

# Sustainable Development Report

For the year ended 30 September 2018

LONMIN

Lonmin Plc

# 2018

## A Solid Performance

ready for the next era



# Lonmin Charter

**We are Lonmin, a primary producer of Platinum Group Metals (PGMs). 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 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



**Brian Beamish**

Chairman

May 2014



**Ben Magara**

Chief Executive Officer

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This report indicates reasonable assurance from KPMG with (RA), and limited assurance with (LA).



Data impacted by the five-month strike across the platinum industry in 2014.



Comparative years in graphs.

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# Approach to Reporting

This Sustainable Development Report (this report) presents an overview of Lonmin Plc (Lonmin, the Group or the Company) our approach to sustainable development and detail regarding the most material sustainability matters affecting Lonmin and its stakeholders. The report is structured around chapters that present the context, management approach and performance data for Lonmin's five material focus areas. These are: constructive engagement, employee relationships, safety and health, community relationships, and managing environmental impacts and opportunities.

The report has been prepared in accordance with the Sustainability Reporting Standards (GRI Standards): Core option and its Mining and Metals Sector Supplement. The GRI index is available at <https://www.lonmin.com/sustainable-development/sustainable-development-overview>. The report is also informed by the principles of the International Council on Mining and Metals (ICMM), the ICMM reporting requirements and Lonmin's internally developed guidelines.

## Scope and boundary

The information herein refers to Lonmin's 2018 financial year, 1 October 2017 to 30 September 2018 (the financial year or the year). Our previous Sustainable Development Report covered the 2017 financial year. The content of the report relates to Lonmin's subsidiaries: Western Platinum Limited (WPL), Eastern Platinum Limited (EPL), Messina Platinum Mines Limited (MPML), Akanani Mining (Proprietary) Limited (Akanani) and Pandora unless otherwise stipulated. The report boundary includes the exploration activities over which the Company exercises management control.



## Significant changes to the Company

We are optimising our remaining ore reserves and resources while reducing high-cost production. In line with the Group's rationalisation of high-cost areas in an oversupplied PGM market, production from Generation 1 shafts (4B, Hossy, W1 and E1) at 2.3 million tonnes was 13.2% lower than the prior year in line with strategy. E2 shaft was put on care and maintenance in November 2017. W1 and E1 are at the end of their resource lives, mining is in remnant areas. They are operated by contractors who are responsible for all the relevant costs. This arrangement provides Lonmin with better flexibility to manage operations, depending on their profitability. Another optimisation initiative, the bulk tailings treatment project, was commissioned in February 2018. Further detail is provided on page 55.

As part of our ongoing disposal of non-core assets, Lonmin entered into a conditional Sale of Shares Agreement to sell our 50% interest in Petrozim Limited to the joint-venture partner National Oil Infrastructure Company of Zimbabwe Limited. The Company also sold the Northern Ireland exploration company to Australia's Walkabout Resources.

On 13 December 2017, Lonmin announced that it acquired full control of Pandora. Lonmin acquired Anglo Platinum's 42.5% participation interest in the Pandora Joint Venture and the remaining 7.5% from Mvelaphanda Resources.

On 28 June 2018, the UK's Competition and Markets Authority unconditionally cleared the all-share offer for Lonmin by Sibanye-Stillwater. On 18 September 2018, the South African Competition Commission recommended that the South African Competition Tribunal approved the proposed transaction, subject to certain conditions, which were agreeable to both Sibanye-Stillwater and the Commission. On 21 November 2018, the South African Competition Tribunal cleared the all-share offer for Lonmin by Sibanye-Stillwater, subject to agreed conditions with

Sibanye-Stillwater. General Meetings of the shareholders of Sibanye-Stillwater and Lonmin are scheduled for early 2019. These approvals and the sanction of the Courts of England and Wales remain the final substantive conditions required to complete the transaction.

## Units of measurement and comparative data

Monetary amounts reflected in this report are expressed in South African Rand (R) or, where indicated, US Dollars (US\$). The average exchange rate in the financial year was US\$1:R13.07 (2017: US\$1:R13.37). Intensity or efficiency ratios are calculated on total saleable refined PGMs of 1,318,618 Platinum Group Metals ounces (PGMoz) (2017:1,320,802 PGMoz), unless indicated otherwise.

## Rectifications

The general waste materials recycled and re-used total for recycled (tonnes) was incorrectly reported in the 2017 Sustainable Development Report as 2,695 tonnes for the 2015 column. The corrected total is 6,619 tonnes.

Learnerships for 2017 for mining were 26 and not 21 as previously reported. In the key performance statistics table, the people registered for adult education and training in 2016 is 432 and not 691 as previously reported; and for 2017 we excluded the community members and the figure should be 204.

## Assurance

KPMG Services (Pty) Ltd assured selected performance information, as disclosed in this report, in accordance with International Standards on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information. The assurance reports are on pages 69 to 72 of this report.

## Feedback and requests

Lonmin values feedback from its stakeholders on our Sustainable Development Report in terms of our approach to reporting and how we address our material focus areas. To give feedback or to request more information, please contact:

### Dr Mel Mentz

Group Head of Safety, Health, Environment and Sustainability  
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# Company Overview



## Who we are

- Lonmin is a primary producer of **Platinum Group Metals (PGMs)**
- Lonmin holds rights to significant areas of the **Bushveld Igneous Complex** in South Africa – the world's largest deposit of PGMs and home to around 80% of the world's known PGM resources
- The Company is one of three integrated primary platinum producers globally and operates a **mine-to-market** business
- Lonmin has a premium listing on the London Stock Exchange (LSE) and a secondary listing on the Johannesburg Stock Exchange (JSE Limited)



## What we do

- Lonmin explores, mines, refines and markets Platinum Group Metals (PGMs) – Platinum, Palladium, Rhodium, Iridium, Ruthenium and Gold
- Our activities include:



### Mining

Underground mining of two 'reefs' Merensky and UG2 each approximately 1m thick.



### Processing

Processing ore to produce high-purity refined metals for sale, in various finished forms.



### SSS

**Group Shared Support Services (SSS)** which include procurement, medical and technical services among others.



## Where we operate

- Operational **head office** in **Marikana, South Africa** and a registered office in **London, United Kingdom** for Lonmin Plc
- **Operations** based in South Africa:
  - o Marikana operations: The mining and processing activities of WPL, EPL and Pandora in the North West province, which include the base metal refinery (BMR), smelter and concentrators
  - o Limpopo operations: The operations of Messina Platinum Mines Limited (MPML) (wholly owned by WPL) and the Akanani activities in Limpopo
  - o The precious metal refinery (PMR): The PMR owned by WPL is located in Brakpan, Gauteng
- **Exploration** in **South Africa** focused at the Akanani project to develop a viable operation, and exploration projects in Canada

## 11 vertical and incline shafts

(of which 1 vertical shaft and 2 incline shafts are on care and maintenance)

**One** smelter complex

**One** analytical laboratory

**One** base metal refinery (BMR)

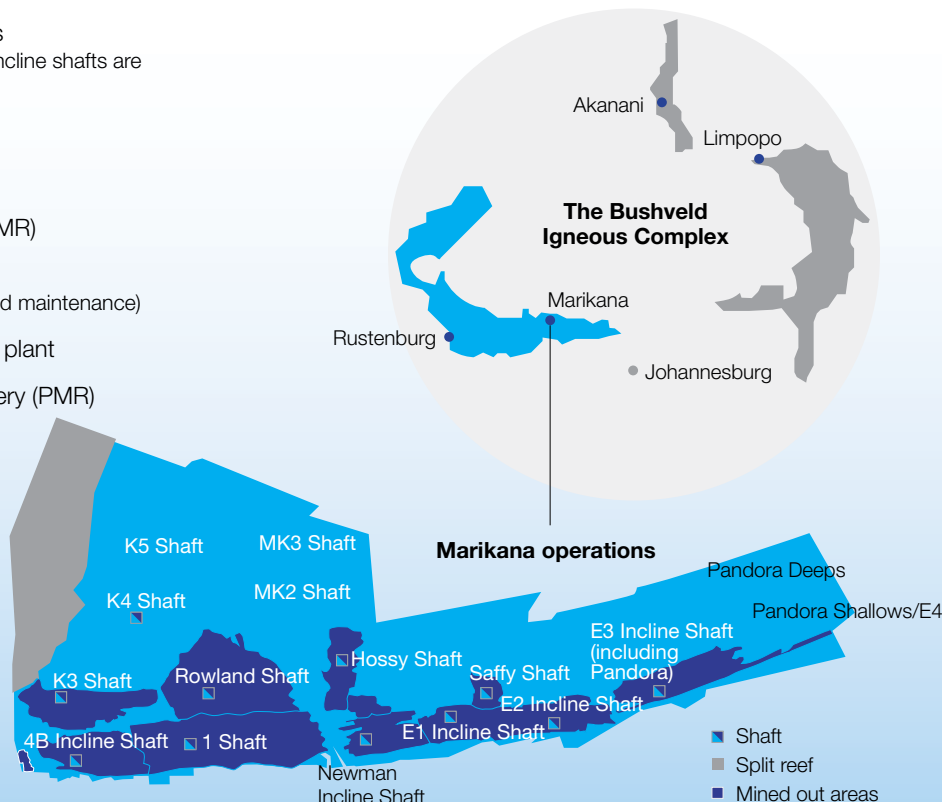
**Seven** concentrators

(one concentrator under care and maintenance)

**One** bulk tailings treatment plant

**One** Precious Metals Refinery (PMR)

Lonmin's main production (76% of total production) is from its core shafts, the Generation 2 shafts which are large and long-life. Production from the Generation 2 shafts increased by 1.6% from the previous year.

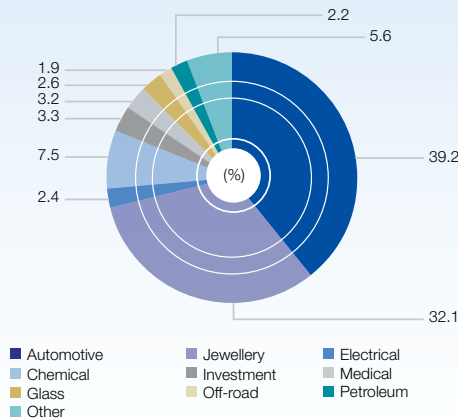




## Our outputs

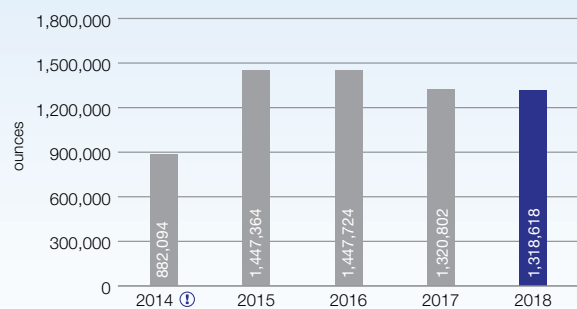
- **Platinum** is our principal product, contributing **45%** of our revenues (681,580 ounces sold in 2018)
- **Palladium** is our second highest source of revenue, followed by Rhodium
- Saleable by-products produced from PGM mining include **gold, copper, nickel** and **chrome**
- **Rhodium** increased **from 9% to 16%** of the total revenue basket

Global demands for PGMs<sup>1</sup> in 2018



PGMs are primarily used in the automotive and jewellery industries. They play an important role in medical, industrial and emissions reduction applications due to their robust catalytic and electrical properties. Platinum is a crucial component in hydrogen fuel cells, which are a clean, efficient and scalable alternative to internal combustion engines and stationary power systems.

Lonmin saleable refined PGMs



## Product opportunities and product stewardship

Lonmin realises product opportunities and promotes product stewardship through:

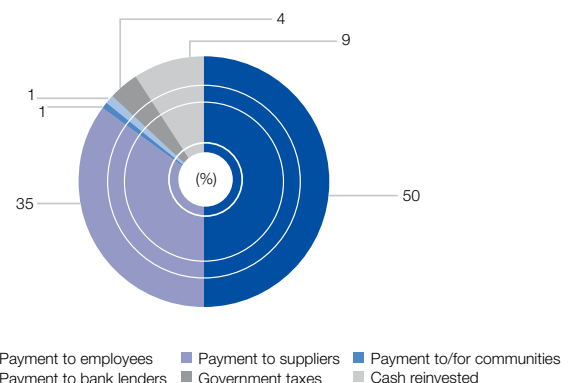
- **Industry association participation** to develop new markets and applications for PGMs
- **Technology business incubator sponsorship** of the Platinum Incubator (previously known as Seda Platinum Incubator) at Orbit TVET<sup>2</sup> College in Rustenburg, South Africa. Lonmin assists start-ups and small businesses in overcoming barriers to entry in sectors such as in PGM jewellery-making, among others and support beneficiation in South Africa
- **Investigating innovative opportunities and applications for PGMs:** Lonmin developed a specialised platinum powder for use in 3D-printing. We encourage small, medium and micro-sized enterprises and larger companies to produce PGM products. We installed a 3D printer at the PMR to print prototypes (page 21: AR)
- **Thakadu Nickel Purification Plant:** Thakadu Battery Materials (Pvt) Ltd is in the process of constructing a R250 million purification plant at Lonmin's BMR. The plant will convert Lonmin's existing crude nickel sulphate into high-quality battery-grade nickel sulphate, which could be sold at a premium and thus create value for both Lonmin and Thakadu (page 21: AR)

## How we spend our earnings

PGMs are important to South Africa's wealth, wellbeing, and social infrastructure. The businesses using PGMs pay taxes and royalties, create jobs, and enrich the socio-economic development of their surrounding communities.

The analysis below shows how the US\$1,339 million of net cash earned in the financial year was distributed. Shareholders received no dividend during the year, and none was recommended for 2018.

Cash distribution



Further information on payments to and for communities is available on page 44, and our value-added statement is on page 77.

An illustrated overview of our business model and a description of our strategy can be found in the Annual Report and Accounts 2018.

<sup>1</sup> Source: SFA (Oxford) estimates.

<sup>2</sup> TVET: for Technical and Vocational Education and Training.



# Our Approach to Sustainable Development

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# Letter from the Chief Executive Officer

After achieving 15-months without a fatality, tragically our colleague Mr Tembani Manyana, was fatally injured at our K3 shaft on 30 September 2018. We extend our condolences to his family, colleagues and friends.

*Lonmin is a resilient company that has overcome major challenges and is focused on opportunities to remain net cash positive, in a low pricing environment.*

The 2018 financial year presented another testing operating environment. The Rand was favourable, but, otherwise, market conditions remained tough – persistently low Platinum prices and high electricity, water and labour cost inflation. While there will inevitably be short-term volatility in the prices of one or more of the PGMs, we believe that the long-term fundamental economics of these metals remain highly attractive. In this regard, the prices of Palladium and Rhodium more than doubled, however, Platinum (the main revenue contributor) languished around \$850 per ounce almost a third of its former glory. Lonmin is one of three integrated primary platinum producers globally with an enviable mine-to-market business. Lonmin is highly leveraged to PGM prices and exchange rates and our strategy is to preserve cash to be able to sustainably withstand the current low price environment so that all our stakeholders including shareholders will benefit when the PGM pricing environment ultimately improves.

We are pleased to say that, amid these conditions, we used every available lever to maintain our net cash position: We delivered what we promised in most areas of our business this year, our core shafts, the Generation 2 shafts, increased production by 1.6% as planned. To reduce high-cost production in a low-price environment, we closed some Generation 1 shafts as promised. We sold 681,580 platinum ounces, which exceeded our market guidance of 650,000 – 680,000 ounce, and we achieved unit costs guidance with a unit cost of R12,307 per PGM ounce, an increase of 5.2% compared to the prior year (R11,701 per PGM ounce).

The solid operational performance, coupled with the effect of metal prices and exchange rates, resulted in an operating profit of \$101 million. Regrettably, however, despite all of these initiatives and progress the liquidity remains insufficient and we continue to be financially constrained and unable to fund the significant investment required to sustain our business.

To improve Lonmin's liquidity we entered into a US\$200 million forward metal sale agreement with Pangaea Investments Management Limited, an associate company of Jiangxi Copper Company Limited on 22 October 2018. The new facilities will however not fully and sustainably address our fundamental business liquidity challenges, and we still believe that the Sibanye-Stillwater all-share offer to acquire Lonmin (the Offer) is the best for Lonmin. Once completed, the Offer will create an enlarged geographically and diversified precious metal group that we believe will provide long-term sustainability.

## Constructive engagements

Lonmin's strategy is underpinned by proactive engagement to build and sustain authentic relationships. Lonmin cannot constructively engage with its stakeholders without integrity, honesty and trust as defined in Lonmin's Charter. We launched the 'Buang Le Rona' (meaning 'Talk to Us') grievance mechanism in April 2018 with the aim of improving the dialogue between Lonmin and stakeholders. Community members can lodge their grievances, and we track progress on responding to their concerns in pursuit of shared value.

We have submitted our SLP for 2019 to 2023 to the Department of Mineral Resources (DMR) for approval. Our SLPs' impact and sustainability rely on strong partnerships and a clear understanding of community needs. Lonmin has had constructive engagement with the DMR, and we are implementing our undertakings with extensions for our SLP obligations 2014 – 2018, granted till 2020. The progress is tracked and regular feedback is given on this to the Lonmin Board as well as the Department of Mineral Resources.



**Ben Magara**  
Chief Executive Officer

# Letter from the Chief Executive Officer (continued)

Lonmin engages with local, provincial and national Government on a continuous basis. We engage with Government on our integrated Lonmin Facilitated Employee Home Owners Programme (LFEHOP). Key stakeholders have already endorsed the LFEHOP and it is set for implementation in 2019.

The third Broad-Based Socio-economic Empowerment Charter for the South African Mining and Minerals Industry, 2018 (Mining Charter III), is a great improvement from the prior drafts. We welcome the “new dawn” as government has embarked on a path of partnership and engagement. Areas of ambiguity remain in the Charter and it is hoped that a Guidance document to be published in the near future will provide clarity.

Transformation is more than just achieving numbers and BEE targets. Lonmin is pleased with the look and feel of the business and high performance culture brought about by the strength of diversity across all levels of the Company today.

## Employee relationships

We continue investing in our relationship with employees and organised labour. Together, we balance workers’ needs with the business’s financial sustainability. I am encouraged with the productive relationships that we have established. The lowest level employee working underground earns more than R12,500 per month.

An operational efficiency programme could reduce our workforce by over 12,000 over the next three years. The South African Tribunal has approved the Sibanye-Stillwater and Lonmin transaction subject to agreed conditions which include a moratorium on retrenchments at Lonmin for six months. In 2018, the Company reduced its workforce by 1,572 employees and 829 contractors, of whom 685 contracted at East 2 Shaft. I thank our employees for their continued resilience and focus in these uncertain times.

We have an on-site office that assists employees to manage their debt and evaluates emoluments attachment orders. Since inception in 2016, the office has reduced the outstanding balances of employee loans by R7.1 million and prevented 15 homes and 21 vehicles from being repossessed.

Lonmin has a key focus on developing modern housing facilities to improve the quality of life of its employees. Our financial investment in employee apartment housing has reached over R520 million. Lonmin committed another R420 million towards housing in our new SLP (Generation III), despite the industry’s difficulties. We received endorsement from key stakeholders on our integrated LFEHOP, set for implementation in 2019. We continue to engage with Government as integral partners to this strategy.

We remain committed to the Sixteen-Eight Memorial Education Trust, founded in memory of the employees who lost their lives in 2012, and I am proud to announce that two Sixteen-Eight Memorial Education Trust

beneficiaries graduated: Bhekithemba Gadlela (Diploma in Business Management) and Mandla Yawa (Honours in Animal Science).

## Safety and health

Lonmin considers safety and health to be critically important. We participate in initiatives such as the Mine Health and Safety Council’s (MHSC) milestones and participate in the Minerals Council’s National Safety Day. We pursue continual improvement in safety and health performance through our membership of the International Council on Mining and Metals (ICMM). At the 2018 MineSafe conference Lonmin’s K3 UG2 section won the prestigious JT Ryan Award.

I am pleased to report a downward trend in our safety indicators. Year on year we saw a 11.5% improvement on our lost-time injury frequency rate (LTIFR), a 5.2% improvement of our total injury frequency rate (TIFR), and we reduced Section 54 stoppages by 43% to 24. We owe these improvements to a shared appreciation of our commitment to Zero Harm and the right level of focus on management routines. The Safety Strategy drives a mindful safety culture through various proactive interventions, team collaboration, accountability for actions, engagements, compliance audits and knowledge sharing. We need to remain vigilant to maintain our rhythm and energy and continue to embed the Lonmin Life Rules, a set of non-negotiable safety rules.

Lonmin’s strategy to address HIV/Aids includes education, eliminating the stigma around the virus, and providing emotional and medical support to those living with HIV/Aids. Aids related deaths reduced by 44% from the previous year.

Noise remains a significant health risk at our operations. Despite Lonmin’s efforts to reduce exposure to prolonged periods of high levels of noise, we did not achieve our 2018 target and recorded 78 new cases of noise-induced hearing loss (NIHL). The increasing age profile of patients is an influencing factor.

Our mantra of ‘Safe, Profitable, Happy Tonnes Daily’ made positive strides this year. Our Generation 2 shafts received the international OHSAS<sup>1</sup> 18001 Occupational Health and Safety Standard certification for the first time – a noteworthy achievement.

## Community relationships and investments

The two primary concerns for community members are local infrastructure development and employment opportunities directly or through supplier investment. The ‘lower for longer’ platinum pricing environment has already cost the industry over 26,000 jobs in the past five years and has made it especially difficult to address unemployment in surrounding communities. To help alleviate unemployment, Lonmin continues investing in procurement from local suppliers in order to assist in job creation. This year, we spent R1.2 billion on suppliers from our host communities. We are reviewing our procurement contracts with the Bapo Ba Mogale Community (Bapo)

<sup>1</sup> Occupational Health and Safety Assessment Series.

to improve efficiencies and are assisting in skills development and capacity building to ensure contracts remain sustainable. The Competition Commission has mandated that, should the Offer materialise, Sibanye-Stillwater must honour contracts with Lonmin's existing Historically Disadvantaged South African (HDSA) owned suppliers and the existing black economic empowerment (BEE) arrangements with the Bapo.

During the year, Lonmin invested R29.9 million on basic community service projects, including upgrading three roads serving the surrounding communities. The Company completed the Sethwethwa High School in Limpopo, which serves the Makoeng village. We handed over the Marikana Primary School to the North West Department of Education.

As part of our SLP III, we have committed to contribute to the country's national school sanitation campaign.

## Environmental impacts and opportunities

Water is becoming scarcer, while demand is increasing with increasing population. It is critical that we balance water conservation and demand management with the competing needs for this resource. Seeking and utilising opportunities relating to a resource as scarce as water is fundamentally important to Lonmin. We continue to utilise anthropogenic aquifer systems – using backfilled opencast pits that can store large volumes of water, as a source of water for the operations to lessen the intake of fresh water.

During the year our energy-efficiency programmes saved 78,155 Megawatt hours (MWh) and reduced our carbon footprint by 75,791 tonnes of carbon dioxide emissions (tCO<sub>2</sub>e). The Company continues to invest in key projects with the aim to reduce its sulphur dioxide (SO<sub>2</sub>) emissions. We continue researching how to minimise our hazardous waste streams and have commenced with the construction of a vacuum belt filter at the smelter.

Unfortunately, Lonmin had a level 4<sup>2</sup> environmental incident. Tailings spilled from the new bulk tailings treatment plant pipeline into the secondary tributary of the Maretswana River. We commenced with the remediation and submitted our Rehabilitation Plan to the DMR.

## Governance

Management's agility and responsiveness were essential during the dynamism and difficulties of the past few years. Our focus remains on managing the business for long-term sustainability, and we had to make tough strategic decisions in reducing fixed costs, removing high cost production, and reducing capital expenditure. We have reduced jobs responsibly, drive our SLP commitments, and deliver on production targets. Only a thriving and profitable Lonmin can contribute to a sustainable reduction in poverty.

While the impact on possible job losses in the first three years is primarily driven by placing high-cost and depleting Generation 1 shafts on care and maintenance, forecasting the potential impact on employment is dependent on future PGM prices and business liquidity.

Lonmin's actions were all part of seeking to build a sustainable business, driving efficiencies to obtain financial security, and safeguarding the welfare of all our stakeholders. We acknowledge the social and labour challenges of the past, and we strive to conduct our business in a sustainable and socially and environmentally responsible manner. We are a member of the United Nations Global Compact (UNGC) and ICMM and we recognise the 'Agenda 2030' to address the most important economic, environmental, social and governance challenges.

## Market dynamics and outlook

The Lonmin team remains focused on operational excellence and dealing with the tougher conditions that face the mining industry. We remain in a net cash positive position as at year-end. This demonstrates decisive actions to manage our mine-to-market business, the strength of our assets, our excellent processing operations and the resilience of our business. We maintain focus on minimising disruption to the business as we conclude the Offer. Our mission for sustainability, as defined by our Charter remains intact: "to build a value-based culture founded on safe work, continuous improvement, common standards and procedures, community involvement and one that rewards employees for high performance". To be successful Lonmin is focused on creating shared value for all our stakeholders. We remain focused on building bridges and mending relationships between our employees, organised labour and all other stakeholders.

## Acknowledgement

I would like to express my gratitude to our stakeholders, particularly management and our employees for staying resilient, operating safely and helping us build the bridges toward our future success.

Yours faithfully,



**Ben Magara**

Chief Executive Officer

30 January 2019

<sup>2</sup> Level 4 environmental incidents are those that have a significant impact on the environment, but are reversible within the lifetime of the operations. Level 4 or 5 incidents are reported to regulatory authorities in terms of section 30 of National Environmental Management Act (NEMA) and section 20 of the National Water Act.

# Joint Letter from the Chairmen of the SHE Committee and the SET Committee

Zero Harm to people and the environment is one of Lonmin's core values. In practice, this means that the safety, health and wellbeing of our employees and the communities and environment within which we operate are a priority for Lonmin.

We regret to report that one fatal accident occurred at the end of the 2018 financial year. We extend our sincere condolences to the family, friends and colleagues of the late Mr Tembeleni Manyana. This fatality is one too many; it is unacceptable and we will continue to work towards eliminating injuries and fatalities in the workplace. Our ongoing focus is reflected in the broader safety trends, with 15 months of fatality-free production prior to the tragic accident at K3 on 30 September 2018' an improvement of 11.5% in the rolling LTIFR to 4.00 per million man hours worked; and a reduction of 9% in the severity of injuries. We believe this improving trend is the product of an increased and holistic focus on proactive safety management. In order to improve our knowledge and to share our learnings with our peers, several members of our management team participated in the Minerals Council SA CEO Zero Harm Forum, the ICMM Health and Safety Forum, and the Mines Health and Safety Forum. In addition, the SHE Committee, together with other members of the Board and management, met with the DMR's Safety Inspectorate to discuss safety in the wider national and regional context, but also specifically in relation to Lonmin's safety performance. The DMR commended Lonmin on its efforts to date. However, we all, including the DMR, acknowledge that there is no room for complacency and plenty of room for improvement.

Our health and wellbeing programmes continue to show good results – 4,744 employees are receiving anti-retroviral treatment and there were 44% less Aids-related deaths this year compared to 2017. It is also noted that our TB incidence per 100,000 employees has nearly halved over the past 10 years. Lonmin remains particularly focused on preventing noise-induced hearing loss Noise Induced Hearing Loss as unfortunately new cases are still being diagnosed despite our efforts to address the issue. The increasing age profile of patients is an influencing factor. A number of initiatives have been implemented to address this issue, which are discussed in more detail later in this report (page 36).

Lonmin's environmental performance continues to improve. We remain committed to meeting changing environmental requirements and regulations. We have plans in place to optimise water and energy usage, and we are monitoring carbon tax legislation to ensure continued compliance in this area.

We contribute to the upliftment of the communities around our operations by focusing on community health,

education, skills development and social infrastructure. We have markedly improved our relationships with our community stakeholders, largely owing to more structured and meaningful engagement. We implemented the Buang Le Rona community grievance mechanism this year to allow members of the community direct contact with the Company to voice their concerns and make suggestions. This initiative received input from all affected stakeholders over many months of planning and research. It constitutes what the Company considers best practice.

Lonmin is concluding its five-year 2013 to 2018 SLP commitments and we will submit a close-out report to the DMR in due course. We were, unfortunately, unable to honour all our SLP commitments for 2014 to 2018, primarily due to financial constraints. Consequently, a remedial plan formulated by Lonmin to address shortcomings has been formally approved by the DMR. Outstanding obligations will be carried forward and concluded between 2019 and 2020. In July this year, we submitted the new SLPs (commonly referred to as the Generation III SLP) for 2019 to 2023 to the DMR.

In March this year, Dr Len Konar decided to step down as a Non-executive Director on the Lonmin Board and, therefore, his chairmanship of the SET Committee. On behalf of our colleagues on the Board and management, we would like to thank Len for his contribution and commitment to Lonmin these past eight years. Of course, it has to be acknowledged that none of the positive news we have been able to report this year would have been possible if it were not for the hard work and commitment shown by our employees and our management team, for which we extend our appreciation.

On a final note, you will have read in the CEO's letter that the Lonmin Board reached an agreement with Sibanye-Stillwater on the terms of an All-share Offer to acquire Lonmin. We believe the offer is a comprehensive solution to Lonmin's challenges and that it provides Lonmin and its stakeholders with a more secure future. One of the conditions agreed between the South African Competition Commission and Sibanye-Stillwater is the requirement for Sibanye-Stillwater to honour Lonmin's current and future SLPs as agreed with the DMR, as well as existing agreements with the Bapo Ba Mogale Community. In light of this commitment, we are confident that the momentum in these important areas will be maintained.



**Jonathan Leslie**  
Chairman, SHE Committee  
30 January 2019



**Kennedy Bungane**  
Chairman, SET Committee





# Our Sustainability Approach



**Lonmin Charter** (Inside/outside flap)



## Our values

Our approach to sustainability arises from our values, which are defined in the Lonmin Charter. Our values are based on Zero Harm to people and the environment. We strive for high performance in all areas across the Company.



## Lonmin Safety and Sustainable Development Policy

The policy details the Group's commitment to creating sustainable value for our stakeholders through environmentally and socially responsible and ethical practices. Our policy aligns with the ICMM principles.

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## Lonmin's strategy

The importance of sustainability matters is recognised in Lonmin's strategy.

To view our strategy, please refer to our Annual Report and Accounts 2018.



## Lonmin Internal policies, framework and procedures including:

- Draft Stakeholder Engagement Framework
- Draft Grievance Mechanism Procedure
- Investor Relations and Communication Policy
- Recruitment Policy
- Women in Mining Policy
- Fatal Risk Control Protocols
- HIV/Aids and Tuberculosis Policy
- Draft CSI Policy
- Human Rights Policy
- Security Policy
- Environmental Standards
- Water Policy
- Code of Business Ethics
- Risk Policy
- ISO 9001 Quality Management System
- ISO 14001 Environmental Management System
- OHSAS 18001 Occupational Health and Safety Systems Standard



## External policies, frameworks and regulations, including:

- Mineral and Petroleum Resources Development Act (MPRDA) which requires a Social and Labour Plan (SLP)
- The Broad-based Socio-economic Empowerment Charter for the South African Mining and Minerals Industry (the Mining Charter)
- Labour Relations Act
- Immigration Act
- Mine Health and Safety Council (MHSC) milestones
- Mine Health and Safety Act (MHSA)
- National Environmental Management Act (NEMA) and various other environmental regulations
- ICMM assurance framework, principles and position statements
- United Nations Global Compact (UNGC) principles
- GRI standards

Our sustainability approach considers the UNGC principles, ICMM principles and position statements and relevant legislation, the MHSC's milestones, as well as our SLP commitments. Sustainability considerations are incorporated into Lonmin's Life of Business Plan, which spans more than 40 years (excluding any future planned shafts), and details operational plans to mine and process the mineral resources. Lonmin complies with the ICMM's Sustainable Development Framework: Assurance Procedure, ICMM Sustainable Development principles, applicable position statements and the ICMM reporting requirements. The 15 Lonmin Sustainable Development Standards and Safety and Sustainable Development Policy align to the 10 ICMM Sustainable Development principles. Lonmin has various internal policies, procedures and frameworks that align to the mandatory requirements of the ICMM position statements. Lonmin acknowledges the ICMM's: A practical guide to consistent water reporting and took the first steps to align to it, but is still adjusting current systems to fully report against this guide.

Our approach cascades throughout the Company and is implemented through line management as appropriate. The Executive Committee (Exco) monitors Lonmin's policies and practices, with an Executive Vice-President assigned to each key area. The Safety, Health and Environmental (SHE) and the Social, Ethics and Transformation (SET) Committees of the Board oversee and advise the Board on SHE and SET matters help set aspirational targets and implement a culture in which these goals are promoted and enforced. The Chief Executive Officer is ultimately accountable for sustainability performance across all areas.

Further details of our Governance for Sustainable Development can be found on page 14.

## Sustainable Development Goals (SDGs)

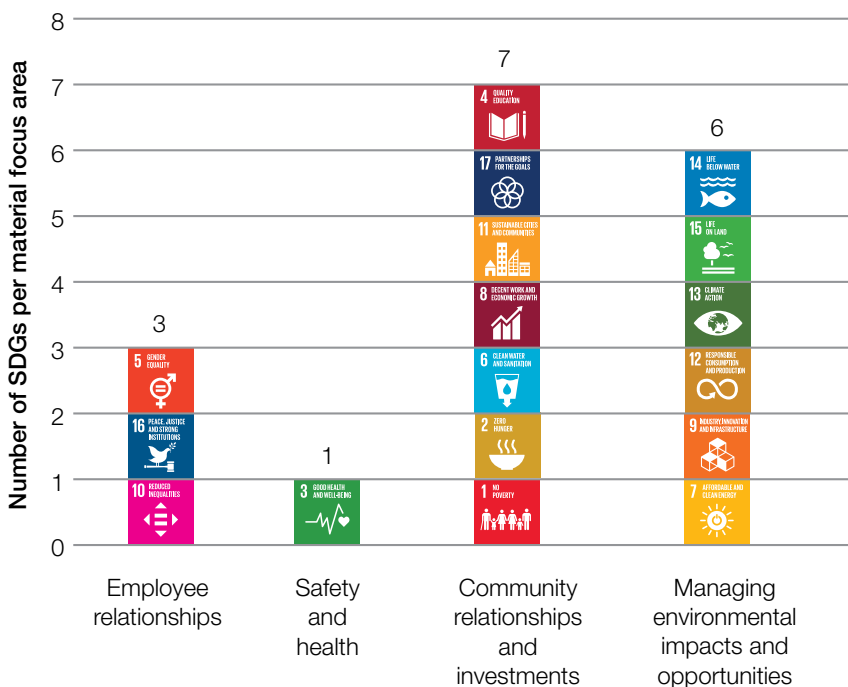
The SDGs define global sustainable development priorities and aspirations for 2030, and seek to mobilise global efforts around a common set of goals and targets. The SDGs call for world-wide action among governments, business and civil society to end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet.<sup>1</sup>

Taking the nature of Lonmin's activities into account, we gained an understanding of the SDGs in relation to

Lonmin's operating context and the synergies between Lonmin's current programmes and the SDGs through the following process:

1. Understanding the country-specific context by taking cognisance and assimilating the South African National Development Plan (NDP) to the SDGs
2. Understanding the local governmental context: Linking agreed SLP commitments to the SDGs
3. Understanding the industry context: Linking the mining value chain to the SDGs using guidance from the ICMM
4. Conducting a survey identifying Lonmin programmes that can contribute to the SDGs
5. Categorising identified programmes according to their relevance to Lonmin
6. Applying the National Business Initiative maturity matrix to determine affected SDGs and the relevant programmes in relation to the perceived maturity of contribution
7. Linking the SDGs to material focus areas, principal risks, and peer benchmarking

SDG linkage to Lonmin's material focus areas



Most relevant to Lonmin<sup>2</sup>



**Material focus area: Constructive engagement pervasive across all SDGs.**

By understanding how we can contribute to the SDGs, they will serve as a reference to update and refine Lonmin's sustainability approach.

<sup>1</sup> Source: SDG Compass Guide Executive Summary.

<sup>2</sup> As per survey completed by Lonmin employees that work in the sustainability departments.

# Our Sustainability Approach (continued)

## Regulations

The mining and beneficiation industries are highly regulated. To retain our legal and social licences to operate, we need to interact closely with regulators in our sustainability approach and operating activities.

### Mining and prospecting rights

- **What:** Our mining rights constitute our primary legal licence to operate
- **How:** The DMR issues mining rights in terms of the MPRDA, and Lonmin retain its rights by complying with the MPRDA requirements
- **Status:** Lonmin's new order mining rights for core operations are valid to 2037 and renewable to 2067

### The Mining Charter

- **What:** The Mining Charter drives transformation and socio-economic development in the mining industry through regulations
- **How:** There are set targets and programmes across nine areas that aim to promote meaningful economic partnership with Historically Disadvantaged South Africans (HDSAs) in the mining industry. Mining companies report their progress against the Mining Charter annually to the DMR
- **Status:** The Mining Charter was revised in 2010 and set targets to 2014 (Mining Charter II). The Mining Charter III was published in the Government Gazette in September 2018. Areas of ambiguity remain in the

Charter and it is hoped that a guideline document to be published will provide further clarity on the Charter obligations.

### Social and Labour Plans

- **What:** Our commitment to developing and empowering our host communities remains one of the pillars of our transformation journey. The MPRDA requires mining companies to commit to SLPs as a prerequisite to acquire mining or prospecting rights. This is aimed at ensuring the effective transformation of the mining industry and empower communities.
- **How:** The projects contained in SLPs are identified and planned in collaboration with community stakeholders and local, regional and national Government. Mining companies submit their SLPs to the DMR for scrutiny and approval, as well as monitoring compliance.
- **Status:** We are concluding our current five-year SLPs, and will submit a close-out report to the DMR. Financial constraints prevented Lonmin from implementing all of its current SLP commitments for the 2014 to 2018 time period. We are implementing our outstanding undertakings with extensions granted up to 2020. However, we have formulated a remedial plan to address the backlog, which was reviewed and approved by the DMR. We submitted our new SLP commitments (2019 – 2023) to the DMR and approval is pending.

### Mining Charter III – focus areas

- Ownership (page 43)
- Inclusive procurement, supplier and enterprise development (pages 43 and 44)
- Human resources development (pages 24-26)
- Employment equity (pages 26 and 27)
- Mine community development (pages 39-44)
- Housing and living conditions (pages 27-29)

### SLP focus areas

- Human resources development programme (pages 24-26)
- Mine community economic development (pages 39-44)
- Processes of downscaling and retrenchment (pages 6 and 21)

## Materiality determination process

***A matter is material to Lonmin if it could substantially impact our ability to create value for all our stakeholders over the short, medium and long term.***

Lonmin's process for determining its material matters aligns with the approach to materiality recommended in the GRI Standards. The process also considers the guidance provided in the International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework.

### Key SLP features 2018:

- Increased intake of mining learnerships (page 25)
- On track to complete the infill apartment project (page 27)
- Completed and handover of a primary school in Marikana (page 40)
- Refurbishment of the Sonop old-age home commenced (page 42)
- Completed and upgraded three roads in the community (page 43)

Our material matters were determined and reaffirmed following a separate process that considers operational (value drivers and impacts) and contextual (risk and stakeholder analysis) variables. These were then reviewed against the GRI Standards and Lonmin's strategy. The Company has workshopped the process annually since 2014. We internally assessed the five material focus areas against our risks, stakeholder perspectives and the GRI standards, and they remain as 2017.



## Material focus areas overview

### Constructive engagement: Government, regulatory and other stakeholders

The future of every aspect of our business depends on our relationships. Quality relationships with external stakeholders and between management and employees are central to creating shared value and securing a sustainable, win-win and inclusive future for Lonmin and its stakeholders.

Pages 14 – 19

### Employee relationships

Executing our strategy in a labour-intensive mining industry, depends on good relations with our employees, contractors and unions<sup>1</sup>.

The industrial relations environment has stabilised from prior years which is attributed to continuous and improved dialogue between unions and company management. While the environment remained stable, the potential for volatility remains. These can hamper production and threaten the Company's sustainability if relationships are not managed.

Pages 20 – 29

### Safety and health

We are committed to Zero Harm and believe that Zero Harm is achievable and therefore apply a proactive approach to secure the safety and health of all employees and contractors at our operations.

Poor safety performance can result in serious injury or loss of life, and can negatively impact production and the Company's reputation. Health and wellness are critical to quality of life, employee morale, Lonmin's productivity, and our safety performance.

Pages 30 – 37

### Community relationships and investment

In Lonmin's view, investing in our surrounding communities is a social and a business imperative. The goodwill and wellbeing of our communities is important to us as it gives us our social licence to operate. Our approach is based on the belief that communities must see Lonmin as a net positive contributor to their livelihood. Strong and constructive relationships with the communities surrounding our operations help create a predictable and stable operating environment.

Pages 38 – 45

### Managing environmental impacts and opportunities

Mining and metals processing activities directly impact the environment and are resource-intensive. Lonmin is committed to minimising our environmental footprint and, where necessary, mitigate or remediate our impacts.

Pages 46 – 58

**56.2%**

HDSA (including white women)  
management representation

2017: 55.6%

**55 tonnes**

of production missed due to social unrest

2017: 143 tonnes

**4.00**

LTIFR

2017: 4.52

**4,744**

patients on anti-retroviral treatment

2017: 4,843

**R59 million**

SLP community spend at WPL and EPL

2017: R80.6 million

**R392.5 million**

received by Bapo Ba Mogale  
for services provided during 2018

2017: R325.3 million

**4.86 GJ/PGMoz**

energy consumed per ounce of refined PGMs  
produced

2017: 4.72 GJ/PGMoz

**6.23 m<sup>3</sup>/PGMoz**

water consumed per ounce of refined PGMs produced

2017: 5.76 m<sup>3</sup>/PGMoz

<sup>1</sup> The majority union is the Association of Mineworkers and Construction Union (AMCU).

## Material focus area

# Constructive Engagement: Government, Regulatory and other Stakeholders

### Key chapter takeaway

**Launch** of the Buang Le Rona grievance mechanism in April 2018

The future of every aspect of our business depends on our relationships. Strong relationships with external stakeholders, including business, government, organised labour, and community leaders, and between management and employees are important to shared value and a sustainable future for all stakeholders.

- Optimal **employee-union** relations significantly enhance operational execution and improve **employer-employee** relationships. A breakdown in relations could lead to mistrust and cause production stoppages
- A sound relationship with **surrounding communities** enhances organisational reputation. A poor relationship could disrupt operations and result in community unrest

## Accountability

The Executive Vice-President of Stakeholder Engagement and Regulatory Affairs co-ordinates stakeholder engagement and reports to the Chief Executive Officer.

## Approach

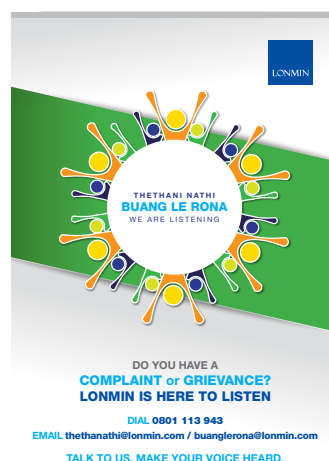
Lonmin's strategy is underpinned by continuously improving stakeholder relationships. In our Safety and Sustainable Development Policy, we commit to "maintaining transparent and ongoing consultative relationships with all stakeholders and incorporating this engagement into the decision-making process".

Lonmin's Stakeholder Engagement and Regulatory Affairs Department segments and prioritises stakeholder groups and individuals following a risk-based approach.

It formalises engagement policies and procedures for each stakeholder group.

Our Stakeholder Engagement Framework is rigorously applied to: building community collaboration and partnerships; create shared value and common purpose; and to mitigate the risks related to poor relationships and engagement.

We improve our understanding of stakeholder views by carrying out desktop reviews, analysing media coverage, online sources and internal conversations, and conducting consultation sessions.



We launched the Buang Le Rona grievance mechanism in April 2018. The grievance mechanism is for the public, mainly the communities surrounding Lonmin, to raise concerns. Stakeholders can engage directly via email or telephone with Lonmin.

Queries and suggestions are lodged centrally then assigned to relevant line managers to address.

The administrator feeds responses back to the source of the query or suggestion. Entries are logged within a system that assesses the severity of entries to be analysed, including the time it takes to respond to and close entries.

## Improving relationships with key stakeholders



Our employees can use our internal human resource processes to lodge a grievance or suggestion. A 24-hour ethics hotline is available to all employees, contractors and community members where they can anonymously report ethical breaches or raise any other concerns. The hotline is operated by an independent third-party, and the call logging process is designed to protect individual rights,

defend whistle-blower anonymity, and encourage appropriate professional behaviour, legitimacy and best practice.

Lonmin supports South Africa's broader development goals and collaborates with Government on its socio-economic development projects, as outlined on page 39.

The diagram below illustrates the stakeholder groups, most prominent methods of engagements and frequency.

### The frequency that we engage stakeholders varies from daily, monthly, quarterly to annually

- **Shareholders:** The Board engages through the Annual General Meeting (AGM), and interim roadshows with investors in the United Kingdom and South Africa
- **Media:** Our Communications Department engages with the media through media roundtables, media statements, interviews, panel discussions, results announcements, site visits and 'meet-and-greets'
- **Industry associations:** We attend monthly to quarterly meetings and have representation on governance structures
- **Civil society:** Lonmin participates in the ICM and has bi-annual meetings. Individuals and organisations independent from Government engage with the Company on an ad hoc basis
- **Customers:** The Marketing Department holds regular meetings, occasional site visits and customer audits and satisfaction surveys
- **Government and regulators:** Each area engages with either the Department of Mineral Resources (DMR) or the applicable department through meetings, joint inspections and assessments, and participates in forums as and when required. Our representatives engage with Government at levels relevant to the nature of engagement
- **Non-governmental organisations (NGOs):** We engage with NGOs involved in advocacy or who raise legitimate concerns related to impacts on the mining industry
- **Employees and contractors:** We hold from daily to weekly meetings and publish information in *Weekly Bulletin* newsletters. We have forums and Steering Committees, shaft *lekgotlas*, wellness days, industrial theatre, and formal contractor meetings as needed
- **Unions:** We engage through regular meetings with union structures and representatives, tripartite safety visits, and Future Forums, among others
- **Communities:** We meet with community representatives, have focus group and ward councillor meetings and have roadshows
- **Suppliers:** We interact daily with suppliers, hold formal tender meetings, and perform site inspections at suppliers

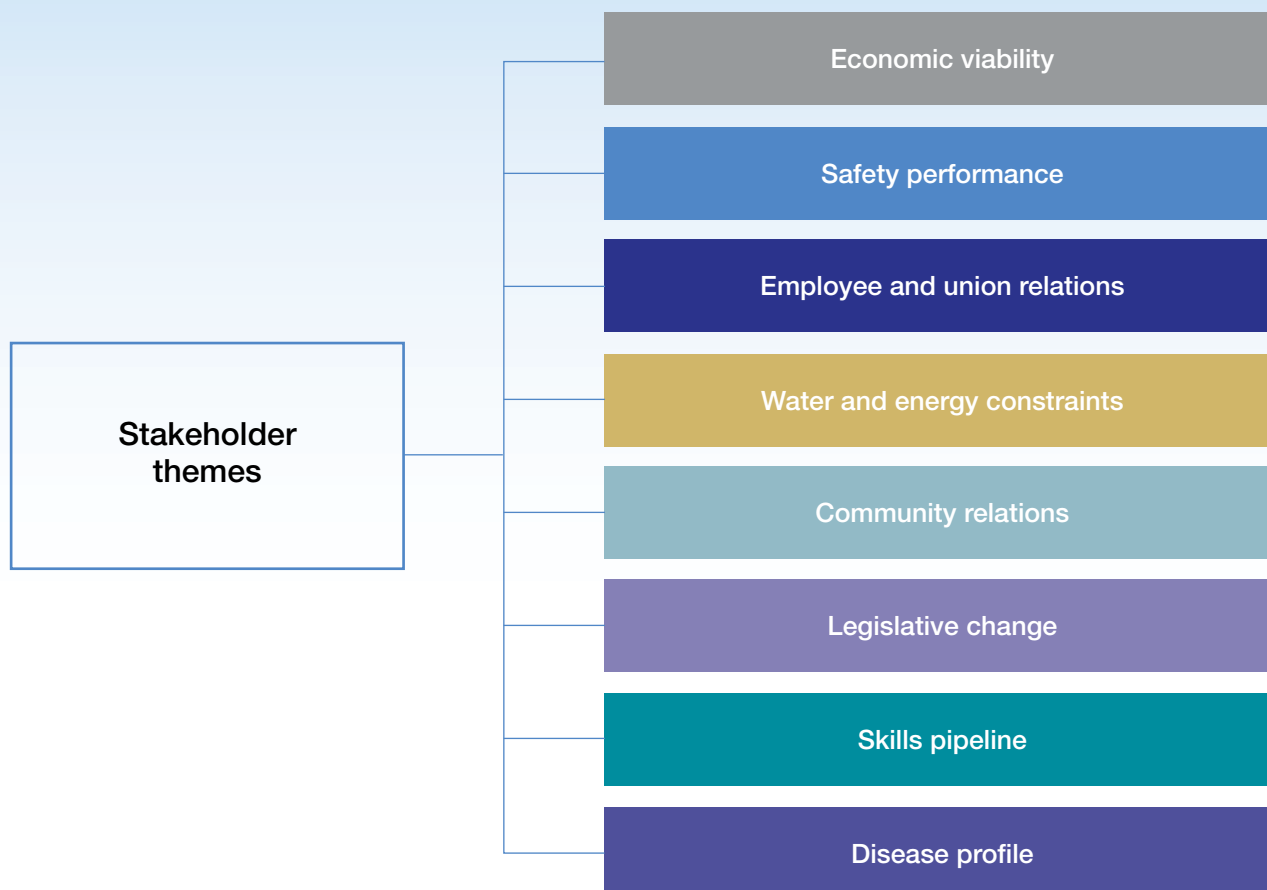


## Material focus area

# Constructive Engagement: Government, Regulatory and other Stakeholders (continued)

## Performance

Our stakeholders' key concerns relate to the following:



### Interested and impacted stakeholders

- All stakeholders
- All stakeholders
- All stakeholders
- Communities, suppliers, customers, media, industry associations, Government and regulators, NGOs, civil society and shareholders
- All stakeholders
- Employees, contractors, unions, Government, media and shareholders
- Employees and contractors, unions, communities and Government
- Employees and contractors, unions, Government and regulators, NGOs, civil society and communities

Lonmin's material focus areas include responses to each stakeholder theme. We explain our strategy and approach to each material focus area. We also provide detailed performance statistics.

Our responses to stakeholder concerns are further detailed in the material focus area chapters and in the Annual Report and Accounts 2018.



## Economic viability

Context of stakeholder concerns	Lonmin's response
<p>The South African mining industry operates in a testing environment, characterised by subdued platinum prices, and inflationary cost pressures.</p> <p>The Company reviewed the strategic options available to Lonmin. These included shaft closure, employee retrenchment, cost optimisation projects, selling non-core assets, and entering negotiations on the all-share offer from Sibanye-Stillwater (refer to page 8).</p> <p>The potential impact of failure of the acquisition of the Group by Sibanye-Stillwater represents a threat to the Groups viability, in spite of initiatives undertaken, including the refinancing arrangement, should the transaction not conclude by 28 February 2019, the feasibility of an asset sale to Sibanye-Stillwater, as contemplated in the 2.7 announcement, as well as any other alternative transaction will have to be assessed by the Board.</p> <p>The UK Competition and Markets Authority cleared the transaction, including formal recommendation of the transaction by the Competition Commission SA to the Competition Tribunal SA. On 21 November 2018 the Competition Tribunal SA approved the transaction against agreed conditions.</p>	<ul style="list-style-type: none"> <li>– Letter from the Chief Executive Officer page 5</li> </ul>

## Safety performance

Context of stakeholder concerns	Lonmin's response
<p>Mining is inherently dangerous. A poor safety performance can result in loss of life and serious injury to our employees. It can also negatively impact production, affect costs, cause reputational damage and result in unfavourable regulatory intervention.</p> <p>Safety incidents can cause loss of life and injuries to employees resulting in work stoppages and Section 54 stoppages that will impact the Company's ability to achieve production and financial targets.</p> <p>The DMR and Minerals Council of South Africa (MCSA) drive towards Zero Harm by inviting mining companies to participate in industry initiatives to improve safety.</p>	<ul style="list-style-type: none"> <li>– Safety incidents page 32</li> <li>– Safety stoppages page 34</li> <li>– Trauma and emergency care page 37</li> </ul>

## Employee and union relations

Context of stakeholder concerns	Lonmin's response
<p>Optimal relations can significantly enhance operational execution and improve employer-employee relationships, whilst a breakdown in relations could result in production stoppages as well as a breakdown of trust.</p> <p>Unions advocate for safe working and living conditions, and negotiate wages on employees' behalf. The Association of Mineworkers and Construction Union (AMCU) is the majority union at our operations.</p> <p>The industrial relations environment has stabilised from prior years which is attributed to continuous and improved dialogue between unions and the company management. Whilst the environment has remained stable, the potential for volatility remains, which could result in disruptions to operations and have a material adverse effect on the Company's financial position.</p>	<ul style="list-style-type: none"> <li>– Employee relationships page 20</li> <li>– Remuneration and benefits page 23</li> <li>– Safety page 30</li> </ul>

## Material focus area

# Constructive Engagement: Government, Regulatory and other Stakeholders (continued)

## Water and energy constraints

Context of stakeholder concerns	Lonmin's response
<p>Access to secure energy and water as well as the optimal use of the input resources are critical for mining and processing operations.</p> <p>The higher than inflation tariff increases in electricity and water are set to continue. Near term uncertainty is set to continue with continued pressure for above inflationary increases. Water availability has also been challenging, due to ageing infrastructure and increased water demand from local communities, mining and agricultural sectors in the area. Rustenburg Municipality has notified all mines that it intends taking over water distribution from Rand Water Board (RWB). Reduced dependency on RWB supply, to the Lonmin operations, is set to be an ongoing strategic drive.</p> <p>Supply constraints in respect of energy or water could impact our ability to operate effectively and meet our production targets. Furthermore, cost increases above inflation in respect of these utilities impact the Group's liquidity and ultimately margins.</p>	<ul style="list-style-type: none"> <li>– Mine community economic development page 43</li> <li>– Water management page 49</li> <li>– Energy management page 51</li> </ul>

## Community relations

Context of stakeholder concerns	Lonmin's response
<p>A sound relationship with surrounding communities will enhance relations and organisational reputation while a failure to do so could result in community unrest, potential disruption operations.</p> <p>Our communities are interested in local project opportunities, Social and Labour Plans (SLPs), social infrastructure, housing, environmental matters (such as dust), bursaries for the youth, and employment opportunities at Lonmin. Local traditional authorities include the Mphahlele, Ledwaba, Kekana and Bapo Ba Mogale Traditional Community (Bapo).</p> <p>There may be occasions where expectations by a host community cannot be met and may result in conflict, unrest and production stoppages. The relationship with host communities is particularly vulnerable due to expectation gaps between community leadership structures and the company. This results in informal and unstructured engagement between different splinter groups engaging the company on varying matters and at times results in unrealistic expectations by the communities.</p>	<ul style="list-style-type: none"> <li>– Skills development page 25</li> <li>– Community health page 41</li> <li>– Mine community economic development: <ul style="list-style-type: none"> <li>o BEE equity ownership page 43</li> <li>o Enterprise development page 44</li> <li>o Preferential procurement page 44</li> </ul> </li> </ul>

## Legislative change

Context of stakeholder concerns	Lonmin's response
<p>The Company is subject to the risks associated with conducting business in South Africa, including but not limited to, changes to the country's laws and regulations. A change in the ruling parties leadership and ultimately SA president during February 2018 has resulted in an announcement by the new DMR Minister of the potential withdrawal of the Mineral and Petroleum Resources Development Act (MPRDA) Amendment Bill. The initial release of Mining Charter III in July 2017 created much controversy and concern for the mining industry at large, however the initiation of the public engagement process and commentary and resultant promulgation of the revised charter in September 2018, has brought certainty and clarity to the industry. The Mining Charter III in its current form seeks to create a balance between improving transformation and ensuring the industry's viability during volatile times.</p> <p>Pending environmental regulations such as the carbon tax, will have direct and indirect financial impacts on the Company.</p> <p>Non-compliance with legislation carries financial penalties and reputational risks.</p>	<ul style="list-style-type: none"> <li>– Safety stoppages page 34</li> <li>– Mine community economic development page 43</li> <li>– Energy management page 51</li> </ul>

## Skills pipeline

Context of stakeholder concerns	Lonmin's response
<p>The loss of critical skills remains a challenge for the Company. The uncertainties related to the Company's financing and sustainability remains and these are amplified by the continued uncertainty in the mining sector at large. Under these conditions, the loss of key skills is a significant risk to the organisation.</p> <p>The loss of critical skills in key positions could play a significant role in our ability to deliver against production and financial targets. In order to retain our skilled labour, we continuously review our remuneration packages and the incentive and retention schemes. This allows our pay structures to remain in line with the packages offered by our peers. An inherent risk of attracting and retaining employees of the required calibre is that it can result in increased costs.</p>	<ul style="list-style-type: none"> <li>– Remuneration and benefits page 23</li> <li>– Skills development page 25</li> </ul>

## Disease profile

Context of stakeholder concerns	Lonmin's response
<p>HIV/Aids-related diseases remain the biggest cause of in-service deaths. Tuberculosis (TB) infection rates among employees and community members are high. However, the treatments for TB and HIV/Aids are effective, particularly with early treatment.</p> <p>Noise-induced hearing loss (NIHL) is an occupational risk to employees and contractors, as exposure to high noise levels continues for prolonged periods.</p> <p>Lonmin's role is to promote wellbeing. Health affects employees' quality of life, productivity and absenteeism. We subscribe to the initiatives rolled out by the DMR and Department of Health.</p>	<ul style="list-style-type: none"> <li>– NIHL page 36</li> <li>– HIV/Aids page 36</li> <li>– Tuberculosis page 37</li> </ul>

## Material focus area

## Employee Relationships

*Key chapter takeaways*

**Lonmin Facilitated Employee Home Ownership Programme (LFEHOP)** endorsed by key stakeholders

Financial literacy and counselling **saving employees R5.8 million from illegal garnishee orders** this year

Human resources are key to value creation in a labour-intensive mining environment. We recognise that the Company's sustainability is inextricably linked to the productivity, commitment and wellness of our labour force. Lonmin's human resources comprises the 23,142 as at 30 September 2018 permanent employees and 7,002 contractors.

**Accountability**

Our Human Resources Department implements our Human Resources Strategy, Lonmin Facilitated Employee Home Ownership Programme (LFEHOP) and Human Rights Policy. These influence our relationships with employees. The Executive Vice-President for Human Resources manages and implements the strategy and reports to the Chief Executive Officer.

**Approach**

Our environment is labour intensive and requires that we work with all our people to continuously motivate, inspire and enable a high performance culture that delivers superior and innovative outcomes as outlined in our strategic plans.

Operating in an environment as challenging as ours forces us to focus on attracting, developing and retaining motivated, committed and contributing employees. Where we find instances of low morale, we review and invest in prioritised initiatives to ensure that our people have the skills they need to perform optimally in an environment characterised by open communication and guidance to align performance to organisational objectives. We recognise and reward superior performance, and review our retention risks and apply the necessary tools to retain our talent.

Employee well-being is at the core of what we do and we invest in initiatives like Employee Assistance Programmes

to provide our employees and their families with support to be even more effective. Our focus on the provision of decent accommodation and living conditions for our employees continues in line with our values and strive to enhance the quality of life of our employees and their families.

The Remuneration Committee of the Board reviews and ratifies all remuneration and benefits matters. Collective bargaining agreements determine wages for employees in the bargaining units. We pay competitive wages, benchmarked against comparable peers.

Transformation is monitored and overseen at Board level by the Social, Ethics and Transformation (SET) Committee of the Board. The Executive Committee (Exco) receives monthly reports on Historically Disadvantaged South African (HDSA) representation in the Company.

We accept that our employees may choose to join unions that will represent their interests, and we work towards healthy and mutually beneficial relationships with these unions guided by agreements that we negotiate with them, as well as the prevailing legal framework of the country in which we operate.

We interact with unions at different levels within the Company and engage on an ongoing basis through various organised labour and management structures to share information on Lonmin's performance and its evolving operating environment. We also deal with relevant issues within the guidelines of our agreements with labour.

Lonmin conducted an in-depth review of its housing strategy in 2017. The Company established a joint forum, comprising management and AMCU, to oversee this revision. A Strategic Advisor and Implementation Agent, were appointed to co-ordinate and oversee the projects stemming from the review. Lonmin's financial wellbeing



# Investing in employee relationships and development



programme supports the LFEHOP. It enables employees to become transaction ready, and resolve credit-worthiness issue and affordability challenges. The detailed Implementation Plan, including a funding solution, will be integral to the Generation III Social and Labour Plans (SLPs), which will be implemented from 2019. Further information is available on page 12.

‘The Way We Work at Lonmin’ (TWWW@L) is an ongoing leader-led change process to develop and institutionalise a Lonmin culture of productive behaviour and a teamwork mentality. The initiative initiated in 2013 is based on five core concepts that aim to improve communication, entrench accountability, and empower resource teams to fulfil their obligations.

Lonmin introduced its revised disciplinary procedure in 2018. The procedure outlines the repercussions of failure to observe Company standards, including absenteeism and safety disciplines.



## Performance

### Employee profile and demographics

As at 30 September 2018 Lonmin had 23,142 (2017: 24,713) employees. Of our employees, 79.07% are HDSAs (2017: 79.22%), including 9.4% female employees (of total employees) (2017: 9.1%). Our headcount decreased following implementation of section 189A of the Labour Relations Act and section 52 of the MPRDA. In addition to this further measures were implemented such as the moratorium placed on non-core recruitment and continued focused on cost efficiencies.

Employees in management positions decreased from 435 at 30 September 2017 to 404 at 30 September 2018, a 7.1% decrease, due to voluntary retrenchments, natural attrition and limited forced retrenchments. Our contractor headcount is 7,002 (2017: 7,831), 9.2% (2017: 8.7%) of whom are women.

## Material focus area

# Employee Relationships (continued)

Employment category	Paterson band	Own employees as at			
		30 September 2017	30 September 2018		Total
			Male	Female	
Temporary employees	Temporary	127	87	36	123
Unskilled and defined decision-making	A-band	12,188	10,143	1,128	11,271
Semi-skilled and discretionary decision-making	B-band	8,743	7,917	313	8,230
Skilled technical and academically qualified junior management; supervisors; foremen and superintendents	C-band	3,220	2,523	591	3,114
Professionally qualified and experienced specialists and mid-management	D-band	309	199	87	286
Senior management	E-band	118	94	14	108
Top management	F-band	8	8	2	10
<b>Total</b>		<b>24,713</b>	<b>20,971</b>	<b>2,171</b>	<b>23,142</b>

Lonmin employs predominantly South Africans to support the local economy. South Africans make up 84% of our workforce. We host training programmes in our surrounding communities to develop a pipeline of skilled people to serve the industry as a whole. The Community Relationships and Investment chapter (pages 38 to 45) details community education and skills development.

## Employee<sup>1</sup> demographics by geographic origin

Origin	Percentage of total employees <sup>3</sup>		Number of employees at		
	30 September 2017 %	30 September 2018 %	30 September 2018		
			Male	Female	Total
Eastern Cape	34	33	7,546	320	7,866
North West	30	31	5,643	1,473	7,116
Limpopo	5	5	1,061	76	1,137
Free State	4	4	809	35	844
Gauteng	5	5	931	160	1,091
KwaZulu-Natal	3	3	657	30	687
Mpumalanga	2	2	332	27	359
Northern Cape	1	1	224	21	245
Western Cape	0	0	5	2	7
Foreign <sup>2</sup>	16	16	3,763	27	3,790
<b>Grand total</b>	<b>100</b>	<b>100</b>	<b>20,971</b>	<b>2,171</b>	<b>23,142</b>

<sup>1</sup> Contractors per origin are not reported or recorded.

<sup>2</sup> Most foreign employees come from Mozambique and Lesotho.

<sup>3</sup> Percentages are calculated using  $(\frac{\text{female} + \text{male}}{\text{total employees}})$ .

## Employee turnover

Lonmin's turnover rate increased from 4% in 2017 to 8.4% in 2018 due to labour reduction programme which resulted from planned shaft closures. The Company reduced 2,400 jobs this year, including contractors at 1B, Newman and Hossy shafts. The total reduction for contractors amounted to 829, East 2 shaft had the majority reduction of 685 contractors. The workforce reduction Section 189A voluntary retrenchment process concluded successfully without disruption.

### Employee turnover by reason

	As at 30 September 2017			As at 30 September 2018		
	Male	Female	Total	Male	Female	Total
New recruits	373	52	425	316	29	345
Resignations	(179)	(30)	(209)	(293)	(47)	(340)
Deaths (not work-related)	(190)	(6)	(196)	(141)	(4)	(145)
Deaths (work-related)	(3)	(0)	(3)	(1)	0	(1)
Dismissals	(390)	(20)	(410)	(250)	(15)	(265)
Retirements	(102)	(0)	(102)	(87)	(3)	(90)
Retrenchments – voluntary separation packages	(28)	(2)	(30)	(954)	(43)	(997)
Retrenchments	0	0	0	(6)	(1)	(7)
Medical repatriation	(55)	(3)	(58)	(70)	(2)	(72)
<b>Total exits</b>	<b>(947)</b>	<b>(61)</b>	<b>(1,008)</b>	<b>(1,802)</b>	<b>(115)</b>	<b>(1,917)</b>
<b>Net (loss)</b>	<b>(574)</b>	<b>(9)</b>	<b>(583)</b>	<b>(1,486)</b>	<b>(86)</b>	<b>(1,572)</b>

## Productivity and absenteeism

To be sustainable over the long term, Lonmin needs to improve labour productivity. This will help us meet production targets while reducing costs. Productivity improvement initiatives include:

- Introducing buffer crews: For example, stoping is more productive when blasting, clearing and backfilling have reduced time lags between processes. Buffer crews overlap with regular crews to implement the next step in the stoping process
- Addressing employee absenteeism: We made headway in reducing the number of 'absent without permission' cases. Production is impacted by sick leave cases (unplanned unavailability) and the overtime necessary for standard production yields. We seek to understand the root causes and how to support employees
- As previously reported we have a programme in place to empower frontline supervisors: This delivers a marginal impact in relation to the entire workforce that we continue to implement
- Implementing the Theory of Constraints Framework: This will optimise half levels at Generation 2 shafts

Absenteeism decreased to 12% (2017: 13%), which equates to 834,498 person days lost/shifts lost. Planned unavailability due to training or leave was 11%.

We monitor measures to address absenteeism:

- Linking attendance to bonus payments, and using buffer crews, both are being piloted at all our shafts
- Daily nutritional supplements to employees
- Interviews with employees who have high absenteeism rates

### Remuneration and benefits

Lonmin pays competitive wages and takes the absolute level of earnings for employees into consideration when determining wages. Employees have access to financial and non-financial benefits, exceeding those specified in the Basic Conditions of Employment Act. These include:

- On-site healthcare and medical aid from a basket of schemes
- Comprehensive life and disability insurance
- Funeral cover
- A defined contribution pension scheme
- Four months' paid maternity leave
- Free-of-charge transport to and from shafts, plants, housing areas and bus stops for employees from the communities surrounding our Marikana operations
- Financial literacy education and counselling
- An employee wellness service that provides free, confidential, professional counselling and therapy for emotional, physical or financial distress

## Material focus area

# Employee Relationships (continued)

Employees not on the production bonus schemes have an incentivised corporate balanced scorecard, which measures performance against a range of targets. The balanced scorecard is explained further on page 93 of the Annual Report and Accounts 2018.

As part of the current wage agreement, Lonmin and AMCU task teams were assigned to employee housing, job grading, medical aid benefits and the benefit fund. In September 2018, an independent facilitator joined the task team discussions.

Below is an example of the basic agreed guaranteed packages for category 4 to 9 employees. These figures exclude overtime and safe production bonuses, which typically make up 16% of employees' wages.

### Lowest-paid entry-level underground employee remuneration

Date	Basic salary R	Cash remuneration <sup>1</sup> R	Guaranteed package R
1 July 2018 (current)	11,713	15,328	17,588

### Employee Profit Share Scheme (EPSS)

The EPSS is in place for employees who do not participate in the Share Award Schemes. The EPSS is an opportunity for economic partnership that shares related responsibilities and involvement. It is an opportunity to align objectives and share in rewards of achieving common objectives. A provision of US\$2 million (R26.1 million) was made in 2018, as Lonmin made a profit. Before 2018, the Employee Profit Sharing Scheme had not paid any benefits to employees because Lonmin had not been in a profitable position since the inception of the scheme.

The Company introduced a staggered deferred cash plan for management employees in December 2016 to replace

the share-based compensation plan it withdrew in 2015. The plan spreads annual cash bonuses payments over three years to improve retention.

### Financial literacy and counselling

Lonmin's induction programme<sup>2</sup> includes a financial fitness module and an on-site office assists employees to manage their debt, and evaluates emolument attachment orders (garnishee orders).

An externally facilitated financial wellbeing programme addresses employee indebtedness. The external financial wellness service provider offers employees several other financial services, including:

- **Audits of emolument attachment orders (EAOs/ garnishee orders):** Before Lonmin implements the deductions, the provider conducts audits on each order issued against Lonmin employees. This prevents irregular or illegal EAOs from being deducted. Some examples of irregularities addressed include incorrect jurisdiction, excessive legal fees, and excessive interest charged. As at February 2018 this process has seized 505 irregular EAOs and managed balanced savings of R5.8 million for employees, and R12.2 million since inception in 2016.
- **Reviewing interest charged:** Since inception in 2016, interest rate reviews have helped reduce the outstanding balances on our employees' loans by R7.1 million. Interest on employee debt decreased from 28% to 6%, and the total debt instalments charged to employees reduced by over R640,000 a month. To date, the process has prevented 15 homes and 21 vehicles from being repossessed.
- **Assisting employees with tax consulting services:** The tax consulting services facilitate tax savings and refunds for employees. The service enables the detection of tax scams involving illegitimate tax practitioners.

### The Sixteen-Eight Memorial Trust

The Sixteen-Eight Memorial Trust was founded in memory of the employees who lost their lives at Marikana in 2012. The Trust funds education for the deceased's children. Education is directed at learning subjects that apply to formally recognised qualifications or certification.

To date, the Trust has disbursed R14 million to educating beneficiaries. Beneficiary-related decisions and engagements are managed through an Independent Board of Trustees.

Number of beneficiaries	Female	Male	Age 1 – 10	Age 11 – 20	Age 21+	Graduates
141	67	74	39	66	36	2



THE  
**SIXTEEN-EIGHT**  
MEMORIAL TRUST

<sup>1</sup> Cash remuneration is paid directly to the employee. The guaranteed package includes payments to funds on behalf of employees (e.g. provident fund).  
<sup>2</sup> Induction training is a prerequisite for all employees. Those working in core operations attend mandatory refresher training every 12 to 18 months.



## Skills development

Recent headcount reduction across the industry reduced the short-term risk of critical skills shortages in mining. Losing critical skills remains a risk for Lonmin. The focus on cost containment and cash preservation constrained spend on developmental training beyond legal requirements. Lonmin invested 2,076,294 training hours at our training facility in Marikana.

### Breakdown of average training hours per workforce category

Category	2017		2018	
	Male	Female	Male	Female
Contractors	32.22	20.95	<b>27.41</b>	<b>19.52</b>
Unskilled and defined decision-making	26.22	22.37	<b>29.31</b>	<b>22.86</b>
Semi-skilled and discretionary decision-making	21.94	12.02	<b>36.84</b>	<b>13.94</b>
Skilled technical and academically qualified, junior management, Supervisors, Foremen and Superintendents	14.45	12.73	<b>15.87</b>	<b>14.41</b>
Professionally qualified, experienced specialists, and mid-management	13.32	11.00	<b>13.53</b>	<b>15.70</b>
Senior management	8.28	7.50	<b>10.49</b>	<b>9.54</b>
Top management	21.00	0.00	<b>11.40</b>	<b>0.00</b>

Our training programmes are fit-for-purpose. By avoiding duplication, we optimise the amount of time spent by employees on training. Mining Charter III's more stringent specifications on human resources development (HRD) spend allocation have significant cost implications. We are monitoring developments in this regard, and have a healthy internal pipeline of more than 1,000 employees awaiting the next stage skills development over and above the community skills development we support.

In line with the focus on cost management, the programme to develop and upskill leadership planned for 2018 is on hold. However, we concluded a pilot project to upskill leadership employees with 200 attendees and successfully trained an additional 800 supervisory level employees.

We trained 19,933 employees and 8,283 contractors in 2018. Total investment in skills development increased to R178.3 million compared to R169.67 million in 2017. The HRD expenditure as a percentage of the annual payroll is 2.2% (2017: 2.3%). The moratoriums on development training spend impact the performance of core skills. Nonetheless, Lonmin remained committed to skills development by completing 3,424 assessments compared to 2,949 in 2017. We remain focused on competencies critical to mining and processing operations. Lonmin determines core skills requirements at operations by assessing the Life of Business Plan and comparing attrition rates in various skill sets.

### Learnerships

Lonmin offers learnerships in the mining, processing and engineering functions to address the scarcity of scarce technical skills in these fields, with a focus on rock engineering.

The Department of Mineral Resources (DMR) requires Rock Engineers and qualified surveyors to visit the underground operations often, hence the motivation for a rock engineering-specific internship. These programmes contribute to our strategy to create a buffer of skills, and support the SLP Human Resources Development commitments.

### Learnership distribution

	2017	2018
Mining	26	<b>104</b>
Processing	42	<b>36</b>
Engineering	21	<b>21</b>
<b>Total</b>	<b>89</b>	<b>161</b>

### Mentorship programme and Individual Development Plans

66 (2017: 104) formal mentorships, of which 33% are women, facilitate skills transfer and knowledge sharing.

Individual Development Plans (IDPs) help employees to establish and implement personal and career development goals. Formal IDPs are in place for 2,058 Category 4 to 9 and C-band employees, 15% of whom are women.

### Adult education and training (AET)

In the South African schooling system, a level 4 AET course is equivalent to a grade 9 qualification. 114 employees registered for AET courses during 2018 (2017: 128). We are exploring more cost-effective and sustainable ways to provide AET.

## Material focus area

# Employee Relationships (continued)

### Portable skills training

60 employees and 81 community members received portable skills training (2017: 68 employees and 165 community members). Portable skills include sewing, cooking, welding, farming and plumbing.

As part of the voluntary retrenchment process, employees choose between portable skills training and monetary retrenchment packages. We saw a notable preference in receiving the monetary reward.

### Bursaries and graduates

Lonmin identifies and develops promising candidates through its bursary and graduate programmes to secure a future pipeline of necessary skills. The programmes focus on students in mining or mining-related disciplines such as electrical, mechanical and industrial or chemical engineering, as well as metallurgy and mining technical services.

Comprehensive bursaries include a service-binding contract after graduation for a period matching the duration of the studies. HDSAs and members of surrounding communities receive preference. Bursars enter Lonmin's graduate-in-training programme after completing their studies.

Bursary distribution	2017	2018
Bursaries in place	44	40
Bursars from local communities	22	20
Female bursars	19	16
HDSA bursars	36	34
Bursars absorbed into Graduate-in-training programme	10	8

### Employment equity and diversity

Lonmin recognises transformation as a business imperative, and we are committed to cultivating a workforce that reflects the diversity in our country, and a working environment suitable for women.

### Transformation and empowerment

Despite the moratorium on appointments due to cost constraints, we are making good progress in improving HDSA representation in management. HDSAs in management increased to 56.2%<sup>1</sup> in 2018 (2017: 55.6%). This remains above the Broad-based Socio-economic Empowerment Charter for the South African Mining and Minerals Industry (the Mining Charter II) target of 40%. Targets relating to transformation are included in the Corporate Balanced Scorecard that is used to measure performance for the incentive scheme.

HDSAs in management (including white women)

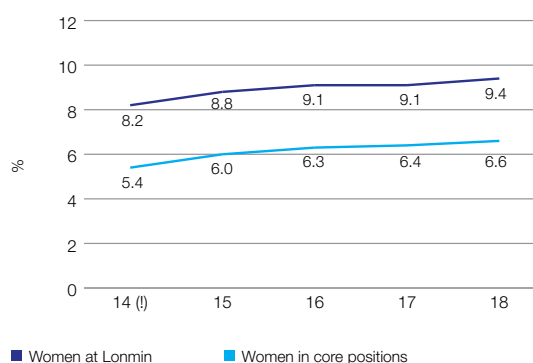


### Women in mining

Lonmin fosters a working environment that welcomes the contribution of women in a traditionally male-dominated industry. This is supported through our Human Resources Strategy and the Women in Mining Committee, established in 2017. An engagement session determined the main concerns, consolidated the women-in-mining structures, and agreed an overarching strategy and related projects for the next three years. AMCU is set to appoint representatives to the Committee in due course.

In 2018, women made up 9.4% of the full-time and fixed-term workforce, and 6.6% of core mining positions.

### Women employed



From 24 to 26 July 2018, the Communications Department hosted a series of workshops at all shafts. The workshops, jointly facilitated by the Human Resources, Health and Safety, and Communications Departments, create awareness around the Women in Mining Policy. Lonmin focused on maternity, sexual harassment, career advancement, personal protective equipment, and safe underground ablution facilities. The workshops were conducted following a study within the Platinum Belt by the Human Rights Commission to reduce the unacceptably high levels of sexual harassment in the mining industry.

<sup>1</sup> This figure excludes non-executive directors.

An employment equity survey was completed during the year to gain an understanding of factors viewed by our employees to impact on employment equity. The survey attracted more service department respondents than operational respondents which was not proportional to the service to operational employee numbers within Lonmin. The respondent's demographic profile did correlate to the South African demographics which are important when conducting an assessment on equity. We were encouraged by the open and passionate input from employees. From the responses two clear needs were identified:

- A need for regular and clear communication regarding employment equity matters
- A need for establishment of a forum as platform to facilitate discussion. We are considering to establish an Employment Equity Forum

### Accommodation and living conditions

Lonmin acknowledges that living conditions influence our employees' and their families' general wellbeing and ability to focus and perform at work. Employees deserve decent living standards and should be able to decide how and where they want to live. Their decision allows for considerations such as personal circumstances, affordable and market-related rates, and integration into the broader society during their employment at Lonmin.

Lonmin committed R500 million towards employee housing and living conditions for 2014 to 2018 and has spent in excess of R520 million. Of the R520 million allocated for 2014 to 2018, Lonmin has spent R84.8 million on completing the hostel conversion programme. Over and above this commitment, Lonmin spends R475 million per year in living-out allowances to category 4 to 9 employees, and incurs an operating cost for its rental stock of R57 million per year, after subsidisation. The average rental rate per housing unit in 2018 was R385 per month. Single units represent 56% and family units 44% of all stock.

The Lonmin Exco and Board has proposed a commitment of R420 million towards the Generation III SLP, (2019 to 2023) despite Lonmin's financial difficulty. This will bring the total investment for our current (2014 – 2018) and new SLPs (2019 – 2023) to approximately R1 billion. The Generation III SLP have been submitted to the DMR and we are in discussion with them.

### Lonmin Facilitated Employee Home Owners Programme (LFEHOP)

The LFEHOP aims to address the accommodation requirements of employees. Another aim is to integrate plans for schools, clinics, transport hubs and other municipal infrastructure. Collaborative partnerships with Government are central to the strategy. The LFEHOP is structured to provide:

- Access to ownership at place of work via a range of options to acquire suitable accommodation, as well as options providing support to enable employees to transact effectively
- Access to rental accommodation at place of work for those employees who cannot yet afford or choose not to be home owners
- Access to ownership at place of origin by providing transactional support

### Infill apartment project

Lonmin developed 1,240 modern infill apartments. The project includes paving and landscaping to transform open spaces into employee housing villages.

We have developed the areas between converted hostel blocks into apartment blocks.

The infill programme has been completed and Lonmin have a portfolio of 5,453 units to rent to employees mainly in Marikana and Mooi-nooi.

Development phase	Number of units	Allotted units	Status
Phase 1 and 2	493	493	Complete: Apartments were allocated to category 4 to 9 employees who met registration criteria. Allocation was determined through the joint forum and provided on a first-come, first-served basis.  Rental rates were agreed with unions and based on comprehensive benchmarking.
Phase 3	300	300	Complete
Phase 4	447	0	We have completed these units, with only minor activities to still take place such as landscaping. Occupancy is anticipated for February 2019.

## Material focus area

# Employee Relationships (continued)

### Marikana Housing Development Company project

Lonmin has 1,149 two-bedroom homes managed by the Marikana Housing Development Company, a section 21 non-profit company. These 45 m<sup>2</sup> homes have been available for employees for purchase or on a rent-to-buy scheme since 2005. These homes are valued at approximately R80,000 each, including land, and are sold for R62,426 each. We are improving marketing and education programmes to encourage employees to purchase these houses. Affordability, indebtedness, and access to mortgage funding create challenges. In 2018, 402 people (2017: 374) have taken ownership of these houses.

### Collaboration projects

#### Infrastructure development

Lonmin wishes to create home ownership opportunities for its employees in an integrated way with the community. Similarly, government wishes to revitalise mining communities through its National Department of Housing's (DoH) Revitalisation of Distressed Mining Towns Communities Programme.

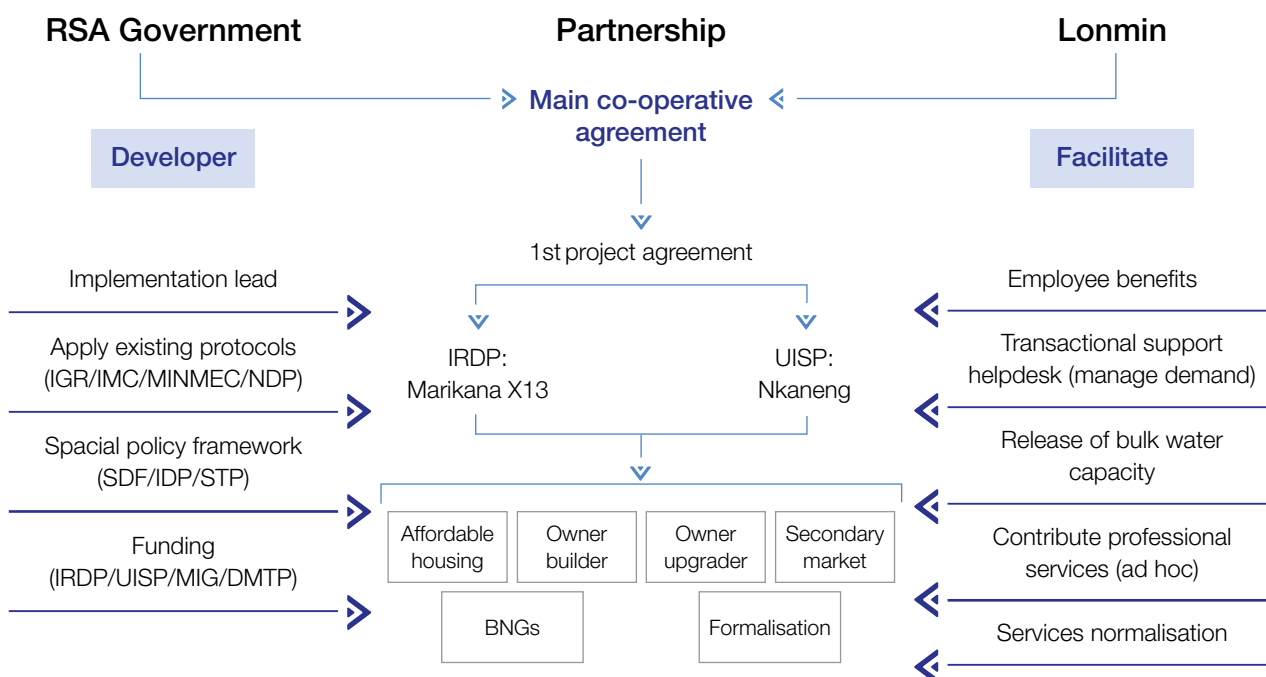
The Special Presidential Package (SPP) aims to revitalise mining towns in a sustainable manner. The National Department of Human Settlements through the Housing Development Agency (HDA) is in the process of finalising its Mining Town Spatial Transformation Plan (STP) as an

intervention instrument. The Inter-Ministerial Committee (IMC) made up of the Presidency, National Department of Human Settlements (DHS), Department of Planning Monitoring and Evaluation (DPME) and the Department of Mineral Resources (DMR) has been tasked to implement the programme through the HDA.

A delivery partnership opportunity presents itself whereby Lonmin can support the DoH's implementation of the defined human settlement initiatives and national government's mining town transformation initiative.

The purpose of the delivery partnership is to enable Lonmin and the HDA to jointly implement defined housing initiatives in the Marikana and surrounding areas in full alignment with the local municipalities and the province, this will improve current housing circumstances and increase available accommodation opportunities for employees and the wider community.

Lonmin has developed its LFEHOP to integrate with Government's STP so as to provide an integrated human settlement delivery. Lonmin provided support to refine the STP by compiling a Spatial Master Plan as a proposed blueprint for public-private partnership and all other future interventions regardless of whether the project takes the form of an Integrated Residential Development Project (IRDP) or an Upgrading of Informal Settlements Project (UISP). A schematic of the partnership scheme is shown below:



Government/Lonmin Delivery Partnership – Institutional Arrangements



Acronym key for schematic partnership scheme on page 28

IGR: Inter-Governmental Relations

IMC: Inter-Ministerial Committee

MINMEC: Ministers and Members of Executive Council

NDP: National Development Plan

SDF: Spatial Development Framework

IDP: Integrated Development Plan

STP: Spatial Transformation Plan

IRDP: Integrated Residential Development Programme

UISP: Upgrade of Informal Settlements Programme

MIG: Municipal Infrastructure Grant

DMTP: Distressed Mining Town Programme

BNGs: Breaking New Grounds

### Local procurement

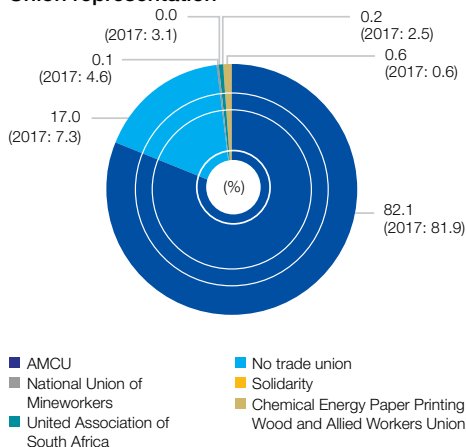
The infill apartment project contracts 100% black-owned companies from the surrounding community. To improve the success of local contractors who apply for, tender and execute these projects, Lonmin compiled a new contractor information pack and made it available through the Black Umbrella incubator in Mooiwooi. Read more on page 44.

### Union relations

Our employees have rights to collective bargaining, and freedom of association and representation. At year-end, 19,206 employees (83%) were members of various organised trade unions.

AMCU represents 82.1% of full-time employees at year-end, making it the majority union. AMCU has collective bargaining rights; unrestricted access to the workplace; and rights to deductions, full-time shop stewards and office facilities on the Company's premises, in terms of the Labour Relations Act. AMCU appointed new leadership during 2018, which involved a change in individuals who were previously presented on combined engagements structures.

Union representation



## Material focus area

# Safety and Health

### *Key chapter takeaways*

**One fatality (2017: 5)**

**Section 54 stoppages reduction by 43%**

**Noise Induced Hearing Loss increase of 53%**

**OHSAS<sup>1</sup> 18001 Occupational Health and Safety management systems standard certification awarded to Generation 2 shafts**

Lonmin is committed to Zero Harm to employees and contractors. We view safety as a proxy for good performance and critical for our reputation as an employer. Safety incidents are a key risk, as they can seriously or fatally injure employees or contractors. This can increase costs, damage Lonmin's reputation and cause interventions, such as work stoppages and Section 54 stoppages, which impact the Company's ability to achieve production and financial targets. We aim to ensure the necessary legislative controls and procedures are in place to ensure the safety and health of our workforce.

Health and wellbeing are critical to improving quality of life, morale, productivity, and safety performance. The prevalence of tuberculosis (TB) and HIV/Aids, among our employees is the biggest cause of in-service deaths. Prolonged exposure to high levels of noise is also a significant occupational health risk in the mining industry, as it may lead to noise-induced hearing loss (NIHL).

Lonmin's primary health facilities serve more than 15,000 employees, contractors, and community members every month. We understand that the overall health and wellness of an employee depends on a range of factors, many of which arise outside the workplace. Considering this, our safety awareness and healthcare initiatives include programmes that extend to our host communities.

## Accountability

The responsibility to ensure a safe and healthy working environment lies with every person working at Lonmin.

The safety and wellbeing of our employees is governed through Lonmin's Safety, Health and Environment (SHE) Strategy, supplemented by a range of internal policies and external frameworks. The Head of SHE and Sustainability

presents SHE matters at the highest operational level, and the Chief Executive Officer is ultimately accountable for the safety, health and wellbeing of all employees and contractors when they are on-site.

Line Managers are responsible for the safety of their teams. Safety performance is analysed daily and circulated to the Mine Managers Forum, the Operational Steering Committee of the Board and Exco. Performance is reported to the Board monthly and quarterly to the SHE Committee of the Board. Lonmin's Health Department implements our occupational health and wellness priorities.

Lonmin has a formal agreement covering safety and health with the Association of Mineworkers and Construction Union (AMCU). The agreement defines how full-time and part-time safety representatives are elected, trained and appointed. We employ 29 full-time safety and health representatives and 1,600 part-time health and safety representatives throughout our operations. On-site Lonmin and AMCU safety representatives collaborate on safety audits and investigations at each mining operation. Employees can bring safety and health concerns to this structure. AMCU representatives play an important role in communicating safety and health information back to employees.

## Safety

### Approach

High standards of safety are integral to operational excellence. Our Safety Strategy is based on preventing fatalities and injuries, and promoting a safe, high-performance operational culture. We entrench safety

<sup>1</sup> Occupational Health and Safety Assessment Series



## Promoting safety and health for employees and contractors



principles and highlight safety matters at all operations. This guarantees that every employee has an exceptional understanding of, and respect for, the importance of workplace safety. Further to this, Lonmin's incentive schemes reward good safety performance. The Company also trains all employees and contractors on safety and health practices upon induction and return from their annual leave.

The Safety Department manages the safety aspects of community projects and contractor management. We assess contractor SHE practices during tender adjudication, project execution, and on finalisation of contracts. Our safety and mining targets require communities and contractors to understand safety and health.

Lonmin's Safety Life Rules are non-negotiable rules including the risk areas causing the majority of fatal or serious accidents. These rules form the core of safety management and internal safety stoppages are imposed if they are violated.

Forward energy models determine high-risk areas, and our operations direct their safety focus accordingly. Fall-of-ground, scraping and rigging, truck and tramming, and machine-related incidents remain major contributors to serious accidents. Other safety risks in processing operations include molten materials handling, explosives, and integrity risks around tailings dams, and sulphur dioxide (SO<sub>2</sub>) emissions at our smelter.

The Chief Safety Officers and union representatives regularly collaborate to perform cross-site audits that: (i) verify the levels of compliance to Lonmin's Fatal Risk Control Protocols and Safety Life Rules and (ii) help identify

and manage potential risks and hazards.

The audits also identify 'hot spots' and high-risk areas. Contractors' workplaces are also inspected according to the same standards.

The contractor safety management team provides safety, health, environment and quality (SHEQ) specifications and documents on how to adhere to our standards. The Chief Safety Officer for contractors works closely with the Company's Procurement Department to make contractors aware of these requirements. Contractors in high-risk areas are allocated a single point of contact to drive proactive SHEQ measures. We perform regular safety audits on contractors working on-site, as well as safety blitzes to focus on safety issues at operations.

Management teams' Visible Felt Leadership (VFL) emphasises Company-wide safety. As part of VFL, senior management holds weekly safety meetings, regularly inspects sites, and visits operational areas to encourage good safety practices. VFL promotes the 'coach to correction' approach as opposed to punitive measures. Underground demarcated green coaching areas support the corrective behaviour approach. Members of senior management can remove an employee from a potentially unsafe situation to a green area and coach them on safe behaviour.

We have shifted our focus from reducing lost-time injuries (LTIs) to reducing all types of injuries. To this end, we introduced an electronic environment, health, and safety management system that records and analyses near-miss reporting in our mining operations. Although analyses of these reports only recently began, there is a direct correlation between near-miss incident root causes and LTIs.

## Material focus area

# Safety and Health (continued)

We apply the international OHSAS 18001 Occupational Health and Safety Management Systems standard at all Generation 2 shafts to help our mining operations to manage, control and improve our safety and health risks.

Lonmin is a member of local and international organisations where it learns best safety practices and participates in the collective drive for safer mining. We subscribe to and measure safety and health performance against the Mine Health and Safety Council (MHSC) milestones. We are a member of the Minerals Council of South Africa (MCSA) and through the International Council on Mining and Metals (ICMM), pay attention to critical control management, preventing fatalities and learning from peers.

The 2017 ICMM's annual safety data report<sup>1</sup> showed a clear decline in the LTI frequency rate (LTIFR) and total injury frequency rate (TIFR) in the mining industry world-wide among ICMM members. African ICMM members remain responsible for 55% of fatalities in the mining industry. As an African business, we aim to learn from mining operations elsewhere and implement global industry best practice.

## Performance

### Safety incidents

We had one fatal accident at our K3 shaft on 30 September 2018, as a result from a fall-of-ground. We regret the incident and extend our condolences to the family of Mr Tembeleni Manyana and lament their loss. We will continue to focus on the implementation of our Safety Strategy to eliminate fatalities, and further investigate this incident.

We continuously improve our safety initiatives to meet our goal of Zero Harm. Our Generation 2 shafts are all on millionaire status (1 million shifts worked without a fatality), except for K3 shaft. Several processing plants have been LTI-free for one year or more.

This year, total injuries decreased from 882 to 781, and LTIs decreased from 373 to 308. In 2017 we set a target to reduce our LTIs by 22.5% in 2018. We did not achieve this target, as our LTIs reduced by 17%. Reported contractor injuries, as part of total injuries, decreased notably.

The 308<sup>2</sup> LTIs resulted in 20,155 days lost, with most of these attributable to fall-of-ground, scraping and rigging, and underground track-bound mobile machinery. 25.1% of all injuries were hand and finger-related, mostly among Rock Drill Operators, general workers, and Winch Drivers. These incidents reduced significantly (by 27%) after a celebrity-hosted campaign regarding hand safety. The LTIFR<sup>3</sup> decreased by 11.5% from 2017 to 4.00 per million man hours worked. We believe the reduction in total injuries and LTIs is due to our increased focus on proactive safety management, safety culture and consequence management.

The severity of injuries rate decreased by 9% to 261.68 (2017: 286.61) which represents the total days lost to LTIs per million man hours worked. First aid cases decreased to 103 (2017: 151) and medical treatment cases decreased to 473 (2017: 509). We celebrate having had 88 white flag (no-injury) days in 2018 (2017: 78).

Key stakeholders, including the Lonmin Chief Executive Officer, the Department of Mineral Resources (DMR) and AMCU leadership, jointly held monthly tripartite safety meetings to emphasise improving safety performance.



MCSA launched the National Day of Safety and Health in Mining 2018 campaign on 17 August. Lonmin, as one of the 66 members of MCSA, participated by hosting safety and health days at our operations.

<sup>1</sup> ICMM Benchmarking 2017 safety data: progress of ICMM members. [www.icmm.com/safetydata-2017](http://www.icmm.com/safetydata-2017).

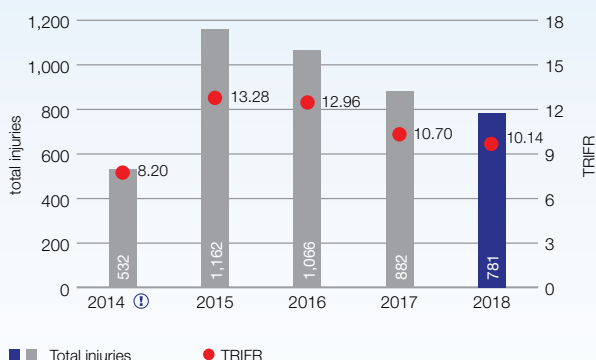
<sup>2</sup> Of the LTIs, 16 injured were women. Women made up 4% of the total LTIFR.

<sup>3</sup> LTIFR: (LTIs (308) x 1,000,000 hours) / 77,021,374.06 man hours. The LTIFR for women is 0.21.



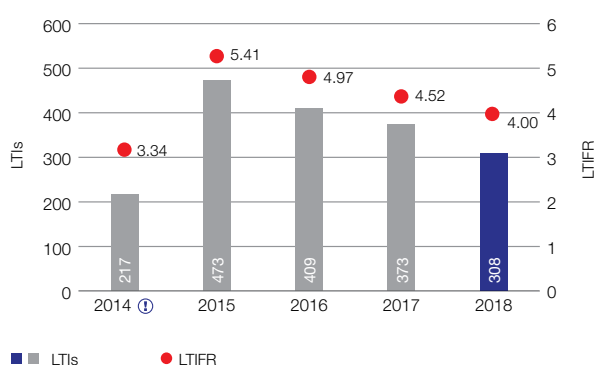
The Company also launched a 'Score a goal for safety' soccer campaign across all operations. Employees are selected for outstanding safety performance, and stand a chance to win prizes.

**Total<sup>5</sup> recordable injury frequency rate (TRIFR)**

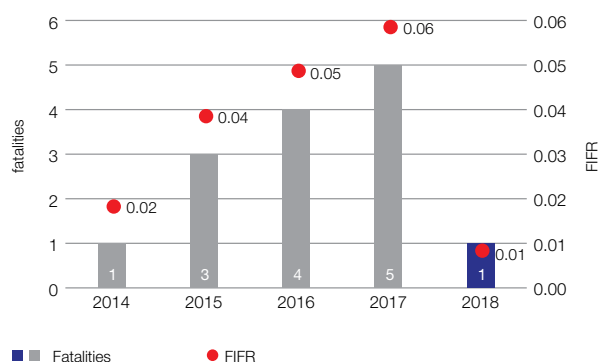


The ICMM reported a TRIFR of 3.92<sup>6</sup> in 2017. Lonmin was the fifth largest contributor to TRIFRs in the surveyed group. Despite having recorded a decrease in 2018 results, we further aim to close the gap between ourselves and the international industry average. South Africa is the largest contributor to fatalities in the mining industry. The industry root cause analysis indicates fall-off-ground in underground mines or machinery and transportation as the main causes of fatalities.

**Five-year performance: LTIFR**



**Five-year performance: fatalities and fatal injury frequency rate (FIFR)**



## Safety achievements

Noteworthy safety awards and milestones during 2018 include:

- Achieved **15 months'** fatality-free; 10 million shifts without a fatality
- Saffy Shaft – **6 million** fatality-free shifts
- K3 Shaft – **3 million** fatality-free shifts
- Rowland Shaft – **3 million** fatality-free shifts
- 4B Shaft – **1 million** fatality-free shifts
- E3 Shaft – **1 million** fatality-free shifts
- Assay Laboratory – **12 years** LTI-free
- Precious metal refinery (PMR) – **2 years** LTI-free
- EPL concentrator – **1 year** LTI-free
- Ore transport – **1 year** LTI-free
- Rowland concentrator – **1 year** LTI-free
- K3 concentrator – **1 year** LTI-free

Lonmin won four of seven categories at the 2018 MineSafe conference<sup>4</sup>:

- **Most improved** mining company
- The JT Ryan Award – Lonmin (underground) **K3 Shaft Upper Group 2** (UG2) section
- Year-on-year safety improvement award third place – **Saffy Shaft** upper section and Shaft Sinkers at K3 Shaft
- Best-in-class safety award – **PMR** fourth place and third place **Assay Laboratory**

<sup>4</sup> Lonmin attended the MineSafe conference, jointly organised by The Southern African Institute of Mining and Metallurgy; Association of Mine Managers South Africa; SA Colliery Managers' Association; and Metalforming Machinery Makers' Association. Industry stakeholders shared ideas on achieving Zero Harm in the South African mining industry at the conference.

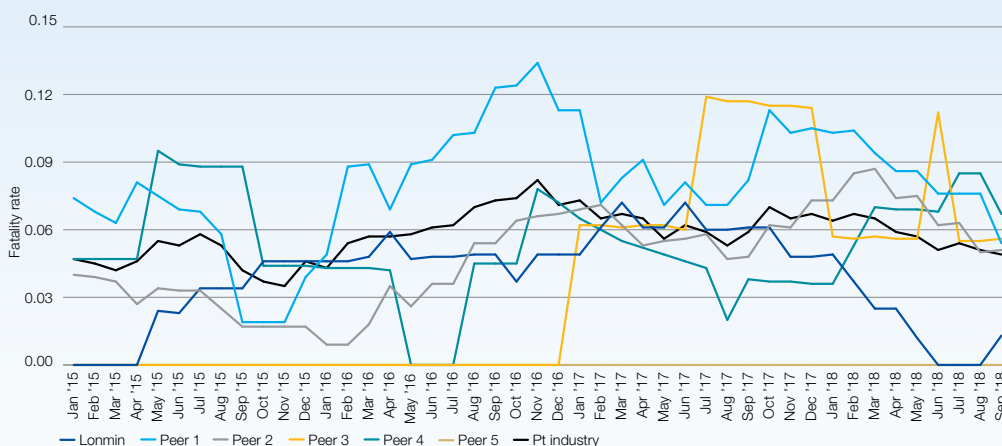
<sup>5</sup> These statistics reflect all fatalities, LTIs and medical treatment cases per the ICMM safety definitions.

<sup>6</sup> [www.icmm.com/safetydata-2017](http://www.icmm.com/safetydata-2017).

## Material focus area

# Safety and Health (continued)

Comparison of platinum industry – fatality rate<sup>1</sup> 12 months rolling

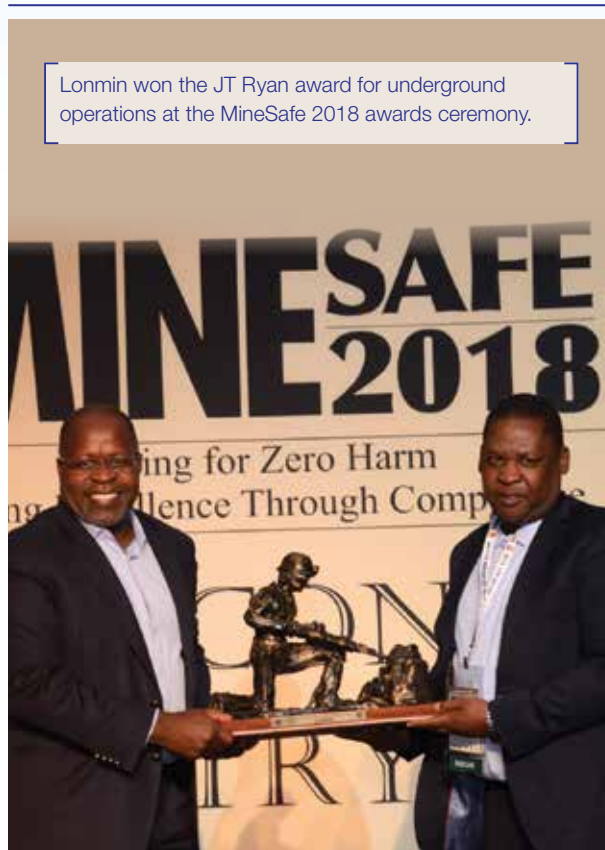


## Safety stoppages

Section 54 stoppages<sup>2</sup> are becoming fewer, are of shorter duration, and thus have a lower impact on production. Our operations had 24 Section 54 stoppages (2017: 42), a loss of 11.75 production days (2017: 86) and 19,826 tonnes of production (2017: 276,437 tonnes). We believe this reflects our safety performance, and our engagement efforts to improve our understanding of, and working relationship with, the DMR inspectorate, employees and unions.

The DMR inspector can issue a Section 55 notice, which allows for corrective action. By allowing corrective action rather than stopping operations, the rhythm of the mine continues uninterrupted. This correlates directly with reduced injuries and time-effective turnarounds. If no corrective action is visible, the DMR can issue a Section 54 stoppage. Lonmin received 37 Section 55 notices. Employees receive Section 23<sup>3</sup> booklets and are informed of their right to withdraw from dangerous workplaces.

Lonmin won the JT Ryan award for underground operations at the MineSafe 2018 awards ceremony.



<sup>1</sup> Source: Bushveld Safety Forum.

<sup>2</sup> Where a DMR inspector believes that any practice or condition at a mine endangers the safety or health of any person at the mine, they are authorised to impose a Section 54 stoppage under the Mine Health and Safety Act (MHSA).

<sup>3</sup> Section 23 of the MHSA gives employees the right to withdraw from any situation or area that they deem unsafe.

## Health and wellbeing

### Approach

Lonmin's Health Strategy is designed to improve our employees' and their families' health and quality of life. Health and wellbeing are inherently linked to absenteeism, productivity and performance. Our healthcare services are implemented by our Health Department and cover occupational health and hygiene; primary healthcare; and emergency care. These are provided to Lonmin employees and contractors at the two clinics and a hospital at our Marikana operations, and a clinic at the PMR and Limpopo operations.

#### Occupational health and hygiene

*The identification and control of health and hygiene risks and hazards in the working environment.* This programme is based on risk assessments. It supports regulatory compliance and improves working conditions. It reduces the risk of hazardous exposures by monitoring employees' exposure to harmful substances or environments.

We perform medical surveillance (health assessments), and monitor all occupational diseases listed in terms of applicable legislation, including NIHL, occupational asthma, dermatitis, platinum salt sensitivity and silicosis. Where possible we treat employees, provide physiotherapy and occupational therapy, and assess functional capacity.

We work with the International Platinum Group Metals Association to better manage platinum salt sensitivity and collaborate with the Mine Industry Occupational Safety and Health on noise pollution and airborne pollutant control initiatives.

#### Primary healthcare

*Primary healthcare refers to accessible essential healthcare.* Lonmin provides health services 24/7, 365 days a year from the hospital and clinics in Marikana. This includes managing chronic diseases in our workforce, including non-communicable diseases and, most materially, TB and HIV/Aids.

Lonmin's diagnosis, classification and treatment regimens for HIV/Aids and TB align with the South African Department of Health (DoH) and the DMR programme management guidelines. Medical treatment of HIV/Aids is supported by a wellness programme, which addresses the social and emotional effects of the disease through peer educators, awareness campaigns, and HIV/Aids counselling and testing (HCT). The TB Policy outlines the responsibilities of employers and employees, treatment, fitness to work, and training employees.

Proactive health and wellbeing is promoted through our wellness programme initiatives, including health days, talk topics, access to a dietician, and an employee assistance programme.

#### Emergency care

*The stabilisation and transportation to hospital of people with serious injuries and illnesses.* Emergency care is offered 24/7 through the Emergency and Disaster Management Department and includes on-site ambulances.

- All catastrophic emergency risks are included in the Lonmin Code of Practice on Emergency Preparedness and Response. The code includes community emergency management planning and support and aims to mitigate the effects of a catastrophic emergency on the local community
- All our operations undergo emergency preparedness training. Bi-annual emergency drills test the effectiveness and readiness of emergency plans
- We conduct a comprehensive emergency preparedness audit annually to test our training interventions and compliance to current emergency procedures
- Relationships and service level agreements with local and Governmental authorities provide backup assistance in the event of major incidents and accidents

Contractors undergo medical fitness assessments at the on-site contractor hub and receive induction, which includes training on Lonmin's SHE procedures. On-site contractors can access our healthcare facilities. Where necessary, contractors are referred to appropriate health services for further medical care. The due diligence process when registering contractor vendors encourages them to offer medical aid to their employees.

## Material focus area

# Safety and Health (continued)

### Performance

We spent R265 million on health programmes (2017: R250 million). The total investment increased due to inflationary costs and an increased uptake of healthcare programmes.



In excess of 15,000 patients are treated monthly at our health facilities (19,500 visits)



The number of women and children treated at our facilities increased 19% year-on-year



2.3% (524) of our employees are categorised as living with disabilities (2017: 1.6%)



No new cases of occupational asthma, dermatitis or platinum salt sensitivity were diagnosed during the year



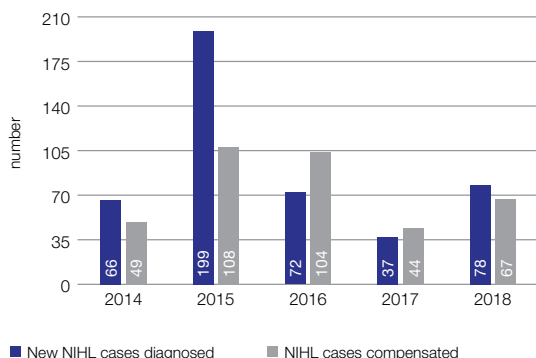
3,914 (2017: 3,974) patients were listed on chronic disease registers other than anti-retroviral treatment (ART)

### Noise-induced hearing loss

Lonmin implements its multi-disciplinary approach to NIHL through administrative controls, awareness training, engineering controls and hearing protection devices. The Hearing Conservation Committee continues to review and investigate opportunities to reduce noise exposure and prevent NIHL. Lonmin revised the audiometric testing procedure to include the measurement of standard threshold shifts in accordance with the MHSC milestone for noise.

We did not achieve our 2018 target reduction rate of 6%, as 78 new cases of NIHL were diagnosed (2017: 37). This upward trend followed an increase in the average age in our patient profile. Our target reduction rate will remain at 6%. We investigate all NIHL cases showing greater than 5% loss of hearing shift, and cases compensated are shown in the graph below:

**Five-year performance: NIHL diagnosis and compensation for employees**



At the time of the change of legislation in 2003, we recorded baseline hearing tests. An investigation revealed that several baselines were incorrectly tested, and hearing shifts were calculated from an incorrect reference point. This constitutes 78% of NIHL cases reported (2017: 33%), and similar cases will be reported as they are identified.

### HIV/Aids

HIV/Aids-related diseases remain the biggest cause of in-service deaths (55) at Lonmin, although this was 44% less than 2017. The prevalence of HIV/Aids is estimated at 25% in the country. In 2018 Lonmin tested 22,747 employees and contractors for HIV/Aids, of whom 10% tested positive (2017: 8%).

ART is available to any patient who requires medical intervention and who is committed to taking the medication. Patients are treated, given consultations, and monitored.

Following encouragement to seek early treatment, the number of patients participating in the ART programme increased by 3.4% (from a restated baseline to exclude employees who took voluntary severance packages: 4,590) in 2018 to 4,744, as early treatment is encouraged. At present the annual medical cost to the Company is estimated to be R7,829 per person.



Despite the earlier initiation of ART, improvements in the treatment success rate, prophylactic treatment to prevent related infections such as TB, and the ongoing focus on health education and counselling – some employees remain reluctant to start treatment or default on treatment.

Patients who default on chronic medication, including ART, experience preventable health deterioration and decreased quality of life. We achieved the 2018 target of less than 3% of patients defaulting from ART. If patients do not collect

their medication, they are flagged when clocking in, and prevented from starting work until they have visited the clinic. Patients start ART through the HIV/Aids wellness programme as soon as possible, regardless of their CD4 count.

To assist with HCT and awareness campaigns, we have 206 active workplace peer educators, against the 2018 target of 200. We held three events to raise awareness around HIV/Aids and access to HCT.

	2014	2015	2016	2017	2018
Diagnosed and treated TB cases	436	462	411	330	227
HIV/Aids-related deaths	97	119	72	98	55
HCT conducted	17,964	16,301	18,372	23,820	22,747
Patients on ART	3,666	4,167	4,483	4,843	4,744

### Tuberculosis

We diagnosed and treated 227 new cases of TB, including six cases of multi-drug-resistant TB, while no cases of extreme drug-resistant TB were recorded. 75% of new TB cases were among HIV-positive employees. Our cure and treatment completion rate was 89.4% (2017: 87.6%), which exceeded our 2018 target of 87%.

To improve completion rates, medical facilities continuously communicate with patients to remind them of treatment collection and early diagnosis. As with ART, TB patients who do not collect treatment are prevented from clocking in at work until treatment is collected. Clinics proactively contact patients if they do not come to the clinic to take their treatment for three days in the intensive phase of treatment.

Health workers and community volunteers implement contact tracing for every TB patient at the workplace and in communities, (refer to page 42), and verify that patients are taking treatment. TB patients who leave the Company are referred to TEBA Limited<sup>1</sup> to complete their treatment course, and Lonmin is kept informed of the outcome. Medically repatriated employees are referred to TEBA for home-based care. TEBA supports and regularly visits about 78 former employees.

### Trauma and emergency care

Road accidents (non-work related) resulted in eight (2017: eight) fatalities, four (2017: six) of whom worked at Lonmin. The Emergency and Disaster Management Department responded to 319 roadside accidents, 161 of which took place near the mine property.

Lonmin also has proto-teams<sup>2</sup> and surface rescue teams who volunteer for emergency services. Proto-teams responded to six proto-incidents this year, of which four were off-mine incidents. Together, proto-teams and surface rescue teams responded to 19 calls on and off mine property.

4,471 people received first aid training (2017: 4,874), of whom 99 were from surrounding communities. 797 people received basic firefighting training (2017: 1,004), including employees and contractors.

<sup>1</sup> TEBA Limited is a labour recruitment and management service provider that offers additional services to the mining industry on human resources, social and financial issues during and after employment.

<sup>2</sup> Proto-team refers to a team of workers trained to perform underground rescues. Proto teams are trained to fight fires, perform underground rescues, and perform car extrications.

## Material focus area

# Community Relationships and Investment

### *Key chapter takeaways*

**Three roads upgraded** in communities at a cost of **R21 million**

More **direct and open interactions** with host communities

**Two school infrastructure projects completed**

Our commitment to corporate citizenship defines our duty to the wellbeing and development of the communities that support our operations.

We strive to maintain a sound relationship and open lines of communication with our communities to avoid unrealistic or unmet expectations, and any resulting conflict, unrest or disrupted operations. We aim to create a more predictable and stable operating environment where we can reach our long-term strategic goals.

### **Accountability**

The Executive Vice-President of Stakeholder Engagement and Regulatory Affairs co-ordinates Lonmin's community development commitments and community engagements

and reports to the Chief Executive Officer. The Social, Ethics and Transformation (SET) Committee of the Board monitors progress against transformation, stakeholder relations and community development goals.

### **Approach**

Lonmin aims to address some of the critical socio-economic challenges facing the surrounding communities and labour-sending areas. Our strategic approach to identifying and meeting the needs of these communities aligns with our corporate citizenship agenda, community investment programme and legislative requirements.

Lonmin's community focus areas include education, health, and mine community economic development.

#### **Education**

Education changes lives and we invest in its value chain – from early childhood development (ECD), school infrastructure and sport development, to supporting students at tertiary level. We conduct baseline assessments before commencing projects, specifically in the case of school infrastructure projects and ECD centres, to accurately measure the impact of these projects.

#### **Health**

Our strategy is to invest in health infrastructure projects to provide quality healthcare services to the communities of Marikana, Lebowakgomo (Limpopo) and in the Eastern Cape, in partnership with the Department of Health, local government and other stakeholders.

#### **Mine community economic development**

We aim to upskill communities to take full advantage of economic opportunities. We train members of local communities, to develop a pipeline of possible future skilled employees and increase opportunities for local procurement. These transferable skills can be used for future community development projects.

Economic development includes procurement adjudication to preferentially weighted suppliers with good broad-based black economic empowerment (B-BBEE) credentials, female representation and, where possible, companies from the surrounding communities. Certain procurement areas are ring-fenced for local community and black economic empowerment (BEE) suppliers only.

## Maintaining our social licence to operate and investing in the community



We select projects and investments that are in line with local municipal Integrated Development Plans (IDPs<sup>1</sup>). Municipalities determine these IDPs with relevant Government departments, who in turn, aligned their focus areas to South Africa's National Development Plan (NDP) priorities.

We monitor progress on these projects, against the mine community economic development Social and Labour Plan (SLP) targets determined at the start of the projects. We report findings to the SET Committee of the Board, and annually to the Department of Mineral Resources (DMR).

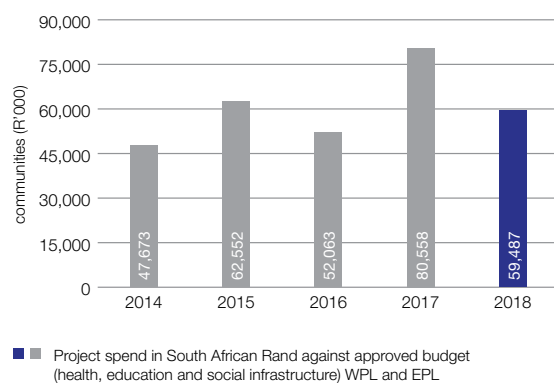
To manage community relations and engagement, Stakeholder Engagement Officers interact with representatives from local communities through formalised structures. Community members and other stakeholders can raise complaints with the Company through these channels and through the Buang Le Rona grievance mechanism (page 14). Thus far, most grievances relate to unemployment and procurement opportunities as reported on page 44.

Socio-economic development initiatives depend on co-operation with local Government. This makes them viable, sustainable, and aligned with the NDP, regional IDPs and other Government-driven community initiatives.

### Performance

We invested R59.49 million (2017: R80.56 million) in community projects that form part of Western Platinum Limited (WPL) and Eastern Platinum Limited (EPL) SLPs. These projects are managed by the project management office.

#### Rand value spent on community SLP projects



<sup>1</sup> IDPs map out short, medium and long-term plans for communities, including spatial planning, economic development and infrastructure development.



## Material focus area

## Community Relationships and Investment (continued)

A breakdown of community financial investment is provided below. This expenditure includes investment over and above the SLP community projects.

Financial investment in communities <sup>1</sup>	2017 Rm	2018 Rm
Community education programme (in schools)	20.3	5.0
Skills development (mining skills, portable skills training, technical skills, community study assistance and learnerships for communities)	10.1	14.3
Sports, arts and culture	1.0	3.0
Community health programmes (including school nutrition programme spend)	17.7	7.2
Basic community services	35.0	29.9
Supplier development	5.5	5.1
Other corporate social investment-related spend (career guidance, community transport and sanitation – refurbishing of ablution facilities – and CSI projects in Limpopo)	13.2	38.9
<b>Total</b>	<b>102.8</b>	<b>103.4</b>

## Community education

Lonmin has several programmes to help learners in surrounding communities improve their education and pass rates. Our skills development programmes aim to equip school leavers with the skills to find work in the mining industry or to become entrepreneurs.

Since 2007, Lonmin has supported the infrastructure needs of 28 schools in surrounding communities, including additional classrooms, mobile classrooms, electricity upgrades, sporting facilities, and ablution facilities. Since 2010, Lonmin has provided 82 classrooms to local schools, with upgraded ablution facilities. Progress during 2018 includes:

- Finished constructing and handed over the new primary school in Marikana for 680 learners

- Handed over the Sethwethwa School in Limpopo project to the Limpopo Department of Education on 20 April 2018. We invested R3 million in upgrading the school and building new classrooms, as part of the Limpopo SLP
- Other infrastructure projects include the electrical upgrades at the education centre and student homes in Mooinooi, and upgrades to the ablution facilities at St Teresa School in Bapong
- Site establishment commenced for a new school (Leokeng school) building in Bapong
- Groundwork on the Segwaelane and Marikana sports field projects commenced



<sup>1</sup> This includes programmes over and above SLP projects for WPL and EPL, and excludes overhead costs and donations.



## Programmes

Programme	Details of programme	2018 update
Supplementary curriculum (Ithuteng)	The Ithuteng Saturday school programme is aimed at high-potential students in grades 9 to 12. It offers tutoring students in mathematics, English and science.	147 learners participated in the programme (2017: 105)
Examination preparedness and support (EPS) programme	The EPS programme gives extra classes to learners in grades 11 and 12 in all subjects in a bid to improve grade 12 pass rates.	389 learners participated in the programme (2017: 396)
General preparedness programme	The general preparedness programme is a one-year residential programme that supports students applying to tertiary institutions, or for engineering learnerships to transition to tertiary education.	49 students were identified from eight high schools in Marikana; and six high schools in Limpopo were supported by the programme (2017: 50)
Mining-related skills programme	Young adults with a minimum of Adult Education and Training (AET) level 4 are trained in Competent B skills and are provided with four months of 'on-the-face' training with underground production crews.	64 cadets completed the training (2017: 114)
Community portable skills	Community members obtain a portable skill (such as bricklaying, crop farming or cosmetology).	81 community members received portable skills training (2017: 165)
Community AET	Community members are given the opportunity to increase their numeracy and literacy to AET level 4.	164 community members received AET training (2017: 76)

Our support extends to 81 high-potential students studying non-mining or mining-related fields who are unable to access bursary opportunities. A number of these students obtain financial assistance once they are registered students. Lonmin provided differential aptitude tests to 240 top-performing grade 9 learners from 12 high schools in the Eastern Cape. More information on our bursaries and graduates can be found on page 26.

While Lonmin and certain of our contractors absorb some graduates, we were unable to employ all graduates due to financial constraints, the orderly closure of shafts, and retrenchment.

***Around 2,500 learners use Company-sponsored buses to commute to and from school, including trips to community church groups, choirs, and sporting events. The Company contributes approximately R14 million per year to community transport.***

### Educator and parent support

Lonmin supports school educators with in-class and off-site workshops, as there is a direct correlation between educator skills and learner outcomes. During 2018, 46 (2017: 40) educators attended these workshops in surrounding communities and in Lebogakgomo, Limpopo. Nine educators received study assistance to advance their qualifications.

Many children cannot access formal education, and are cared for in informal day-care facilities. Lonmin supports 65 (2017: 62) ECD facilities by providing 180 (2017: 177) ECD educators with basic skills to provide 2,710 (2017: 2,777) children with the foundations required to begin their formal schooling. During the year 10 (2017: 15) new educators attended ECD level 5 accredited training.

Lonmin holds parent open days to create an understanding of the programme's Lonmin offers. This ensures that learners are given the proper motivation and support by their families.

### Sport, arts and culture development

Lonmin sponsors an annual school sports tournament for 30 schools in the communities around Marikana, in which approximately 163 sports teams participate. The Company supports various other sports tournaments and provides ad hoc assistance to individuals and teams who qualify for district, provincial and national competitions.

### Community health

Lonmin's community health projects focus on creating awareness around health issues and, where possible, additional infrastructure development. The Company spent R7.2 million on community health initiatives during 2018 (2017: R17.7 million).

## Material focus area

# Community Relationships and Investment (continued)

### Health infrastructure projects

Lonmin invests in health infrastructure projects that make basic healthcare more accessible to surrounding communities. Municipal approval and re-zoning processes are complex and affect our planned timelines of projects. 2018 health infrastructure projects includes:

- Commitment to constructing a forensic mortuary, pending conclusion of tender processes
- Planned extension to the Majakaneng clinic is awaiting municipal approval
- The Department of Health approved the Marikana Health Centre's extension to a community health centre
- Refurbishment of the Sonop old age home to benefit 206 elderly community members started in July 2018. The project will refurbish wards, laundry areas, improve the counsellor's office, and acquire new wheelchairs
- We have an SLP commitment to support a multi-purpose health centre. Lonmin identified the Grace Health Centre in Mooi-nooi as a candidate to finance

new accommodation to house vulnerable women and children. The facilities are under construction. The Reteng non-profit organisation is under construction in Segwaelane. It will cater to elderly and disabled people who are engaged in income-generating initiatives

Lonmin provided emergency medical services training to 147 Department of Health employees on basic and advanced life support.

### Community wellness

#### *Tuberculosis and HIV/Aids*

Our HIV/Aids wellness programme in the Marikana community aligns with the recommendations of the Department of Health by focusing on home HIV/Aids counselling and testing (HCT) and Tuberculosis (TB) contact tracing. This initiative is crucial in minimising the high incidence of HIV/Aids and TB in mines and communities.

### Community wellness

#### North West

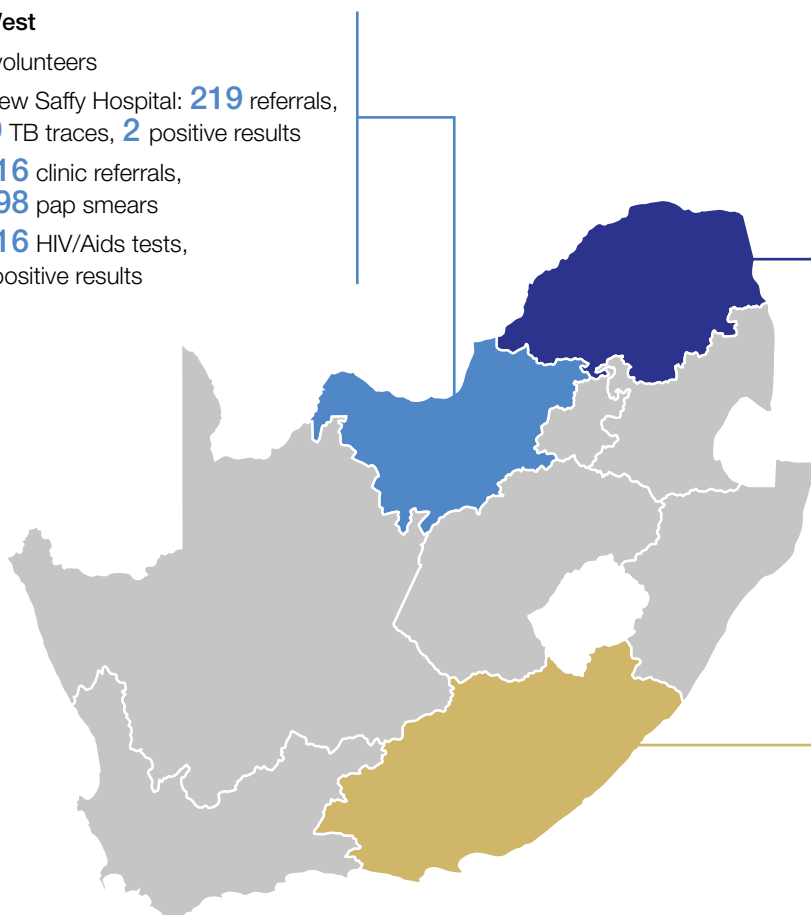
- **22** volunteers
- Andrew Saffy Hospital: **219** referrals, **169** TB traces, **2** positive results
- **8,316** clinic referrals, **2,898** pap smears
- **5,716** HIV/Aids tests, 9% positive results

#### Limpopo

- **15** volunteers
- **3,481** peer educator sessions
- **9,644** community members reached
- **197,879** male condoms dispensed
- **6,707** female condoms dispensed

#### Eastern Cape

- **21** volunteers
- **231** patients received care
- **59** orphaned children received care
- **27** TB patients on directly observed treatments



### General health promotion

Lonmin runs various health promotion initiatives in the Marikana community to raise awareness among learners and out-of-school youth about issues such as sexual health, HIV/Aids, TB, substance abuse and teenage pregnancy. Programmes include support for school peer educators to raise awareness about these issues and encourage young people to access health facilities, where necessary. Lonmin dispenses sanitary towels at the community's schools to improve attendance.

Teenage pregnancy remains a national challenge. According to the South Africa Demographic and Health Survey of 2016, as presented in the Key Indicators Report<sup>1</sup>, the percentage of teenagers aged 15 – 19 bearing children was 16%, showing little change since 1998. The percentage of women bearing children at age 15 is 4% then increasing rapidly to 28% at age 19. Lonmin believes that intervention in the communities is essential to addressing this challenge.

Health promotion initiatives at community primary schools focus on child protection, including issues such as child neglect/abuse, personal hygiene, human trafficking, and bullying.

### Nutrition and food gardens

We recognise nutrition's role in physical and mental development, and support the Department of Basic Education's national school nutrition programme. Lonmin established five food centres in Marikana and two in Limpopo that feed 613 orphaned and vulnerable children. We train community members on how to cultivate food in their home gardens. Lonmin hosts an annual competition that encourages participating schools and households to establish the best and most productive gardens.

## Mine community economic development

### Bulk water infrastructure

Lonmin distributes 8.7 Ml of bulk water per day to formal and informal households in areas of Wonderkop. Lonmin's Rand Water supply provided 3,172,262 m<sup>3</sup> of potable water during 2018.

Lonmin works closely with the local water authority, the Madibeng Local Municipality and the Department of Water and Sanitation to identify sustainable water solutions for host communities, including exploring alternative methods to source and store bulk water.

The German Development Corporation supports Madibeng local municipality. Lonmin's water infrastructure development initiatives will need to align to the German Development Corporation Bulk Water Master Plan once complete.

### Road infrastructure

Lonmin completed the upgrade of three roads in the Bapo communities (Newtown 1.2 km, Oustad 890 m and Leokeng 740 m) – an investment of R21 million.

### Waste removal

The waste and refuse management project started in 2012 to serve 37,000 households in local communities through a tri-sector partnership between Government, Lonmin and local communities. The project assures a cleaner environment, creates local jobs, and supports enterprise development. We continue engagements with various parties to find viable options to continue the project.

### Public safety and security

Lonmin installed two new high mast lights at Marikana as well as a light in Modderspruit and Bapong respectively. We also repaired vandalised lights in Wonderkop.

### Enterprise development and procurement

Lonmin's commitment to transformation is embedded in our business processes. The Broad-based Socio-economic Empowerment Charter for the South African Mining and Minerals Industry (the Mining Charter) promotes transformation in the mining industry by placing certain target requirements on companies.

### BEE equity ownership

Lonmin concluded three BEE transactions with local communities in November 2014. Through these transactions Lonmin met the '26% BEE ownership by 31 December 2014' target as required by the Mining Charter II. These transactions help develop and improve communities, and align their interests with those of employees and shareholders.

### Bapo procurement

In terms of the 2014 BEE transaction, Lonmin was to incur R200 million in procurement spend with Bapo entities. We exceeded this amount by R1.45 billion. Governance within the Bapo entities that manage these contracts remains a work in progress.

### Community trusts

Lonmin established two separate community trusts in 2014. Each trust holds 0.9% of the ordinary shares in Lonplats<sup>2</sup>, and is entitled to dividend payments which have been mandated for upliftment projects in the respective communities. Since inception, the trust has disbursed a total of R30 million to each trust.

<sup>1</sup> <https://www.statssa.gov.za/publications/Report%2003-00-09/Report%2003-00-092016.pdf>.

<sup>2</sup> EPL and WPL (together referred to as "Lonplats").

## Material focus area

# Community Relationships and Investment (continued)

### Enterprise development

Enterprise development initiatives provide financial and non-financial support to small businesses to foster entrepreneurship, employment, and economic growth in local communities, and so they improve our preferential procurement pool.

A small business incubation centre in Mooinooi, established in partnership with the Black Umbrellas, facilitates these programmes. The centre creates opportunities for local community members who want to transact with the Company.

The Black Umbrellas promote entrepreneurship and support 100% black-owned businesses during their first three years of existence. The programme provides training, mentorship, business plan development and access to practical resources, including office space at the Lonmin community office and IT resources. Lonmin's Procurement Department communicates the Company's procurement needs, and the Black Umbrellas develop a database of robust, accredited vendors.

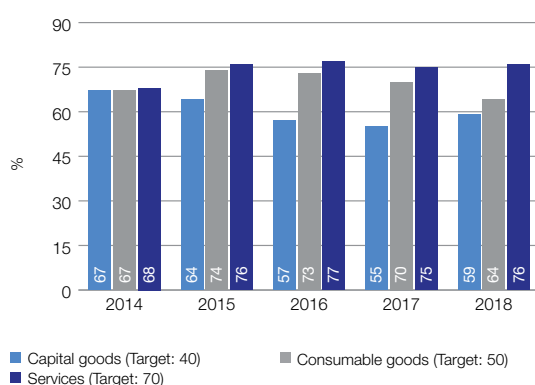
The key statistics from the inception of the Mooinooi incubator include:

- Businesses in full incubation: 84 (11 incubated in 2018)
- Permanent jobs created: 858 (52 created in 2018)

### Preferential procurement

The Mining Charter II sets targets of procuring 70% of services, 50% of consumable goods and 40% of capital goods from Historically Disadvantaged South African (HDSA) owned suppliers. Lonmin recognises the importance of actively involving citizens who were previously excluded from the mainstream economy and we have exceeded these procurement targets and seek to comply with the Mining Charter III's more stringent requirements. Lonmin is aligning all procurement activities to comply with the targets over the next five years.

#### Preferential procurement performance



Discretionary<sup>1</sup> procurement totalled R8.03 billion in 2018 (2017: R7.87 million) across 1,738 suppliers. 18% of procurement is non-discretionary.

Lonmin reviews its top-200 suppliers every month to assess BEE compliance and areas for improvement. The supplier adjudication process requires sign-off on B-BBEE credentials by cross-functional teams. Our vendor portal consists of more than 60,000 local vendors, including the small enterprises being incubated through the Black Umbrellas. We are reviewing our Preferential Procurement Policy to align it to the requirements of the Mining Charter III, and to renew our focus on local supplier development.

Our Procurement Department collaborates with the Enterprise Development Department to develop local suppliers, particularly talented black youth and women-owned suppliers/manufacturers.

### Procurement with locally based suppliers

Locally based suppliers	2017	2018
Total value spent on local procurement	R3.56 billion*	<b>R3.64 billion*</b>
Amount spent with suppliers based within surrounding communities	R1.01 billion*	<b>R1.2 billion*</b>
Number of new suppliers registered as vendors from surrounding communities	13	<b>12</b>

### Total spend with new vendors\*

Vendors	2017	2018
Black-owned	R94.94 million	<b>R163.36 million</b>
Non-BEE	R57.75 million	<b>R51.45 million</b>
Other	R2.1 million	<b>R14.46 million</b>
	<b>R154.79 million</b>	<b>R229.27 million</b>

\* Inclusive of VAT.

<sup>1</sup> Discretionary procurement is expenditure that can be influenced by a company. It excludes spend over which Lonmin has no discretion, such as procurement from the public sector and public enterprises.





## Material focus area

# Managing Environmental Impacts and Opportunities

### Key chapter takeaways

**Remediation and rehabilitation** are underway to address a level 4 environmental incident at the bulk tailings treatment pipeline

**78,155 MWh saved** through energy-efficiency programmes

Research and trial study approaches to **minimisation of various hazardous waste** streams to landfill

Mining and metal processing are resource-intensive and directly impact the environment by using water and energy, as well as dispersing waste, dust, and greenhouse gases (GHGs). It is critical that mining operations optimise how they use input resources. Our operations are in areas where access to secure energy and water supply are a potential risk and demand exceeds supply. This is compounded by the rapid growth in neighbouring towns and community settlements that continue the pressure on bulk water and energy supply.

Increasing environmental regulations have direct and indirect financial impacts on the Company. We see legislative compliance as a minimum, and aim to minimise our impact and continually improve our environmental performance. Lonmin takes a precautionary approach<sup>1</sup> to environmental management and we have plans to mitigate or remediate our impacts where necessary.

### Accountability

The Chief Executive Officer takes ultimate responsibility for environmental performance, supported by the Safety, Health and Environment (SHE) Committee of the Board, the Executive Committee (Exco) and senior corporate and operational management.

Lonmin has an Environmental Department within the SHE and Sustainability Department, comprising discipline-specific specialists who ensure the Environmental Strategy

is aligned and implemented across all operations. Environmental risks are incorporated into risk registers, and corporate and operational teams review them. They present the results of these reviews to the SHE and Audit and Risk Committees of the Board.

A range of internal and external audits regularly monitor and verify the integrity of our certified ISO 14001 Environmental Management System (EMS) and our overall environmental performance. All operations maintained their ISO 14001 certification in 2018 and upgraded to the 2015 standard.

### Approach

We are committed to the principles and position statements of the ICMM and integrate these requirements into our EMS. Performance against a range of internal environmental indicators, objectives and targets is tracked monthly by the Environmental Department. These reports are communicated to the operations, the Executive Committee (Exco) and the Board.

Increasing environmental regulatory requirements, legislation and amendments, and pending regulations are increasingly time consuming, complex, and costly. Non-compliance poses the risk of financial penalties and reputational damage. Each material environmental area is subject to different external regulations.

<sup>1</sup> Examples of precautionary approach are included in the GRI index: <https://www.lonmin.com/sustainable-development/sustainable-development-overview>.



## Managing our environmental footprint



Our approach to managing each material environmental area, and the strategies and legislation governing them include:

### Water

Our Water Conservation and Demand Management Strategy aims to secure sufficient access to water, optimise fresh and process water consumption and use, use alternative water sources, and consider community water needs. This strategy is supported by our Water Policy and Integrated Water and Waste Management Plans.

Our water management programme includes groundwater modelling, water level, surface and groundwater monitoring, toxicity testing, and biomonitoring. Our operations have an extensive water monitoring programme in place. Sampling and analyses (by accredited laboratories) are conducted through an independent service provider.

Lonmin reports unplanned discharge incidents to the relevant regulatory authority. Corrective actions are implemented based on a root cause analysis and tracked through our management systems.

We participate in the water CDP<sup>1</sup> programme accessible at [www.cdp.net/en](http://www.cdp.net/en).

### Energy

Through our Energy Management Strategy (aligned with SANS 5001), we manage, track and report energy consumption, efficiency and management projects. A holistic web-based energy management system identifies new opportunities to improve energy efficiency and reductions. In this regard, we focus on compressed air and ventilation facilities, because these facilities comprise a significant component of our total energy footprint.

### Air

An atmospheric emissions licence regulates Lonmin's various processing activities, for regulated pollutants, inclusive of sulphur dioxide (SO<sub>2</sub>). Our processes are supported by Emission Reduction Management Plans.

Total suspended particles (TSPs) are generated by tailings facilities, transportation on paved and unpaved roads, mining activities such as drilling and blasting, materials handling, crushing and screening. Lonmin has TSP controls in place, including vegetation growth, surface sweeping and chemical and water suppression.

2018 marked the first mandatory reporting requirements for Greenhouse Gases through the NEMAQA<sup>2</sup>. Reporting was undertaken to the Department of Environmental Affairs (DEA).

<sup>1</sup> Formerly the Carbon Disclosure Project.

<sup>2</sup> National Environmental Management: Air Quality Act, 39 of 2004.

## Material focus area

# Managing Environmental Impacts and Opportunities (continued)

### Climate change

Lonmin addresses climate change primarily through water, energy and waste approaches, which are outlined in this section.

Lonmin is engaging through the Minerals Council with government on carbon tax matters. Forecasts of the likely impact of carbon tax are built into the Life of Business Plan of Lonmin's Strategy.

We participate in the climate change CDP programme, and in 2018 we submitted our 13th consecutive CDP report, available at [www.cdp.net/en](http://www.cdp.net/en).

### Waste

Our approach to waste management is guided by our General and Hazardous Waste Management Standard, Mineral Waste Management Standard, Integrated Water and Waste Management Plans, as well as on-site procedures.

We apply the waste hierarchy and duty-of-care principle. All our operations separate waste for recycling and re-use at source, with secondary sorting at our salvage yards. Where reusing waste is unachievable, we prioritise reducing it, consider alternatives for disposal to landfill, and use fewer resources to reduce our environmental impact. We dispose of our waste streams responsibly to licensed waste facilities.

Waste classifications and landfill assessments take place as per the Waste Classification and Management Regulations. Safety data sheets provide information regarding responsible handling and management of our waste streams to transporters and end users.

We conduct third-party audits on external hazardous waste management facilities' compliance and adherence to the duty of care of our hazardous waste from cradle to grave.

### Biodiversity and land

We do not operate in high-biodiversity or environmentally sensitive areas. Our Marikana and Limpopo operations are in areas that NEMBA<sup>1</sup> lists as vulnerable ecosystems<sup>2</sup>, and are managed in accordance with our Land and Biodiversity Management Standard, Biodiversity Action Plan and specific discipline-related procedures.

We constantly update our heritage site inventory, which lists over 170 heritage sites, including archaeological sites and graves. We aim to leave a legacy of sustainable closure. Our Closure and Rehabilitation Plans are being aligned with the new NEMA<sup>3</sup> Financial Provision Regulations, including the requirements of the Rehabilitation Plan.

### Engaging with stakeholders: An environmental perspective

Environmental engagement mechanisms include:

- A database of interested and affected parties is in place for environmental management
- A formal grievance mechanism which is audited annually as part of ISO 14001
- 24/7 environment-specific emergency hotlines are in place at Marikana and the Precious Metal Refinery (PMR)
- The Buang Le Rona community grievance system
- Structured engagements with communities and regulatory authorities

## Performance

### Environmental compliance

Lonmin commissioned an external audit for an independent opinion on the Company's environmental legal compliance. The audit reported no significant deviations. The annual ISO 14001 surveillance audits reported opportunities for improvement and no non-conformances in 2018. The four ISO 14001 certificates were successfully upgraded to the ISO 14001:2015 standard ahead of the transition cut-off date. As part of our self-regulatory framework, Lonmin undertakes internal environmental KPI audits every six months to verify compliance against legal and ISO 14001 requirements. Regular audits allow us to continually improve and comply with these requirements. Lonmin received no fines or directives in terms of environmental compliance.

<sup>1</sup> National Environmental Management: Biodiversity Act, 10 of 2004.

<sup>2</sup> Vulnerable ecosystems are those that have a high risk of significant degradation of ecological structure, function or composition as a result of human intervention, although they are not critically endangered ecosystems of endangered ecosystems per section 52(2) of NEMBA.

<sup>3</sup> National Environmental Management Act, 107 of 1998.



Seven environmental incidents were reported for 2018. Six of these are classified as level 3<sup>1</sup> and one as a level 4. Regrettably, the level 4 environmental incident took place on 26 February 2018 at the bulk tailings treatment pipeline, due to the failure of the gasket on the flange of the pipeline. Further investigation determined that the slurry entered a tributary of the Maretwana River. Approximately 4,000 tonnes of slurry spilled into the environment, of which a portion entered the water course. This water body is not designated as a protected area. Lonmin submitted a Rehabilitation Plan to the DMR, which was approved. The rehabilitation should be complete in 2019.

### Environmental incidents 2018

Description	Level	Location	Materials	Impact of the spill	Corrective action
Rowland Corner dam discharge (10 October 2017)	3	Smelter	Process water	Potential land and surface water impact	Upgrade of the pumping and reticulation system to ensure adequate re-use of water
Rowland Corner dam discharge (30 January 2018)	3	Smelter	Process water		Desilting of the containment facility
Bulk tailings slurry spill (26 February 2018)	4	Concentrators	Tailings slurry	Land and surface water impact	Cleaned area of spill, rehabilitated and remediated impacted area
Rowland Corner dam discharge (7 March 2018)	3	Smelter	Process water	Potential land and surface water impact	Upgrade of the pumping and reticulation system to ensure adequate re-use of water Desilting of the containment facility
Bulk tailings slurry spill (3 September 2018)	3	Concentrators	Tailings slurry	Land and surface water impact	Cleaned area of spill, rehabilitated and remediated impacted area
Bulk tailings slurry spill (7 September 2018)	3	Concentrators	Tailings slurry	Land and surface water impact	
Rowland concentrator tailings line (30 September 2018)	3	Concentrators	Tailings slurry	Land and surface water impact	

## Water management

### Freshwater intake

Our operations are located in water-stressed areas with demand for water expected to exceed supply. We use an integrated water balance system to inform decisions about water use and manage the transfer of water from water-positive areas to water-deficit areas within operations. The levels of containment facilities are further incorporated into the system to ensure water levels are maintained. Our site-wide simulation model provides critical insight to our

current and future water demand requirements, which include community water needs. The model simulates how water is used and managed on-site, and determines water use requirements in line with our Life of Business Plan.

Targets are in place for all business units in terms of potable water use. These are continuously tracked and monitored. Our five-year target for the period 2018 to 2022

<sup>1</sup> A level 3 environmental incident is defined as an incident that results in a moderate impact on the environment, where natural processes are notably altered but continue in a modified way. Level 3 incident impacts are reversible within the lifetime of the operation and are confined to mine property. Level 4 incidents have a significant impact on the environment, but are reversible within the lifetime of the operations. Level 4 or 5 incidents are reported to regulatory authorities in terms of section 30 of NEMA and section 20 of the National Water Act, 36 of 1998.

## Material focus area

# Managing Environmental Impacts and Opportunities (continued)

is to reduce third-party water consumption for the Marikana and PMR operations by 10% from the 2017 baseline. Targets are in place for all business units in alignment to the Group target.

The bulk of our freshwater intake is at our Marikana operations, making up 89.4% of our total freshwater consumption (7,338,575 m<sup>3</sup>). During 2018 we commenced with the abstraction of groundwater from

the Pandora operations for operational use, with a significant portion routed to support the bulk tailings treatment project.

In 2018 we submitted an administrative amendment to the Marikana water use licence (WUL), which is pending approval. We further received the WUL for two storm water containment facilities at the PMR, and the WUL for Pandora.

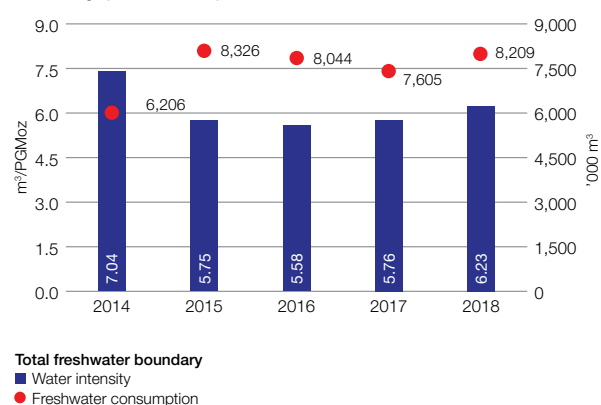
**Total freshwater consumption in m<sup>3</sup> for 2018  
per source and water quality category<sup>3</sup>**

Operational area	Surface water	Groundwater	Third-party water	Produced water	Total
Marikana	185,420	Not yet reported <sup>1</sup>	6,775,460	n/a	7,338,575
Pandora	n/a	377,695		n/a	377,695
Baobab (Limpopo)	n/a	823,446	n/a	n/a	823,446
PMR	n/a	n/a	47,284	n/a	47,284
<b>Total</b>	<b>185,420</b>	<b>1,201,141</b>	<b>6,822,744</b>	<b>–</b>	<b>8,209,305</b>
	Freshwater (<1,000 mg/litre total dissolved solids)				

We participated in the ICMM roundtable workshops for collective action in respect of water management.

Key water management initiatives for 2018 included storm water management, projects related to supply (drilling of boreholes in the anthropogenic aquifers), demand and supply management, distribution (metering, calibration, reticulation infrastructure). We also updated our dynamic water balance model.

**Total freshwater consumption ('000 m<sup>3</sup>) and fresh water intensity (m<sup>3</sup>/PGMoz)**



## Re-use and recycle

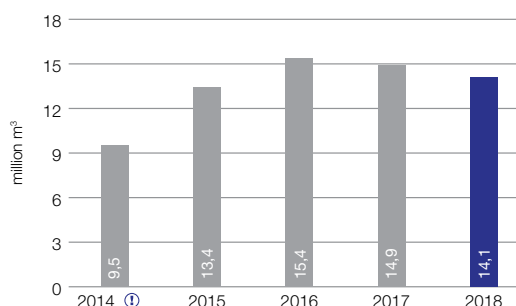
There are eight waste water treatment plants at our Marikana operations for domestic waste water. We re-use

the final effluent for operational processes. Our facilities are registered within the Department of Water and Sanitation's Greendrop Certification Programme. We are authorised to discharge final effluent in the event of a positive water balance with standards for quality set by the Department of Water and Sanitation (DWS).

The PMR continues to optimise the reverse osmosis plant to treat contaminated storm water. The reverse osmosis project at the PMR delivered approximately 15,875 million m<sup>3</sup> of treated storm water for re-use in operations.

In total, we recycled and re-used 14.1 million m<sup>3</sup> (2017: 14.9 million m<sup>3</sup>) of water through our reticulation system at the Marikana operations.

**Water recycling and re-use<sup>4</sup>**



<sup>1</sup> Mine dewatering is currently not included in the total freshwater number for 2018. However the volume of freshwater for dewatering is 1,123,594 m<sup>3</sup> for 2018.

<sup>2</sup> Previously called freshwater efficiency. This was changed to align to the definition ICMM: A practical guide to consistent water reporting March 2017.

<sup>3</sup> As per the ICMM: a practical guide to consistent water reporting March 2017 for water withdrawal.

<sup>4</sup> The ICMM: a practical guide to consistent water reporting March 2017 for water efficiency, match our disclosure for water recycling and re-use.

## Energy management








Electricity is Lonmin's most significant energy source (88%), followed by coal (6%). We target a 5% absolute reduction in electricity consumption for the Marikana and PMR operations from the 2017 baseline to 2022. Our operations used 88% (5,662.2 TJ) of total energy on electrical energy. The smelter and base metal refinery operations consumed 368.5 TJ of coal, and 267.1 TJ (4%) of diesel was consumed in the transportation of ore and concentrate. While not a direct component of the energy profile, 50.4 TJ of fuel was used for transporting our employees and community members through the bussing services.

- Total energy consumed increased to 6,404 TJ (2017: 6,238 TJ) due to a high energy load required for shafts on care and maintenance and the change of conversion factors for direct energy sources

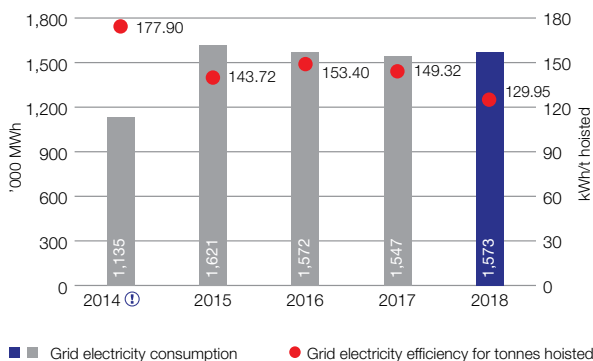
- Average electricity efficiency per kWh/tonnes hoisted was 129.95 (2017: 149)
- Indirect energy (electricity) consumption was 1,572,827 MWh, or 5,662 TJ (2017: 5,568 TJ)
- Direct energy profile: 741.8 TJ (2017: 671 TJ)
- A deterioration of our energy efficiency from 2017 to 2018 can be ascribed to the high energy base load required for the mining operations against the decrease in tonnes hoisted and shafts been placed on care and maintenance

Electricity consumption targets are set per business area and reported monthly.

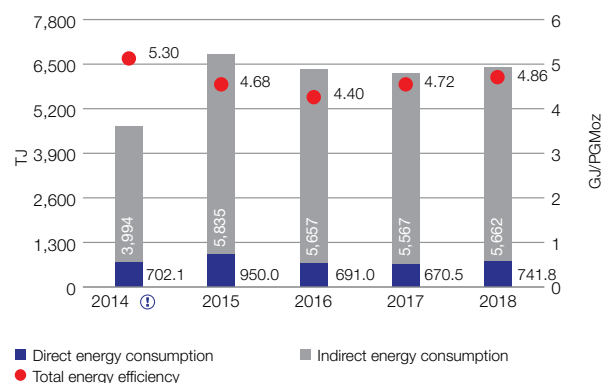
## Electrical energy savings:

				
	Compressed air	Ventilation	Other	Total
	<b>R49.46</b> (2017: R29.1)	<b>R4.02</b> (2017: R4.3)	<b>R8.53</b> (2017: R1.6)	<b>R62.01</b> (2017: R34.9)
R million saved				
	<b>68,522</b> (2017: 27,736)	<b>4,688</b> (2017: 3,650)	<b>4,945</b> (2017: 936)	<b>78,155</b> (2017: 32,322)
MWh saved				
	<b>66,466</b> (2017: 27,459)	<b>4,528</b> (2017: 3,614)	<b>4,797</b> (2017: 927)	<b>75,791</b> (2017: 32,000)
tCO <sub>2</sub> e savings <sup>5</sup>				

## Grid electricity consumption<sup>5</sup> and efficiencies



## Direct and indirect energy consumption (TJ) and energy efficiency (GJ/PGMoz)



<sup>5</sup> Tonnes of carbon dioxide emissions.

<sup>6</sup> Conversion: one terajoule (TJ) = 1,000 gigajoules (GJ); one Megawatt = 0.0036 TJ (2006 IPCC Guidelines for national Greenhouse Gas Inventories, Volume 2 Energy, Chapter 1 Introduction).

## Material focus area

# Managing Environmental Impacts and Opportunities (continued)

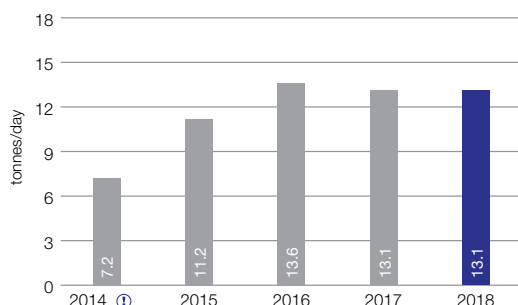
### Air quality

Our processing facilities minimise their atmospheric emissions with air pollution control equipment. The cleaning and minimising of emissions results in the generation of hazardous waste streams including  $\text{CaSO}_3$  (from the smelter) and liquid acid and alkaline waste (from the PMR).

Significant capital investment is required for the smelter and the PMR to meet NEMAQA emissions standards required by 1 April 2020. During the year we spent approximately R100 million at our smelter operations on key projects aimed at reaching the NEMAQA minimum emission standard<sup>1</sup> for  $\text{SO}_2$ . We capitalised on opportunities to find a sustainable solution for the calcium sulphite waste stream. We identified a solution to reduce particulate matter emissions at the PMR by 1 April 2020 and are on track to meet this requirement.

We continue to manage air quality impacts from our tailings facilities using vegetative cover and suppression systems. In 2018 we used chemical suppression on the surface of identified tailings facilities.

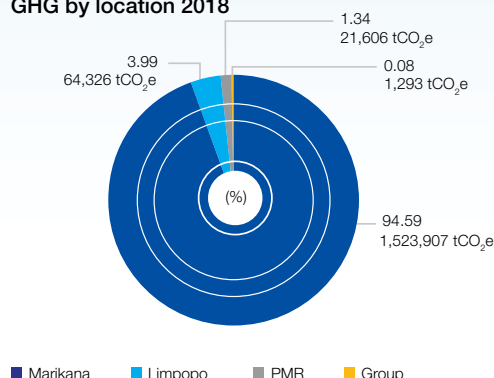
#### $\text{SO}_2$ emissions for the smelter facility



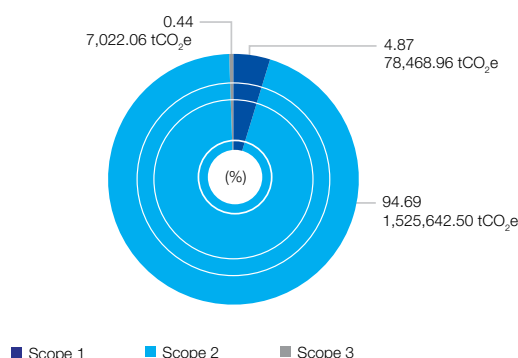
### Climate change

We set a new reduction target to reduce absolute scope 1 and 2 GHG emissions by 4% by 2022 from a 2017 baseline in alignment with the Life of Business Plan. Absolute GHG emissions increased by 1,892 tCO<sub>2</sub>e (0.08% mainly an increase in scope 1 emissions due to the disposal to landfill, waste water treatment plants and stationary combustion) against the 2017 baseline for scope 1 and 2 emissions. Our carbon footprint is 1,604,111 tCO<sub>2</sub>e (scope 1 and 2) (2017: 1,602,850 tCO<sub>2</sub>e). Lonmin emitted a total of 1,611 ktCO<sub>2</sub>e (2017: 1,608.7 ktCO<sub>2</sub>e) (scope 1, 2 and 3 emissions), 94.70% of which came from electricity consumption.

#### GHG by location 2018



#### Carbon footprint 2018: Scope 1, 2 and 3 contribution



### Performance on GHG intensity (tCO<sub>2</sub>e/PGMoz)

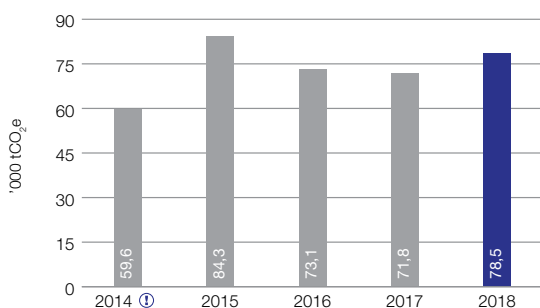
Year	Scope 1	Scope 2	Scope 3	Total intensity
2014 ⓘ	0.068	1.296	0.0032	1.367
2015	0.058	1.153	0.0027	1.214
2016	0.044	1.102	0.0033	1.156
2017	0.054	1.159	0.0044	1.218
2018	0.060	1.157	0.0053	1.221

<sup>1</sup> A release rate of 1,200 mg/Nm<sup>3</sup> is required from the current emissions standard of 3,500 mg/Nm<sup>3</sup> for  $\text{SO}_2$ . A release rate of 100 mg/Nm<sup>3</sup> is required from the current emissions standard of 50mg/Nm<sup>3</sup> for particulate matter.

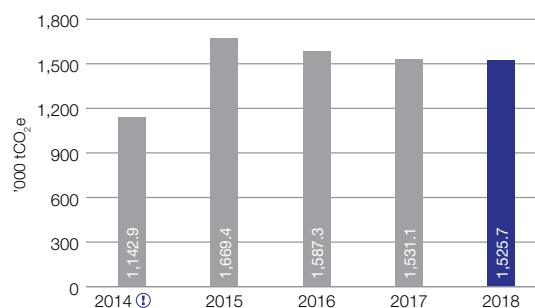


Source <sup>1</sup>	tCO <sub>2</sub> e	
	2017	2018
<b>Scope 1: Direct emissions from operations that are owned or controlled by Lonmin</b>		
Mobile combustion	18,065	20,887
Stationary combustion	38,466	41,254
Explosives	4,705	4,765
Non-combustion product use	227	133
Disposal of waste to landfill (Lonmin operated and owned)	10,165	11,266
Waste water treatment works (Lonmin operated and owned)	116	151
Process emissions	10	10
<b>Scope 2: Energy indirect emissions</b>		
Electricity	1,531,096	1,525,643
<b>Scope 3: Indirect emissions</b>		
Category 1: Purchased goods and services	38	43
Category 4: Upstream transportation and distribution	1,508	1,890
Category 6: Business travel	1,368	1,293
Category 7: Employee commuting	2,944	3,795
<b>Total carbon footprint</b>	<b>1,608,707</b>	<b>1,611,133</b>

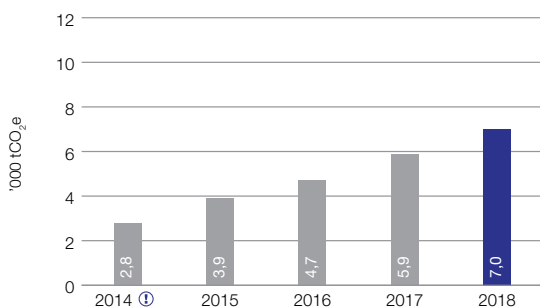
Total GHG emissions – Scope 1



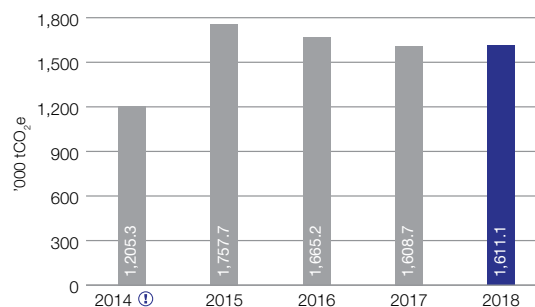
Total GHG emissions – Scope 2



Total GHG emissions – Scope 3



Total GHG emissions



<sup>1</sup> Scope 1 and 2 emissions are calculated using the GHG protocol: Corporate Accounting and Reporting Standard, and scope 3 emissions are calculated using GHG protocol: Corporate Value Chain Accounting and Reporting Standard for the reporting of scope 3 emissions.

## Material focus area

# Managing Environmental Impacts and Opportunities (continued)

## Waste management

Lonmin spent approximately R182 million (2017: R132 million) on waste management services across our operations and received an income (which includes discount received for exchange of waste for new product) of approximately R19.4 million primarily for the sale of industrial wastes including metal scrap, rubber, cables and plastic among others.

### Summary of waste streams

Material (tonnes)	2017	2018
General waste to landfill	8,612	<b>8,194</b>
Hazardous waste to landfill	69,747	<b>68,705</b>
General and hazardous waste incinerated	17.1	<b>18.0</b>
General waste recycled, re-used and treated	10,115	<b>8,242<sup>1</sup></b>
Hazardous waste recycled, re-used and treated	8,213	<b>20,129<sup>2</sup></b>
<b>Material (kilotonnes)</b>		
Tailings deposition	9,889	<b>11,484</b>
Waste rock deposition	535	<b>652</b>

### General waste

Registered specialist waste contractors collect waste from our operations and transport it to its respective destination. They dispose of general waste at permitted landfill sites if it cannot be recycled, re-used, refurbished or treated.

Lonmin operates the only permitted general waste landfill site in the Mooi-nooi/Marikana area. This is used by Lonmin, communities, businesses, and neighbouring mines. We report on all general waste disposed of to the Mooi-nooi landfill as part of the National Waste Information System. The permitted landfill is audited annually to determine the level of compliance. Lonmin finalised and signed off the tender requirements for the detailed designs to extend this facility, in line with the new waste licence received for the landfill. The tender process will commence in the 2019 financial year.

- General waste to landfill decreased by 0.05% from the 2017, but was up by 0.1% in 2018 against a reduction target of 5% from the 2017 baseline
- 50% of general waste was diverted from landfill (recycled, re-used, composted) during the year

### General waste materials recycled and re-used

Recycled (tonnes)	2014	2015	2016	2017	2018
Ferrous and non-ferrous scrap	2,979	4,360	4,158	5,413	<b>5,546</b>
Paper (and mixed domestic recyclables)	30.8	30.0	23.7	17.1	<b>17.9</b>
Rubber	7.90	1,801.00	1,154.00	1,129.00	<b>696.94</b>
Plastics	94	89	188	142	<b>198</b>
Tyres	24.80	219.00	96.60	78.53	<b>81.03</b>
Garden waste composting	288.5	120.0	119.0	3.7	<b>2.4</b>
<b>Total</b>	<b>3,425.7</b>	<b>6,619</b>	<b>5,739.3</b>	<b>6,783.3</b>	<b>6,542.24</b>
<b>Re-used (tonnes)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Recovered steel	77.2	138.0	160.0	151.9	<b>207.0</b>
Food	22.8	33.0	25.0	30.0	<b>19.4</b>
Wood	990	1,219	2,766	3,150	<b>1,467</b>
Plastic	94.3	1.0	5.3	0.0	<b>6.2</b>
<b>Total</b>	<b>1,184.3</b>	<b>1,391</b>	<b>2,956.3</b>	<b>3,331.9</b>	<b>1,699.6</b>

<sup>1</sup> The downscaling of operations impacted the quantities of wood and rubber which could be re-used or recycled.

<sup>2</sup> The reverse osmosis plant at the PMR has been utilised to treat contaminated stormwater this year which increased the recycled, re-used and treated hazardous waste.

## Hazardous waste

We continuously drive research and development for best practice environmental options to divert hazardous waste from landfill. We investigate opportunities to reduce the quantity and toxicity of waste disposed. A total of 68,705 tonnes of hazardous waste was generated, 1.5% less than in 2017.

Lonmin submitted the basic assessment application for the waste licence process for the PMR waste incinerator to the DEA for approval. We aim to address our target for reducing disposal to landfill and securing potential PGM recovery within this closed system. After extensive research was conducted on reducing the  $\text{CaSO}_3$  waste

stream to landfill, the construction of infrastructure for a vacuum belt filter commenced at the smelter, with commissioning due in 2019. This will lower the moisture and sodium content of the waste, reducing the toxicity and quantity to landfill by between 15% and 20%.

Due to legislative changes effective from 23 August 2019, all waste with a moisture content greater than 40% is prohibited from being disposed to landfill as a liquid. To meet this obligation, we are setting up two trial recovery effluent plants (using different technology) at the PMR. The plants will recover PGMs, water and other metals from the effluent with minimal waste going to landfill.

## Hazardous waste materials disposed to landfill, recycled and treated

Hazardous waste (tonnes)	2017	2018
<b>Disposed to landfill</b>		
Calcium Sulphite ( $\text{CaSO}_3$ )	43,783	<b>45,957</b>
PMR effluent (tonnes)	24,810	<b>21,424</b>
Other wastes (grease, oily wastes, chemical wastes, laboratory waste, healthcare risk waste, etc.)	1,155	<b>1,324</b>
<b>Recycled (tonnes)</b>		
Waste bulbs	5.00	<b>7.41</b>
Oil	76	<b>72</b>
E-waste	2.32	<b>2.68</b>
PMR effluent (liquid waste)	6,179	<b>4,005</b>
Batteries and cartridges	3.4	<b>93.4</b>
<b>Re-used (tonnes)</b>		
Ash	1,888	<b>1,932</b>
Contaminated storm water (new from 2018)	–	<b>14,015</b>

## Tailings

Lonmin stores tailings from the concentrators at six operational above-ground tailings storage facilities (TSFs) and continuously monitors five dormant TSFs. We generated 11,484 kt of tailings (2017: 9,889 kt) which is deposited onto the operational TSFs. The increase of tailings could be ascribed to the bulk tailings treatment plant that re-processes tailings. Specific mandatory codes of practice guide how TSFs are managed and these are submitted to the DMR and DWS safety offices. We received all authorisations for the construction and operation of Tailings Dam 8. The construction of the return water dam will commence in 2019.

Specialist tailings contractors manage our TSFs and monitor TSF integrity, stability and functionality. Specialist engineers conduct quarterly inspections to monitor compliance to relevant legislation. Lonmin has a safety, health, environment and quality (SHEQ) procedure for emergency preparedness and response (EPR) for tailings dam and return water dam failure. This is commensurate with potential failure consequences, aligned to the contractor EPR procedure.

The theft of fencing around our TSFs is a major challenge for Lonmin as it exposes our facilities to trespassers and animals. Trespassers and animals present safety concerns, damage side slope rehabilitation and hamper stability. We continue to engage with regulatory authorities on these challenges, and have signs to warn off trespassers. Our operations cannot implement dust suppression measures effectively while people or animals are on-site, or due to the increasing theft of suppression infrastructure.

We are working with the University of the Free State to assess the feasibility of nitrate-metabolising bacteria as a solution to tailings' nitrate levels to reduce the potential for land and water contamination. Laboratory trials commenced this year.

Lonmin commissioned the bulk tailings treatment plant in February 2018. The plant re-processes existing tailings material from the decommissioned Eastern Platinum Limited (EPL) Tailings Dam 1 by means of hydraulic high-pressure wash, which is thickened and pumped at

## Material focus area

# Managing Environmental Impacts and Opportunities (continued)

the Eastern Platinum bulk tailings treatment plant. Tailings are then transported to the bulk tailings treatment plant and chrome plant to extract PGMs and chrome.

In 2018, we re-mined 2,037 kt. Waste tailings deposition was 13% less after re-processing at 1,800 kt.

### Waste rock

Waste rock is barren rock that is mined underground to expose ore. It is disposed of onto surface waste rock stockpiles or dumps. Opencast operations also generate overburden waste rock stockpiles, which are returned to fill the opencast pit during rehabilitation.

Lonmin generated 652 kt of waste rock during 2018 (2017: 535 kt), 18% more than 2017 due to an increase in developmental progress. Waste rock is used in road and general construction by surrounding municipalities, provincial and national road agencies, the community, other private entities, and by Transnet for railway line ballast. By following this process, waste rock is re-used, which reduces our environmental liability and rehabilitation costs.

### Biodiversity and land management

Lonmin manages 35,271 hectares of land, none of which is considered high biodiversity or sensitive. A large section of the Marikana and Limpopo operations are in areas that National Environmental Management: Biodiversity Act (NEMBA) lists as vulnerable ecosystems. We are identifying alien and invasive plants at our operations, and undertake eradication campaigns to manage this. In 2018, we improved the management of invasive plant species at the Baobab operations. We maintain a rehabilitation monitoring programme at our Marikana operations for opencast pits, and utilise the programme for the side slopes at our various tailings dams. We finalised the rehabilitation of the U12a opencast pit at our Marikana operations, with profiling and topsoil placement done as per our environmental authorisation and opencast rehabilitation procedure.

### Land under Lonmin management

	Hectares
Total land managed (all operations)	35,271
Total area in use for Company activities in North West, Limpopo and Gauteng	22,136
Total area disturbed by opencast activities in North West (including overburden waste rock and topsoil stockpiles)	Merensky Reef – 341 UG2 Reef – 690
Area rehabilitated to date	684
Area disturbed not yet rehabilitated	347
Total area covered by waste rock (surface – overburden excluding topsoil)	98.5
Total area covered by waste rock (from underground)	66
Total area covered by tailings	955

The accessible land in and around our operations presents a challenge – communities and animals encroach onto our opencast and tailings dams rehabilitated areas, which results in the destruction or illegal removal of infrastructure, overburden, and illegally digging out norite rock from rehabilitation areas. We have a greater security presence at these areas and we increased 'no trespassing' signage where possible. In addition, a Memorandum of Understanding (MoU) related to animal management on-site was developed with the intention to reach agreement with community members regarding animals on the property. We monitor rehabilitated opencast areas to measure the success of rehabilitation, and the need for further repair and maintenance in these areas.

Independent specialists conduct annual scheduled and unscheduled closure cost assessments to determine Lonmin's liability for mining and prospecting rights. These assessment reports are submitted to the DMR for verification and approval. Shortfalls in our financial rehabilitation provision, if any, are covered through bank and insurance guarantees or transfers to the Lonmin Platinum Pollution and Rehabilitation Trust Fund.

The costing of unscheduled closure, which includes the environmental liability associated with all our assets, remediation and rehabilitation required, is included in Lonmin's Annual Report and Accounts 2018, available at [www.lonmin.com](http://www.lonmin.com).



# Governance

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# Governance for Sustainable Development

Lonmin's corporate governance is built on its corporate values and the Lonmin Code of Ethics. The Board is guided by Lonmin's values and a responsible leadership ethos to oversee the Company's impact on the environment and all stakeholders.

Lonmin Plc is a company incorporated in England and Wales. The Company adheres to the UK Corporate Governance Code and its supporting guidance ([www.frc.org.uk](http://www.frc.org.uk)). Lonmin's significant shareholders can be viewed on page 72 of the Annual Report and Accounts 2018.

The Board is the custodian of the Company's strategic aims, vision and values. It provides leadership to management within a framework of prudent controls which enables risk to be assessed and managed appropriately. 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.

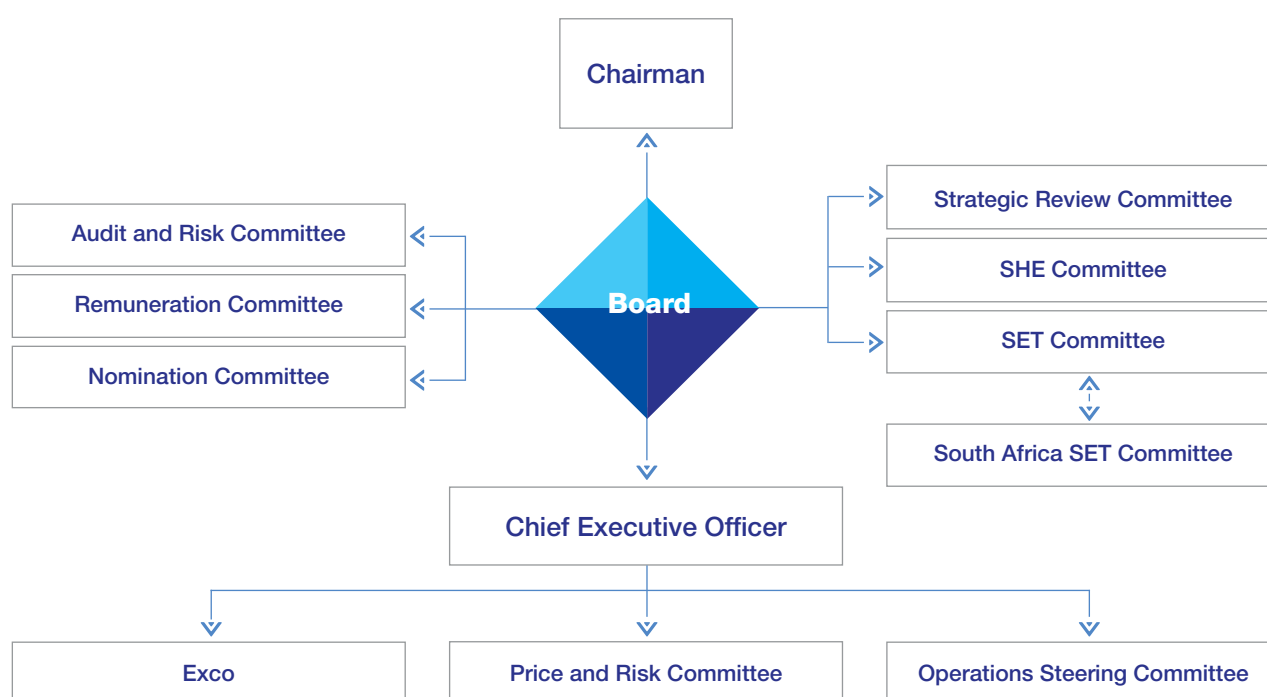
At 30 September 2018, the Board consists of 7 members, including the Chairman, 4 Non-executive Directors (3 of whom are considered independent) and 2 Executive Directors. Lonmin has 2 female members on the Board, and 1 of the Directors is a Historically Disadvantaged South African (HDSA). Board appointments are made on merit against objective criteria that include skills, experience, and personal attributes, including independence of mind.

The Board believes that the effectiveness review process provides a valuable opportunity for improving effectiveness and gives the Board a mechanism for constructive group and peer feedback to help individual Directors to improve their ability to contribute to the work of the Board.

Detailed information regarding the Board is available on pages 64 to 72 of the Annual Report and Accounts 2018 and provides details of:

- How Board members are selected, page 69
- How Board effectiveness is evaluated, page 69
- How we communicate with our shareholders and formally report feedback, page 72

While the Board delegates some functions and authority to committees it retains ultimate accountability for the governance of the Group. In addition to the committees recommended in the UK Corporate Governance Code, the Board has established two committees to specifically oversee Safety, Health and Environmental matters, the SHE Committee of the Board and the social, ethics and transformation matters (SET) Committee of the Board. Power is delegated from the Board to the Chief Executive Officer, and through him to the management team via a documented delegation of authority, setting out the responsibilities, decision-making and approval powers of management at different levels of the enterprise.



More detailed information on these Committees, including a full discussion of the Company's Remuneration Policy, can be found in the committee reports in the Annual Report and Accounts 2018.

The interaction between the Board, its Committees and the management of the Company can be summarised as follows:

## SET Committee

Lonmin's SET Committee of the Board oversees the Company's strategy and performance in addressing transformation, empowerment, and other social and ethics issues. The Committee also oversees Lonmin's inclusive stakeholder engagement and the process of addressing all stakeholder issues.

The Committee has an annual work plan, developed from its terms of reference, with standing items that the Committee considers at each meeting, in addition to matters of topical relevance or upon which the Committee has otherwise chosen to focus.

The Committee met formally 6 times during the year, of which two meetings were ad-hoc meetings to consider the draft Generation III social and labour plan. All other Directors were given a standing invitation to attend any of these meetings, and many did so. As well as routine monitoring activities, the material items considered by the Committee in 2018 were:

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### Social and transformation

- Reviewed progress reports on commitments made in the generation I and II Social and Labour Plans and the requirements of the Mining Charter and considered remedial actions;
- Considered and approved the submission of the generation III Social and Labour Plan;
- Considered the implications of the Mining Charter III and the MPRDA Amendment Bill;
- Reviewed progress reports on the implementation of Lonmin's employee accommodation programme;
- Received updates on the Bapo Ba Mogale community;
- Received updates on The Sixteen-Eight Memorial Trust, including reviewing the trust management and progress of the students;
- Reviewed the community complaints register and, where relevant, actions taken to address any issues;
- Reviewed plans and stakeholder engagement strategy for a memorial park to the victims of the events of 2012;

### Ethics

- Received a progress report on actions taken to verify that slavery and human trafficking are not taking place in the business and its supply chain;
- Received an update on the Minerals Council's workshop on "Industry's implementation of the UN's Guiding Principles on Business and Human Rights";
- Received a progress report on a range of initiatives introduced to promote awareness of gender equality, combatting sexual harassment in the workplace and reporting, escalation and management of any such incidents;

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### Governance, regulatory and reporting

- Reviewed changes to local and international regulations and new legislation, including Mining Charter III;
  - Received feedback in relation to the BASF audit report;
  - Considered feedback from external auditors following their assurance review of selected data in the FY2017 annual report and FY2017 Sustainable Development Report;
  - Reviewed progress against the Committee objectives for FY2018.
-

# Governance for Sustainable Development (continued)

## SHE Committee of the Board

In addition to overseeing the areas of safety and health, and the environment, the SHE Committee of the Board assists the Board in meeting the commitments of the Sustainable Development Policy. The Committee sets aspirational standards, implements an appropriate culture,

ensures robust and independent assurance, and provides advice to the Board on SHE compliance with legal requirements. The Committee met four times during the year. The following work was undertaken:

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### Safety

- Received reports from accountable managers on the one fatality during FY2018 and all serious safety incidents, including a detailed analysis of factors contributing to the safety incident and the corrective and preventative measures taken to prevent recurrence;
- Reviewed reports on key safety indicators and trends;
- Received a presentation from senior representatives of the DMR in relation to safety within the mining industry both nationally and within the Rustenburg region;
- Reviewed progress and implementation of a strategic plan to improve safety and long-term safety initiatives;
- Reviewed material regulatory compliance and Lonmin's performance against its peers;

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### Health

- Reviewed reports on health and community indicators and trends;
- Received reports on the various medical schemes available to Lonmin employees and their families;

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### Environment

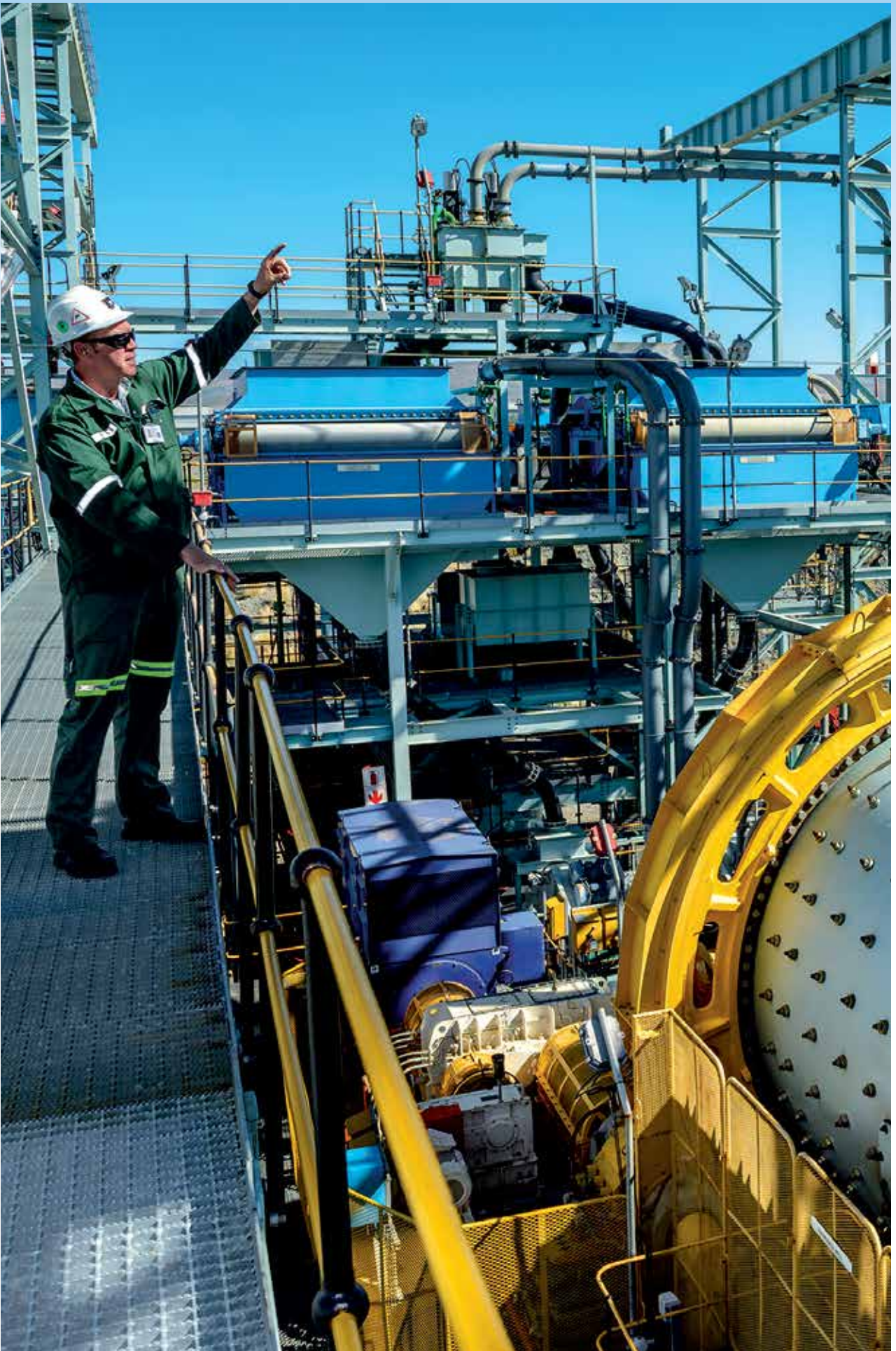
- Received reports from accountable managers on all serious environmental incidents, including a detailed analysis of factors contributing to the incident and the corrective and preventative measures taken to prevent recurrence;
- Reviewed reports on key environmental indicators and trends;
- Reviewed progress reports on various environmental initiatives;
- Reviewed the Company's environmental targets against regulatory requirements;
- Reviewed reports on complaints by regulators or third parties, including members of local communities;

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### Governance, regulatory and reporting

- Reviewed changes to local and international safety, health and environmental regulations;
  - Reviewed the Committee's report within the 2017 Annual Report and recommended approval to the Board;
  - Considered feedback from external auditors following their assurance review of selected data in the FY2017 annual report and reviewed the FY2017 Sustainable Development Report;
  - Reviewed the Committee objectives for FY2018.
-





# Governance and Management of Risk

## Approach

Lonmin's approach to risk management identifies, evaluates, manages and monitors the risks facing the business. The Board determines the Company's risk appetite, which is the aggregate amount of risk we actively seek or accept in pursuit of our long-term objectives. The Board decides the Company's business strategy and determines the risk tolerance, which is the maximum allowable variation of achieving specific key performance indicators (KPIs) linked to Lonmin's strategic objectives.

The Audit and Risk Committee of the Board regularly reviews the effectiveness of the risk management process and the methodology used to evaluate and quantify the risks. 'Top-down' and 'bottom-up' risk reviews are carried out in each area of our business, involving the Executive Committee (Exco), and operational and middle managers, respectively.

Operational and functional risk registers feed into the principal risk register, which is updated on a three-month cycle and reviewed by Exco, and the Board. The risk management process includes the organisational context, which requires an analysis and understanding of macro-economic factors, stakeholder analysis and organisational objectives. This process ensures regulatory compliance, and that we appropriately manage risks that could potentially cause operational disruption.

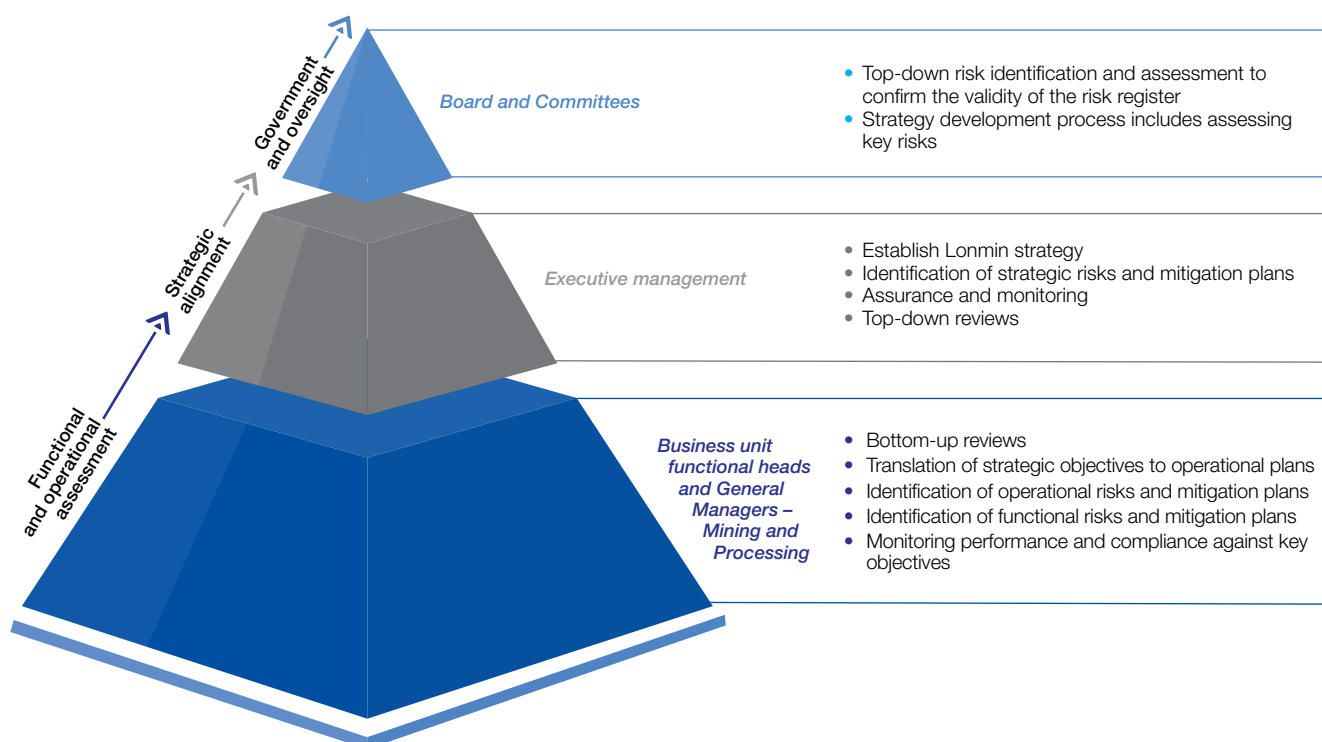
Risks are rated on a matrix scoring system based on probability of occurrence and severity of potential consequences. As part of this, the root causes of each

risk are identified, the effectiveness of the existing controls is analysed, and the required mitigation measures are identified and implemented.

The top risks and the associated mitigating controls are reviewed at least quarterly by the Exco, and twice a year by the Board. A summary dashboard providing a visual breakdown of key risks and mitigating strategies is reviewed at every Board meeting. We ensure that our regular risk reviews inform the internal audit process and the design of internal controls.

A significant portion of Lonmin's risk profile is attributable to risks related to sustainability, such as safety, labour and community relations, social development, transformation, and environmental impacts. Each business area is responsible for managing safety and environmental impact mitigation, and for monitoring the applicable action plans in place. Each business area is supported by either a Risk Officer or an operational risk champion, who co-ordinate the risk management activity in that business area and ensure that actions are implemented appropriately. This ensures that focus on these areas is maintained and that accountability is embedded at operational management level.

The risk management diagram below depicts how the risk management process applies across the Company. More detail on how we manage and mitigate risk is available on pages 22 to 28 of the Annual Report and Accounts 2018.





## Principal risks

Lonmin's principal risks are ranked according to the magnitude of potential impact, their probability, and considering the effectiveness of existing controls. These risks were considered in determining Lonmin's material focus areas, and inform the content of these chapters. Details of each risk are addressed within the Annual Report and Accounts 2018.

1. Failure to complete transaction with Sibanye-Stillwater
2. Liquidity
3. Operational execution
4. Safety performance\*
5. Employee and union relations\*
6. Utilities\*
7. Community relations\*
8. Changes to the political, legal, social, and economic environment\*
9. Loss of critical skills\*

*\* Indicates the key risks relevant to each of the material focus areas.*

This list does not describe the full range of risks the Company faces. As the macro-economic environment changes and country and industry circumstances evolve, new risks may arise, existing risks may recede, or the rankings of these risks may change.



Increase in electricity tariffs will impact costs.

# Ethics and Human Rights

Lonmin aspires to an ethical culture in the Company through its corporate values and by leading in a way that demonstrates sound ethics from the top of the organisation. Lonmin's Code of Ethics commits the Company to the highest standards of social and business practices, and requires that employees, contractors and stakeholders share this commitment, formalising Lonmin's ethical approach to conducting, managing and regulating all its business dealings.

## Approach

The Code of Ethics defines Lonmin's stance on conflicts of interest, anti-competitive behaviour, lobbying and relationships with Government, bribery, insider trading, the receipt of gifts and donations, whistle-blowing and reporting corruption or unethical behaviour. All employees and service providers are required to commit to the principles contained in the Code of Ethics. Those found guilty of contravening the Code of Ethics will be penalised by dismissal, contract termination and/or legal action.

An electronic declaration platform commissioned to support the Conflict of Interest and Anti-Bribery and Anti-Corruption policies to enable employees to make declarations of gifts made and received and other potential conflicts of interest.

### Employees who self-declared Conflicts of Interest through the declaration platform

Category	Cases reported
Conflict of Interest – Involvement	22
Conflict of Interest – Close relationship	24
Gifts, hospitality and entertainment received	86
Gifts, hospitality and entertainment offered	8

Further detail on our grievance mechanisms is provided on page 14.

The following policies are available online:

- Code of Ethics
- Human Rights Policy
- Whistle-blowing Policy
- The Conflict of Interest, Bribery and Anti-Corruption Policy
- Fraud Prevention Policy
- Fraud Investigation Policy

[www.lonmin.com/about-us/businessconduct](http://www.lonmin.com/about-us/businessconduct)

Allegations of misconduct are logged and investigated, and disciplinary action is instituted where required. The main areas of concern investigated relate to fraud, bribery and corruption, and procedure violation. The Company refers to the policy on BEE fronting to address certain allegations in this regard. Furthermore, a cautionary statement is included in advertisements for job vacancies, which declares that Lonmin does not endorse or tolerate unethical or fraudulent behaviour, bribery, insider trading, corruption or job selling, and that such behaviour will be reported to the relevant authorities. Each case is investigated and internal controls reviewed; and corrective actions are developed and implemented should concerns been identified on failed internal controls.

90 cases of commercial fraud and unethical behaviour were investigated by the Lonmin Business Assurance Services and Group Security, comprising 16 cases carried forward from 2017, and 74 cases reported in 2018. All reported cases are investigated through a structured and formalised investigation process. Of these cases, 29 are still under review, 17 were undetected due to insufficient information or evidence, and 34 were concluded having either confirmed or refuted the allegation. The following disciplinary action resulted from the 34 cases<sup>1</sup> investigated and concluded in the year:

- Three cases resulted in dismissals and/or final warnings
- Five vendor contracts were terminated
- Three employees received disciplinary action
- One case was settled with vendors
- Two cases were referred to a third party
- Two employees resigned prior to conclusion of disciplinary action
- Three employees were arrested

<sup>1</sup> A single case may comprise multiple disciplinary actions.



## Cases investigated and concluded (number)

Reason	2017	2018
Bribery and Corruption	3	7
Company procedure violations	9	7
Fraud	9	14
Human rights – sexual harassment	1	2
Human rights – intimidation	1	1
Human rights – discrimination	0	2
Human rights – racism	0	1
<b>Total</b>	<b>23</b>	<b>34</b>

Numbers	2017	2018
Number of incidents of sexual harassment cases investigated	2 <sup>1</sup>	2
Number of whistle-blowing incidents logged through hotline	25	29
Number of cases of unethical behaviour reported	41	15
Percentage of business units analysed for fraud, bribery and corruption risks	100%	100%

## Respecting human rights

Respect for human rights is a fundamental part of Lonmin's culture and governance framework and this is demonstrated by our commitment to operate in accordance with the United Nations Guiding Principles on Business and Human Rights and the 10 UN Global Compact principles. This commitment is reflected in our Human Rights Policy, a copy of which is available on our website, and in many other company policies such as our Code of Ethics and our Safety and Sustainable Development Policy.

We make a positive contribution to the realisation of human rights of our employees and those in the communities surrounding our operations in a range of ways through our rigorous approach to safety in the workplace, the health and wellbeing of our employees and the communities, minimising the impact of our operations on the environment and ensuring security is carefully managed in accordance with the Voluntary Principles on Security and Human Rights. Further information on Lonmin's activities in these areas is discussed in detail in other sections of this report.

The human rights pilot study completed last year which focused on women in mining identified a range of topics which concerned our female employees including, for example, gender equality, sexual harassment in the workplace and inadequate ablution facilities. As a result of the feedback from that study, a number of short, medium and long term actions were identified. In the year under review, an awareness campaign was launched using industrial theatre, leaflets and workshops to promote gender equality and raise awareness that there is zero tolerance within Lonmin for any kind of gender prejudice or harassment and reporting/escalation mechanisms were enhanced. Ablution facilities for women have been inspected and, where necessary, have been upgraded and new personal protective equipment specifically designed for women have been sourced and will be available at all shafts.

Human rights training is included in mandatory annual refresher training and the induction programme for all employees and contractors, including security personnel. The training aims to increase understanding of individuals' rights, standards of behaviour they should expect and reciprocate and the mechanisms to report grievances or incidents, which includes a toll-free ethics hotline service. The service provides for operators with different languages and female operators.

Advancing ethics within any organisation takes time and whilst Lonmin has a strong foundation, there is more to do. Lonmin is developing a human rights due diligence checklist which is expected to be rolled out next year. This will assist management to identify any breaches and any necessary remedial actions and will further embed human rights in the business by increasing awareness of human rights related risks. Further ethics training for managers and executives is expected to be rolled out in 2019.

## Human rights and security

The Company focuses on understanding security threats to operations with a primary objective to mitigate interruption to operations. The Company subscribes to and implements the Framework for Peace and Stability in the Mining Industry (February 2013), and the Deputy-President's Framework Agreement for a Sustainable Mining Industry (July 2013). We continue to build on our relationships at all levels with stakeholders, surrounding communities and the South African Police Services.

The security risk management process aligns with the fundamentals of ISO 31000, the international risk management standard and the voluntary principles on security and human rights, which are human rights guidelines designed specifically for extractive sector companies.

<sup>1</sup> Included in whistle-blowing incidents and unethical behaviour cases reported.

## Ethics and Human Rights (continued)

Our focus remains on supporting the safety of our people and the protection of our property through training, education and vulnerability assessment processes. We also guarantee that employees have appropriate equipment with applicable logistics necessary for asset protection (for example crime-prevention vehicles and thermographic cameras).

Corporate operational procedures are in place, and there is a specialised corporate operational procedure on crowd management. Security personnel receive training on the

legal and operational aspects of crowd management. By year-end 100% of our personnel were trained. Security employees and contractors all have Private Security Industry Regulatory Authority (PSIRA) training as a minimum, of which human rights forms part.

Security employees receive refresher training on these aspects as part of the ongoing training plan and at year-end 75% of security employees and 80% of contractors received refresher training.

The Lonmin security function does not engage with public disorder incidents, as that is the responsibility of public order policing.

	% of total security incidents
Theft and attempted theft of Company property	42% (2017: 61.4%) <sup>1</sup>
Theft and attempted theft of private property	8.2% (2017: 13.4%)
Malicious damage to Company property	4.9% (2017: 4.1%)
Other security-related incidents	44.9% (2017: 21.1%)
Material lost to crimes on Lonmin property, including consequential loss (damages)	R9.2 million (2017: R5.3 million)
Recoveries	R891,259.01 (2017: R1.4 million)
Full-time security employees	144 (2017: 147)
Security contractors	486 (2017: 553)

### Modern Slavery Act

Lonmin's human rights commitment includes a prohibition on modern slavery in all its forms, including human trafficking and forced or compulsory labour.

All new Lonmin employees are subject to vetting procedures, including age and identity verification, credit checks, criminal record checks and a medical fitness assessment. We have zero tolerance for child labour in the Company, and do not employ individuals or hire contractors aged less than 18 years old. The minimum legal working age in South Africa is 15.

We support the right to collective bargaining and freedom of association of all our employees and contractors, and are committed to building constructive relationships with recognised unions. Wages for our unionised employees are negotiated by collective agreements with the majority union, and in adherence to the South African Labour Relations Act (66 of 1995). We comply with South African legislation regarding working hours.

Further details on the steps Lonmin takes to reduce the risk of modern slavery among its workforce are set out in the 2017 Modern Slavery and Human Trafficking Statement, available on our website at [www.lonmin.com/about-us/governance/modern-slavery-act](http://www.lonmin.com/about-us/governance/modern-slavery-act).

### Protecting human rights through the supply chain

Lonmin seeks to ensure that its counterparties conduct their own operations in line with Lonmin's standards on human rights and modern slavery.

During 2017, Lonmin circulated a questionnaire to all existing vendors, requiring them to answer a set of questions relating specifically to modern slavery risks in their businesses and supply chains. The outcome of this survey was discussed with the top 600 suppliers during a supplier workshop held in September 2018 in an attempt to create awareness around modern slavery risks.

Lonmin's approval process for new vendors requires potential vendors to answer questions in relation to human rights, including whether the vendor has its own Human Rights Policy and whether it provides human rights training to its staff. We expanded this process to include specific questions regarding the New Vendor's Policy in respect of modern slavery and the due diligence processes in place in respect of their supply chains.

The standard terms and conditions applicable to contracts with all vendors required to adhere to a range of legislation relevant to human rights, including the South African Labour Relations Act (66 of 1995), the Basic Conditions of Employment Act (75 of 1997), the Compensation for Occupational Injuries and Diseases Act (130 of 1993), as well as Lonmin's own Sustainable Development Standards and Code of Business Ethics.

<sup>1</sup> We have targeted security interventions of hot-spot areas to reduce theft.

# Assurance

The Audit and Risk Committee of the Board is responsible for overseeing internal audit and external assurance procedures to support the integrity of our measurement and data management systems. These procedures set out the internal management and controls of key risks, and enhance the reliability of information used by investors and other stakeholders. Further detail can be found in the Audit and Risk Committee report in the Annual Report and Accounts 2018 on page 79 to page 88.

## Lonmin Business Assurance Services

Lonmin Business Assurance Services, incorporating Internal Audit, is responsible for providing objective assurance on the adequacy of key internal controls and their effectiveness in managing key risks. The in-house internal auditors are supported by the South African arm of PricewaterhouseCoopers Inc., who provides specialist services to Lonmin. Management uses the findings and recommendations from the Internal Audit reports to identify and implement corrective action plans that are monitored and reported to Exco, the Audit and Risk Committee of the Board and the Board.

## External assurance

Certain aspects and indicators in our sustainable development reporting were externally assured to provide readers with an objective and impartial opinion over the balance and legitimacy of the performance data. This annual external assurance of our safety, environmental and social indicators is obtained to align with the International Council on Mining and Minerals Sustainable Development Framework. The SHE and SET Committees of the Board consider and approve the indicators that receive external assurance.

# Independent Assurance Practitioner's Limited Assurance Report on Selected Sustainable Development Performance Information

## To the Directors of Lonmin Plc

We have undertaken a limited assurance engagement on selected sustainable development performance information (selected information), as described below, and presented in the Lonmin Plc (Lonmin) Sustainable Development Report for the year ended 30 September 2018 (the Report). This engagement was conducted by a multidisciplinary team including safety, social, environmental and assurance specialists with relevant experience in sustainability reporting.

## Subject Matter

We have been engaged to provide limited assurance conclusions in our report on the selected information set out in the table below, marked with an "LA" in the Key Performance Statistics Table on pages 75 to 76 of the Report. The selected information described below, has been prepared in accordance with the criteria set out in (a) (i), (a)(ii), (a)(iii) and (b) of the table below, collectively referred to as "Lonmin's reporting criteria" within this report.

<b>(a) Limited Assurance on the following selected key performance indicators (KPIs):</b>		
<b>(i) Limited Assurance on the following selected KPIs prepared in accordance with the Global Reporting Initiative (GRI) Standards and Lonmin's internally developed reporting guidelines</b>	<b>Unit</b>	<b>Boundary</b>
Total fresh water consumption	m <sup>3</sup>	Total Lonmin
Total direct and indirect energy	TJ	Total Lonmin
Scope 1 and 2 Greenhouse Gas (GHG) emissions	tCO <sub>2</sub> e	Total Lonmin
<b>(ii) Limited Assurance on the following selected KPIs prepared in compliance with the Broad-Based Socio-Economic Empowerment Charter (BBSEEC) (2002) and related Scorecard (2004) and Lonmin's internally developed reporting guidelines</b>	<b>Unit</b>	<b>Boundary</b>
Project spend in South African Rands against approved project budget (Health, Education, Social Infrastructure) WPL and EPL	Rand Value	WPL & EPL
Percentage females in Total Own Employee Workforce (WAM)	% women	WPL & EPL
<b>(iii) Limited Assurance on the following KPIs prepared in compliance with the Amendment to the BBSEEC (2010) and related Scorecard (2010) and Lonmin's internally developed reporting guidelines</b>	<b>Unit</b>	<b>Boundary</b>
Total percentage historically disadvantaged South Africans (HDSA) (excl. white females)		
– EXCO/Senior Management	% HDSA	WPL & EPL
– Middle Management		
– Junior Management		
Human Resource Development (HRD) expenditure as percentage of total annual payroll (excl. Mandatory Skills Development Levy)	% HRD Spend	Total WPL & EPL (% split applied)
<b>(b) Limited Assurance on the following statement prepared in accordance with the International Council on Mining and Metals' (ICMM) Sustainable Development Framework</b>		
The Directors' statement on page 10 of the Report that Lonmin has complied with the ICMM Sustainable Development Framework, principles and reporting commitments.		



Boundary Key	
Western Platinum Limited (WPL) & Eastern Platinum Limited (EPL)	WPL and EPL information only, recorded and reported separately as WPL and EPL
Total WPL & EPL (% split applied)	The information is recorded as total WPL & EPL and a percentage (%) split is applied in order to report for the WPL & EPL portions. The % split is calculated based on the number of employees WPL & EPL individually contribute to the total number of employees at WPL & EPL
Total Lonmin	Denotes consolidated data for Lonmin Plc, including WPL, EPL, Pandora and Limpopo operations

## Directors' Responsibilities

The Directors are responsible for:

- The selection, preparation and presentation of the selected information in accordance with Lonmin's reporting criteria. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and 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 preparation and presentation of the statement that Lonmin has complied with the ICMM Sustainable Development Framework, principles and reporting commitments. This responsibility includes ensuring that Lonmin has processes and systems in place that are designed and implemented to operate and monitor compliance with the ICMM SD Framework, principles and reporting commitments relevant to the preparation of the statement that is free from material misstatement, whether due to fraud or error; and
- Determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected information and for ensuring that those criteria are publicly available to the Report users.

## Our Independence and Quality Control

We have complied with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Services Proprietary Limited applies the International Standard on Quality Control 1, and accordingly 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.

## Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the selected information based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *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 limited assurance about whether the selected information is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of Lonmin's use of its reporting criteria as the basis of preparation for the selected information, assessing the risks of material misstatement of the selected information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected information.

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 followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

# Independent Assurance Practitioner's Limited Assurance Report on Selected Sustainable Development Performance Information (continued)

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

On selected information (a)(i), (a)(ii) and (a)(iii)

- Interviewed management 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 in our interviews;
- Conducted interviews with relevant key personnel and data owners to understand data generation, collection and report preparation processes, as well as the associated key controls;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the selected information;
- Undertook site visits to Lonmin's Marikana operations (which represents the most material contribution to the selected information), to complete the abovementioned procedures; and
- Evaluated whether the selected information presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at Lonmin.

On selected information (b)

- Inspected Lonmin's self-assessment regarding its compliance with the ICMM Sustainable Development Framework, principles and reporting commitments, and the related documents referred to in the self-assessment;
- Understood the processes that Lonmin has in place for determining and monitoring compliance with the ICMM Sustainable Development Framework principles and reporting commitments and how the documents referred to in the response are maintained and kept up to date;
- Conducted interviews with management at the sampled operations and executives at head office and inspected documentation to corroborate their statements;
- Understood the process undertaken to identify the sustainable development issues, risks and

opportunities that Lonmin considers to be most material and inspected documents related to the outcomes of the materiality process and the discussions held by the Safety, Health and Environment Board Committee;

- Obtained an understanding of the application of the sustainable development management systems related to the identified material sustainable development issues, risks and opportunities;
- Inspected that performance indicators related to Lonmin's material sustainable development issues, risks and opportunities have been disclosed in the Report, and performed the procedures set out in the section above entitled "on selected information (a)(i), (a)(ii), and (a)(iii)" over the selected information set out in section (b) of the Subject Matter paragraph; and
- Inspected Lonmin's assessment of their reporting of performance in accordance with the core option of Global Reporting Initiative's (GRI) Standards.

The procedures performed in a limited assurance engagement vary in nature and timing, 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 information set out in section (a)(i), (a)(ii), (a)(iii) and (b) of the Subject Matter paragraph above has been prepared, in all material respects, in accordance with Lonmin's reporting criteria.

## Limited Assurance Conclusion

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that:

- a.) the selected information set out in section (a)(i), (a)(ii) and (a)(iii) of the Subject Matter paragraph above for the year ended 30 September 2018 is not prepared, in all material respects, in accordance with Lonmin's reporting criteria, and
- b.) the Directors' statement on page 10 of the Report that Lonmin has complied with the ICMM Sustainable Development Framework, principles and reporting commitments, is not, in all material respects, fairly stated.

## Other Matter

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 limited assurance report that may have occurred since the initial date of presentation on the Lonmin website.

## Restriction of Liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected information 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

30 January 2019

KPMG Crescent  
85 Empire Road  
Parktown  
Johannesburg

# Independent Auditor's Reasonable Assurance Report on Selected Sustainable Development Performance Information

## To the Directors of Lonmin Plc

We have undertaken a reasonable assurance engagement on selected sustainable development performance information (selected key performance indicators/selected KPIs), as described below, and presented in the Lonmin Plc (Lonmin) Sustainable Development Report for the year ended 30 September 2018 (the Report). This engagement was conducted by a multi-disciplinary team of safety and assurance specialists with relevant experience in sustainability reporting.

## Subject Matter

We have been engaged to provide a reasonable assurance opinion in our report on the selected KPIs marked with an "RA" in the Key Performance Statistics Table on page 75 of the Report, set out in the table below. The selected KPIs described below, have been prepared in accordance with the criteria set out in the table below, collectively referred to as "Lonmin's reporting criteria" within this report.

Reasonable Assurance on the following selected KPIs prepared in accordance with the Global Reporting Initiative (GRI) Standards and Lonmin's internally developed reporting guidelines	Unit	Boundary
Total Injury Frequency Rate (TIFR)	Ratio	Total Lonmin
Lost Time Injury Frequency Rate (LTIFR)	Ratio	Total Lonmin

## Boundary Key

Total Lonmin	Denotes consolidated data for Lonmin Plc, including WPL, EPL, Pandora and Limpopo operations
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## Directors' Responsibilities

The Directors are responsible for the selection, preparation and presentation of the selected KPIs in accordance with Lonmin's reporting criteria. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainable development performance and 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 Directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected KPIs and for ensuring that those criteria are publicly available to the Report users.

## Our Independence and Quality Control

We have complied with the independence and all other ethical requirements of the Code of Professional Conduct for Registered Auditors, issued by the Independent Regulatory Board for Auditors (IRBA) that is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Incorporated applies the International Standard on Quality Control 1 and accordingly 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.

## Auditor's Responsibility

Our responsibility is to express a reasonable assurance conclusion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *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 reasonable assurance about whether the selected KPIs are free from material misstatement.

A reasonable assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the measurement of the selected KPIs and related disclosures in the Report. The nature, timing and extent of procedures selected



depend on the auditor's professional judgement, including the assessment of the risks of material misstatement of the selected KPIs, whether due to fraud or error.

In making those risk assessments we have considered internal control relevant to Lonmin's preparation of the selected KPIs. A reasonable assurance engagement also includes:

- Evaluating the appropriateness of quantification methods, reporting policies and internal guidelines used and the reasonableness of estimates made by Lonmin;
- Assessing the suitability in the circumstances of the use of the Lonmin reporting criteria as a basis for preparing the selected information; and
- Evaluating the overall presentation of the selected sustainability performance information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Reasonable Assurance Opinion

In our opinion, the selected KPIs set out in the Subject Matter paragraph above for the year ended 30 September 2018 are prepared, in all material respects, in accordance with the Lonmin reporting criteria.

### Other Matter

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 reasonable assurance report that may have occurred since the initial date of its presentation on the Lonmin website.

### Restriction of Liability

Our work has been undertaken to enable us to express a reasonable assurance conclusion on the selected KPIs 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 conclusion we have reached.

### **KPMG Inc.**

### **Per J le Roux**

Chartered Accountant (SA)

Registered Auditor  
Director

30 January 2019

KPMG Crescent  
85 Empire Road  
Parktown  
Johannesburg

# Annexures

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75	Key Performance Statistics
77	Financial Value-Added Statement
78	Environmental, Social and Governance Performance
80	Safety And Sustainable Development Policy

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# Key Performance Statistics

	Measurement	2014	2015	2016	2017	2018	Year on year trend
<b>Corporate profile:</b>							
<b>Production</b>							
Total saleable refined PGMs	Ounces	882,094	1,447,364	1,440,724	1,320,802	1,318,618	✓
<b>Material focus area:</b>							
<b>Employee relationships</b>							
Employees	Number	28,276	26,968	25,296	24,713	23,142	
Contractors	Number	10,016	8,701	7,497	7,831	7,002	
HDSAs, including white women employed in management	Percentage	48.4	50	52.4	55.6	56.2	↗
Women employed in mining (WIM) <sup>1</sup>	Percentage	5.35	6	6.3	6.4	6.6	↗
Women employed at mining (WAM) <sup>2</sup>	Percentage	8.18	8.8	9.1	9.1	9.4 <sup>3</sup>	↗
Employee turnover rate	Percentage	5.0	9.1	7.9	4.0	8.4	↘
Employees belonging to organised trade unions	Percentage	88.6	91	93	92.7	82.99	
People registered for AET	Number	473	781	432	204	278	↗
People on learnership programme	Number	144	148	38	89	161	↗
People on bursary programme	Number	89	98	66	44	40	↘
Employees with mentorship agreements	Number	75	115	104	105	66	↘
Total HRD expenditure as a % of annual payroll (excluding mandatory skills development levy) (for WPL and EPL)	Percentage	3.3	2.6	2.3	2.3	2.2	✓LA
Total HRD expenditure in financial year (for WPL and EPL)	R million	172	182	156	169.7	178	↗
<b>Material Focus Area:</b>							
<b>Safety and Health</b>							
Fatalities	Number	1	3	4	5	1	
Lost-time injury frequency rate	Rate <sup>4</sup>	3.34	5.41	4.97	4.52	4.00	✓RA
Level 3 safety incidents	Number	12	21	11	18	19	↘
Lost-time injuries	Number	217	473	409	373	308	↘
Total injury frequency rate	Rate <sup>4</sup>	8.20	13.28	12.96	10.70	10.14	✓RA
Section 54 stoppages	Number	20	36	50	42	24	↘
New NIHL cases diagnosed	Number	66	199	72	37	78	↘
NIHL cases compensated	Number	49	108	104	44	67	↘
Diagnosed and treated tuberculosis cases	Number	436	462	411	330	227	↘
HIV/Aids-related deaths	Number	97	119	72	98	55	
HIV counselling and testing conducted	Number	17,964	16,301	18,372	23,820	22,747	↘
Patients on anti-retroviral treatment	Number	3,666	4,167	4,483	4,843	4,744	↘

Assurance provided by KPMG: Reasonable (✓RA), Limited (✓LA)

<sup>1</sup> Women employed in mining represent those employed in core mining operations.

<sup>2</sup> Women employed at the mine represent all women employed at our operations.

<sup>3</sup> We employ 10.2% (✓LA) of women (WAM) at WPL and 7.0% (✓LA) of women (WAM) at EPL.

<sup>4</sup> Injuries per million hours worked.

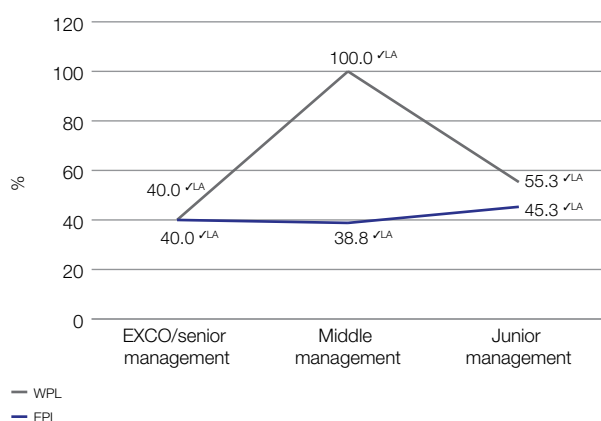
## Key Performance Statistics (continued)

Measurement	2014	2015	2016	2017	2018	Year on year trend
<b>Material focus area:</b>						
<b>Community relationship and investment</b>						
Community members receiving portable skills training	Number	158	138	137	165	81 ▼
Project spend against approved budget (health, education and social infrastructure) – WPL and EPL	Rand	47,672,897	62,551,667	52,062,623	80,558,123	59,486,630 ✓LA ▼
<b>Material focus area:</b>						
<b>Environment</b>						
Total freshwater consumption	m <sup>3</sup>	6,206,167	8,326,566	8,043,792	7,604,582	8,209,305 ✓LA ▲
Total freshwater consumption intensity	m <sup>3</sup> /PGMoz	7.04	5.8	5.58	5.76	6.23 ▲
Electricity	MWh	1,135,000	1,620,862	1,571,620	1,546,561	1,572,827 ▲
Electricity efficiency	MWh/PGMoz	1.28	1.12	1.09	1.17	1.19 ▲
Total direct and indirect energy	TJ	4,696.7	6,783.1	6,344.2	6,238.1	6,404 ✓LA ▲
Energy efficiency	GJ/PGMoz	5.32	4.68	4.40	4.72	4.86 ▲
Greenhouse gas emissions (scope 1, 2, 3)	KtCO <sub>2</sub> e	1,205	1,757	1,665	1,608.7	1,611.1 <sup>2</sup> ▲
GHG efficiency (scope 1 and 2)	tCO <sub>2</sub> e/PGMoz	1.4	1.2	1.1	1.2	1.2 >
Tailings disposed to tailings facilities	kt	6,006	11,636	10,222	9,889	11,484 ▲
Waste rock disposed to rock dumps	kt	491 <sup>1</sup>	870	865	535	652 ▲
Hazardous waste disposed of to landfill	Tonnes	40,097	86,881	70,603	69,747	68,705 ✓
General waste to landfill	Tonnes	5,460	8,585	8,766	8,612	8,194 ✓
Average sulphur dioxide emissions	Tonnes/day	7.16	11.2	13.60	13.1	13.06 ✓

Assurance provided by KPMG: Reasonable (✓RA), Limited (✓LA)

### Additional information

#### Percentage HDSA excluding white females per management level



<sup>1</sup> Quantity of waste rock disposed to rock dumps has been restated.

<sup>2</sup> GHG emissions for scopes 1 and 2 are 1,604,111 tCO<sub>2</sub>e. ✓LA



# Financial Value-Added Statement

Through business operations, shareholdings, investments, procurement contracts and development projects, Lonmin distributes financial value to a variety of stakeholders<sup>1</sup>.

US\$ million	2017	2018
<b>Net cash generated</b>		
<i>Customers, consumers, and investment income</i>		
Cash received for products	1,159	<b>1 339</b>
Cash returns on investment	6	<b>6</b>
<i>Suppliers<sup>2</sup></i>		
Cash payments for materials and services purchased	(460)	<b>(465)</b>
Cost of borrowings	(18)	<b>(16)</b>
<b>Net cash flows</b>	<b>687</b>	<b>864</b>
<b>Cash distributed</b>		
Human capital (salaries and benefits)	619	<b>677</b>
Social capital <sup>3</sup>	10	<b>9</b>
Donations	1	<b>2</b>
Other community projects	9	<b>7</b>
Government taxes	45	<b>50</b>
Directors remuneration	–	<b>–</b>
Shareholders' distribution	–	<b>–</b>
Cash retained for growth	13	<b>128</b>
<b>Net cash distributed</b>	<b>687</b>	<b>864</b>

<sup>1</sup> Prepared in US Dollars, which is the Group's reporting currency and aligns to its financial statements.

<sup>2</sup> Lonmin has a 30-day payment policy on services and procurement.

<sup>3</sup> Includes expenses related to the Social and Labour Plan community projects, donations, and other community investments, including salary and administration costs.

# Environmental, Social and Governance Performance

## Water

### Anthropogenic aquifer systems

Lonmin uses backfilled opencast pits that can store large volumes of water, as a source of water to the operations, using anthropogenic aquifers to support the intake of freshwater.



All operations are ISO 14001 certified (since 2003).

of general waste was diverted from landfill to be recycled, re-used and composted during the year.

**50%**

**35,271** hectares of land managed by Lonmin.

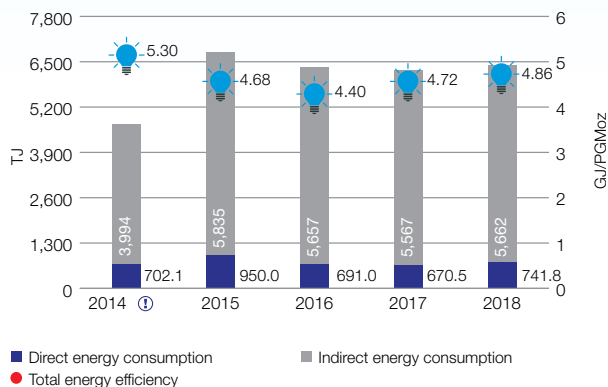


We recycled and re-used

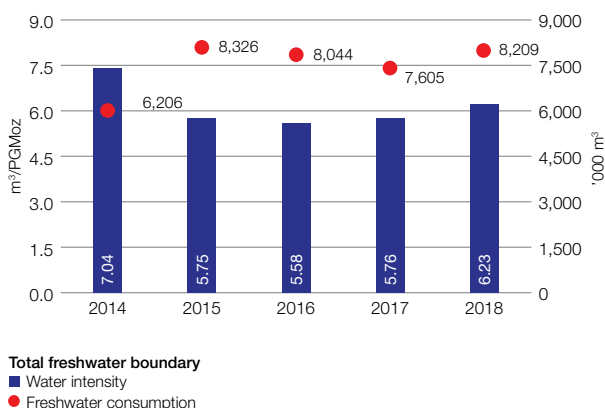
**14.1** million m<sup>3</sup> of water through our reticulation system at the Marikana operations.

## Environmental

Direct and indirect energy consumption (TJ) and energy efficiency (GJ/PGMoz)



Total freshwater consumption ('000 m<sup>3</sup>) and fresh water intensity (m<sup>3</sup>/PGMoz)



### Energy efficiency savings



**R62.01** (2017: R34.9) **R million saved**



**78,155** (2017: 32,322) **MWh saved**



**75,791** (2017: 32,000) **tCO<sub>2</sub>e savings**

### Scope 1 emissions (tCO<sub>2</sub>e)



**20,887** Mobile combustion



**41,254** Stationary combustion



**4,765** Explosives



**133** Non-combustion product use



**11,266** Disposal of waste to landfill (Lonmin operated and owned)



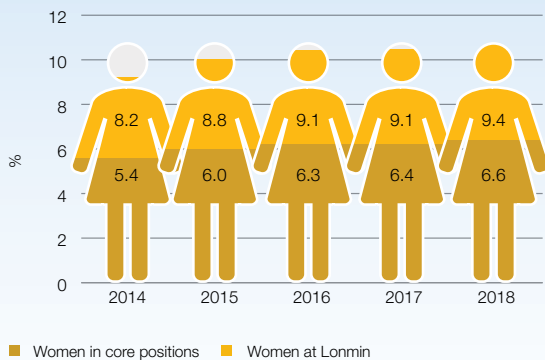
**151.28** Waste water treatment works (Lonmin operated and owned)



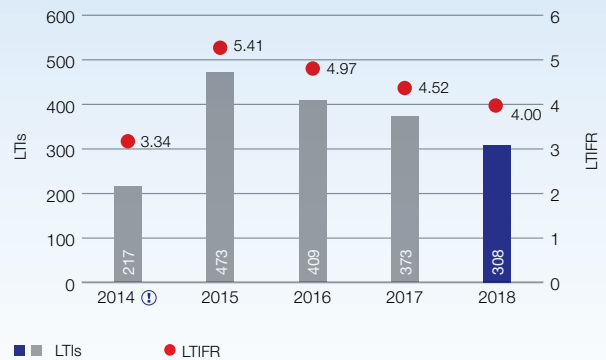
**10.44** Process emissions

## Social

### Women employed



### Five-year performance: LTIFR



Lonmin invested **2 million** training hours at our training facilities this year.

**66 formal mentorships** in place (33% women).

**82.99%** of employees are unionised, AMCU represents 82.1%.

**R18 million saved** for employees through the inception of a financial counselling service.

**81** community members receiving portable skills training.

Finished construction of a new primary school in Marikana serving **680 learners**.

**15 months' fatality-free**; 10 million shifts without a fatality.

**The JT Ryan Award** – Lonmin (underground) K3 Shaft Upper Group 2 (UG2) section.

**27.2%** decrease in hand injuries.

**Significant reduction in injuries** at the processing division:

**64%** reduction in lost time injuries.

**46%** reduction in total injuries.

AIDS related deaths decreased year on year by **44%**

The TB incidents halved over the last 10 years from **1,580** per 100,000 employees in 2008 to **729** in 2018

## Governance

**28%** women on the board



#### Tax Policy:

[www.lonmin.com/about-us/governance/tax](http://www.lonmin.com/about-us/governance/tax)



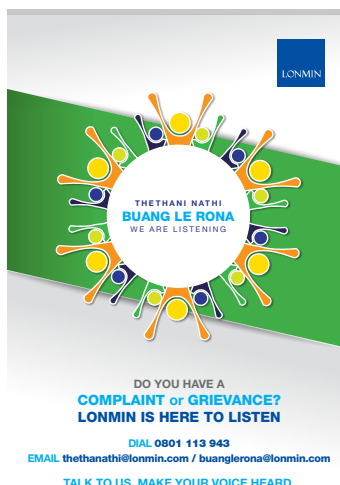
#### Human Rights Policy:

[www.lonmin.com/component/jdownloads/send/3-business-conduct/137-lonmin-human-rights-policy](http://www.lonmin.com/component/jdownloads/send/3-business-conduct/137-lonmin-human-rights-policy)



#### Business Conduct:

[www.lonmin.com/about-us/business-conduct](http://www.lonmin.com/about-us/business-conduct)



Launched the **Buang Le Rona grievance mechanism** for the public, mainly the communities surrounding Lonmin, to raise concerns.

# Safety and Sustainable Development Policy

## SAFETY AND SUSTAINABLE DEVELOPMENT POLICY



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.

To honour our Charter, and to create sustainable value for our stakeholders, Lonmin is committed to improving the quality of life of current and future generations through the integration of economic prosperity, social development and environmental protection by:

Honouring our health and safety values and sustaining an environment that promotes the safety, health and wellbeing of our employees and their families, contractors and the communities where we operate.

Providing adequate and appropriate resources to implement effective management systems and risk management based on valid data and sound science, during all phases of our operations to ensure the reduction of risks and the adoption of best practices.

Respecting and valuing the fundamental human rights, cultural heritage and indigenous traditions of our employees, communities and other stakeholders where we operate.

Integrating safety and sustainability development into the decision making process during all phases of our operations.

Upholding ethical business practices, sound corporate governance and transparency, while meeting or exceeding applicable legislation, standards and other requirements.

Implementing the principle of equal opportunity and equity while maintaining an appropriate skilled and diverse workforce.

Empowering our host communities and improving their quality of life by contributing to their long term social, economic and institutional development and promoting the beneficiation of our minerals.

Implementing effective material stewardship to manage the lifecycle of our products on a socially and environmentally responsible manner.

Promoting the sustainable use of natural resources and the reduction, re-use and recycling of waste.

Preventing pollution and environmental degradation in order to reduce our impact on the environment and the communities where we operate.

Responding to climate change and driving the reduction of greenhouse gases by adopting best practice technology, alternative energy sources, improved control systems and management practices.

Promoting integrated land use management and biodiversity conservation by applying a precautionary approach during all phases of our operations, including mine closure.

Maintaining transparent and ongoing consultative relationships with all stakeholders and incorporating this engagement into the decision making process.

Fostering the commitment of all employees and contractors to this policy through training and awareness programmes.

Seeking continual improvement to achieve a high level of performance through a framework of setting and reviewing our policy, objectives and targets.

Reporting publicly our sustainable development performance in accordance with ICMM Sustainable Development Framework and utilising the guidance of the Global Reporting Initiative Sustainable Reporting Guidelines.

Ben Magara  
Chief Executive Officer

August 2017





[www.lonmin.com](http://www.lonmin.com)

## **Lonmin Plc**

Registered in England, Company Number 103002  
Registered Office: Connaught House,  
1 – 3 Mount Street, London W1K 3NB