect of these utilities impact our margins. This is then compounded by the imminent implementation of a carbon tax which would place further pressure on our operational costs.

### OPPORTUNITIES

Lonmin engages with communities and other stakeholders and seeks opportunities for environmental management that will be sustainable.

MORE DETAIL CAN BE FOUND IN THIS CHAPTER UNDER THE FOLLOWING HEADINGS

- Energy management
- Water management

More detail on the risk management approach can be found in the Annual Report and Accounts 2014.

# Accountability and governance

Environmental management and compliance is managed by the Lonmin environmental department. Ultimate accountability resides with the Board and the Executive Committee, supported by senior management at corporate and operational levels.

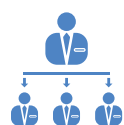
At a minimum, the Company seeks legislative compliance, while aiming for industry-leading practice and continual improvement. To ensure this, a precautionary approach to environmental management is followed, through regular environmental audits. All operations have retained their ISO 14001 certification, which is an

environmental management system used to identify and control environmental impact and constantly improve environmental performance.

All environmental incidents are logged on ISO 14001 registers. Environmental maturity audits were partially integrated in the ISO 14001 audits. There were ten level three environmental incidents this year of which eight related to water discharges (seven at Marikana and one at the PMR) and two relate to air emissions incidents at Marikana. All of these incidents are reported to the regulating authorities.

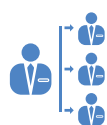
## GOVERNANCE TOOLS

The table below lists the key applicable internal and external policies, procedures and regulations that govern environmental management at Lonmin.



### INTERNAL

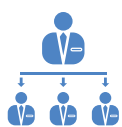
- Safety and Sustainable Development Policy
- Standard 12, of the Lonmin Sustainable Development Standards
- Environmental Management Strategy (EMS)
- ISO 14001 Environmental Management System, with third party verification to maintain certification
- Environmental Management Plan (EMP)
- Induction including environmental matters
- Internal and external audits
- Monthly internal data reporting, with quarterly sessions with the Safety, Health and Environment Committee of the Board
- Environmental legal compliance audits
- Environmental performance assessments
- Lonmin Environmental Management Standards
- Internal indicators and targets that are reported against on a monthly basis



### EXTERNAL

- ICMM principles of sustainable development
  - Principle 6: Seek continual improvement of environmental performance
  - Principle 7: Contribute to biodiversity and integrated approaches to land use planning
- United Nations Global Compact Ten Principles
  - Principle 7: Businesses should support a precautionary approach to environmental challenges
  - Principle 8: Undertake initiatives to promote greater environmental responsibility
  - Principle 9: Encourage the development and diffusion of environmentally friendly technologies
- Mineral and Petroleum Resources Development Act, 28 of 2002 contains environmental obligations
- National Environmental Management Act (NEMA) and the National Water Act imposes environmental duties

GOVERNANCE TOOLS (CONTINUED)



INTERNAL

**Carbon emissions and climate change**

- Climate Change Response Strategy that focuses on adaptation and mitigation; aligned with the Risk Management Policy
- Energy Management Strategy (EMS) and SANS 50001
- Water Conservation and Demand Management Strategy

**Energy security and usage**

- Energy Management Strategy (EMS)

**Air quality management**

- Internal and external audits on all licences
- Internal and external audits on emissions verification
- Ambient monitoring
- Emissions monitoring
- Atmospheric Dispersion Modelling
- Emissions Inventory
- SO<sub>2</sub> and Total Suspended Particles Impact and Emission Reduction plan for the Smelter
- Issued Atmospheric Emissions Licence under the National Environmental Management: Air Quality Act

**Water management**

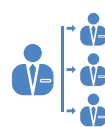
- Integrated Waste Water Management Plan (IWWMP)
- Water Conservation and Water Demand Management Strategy (WC/WDMS)
- Integrated Water Balance (IWB)
- Internal and external audits on all licences
- Monitoring (surface and groundwater, bio-monitoring)
- Water Use Licences (WUL) under the NWA

**Waste management**

- Integrated Waste Management Plan (IWMP)
- Internal and external audits on all permitted or licensed waste facilities.

**Biodiversity and land management**

- Biodiversity Action Plan
- Closure based risk assessment
- Alien invasive plant species removal project
- Land Use and Spatial Development Framework



EXTERNAL

- Voluntary disclosure of greenhouse gas emissions and climate change matters through the Carbon Disclosure Project
- Greenhouse gas protocol (GHG protocol)

- Notified Maximum Demand per Eskom agreement
- SANS 50001

- National Environmental Management: Air Quality Act, 39 of 2004 (NEM:AQA) and all associated by-laws and regulations

- National Water Act, 36 of 1998 and all associated by-laws and regulations.

- National Environmental Management: Waste Act, 59 of 2008 (NEM:WA)
- Relevant waste by-laws

- National Environmental Management: Biodiversity Act, 10 of 2004 (NEM:BA)
- South Africa Mining Biodiversity Forum
- National Biodiversity and Business Network

*More detail on biodiversity and land use can be found online at [www.sd-report.lonmin.com/2014/supplementary-reporting/biodiversity-and-land-use.pdf](http://www.sd-report.lonmin.com/2014/supplementary-reporting/biodiversity-and-land-use.pdf).*

# Approach and performance

Performance data is given according to the areas of climate change, energy security and usage, air quality management, water management and waste management.

In the context of climate change the environmental approach and performance are given on page 85.

Performance information on the Company's greenhouse gas emissions, which covers the Kyoto Protocol greenhouse gases, depicts Lonmin's approach to climate change is given on page 86.

As Lonmin's biggest contributor to greenhouse gases is the Company's electricity consumption, detail is provided on energy security and usage on page 88.

Air quality management is integral to environmental management and air quality performance data provides the reader with information on emissions and the regulatory requirements in this regard, on page 90.

Promoting the sustainable use of natural resources e.g. water and the reduction, reuse and recycling of waste are important to Lonmin. Performance data can be found on pages 93 and 94.

Responding to climate change through both mitigation and adaptation measures. Driving mitigation through energy efficiency of our operations to minimise our release of greenhouse gases and adapting to those significant risks identified for our operations.

## CLIMATE CHANGE

Lonmin's approach to carbon emissions and climate change is guided by its Climate Change Response Strategy. The strategy identifies and monitors risks and opportunities associated with climate change and includes a dynamic carbon optimisation model that assists with strategic planning and informs the feasibility of interventions designed to reduce greenhouse gas (GHG) emissions.

Risks associated with climate change include both physical and regulatory issues. From a physical perspective, changing weather patterns and extreme weather events pose a risk to the operations as for e.g. heavy rainfall results in water discharges. The increasing demand for water presents a significant challenge for Lonmin and the communities in which it operates. Water security and supply has been identified as a principal sustainability risk and equally a climate change risk. Regulatory risks arise from the impending implementation of the national carbon tax scheme in South Africa.

The most significant source of greenhouse gas (GHG) emissions are the indirect GHG emissions (scope 2) generated as a result of the usage of electricity and consequently the dependence on coal-based power generation. In response to this Lonmin developed intensity targets for both energy and GHG to minimise emissions. Given the dependence on Eskom, the regulatory risk on the impending implementation of the national carbon tax scheme in South Africa is a reality for the Company.

### CARBON TAX

Carbon taxation is designed as an economic instrument to move South Africa to a cleaner and greener economy. Although Lonmin supports this intention, the execution and implications that this will have on costs and global competitiveness remains concerning. The impact on Lonmin is twofold.



Firstly, as a direct cost of carbon taxation on scope 1 emissions.



Secondly, a pass-through cost from Eskom, which could amount to an increase of more than 7% in the year of inception, over and above any other increases that have been planned.

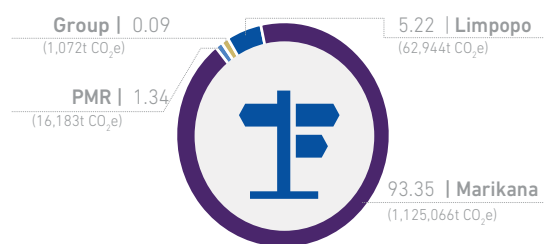
Further to the secondary effects that would be caused by commodity price increases. The implementation of the proposed carbon tax has been delayed till 2016 over concerns about the impact it may have on South Africa's industrial competitiveness.

### PERFORMANCE



The total carbon footprint for 2014 was 1,205,265<sup>✓R</sup> tonnes (t) CO<sub>2</sub>e, 26.8% lower than in 2013 (1,646,520t CO<sub>2</sub>e). Lonmin's emissions are predominantly made up of scope 2 emissions (1,142,916t CO<sub>2</sub>e) which related to purchased electricity. The reduction of emissions can be ascribed to the impact on production as a result of the prolonged strike. The GHG intensity of 1.4t CO<sub>2</sub>e per PGM ounce has increased 12% from 1.23t CO<sub>2</sub>e per PGM ounce, indicating that Lonmin was less efficient. The GHG intensity is measured per PGM ounce, and since the strike had an impact on production this resulted in a poorer efficiency.

### GHG by location (%)



### MEETING REDUCTION TARGETS

The target is to reduce scope 1 and 2 GHG emissions by 4% by 2017 from a 2012 baseline year. This year the GHG tonnes of CO<sub>2</sub> decreased by 23% against the 2012 baseline year which is due to the impact the strike had on production. As scope 2 emissions are a significant proportion of the overall emissions profile, the Company focuses predominately on enhancing electricity efficiency to reduce GHG emissions. While progress was made on the scope 3 emissions profile, it will only be fully completed by 2016.

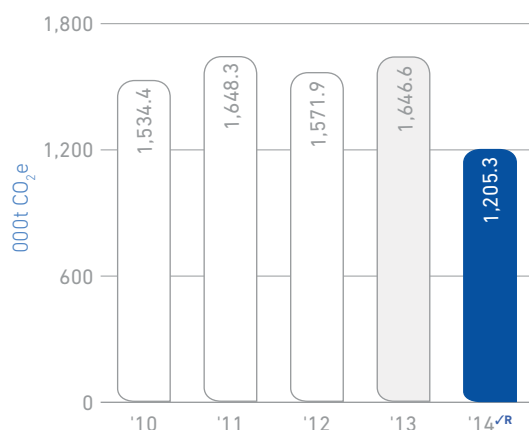
### Carbon footprint scope 1, 2 and 3 contribution (%)



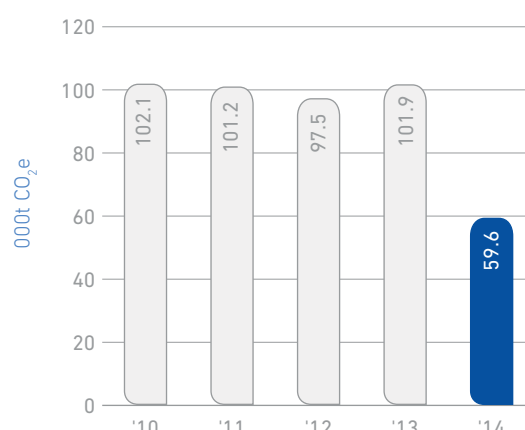
GHG emission category	Emissions 2014 (t CO <sub>2</sub> e)	Calculation
Scope 1: Direct emissions from operations that are owned or controlled by Lonmin: <ul style="list-style-type: none"> <li>Mobile combustion (25,418t CO<sub>2</sub>e)</li> <li>Stationary combustion (31,382t CO<sub>2</sub>e)</li> <li>Explosives (2,560t CO<sub>2</sub>e)</li> <li>Non-combustion product use (214t CO<sub>2</sub>e)</li> </ul>	59,567	GHG protocol: Corporate Accounting and Reporting Standard
Scope 2: Energy indirect emissions from the generation of purchased or acquired electricity, heating, cooling and steam consumed within Lonmin: <ul style="list-style-type: none"> <li>Electricity (1,142,916t CO<sub>2</sub>e)</li> </ul>	1,142,916	GHG protocol: Corporate Accounting and Reporting Standard
Scope 3: All indirect emissions that occur outside of Lonmin, upstream and downstream: <ul style="list-style-type: none"> <li>Purchased goods and services (46t CO<sub>2</sub>e)</li> <li>Transportation of waste generated by operations (508t CO<sub>2</sub>e)</li> <li>Business travel (1,072t CO<sub>2</sub>e)</li> <li>Employee commuting (1,157t CO<sub>2</sub>e)</li> </ul>	2,782	GHG protocol: Corporate Value Chain Accounting and Reporting Standard for the reporting of Scope 3 emissions
Total carbon footprint	1,205,265 <sup>VR</sup>	

More detail on GHG and climate change assessment can be found in the CDP submission online at [www.cdp.net/en-US/Results/Pages/responses.aspx](http://www.cdp.net/en-US/Results/Pages/responses.aspx)

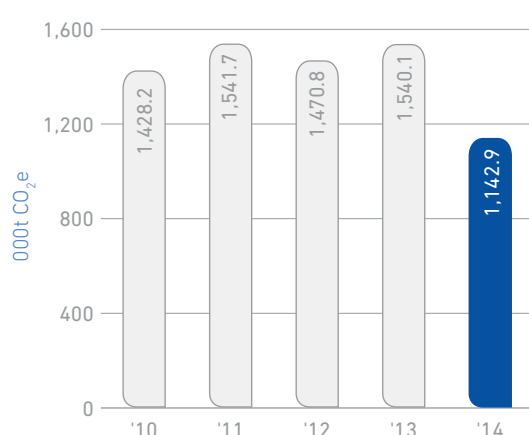
## Total GHG emissions (000t CO<sub>2</sub>e)



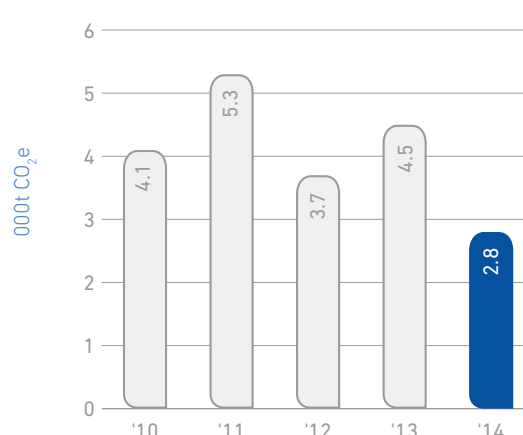
## Scope 1 GHG emissions (000t CO<sub>2</sub>e)



## Scope 2 GHG emissions (000t CO<sub>2</sub>e)



## Scope 3 GHG emissions (000t CO<sub>2</sub>e)



## ENERGY SECURITY AND USAGE

The secure supply of electricity directly affects the ability to run the current operations and ensure the safety of employees underground. Electricity is used to power surface and underground ventilation fans, dewatering pumps, material handling equipment, smelters and winding plants constituting approximately 8% of operating cost. The continued constraints on South Africa's electrical energy has been identified as a business risk, primarily through above-inflationary cost increases with a secondary risk brought about by supply interruptions.

The approach to energy management is guided by the Energy Management Strategy (EMS), within a framework based on the SANS 50001 standard. As electricity is the most significant energy source at Lonmin our primary focus is on reducing our consumption.

This approach incorporates raising awareness, implementing new strategic technologies and considering the total cost of ownership of electrical equipment. Lonmin assesses its energy management approach and the effectiveness of the EMS through monitoring the impact initiatives have on consumption and efficiencies.

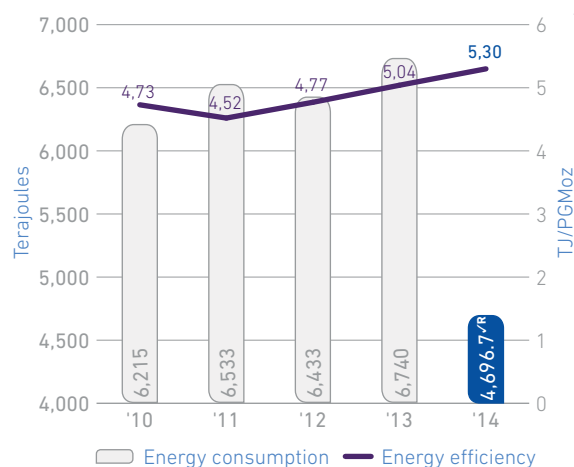
### PERFORMANCE

#### ENERGY CONSUMPTION AND EFFICIENCY

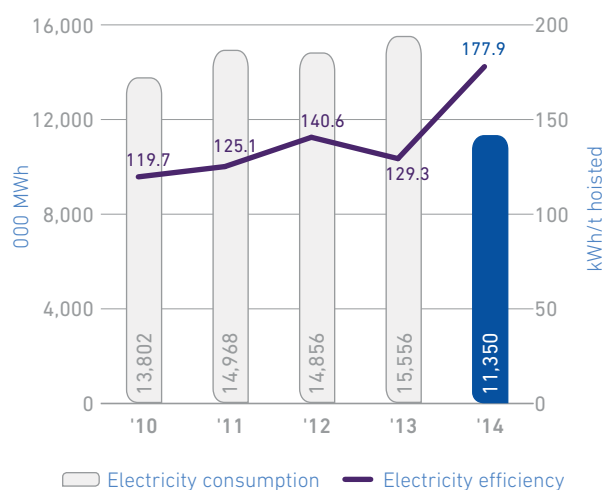
Projects are being implemented and capital expenditure and support is provided from management to meet targets to reduce aggregate energy consumption per unit of production by 8% by 30 September 2017. The base year for this improvement is 2012. Actual efficiency performance for 2014 is skewed due to the five-month strike. Despite the mine effectively not producing, essential equipment, such as ventilation fans and pumps, and services still consumed approximately 50.5% of normal load. From a gross consumption perspective 72% of year-on-year load was consumed. Ring-fencing the months affected by the strike shows that targeted trajectory with regard to energy efficiency could have been met.

Lonmin will endeavour to continuously decrease our impact on the environments that our businesses operate in. This can only be achieved through sustainable development and actively managing energy consumption. This outcome will be achieved by implementing energy efficient technologies.

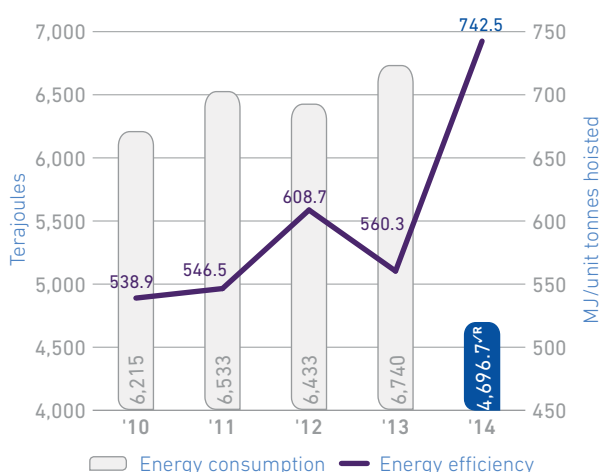
#### Energy consumption (TJ) and energy efficiency (TJ/PGMoz) !



## Grid electricity consumption (MWh) and efficiency (kWh/t hoisted)



## Energy consumption (TJ) and energy efficiency (MJ/unit tonnes hoisted)



It has also become evident that grade and the elasticity of production processes may skew figures from year to year. However, going forward, efficiency will be reported not only in terms of MWh per PGM ounce produced but also kWh per tonne mined. The base year will remain 2012 in both cases and a target of 8% improvement in consumption per unit of production will be maintained throughout.

The total energy consumption for the year was 4,696.7<sup>✓R</sup> terajoules (TJ), (2013: 6,740TJ), a year-on-year decrease of 30%.

Total energy consumption is broken down into direct and indirect consumption. Indirect energy consumption refers to electricity supplied by the national electricity utility, Eskom. At 3,994.7TJ, Lonmin's electricity consumption amounted to 85% of the Company's overall energy profile in 2014 (2013: 5,600TJ). (Direct energy amounted to 702.1TJ.)

## ENERGY EFFICIENCY PROJECTS

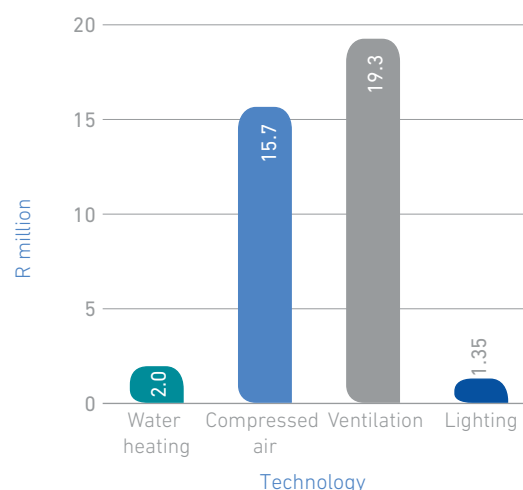
In 2013, Lonmin reported several energy efficiency projects that were co-funded by Eskom. Although these projects reduced our electricity consumption, year-on-year reductions cannot be measured for 2014 due to the strike action which reduced usage in totality. As the electricity load was significantly reduced during the period the Company does not want to proclaim any saving.

The benefits from the optimised air network projects, and the performance contracting on compressed air, enabled Lonmin to manage its electricity requirement related to compressed air more efficiently during the strike period. These initiatives and the ability to reduce load on the main ventilation fans while maintaining life sustaining conditions underground, were key enablers in maintaining a relatively low base load during the strike period. These projects also enabled Lonmin to gradually increase load during the ramp-up phase in July and August.

Projects that have been completed, and remain active, are shown below.

- Full roll-out of optimised air networks at Karee, Rowland and Eastern Platinum operations
- Energy efficient lighting retrofit at Lonmin Platinum Division (LPD) offices in Marikana
- Heat pump roll-out at change houses
- 45kW energy efficient fans
- Energy efficient lighting underground
- Compressed air initiative
- 1MW solar plant being planned
- Fuel feasibility study at PMR
- Focus on further lighting optimisation

## Savings per energy efficient technology (R million)



## AIR QUALITY MANAGEMENT

Air quality has been identified as important as it can potentially impact the health of workers and communities surrounding operations.

Given the nature of operations, air quality management forms an integral component of the Environmental Management Strategy. Sourcing of technology with the aim to minimise emissions released to the environment and maintaining it throughout the lifespan of the activity helps Lonmin in the management of air quality. Lonmin understands the emissions sources and releases of all operating activities, and maintains these within an emissions inventory database.

The operations are subject to the regulatory requirements of the National Environmental Management: Air Quality Act (NEM: AQA), which is aimed at managing air quality in South Africa through regulating both the source and the impact. A requirement of the Act necessitates relevant and listed activities to operate within the requirements of an atmospheric emissions licence (AEL). The smelter and precious metal refinery (PMR) have an AEL in place.

Air quality objectives and requirements are managed through the Environmental Management Programmes and incorporated into the ISO 14001 certification process. Through the independently audited and certified ISO 14001 environmental management system the business units take direct responsibility and accountability for the management thereof. The Company monitors and audits the emissions generated by the smelter, base metal refinery, PMR and the laboratory. The ambient monitoring network is continually reviewed and expanded where and when necessary.

Capital investment is required by 2020 to ensure compliance to the emission limits set for processing activities. Relevant research into the appropriate technology continues, to ensure that the Company meets the 2020 emission requirements, relevant to its processing activities.

Lonmin is committed to reduce gaseous and particulate emissions so as not to pose an unacceptable risk to the health of our employees and communities or the environment in which we operate.

Sulphur dioxide (SO<sub>2</sub>) emissions (t/day) ⓘ



## PERFORMANCE

### AIR QUALITY PERFORMANCE

#### SULPHUR DIOXIDE EMISSIONS

- The AEL outlines the various conditions within which the Company is required to operate.
- The majority of SO<sub>2</sub> emissions are released from the smelter at the Marikana operations.
- Lonmin manages and maintains SO<sub>2</sub> air pollution control equipment which effectively reduces emissions released to atmosphere.
- The chemical process involved generates calcium sulphite (CaSO<sub>3</sub>) as a product.
- Target: to operate below 16.5 tonnes per day, as per the licence and manage the reduction strategy.

#### STATUS

- Average emissions: 7.16<sup>✓</sup>t/d (2013: 11.9t/d), which is lower than the previous year due to the smelter not being operational as a result of the strike.
- Average SO<sub>2</sub> concentration for 2014: 724mg/Nm<sup>3</sup> (2013: 889mg/Nm<sup>3</sup>).
- Conducting research into improved technology that generates a by-product in the SO<sub>2</sub> pollution control process, rather than a hazardous waste.

#### TOTAL SUSPENDED PARTICLES (TSP)

- The most significant sources of TSP include tailings dams, stacks, general mining activities such as drilling and blasting, materials handling, crushing and screening and from vehicle movement on paved and unpaved roads.

#### STATUS

- Dust suppression measures at tailings dams are continually maintained.
- Suppression undertaken on gravel roads.
- Suppression systems installed for materials handling and crushing facilities.

#### FUGITIVE EMISSIONS FOR THE SMELTER

- Fugitive emissions are those that are not emitted through a specified point source, i.e. a stack.
- The first phase of the action and implementation plan to manage and control fugitives was successfully completed during 2014.
- Target: To reduce ground level fugitive SO<sub>2</sub> concentrations by 40% by 30 September 2014, against a 2010 baseline year.

#### STATUS

- The relevant technology has been implemented to capture and redirect these emissions through the stack at 120m above ground level.
- Lonmin has invested R58 million over the past five years on its fugitive management and capture programme.
- Monitoring and measuring have indicated that 50% of the fugitives formerly released at ground level are now efficiently captured and stacked.

## WATER MANAGEMENT

Lonmin recognises and acknowledges that water scarcity in South Africa presents one of the greatest challenges to the country and its development. South Africa is rapidly approaching full use of all easily accessible water and the few remaining large-scale water resource development opportunities will be challenged to meet forecast demand, making delivery and supply of water costly and inefficient.

Lonmin's approach to water management is guided by its Integrated Waste Water Management Plan (IWWMP) and the Water Conservation and Water Demand Strategy (WC/WDMS), which focuses on securing, optimising and avoiding contamination of ground and surface water resources. A key tool of the strategy is the Integrated Water Balance (IWB), which is a specialised software that simulates scenarios and risk assessments so that Lonmin can make informed decisions about its water use and manage the effectiveness of the strategy. The IWB is used to inform how best to transfer water from water positive areas to water deficit areas within the Marikana operations, to increase understanding of water flows, improve efficiency, investigate opportunities, reduce cost, and decrease potable water consumption. From this, the aim is to standardise best water practices throughout the business.

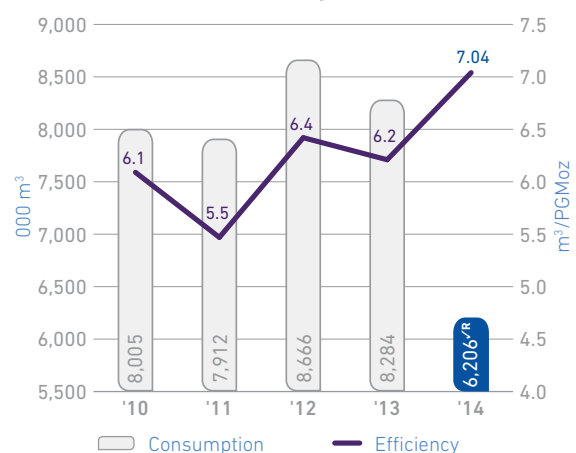
Precautionary and risk management processes regularly consider and evaluate water management risks to ensure they are adequately mitigated and proactively managed.

### Water Conservation and Water Demand Strategy objectives:

- Secure access to sufficient water to supply our operations and sustain our Life of Business Plan (LoBP)
- Optimise our freshwater consumption and use process water more efficiently
- Minimise the contamination of ground and surface water resources around our operations, with a view ultimately to reducing our closure liabilities

Water is recognised as an environmental resource that requires conservation and protection. Lonmin proactively manages activities to minimise water use and limit the impact of our operations on the quality of surface and groundwater.

### Fresh water consumption (000 m<sup>3</sup>) and water efficiency (m<sup>3</sup>/PGMoz) !



## PERFORMANCE

### WATER MANAGEMENT PERFORMANCE

#### WATER CONSUMPTION AND EFFICIENCY

- Freshwater for Marikana is purchased from Rand Water. Limpopo operations draw water from regional well fields.
- Water efficiency is calculated as the consumption per PGM ounce produced.
- Target: To reduce aggregate freshwater intake per unit of production by 15% by 30 September 2017 (2012 base year).

#### STATUS

- Our total freshwater intake from Rand Water, Buffelspoort Canal and from the Limpopo well fields for 2014 was 6,206,167<sup>RM</sup>m<sup>3</sup> (2013: 8,284,039m<sup>3</sup>); marking a 25% decrease.
- This decrease is due to the strike resulting in reduced production and less water requirements by operations.
- Water efficiency was 7.04m<sup>3</sup>/PGMoz (2013: 6.20m<sup>3</sup>/PGMoz), marking a 13.5% increase year-on-year as production was lower as a result of the strike.
- Total decrease of 28% in water efficiency against the 2012 base year; the production has been impacted by the strike.

#### WATER RECYCLING AND REUSE

- Process water is maintained in a closed reticulation system.
- Lonmin owns and operates seven waste-water sewage treatment plants at the Marikana operations, from which final effluent is used as input to operational processes.
- Lonmin teams assist with sewage blockages that are brought to the Company's attention through formal stakeholder engagement structures.
- Waste-water sewage treatment plants further support local communities, where the Company supports municipalities in the provision of sewage infrastructure.

#### STATUS

- 20 million m<sup>3</sup> (2013: 31 million m<sup>3</sup>) of water recycled through closed reticulation system.
- 35% decrease in water being recycled compared to 2013 due to lower production.
- The construction of the Eastern Platinum Ltd sewage treatment plant was finalised in 2014.
- A total of 8ML of community sewage is treated per day through two of the waste water treatment plants.
- Tanker discharge points are provided for disposal and treatment from the GLC.

#### DISCHARGES AND CONTAMINATION

- Water quality is monitored via regular groundwater and surface water monitoring at the operations, using 211 borehole and 109 surface monitoring sites. Water quality is compared against SANS 241 Standards for drinking water.
- Due to the nature of the ore and the manner in which it is processed, no acid mine drainage is generated from residue waste stockpiles.
- The greatest risks of water discharges into the environment are from the return water dams, particularly during the rainy season.
- Preventative and management procedures have been developed for discharges, with the installation of equipment to monitor and measure discharges at risk areas. Lonmin is in the process of implementing monitoring devices for relevant facilities to determine the volume of discharges.

#### STATUS

Eight discharges (2013: seven):

- The majority of the water discharges were as a result of less water being used from water storage facilities by the operations for production as production halted during the strike, which resulted in storage facilities being full. Any water being pumped from underground and or rainfall resulted in water overflowing.
- Rainfall experienced further contributed to the number of discharges.
- All discharge incidents have been reported to the regulating authorities.
- The implementation of the IWMP will allow for Lonmin to transfer water and balance water across its Marikana operations.
- The WC/WDMS and IWMP will allow for maximum water reuse, Rand Water reductions and reduce discharges into the environment.

#### WATER AND THE COMMUNITY

- Responsible water stewardship directly impacts Lonmin's communities, particularly the GLC.
- Lonmin is working in partnership with the Local Municipalities to find solutions for community water sources.

#### STATUS

- The Company worked with Madibeng Local Municipality to identify areas for underground water abstraction for human consumption.
- Water safety awareness programmes are being undertaken in Lonmin's communities to educate community members on the management and safe use of water.

## WASTE MANAGEMENT

Waste management is the process whereby waste is generated, handled and transported within the activities of collection, reuse, recycling, treatment and finally disposal. As part of mining and metallurgical operations considerable amounts of general and hazardous waste are generated, which can impact the natural environment and surrounding communities if not managed properly. Waste streams are classified under general and hazardous waste, with waste rock and tailings now forming part of the hazardous waste stream.

Lonmin's approach to waste management is guided by its Integrated Waste Management Plan (IWMP), which was drawn up in accordance with the new requirements of the National Environmental Management: Waste Act (NEM: WA), and primarily focuses on the reduction in volume of general and of hazardous waste streams and appropriate management thereof. This is enacted through the prevention of waste generation, as well as the reuse, recycling and recovery of waste materials already generated. Lonmin assesses its waste management approach and the effectiveness thereof, through determining how and where targets for reduction to waste disposal are being met; through internal and external ISO14001 audits and compliance to waste procedures and legislation and where research and development are making a fundamental difference especially with respect to cleaner production.

### New waste legislation

- Waste classification and management regulations
- National norms and standards for the:
  - assessment of waste for landfill disposal
  - disposal of waste to landfill
  - remediation of contaminated land and soil quality
  - storage of waste
- List of Waste Management Activities, that have, or are likely to have, a detrimental effect on the environment
- National Environmental Management: Waste Act, 59 of 2008
- National Environmental Management Waste Amendment Act, Act 26
- National Environmental Management Act, 107 of 1998: Regulations to phase out the use of Polychlorinated Biphenyls (PCBs) materials and Polychlorinated Biphenyl (PCB) contaminated materials

Strive to prevent, reduce, reuse and recycle waste as far as practicably possible. Waste will be managed in such a manner that it does not pose an unacceptable risk to the environment

Lonmin developed a Waste Management Standard to ensure commitment and responsible waste management by implementing the requirements of the relevant legislation, norms and standards, licence/permit conditions, the Duty of Care and Cradle to Grave Principles striving for continual improvement.

Challenges regarding waste management relate to the newly finalised and published environmental regulations and amendment act for waste management, which contain changes that pose potential risk and cost implications to Lonmin. One of the key concerns is the transfer of the governance of mine residue deposits (MRDs) from the Mineral and Petroleum Resources Development Act, 28 of 2002, where MRDs were not classified as a waste, to being governed under the Waste Act, where they are classified as waste and are subject to licensing requirements, regulations and standards.

The Company engages with mining industry peers and industry bodies to gain clarification on the discrepancies between the two Acts and the transitional arrangements for the implementation of these changes. Under the new act, all MRD stockpiles are pre-classified as hazardous requiring stringent and costly management and mitigation measures from the Company. Lonmin is in the process of reclassifying all of its available waste streams and disposal options, including an indication of those that are not hazardous or intended for final disposal.

As a result of this change to legislation, Lonmin will in future be reporting all mine residues as waste, but still keep the independent hazardous waste streams separated to ensure consistency and comparability in our reporting.

## PERFORMANCE

### WASTE MANAGEMENT PERFORMANCE

#### GENERAL WASTE

- General waste streams include steel, scrap metal, industrial plastics, rubber, wood, garden waste, tyres and paper.
- The significant majority of general waste goes to the licensed Mooiooi GSB landfill site at the Marikana operation, and initiated an authorisation process for the extension of this site.
- Research and development work on prevention, reduction, recycling and reuse of hazardous waste (CaSO<sub>3</sub>, BMR, PMR effluent projects).
- Target: Reduce general waste to landfill by 5% by 30 September 2017, 2012 baseline year.

#### STATUS

- Total: 10,552 tonnes of general waste generated (2013: 23,095). This is lower than the previous year and as a direct result of the strike.
- To landfill: 5,460 tonnes (2013: 9,577).
- Recycled: 3,739 tonnes (2013: 9,674).
- Composted: 288.5 tonnes.
- Reused: 1,090 tonnes (2013: 122).
- Progress on target: Lonmin achieved a 47% reduction of general waste to landfill compared to the 2012 baseline year. Although the strike had an impact on the average waste to landfill, the months not impacted by the strike were below the target.
- Just under half of general waste was Recycled and Reused.
- In 2013, Lonmin started a separation pilot project that is being rolled out at offices, the BMR and some concentrators – more than 30 tonnes of office waste was recycled. A good indication that the pilot is progressing well.

#### HAZARDOUS WASTE

- Primary hazardous waste streams comprise calcium sulphite (CaSO<sub>3</sub>) and PMR effluent waste streams.
- Reduction strategies for hazardous waste products are based on continuing research and development into chemical technologies that could be used to reduce waste generation, reduce toxicity and treat hazardous waste materials and generate non-hazardous products and waste.
- Calcium sulphite (CaSO<sub>3</sub>) is a residue generated from the capture and treatment of SO<sub>2</sub> emissions from the smelter. It is the most significant component of Lonmin's hazardous waste stream and it is sent to a licensed waste landfill site for disposal.
- PMR produces acid and alkaline effluent waste streams. A large portion of the acid effluent is diverted to a recycling plant and regenerated.
- Target: Reduce hazardous waste to landfill by 5% by 30 September 2017 against a 2012 baseline year.

#### STATUS

- Total: 44,021 tonnes of hazardous waste was generated (2013: 78,844).
- To landfill: 40,097 tonnes (2013: 71,336), a reduction of 48% against the 2012 baseline year. Reduced production due to the strike has impacted this figure.
- Recycled: 2,553 tonnes (2013: 4,464.9).
- Reused: 1,361 tonnes (2013: 3,008).
- CaSO<sub>3</sub> to landfill: 25,252 tonnes (2013: 52,693), 50% reduction.
- PMR waste effluent to landfill: 13,431 tonnes (2013: 16,845), 20% reduction.
- PMR acid effluent recycled: 2,522 tonnes (2013: 4,465), 43% reduction.
- The PMR incinerator project is in a feasibility and an environmental impact assessment stage, with an aim of incinerating the hazardous waste stream, to:
  - ☐ implement a waste hierarchy,
  - ☐ reduce safety risks to personnel,

<sup>o</sup> GSB: G – General waste landfill

S – Small landfill

B – Water balance; this is a negative water balance site and there is little or no potential for leachate from the landfill.

**WASTE MANAGEMENT PERFORMANCE**  
(CONTINUED)

**WASTE ROCK**

- Ten on-site waste rock dumps.
- Rock dumps are among the most visible waste streams from mining.
- Continue seeking viable uses for this waste rock. Engage with the South African National Roads Agency, SANRAL, which purchases waste rock for road construction.
- Lonmin also supplies finer material to a privately owned crusher plant.

**STATUS**

- Total: 85kt of waste rock (2013: 996kt).
- Reuse of waste rock on N4 Bakwena<sup>1</sup> Highway: 16,2kt of waste rock supplied.
- Income from waste rock sold during the year amounted to R1 million.
- Reduction in environmental liability, rehabilitation costs and financial provision.

<sup>1</sup> It is the road between Pretoria and Rustenburg.

**TAILINGS STORAGE FACILITIES (TSF)**

- Five dormant and six operational above ground TSFs.
- Current operational TSFs are lined with a layer of clay.
- Operational dams have grassed side walls and irrigation systems in place, to reduce dust.
- Chemical dust suppression measures have been implemented at the largest TSF.
- Revegetation measures have been undertaken on all of the dormant dams.
- Residue deposits now fall under NEM:WA waste legislation which pre-classifies them hazardous, requiring stringent liner requirements at significant cost.

**STATUS**

- Total: 6,004kt of tailings material was generated (2013: 11,661kt).
- Codes of Practice have been developed for the management of the tailings dams.

**LAND CONTAMINATION**

- Internal inventory of potentially contaminated land has been compiled.
- Full land contamination assessments have been conducted on four sites.

**STATUS**

- Remediation options developed for four sites.
- EIA authorisation still pending for the PMR remediation of contaminated land application.

**COMMUNITY WASTE MANAGEMENT**

- Waste management extends into the communities.
- A challenge in communities is littering and it has impacts on the health of community members.

**STATUS**

- A waste collection project has been established in communities.
- 3,887 tonnes of general waste was collected from the GLC.
- Collaboration with Rustenburg Municipality on waste transfer stations and Madibeng on waste swap shops for the community.
- Regular clean-up campaigns are being held in the community to address the litter.



## SUMMARY OF WASTE STREAMS

Material (tonnes)	2013	2014
General waste to landfill	9,577	5,460
Hazardous waste to landfill	71,336	40,097
General and hazardous waste incinerated	9	8
General waste recycled, reused and refurbished	13,581	5,094
Recycled	9,674	3,739
Reused	3,844	1,090
Recovered	112	289
Hazardous waste recycled, reused and refurbished	7,508	3,915
Tailings (kt)	11,661	6,006
Waste rock (kt)	996	85



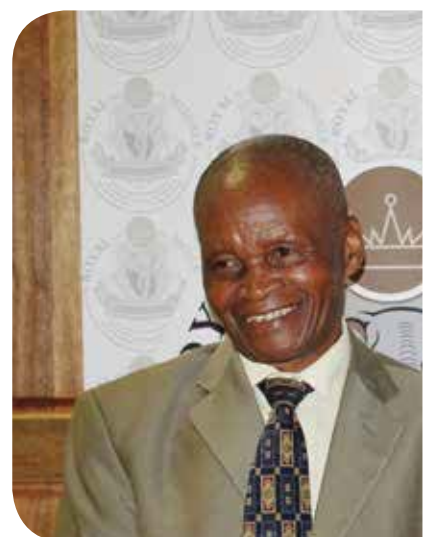
## GENERAL WASTE MATERIALS RECYCLED AND REUSED

Recycled (tonnes)	2013	2014
Ferrous and non-ferrous scrap	5,070.2	2,979.4
Metal liners with steel balls	216.4	141.2
Concentrator scats and scrap	864.9	460.5
Paper (and mixed domestic recyclables)	53.7	30.8
Rubber	2,296.1	7.9
Plastics	229.8	94.3
Tyres	157.2	24.8
Garden waste	766.9	288.5
Reused (tonnes)		
Recovered steel	112.5	77.2
Food	29.9	22.8
Wood	3,702.0	990.0
Plastic	0.1	94.3



## HAZARDOUS WASTE MATERIALS RECYCLED AND REUSED

Hazardous waste (tonnes)	2013	2014
Calcium sulphite (CaSO <sub>3</sub> ) sent to landfill	52,693	25,252
PMR effluent	16,845	13,431
Recycled (tonnes)		
Oil	30	30
E-waste	3	1
PMR effluent (acidic waste)	4,465	2,522
Reused (tonnes)		
Ash	3,008	1,361





Material focus area:  
**Relationships  
with government**



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# Overview

## RELATIONSHIPS WITH GOVERNMENT

In this chapter, many of the challenges described in the preceding four material focus chapters are brought together and express the intention to work in collaboration with government to find sustainable solutions.

Throughout this report, reference was made to government at various levels from municipal to national as a key stakeholder. As so many of the challenges are beyond the scope of the Company's core business, it cannot solve them in isolation. Many are characteristic of South Africa's broader systemic socioeconomic issues and form part of a national imperative to drive meaningful change in a society.

It is important for Lonmin to work with the three tiers of government to solve community challenges in partnership. The responsibility for change is shared between Lonmin and the government. What follows is how the relationships with government play an important role in the material focus areas that have been addressed in the preceding chapters of this report.

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### → **Lonmin:** committed to working with government

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#### EMPLOYEE AND GOVERNMENT RELATIONS

The challenge of improving employee relations cannot be addressed in isolation as it is aggravated by infrastructural and service delivery-related shortcomings affecting employees' home environments. While the Company's responsibility to enable development is not restricted to the workplace, making a difference in the employees' home environment requires a collaborative partnership with government to meet the challenges and build relationships.

As a first step the Company donated land to the North West Provincial department to build houses (Page 44).

### SAFETY AND GOVERNMENT RELATIONS

Since 2013 Lonmin has been focusing on building relationships with representatives of the DMR to better understand what is expected of the Company and to proactively fix potential unsafe mining conditions before a Section 54 stoppage is imposed.

### SOCIAL LICENCE TO OPERATE AND GOVERNMENT RELATIONS

Social and Labour Plans (SLPs) required by the Mineral and Petroleum Resource Development Act (MPRDA) are submitted to the Department of Mineral Resources for approval on a five-year basis. These plans include a number of initiatives that Lonmin delivers as part of its legal and social licence to operate. To this end, the SLPs for the coming years are focused on transformation and implementing measures to improve living conditions of employees and communities.

To roll-out these SLPs Lonmin continues to engage with government to coordinate and align in the provision of social infrastructure.

### ENVIRONMENTAL MATTERS AND GOVERNMENT RELATIONS

Lonmin has over 50 environmental-related licences, authorisations and permits to which it adheres in the daily activities of its operations. Further to this, in the last year alone, the Company has seen 30 amendments to and introductions of environmental management requirements which have both cost implications and governance impacts. Therefore, it is crucial for the Company to build a relationship with government through which the practical implementation of environmental policies can be achieved in a spirit of collaboration and acknowledgement of the Company's specific context and challenges.

# Key government departments

## DEPARTMENT OF MINERAL RESOURCES (DMR)

The DMR is responsible for the regulation of the country's mineral and mining resources with the objective of ensuring their optimal use and benefits to the South African economy. The DMR is responsible for monitoring and regulating mine safety, health and environment.

### LONMIN AND THE DMR

- Legal licence to operate regulated by the DMR
- Social and Labour Plans are submitted to DMR for approval on a five-year basis
- Environmental Management Programmes (EMPs) are a mandatory requirement to operate
- Performance against EMPs regularly submitted to the DMR
- Regulation and monitoring by the Mine Health and Safety Inspectorate
- Transformation and empowerment performance measured against the requirements of the Mining Charter

The mining industry is heavily regulated and Lonmin operates according to a vast array of government policies and frameworks. In the implementation and regulation of these policies, role players from various government departments engage directly with Lonmin on a regular basis.

### KEY GOVERNMENT DEPARTMENTS AND THEIR RELATIONSHIP TO LONMIN

## DEPARTMENT OF LABOUR (DOL)

The DOL implements a set of policies and programmes regulating labour relations in South Africa with the objective of reducing unemployment, poverty and inequality and protecting human rights.

### LONMIN AND THE DOL

- All employee contracts comply with labour relations legislation for fair and equitable terms and conditions of employment
- All employees have the right to collective bargaining and negotiations can be facilitated through the CCMA (Commission for Conciliation, Mediation and Arbitration)
- The Mining Qualifications Authority (MQA) facilitates and promotes employee development. Lonmin works closely with the MQA to improve and promote training

## DEPARTMENT OF TRADE AND INDUSTRY (DTI)

The dti is responsible for enabling structural economic transformation through the facilitation of investment in trade and enterprise development. The department is responsible for the administration of Broad-Based Black Economic Empowerment (B-BBEE).

### LONMIN AND THE DTI

- Promotion and support of SMMEs (Small, Medium and Micro-sized Enterprises) in the GLC
- Procurement contracts based on B-BBEE status verification as part of broader preferential procurement framework

### DEPARTMENT OF HEALTH (DOH)

The DOH is tasked with ensuring all South Africans can enjoy their basic right of access to effective healthcare.

#### LONMIN AND THE DOH

- Regular monitoring and reporting against compliance requirements in the provision of occupational and primary healthcare to the DOH
- Ongoing awareness and VCT (voluntary counselling and testing) campaigns for HIV/Aids and TB

### DEPARTMENT OF BASIC EDUCATION (DBE)

The DBE is responsible for the administration, maintenance and regulation of a sustainable education system in which all South Africans have access to lifelong learning and training.

#### LONMIN AND THE DBE

- Monitoring of school administration in the GLC
- Co-investment in school infrastructure projects
- Provision of a daily meal to all schools in the GLC through the NSNP (National School Nutrition Project)

### DEPARTMENT OF ENVIRONMENTAL AFFAIRS (DEA)

The DEA is responsible for the protection of the environment and conservation of natural resources, as well as the sustainable development and the equitable distribution of the benefits derived from natural resources.

#### LONMIN AND THE DEA

- Environmental Impact Assessments (EIAs) and Environmental Management Plans (EMPs) for the operation of listed activities and relevant activities
- Legal licence to operate framed by compliance to and implementation of various environmental acts pertaining to water, waste, air, biodiversity and land

### DEPARTMENT OF WATER AND SANITATION (DWS)

The DWS is responsible for the formulation and implementation of policy governing water in South Africa. It has an overriding mandate for the provision of water services by local government.

#### LONMIN AND THE DWS

- Legal licence to use water operationally through the granting of a Water Use Licence
- Integrated Water and Waste Management Plan (IWWMP) requirements to adhere to
- Bulk infrastructure projects as part of human settlements plan to address housing in the GLC

### DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM

This department is responsible for social and economic development of rural South Africa and land reform.

#### LONMIN AND THE DEPARTMENT OF RURAL DEVELOPMENT AND LAND REFORM

- The BEE transaction (detailed information on page 73) with the communities were authorised by the Minister of Rural Development and Land Reform because all mineral rights are owned by government, the community owns only the surface rights
- Community development strategy have to align to the National Development Plan
- All our development plans at local and provincial government level must find expression in the Integrated Development Plans; which we aimed to achieve through our Social and Labour Plans

### DEPARTMENT OF ENERGY (DOE)

The DoE is responsible for the transformation and sustainability of the energy sector through various regulations.

#### LONMIN AND THE DOE

- Lonmin's Energy Management Strategy (EMS) regulated and monitored against DoE's Energy Policy requirements

Refer to the online supplementary reporting piece on Research and Development in which information is provided on the beneficiation programmes.

# Governance and compliance

## GOVERNANCE FOR SUSTAINABLE DEVELOPMENT

The Company has a responsibility to manage the environmental and social impact of its operations. This is managed through corporate governance based on strong leadership and accountability from a Board level, supported by Lonmin's corporate values and the Lonmin Code of Business Conduct.

Although the majority of Lonmin's operations are based in South Africa, Lonmin is domiciled in the United Kingdom (UK) and has a premium listing on the London Stock Exchange. Therefore, the Company is subject to the UK Corporate Governance Code (the Code) and its supporting guidance ([www.frc.org.uk](http://www.frc.org.uk)).

At the date of this report, the Board consists of 10<sup>1</sup> members, including the Chairman<sup>2</sup>, seven Non-executive Directors (of which four are independent) and two Executive Directors. Lonmin has two female members on the Board. Board appointments are made on merit, against objective criteria. Skills, experience and personal attributes, including independence of mind, are important factors considered when making appointments. For detailed information regarding the Board of Directors, refer to the Annual Report and Accounts 2014.

The Lonmin Board of Directors (the Board) is the foundation of the corporate governance systems and the custodian of the Company's strategic aims, vision and values. It assesses whether the necessary financial and human resources are, and will continue to be, in place to enable the Company to meet its objectives and ensure that it takes full account of safety, environmental and social factors. The Board provides effective control through a governance structure that has been established, and through committees to assist it. These include Nomination, Remuneration, Audit and Risk, Social, Ethics and Transformation and Safety, Health and Environment committees. More detail on the Board structure and the composition and activities of the various committees can be found in the Annual Report and Accounts 2014.

The Safety, Health and Environment Committee met three times this year. This Committee's name changed during the year; the committee was formerly known as the Safety & Sustainability Committee. This Committee has oversight in the areas of safety, health and environment, and assists the Board to meet the commitments of the sustainable development policy.

<sup>1</sup> Two of these members are Historically Disadvantaged South Africans (HDSAs).

<sup>2</sup> In the Annual Report and Accounts 2014 we provide information on the division of responsibilities between the Chairman and the Chief Executive Officer.

The Transformation Committee's name changed this year to the Social, Ethics and Transformation Committee. This committee met three times this year to monitor, review and evaluate progress made in respect of transformation and applicable regulatory requirements.

These committees' Terms of Reference focus on the areas that Lonmin views as critical and provide increased

alignment with the South African Companies Act. More detailed information on these committees can be found in the committee reports in the Annual Report and Accounts 2014.

The Chief Executive Officer is ultimately responsible for the performance on sustainability commitments.

## GOVERNANCE OF SUSTAINABILITY



## ETHICS

Lonmin is committed to the highest standards of social and business practices and requires that employees and contractors do the same. Currently, the Company operates in accordance with the Code of Business Ethics drawn up in 2004, which formalises how all business practices involving Lonmin should be conducted, managed and regulated. The Lonmin Code of Business Ethics can be found online at [www.lonmin.com](http://www.lonmin.com).

This document forms an integral part of the employee and contractor induction training process. Lonmin believes that good ethical practices reinforce Lonmin's licence to operate, assist the Company to attract and maintain the best talent, create an environment of trust and should facilitate the sustained success of the Company. Lonmin aspires to embed an ethical culture in the Company through its corporate values.

The Code of Business Ethics outlines the policies related to conflict of interest, anti-competitive behaviour, lobbying and relationships with government, bribery and corruption, insider trading, the receipt of gifts and donations, whistle-blowing and reporting of corruption or unethical behaviour. All of the business units are analysed for corruption risks through internal auditing processes. Any incident of corruption that is exposed through internal auditing or reported with sufficient detail by other stakeholders is investigated and could result in dismissal, contract termination and/or legal action. The policy with regard to bribery is in line with the Bribery Act 2010, which came into effect in the UK in 2011.

The Company operates a 24-hour Ethics Hotline that is available to all employees and community members to report ethical grievances through formal Company channels. The hotline is operated by an independent third party and the call logging process is kept strictly anonymous to protect individual rights and encourage the true spirit of whistle-blowing. Each call received is logged and addressed to the relevant investigations unit. Appropriate steps are taken to ultimately determine culpability and issue disciplinary action.

Our commitment to sound ethical business conduct includes our membership of international bodies that

uphold corporate ethical responsibility. Lonmin is a founding member of the Institute of Business Ethics, headquartered in London. The Code of Business Ethics reflects the principles of the International Council on Metals and Mining (ICMM) and the United Nations Global Compact (UNGC).

Lonmin reviewed its ethics framework. This new Code of Business Conduct is the product of over two years of extensive industry research, international benchmarking and internal analysis, and aims to illustrate a clear and understandable set of guidelines which will further improve the implementation of ethics awareness and behaviour across the business. Though this had been scheduled for implementation during the current year, we were unable to focus the attention and resources required on this project.



The Lonmin Code of Business Ethics forms an integral part of the employee and contractor **induction training process**



#### PERFORMANCE

In 2014, 170 cases of unethical behaviour were investigated, including 53 cases carried forward from 2013. All reported cases are investigated according to a formal Code of Conduct for Investigations. Of these cases 71 are still pending, 55 were unfounded, and 44 were concluded. Cases concluded are those that have resulted in either dismissals, final warnings, counselling or contract termination.

#### UNETHICAL BEHAVIOUR CASES INVESTIGATED AND CONCLUDED

Reason	2014
Corruption	0
Company procedure violations	8
Fraud	17
Job selling	0
Vendor investigations	3
Intimidation	16
<b>Total</b>	<b>44</b>

#### Numbers<sup>1</sup>

	2014
Number of whistle-blowing incidents logged through hotline	45
Number of cases of unethical behaviour reported	72
Percentage of business units <sup>2</sup> analysed for corruption risks	100%

<sup>1</sup> 53 cases were carried forward from 2013.

<sup>2</sup> These are Mining, Concentrating, Smelting and Refining, Shared Services, Management and Marketing Services.

## COMPLIANCE

Lonmin seeks to align its actions with the recommendations and requirements of various international standards related to sustainable development and ethical business practices. This includes voluntary membership of various external organisations, initiatives and social charters as well as active participation in national and international mining organisations. Those of strategic importance are listed below.

### CDP

The CDP (formerly the Carbon Disclosure Project) is an international, not-for-profit organisation that provides a global system for the measurement, disclosure, management and sharing of vital environmental information. Lonmin has submitted a CDP report for our carbon emissions for the eighth consecutive year in 2014 disclosing our carbon emissions for financial year 2013.

### EITI

Lonmin supports the Extractive Industries Transparency Initiative (EITI) through our membership of the ICMM, a global standard that promotes openness and accountable management of revenues from natural resources. The Company pays tax fully and properly in all jurisdictions in which it operates as a matter of policy. More detail on Lonmin's tax affairs can be found online at [https://www.lonmin.com/media\\_centre/](https://www.lonmin.com/media_centre/).

### GRI G4

The Global Reporting Initiative (GRI) is an international organisation that promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development. This year our Sustainable Development Report has been prepared in accordance with the GRI G4 guidelines.

### ICMM

The ICMM was founded in 2001 to improve sustainable development performance in the mining and metals industry. As a member and active contributor of the ICMM, Lonmin shares information with industry peers about our programmes to encourage mutual learning and is indirectly involved in environmental advocacy on issues. Our 15 Sustainable Development Standards are fully aligned with the ICMM Principles and Position Statements. External assurance of our Sustainable Development Report is in line with the ICMM's Sustainable Development Framework: Assurance Procedure.

### MINING CHARTER

The Broad-Based Socioeconomic Empowerment Charter for the South African Mining Industry (the Mining Charter) was developed and introduced with the goal of redressing the imbalances created by apartheid and creating a globally competitive mining industry. This was enacted through a scorecard consisting of nine categories aimed at driving transformation across the industry.

The Mining Charter applies to all holders of mining licences issued under the Mineral and Petroleum Resources Development Act, 28 of 2002.

### UNGC

The UNGC is a strategic policy initiative to help business align with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Lonmin recognises the importance of these principles and endorses them across the various areas of our business.

More detail on our memberships can be found online at [www.lonmin.com/2014sdr](http://www.lonmin.com/2014sdr).



## ASSURANCE

To support the integrity of our measurement and data management systems, the Audit and Risk Committee oversees internal audit and external assurance procedures for the Company. These procedures set out the internal management and controls of key risks, and enhance the reliability of information used by investors and other stakeholders.

■ **Internal Audit:** The Internal Audit department reports directly to the Chief Financial Officer and to the Chairman of the Audit and Risk Committee and is responsible for providing objective assurances on key risks and key internal controls in alignment with the risk management framework. The findings and recommendations from Internal Audit are used by management to devise and implement corrective action plans that are monitored and reported to the Audit and Risk Committee.

■ **External Assurance:** Assurance over our Sustainable Development reporting provides the reader with an objective and impartial opinion over the balance and veracity of the performance data presented. This is further motivated by our ICMM membership and ensuring best practice. A range of assurances are provided by our external assurance providers, KPMG, and other external specialists which continue to add value by identifying areas for improvement in our data collection processes and control.

# INDEPENDENT ASSURANCE REPORT ON SELECTED SUSTAINABILITY PERFORMANCE INFORMATION

## TO THE DIRECTORS OF LONMIN PLC

### REPORT ON SELECTED SUSTAINABILITY INFORMATION

We have undertaken an assurance engagement on selected sustainability information as described below and presented in the 2014 Sustainable Development Report for Lonmin Plc (Lonmin) for the year ended 30 September 2014 (the Report). This engagement was conducted by a multi-disciplinary team of health, safety, social, environmental and assurance specialists with extensive experience in sustainability reporting.

### SUBJECT MATTER AND RELATED ASSURANCE

The subject matter of our engagement and related assurance is set out in the tables below:

#### SUBJECT MATTER (A) AND (B)

In compliance with the International Council of Mining and Metals' (ICMM) Sustainable Development Framework: Assurance Procedure (ICMM Assurance Procedure), Subject Matter 4 (selected performance data) and in accordance with the Global Reporting Initiative (GRI) G4 Guidelines:

#### ICMM Subject Matter 4

a) Reasonable Assurance (✓R)	Unit	Page
Number of new cases of noise induced hearing loss (NIHL) diagnosed	No. of cases	56
Number of cases of noise induced hearing loss (NIHL) compensated	No. of cases	56
Number of contractor and Employee Fatalities	No. of people	54
Employee and Contractor Lost Time Injury Frequency Rate (LTIFR)	Ratio	54
Total Fresh Water consumption	m <sup>3</sup>	92
Direct and Indirect Energy	TJ	88
Total scope 1, 2 & 3 Greenhouse Gas (GHG) emissions as per defined boundary	tCO <sub>2</sub> e	87
b) Limited Assurance (✓L)	Unit	Page
Number of new cases of TB diagnosed and treated	No. of cases	58
SO <sub>2</sub> Emissions (against Atmospheric Emissions Licence)	T/day	90

#### SUBJECT MATTER (C) TO (F)

In compliance with the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry (BBSEEC) and related Scorecard:

#### BBSEEC (2002) and related scorecard (2004)

c) Reasonable Assurance (✓R)	Unit	Page
Percentage of women employees in mining (WIM)	Percentage	43
Percentage of women employees at the mine (WAM)	Percentage	43
Total EE in Management <incl. white women>	Percentage	43
Total HDSA's in Management <excl. white women>	Percentage	43
Community Development: Rand Value Spend on SLP projects	Rand Value	66
d) Limited Assurance (✓L)	Unit	Page
Number of GLC and non GLC UPP & TPP learners	No. of people	68
Number of GLC and non GLC Bursaries provided	No. of people	42
Number of GLC and non GLC graduates provided	No. of people	42
Total number of learners (internal 18.1 and external 18.2) in the learnership programme	No. of people	42

**Amendment to BBSEEC (2010) and related scorecard (2010)**

<b>e) Reasonable Assurance (✓R)</b>	<b>Unit</b>	<b>Page</b>
Procurement spend from BEE entities (in line with the mining charter categories of capital goods, services and consumable goods)	% Capital	74
	% Services	74
	% Consumables	74
<b>f) Limited Assurance (✓L)</b>	<b>Unit</b>	<b>Page</b>
HRD expenditure as percentage of total annual payroll (excl. Mandatory skills development levy) Percentage		41

**DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for the selection, preparation and presentation of the selected sustainability information in accordance with the reporting criteria set out in the following paragraph. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, for commitments with respect to sustainability performance and for the design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

The following reporting criteria were used in the preparation and presentation of the respective subject matter:

- a) & b), Lonmin's reported performance during the given reporting period for the identified material sustainable development risks and opportunities (ICMM Subject Matter 4): the GRI G4 Guidelines.
- c) & d), selected mining charter elements: the BBSEEC (2002) and related Scorecard (2004).
- e) & f), selected mining charter elements: the Amendment to the BBSEEC (2010) and related Scorecard (2010).

**OUR INDEPENDENCE AND QUALITY CONTROL**

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards

Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control 1, KPMG Services Proprietary Limited maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**OUR RESPONSIBILITY**

Our responsibility is to express assurance conclusions on the subject matter set out above. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE 3000), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain assurance about whether the selected sustainability information is free from material misstatement.

An assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the quantification of the selected sustainability information and related disclosures. The nature, timing and extent of procedures selected depend on the practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments we considered internal controls relevant to Lonmin's preparation of the selected performance data. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting

policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected sustainability information;
- Performed a controls walkthrough;
- Inspected supporting documentation and performing analytical procedures on a sample basis to evaluate the data generation and reporting processes against the reporting criteria;
- Undertook site visits to Lonmin's Marikana operations (which represents the most material contribution to the selected sustainability performance information for ICMM Subject Matter 4 and for selected elements from the Broad Based Socio-Economic Empowerment Charters 2002 and 2010 and related Scorecards); and
- Evaluated whether the selected sustainability information presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at Lonmin.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinions on the selected sustainability information in a), c) and e).

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the selected sustainability information set out in b), d) and f) has been prepared, in all material respects, in accordance with the relevant criteria.

## CONCLUSIONS

In relation to the Report for the year ended 30 September 2014:

- (a) On the selected performance data on which we are required to express reasonable assurance in accordance with the GRI G4 Guidelines
- In our opinion, the selected performance data identified in a) above is prepared, in all material respects, in accordance with the GRI G4 Guidelines.

- (b) On the selected performance data on which we are required to express limited assurance in accordance with the GRI G4 Guidelines

Based on our work performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected performance data identified in b) above is not prepared, in all material respects, in accordance with the GRI G4 Guidelines.

- (c) On the selected mining charter elements in compliance with the BBSEEC (2002) and related Scorecard (2004) on which we are required to express reasonable assurance
- In our opinion, the selected mining charter elements identified in c) above are prepared, in all material respects, in compliance with the BBSEEC (2002) and related Scorecard (2004).

- (d) On the selected mining charter elements in compliance with the BBSEEC (2002) and related Scorecard (2004) on which we are required to express limited assurance
- Based on our work performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected mining charter elements identified in d) above are not prepared, in all material respects, in compliance with the BBSEEC (2002) and related Scorecard (2004).

- (e) On the selected mining charter elements in compliance with the Amendment to the BBSEEC (2010) and related Scorecard (2010) on which we are required to express reasonable assurance

In our opinion, the selected mining charter elements identified in e) above are prepared, in all material respects, in compliance with the Amendment to the BBSEEC (2010) and related Scorecard (2010).

- (f) On the selected mining charter elements in compliance with the Amendment to the BBSEEC (2010) and related Scorecard (2010) on which we are required to express limited assurance

Based on our work performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the selected mining charter elements identified in f) above are not prepared, in all material respects, in compliance with the Amendment to the BBSEEC (2010) and related Scorecard (2010).

## REPORT ON THE ICMM ASSURANCE PROCEDURE

We are required to report our findings on the International Council of Mining and Metals' (ICMM) Sustainable Development Framework: Assurance Procedure (ICMM Assurance Procedure) in respect of:

- 1 The alignment of Lonmin's sustainability policies to the ICMM 10 Sustainable Development (SD) Principles and any mandatory requirements set out in ICMM Position Statements (ICMM Subject Matter 1).
- 2 The reporting of Lonmin's material sustainable development risks and opportunities based on a review of its business and the views and expectations of its stakeholders (ICMM Subject Matter 2).
- 3 The implementation of systems and approaches that Lonmin is using to manage its material safety risks and opportunities (ICMM Subject Matter 3).

## DIRECTORS' RESPONSIBILITIES

The Directors are responsible for:

- The alignment of Lonmin's sustainability policies to the ICMM 10 SD Principles and any mandatory requirements set out in ICMM Position Statements.
- The reporting of Lonmin's material sustainable development risks and opportunities based on a review of its business and the views and expectations of its stakeholders.
- The implementation of systems and approaches that Lonmin is using to manage its material safety risks and opportunities.

## OUR RESPONSIBILITY

Our engagement included reporting on the ICMM Assurance Procedure in respect of 1, 2 and 3 above based on the knowledge obtained in our evidence gathering procedures in our assurance engagement on the subject matters in (a) and (b) set out in our 'Report on Selected Sustainability Information' above.

## FINDINGS

Based on our evidence gathering procedures in our assurance engagement for the year ended 30 September 2014 on the subject matter

in (a) and (f) set out in our 'Report on Selected Sustainability Information' above, nothing has come to our attention that causes us to believe that:

1. Lonmin's sustainability policies are not aligned with the ICMM 10 SD Principles and any mandatory requirements set out in ICMM Position Statements.
2. Lonmin has not reported material sustainable development risks and opportunities based on a review of its business and the views and expectations of its stakeholders.
3. Lonmin has not implemented systems and approaches to manage its material safety risks and opportunities.

## OTHER MATTERS

The maintenance and integrity of the Lonmin website is the responsibility of Lonmin management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on the Lonmin website.

Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the Report.

## RESTRICTION OF LIABILITY

Our work has been undertaken to enable us to express the conclusions on the subject matters in (a), (b), (c), (d), (e) and (f) in our 'Report on Selected Sustainability Information' together with findings on 1, 2 and 3 in our 'Report on the ICMM Assurance Procedure' to the Directors of Lonmin in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Lonmin, for our work, for this report, or for the conclusions we have reached.



**KPMG Services Proprietary Limited**

**Per PD Naidoo**

Director

Johannesburg

15 December 2014

## KEY PERFORMANCE STATISTICS

Production	Measurement	Group 2010	Group 2011	Group 2012	Group 2013	Group 2014	Assured data
PGMs produced	oz	1,314,772	1,446,662	1,349,802	1,336,109	882,094	
<b>Employees</b>							
Employees	Number	23,915	27,796	28,230	28,379	28,276	
Contractors	Number	9,131	9,564	8,293	10,042	10,016	
HDSAs, including white women, employed in management on a permanent basis	Percentage	43.3	46.5	49.4	47.2	48.4	✓R
Women employed in mining <sup>1</sup>	Percentage	3.22	4.33	5.11	5.09	5.35	✓R
Women at the mine <sup>2</sup>	Percentage	7.04	7.45	8.15	8.00	8.18	✓R
Employee turnover rate	Percentage	6.6	10.6	6.2	6.1	5.0	
People attending ABET	Number	793	603 <sup>3</sup>	942 <sup>4</sup>	954	473	
<b>Occupational health and safety: employees and contractors</b>							
Fatalities	Number	3	6	2	3	1	✓R
Lost time injury frequency rate	Rate <sup>5</sup>	5.87	4.71	4.16	3.50	3.34	✓R
New NIHL cases diagnosed – employees	Number	40	35	42	48	66	✓R
NIHL cases compensated – employees	Number	28	17	33	36	49	✓R
Diagnosed and treated tuberculosis cases	Number	528	545	527	446	436	✓L
HIV/Aids related deaths	Number	88	139	104	99	97	
Voluntary counselling and testing conducted (VCT)	Number	39,006 <sup>6</sup>	31,666 <sup>6</sup>	46,945 <sup>6</sup>	17,682	17,964	
Patients on ART	Number	1,349	2,022	2,510	3,288	3,666	
Patients on the wellness programme	Number	498	526	657	690	637	
<b>Environment</b>							
Total fresh water consumption	m <sup>3</sup>	8,005,092	7,912,595	8,667,896	8,284,039	6,206,167	✓R
Total fresh water intake efficiency	m <sup>3</sup> /PGMoz	6.09	5.47	6.42	6.20	7.04	
Electricity	MWh	1,380,218	1,496,841	1,485,630	1,555,651	1,135,000	
Electricity efficiency	MWh/PGMoz	1.05	1.03	1.10	1.16	1.28	
Total direct and indirect energy	Terajoules	6,215	6,533	6,433	6,740	4,696.7	✓R
Energy efficiency	GJ/PGMoz	4.73	4.52	4.77	5.04	5.32	
Total greenhouse gas emissions (Scope 1, 2 and 3)	Kt CO <sub>2</sub> e	1,534	1,648	1,572	1,646	1,205	✓R
Greenhouse gas efficiency <sup>7</sup>	t CO <sub>2</sub> -e/PGMoz	1.17	1.14	1.16	1.23	1.4	
Tailings disposed to tailings facilities <sup>8</sup>	Kilotonnes	11,038	11,820	10,666	11,661	6,006	
Waste rock disposed to rock dumps <sup>8</sup>	Kilotonnes	1,602	1,772	1,482	996	85	
Hazardous waste disposed of to landfill and incineration	Tonnes	50,562	72,052	77,826	71,336	40,097	
General waste to landfill	Tonnes	9,595	9,744	10,271	9,577	5,460	
Average sulphur dioxide emissions	Tonnes/day	14.1	10.58	8.5	11.9	7.16	✓L
<b>Communities</b>							
Rand value spent on SLP projects	Rand	28,175,000	37,980,955	39,743,935	38,661,225	47,672,897	✓R

<sup>1</sup> Women employed in mining represents those employed in core mining operations.<sup>2</sup> Women employed at the mine represents all women employed at our operations.<sup>3</sup> After audits conducted on ABET for our SLP reporting we identified that we had under reported the ABET figure in 2011 Sustainable Development report as 601. The correct figure is 603.<sup>4</sup> The figure includes community members as well.<sup>5</sup> Injuries per million hours worked.<sup>6</sup> These figures include VCT offered to employees daily (average of 2,000 tests a month), the wellness campaign and does not exclude those employees tested twice.<sup>7</sup> In the 2013 Sustainable Development Report incorrectly referred to kilotonnes CO<sub>2</sub>e/PGMoz; the measurement unit which aligns to the units reflected is tonnes of CO<sub>2</sub>e/PGMoz.<sup>8</sup> In the 2013 Sustainable Development Report incorrectly referred to tonnes; the measurement unit which aligns to the units reflected is kilotonnes.

Assurance provided by KPMG: Reasonable (✓R), Limited (✓L)

# Lonmin Charter

We are Lonmin, a primary producer of Platinum Group Metals. We create value by the discovery, acquisition, development and marketing of minerals and metals.

We respect the communities and nations that host our operations and conduct business in a sustainable, socially and environmentally responsible way.

## MISSION

- To grow and build our portfolio of high quality assets
- To deliver the requirements of the South African broad-based socio-economic Mining Charter and we welcome the opportunity to transform our business
- To build a value-based culture, which is founded on safe work, continuous improvement, common standards and procedures, community involvement and one that rewards employees for high performance

## WE ARE SUCCESSFUL WHEN

- Our employees live and work safely and experience the personal satisfaction that comes with high performance and recognition
- Our shareholders are realising a superior total return on their investment and support our corporate sustainability values
- The communities in which we operate value our relationships
- We are meeting our commitments to all business partners and our suppliers, contractors, partners and customers support our Charter

## OUR VALUES

### ZERO HARM

- We are committed to Zero Harm to people and the environment

### INTEGRITY, HONESTY AND TRUST

- We are committed ethical people who do what we say we will do.

### TRANSPARENCY

- Open, honest communication and free sharing of information

### RESPECT FOR EACH OTHER

- Embracing our diversity enriched by openness, sharing, trust, teamwork and involvement

### HIGH PERFORMANCE

- Stretching our individual and team capabilities to achieve innovative and superior outcomes

### EMPLOYEE SELF-WORTH

- To enhance the quality of life for our employees and their families and promote self esteem



**Brian Beamish**  
Chairman



**Ben Magara**  
Chief Executive Officer



