Lonmin reflects with great sadness on the loss of lives of our employees, members of the South African Police Service (SAPS) and members of the local community during the tragic events at our Marikana operations in 2012. We extend our heartfelt condolences to the families and colleagues of the 46 people who died.

We also extend to our employees, their families, our contractors, and local support services our thanks for their support and endeavours during this trying time. Our thanks go to the South African Council of Churches, trade unions, the Commission for Conciliation, Mediation and Arbitration, the Chamber of Mines of South Africa, the SAPS, and representatives of the Department of Mineral Resources for their valued assistance. Our thanks also go to our employees, particularly our support-services staff, who tirelessly served the Company and their colleagues.

Critical issues

MAKING SENSE OF MARIKANA

Understanding the circumstances through which a tragedy arises rarely explains it, and never justifies it. Under the chairmanship of Judge Ian Farlam, a commission announced by President Zuma has been tasked with examining the conduct of Lonmin; the South African Police Services (SAPS); the National Union of Mineworkers (NUM), AMCU, their respective members and officials; and the Department of Mineral Resources (DMR), among others, during the tragedy at Lonmin's Marikana operations in August and September 2012 in which 46 people lost their lives.

ENGAGING WITH OUR STAKEHOLDERS

We are committed to using the outcomes of this engagement effectively and incorporating them into the relevant decision-making processes of the business. Through this engagement, we aim to foster trusting and open relationships with our stakeholders.

PROVIDING DECENT WORK AND OPPORTUNITY

It is vitally important for Lonmin to attract, develop and retain skilled employees from diverse backgrounds in the face of a critical global skills shortage.

At the end of September 2012, we employed 36,523 people, 28,230 full-time employees and 8,293 full-time contractors. In total 91% of our employees are employed within our mining division. Our turnover level in 2012 was relatively low, at 6.17%.

ADDRESSING HOUSING AND LIVING CONDITIONS

We have committed to providing all employees with accommodation options that are affordable and secure and that allow for a decent standard of living. The living conditions of our employees have a direct influence on their general well-being and therefore on their ability to succeed in their working environments. Our investment is important for the achievement of our safety and production goals and supports our efforts to improve employee health and foster stable and trusting labour relations. Achieving this ambition though is likely to be costly and time-consuming, and is not something that Lonmin will be able to achieve in isolation.

UPHOLDING HUMAN RIGHTS

We seek to uphold human rights through all our dealings and operations and we believe in the importance of internalising internationally recognised standards of human rights.

We use the following conventions to inform our policies: Voluntary Principles on Security and Human Rights; the framework for businesses formulated in the UNGC, The United Nations Universal Declaration of Human Rights and the principles of both the International Labour Organisation (ILO) and the ICMM.

ENSURING THE SAFETY OF OUR EMPLOYEES

Our principal operational priority is the safety of our employees and contractors. While we recognise that mining and processing operations present a safety risk, we believe that we can operate without injury and, most importantly, without loss of life.

Our Safety and Sustainable Development Policy outlines our policy commitments, with 15 Lonmin Sustainable Development Standards – see www.inserturl.com supported by Fatal Risk Control Protocols. These provide a risk-based management framework for Company-wide
safety management, for our strategy of working towards continual improvement and alignment with best practice.

ENSURING HEALTH AND WELL-BEING

We care about the health of our employees, contractors and our communities and our efforts are aimed at improving the quality of their lives.

Our Workplace Health programmes are aligned with our goal of causing zero harm to people, and include not only management and treatment programmes but also prevention programmes.

PARTNERING WITH COMMUNITIES

Contributing to long-term social, economic and infrastructural development is a direct investment in the sustainability of our operations, and that of the people affected by our activities.

Securing our licence to operate is much more than achieving compliance to operate within current and future regulatory environments. It is the implicit and explicit acceptance or approval granted and, indeed, earned by the company from local communities and other stakeholders. We know we need to engage with communities on an on-going basis to ensure the continuation of our social licence.
At Lonmin, we seek to ensure that the ethos of sustainable development is implicit within every area of our business. We believe this report presents a comprehensive, balanced and transparent view of Lonmin’s approach to sustainable development.

Our reporting this year

This year we have made use of a number of formal reports to communicate how we are investing in our employees and the surrounding communities, and to demonstrate the implications of the recent events:

- This online Sustainable Development report provides comprehensive and detailed information on our sustainability performance.
- A Summary Sustainable Development Report provides a summary of the current most material issues Lonmin faces.
- Our 2012 Annual Report and Accounts provide an holistic overview of our business. Key elements of our sustainability performance are also reported on in our Annual Report and Accounts as we support a transition to integrated reporting.

Our report content is based on the outcomes of our risk-management processes and materiality assessments, as well as engagement with our stakeholders and reflection on their primary concerns relating to the Company and its activities. We were further guided by the Principles of the Global Reporting Initiative’s (GRI) Technical Protocol on Applying the Report Content.

This report has been prepared in accordance with GRI’s G3.1 Guidelines, its Mining and Metals Sector Supplement, the 10 Sustainable Development Principles and the mandatory Position Statements of the International Council on Mining and Metals (ICMM). We have assessed this report against the GRI requirements for an A+ level of reporting and we declare it to be compliant with this level. Our GRI index is available on this website.

Our external auditor, KPMG, has provided either limited (LA) or reasonable (RA) assurance over selected sustainability performance indicators presented in this report, compliance with the ICMM’s Principles and Position Statements, and the ICMM Subject Matters 1 – 5, as well as our compliance with GRI. The KPMG assurance statement (PDF) appears under the Ethics and governance section.

Lonmin’s reporting is not only about compliance. To ensure that we have captured the interests of stakeholders, reported on those issues that are more critical, and reported in a balanced manner, we asked a number of independent reviewers for their guidance. The composition of this review panel, their mandate, response, and our response to their recommendation may be found under Feedback from the review panel.

This report covers our 2012 reporting period from 1 October 2011 to 30 September 2012. Post year-end information is provided on occasion, and is indicated. Our previous report was published in December 2011 for the period from 1 October 2010 to 30 September 2011.

There have been no other significant changes in our size, structure, ownership or products that would materially influence the scope or boundary since the last report. Post year-end, the Company announced that K4 shaft will be placed on care and maintenance with effect from 17 October 2012.

In this report we include information on all Lonmin-owned entities: Western Platinum Limited (WPL), Eastern Platinum Limited (EPL) and Messina Platinum Mines Limited (MPML), as well as those joint ventures or partnerships over which we exercised management control during the 12-month reporting period. The following references are important as they replace the names of the legal entities. This is because our data is provided in terms of both these operations and their geographic areas.

- Marikana refers to the operational activities of WPL and EPL in the North West Province;
- PMR refers to our Precious Metal Refinery, located in Brakpan, Gauteng Province;
- Limpopo operations refers to MPML, located in Limpopo Province; and
- GLC refers to our Greater Lonmin Community, which incorporates the communities within a 15km radius around all of our business operations. We recognise that the communities surrounding our operations have unique interest and needs, and this reference is not intended to indicate that we understand this to be a homogenous grouping. The term GLC originated in 2005 during a series of stakeholder engagement forums with representatives from the local communities, traditional authorities, unions and Lonmin management. See map of the region.

Certain operations – including our Johannesburg head office and London office, Akanani, Viakfontein Nickel, and all our exploration operations – have been deemed insignificant to our reporting process due to their relative size and sustainability impacts, and have therefore been excluded. The only quantitative information provided for these entities refers to safety statistics, operational, environmental rehabilitation and associated costs, and the number of employees and contractors.
The measures by which we acquire and interpret our data are in line with recommended practice and are detailed in each applicable section of this report. Where changes in data measurement or collection methodologies have occurred, we have stated the basis, calculation and assumptions in the text with footnotes. All monetary amounts reflected in the report are expressed in South African Rands (R) and US Dollars (US$), with a conversion rate calculated at R8.05/US$. A total production of 1,349,802 platinum group metals (PGMs) ounces (oz) is used to calculate intensity or efficiency in the report.

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Our approach

At Lonmin we aim to entrench sustainable development throughout our value chain, guiding the relationship with our many and varied stakeholders within the framework of a complex regulatory environment. Our approach must not only satisfy the present needs, but use available information to ensure that we make well-informed decisions to secure a safe and productive future.

By its very title, sustainable development involves the creation of long-term growth and value. Lonmin, as a producer of minerals and metals and as a responsible corporate citizen, views its role as two-fold. We believe that we are able to contribute to the creation of sustainable value not only through our products – see the section on our products and their uses – but also through our approach to the development of the people and communities affected by our operations.

Lonmin has sought to integrate our vision of sustainable development into the Company’s corporate culture and strategy, to embed sustainability within the Company and forming a crucial component of the way we conduct business. We report comprehensively and transparently.

We understand that our approach is a journey, and that there is much that we still need to learn and implement. The devastating events in August 2012 at our Marikana operations have resulted in much introspection and reflection, as well as renewed determination and efforts to progress on this journey.

What we believe

We believe that we can make a difference. We believe that, through our resources, our skilled and committed teams, our partners and our Board Safety & Sustainability Committee and Transformation Committee we have the capacity to create long-lasting value for all our stakeholders. Supporting these beliefs are the following three pillars: People, Planet and Profit.

Sustainable development and the South African mining industry

We believe that the South African mining industry continues to play an important role in delivering sustainable value for communities and environments.

- As a key sector in the South African economy, the mining industry is responsible for maximising the opportunities and benefits presented by its activities. Approximately 19% of South Africa’s Gross Domestic Product is attributable to mining, and the industry creates 1.3 million jobs; 500 000 directly and 800 000 indirectly*.
- Mining companies are bound to enhance their social and environmental impacts by adopting efficient processes and applying the best and most cost-effective technologies available.
- By its nature mining has an impact on the environment and, if not managed responsibly, could cause degradation. These impacts need to be reduced and mitigated wherever possible.
- The proximity of the industry to local communities, and given that our employees often reside in these communities, means that we have a responsibility to promote and uplift the socio-economic status of these affected communities.
- A profitable mining sector is in a position to contribute to improved healthcare and to the mitigation of health and safety risks, and all efforts to this end should be undertaken.
- Creating and maintaining links with other role-players and organisations that are working towards similar ends is key, and engagement with these parties is vital.
- We are proud to support the opportunities for training and education of our employees, their children and those in the surrounding communities through scholarships and bursaries. These education initiatives will leave a valuable social legacy even after the finite mineral resources have been depleted.

* figures from the Chamber of Mines Annual Presidential Review

How we implement what we believe
In our pursuit of creating a fully integrated approach to sustainable development, Lonmin has identified five sustainable development strategic objectives. These are recurring themes discussed throughout this report.

1. **Safety of our people**
   Safety policies and procedures are integrated into our decision-making processes and are embedded within the Lonmin culture. Our working environment does not tolerate at-risk behaviour and pursues zero harm. Lonmin leadership is working towards the elimination of fatalities, serious injuries and unsafe behaviour.

2. **Resource optimisation and efficiencies**
   We have learnt that optimising our resources and using them efficiently creates value. We pursue this at every step in our business: from the discovery of minerals and metals, to their acquisition, development, beneficiation and marketing. Responsible product stewardship forms a final, and crucial, component. We invest in research and development projects to investigate new and better ways of beneficiating PGMs.

3. **Social well-being and development**
   We are in a position to improve the quality of life of our employees, contractors and the members of the communities surrounding our operations through socio-economic development. A number of comprehensive health programmes, designed to reduce the impact of occupational diseases, chronic diseases, and the HIV pandemic, are in place. Skills and leadership development programmes are also available to current and future employees, as a means of furthering employment opportunities and facilitating economic growth.

4. **Environmental responsibility**
   Lonmin’s approach to the environment is informed by a pro-active, risk-based methodology. This strategy seeks to reduce our impacts and addresses the management and rehabilitation of our impact throughout the life cycle of our activities. It includes measures to promote the efficient use of resources and energy, to improve water availability and quality, to reduce air quality emissions; to minimise waste, land and soil degradation, to preserve biodiversity, to endorse heritage and land management, to facilitate stewardship of the supply chain, and to monitor product development.

5. **The integration of sustainability**
   These sustainable development principles are integrated into all Company policies and practices.

**Upholding the principles of the ICMM**

Our strategy, policy documents and Company position statements uphold the 10 Sustainable Development Principles and the supporting Mandatory Position Statements of the ICMM. Gap assessments were conducted during the year to ensure this alignment and any gaps identified were found to be sufficiently covered through various other policies and procedures.

**Our model of sustainable development**

Our Sustainable Development Operating Model provides the framework to understand the complex sustainability aspects within our environment and their relationships. We use the Five Capitals Model to support this understanding, and to indicate the different types of capital used to deliver products and services within Lonmin. The capitals are social capital, human capital, natural capital, financial capital and manufactured capital. We believe that a sustainable organisation will maintain and, where possible, enhance these stocks of capital assets rather than deplete or degrade them. The model allows us to broaden our understanding of financial sustainability by considering how wider environmental and social issues can affect long-term profitability.

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**Explaining our model**

The model considers the resources available for human progress and development as different types of “capital” with flows of benefit between the different capitals and pillars.

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**The Planet pillar** consists of **natural capital**: Natural capital (also referred to as environmental or ecological capital) represents the stock of environmental assets which consists of:
- Sources, with reference to renewable sources (plants, animals, water, soil, land) or non-renewable sources (fossil fuels, minerals).
- Sinks, with reference to degraded or polluted land/environment, rehabilitation, remediation, recycling, emissions, pollution and waste, and the control and management thereof with the intention to turn renewable “sinks” into “sources” again.

**The People pillar** consists of **social and human capital**:
- Human capital includes people’s health, knowledge, skills, motivation, energy, work, creativity and innovation. These enable people to feel good about themselves and each other, and to participate in society and contribute productively towards its well-being.
Social capital refers to the different cooperative systems and organisational frameworks people live and work in, such as families, communities, governance systems, businesses, schools, trade unions, shared religion and culture, and voluntary groups.

The Profit pillar consists of manufactured and financial capital:

- Manufactured capital comprises human-made infrastructure and products.
- Financial capital is viewed by many as different to the other four capitals in that it has, strictly speaking, no intrinsic value; whether in shares, bonds or banknotes, its value is purely representative of natural, human, social or manufactured capital. Financial capital is, nevertheless, very important as it reflects the productive power of the other types of capital and enables them to be owned, traded, protected or enhanced.

Sustainable development is, therefore, a process of managing these different capital flows in a way that will enable continuous benefit for current and future generations.

Sound governance

Lonmin is committed to upholding the highest standards of corporate governance policies and practices. These are underpinned by the values set out in the Lonmin Charter (PDF) - and are supported by our updated Lonmin Code of Business Conduct (PDF).

The Company’s approach to sustainable development, which forms part of these policies and practices, is defined in the Lonmin Safety and Sustainable Development Policy, and is guided by the Lonmin Sustainable Development Standards. These standards are aligned with the ICMM and UNGC principles.

Ultimate responsibility for sustainable development matters rests with the CEO. In August 2012, our CEO, Ian Farmer, was diagnosed with a serious illness for which he was required to begin an extended period of treatment. In his absence, the Board of Directors appointed Simon Scott, Chief Financial Officer (CFO) to the position of Acting CEO. Our discussions refer to the role of the CEO, and this refers to the incumbent in office at that point in time. He is assisted by the Executive Committee, which is responsible for reviewing the Company’s progress and performance on safety and sustainability issues.

Line responsibility for our Sustainable Development Programme is held by the Executive Vice President of Processing and Sustainability. This year marked the appointment of an Executive Manager for Sustainability to integrate sustainability within the business. See the section on Governance of sustainability.
Managing risks and identifying material issues

Risk is inevitable in every business. The nature of our business, and the extent of exposure of people to the business, as well as the nature and setting of our commodity, require pro-active identification, management and mitigation of risk.

We ensure that:

- we have sound and effective systems of internal control and enterprise risk management in place;
- our risk management systems ensure risk ownership from line management right up to the Board and Executive Committee;
- these systems are embedded within the business;
- they are effectively implemented; and
- they are consistently reviewed and reported at all levels of the business.

Our Risk Management Policy requires each business and corporate function to undertake a comprehensive annual risk review as part of an on-going process for identifying and assessing, then evaluating, managing and monitoring significant risks, including sustainable development risks. This is done through top-down and bottom-up reviews, with mitigating actions tracked on a monthly basis. The results of these reviews are integrated into our annual business strategies and plans, which are presented to the Board and supporting committees for approval.

Our Company-wide risk management system establishes a common understanding and methodology for identifying, assessing, evaluating, monitoring and reporting risks. Risks identified by the Company are rated taking into consideration the potential effect or impact and also the probability and frequency of the risk occurring. It provides management and the Board with the assurance that our principal(1) and key risks are identified, managed and controlled.

Managing and mitigating risk

A new database platform is being rolled out to support risk identification and management. This will ensure that each business unit has the tools to manage risk and that the mitigation thereof resides within each of the business units. Risks specifically relating to safety, health, climate change and the environment are presented by management for consideration by the Safety & Sustainability Committee. Risks associated with Lonmin’s Social & Labour Plan are reviewed by the Transformation Committee.

These committees report to the Board. See the discussion in the Annual Report and Accounts on risk management and risk factors.

Principle and other key sustainability risks and opportunities

Some of the actions we have taken to mitigate sustainable development risks include:

- seeking annual assurance over our Safety Management Systems as part of our ICMM third party assurance;
- undertaking annual baseline risk assessments, near-miss reports and safety behaviour observations are part of everyday activities within the Company, and include continuous risk assessments, inspections, audits and planned task observations;
- focussing on the sustained transformation of the Company through the recruitment and development of HDSAs and women through investment in skills development, community development and in BEE business;
- promoting demand for low-carbon technologies in sectors that rely on platinum, including fuel cells and catalytic converters;
- improving our resource efficiency to reduce consumption of water and electricity;
- implementing safety initiatives such as the Line of Sight Charts and Mission Directed Work Team Charts, which increase management and employee awareness of safety risks and performance;
- maintaining medical surveillance and strengthening occupational hygiene risk management programmes;
- implementing a comprehensive HIV/AIDS and TB strategy;
- investigating new technologies that could reduce our environmental risks;
- investing in the leadership development of our managers, in order to develop a culture of responsibility and risk ownership; and
- implementing CURA, a new risk management system that automates risk management updates on a real-time basis and tracks progress on all risk registers.

We also appreciate that risks bring with them opportunities for the company to learn. Aside from trying to mitigate risks we also seek opportunities to achieve positive outcomes and use them to decide on new projects. Some examples of these include:

- improved treatment of tailings resulting in high Chrome recoveries All chrome plants were operational for the period under review excluding the strike period and sales increased to 1.2 million tonnes compared to sales of 0.7 million tonnes in 2011 (see the Annual Report and Accounts 2012); expansion potential in the adjacent Pandora joint venture area. This area is currently mined from one of the Company’s older incline shafts within the Easterns part of the mine and will enable the Company to extend the operational lives of these valuable assets;
- improvement of the know-how of our senior teams through studying DuPont’s approach to safety; Improving the management of safety and employee motivation;
- consideration of an Eskom and Lonmin joint investment to achieve electricity savings. We depend on resources in particular energy and water. By
Principal risks and material issues

Material issues

In compiling this report, Lonmin again embarked on a formal process to identify those issues – both challenges and opportunities - that are material to the Company and our stakeholders. We took into account analyst and media coverage, formal and informal community feedback, employee surveys, shareholder feedback, and issues raised at and through industry forums, such as the IPA, the ICMM and the Chamber of Mines. The principal risks and other key risks specifically relating to safety, health and the environment as identified through the risk process have also been taken into account. In most cases the principal and the other key sustainability related risks and the material issues identified through stakeholder consultation can be easily linked. The table below lists principal risks together with additional key risks associated with sustainability and links these to material issues as per our assessment of stakeholder feedback.

Principal risks and material issues

<table>
<thead>
<tr>
<th>Principal and other key sustainability related risks</th>
<th>Mitigating the risk</th>
<th>Material issue</th>
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| Failure of safety routines or safety strategy.      | Commitment from the Board and management towards creating a safe culture throughout the Group. The Safety & Sustainability Committee monitors the implementation of the safety strategy on behalf of the Board. Processes in place for safe production includes:  
  - employee engagement strategy and safety training standards, both which are monitored regularly;  
  - clearly defined safety protocols including safe behaviour observations in place;  
  - regular third party audits and peer reviews conducted; and  
  - balanced scorecard measures incentive appropriate safety behaviour. | Employee safety at work, with both the risk of safety failures and safety-related stoppages presenting a primary and continuous concern for the Company. |
<p>| Ineffective contractor management.                  | There is a contractor hub, management procedures and basic terms and conditions of service for all service providers in place. There is also an established Steering Committee as well as internal and external audits. | |
| Poor employee relations influenced by internal and external factors. | Following the strike in August and September 2012 Lonmin is re-building relationships with employees. This includes at company level a full engagement strategy with all unions and at an industry level, discussions on moving to collective bargaining for the platinum sector. Rebuilding solid relationships and trust will take time but is something that the Board and management are committed to. | Lack of union representation of workforce, union rivalry, combined with rising levels of lawlessness, intimidation and violence that have characterised protest action in recent months. This is within the context of rising cost pressures that could threaten jobs, and an enduring sense of employee mistrust of management. |
| Poor community relations influenced by internal and external factors | A full engagement strategy with community representatives, unions and employees is in place. The Board and management are committed to building solid relationships with local communities to the benefit of all stakeholders. | Rising expectations regarding delivery of benefits by Lonmin on the part of government, communities and employees. This is exacerbated by increased dissatisfaction with the pace of government service delivery. |
| Social licence to operate and reputational risk (including social and labour plan) | Following the strike in August and September 2012 Lonmin’s reputation has been damaged. We are co-operating fully with the Farlam Commission to better understand the tragic events that occurred at Marikana so that we can address those issue we are responsible for to ensure we never again see a repeat. We are also engaged with all stakeholders including employees, unions, communities, suppliers and the South African government. For the Social &amp; Labour Plan targets are set and monitored on a regular basis by the Executive Committee, the Safety &amp; Sustainability Committee and the Transformation Committee. The Balanced Scorecard incentivises delivery against these targets. | Understanding the complex expectations and varied needs of the government, communities and employees, and working to meet these through engagement and investment, as well trying to meet our SLP and Mining Charter targets by 2014. |
| Skill Shortage | Processes for individual development programmes, succession planning and scarce skills allowances are in place. There is a focus on bursaries, graduate | Attracting, developing and retaining skilled employees at various levels in the Company. This challenge is exacerbated by the |</p>
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<tbody>
<tr>
<td>Access to secure energy, electricity and water.</td>
<td>Measurement of energy usage and energy savings initiatives implemented. Load shedding and contractual agreements with Eskom (SA energy supplier). Measurement of water usage and water saving initiatives implemented. Plans aligned with long term strategy. Electricity and water supplies secured for key areas of the business. Active participation in relevant industry bodies.</td>
<td>Long-term security of energy and water supply at an affordable cost for current operations</td>
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<tr>
<td>Impacts of land management</td>
<td>Establishment of Land Management Forum and participation in formal legal processes such as EIAs. Stakeholder engagement sessions with the local authorities.</td>
<td>Ensuring the Company’s ability to plan for and achieve closure that leaves communities with a sustainable end land use and an asset rather than a liability.</td>
</tr>
<tr>
<td>Impact of climate change on the business.</td>
<td>At operational level monitoring of electricity and water, energy usage takes place. Operational plans are in place to monitor efficiencies and specific corporate targets that relates to energy and water have been put in place.</td>
<td>Managing risks and leveraging opportunities for our business in line with our climate change response strategy.</td>
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### PLANET

**Principal and other key sustainability related risks** | **Mitigating the risk** | **Material issue** |
---|---|---|
Access to secure energy, electricity and water. | Measurement of energy usage and energy savings initiatives implemented. Load shedding and contractual agreements with Eskom (SA energy supplier). Measurement of water usage and water saving initiatives implemented. Plans aligned with long term strategy. Electricity and water supplies secured for key areas of the business. Active participation in relevant industry bodies. | Long-term security of energy and water supply at an affordable cost for current operations |
Impacts of land management | Establishment of Land Management Forum and participation in formal legal processes such as EIAs. Stakeholder engagement sessions with the local authorities. | Ensuring the Company’s ability to plan for and achieve closure that leaves communities with a sustainable end land use and an asset rather than a liability. |
Impact of climate change on the business. | At operational level monitoring of electricity and water, energy usage takes place. Operational plans are in place to monitor efficiencies and specific corporate targets that relates to energy and water have been put in place. | Managing risks and leveraging opportunities for our business in line with our climate change response strategy. |

### PROFIT

**Principal and other key sustainability related risks** | **Mitigating the risk** | **Material issue** |
---|---|---|
Resource nationalism | On-going dialogue with key stakeholders and government at all levels to understand and address concerns. | Lack of certainty and inconsistency in policy and its application within the South African regulatory regime, combined with increasing levels of regulatory requirements resulting in greater administrative and cost burdens to the Company. Securing Lonmin’s status as a BEE company. |
US$ metal prices and currency volatility (specifically US $/ SA Rand) | Lonmin gathers market information from a number of sources to monitor market segments and trends in the industry. Longer term volume contracts with key customers mitigate off-take risk. Historically there has been a long term correlation between USD/SA Rand and PGM basket price, although this can dislocate over short periods. Current policy is not to hedge. | Operational and financial sustainability and growth rising costs and cost of capital. |
Uncompetitive gross or unit costs | Lonmin has a clear understanding of its competitive position and required productivity improvement plans. Balanced Scorecard targets incentivise cost control. | The effective development, adoption, implementation and management of technology to conserve resources, optimise yields, reduce costs and produce to capacity. |
Theft of explosives or Copper cable and product | Continuous security vulnerability assessments, a code of ethics, whistle blowing procedures and compliance audits are in place. We work closely with relevant government agencies as well as with key stakeholders at all levels to minimise the impact. | Ensuring the security of products and by-products. |
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<tr>
<td>Access to cost effective funding (strong balance sheet) and treasury related risks</td>
<td>Headroom and key covenants in banking lines are constantly monitored through rolling cash flow forecasts, as are treasury related risks such as interest rate and counter-party risks. As announced in October 2012 Lonmin is looking to restructure its balance sheet through a rights issue to improve its financial strength. This includes amending the current bank debt facilities to remove EBITDA covenants and replace these with Tangible Net Worth and Capex related covenants. These covenants will more accurately reflect the solid asset underpin of Lonmin and remove covenant risk due to market volatility.</td>
<td>Supply and demand dynamics in the market which affect actual prices and revenue, general investment sentiment and perceived risk of the sector, as well as the Company’s ability to sustain and raise capital.</td>
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<tr>
<td>Failure to deliver on long term capital plan and failure to deliver shareholder value</td>
<td>We have a strong capital project department to manage and implement long term capital plans. Borehole drilling, magnetic surveys and 3D seismic surveys are done to ensure full understanding of the geology on Lonmin properties. Independent peer reviews of the long term plan. Balanced Scorecard incentivises appropriate reserve development.</td>
<td></td>
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<tr>
<td>Failure in internal controls or accounting processes</td>
<td>Lonmin has a clear organisational structure with appropriate segregation of duties and independent internal and external audits with follow up. The Internal Audit work plan is closely aligned to the risk management framework and risk profile of the Group.</td>
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<tr>
<td>Bad ground conditions – Loss of reserves.</td>
<td>Bore hole sampling and seismic surveys are conducted under the supervision of specialist geologists coupled with independent audits of reserves. Quality in-house technical internal review processes.</td>
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Message from the Acting Chief Executive Officer

This year has been like no other in the history of Lonmin, with the tragic events of August 2012 which took place at Marikana becoming a seminal episode for our Company, our sector, our industry and our country. The consequences of these events will be felt for many years to come.

As acting CEO, appointed at a time when the Company was under significant pressure, I have placed great reliance on the foundations set by the board and executive, and notably by the CEO, Ian Farmer, who was regrettably afflicted by illness during this time. For all their support and forbearance, I am most grateful.

It would be simplistic, and indeed defeatist, to reduce our sustainability performance to the events of August. It would be naïve to assume that these events would not be defining.

Our Board and management team extend our sincere condolences to the families, colleagues and friends of the 46 people that died during August and September during the course of events that took place at Marikana. Together, we must work to ensure that this tragedy of this nature is never repeated.

In our online 2012 Sustainability Report we have endeavoured to review the year as a whole, to provide a holistic overview of the Company’s pursuit of our values and objectives, but to take into account the significant events of the most recent months. This has indeed been a humbling year, one for reflection and finding a new way forward.

Rather than delaying the release of this report, we have decided to progress our reporting, but to do so in such a way that as analysis and changes in policy and process arise, the report will be updated. In effect, we wish to create a ‘living report’ of which this is the first chapter.

What we believe in

We believe that a sustainable company is one that provides returns for all stakeholders. We want to enable shareholders see a return on their capital, to help society benefit from a real and meaningful stake in and association with our Company; and to ensure employees are proud to work for Lonmin.

This has, in the main, not been the case this year and we have and will continue to learn from the events of the past few months. We need to develop and improve our model of engagement, one that will support the development of a sustainable company.

We recognise that sustainability is not only about the social or environmental performance and impacts of the company, although those are critical to our business; sustainability is about finding the balance between financial and societal value creation.

With this in mind we present this report that provides an holistic review of our objectives, performance, challenges and opportunities. As a Company we want to develop a shared understanding of what integrated sustainability means to us, how we can achieve it and how we can maintain a balance that sees our company growing and all stakeholders receiving fair returns.

Marikana

The tragedy at Marikana has been a defining moment for South Africa’s still young democracy, establishing the platform for critical conversations needed about mining and society; and Lonmin expects to play a significant role. This conversation must be grounded in a factual understanding of what happened, and the outcomes of the Farlam Judicial Commission of Inquiry (Farlam Commission) will be critical. We fully support this commission and will participate in its deliberations to the fullest extent.

An important starting point has been – and will continue to be – process of introspection. Lonmin provides 36,500 direct jobs, and our operations support many more. That means we have a great responsibility to the local community and to the country as a whole.

The balance between ensuring a profitable and sustainable business, and the jobs that such a business generates, on the one hand and the impact that our business has on the society within which we operate is at the crux of ensuring a truly sustainable business.

In truth, as we continue to grapple with the social ramifications of the Marikana tragedy, we also have to acknowledge that we are running a PGM business in the most difficult trading conditions our industry has faced in recent times. Those people who provide the capital we need to invest in our business have been subject to negative returns.

As a society, we have recognised the need to deal with legacies of our past and the socio-economic challenges that persist. Companies like Lonmin have invested extensively in addressing these gaps and will need to continue to do so.

Most critical observers recognise that there are broad socio-economic challenges facing South Africa that need to be addressed, and that these will need to be addressed by a number of different stakeholders, and not only individual companies. However there is a significant role for individual companies, and we acknowledge and accept the breadth and depth of our social responsibilities both as a moral obligation and to advance our shareholders’ interests. Marikana has highlighted the extent to which companies operating in South Africa must embed in their strategic orientation financial and social value as mutually reinforcing interests.

Mining companies cannot assume the roles of government or social organisations. They are not structured to advance social interests, nor enforce public order. We will consider how we respond to the challenges posed by Marikana while being mindful of our competencies and resource limitations.
and, in particular, the way in which we uphold our values within the context of our society.

What the events at Marikana show us, however, is that Lonmin and other stakeholders, including local and central government and our employees, need to be much more effective in providing solutions. We accept that we will need to significantly improve our dialogue with all of our stakeholders, especially employees. The events of August at Marikana must never be repeated.

**Safety**

Safety of our colleagues at work remains our most significant priority. As a company we mourn the deaths of Mr Albino Cuna and Mr Thabisani Didili at work during the year, and extend our condolences to their families and colleagues.

On the positive side, however, we have recorded an improvement in our overall safety performance and we are focussed on embedding learning points from the DuPont systems and processes into our business. Our year-on-year Lost Time Injury Frequency Rate (LTIFR) improved by 11.7%, supporting our long term trend of safety improvement; over the last five years Lonmin has improved the LTIFR by 33.65%.

**Housing and living conditions**

Integration of sustainability also means that we need to understand the impact of the environment in which our employees find themselves outside work. The critical shortage of affordable housing is one of South Africa's major challenges and requires to be addressed through the cooperation of both government and the private sector.

The demand for housing in mining regions such as Rustenburg cannot be satisfied by individual mining companies. We remain committed to accelerating provision of accommodation for our employees, premised on solutions that match the needs and demands of our workforce. Lonmin will also consider collaborations and partnerships and explore innovative solutions such as alternative construction methods that may enable us to pursue more aggressive but cost effective strategies to satisfy the demand for healthy and functional accommodation for our workers.

We believe that to establish and sustain functional and healthy mining communities a collaborative approach, to provide affordable and acceptable choices, is required. An approach premised on public-private partnerships would be the best solution, and we are committed to participate and invest in public-private partnerships that can deliver improved living conditions and viable communities around our operations.

**Importance of reporting**

At Lonmin we subscribe to the values and principles of the ICMM and the UNGC. We report in line with GRI. In addition to the compliance with these various external parties’ criteria, and the assurance of selected sustainability indicators by external assurer KPMG, we have taken the further step this year of asking a number of external experts to review our report for:

- **Materiality** – are we reporting on the things that are most important, particularly to our stakeholders?
- **Balance** – do we report in a way that reflects both good and bad?
- **Focus** - which issues need more coverage in the report, and which issues require less coverage?

See the [feedback from the review panel](#).

**Winning back trust**

The biggest challenge facing us today is winning back trust, and most notably the trust of our employees and the communities in which we operate. The breakdown of trust is not one that Lonmin has endured alone. Throughout the industry there has been a breakdown in bargaining structures.

At Lonmin we subscribe to the values and principles of the ICMM and the UNGC. We report in line with GRI. In addition to the compliance with these various external parties’ criteria, and the assurance of selected sustainability indicators by external assurer KPMG, we have taken the further step this year of asking a number of external experts to review our report for:

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- **Focus** - which issues need more coverage in the report, and which issues require less coverage?

See the [feedback from the review panel](#).

**The next steps**

As we plot our way forward from a difficult year marked by a terrible tragedy, we will need to review the metrics with which we measure our objectives and performance. We want to proactively encapsulate the way stakeholders measure our performance in the way we measure ourselves.

As we plot our way forward, we need to review the metrics with which we measure the achievement of our objectives and our performance.

We will report back during the year, as we come to a greater understanding of our sustainability journey, and taking into account the findings and outcome of the Farlam Commission.

On 30 October 2012, post year-end, we announced the Lonmin Renewal Plan. The Plan is in part a response to general global macro-economic conditions, but in the main a response to operational performance. Our Plan includes significant emphasis on our approach to our Social Licence. Our Board views the delivery on transformation and social responsibility as essential, both in terms of our obligation under the Mining Charter and morally as a good corporate citizen of our country. Two areas in particular which are housing and our relationships with our employees and the communities in which we operate, will receive specific and great attention.

The path to recovery and renewal will not be easy, smooth or quick. We have made a good start. The return of our employees to work and the ramp up to full production have proceeded better than planned. A proposed Rights Issue of approximately R6,577 million (US$817 million) to reduce our indebtedness and strengthen our financial condition has received strong shareholder support. I hope to report good progress in six months’ time.
Letter from the Chairman of the Safety & Sustainability Committee

At the outset, let me say that our hearts go out to the families and friends of our colleagues, Mr Albino Moses Cuna (49) and Mr Thobisani David Didi (35) who suffered fatal accidents whilst at work in 2012.

We also wish to again convey our condolences to the families of those who lost their lives during the tragic events which took place in August and September in Marikana. We fully support the Farlam Commission of Inquiry which has been tasked by the government with investigating the causes which led to these events.

Recent events, both at Lonmin and in the South African mining industry generally, have been particularly sobering. They have caused each of us to individually and collectively consider our approach to sustainability and transformation. This introspection is no bad thing and the Board is fully aware and mindful of its responsibility to all our stakeholders, especially our shareholders, our employees and our host communities. At Lonmin, safety, sustainability and transformation are not add-ons or optional extras; they are absolutely integral to what we do and how we try to do it, from the boardroom to the rockface.

Any fatality is intolerable to us. However, despite the two fatalities earlier in the year, there is also some good news: our on-mine safety performance continued to improve, with our Lost Time Injury Frequency Rate improving by 11.7% during the year. Reducing the severity of injuries continues to be a focus, and we are pleased to report an improvement of 56% this year compared to the prior year.

Recognising the critical importance of issues such as housing shortages, migrant labour and relationships with our employees and host communities, the Board established a Transformation Committee in January 2011 to oversee progress in respect of transformation and empowerment, including delivery on our housing commitments. During the year, the Board and its Committees have spent a considerable amount of time reviewing these issues and how best to address the gaps and accomplish better results in the year ahead. We regard this as an absolute priority.

During a year dominated by upheaval and a breakdown of trust, it is easy to forget the positives. Our investment in the surrounding communities through education and health programmes has increased this year. In total 41 bursaries were allocated to community learners, and 20 classrooms were built, along with a clinic close to our Limpopo operations. In total, Lonmin spent R39.7 million (US$4.9 million) on approved Social and Labour Plan projects in 2012. In addition to these investments, the Company has set up a new fund to provide for the education of the children of those colleagues who were killed in August 2012.

Economic sustainability is at the heart of any long term business, and the Company will continue to focus on improving efficiencies and our long term prospects. Being situated on the Bushveld Complex, which holds the world’s largest deposit of PGMs, means the Company has significant resources to sustain the current operations for many years to come.

It is our intention that future generations should benefit from what Lonmin invests today. The Board believes that creating social value need not be in conflict with generating profitable returns for our shareholders. In fact, the two goals are often compatible, and it is only by finding such synergies that true sustainability can be achieved; social and environmental sustainability and economic sustainability have to work in tandem.

Our most immediate task is to restore confidence in the Company and in the good name of Lonmin. We are committed to strengthening the sustainability of Lonmin by generating benefits for all stakeholders.

Jonathan Leslie
Chairman: Safety & Sustainability Committee
18 December 2012
Feedback from the review panel

In line with our commitment to transparent and meaningful reporting, Lonmin approached five independent experts to review our sustainability report while still in its draft form.

This panel was selected on the basis of their knowledge of our industry, our sector and sustainability reporting. Four panel members reviewed a draft of the contents of our online report, and one panel member reviewed a draft of our printed report.

Panel members were asked to bear in mind that Lonmin is committed to a certain level of disclosure, by virtue of its membership of the ICMM, and has committed to reporting in line with the GRI 3.1 guidelines to an A+ level of disclosure. None of the panel members are employed by the company or consult to the company. The panel members were not paid by the company. One panel member asked for a donation of a charity in lieu of payment, which was done. Lonmin did not interact directly with the panel members although we were party to their selection; all evaluation and feedback was undertaken through an intermediary to preserve confidentiality and to encourage an open and robust exchange.

The panel members were asked to review our reports on the basis of the following:

- Whether our report/s addressed the issues that are most material to our primary stakeholders, namely our investors, employees, communities and government?
- Whether the report presented information in a balanced way?
- Which issues required more detailed coverage and which issues required less coverage?

The panel provided feedback on the following:

- Broad observations about the company’s policies and strategies.
- Broad observations on the report, its tone, substance and content.
- Specific comments on the report which were dealt with.

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<th>Feedback</th>
<th>Our response</th>
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<tr>
<td>Lonmin’s sustainability report will come under intense scrutiny. It will be read by NGOs, media, government and other commentators, as well as by the company’s direct stakeholders. This needs to be a report like no other. The events surrounding Marikana will be the focus on much attention, and should be easily accessible by stakeholders. It must not be buried in regulatory and compliance reporting.</td>
<td>Lonmin has decided to produce a separate printed report in addition to its comprehensive online report. The separate printed report deals with the most significant issues, including a several page report up front on Marikana. The decision to produce a printed report was made to ensure accessibility by more stakeholders who may not have access to the report on an online platform.</td>
</tr>
<tr>
<td>The focus and tone of the document must recognise the current situation.</td>
<td>The document was reviewed in this light, and the CEO’s letter in particular deals with the issue of Marikana in detail.</td>
</tr>
<tr>
<td>The report needs to show a very clear understanding of what is most important to the company, how this will affect its strategy and what it will do going forward. The company needs to state on how you will address collaboration, collective bargaining and stakeholder engagement.</td>
<td>These issues have been addressed, particularly in the CEO’s review, and in statements made on the company’s renewal strategy response. The company’s strategy going forward will be communicated.</td>
</tr>
<tr>
<td>The report must be succinct and non-emotive. Readers will be looking for specific information. The web-based version needs to be easily navigable.</td>
<td>The online report is presented in an interactive HTML format for the first time, a decision that had already been taken prior to the panel review.</td>
</tr>
<tr>
<td>The CEO’s letter needs to be prominent, sympathetic and introspective. Consider a letter from the Board.</td>
<td>The CEO’s letter was moved to be more prominent in both the printed report – page 4, and the online report – Approach: Message from the Acting Chief Executive Officer. A letter from the Chairman of the Board Sustainability Committee, Jonathan Leslie, has also been included– see link.</td>
</tr>
<tr>
<td>It is not enough just to recount the events surrounding Marikana; the company must also consider the workings and outcomes of the Farlam Commission.</td>
<td>Lonmin will continue to update the Marikana incident website, and place on there any public submissions made to the Farlam Commission. Lonmin is not in a position to make substantive comments or recommendations on the commission, and will not pre-judge its outcomes. We have committed to providing an update on our report, and publishing our intentions one the Commission’s outcomes have been finalised, and we have had the time to consider them fully.</td>
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<tr>
<td>Lonmin needs to consider its position regarding human rights, and in particular its position in relation to the Voluntary Principles on Security and Human Rights (VPSHR) and the UN Guiding Principles on Human Rights.</td>
<td>Lonmin is considering the implications of adopting and implementing voluntary global security and human rights guidelines, to further support our existing policies, procedures and values.</td>
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<tr>
<td>The company needs to clearly identify its material issues, and how they were identified. More detail needs to be provided on the risk management process and the identification of risks.</td>
<td>More detail is provided in the Managing our risk section. Risk management and mitigation is dealt with in greater detail in the annual report.</td>
</tr>
<tr>
<td>Lonmin needs to be more specific about whether and how community and employee engagement failed.</td>
<td>This is the subject, among other things, of the Farlam commission. Lonmin will consider the findings of the Commission and develop an appropriate response. The company has is reviewing its stakeholder engagement process, an outline of which is described in this report.</td>
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<tr>
<td>Feedback</td>
<td>Our response</td>
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<tr>
<td>Lonmin must address the issue of housing and accommodation in a separate and prominent section.</td>
<td>The sections on housing and accommodation in the printed report – page 11 - and the online report – see People: Housing our employees were reviewed and more detail provided.</td>
</tr>
<tr>
<td>The report should focus more on activities, and less on process, principles and compliance.</td>
<td>The compliance issues have been located only in the online report.</td>
</tr>
<tr>
<td>By necessity the report should reflect the nature of the subject. Graphs should be simple and illustrative. Objectives should be clearly stated.</td>
<td>Minimal use has been made of photographs. Graphs are used to illustrate trends. Key objectives are illustrated here – Our performance against targets.</td>
</tr>
<tr>
<td>The concept of the Greater Lonmin Community needs to be explained. It is not a homogenous, faceless grouping. The company need to expand on its geographical footprint and sphere of influence.</td>
<td>An attempt has been made to do so – see Report scope and boundary. This is a complex concept, and more detail will be developed through the stakeholder engagement process. This is an area that will receive greater attention and focus in our 2013 report.</td>
</tr>
<tr>
<td>Lonmin needs to provide more information on its role as an employer and its approach to collective bargaining.</td>
<td>Additional information has been provided in the report. It is anticipated that further information will be forthcoming post the disclosures of the Farlam Commission.</td>
</tr>
<tr>
<td>Consider providing more detail on the context in which the company and the country finds itself. It could benefit from better insight into the context of what the company and the industry is facing right now. It does not provide sufficient clarity on the legacy of migrant labour.</td>
<td>This will be done incrementally on the company’s website in the coming year.</td>
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</table>

Lonmin extends its gratitude to the panel members. We also welcome feedback from all stakeholders. Please send any feedback to:

**Dr Mel Mentz**
+27 (0)14 571 4561  
mel.mentz@lonmin.com
## GRI Content Index

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<tr>
<td><strong>Report scope and boundary</strong></td>
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<td>3.5</td>
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<td>Fully reported</td>
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<td></td>
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<td>Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).</td>
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<tr>
<td></td>
<td>Report scope and boundary</td>
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<td>State any specific limitations on the scope or boundary of the report</td>
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<td>Fully reported</td>
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<td></td>
<td>Report scope and boundary</td>
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<tr>
<td>3.9</td>
<td>Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.</td>
<td>Fully reported</td>
</tr>
<tr>
<td></td>
<td>Report scope and boundary; Critical review: Making sense of Marikana; People: securing the safety of our employees; People: Developing our people; Planet: Addressing climate change; Profit: Creating value and distributing value; Key sustainability performance indicators</td>
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<tr>
<td>3.10</td>
<td>Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,</td>
<td>Fully reported</td>
</tr>
<tr>
<td></td>
<td>Report scope and boundary; Key sustainability performance</td>
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<tr>
<td>G3 Indicator</td>
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<td>Level of reporting</td>
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<tr>
<td>3.11</td>
<td>Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.</td>
<td>Fully reported</td>
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</table>

**GRI content list**

3.12 Table identifying the location of the Standard Disclosures in the report. Fully reported (This table)

**Assurance**

3.13 Policy and practice for seeking independent assurance for report. Fully reported

**Governance, commitments and engagement**

4. Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight. Describe the mandate and composition (including number of independent members and/or non-executive members) of such committees and indicate the highest governance body and its committees, and indicate each individual’s position and any direct responsibility for economic, social, and environmental performance. Report the percentage of individuals by gender within the organisation's highest governance body and its committees, broken down by age group and minority group membership and other indicators of diversity.

4.1 The roles of Chairman and CEO are clearly separated and set out in writing.

4.2 For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.

4.3 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Include reference to processes regarding:
   - The use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; and
   - Informing and consulting employees about the working relationships with formal representation bodies such as organisation level 'work councils', and representation of employees in the highest governance body.
   - Identify topics related to economic, environmental, and social performance raised through these mechanisms during the reporting period.

4.4 For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.

4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).

4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided

4.7 Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, for guiding the organisation's strategy on economic, environmental, and social topics, including any consideration of gender and other indicators of diversity.

4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. Explain the degree to which these are applied across the organisation in different regions and department/units; and relate to internationally agreed
<table>
<thead>
<tr>
<th>Indicator</th>
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<tbody>
<tr>
<td>G3 4.9</td>
<td>Procedures of the highest governance body for overseeing the organisation’s identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.</td>
<td>Fully reported Governance of sustainability</td>
</tr>
<tr>
<td>G3 4.10</td>
<td>Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance.</td>
<td>Partially reported – see below. Governance of sustainability</td>
</tr>
</tbody>
</table>

Commitments to external initiatives

| G3 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organisation. | Fully reported. Planet: Planet: land management; Upholding ethical business practices |
| G3 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses. Include date of adoption, countries/operations where applied, and the range of stakeholders involved in the development and governance of these initiatives (e.g., multi-stakeholder, etc.). Differentiate between non-binding, voluntary initiatives and those with which the organisation has an obligation to comply. | Fully reported. Governance of sustainability; Planet |
| G3 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation:
- Has positions in governance bodies;
- Participates in projects or committees;
- Provides substantive funding beyond routine membership dues; or
- Views membership as strategic. | Fully reported Governance of sustainability |
| G3 4.14 | List of stakeholder groups engaged by the organisation | Fully reported Engaging with stakeholders |
| G3 4.15 | Basis for identification and selection of stakeholders with whom to engage. | Fully reported Engaging with stakeholders |
| G3 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and stakeholder group. | Fully reported Engaging with stakeholders |
| G3 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. | Fully reported Engaging with stakeholders and Managing risk and identifying material issues |

ECONOMIC PERFORMANCE INDICATORS

| EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | Fully reported Profit: Creating and distributing value |
| EC2 | Financial implications and other risks and opportunities for the organisation’s activities due to climate change. | Fully reported Planet: Addressing climate change |
| EC3 | Coverage of the organisation’s defined benefit plan obligations. | The Company operates a defined contribution pension scheme for its employees and does not offer defined benefit/final salary pension programmes. It is mandatory for our employees to participate in either an industry-based or Company-defined contribution provident fund. Lonmin contributes between 13.95% and 20.52% of the employees’ contribution to the fund. |
| EC4 | Significant financial assistance received from government. | None. |
| EC5 | Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation. | Reported. People: Developing our people – remuneration and career development |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. | Reported. Profit: BEE – Empowerment through procurement |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation | Reported. People: Developing our people – Attracting and retaining employees: identifying critical skills |

Aspect: Indirect economic impacts

<p>| EC8 | Development and infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement. | Reported People: Partnering with the communities |</p>
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Level of reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC9</td>
<td>Understanding and describing significant economic impacts, including the extent of impacts</td>
<td>Reported throughout the report. Planet, People, Profit</td>
</tr>
</tbody>
</table>

**ENVIRONMENTAL INDICATORS**

**Materials**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Level of reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN1</td>
<td>Materials used by weight or volume.</td>
<td>Reported. Targeting efficient use and management of resources</td>
</tr>
<tr>
<td>EN2</td>
<td>Percentage of materials used that are recycled input materials</td>
<td>Fully reported. The percentage of materials used by Lonmin that are recycled or classified as secondary input material are insignificant in the context of our total PGM production. See Our market for further information on recycling in the industry. Planet: A new approach to waste management</td>
</tr>
</tbody>
</table>

**Energy**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Level of reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN3</td>
<td>Direct energy consumption by primary energy source.</td>
<td>Fully reported. Planet: Managing access to and optimisation of energy – energy consumption</td>
</tr>
<tr>
<td>EN4</td>
<td>Indirect energy consumption by primary source.</td>
<td>Fully reported. Planet: Managing access to and optimisation of energy – energy consumption</td>
</tr>
<tr>
<td>EN5</td>
<td>Energy saved due to conservation and efficiency improvements.</td>
<td>Fully reported. Planet: Managing access to and optimisation of energy – optimising energy usage</td>
</tr>
<tr>
<td>EN6</td>
<td>Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.</td>
<td>Reported. Planet: Managing access to and optimisation of energy – energy consumption. Case study: counting every drop</td>
</tr>
<tr>
<td>EN7</td>
<td>Initiatives to reduce indirect energy consumption and reductions achieved.</td>
<td>Partially reported Planet: Managing access to and optimisation of energy – optimising energy usage</td>
</tr>
</tbody>
</table>

**Water**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Level of reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN8</td>
<td>Total water withdrawal by source</td>
<td>Fully reported. Planet: Access to and optimising our water resources – water consumption</td>
</tr>
<tr>
<td>EN9</td>
<td>Water sources significantly affected by withdrawal of water.</td>
<td>Fully reported. Planet: Access to and optimising our water resources – water consumption</td>
</tr>
<tr>
<td>EN10</td>
<td>Percentage and total volume of water recycled and reused.</td>
<td>Reported Planet: Access to and optimising our water resources – water consumption</td>
</tr>
</tbody>
</table>

**Biodiversity**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Level of reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN11</td>
<td>Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.</td>
<td>Fully reported. None of our operations are situated in or near areas classified as biodiversity-sensitive or protected. Planet: land management – rehabilitation</td>
</tr>
<tr>
<td>EN12</td>
<td>Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.</td>
<td>Fully reported. None of our activities, products and services has an impact on biodiversity in or near areas classified as biodiversity-sensitive or protected. Planet: land management – rehabilitation</td>
</tr>
<tr>
<td>MM1</td>
<td>Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated</td>
<td>Fully reported. Planet: land management – rehabilitation</td>
</tr>
<tr>
<td>EN13</td>
<td>Habitats protected or restored. Report whether and how biodiversity offsets have been used as part of the overall policy and approach to habitat protection and restoration.</td>
<td>Lonmin has areas where restoration has been undertaken to get the area back to a natural state with healthy and functioning ecosystems. However, these, as well as areas restored at closure, will undergo a restoration verification process approved by independent external professionals at the time of closure. Areas of restoration include the old tailings dam footprint at Limpopo, certain opencast areas which were rehabilitated over 5 years ago, and drilling sites for exploration, prospecting and ore delineation at Akanani, Viakfontein, Schaapkraal and Pandora. Lonmin has an extensive monitoring programme which includes biomonitoring in water courses, surface water monitoring as well as monitoring of the implementation and success of rehabilitation. These monitoring system enhance the information which could indicate areas, where impacts might be influencing the natural habitat or restored habitat. The monitoring also aids in establishing how successful rehabilitation programmes, water management programmes and the like have</td>
</tr>
<tr>
<td>Indicator</td>
<td>Description</td>
<td>Level of reporting</td>
</tr>
<tr>
<td>-----------</td>
<td>-------------</td>
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</tr>
<tr>
<td>EN14</td>
<td>Strategies, current actions, and future plans for managing impacts on biodiversity.</td>
<td>Partially reported. Planet: Land management – biodiversity</td>
</tr>
<tr>
<td>MM2</td>
<td>The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.</td>
<td>Partially reported. Planet: Land management – biodiversity</td>
</tr>
<tr>
<td>EN15</td>
<td>Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.</td>
<td>Fully reported. Planet: Land management – biodiversity</td>
</tr>
</tbody>
</table>

**Emissions, effluent and waste**

| EN16 | Total direct and indirect greenhouse gas emissions by weight. | Fully reported. Planet: Addressing climate change – management of carbon emissions |
| EN17 | Other relevant indirect greenhouse gas emissions by weight. | Fully reported. Comprehensive reporting of other relevant GHG emissions by weight will be undertaken by 2014 where deemed applicable. Where data is available scope 3 emissions will be reported leading up to 2014. Planet: Addressing climate change – management of carbon emissions |
| EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved | Partially reported (reductions achieved) Planet: Managing access to and optimisation of energy – optimising energy usage; Planet: A new approach to waste management – Our integrated waste management plan (solar spark) |
| EN19 | Emissions of ozone-depleting substances by weight. | Reported Planet: Addressing air quality |
| EN20 | NOx, SOx, and other significant air emissions by type and weight. | Reported Planet: Addressing air quality |
| EN21 | Total water discharge by quality and destination | Partially reported Planet: Access to and optimising our water resources – preventing and minimising contamination |
| EN22 | Total weight of waste by type and disposal method. | Fully reported. Planet: A new approach to waste management – Our integrated waste management plan; Planet: Incident reporting and management; Planet: Addressing air quality – TSP; Planet: Land management – Rehabilitation |
| MM3 | Total amount of overburden rock, tailings and sludges and their associated risks. | Reported. Planet: A new approach to waste management – Our integrated waste management plan; Planet: Incident reporting and management; Planet: Addressing air quality – TSP; Planet: Land management – Rehabilitation |
| EN23 | Total number and volume of significant spills. | Partially reported. Planet: Incident reporting and management |
| EN24 | Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. | Fully reported. No waste deemed hazardous under the Basel Convention Annex I, II, III, and VIII is transported by Lonmin and no waste (0%) is shipped internationally. |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff | Fully reported. None. Planet: Access to and optimising our water resources |

**Products and services**

| EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | Fully reported. Planet |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed by category. | Fully reported. Profit: Materials stewardship – Product labelling |

**Compliance**

| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | Fully reported. None |

**Transport**

| EN29 | Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. | Partially reported. Planet: Addressing climate change – management of carbon emissions |

**Overall**

<p>| EN30 | Total environmental protection expenditures and investments by type. | Fully reported. Planet: our context. Waste management = R101 million Water management = R86 million EIAs/EMP’s and general environmental management = R10 |</p>
<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Level of reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Quality</td>
<td>R7.9 million</td>
<td></td>
</tr>
<tr>
<td>Land Management</td>
<td>R1.7 million</td>
<td></td>
</tr>
<tr>
<td><strong>SOCIAL PERFORMANCE INDICATORS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LA1</td>
<td>Total workforce by employment type, employment contract, and region.</td>
<td>Reported. People: Employees and contractors – Employee profile</td>
</tr>
<tr>
<td>LA2</td>
<td>Total number and rate of new employee hires and employee turnover by age group, gender, and region.</td>
<td>Reported. People: Employees and contractors – Employee turnover</td>
</tr>
<tr>
<td>LA3</td>
<td>Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major significant locations of operations.</td>
<td>Fully reported. Benefits vary significantly by region only insofar as legislation and market forces require this.</td>
</tr>
<tr>
<td>LA4</td>
<td>Percentage of employees covered by collective bargaining agreements.</td>
<td>Reported. People: Human rights and labour relations – Ensuring freedom of association and collective bargaining</td>
</tr>
<tr>
<td>LA5</td>
<td>Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.</td>
<td>Reported. People: Human rights and labour relations – Ensuring freedom of association and collective bargaining</td>
</tr>
<tr>
<td>MM4</td>
<td>Number of strikes and lock-outs exceeding one week’s duration, by country.</td>
<td>Reported. Critical review: Marikana</td>
</tr>
<tr>
<td>LA10</td>
<td>Average hours of training per year per employee by gender, and by employee category.</td>
<td>Fully reported. People: Developing our people – Other training.</td>
</tr>
<tr>
<td>LA11</td>
<td>Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.</td>
<td>Full reported. People: Developing our people – Remuneration and career development and People: Developing our people – Other training.</td>
</tr>
<tr>
<td>LA12</td>
<td>Percentage of employees receiving regular performance and career development reviews, by gender.</td>
<td>Full reported. 56% of our management employees received regular performance and career development reviews, through the individual development plan. People: Developing our people – Developing employees, developing leaders</td>
</tr>
<tr>
<td>LA13</td>
<td>Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.</td>
<td>Reported. Governance of sustainability</td>
</tr>
<tr>
<td>LA14</td>
<td>Ratio of basic salary of men to women by employee category.</td>
<td>Reported. People: Developing our people – Remuneration and career development</td>
</tr>
<tr>
<td>LA15</td>
<td>Return to work and retention rates after parental leave, by gender.</td>
<td>Reported. People: Employees and contractors – Employee turnover</td>
</tr>
<tr>
<td><strong>HUMAN RIGHTS PERFORMANCE INDICATORS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HR1</td>
<td>Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights clauses concerns, or that have undergone human rights screening.</td>
<td>All investment agreements include human rights clauses.</td>
</tr>
<tr>
<td>HR2</td>
<td>Percentage of significant suppliers, and contractors, and other business partners that have undergone screening on human rights screening, and actions taken.</td>
<td>All new vendors are assessed by our internal investigations department. This year we have also assessed 53 or 6% of our suppliers that are already on our system. One vendor was cancelled due to unethical behaviour.</td>
</tr>
<tr>
<td>HR3</td>
<td>Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.</td>
<td>14,965 hours on human rights which equates to about 43 minutes per person.</td>
</tr>
<tr>
<td>HR4</td>
<td>Total number of incidents of discrimination and corrective actions taken.</td>
<td>Reported. People: Human rights and labour relations – managing working conditions</td>
</tr>
<tr>
<td>HR5</td>
<td>Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.</td>
<td>Of the 53 suppliers assessed 83% have collective bargaining agreements in place.</td>
</tr>
<tr>
<td>HR6</td>
<td>Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination effective abolition of child labour.</td>
<td>Fully reported. People: Human rights and labour relations – managing working conditions</td>
</tr>
<tr>
<td>HR7</td>
<td>Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.</td>
<td>Fully reported. People: Human rights and labour relations – managing working conditions</td>
</tr>
<tr>
<td>HR8</td>
<td>Percentage of security personnel trained in the organisation’s policies or procedures concerning aspects of human rights that are relevant to operations.</td>
<td>Fully reported. People: Human rights and labour relations – Security and human rights</td>
</tr>
</tbody>
</table>
### Indicator Description

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Level of reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>MM5</td>
<td>Total number of operations taking place in or adjacent to indigenous people’s territories, and number and percentage of operations or sites where there are formal agreements with indigenous people’s communities.</td>
<td>Fully reported. People: Human rights and labour relations – Respecting the rights of communities residing in areas adjacent to our operations. Profit: Creating and distributing value – Royalties paid.</td>
</tr>
<tr>
<td>HR9</td>
<td>Total number of incidents of violations involving rights of indigenous people and actions taken.</td>
<td>No incidents involving the violation of the rights of local communities or indigenous people were reported. We have explained the Marikana event and support the judicial commission of inquiry.</td>
</tr>
<tr>
<td>HR10</td>
<td>Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.</td>
<td>None of our operations have been subject to human rights reviews. However a commission of inquiry under judge Ian Farlam has been established to investigate the Marikana Tragedy.</td>
</tr>
<tr>
<td>HR11</td>
<td>Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.</td>
<td>Reported. People: Human rights and labour relations – Managing working conditions</td>
</tr>
</tbody>
</table>

### LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Level of reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO1</td>
<td>Percentage of operations with implemented local community engagement, impact assessments, and development programmes.</td>
<td>Fully reported. 100% (All of our operations are engaging with local communities) People: partnering with communities</td>
</tr>
<tr>
<td>SO2</td>
<td>Percentage and total number of business units analyzed for risks related to corruption.</td>
<td>Fully reported. 100%. People: Human rights and labour relations – Managing working conditions</td>
</tr>
<tr>
<td>SO3</td>
<td>Percentage of employees trained in organization’s anti-corruption policies and procedures.</td>
<td>100% of our employees are trained on our anti-corruption policies and procedure through our annual refresher and induction programme. (Upholding ethical business practices )</td>
</tr>
<tr>
<td>SO4</td>
<td>Actions taken in response to incidents of corruption.</td>
<td>Fully reported. Upholding ethical business practices – whistle-blowing</td>
</tr>
<tr>
<td>SO5</td>
<td>Public policy positions and participation in public policy development and lobbying.</td>
<td>Fully reported. Governance of sustainability – public policy positions</td>
</tr>
<tr>
<td>SO6</td>
<td>Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.</td>
<td>No financial or in-kind contributions to political parties, politicians or related institutions was made.</td>
</tr>
<tr>
<td>SO7</td>
<td>Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes.</td>
<td>None.</td>
</tr>
<tr>
<td>SO8</td>
<td>Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.</td>
<td>None.</td>
</tr>
<tr>
<td>MM6</td>
<td>Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples.</td>
<td>Fully reported. Lonmin has established community resettlement policies which comply with the World Bank Operation Directives on Resettlement of Indigenous Peoples and Cultural Property. There were no resettlements of communities and no grievances lodged relating to resettlements. In terms of the Restitution of Land Rights Act 22 of 1994, the Company is in the process of addressing three land claims lodged against it before 2010.</td>
</tr>
<tr>
<td>MM7</td>
<td>The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples and the outcomes.</td>
<td>The resolution of these land claims is being managed within the legislative framework of the regional Land Claims Commission and Land Claims Court.</td>
</tr>
<tr>
<td>MM8</td>
<td>Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and actions taken to manage and mitigate these risks.</td>
<td>Fully reported. None.</td>
</tr>
<tr>
<td>MM9</td>
<td>Sites where resettlement took place, the number of households resettled in each, and how their livelihoods were affected in the process.</td>
<td>Fully reported. None.</td>
</tr>
<tr>
<td>MM10</td>
<td>Number and percentage of operations with closure plans.</td>
<td>Fully reported. All. Planet: Land management – closure and closure liability</td>
</tr>
<tr>
<td>SO9</td>
<td>Operations with significant potential or actual negative impacts on local communities.</td>
<td>Fully reported People: partnering with communities</td>
</tr>
<tr>
<td>S10</td>
<td>Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.</td>
<td>Fully reported. People: partnering with the communities</td>
</tr>
</tbody>
</table>

### PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
<th>Level of reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>MM11</td>
<td>Programmes and progress relating to materials stewardship.</td>
<td>Fully reported. Profit: material stewardship</td>
</tr>
<tr>
<td>PR1</td>
<td>Life cycle stages in which health and safety impacts of products and services as assessed for improvement, and percentage of significant products and services categories subject to such procedures.</td>
<td>Fully reported. Health and People: Securing the safety of our employees. Profit: Material stewardship – life cycle analysis.</td>
</tr>
<tr>
<td>G3 Indicator</td>
<td>Description</td>
<td>Level of reporting</td>
</tr>
<tr>
<td>-------------</td>
<td>-------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>PR2</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.</td>
<td>Fully reported. People: Securing the safety of our employees: safety stoppages.</td>
</tr>
<tr>
<td><strong>Product and service labelling</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR3</td>
<td>Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.</td>
<td>Fully reported. Profit: Materials stewardship – Product labelling</td>
</tr>
<tr>
<td>PR4</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.</td>
<td>Fully reported. None.</td>
</tr>
<tr>
<td>PR5</td>
<td>Practices related to customer satisfaction, including results of surveys measuring customer satisfaction</td>
<td>Fully reported. Profit: Materials stewardship – Customer health and safety, and satisfaction</td>
</tr>
<tr>
<td><strong>Marketing communications</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR6</td>
<td>Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.</td>
<td>Fully reported. Profit: Materials stewardship – Product responsibility</td>
</tr>
<tr>
<td>PR7</td>
<td>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.</td>
<td>Fully reported. Profit: Materials stewardship – Product responsibility</td>
</tr>
<tr>
<td><strong>Customer privacy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR8</td>
<td>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.</td>
<td>Fully reported. Profit: Materials stewardship – Customer health and safety, and satisfaction</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR9</td>
<td>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</td>
<td>Fully reported. None.</td>
</tr>
</tbody>
</table>
Corporate profile

Lonmin Plc (Lonmin) is one of the world’s largest producers of platinum group metals (PGMs) and the world’s third largest producer of Platinum. Lonmin is a publicly listed company, with its primary listing on the London Stock Exchange (LSE: LMI) and a secondary listing on the JSE Limited (JSE: LON). Johannesburg, South Africa, is home to our operational head office, and our United Kingdom offices are based in London. For more information on this section, please see our Annual Report and Accounts for 2012.

During the financial year under review, Lonmin produced 1.3 million ounces (Moz) of PGMs (2011: 1.4 Moz), of which 0.6 million ounces was Platinum (2011: 0.7 Moz). We employed 36,523 people (28,230 permanent employees and 8,293 contractor employees).

Our largest shareholders are Xstrata Plc (24.54%), Prudential plc Group Companies (8.15%) and Old Mutual Investment Group (South Africa) (8.81%). All ordinary shares of the Company carry the same rights, and no shareholder enjoys any preferential rights, regardless of the size of their holding.

Our value chain

Our involvement in the PGMs process is extensive, and spans exploration, acquisition, mining, processing and marketing of our metals.

<table>
<thead>
<tr>
<th>Exploration of the Merensky and UG2 reefs.</th>
<th>Mining</th>
<th>Concentrating</th>
<th>Smelting</th>
<th>Base Metal Refining</th>
<th>Precious Metal Refining</th>
</tr>
</thead>
<tbody>
<tr>
<td>WPL</td>
<td>Four shafts containing precious metals are concentrated using chemicals.</td>
<td>One Circular</td>
<td>Three autoclaves (two in use)</td>
<td>All precious metals are refined and separated to a 99.9% pure product.</td>
<td></td>
</tr>
<tr>
<td>EPL</td>
<td>Five at WPL; Two at EPL; One in Limpopo</td>
<td>Three Pyromets</td>
<td>Cu &amp; Ni is removed through electrolysis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conventional breast mining methods and up-up methods</td>
<td>Sulphides containing precious metals are concentrated using chemicals</td>
<td>One Merensky</td>
<td>PGMs are further concentrated by magnetic separation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The ore is hoisted to the surface via a shaft system.</td>
<td>Five at WPL; Two at EPL; One in Limpopo</td>
<td>One in Limpopo</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 operational shafts</td>
<td>Seven operating plants</td>
<td>Drying &amp; Smelting</td>
<td>Atmospheric and pressure leaching</td>
<td>Product to customers</td>
<td></td>
</tr>
<tr>
<td>Two shafts on care &amp; maintenance</td>
<td>Two on care and maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One under development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Exploration

Our international exploration programme is focused on areas of prospectivity for PGMs. Our exploration portfolio includes joint ventures with Vale and Wallbridge Mining Company in the Sudbury Basin, Canada (a greenfields exploration project managed by Lonmin in Northern Ireland) and two greenfields exploration projects in South Africa.

Mining

Lonmin holds an 82% interest in two primary operating subsidiaries, WPL and EPL. These entities own and operate the Marikana mining operations, located in South Africa’s North West Province on the famed Bushveld Complex, the world’s largest repository of PGMs.

Lonmin also holds a portion of Messina Platinum Mines (Pty) Ltd’s Limpopo Mine, which is 100% owned by WPL. The Limpopo Mine, located in South Africa’s Limpopo Province, was placed on care and maintenance in 2009. A recent agreement with the Shanduka Group (Pty) Ltd will see the completion of a feasibility review of operating and developing the Limpopo Mine. Should this review prove positive, Shanduka will endeavour to raise the necessary funds to acquire control and gain operational management of this mine.

Two joint ventures are under Lonmin’s operational control: the operating Pandora Joint Venture located east of and contiguous with our Marikana operations, in which EPL has a 42.5% shareholding; and the project phase Dwaalkop Joint Venture, located adjacent to the Limpopo Mine, in which WPL has a 50% shareholding.

Processing

Lonmin’s process division consists of eight concentrators (including one at Limpopo), a Smelter and BMR at our Marikana mine operations and our PMR in Brakpan, near Johannesburg.

Marketing
Our strategy

The Corporate Business Strategy was developed to mitigate risks such as the global and PGM markets, delivery on Lonmin's long term business plan, productivity improvements and managing the balance sheet capacity, as well as management capacity in a Lonmin growth scenario, sustaining opportunities for PGMs, securing water and electricity supply for the execution of the long term business plan and responding to the impacts of climate change.

Since the year end there have been a number of significant financial events affecting our Company. Chief among these was our announcement on 30 October 2012 that we intent to raise US$800 million in a Rights Issue, the Prospectus that has been published 09 November 2012. This was designed to maximise returns in the long term for our shareholders. A number of measures have been put in place to address the pressures of gross cost within the Company. These include:

- a review of the Company's operating model;
- a procurement initiative known as “Total Cost of Ownership” is being implemented which can see savings up to R100 million; and
- the Company has already implemented and embedded a productivity enhancement programme known as “Line of Sight” or “Mission Directed Work Teams”, which will form the foundation for a series of further productivity and optimisation initiatives.

In September we announced that we would reduce capital expenditure and suspend operations on our K4 shaft.

For further detailed discussion on our business strategy and the six primary strategic elements (of which the first objective is to build a safe and sustainable business), as well as its implementation, refer to our Annual Report and Accounts.
Our products and their uses

The six PGMs – Platinum, Palladium, Rhodium, Ruthenium, Iridium and Osmium – occur in our ore bodies, together with associated by-product metals such as gold, silver, cobalt, copper, nickel and chrome. We refine and sell the first five of the above PGMs and some of the by-products, for which we derive additional income.

Our products

The unique properties and varied applications of PGMs make these metals crucial components of daily life. Today, some 25% of products either make direct use of PGMs, or made use of PGMs in their manufacture. Some of these applications are well known, for example the use of platinum in jewellery or autocatalysts, while other uses are more obscure.

PGMs are exceptionally durable. They are also highly recyclable: over 96% of PGMs can be recovered through advanced recycling techniques. This ensures that they have a long life-cycle, repaying the effort and expense that it takes to extract them from the ground. In addition, the longevity of PGMs means that they do not contribute to the negative environmental impact typically associated with metal waste disposal.

Worth their metal

Platinum
Platinum is the most abundant of our PGMs. It is not only one of the densest and heaviest metals known to man, but also one of the most durable. It has a very high melting point, is stable at high temperatures, and is resistant to corrosion and chemical attack. Platinum is used in catalysis, jewellery, medical implants and surgical equipment.

Palladium
Palladium is the lightest of the PGMs and has the lowest melting point. Its most remarkable property is its ability to absorb significant amounts of hydrogen at room temperature, making it an efficient and safe medium for the storage of hydrogen and as a purifier. Palladium uses include catalysis and reformation for portable power applications.

Rhodium
Rhodium is a hard and durable metal with a very high melting point and this, combined with its temperature stability and corrosion resistance, makes it key to many industrial processes. The metal’s hardness makes it an excellent alloying agent to harden platinum. Rhodium is also used for catalysis.

Ruthenium
Ruthenium uses include computer hard disk drives and chemical catalysts.

Iridium
Iridium is used in crucibles for the production of crystals used in LED technology, such as flat screen televisions.

Their uses

Catalysis
The use of PGMs in automotive catalytic converters is key to the reduction of the air pollution and noxious emissions produced by vehicles. Catalytic converters are honeycomb-like structures with channels that are coated with Platinum, Palladium and/or Rhodium. These structures enable the maximum volume of exhaust gas produced by the engine to be exposed to the catalyst, which in turn serves to remove noxious pollutants from the exhaust gas. The catalytic converter achieves this by converting more than 95% of the hydrocarbons, carbon monoxide and nitrous oxides produced by motor vehicle engines to less harmful carbon dioxide, nitrogen and water.

As the world becomes ever-more aware of the impact of air pollution and greenhouse gas emissions and the automotive demand for PGMs is significant and growing.

Health care
PGMs are widely used in a number of health care applications. Platinum is unique: when used in certain compounds, it can inhibit the growth of cancerous cell growth. Platinum and Palladium are also widely used in dental applications. In such instances, these metals are combined with gold and silver to produce alloys suitable for dental inlays, crowns and bridges.

Investment
Platinum as an investment has a much shorter history than gold or silver, yet its appeal as a form of investment – directly in the metal and through exchange traded funds (ETFs) has grown rapidly in recent years.

Industry and technology
PGMs are contained in many of applications in the chemical, electronic and petroleum industries. In the agricultural industry, they are used in the commercial production of nitric acid, an essential ingredient in nitrogen fertiliser. Nitrogen fertiliser enhances growth by stimulating chloroplasts in plants, which are responsible for the process of photosynthesis.

In the electronics industry, Palladium is used in hybrid integrated circuits and computers, while magnetic platinum-cobalt alloys are important components of computer hard disks.
Jewellery
Platinum is a naturally white precious metal with numerous properties that make it a preferred medium for jewellery-making. These include its strength, resistance to tarnish and its durability. Its rarity and the satisfying, weighty feel of Platinum jewellery add to its appeal, particularly in the bridal sector of the market. This year we have again sponsored the design innovations awards for the tenth year, which rewards outstanding jewellery design in platinum.

Fuel cells
As the world seeks clean, efficient sources of energy, fuel cells are emerging as viable sources of electrical power generation to meet this need. Fuel cells generate energy through an electro-chemical reaction, through the combination of hydrogen and oxygen over a catalyst such as Platinum. Silent in their operation, fuel cells can be used for both stationary and mobile applications. Their biggest current drawback is their cost, although they are expected to become more economically viable through increased application. There is an increasing adoption rate of stationary fuel cell solutions especially in Asian countries such as Japan and South Korea. At this stage, vehicular fuel cell technology is still in the first-of-a-kind commercial demonstration phase on the innovation value chain. Also see our market.
Engaging with our stakeholders

Regular and transparent engagement with our stakeholders is a fundamental aspect of our Sustainable Development Strategy. It is one of the Sustainable Development Framework Principles upheld by the ICMM, and one of Lonmin’s 15 Sustainable Development Standards. We are committed to using the outcomes of this engagement effectively and incorporating them into the relevant decision-making processes of the business. Through this engagement, we aim to foster trustworthy and open relationships with our stakeholders.

Our approach

We believe that the sustainability of our business is dependent on stakeholder relationships and that sound, structured stakeholder relationships serve to strengthen the resilience of our Company and our ability to adapt to the increasing demands placed on us amid the uncertainty of the current business environment.

Our stakeholders are those individuals and groups, formal and informal, who affect or are affected by Lonmin's decisions and activities. We also take into account the needs communicated by our interested and affected parties - those groups not directly affected by Lonmin, but who may have indirect interests in or influence on our business.

These stakeholders include: shareholders and potential investors, employees, local communities, contractors, unions, municipalities, various provincial and local government departments, non-governmental organisations (NGOs), inter-governmental departments, business partners, suppliers, customers, academics, world bodies, commentators and the media.

While our respective engagement methods vary for different stakeholders, they are all governed by the engagement approach set out in our Stakeholder Engagement Protocol, which is currently being reviewed and updated. Our revised engagement process is in its infancy, and is receiving significant high-level attention. Direct community and employee engagement are priorities and we have set out to address four critical questions:

1. Which stakeholders are most relevant to Lonmin?
2. What are the issues that matter to those stakeholders?
3. How influential and visible are these stakeholders, and which are the most relevant and priority issues?
4. How do we engage with these stakeholders?

This review process is continuing through scheduled, regular meetings, forums, briefings, and road shows throughout the year, providing a permanent two-way channel of communication for stakeholders within which concerns can be raised and risks discussed.

Communication channels to encourage stakeholder participation

In addition to the scheduled meetings and engagement forums we seek to create opportunities to allow stakeholders to communicate more effectively with the company.

The mechanisms available to employees to provide feedback to the Company include quarterly stakeholder feedback forums, shop floor briefings, direct communication with line managers and supervisors (deep dives), formal grievance procedures and an anonymous and independent tip-offs line. Executive directors represent the management at Board level and contribute reports and presentations to Board discussions. Employee disputes or complaints can be raised directly with the line manager, immediate supervisor or the human capital officer. A complaint or dispute can also be raised in writing via union representatives or with immediate supervisor with whom management will then engage. Any failures to resolve issues are referred to the CCMA.
We undertook a detailed communication audit and a review of our internal communications strategy and systems during 2012. The results of the audit informed the measures that we have put in place to improve employee communications, including updated briefing vehicles and protocols, as well as training. This process was impacted by the unprotected (unlawful) strike in August 2012; but a review aimed at improvements in the process is continuing.

Shareholders are given the opportunity to communicate with the Board and the Executive Committee at our Annual General Meeting and through shareholder resolutions.

Many GLC stakeholders have regular contact with Lonmin representatives working in their communities, rather than at the Company’s offices or operations. We appoint community liaison officers on infrastructure projects to improve communication relating to the specific project and to ensure that local labourers are contracted. Project steering committees also incorporate community members, ward councillors and representatives from tribal authorities.

Stakeholders are also invited to lodge queries or concerns in writing, telephonically or through the Lonmin website. All concerns received are recorded and then analysed for either a resolution or a referral. Progress updates are provided either formally or informally to the stakeholder as to how the concern will be followed up and feedback is provided again after action has been taken. Concerns are also collected and considered when preparing the content of this Sustainable Development Report, and queries and feedback from academics, NGOs and others undertaking research is welcome.

Stakeholder engagement in 2012

Our 2011 objective was to develop and implement a process to move from an industrial relations approach to employee relations approach, and this focus has been intensified given recent events, see Critical review: Making sense of Marikana. We also committed to introducing regular community stakeholder forum meetings, facilitated by an independent third party, to track issues and concerns by 2012, and to re-engineer recruitment processes to increase employee representation from the GLC by 30 September 2012.

During the year, we held monthly ward councillor meetings where key issues such as encroachment of informal settlements and community investments were discussed. These meetings continue to run on a monthly basis and we now do not foresee the need for them to be facilitated by a third party. There were also bi-monthly meetings held with the municipality leadership but the challenge remains to meet with the Madibeng municipality as this entity has been placed under administration. Finally, we ensure that we hold regular meetings with the Bapo Ba Magole traditional authority, and have seen a number of projects develop with their support. We have also reviewed our recruitment process and developed a recruitment charter, which will facilitate increase employment from within the GLC. These programmes focus on increasing skills levels in the community and include the artisan college and mine skills development programme.

A number of community stakeholder forum meetings were held during the year. We are extending our stakeholder base to include additional NGOs and churches as well as putting formal engagement structures in place.

In trying to move from industrial relations to employee relations, as committed in our 2011 Sustainable Development Report, we have developed scenarios planning that give consideration to the challenges we face. Our planning seeks a new recognition architecture to achieve operational stability, which may include a Platinum industry central engagement forum. The plans detailing operational stability are being rolled out starting with a weekly joint union meeting. We have also developed an employee relations plan, which includes risk management strategy and scenario planning to deal with challenges that may arise.

This table summarises some of the stakeholder engagement undertaken during the year, how this engagement took place, the concerns raised to stakeholders and the company response.

### Stakeholder engagement during the year

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Method and frequency of engagement</th>
<th>Concerns raised</th>
<th>Discussed in this report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders, potential investors, analysts, and current and future business partners</td>
<td>Annual Report, Sustainable Development Report, Annual General Meeting, Bi-annual meetings, Written communication, Ongoing dialogue as required, Company announcements, Investor presentations and roadshows, Website, Media reports, CDP Reports</td>
<td>Company strategy in context of current global markets, Share price, Dividends, Potential failure to meet SLP targets, Employee and community unrest at our operations and those of our neighbours, Platinum prices, Global platinum surplus, South African political climate, Operational costs, Operational performance, Safety performance, Long-term access to and cost of energy and water</td>
<td>Message from our CEO, Corporate profile, Managing our risks, Labour relations, Operational and financial performance, Access to energy</td>
</tr>
<tr>
<td>Employees and unions</td>
<td>Quarterly meetings, Monthly forum meetings, Internal newsletters, Posters, ‘Line of sight’ charts, Direct communications with managers, Surveys, Written communication, Ongoing dialogue, Tripartite committee meetings on safety and health, Collective bargaining practices and wage negotiations, Steering committee inclusive of organised labour addresses</td>
<td>Remuneration, Training and Development, HIV/Aids and TB, NIHL, Occupational exposures, Housing and accommodation, Job security, Personal security in the context of union clashes, Union memberships, Safety risks, Transformation, Local opportunities, Local economic development</td>
<td>Employees and stakeholders, Retention, training and development and transformation, Safety, Health, Creating and distributing value, Economic empowerment, Communities</td>
</tr>
<tr>
<td>Stakeholder group</td>
<td>Method and frequency of engagement</td>
<td>Concerns raised</td>
<td>Discussed in this report</td>
</tr>
<tr>
<td>-------------------</td>
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</tr>
<tr>
<td><strong>Contractors</strong></td>
<td>Contracts, Written communications, Ongoing on site dialogue, Monthly meetings, Quarterly forum meetings, Annual surveys and focus groups</td>
<td>Contractor security in current climate, Job security, Safety, Health, Overall sustainability of company</td>
<td>Message from our CEO, Managing our risks, Employees and stakeholders, Safety, Health</td>
</tr>
<tr>
<td><strong>Communities, local municipalities, ward councillors, NGOs and local tribal authorities</strong></td>
<td>Monthly, quarterly and bi-annual scheduled meetings, Written communication, Site visits, On-going dialogue, Informal communication during community development projects, Recruitment drives, Local publications, Community forums, Annual Stakeholder Forum, Quarterly community health meetings with DOH attended by community representatives, Awareness campaigns, Six-monthly environmental forum meetings</td>
<td>Local recruitment, Job creation, Local economic development, Infrastructure development, HIV/AIDS and TB treatment, Community health facilities, Social problems specific to community youth, Food, Community education and skills development, Community rights, Preferential procurement, Pollution, specifically dust and water contamination, Skills development, Royalties and land leases</td>
<td>Message from our CEO, Our performance against targets, Labour relations, Communities, Air quality, Water, Waste management, Creating and distributing value, Economic empowerment</td>
</tr>
<tr>
<td><strong>Department of Mineral Resources</strong></td>
<td>Monthly, quarterly, and bi-annual and annual meetings, Written communication, for example: environmental compliance reports/EMP reports/Inspections/Safety stops/Mining Charter Reports/SLP Reports/Licence applications/On-going dialogue</td>
<td>Safety performance, SLP targets, Carbon emissions, Resource consumption, Job creation, Local economic development, Transformation, BEE ownership, Legislative compliance, Employee housing, Beneficiation, Resource rationalism, Royalties and taxes</td>
<td>Message from our CEO, Our performance against targets, Employees and stakeholders, Health, Retention, training and development and transformation, Communities, Creating and distributing value, Economic empowerment, Human rights, Environment</td>
</tr>
<tr>
<td><strong>Department of Energy</strong></td>
<td>Monthly, quarterly, bi-annual and annual meetings, Written communication, Ongoing dialogue</td>
<td>Energy consumption, Energy costs, Renewable energy projects, Company strategy for energy efficiency</td>
<td>Managing our risks, Targeting efficiencies, Climate change</td>
</tr>
<tr>
<td><strong>Department of Rand Water Affairs</strong></td>
<td>Monthly, quarterly, bi-annual and annual meetings, Written communication, Ongoing dialogue, Site visits, EIA/EMP Reports, Compliance reports</td>
<td>Contamination threats to local water supply, Water efficiency and water savings initiatives, Water costs, Community and environmental projects</td>
<td>Managing our risks, Targeting efficiencies, Water</td>
</tr>
<tr>
<td><strong>Department of Environmental Affairs</strong></td>
<td>Monthly, quarterly, bi-annual and annual meetings, Written communication, Ongoing dialogue, Site visits, Inspections, EMP Reports, CDP Reports</td>
<td>SO2 emissions, Dust, Meeting licence conditions, EMP compliance, AEL compliance, Waste licence compliance, Closure liability and funding, Carbon tax legislation</td>
<td>Planet</td>
</tr>
<tr>
<td><strong>Department of Basic Education</strong></td>
<td>Monthly, quarterly, bi-annual and annual meetings, Written communication, Community visits, On-going dialogue</td>
<td>Funding for education projects and initiatives in GLC, Employment opportunities following skills development, ABET participation</td>
<td>Employees and stakeholders, Retention, training and development and transformation, Communities</td>
</tr>
<tr>
<td><strong>Department of Health</strong></td>
<td>Monthly, quarterly, bi-annual and annual meetings, Written communication, Ongoing dialogue, Clinic visits, Site inspections, SLP Reports, Quarterly meetings on community health collaboration on needs assessments and project implementation</td>
<td>Health clinics, HIV/AIDS and TB, Facilities for community health, Occupational health and hygiene of employees, Dust</td>
<td>Employees and stakeholders, Health, Communities</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Supply contracts, Monthly and quarterly telecom or face to face meetings, Annual surveys and focus groups</td>
<td>Company strategy in current global economic climate, Platinum market dynamics, Interruptions to production</td>
<td>Message from our CEO, Corporate profile, Managing our risks, Our performance against targets</td>
</tr>
<tr>
<td>Stakeholder group</td>
<td>Method and frequency of engagement</td>
<td>Concerns raised</td>
<td>Discussed in this report</td>
</tr>
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<td>----------------------------------------</td>
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</tr>
<tr>
<td>Industry bodies and associations</td>
<td>Monthly, quarterly, twice a year and annual meetings. Written communication, conferences, members meetings, surveys, on-going dialogue</td>
<td>Labour relations PGMs prices Resource nationalism Promoting South Africa as an investment destination Reporting standards Mining and environmental stewardship Environmental responsibility Compliance with legislation Energy and water supply Safety Mining Charter targets Collaboration market development REACH legislation OELs Research optimisation</td>
<td>Corporate profile Managing risks, identifying material issues Our performance against targets Securing the safety of our employees Planet Governance of sustainability Operational and financial performance</td>
</tr>
<tr>
<td>Media</td>
<td>Half-yearly, on-going, ad hoc</td>
<td>Labour relations PGSs market Operating and financial performance</td>
<td>Labour relations Operational and financial performance</td>
</tr>
</tbody>
</table>
Key features of the year

- **Tragic events** at Marikana claimed the lives of 46* people
- **Two fatalities** at work (2011: 6)
- **97 hostel blocks** converted to date, creating 937 single units and 695 family units**
- **R89 million (US$11 million)** spent on hostel conversions in 2012

- **36,523 people employed** at end September 2012: 28,230 permanent employees and 8,293 contractors
- **R200 million** (US$24 million) spent on training and development – 3.6% of payroll
- **R3,296 million** (US$408 million) capital expenditure in 2012 (2011: R2,849 million)
- **Historically Disadvantaged South Africans (HDSA) in management**, including white women, make up 49.4%RA
- **Women represent 8.15%**RA of our workforce, with women making up 5.11%RA of core mining positions
- **Lonmin Renewal Plan** developed, including approach to social licence

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RA: Representing the period 2003 - 2012

* This figure is for the period 10 August to 30 September.

** These figures are representing the period 2003 - 2012.
Our performance against targets

In this section we illustrate our performance against the targets we committed to in 2011. We recognised that many of these were ambitious targets at the outset, but believed it was important to establish a critical benchmark. A number of commitments have been achieved; a number have not. We have indicated what are on-going commitments are in respect of each of these targets but we recognise that in some areas the targets for 2013 will require further work.

SAFETY

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Progress in 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fatalities</strong></td>
<td></td>
</tr>
<tr>
<td>For 2012:</td>
<td>Zero fatal injuries at our operations</td>
</tr>
<tr>
<td>Beyond 2012:</td>
<td>Zero fatal injuries at our operations</td>
</tr>
<tr>
<td><strong>LTIFR</strong></td>
<td></td>
</tr>
<tr>
<td>For 2012:</td>
<td>LTIFR to improve by 5% (from 2011 baseline)</td>
</tr>
<tr>
<td>Beyond 2012:</td>
<td>LTIFR to improve by a further 5% by 30 September 2013 (from 2012 baseline)</td>
</tr>
</tbody>
</table>

HEALTH

<table>
<thead>
<tr>
<th>Commitment</th>
<th>Progress in 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wellness programme participation</strong></td>
<td></td>
</tr>
<tr>
<td>For 2012:</td>
<td>Increase participation of patients in our wellness programme by 5% by 30 September 2012 (from a 2011 baseline year)</td>
</tr>
<tr>
<td>Beyond 2012:</td>
<td>Increase participation of patients in our wellness programme by 25% by 30 September 2013 (from a 2012 baseline year)</td>
</tr>
</tbody>
</table>
Commitment  Progress in 2012

**Employees per peer educator**

**For 2012:**
Maintain ratio of one active workplace peer educator for every 75 employees through to 30 September 2012 (2011 baseline year)

**Beyond 2012:**
Increase ratio to one active workplace peer educator for every 75 employees through to 30 September 2013 (2012 baseline year)

Not achieved

**New cases of NIHL**

**For 2012:**
Reduce number of new NIHL cases by further 10% by 30 September 2012 (from a 2011 baseline year)

**Beyond 2012:**
Reduce number of new NIHL cases by further 10% by 30 September 2013 (from a 2012 baseline year)

Not achieved

**TRANSFORMATION**

**Commitment**

**Woman at the mine (%)**

**For 2012:**
Women at the mine to increase to 10% by 30 September 2014

**Beyond 2012:**
Women at the mine to increase to 10% by 30 September 2014

On track to achieve commitment

**HDSAs and white women in management**

**For 2012:**
Participation of employees from HDSAs and white women within each level of management to increase to 40% by 30 September 2014

**Beyond 2012:**
Participation of employees from HDSAs and white women within each level of management to increase to 40% by 30 September 2014

On track to achieve commitment

**BEE procurement (%)**

**For 2012:**
BEE entities will account for 40% of our discretionary procurement spend on capital goods; 70% of services; and 50% of consumable goods by 30 September 2014

**Beyond 2012:**
BEE entities will account for 40% of our discretionary procurement spend on capital goods; 70% of services; and 50% of consumable goods by 30 September 2014

On track to achieve commitment
**Commitment**  
**Progress in 2012**

### Hostel conversions

**For 2012:**  
All our hostels will be converted to family units by December 2014

**Beyond 2012:**  
All our hostels will be converted to family units by December 2014

### Energy efficiency (GJ/PGM oz)

**For 2012:**  
Reduce our aggregate energy consumption per unit of production by 10% by 30 September 2012, thereby reducing GHG emissions by 5% (2007 baseline year) 
Reduce our aggregate energy consumption per unit of production by 5% by 2015, and secure sufficient energy supply required to allow delivery of LOBP. (2011 baseline year)

**Beyond 2012:**  
Reduce our aggregate energy consumption per unit of production by 8% by 2017, thereby reducing GHG emissions by 4% (2012 baseline year).

1. This target was restated in 2011 and 2012 to align better with our long term business plan and the phased implementation of our energy efficient projects.

### Fresh water intake efficiency (m³/PGM oz)

**For 2012:**  
Reduce our aggregate fresh water intake by 15% per unit of production by 30 September 2012 (2007 baseline year)

**Beyond 2012:**  
Reduce our aggregate fresh water intake by 15% per unit of production by 30 September 2017 (from a 2010 baseline year)

### SO₂ emissions (t/day)

**For 2012:**  
Reduce the amount of ground level fugitive SO₂ emissions by 40% by 30 September 2014 (from a 2010 baseline year)

**Beyond 2012:**  
Reduce the amount of ground level fugitive SO₂ emissions by 40% by 30 September 2014 (from a 2010 baseline year)

### Waste disposal (Tonnes)

**For 2012:**  
Reduce waste (both general and hazardous) disposed to landfill by 15% (2008 baseline year) by 30 September 2012

**Beyond 2012:**  
Decrease the amount of total general waste generated by 5% by September 2017 (baseline year 2012) (Target 2360 Tonnes)
Increase the amount of general waste recycled, reused, refurbished and treated to 70% by September 2017 (baseline year 2012)
Decrease the amount of total hazardous waste generated by 5% by September 2017 (baseline year 2012) (Target 5454 Tonnes)
Increase the amount of hazardous waste recycled, reused, refurbished and treated to 50% by September 2017 (baseline year 2012) (Target 1170 Tonnes)

### ENVIRONMENT

This target was restated in 2011 and 2012 to align better with our long term business plan and the phased implementation of our energy efficient projects.
<table>
<thead>
<tr>
<th>Commitment</th>
<th>Progress in 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>treated to 9% by September 2017 (baseline year 2012).</td>
<td></td>
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</tbody>
</table>
Key sustainability performance indicators

### Production

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>PGMs produced oz</td>
<td>1,331,493</td>
<td>1,244,709</td>
<td>1,314,772</td>
<td>1,446,662</td>
<td>1,349,802</td>
</tr>
</tbody>
</table>

### Economic

#### Net cash generated

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash received for products US$ million</td>
<td>2,270</td>
<td>1,138</td>
<td>1,442</td>
<td>2,226</td>
<td>1,663</td>
</tr>
<tr>
<td>Cash return on investment US$ million</td>
<td>13</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Suppliers(^2)</td>
<td>(445)</td>
<td>(486)</td>
<td>(473)</td>
<td>(641)</td>
<td>(690)</td>
</tr>
<tr>
<td>Cost of borrowings US$ million</td>
<td>(23)</td>
<td>(34)</td>
<td>(44)</td>
<td>(39)</td>
<td>(31)</td>
</tr>
</tbody>
</table>

#### Net cash flows US$ million

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1,815</td>
<td>621</td>
<td>928</td>
<td>1,549</td>
<td>946</td>
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</tbody>
</table>

### Cash distributed

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</tr>
</thead>
<tbody>
<tr>
<td>Social capital US$ million</td>
<td>7.3</td>
<td>6.2</td>
<td>8.7</td>
<td>8.8</td>
<td>10.0</td>
</tr>
<tr>
<td>Government taxes US$ million</td>
<td>245</td>
<td>56</td>
<td>36</td>
<td>40</td>
<td>30</td>
</tr>
<tr>
<td>Directors remuneration US$ million</td>
<td>9</td>
<td>7</td>
<td>6</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Shareholder distribution US$ million</td>
<td>171</td>
<td>186</td>
<td>–</td>
<td>30</td>
<td>31</td>
</tr>
<tr>
<td>Cash retained for growth US$ million</td>
<td>811</td>
<td>51</td>
<td>218</td>
<td>667</td>
<td>116</td>
</tr>
</tbody>
</table>

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<tbody>
<tr>
<td>1,815</td>
<td>621</td>
<td>928</td>
<td>1,549</td>
<td>946</td>
<td></td>
</tr>
</tbody>
</table>

### People

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</tr>
</thead>
<tbody>
<tr>
<td>25,967</td>
<td>21,623</td>
<td>23,915</td>
<td>27,796</td>
<td>28,230</td>
<td></td>
</tr>
<tr>
<td>Contractors Number</td>
<td>7,758</td>
<td>10,497</td>
<td>9,131</td>
<td>9,564</td>
<td>8,293</td>
</tr>
<tr>
<td>HDSAs, including white women, employed in management on a permanent basis Percentage</td>
<td>42.3</td>
<td>41.3</td>
<td>43.3</td>
<td>46.5</td>
<td>49.4(^{1A})</td>
</tr>
<tr>
<td>Women employed in mining(^2) Percentage</td>
<td>1.8</td>
<td>2.9</td>
<td>3.22</td>
<td>4.33</td>
<td>5.11(^{1A})</td>
</tr>
<tr>
<td>Women employed at mining(^3) Percentage</td>
<td>6.1</td>
<td>6.8</td>
<td>7.04</td>
<td>7.45</td>
<td>8.15(^{1A})</td>
</tr>
<tr>
<td>Employee turnover rate Percentage</td>
<td>6.6</td>
<td>23.3</td>
<td>6.6</td>
<td>10.57</td>
<td>6.17</td>
</tr>
<tr>
<td>Employees and contractors trained in ABET Number</td>
<td>2,866</td>
<td>1,139</td>
<td>793</td>
<td>603(^{1A})</td>
<td>942(^{1A})</td>
</tr>
</tbody>
</table>

### Occupational Health and Safety: Employees and Contractors

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>3</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>6 (^{1A})</td>
<td></td>
</tr>
<tr>
<td>Lost Time Injury Frequency Rate Rate(^6)</td>
<td>6.27</td>
<td>6.21</td>
<td>5.87(^7)</td>
<td>4.71</td>
<td>4.16(^{1A})</td>
</tr>
<tr>
<td>New NHL cases diagnosed – Employees Number</td>
<td>236</td>
<td>45</td>
<td>40</td>
<td>35</td>
<td>42(^{1A})</td>
</tr>
<tr>
<td>NHL cases compensated – Employees Number</td>
<td>229</td>
<td>45</td>
<td>28</td>
<td>17</td>
<td>33(^{1A})</td>
</tr>
<tr>
<td>Diagnosed and treated tuberculosis cases(^8) Number</td>
<td>533</td>
<td>472</td>
<td>528</td>
<td>545</td>
<td>527(^{1A})</td>
</tr>
<tr>
<td>HIV/AIDS related deaths Number</td>
<td>95</td>
<td>110</td>
<td>88</td>
<td>139</td>
<td>104</td>
</tr>
<tr>
<td>Voluntary Counselling and Testing Conducted (VCT) Number</td>
<td>18,692</td>
<td>4,680</td>
<td>39,006(^{10})</td>
<td>31,666(^{9})</td>
<td>46,945(^{9})</td>
</tr>
<tr>
<td>Patients on ART Number</td>
<td>989</td>
<td>962</td>
<td>1,349</td>
<td>2,022</td>
<td>2,510</td>
</tr>
<tr>
<td>Patients on the wellness programme Number</td>
<td>1,150</td>
<td>518</td>
<td>498</td>
<td>526</td>
<td>657</td>
</tr>
</tbody>
</table>

### Environment

| Total freshwater intake m³ | 9,256,244 | 8,885,360 | 8,005,092 | 7,912,595 | 8,667,896\(^{10}\) |
| Total freshwater intake efficiency m³/PGM oz | 6.95 | 7.14 | 6.09 | 5.47 | 6.42 |
| Electricity MWh | 1,575,917 | 1,481,744 | 1,380,218 | 1,496,841 | 1,485,630 |
| Electricity efficiency MWh/PGM oz | 1.18 | 1.19 | 1.05 | 1.03 | 1.1 |
| Energy Terajoules | 6,555 | 6,613 | 6,215 | 6,533 | 6,433\(^{1A}\) |
| Energy efficiency GJ/PGM oz | 4.92 | 5.31 | 4.73 | 4.52 | 4.77 |
| Greenhouse gas emissions Kilotones CO₂ equivalent | 1,659 | 1,595 | 1,534 | 1,648 | 1,572\(^{1A}\) |
| Greenhouse gas efficiency Kilotones CO₂-e/PGM oz | 1.25 | 1.28 | 1.17 | 1.14 | 1.16 |
| Tailings disposed to tailings facilities Kilotones | 12,649 | 11,478\(^{10}\) | 11,038 | 11,820 | 10,686 |
Waste rock disposed to rock dumps
Kilotonnes 1,128 1,343 1,602 1,772 1,482

Hazardous waste disposed of to landfill and incineration
Tonnes 42,857 55,906 50,562 72,052 77,826

General waste to landfill
Tonnes 8,279 7,199 9,595 9,744 10,271

Average sulphur dioxide emissions
Tonnes/day 9.1 11.1 14.1 10.58 8.5

Maternal and Child Health
Communities
Rand Value spent on Approved SLP Projects
Rand 42,120,000 28,768,000 28,175,000 37,980,955 39,743,935

LA Limited Assurance provided by KPMG.
RA Reasonable Assurance provided by KPMG.
1 We have a 30 day payment policy on services and procurement.
2 Women employed in mining represents those employed in core mining operations.
3 Women employed at the mine represents all women employed at our operations.
4 After audits conducted on ABET for our SLP reporting we identified that we had under reported the ABET figure in 2011 Sustainable Development report as 601. The correct figure is 603.
5 The figure presented in 2012 includes community members and employees from the Pandora operations.
6 Incidents per million hours worked.
7 In 2010, we have improved the capturing of man hours worked at our operations, the denominator used for calculating LTIFR. As a result the LTIFR in prior years may have been overstated, but we believe the difference is not material. It is not possible to restate the previous data.
8 This was incorrectly published prior to 2009 – the data represents total TB cases and not only pulmonary TB cases.
9 The figure includes VCT offered to employees daily (average of 2000 tests a month), the wellness campaign and does not exclude those employees tested twice.
10 This figure was incorrectly reported in 2009 as 17,068 kilotonnes.
11 The necessary licences are in place for the off-site incineration of our health care risk waste, and current legal processes are being initiated for off-site incineration of process waste by a service provider.
Responding to the Bench Marks Foundation

Lonmin’s formal response is available on the Company website. In the interests of transparency, the Bench Marks Report has also been provided, although the company requests that this is read together with the Company response to achieve a balanced picture.

Context

The Bench Marks Foundation is a non-governmental, faith-based organisation established by the South African Council of Churches, the Industrial Mission of South Africa, the CDT Foundation and the Justice and Peace Department of South African Catholic Bishops Conference. The Foundation is chaired by the Right Reverend Dr Jo Seoka.

In August 2012, the Bench Marks Foundation published a policy gap assessment in the communities located in the Bojanala district of South Africa’s North West Province. This assessment was a follow-up on a study undertaken in 2007. The research was conducted by David van Wyk, Mudjadji Trading (Pty) Ltd, the Bench Marks Centre for Corporate Social Responsibility at the North West University (Potchefstroom Campus), and the Bench Marks Community Monitoring School.

Recognition of failures and successes

In some areas, our strategies and planning have not been optimal, while in others, it has been the execution of our projects that hindered us in achieving our goals.

However, we maintain that our operations have – and will continue to have – a positive impact on our employees, communities and country, and that there are many successes to celebrate. Further, the challenges we face and the disappointments we encounter should become learning experiences, for us, for our neighbours, for the state and for the community itself.

The Foundation and its researchers sought, and received, much coverage by media and other parties during the period of the Marikana tragedy. As Lonmin’s focus was on the issue at hand, our detailed response to the Bench Marks report was delayed.

Significant challenges, simplistic analysis

At the outset, Lonmin acknowledges that the socio-economic challenges in the region in which we operate are multiple and complex. Research into fundamental issues, concerns and causes are useful, but the interpretation of the outcomes is seldom straightforward. Despite its inaccuracies, the Bench Marks report is valuable in its raising of issues, and perceptions of causes.

Responding to the issues

It is not our intention to undertake a blow-by-blow comment or rebuttal of each of the allegations made in the Bench Mark report. We focus here on the following six critical issues raised:

- unemployment, job creation and, related to this, the use of subcontractors – See People: Employees and contractors
- migrant labour, the ‘living conditions of Lonmin mineworkers and the problems around the living-out allowance – See People: Housing our employees
- ineffective CSR programmes and lack of responsibility to follow them through – See People: Partnering with our communities
- felt absence of meaningful community engagement and participation – See People: Partnering with our communities
- environmental discharges and irresponsible water use – See Planet: Access to and managing our water resources and
- impact of mining on commercial farming in the area – See Planet.
Understanding the circumstances through which a tragedy arises rarely explains it, and never justifies it. This review offers Lonmin’s perspective on the events at Marikana in which 46* people lost their lives. Our intention is to take the necessary time to understand the event, the causes and how to prevent this from ever happening again.

Under the chairmanship of Judge Ian Farlam, a retired judge of the Supreme Court of Appeal, a commission announced by President Zuma has been tasked with examining the conduct of Lonmin, the SAPS, the National Union of Mineworkers (NUM), Association of Mineworkers and Construction Union (AMCU), their respective members and officials, and the Department of Mineral Resources (DMR), among others, during the tragedy at Lonmin’s Marikana operations in which 46* people ultimately lost their lives.

We give our full support to The Farlam Commission of Inquiry (Farlam Commission) and will participate in any way that is required of us. In the case of Lonmin specifically the Commission of Inquiry will look into:

- whether the Company exercised its best endeavours to resolve any disputes which may have arisen between Lonmin and its labour force on the one hand and generally among its labour force on the other;
- whether it responded appropriately to the threat and outbreak of violence which occurred at its premises;
- whether the Company, by act or omission, created an environment which was conducive to the creation of tension, labour unrest, disunity among its employees or other harmful conduct; and
- whether it employed sufficient safeguards and measures to ensure the safety of its employees and property and the prevention of the outbreak of violence between any parties.

Further, the Farlam Commission will examine Lonmin policies, including the procedure, practices and conduct relating to employees and organised labour. It will also investigate whether by act or omission, the Company directly or indirectly caused loss of life or damage to persons or property.

The Farlam Commission is scheduled to be completed by January 2013 and we expect the outcome of the inquiry to be published soon thereafter. We will take the time to properly address the outcomes of the investigation to prevent such an incident from ever occurring again at our operations.

This review offers Lonmin’s perspective on the events at Marikana, in line with the information we provided to the inquiry, and is our attempt to make sense of them and to learn from it. Lonmin will appreciate and abide by the findings of the Farlam Commission. Our intention is to take the necessary time to understand the event, the causes and how to prevent this from ever happening again.

Context

On 10 August 2012, approximately 3,000 people, mostly Rock Drill Operators employed at Lonmin’s Marikana operation embarked on an unprotected, unlawful work stoppage and protest. The demonstrations were caused by a dispute over Rock Drill Operator (RDO) wages, with the strikers demanding that their monthly salary be increased to R12,500, despite being signatories to an existing two-year wage deal that was just entering its second year.

From the very start of the protest action, Lonmin took appropriate security precautions, involving and working closely with the SAPS.

Within the first two days of the strike, six employees who tried to report for work were injured, and on 12 August two security guards became the strike’s first fatalities. In the ensuing week another eight people, including two police officers, were killed.

On the evening of 16 August, following an intense stand-off, a total of 34 people lost their lives in a skirmish between the SAPS and protestors. Of these individuals, 31 were Lonmin employees, one employee of a contractor and two ex-Lonmin employees. A further 55 were injured on the 16th, bringing the total of those injured during the unprotected (unlawful) strike to 78. These numbers – inconceivable in and of themselves – speak nothing of the absence they leave behind: of the husbands, fathers, and sons lost to families, the breadwinners lost to households. Lonmin mourns this tragedy together with the families, friends and colleagues of the deceased.

In the days following the shooting at Marikana, our focus was on dealing effectively and sensitively with an unprecedented situation.

A help desk was immediately established at Lonmin’s Andrew Saffy Memorial Hospital to assist families with the identification of their deceased relatives, to assist with burial arrangements and to offer bereavement counseling to employees, family and community members. Helplines were set up. A communication programme involving leaflets, local radio, a text messaging system and emergency numbers was created for the reporting of any further incidents of intimidation.

During this time, Lonmin also committed to providing funding for the education of all the children of

Names of the deceased

- Mister Tembelakhoe Mati
- Mister Hendrick Tsietsi Monene
- Mister Sello Ronnie Lepaaka
- Mister Hassan Fundi
- Mister Frans Mabelane
- Mister Thapelo Eric Mabebe
- Mister Semi Jokanisi
- Mister Pumzile Sokanye
- Mister Isaiah Twala
- Mister Julius Langa
- Mister Molefi Osiel Ntoeole
- Mister Modisaotsile van Wyk Sagalala
- Mister Kosiyabo Xalabile
- Mister Babalo Mtshazi
- Mister John, Kuthwano Ledingoane
- Mister Bongani Npogophele
- Mister Cebisile Yawa
- Mister Mongezeleti Nenetya
- Mister Henry, Mvuyisi Pato
employees who lost their lives, which will cover education costs from primary school through to university, through the Sixteen Eight Memorial Trust.

During the weeks that followed two lives were lost relating to the on-going violence, both Lonmin employees, bringing the total death toll to 46*. Our sincere condolences to the family and friends of the people listed alongside who lost their lives during the tragic events.

A national week of mourning

Following the announcement of the Farlam Commission, President Zuma also declared the week of 20-26 August a national week of mourning. On 23 August memorial services, including one at Lonmin's Marikana operation, were held across the country for those who lost their lives.

Lonmin's memorial service was attended by families of the deceased, employees and union officials, who joined management and religious leaders in calling for unity, and working together to ensure that such events never happen again. Aside from Lonmin's memorial service there were various other services and funerals that took place around the country to remember those lost. Bereavement counselling has been provided to the families of the deceased. Transportation of families to and from Marikana for purposes of identifying their loved ones and attending to administrative matters has been provided. All burial costs, on average about R40 000 (US$4,969) per person, including the transportation of the deceased to their respective homes, have been paid by Lonmin. Each family has been allocated a Lonmin welfare officer, and a human capital representative to assist them.

Rising industry tensions

For some time, the industry has been under strain. PGM mines in the country become more expensive to mine, just as an oversupply of PGMs and the continuing global financial crisis have resulted in downward pressure on metal prices. Simultaneously, the cost of electricity, diesel and steel has increased, placing additional pressure on production levels and costs. Within this context, several violent strikes have broken out over the past year, often accompanied by conflict between management and trade unions.

Within weeks of the strike at Lonmin, employees at mining operations across all sectors embarked on unprotected strike action, often accompanied by violence, demanding wage increases.

The escalating wildcat strikes resulted in a crackdown by the government, after President Zuma explained that mines could not continue to be ungovernable. In an effort to curb intimidation and further acts of violence, police seized weapons from striking workers and clamped down on unlawful gatherings and marches. This was in the hope of encouraging strikers to join formal channels of negotiations and to bring to an end the violence and intimidation that had characterised this protest action to date.

South Africa's Mineral Resources Minister announced, subsequent to the incidents at Marikana, that the platinum industry's bargaining structures will be centralised going forward in an effort to stabilise labour relations and facilitate a culture of compromise. The Minister's view was that differences between wages are compounded by the platinum industry's decentralised bargaining structure. Though this may take considerable time to implement, it means that wage negotiations will no longer be conducted at mine or company level, but will rather be managed centrally. Theoretically, this should result in the elimination of the inequality of wages between workers who do the same job and are equally productive.

The wage dispute

Lonmin has formal agreements with a number of trade unions in South Africa, which govern organisational rights and behaviour. A two-year wage agreement was entered into in December 2011 between the Company and unions.

Prior to the events of August, Lonmin’s RDO guaranteed wage was around R10,000 per month (US$1,242 per month). RDOs were also eligible for performance bonuses, the average of which was R1,500 per month (US$186 per month), while some were of the order of R6,000 per month (US$745 per month). In the five years from 2007 to 2011, RDOs were granted a cumulative pay rise of 62%.

<table>
<thead>
<tr>
<th>Basic</th>
<th>Pension (14.83%)</th>
<th>Medical</th>
<th>Housing</th>
<th>Holiday leave allowance</th>
<th>Attendance allowance</th>
<th>Rock drill operator allowance</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R5,405.00</td>
<td>R802</td>
<td>R556.00</td>
<td>R1,850.00</td>
<td>R450</td>
<td>R208</td>
<td>R750.00</td>
<td>R10,021</td>
</tr>
</tbody>
</table>

Production and costs

During the unrest, Lonmin operated two concentrators on available stockpiles, with both number one and two furnaces running at idling to ensure that the integrity of the furnaces was maintained. Lonmin lost 2,500 ounces of Platinum output per day for the duration of the strike. The strike ran, in total, from 10 August to 18 September; this equates to a loss of 1.8 million tonnes mined or 110.1 Platinum ounces. This represents a revenue loss of some R2,013 million($250 million) - a net impact of US$180 million.

The principle of ‘no work, no pay’ applied to all employees during the period, given that this was illegal industrial action.

Lonmin did not meet its production targets for the 2012 financial year, and has set a target of 880 000oz platinum metal for the 2013 financial year. The production ramp up is progressing ahead of expectations and October’s productivity was at 85% of pre-strike run rate levels.

Negotiations and a final deal

A final deal was signed late on 18 September 2012. The agreement included a once-off signing bonus of R2,000 and an average rise in wages of between 11 and 22% for all employees that fall within the Category 3-9 bargaining unit effective from 1 October 2012. This figure includes the previously agreed wage increases for this bargaining unit. The approach was different, but was taken to expedite a peaceful settlement, and with the guidance and support of previously recognised mediating bodies.

On 6 September, Lonmin signed a peace accord with the NUM, Solidarity and UASA. As part of the peace accord a framework was established
according to which wage negotiations could proceed. These negotiations were to be facilitated and overseen by the CCMA.

This was complicated, however, by the strikers’ refusal to return to work as the CCMA could not preside over negotiations during an illegal strike. Lonmin, along with the recognised trade unions and delegates of striking miners, continued to work towards a resolution.

On 14 September 2012 an initial offer was placed on the table, but this was rejected. A final deal was signed late on 18 September 2012, with a return to work being agreed for Thursday 20 September. The agreement also included promotion of entry level job categories (Patterson Grade A3) and the Rock Drill Operators (RDOs), introduction of a Drilling Allowance for RDO and RDO Assistants as well as an across-the-board 2% adjustment. Approximately 80% of the Company’s workforce returned to work by 20 September, although normal operations were only resumed by 01 October 2012.

The road ahead

There can be no mistaking that a time of communication, negotiation and mutual understanding necessarily follows events such as those of August 2012. As South Africans, as a company, and as a crucial component of the country’s economy, Lonmin is determined to contribute in every possible capacity to ensure that these matters are resolved and never repeated.

We are supportive of a collaborative approach and are open to the framework of sector-specific collective bargaining. It is critical, however, that all parties come to the table with mutual respect, and a commitment to a common, agreed approach within the framework of the law.

* Period 10 August to 30 September 2012
Why People, Planet, Profit

Our Sustainable Development Operating Model provides the framework for our understanding of the complex sustainability issues within our environment and their relationships. We use the Five Capitals Model (social, human, natural, financial and manufactured capital) to support this understanding. In reporting, we use the concepts of People, Planet and Profit to illustrate our impacts and influences.

**People**

We believe that our employees, our contractors, and our local labour-sending communities sustain our business, and that their safety, health and well-being are of the utmost importance.

**Planet**

We believe that we have a responsibility to keep the environmental impacts of our operations to an absolute minimum, which we achieve through resource management and efficiency, and the successful mitigation of environmental impacts.

**Profit**

We believe that sustainable development is self-perpetuating, and that our investment in sustainable development initiatives generates the tangible and intangible profits necessary to ensure that Lonmin itself is sustained.
People

Our business can only succeed through and with the success of our people. By investing in our people, and living by our values – we are committed to achieving the common goal of sustainable business success that continues to create value for all into the future.

Focus areas

Our areas of focus, identified through both an internal risk analysis and through the engagement of stakeholders, are:

Material issues

- Understanding the complex expectations and varied needs of the government, communities and employees, and working to meet these through engagement and investment, as well trying to meet our SLP and Mining Charter targets by 2014.
- Lack of union representation of workforce, union rivalry, combined with rising levels of lawlessness, intimidation and violence that have characterised protest action in recent months. This is within the context of rising cost pressures that could threaten jobs, and an enduring sense of employee mistrust of management.
- Attracting, developing and retaining skilled employees at various levels in the Company. This challenge is exacerbated by the location of operations, the increasingly unfavourable perception of careers in the mining industry among the younger generation of job seekers, the competition for skilled HDSA recruits, local recruitment imperatives and the practical considerations of employing women in the mining environment.
- Rising expectations regarding delivery of benefits by Lonmin on the part of government, communities and employees. This is exacerbated by increased dissatisfaction with the pace of government service delivery.
- Employee safety at work, with both the risk of safety failures and safety-related stoppages presenting a primary and continuous concern for the Company.
- Ensuring the health, fitness and overall well-being of employees at an affordable cost, despite the threat of HIV/AIDS, TB and the potential risks posed by NIHL, fatigue and lifestyle diseases.
- Understanding the complex expectations and varied needs of the government, communities and employees, and working to meet these through engagement and investment, as well trying to meet our SLP and Mining Charter targets by 2014.
Employees and contractors

At the end of 2012 we employed 36,523 people, 28,230 full-time permanent employees and 8,293 full-time contractors. This is a 1.5% increase and 13% decrease respectively on the 27,796 employees and 9,564 contractors we employed in 2011. At the end of 2012 8.15% of our workforce was represented by WAM.

Of the Company’s full-time employees, 26,869 are employed at our Marikana operations in the North West Province, 47 at our Limpopo operations, 288 at the PMR in Brakpan, Gauteng Province, 13 at the Melrose Arch head offices in Gauteng Province, seven at our exploration sites and six at our London office in the UK.

Employee profile

The graphs alongside and information below provide detail about our employee profile, including age groups, geographical origins and turnover rate.

The villages, towns and communities that make up the GLC, which is where we focus our training and recruitment efforts, are those that lie within a 15 kilometre radius of our operations. This area covers two municipalities, Rustenburg and Madibeng, and eight municipal wards. However, historical recruitment patterns and availability of skills means that a large percentage of our employees still come from national and international labour-sending areas.

The unemployment rate in South Africa was estimated at 25% in the second quarter of 2012. However, the unemployment rate among the youth (under 24 years of age) is approximately 51%. These figures vary from region to region.

Over several decades, large numbers of people searching for work have moved to areas where employment and socio-economic support may be found, in both the formal and informal sector. This has not only created an inequitable distribution of industry and economic opportunity within the country, but has placed considerable pressure on the more developed regions to cope with this influx. By contrast, the country’s less developed regions have become poorer and poorer. Increasingly we have focussed on the employment of local community members, that is, people residing within the Greater Lonmin Community (GLC).

In early September 2012, Lonmin announced that the K4 shaft was placed on care and maintenance from October 2012. The Company gave notice to mining contractor, Murray and Roberts, which employs around 1,200 people. The use of contractors in the mining industry is coloured by historical perceptions, including non-adherence to regulation and basic conditions of employment, poor compensation, lack of access to healthcare and accommodation, job insecurity and the inadequate implementation of safety measures.

An important factor that is often unrecognised is that contractor companies are required to comply with all regulations and legislation (including the Mining Charter) and that the onus frequently lies with the contracting Company (that is Lonmin) to ensure adherence. Lonmin has established a contractor hub that manages all contractors and we assess all contractors against sustainability related indicators. At the end of 2012, Lonmin employed 8,293 (or 22.7%) contractors. Lonmin believes that contractors can and should play a significant role in the industry, where they bring specific skills sets and necessary flexibility.

While we undertake contractor audits and engage with contractor companies who are reputable and with a good track record, we recognise that Lonmin employees are often better off than contractor employees. To try address this Lonmin makes our health care facilities available to contractors, promotes safety awareness and has a strong focus on safety compliance.

The majority of our employees are in the 26 to 35-year old age group (35%).

Employee turnover

Employee turnover in 2012 was 6.17% (2011: 10.6%). The 2011 figure was higher following the dismissal of some employees from Karee following an unprotected (unlawful) strike. We have also announced that we are looking at our operating model as well as management structures with the full effect in 2014 onwards.

We don’t offer retention rates after parental leave, but instead offer a four-month full salary maternity leave. This year only one person resigned after maternity leave.

Employee turnover by gender and type

<table>
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<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
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<tr>
<td>2009</td>
<td>3,212</td>
<td>3,943</td>
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<tr>
<td>2010</td>
<td>3,243</td>
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<tr>
<td>2011</td>
<td>3,263</td>
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<td>2012</td>
<td>3,179</td>
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<td>2,016</td>
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<td>3,815</td>
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<tr>
<td>2009</td>
<td>3,136</td>
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<td>2010</td>
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<td>2,016</td>
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<td>----------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Retirements</td>
<td>(88)</td>
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<tr>
<td>Retrenchments</td>
<td>(3)</td>
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<tr>
<td>Net gain/loss</td>
<td>79</td>
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</table>

Employee turnover by age grouping

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
<th>Male</th>
<th>Female</th>
<th>Gain/Loss</th>
<th>Total</th>
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<td>≤25</td>
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<td>97</td>
<td>133</td>
<td>19</td>
<td>182</td>
<td>78</td>
<td>260</td>
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<tr>
<td>26-35</td>
<td>683</td>
<td>125</td>
<td>578</td>
<td>56</td>
<td>105</td>
<td>69</td>
<td>174</td>
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<tr>
<td>36-45</td>
<td>426</td>
<td>52</td>
<td>475</td>
<td>28</td>
<td>-49</td>
<td>24</td>
<td>(25)</td>
<td></td>
</tr>
<tr>
<td>46-55</td>
<td>264</td>
<td>11</td>
<td>305</td>
<td>5</td>
<td>-41</td>
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<td>5</td>
<td>-118</td>
<td>-3</td>
<td>(121)</td>
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<tr>
<td>Grand Total</td>
<td>1,729</td>
<td>287</td>
<td>1,650</td>
<td>113</td>
<td>79</td>
<td>174</td>
<td>253</td>
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</table>
Securing the safety of our employees

Our context

Our principal operational priority is the safety of our employees and contractors. While we recognise that mining and processing operations present risk to safety, we believe that we can operate without injury and, most importantly, without loss of life. As a Company, we measure our performance against our safety objectives: fatality prevention, injury prevention and safe production culture.

During the year under review, we achieved 13 million fall of ground free shifts at our Rowland operations – a significant achievement as fall of ground remains the highest cause of fatalities in the underground mining industry. Over the past three years our safety results have been impressive and to date, we have achieved the lowest industry fatality frequency rate in the South African Platinum Industry. We aspire to be the industry leader in respect of safety performance. Lonmin was recognised by the Association of Mine Managers South Africa (AMMSA) Safety Awards in December 2011 where we were awarded 14 of the 36 safety awards.

Our Safety and Sustainable Development Policy outlines our policy commitments, with Lonmin Sustainable Development Standards (LSDS) supported by Fatal Risk Control Protocols. These provide a risk-based management framework for Company-wide safety management, for our strategy of working towards continual improvement and alignment with best practice. The Standards will be implemented over a three calendar year period, with the aim of their being integrated into decision-making processes during all phases of the operations by December 2014. A steering committee was appointed during 2012 to support the roll out of the LSDS within the operations.

Our Group Safety Department plays an important role in setting of objectives, the development of strategy and development of tools for implementation, as well as monitoring, reporting, auditing and compliance. An important aspect of their work is the investigation of accidents and incidents followed by action plans to ensure that events do not recur.

Our Safety Strategy is devised in consultation with management, unions and employees – we give our operations and employees the opportunity to identify their current situation and think about what safety goals they need to achieve. The Safety Strategy incorporates feedback from employees at all levels.

While line management is accountable for safety, it cannot create a safe working environment or prevent injury in isolation. The involvement of unions and the regulators is necessary at every level of engagement, from the rock face to the level of the National Safety Summits. Mine Health and Safety Committees operate on mine in accordance with the objectives and requirements of the Mine Health and Safety Act, and play a fundamental role in our drive toward zero harm. In 2012, there were 17 full-time safety and health stewards at Lonmin’s operations, with a further 1,610 safety representatives, excluding contractors, in the workplace. These are elected officials and, through these structures, all employees have access to and are represented in workplace safety and health structures. Topics and issues addressed through these committees include, among others, emergency trauma care, mental awareness, hazardous chemical substances, material handling, repeat incidents and PPE requirements.

This section focuses on operational safety. We recognise, however, that safety extends well beyond the workplace.

Fatal accidents: In memoriam*

It is with deep regret that we report two fatalities at work during the year:

- Mr Albino Moses Cuna (49) was fatally injured on 9 December 2011 in an accident at Eastern Platinum, 2 Shaft. He was struck by a radial door during cleaning operations. Mr Cuna was a Team Leader who had been employed by Lonmin since June 2010. He leaves behind his wife, Ester, his parents and children. We extend to them our sincere condolences for their loss.
- Mr Thobisani David Didi (35) was fatally injured on 22 June 2012 at Rowland Shaft. The accident occurred during sweeping operations where a rigging arrangement failed and struck him. Mr Didi was a Rock Drill Operator who had been employed by Lonmin since November 2007. Mr Didi leaves behind his wife, Zama, his parents and children. We extend to them our sincere condolences for their loss.

* Our safety performance data excludes any injuries or fatal accidents that occurred during the unprotected (unlawful) strike at Marikana as that is treated separately within this report.

Fatality prevention

Following the unacceptable performance in 2011, when our operations suffered six fatal accidents, Lonmin reported two fatal accidents in 2012. Refer to the fatalities graph below for a five-year comparison. While this falls short of our aim to operate without any loss of life, we recognise the efforts of management, employees, contractors and unions to effect this significant improvement and we commend our operational teams on this critical step forward. Specific actions were taken to prevent a similar fatal accident. These include the following: a winch mock-up was established at all operations, which alerts employees to the dangers involved with scraping operations, compliance audits and re-training on safety procedures was undertaken; and a training video on scraping and rigging safety measures was produced. We have also implemented a box front clearing standard. A box front is the mechanism that regulates the flow of the ore. The standard is the governing system to inform the user how to clear a blocked or obstructed box front.

Following the Lonmin Safety Summit held in 2011, we compiled a safety improvement plan with a total of 63 projects, campaigns and initiatives, which were effectively executed in 2012. We monitor the effectiveness of these initiatives monthly.

One of the significant campaigns we embarked on was aimed at safety through leadership development. The entire executive team and many senior managers, including our CEO, along with union leaders, participated in a DuPont safety management training course with emphasis on achieving a culture of care, increasing safety awareness and a personal commitment to safety. This, we believe, will be one of our most valuable tools in achieving zero harm.
Injury prevention

LTIFR is the principal measure of safety performance, illustrating the number of occurrences of lost time injuries per million man hours worked. We aimed to improve our LTIFR by 5% by 30 September 2012, against the 2011 rate. We have achieved this target and our year-on-year LTIFR improved from 4.71 to 4.16, thus 11.7%. Our year-on-year Lost Time Injuries (LTIs) improved by 11.2% from 419 in 2011 to 372 in 2012. Over the last five years Lonmin has improved the LTIFR by 33.7%. Refer to the LTIFR graph above for comparative data.

While our injury rates have declined, the actual number of LTIs and their causes remain a significant area of concern. Material handling remains the main contributor to LTIs, accounting for 25% of all LTIs during the year. In total, we lost 20,579 days as a result of occupational injuries in 2012.

We have continued to focus on improving our processes that identify and eliminate material handling injuries, emphasising pro-active hazard identification before any work is done, irrespective of how small the job is. We encourage our employees to work by the slogan “mind on hands, hands on job” to encourage focus and concentration, both fundamental elements in avoiding injury.

Leading by example has had a significant positive impact on safety and Visible Felt Leadership (VFL) has been an important way to drive this behaviour. VFL means that the commitment to care begins at the top of the Company and our leaders clearly demonstrate and communicate how safety initiatives should be implemented, by setting expectations and being accountable for the results. All employees in leadership roles, especially high-level leadership, take part in safety training and workshops throughout the year. VFL is structured and well-defined; performance is evaluated and measured and structured feedback is given. Our employees are recognised and rewarded for good safety performance and exceptional LTIFR performances are rewarded financially as part of Lonmin’s balanced scorecard approach.

Reducing the severity of injuries continued to be a focus area. We had 16 level three safety incidents compared with 36 level three incidents in 2011, a 56% improvement. An injury can be classified as a level three injury, based on the severity of the injury that in the opinion of the medical practitioner can result in some degree of permanent disability. We investigate all level three safety incidents thoroughly to determine their basic causes and to address their prevention.

Effort has been made to improve our post-injury care resulting in the speedier recovery of the injured person, as well as a reduction of the amount of time employees take off after being injured. Our severity rate has declined by 20% in 2012. Similarly, our Medical Treatment Cases declined by 44% during the year.

Safe production

Fostering a pro-active approach to safety means we cannot separate our safety performance from how we undertake business. Lonmin aims to produce safely, which means setting goals, encouraging a culture of proactive behaviour and developing sustainable work practices for growth.

Following the 2011 Safety Summit and the culture survey we identified the key focus areas affecting safety in our operations as being:

- **Leadership:** Our focus areas for the development of leadership are to improve knowledge of safety, embed the principles of care and integrate safety into the business. Our emphasis will be on personal commitment to safety.

- **Simplifying systems:** An important element of this is our effort to provide each level of employee with only the information they need to carry out their core responsibilities safely. The implementation of our systems used to manage the safety risks and opportunities was internally and externally audited in relation to ICMM Subject Matter 3. We have also again obtained assurance with reference to ICMM Subject Matter 3, relating to our management of safety risks.

- **Creating an enabling environment:** We have implemented safety standards and fatal risk protocols. We are ensuring that documents are relevant and understandable to all employees and contractors at all levels of the Company.

- **Creating a safety conscious culture:** We need to create a culture of safety, a set of shared beliefs about safety, within our Company. We have identified that the living conditions of many of our employees contributes to unsafe behaviour in the mining environment, including lack of sleep, poor diet, abuse of alcohol or drugs, and there is or a lack of respect for high risk that is inherent in the mining environment. A system of alcohol
testing for all Smelter and BMR employees, as well as random tests at other sections of our operations is in place.

We are committed to sourcing and developing contractors from our local communities wherever possible, and contractor safety management is an integral part of reaching our goal of zero harm. All new vendors are pre-assessed and undergo safety training to ensure they comply with our safety standards. A highlight of the past year has been our collaboration with other industries and companies within the mining sector and of the sharing of best practice ideas and techniques. We aim to formalise this collaboration in 2013.

CASE STUDY: Fit for the job
Apart from promoting equality in the workplace, the South African Mining Charter set a target that women should make up 10% of the total women in mining. Achieving these levels has brought with it unique challenges including the real and perceived issue of reduced physical capacity.

Safestoppages
During the year under review, Lonmin was issued with 37 Section 54 notifications from the DMR, an increase of 37% from the 27 issued in 2011. Section 54 notifications are issued when an Inspector from the DMR has reason to believe that any incident, exercise, or situation at an operation endangers, or has the potential to endanger, the health and safety of any person at the mine.

The Company fully supports the government’s commitment to enforcing mine safety legislation and we are directly involved with the DMR and other government structures to improve safety standards. We perform internal safety stoppages if we believe that any incident or situation endangers any person at the mine. The operation is halted until investigation confirms the situation is resolved. All injuries and incidents are investigated and reviewed by senior staff, allowing us to understand where gaps in our safety strategy exist and implement new, more effective plans.

Increased interaction between the Chief Inspector of Mines and discussions with the Minister of Mineral Resources, have been fruitful. These engagements facilitated a two way information flow for the business to understand the increased efforts from the DMR, as well as for the DMR to understand the impact of the stoppages.

Emergency and disaster management
Lonmin’s Emergency and Disaster management service is a centrally based operation in Middelkraal. Our emergency services are regularly called upon to assist at neighbouring shafts and also with emergencies in the GLC. The disaster management centre is fully resourced for any kind of disaster and the team of specialists are highly skilled to provide immediate access to medical attention. The service is available to our employees, their families and the communities around our operations. This year the DMR developed a new code of practice for disaster management, with which Lonmin is already compliant, being the first company in the mining industry to achieve this.

The centre’s disaster management plan initiated in the immediate aftermath of the tragic events that took place on 16 August 2012. With the support of Netcare, the provincial emergency services and Anglo Platinum, Lonmin Medical Services were able to cope adequately with the multiple casualties that were suffered.

Working conditions
The environment in which an employee finds himself/herself is complex and can best be explained by referring to three areas:

- The “rural home” generally refers to employees’ homes of origin. The rural home is often the location of extended families and multiple dependents.
- Local households are the homes occupied by employees in the vicinity of their place of employment (informal settlements) and employees usually have dependents in them. Lack of sufficient rest at these households is common as is overcrowding. The local households usually struggle with basic services such as water, sanitation and waste removal. We have also identified that poor diet, lack of healthy recreation, alcohol abuse and risky sexual behaviours are common challenges employees face.
- The underground environment requires physical labour in often confined spaces. It is artificially lit and ventilated. It is noisy and often respiratory illness is associated with this environment. Due to the nature of the underground environment it will continue to present hazards.

We are extending our focus on safety to better understand leading indicators such as the household conditions of our employees as well as endeavours to understand absenteeism better. Reasons for absenteeism do not always include sickness or injury, but other factors such as family responsibility, providing support to a sick family member or the transfer of money to the rural home.

At the Process Division we have, this year, started to track household safety issues. These issues are discussed and monitored as we believe they can affect employees’ behaviour at the workplace.

Achievements and acknowledgements
Lonmin was awarded the John T Ryan Trophy, an award which recognises outstanding safety practices in the mining industry. The prestigious award was presented to Lonmin’s 1B4B mine at MineSAFE 2012, the premier industry safety conference incorporating the MineSAFE Awards. As the 2012 recipient, the shaft will now compete internationally with winners from the other participating countries. The awards are a joint venture between SAIMM, AMMSA, and the South African Colliery Managers Association (SACMA) with input from the DMR, the Chamber of Mines and employee unions. Other safety milestones for which we received recognition included:

- 13 million fall-of-ground (FOG) fatality-free shifts at Rowland Shaft, which is a worldwide industry record (August 2012)
- 7 million FOG fatality-free shifts at 4B Shaft (July 2012)
- 5 million fatality-free shifts at Karee Mine (August 2012)
- 5 million FOG fatality-free shifts at K3 Shaft (July 2012)

Acknowledgements
- Mine SAFE 2012, recognised Lonmin as being the most improved corporate in respect to safety.
- Lonmin Mining has on two occasions achieved 6 million fatality-free shifts.
- Lonmin Mining has achieved 12 million fall-of-ground fatality-free shifts.
Health

Our context

Promoting the safety, health and wellbeing of employees and their families, contractors and the communities in which we operate underpins our vision and strategy, and is aimed at improving their quality of life. A healthier workforce is also clearly an advantage to our business: employees who are fit to work at their full potential will report fewer absences owing to sickness or ill health.

Our health programmes address the regulatory components of occupational illnesses and their management and reporting, as well as public health issues, namely HIV/AIDS and TB. Results from recent community voluntary counseling and testing (VCT) have indicated 20% of HIV tests were positive within the GLC.

We have to understand what affects employee health, particularly when this is related to work attendance or performance, and have undertaken research on this matter over the past two years. It was established that a combination of internal and external factors cause absenteeism, including family problems, work stress and health issues. We are working towards understanding how these all affect each other and are addressing them holistically. Since our employees are an integral part of the communities, we commissioned a further study on the health status of the communities in the GLC.

CASE STUDY: GLC health survey

In 2006, we commissioned research on the health status of the GLC. The survey gave us an accurate understanding of the impact of Lonmin’s activities on the community, and formed the basis of our Community Health Programme. Five years later, we commissioned a review of the survey.

Our Workplace Health Programmes are aligned with our goal of causing zero harm to people and include not only management and treatment programmes but also prevention programmes. In addition to occupational healthcare, we offer employees (and registered dependants) comprehensive healthcare through our medical services unit, delivering cost-effective quality healthcare and a comprehensive workplace disease management programme. We understand that the promotion of employee safety and health entails an integrated approach involving all stakeholders. We also recognise that our employees live in the communities surrounding our operations and acknowledge that we have a responsibility to design and implement sustainable community health projects - see Partnering with our communities: Community health.

We believe in a partnership approach to employee well-being and apply this at a number of levels:

- In the workplace, Health and Safety Committees are in place and actively involved in issues relating to employee healthcare and well-being. We have an HIV/AIDS and Tuberculosis Steering Committee, comprising both management and union representatives, which meets quarterly to review and monitor implementation of our strategy.
- In communities we partner with government and peers in the interests of healthcare delivery. See Partnering with our communities for further details.
- Through our participation in the ICMM Health and Safety working groups and the South African Chamber of Mines’ Health Policy Committee we monitor and benchmark our performance against industry best practice and contribute to national and international knowledge and debate.

Our Health Department is responsible for healthcare delivery, occupational health and hygiene policies, standards, monitoring and auditing. Line management is responsible for maintaining occupational health and hygiene standards in the workplace.

Healthcare delivery

Lonmin offers employees and contractors primary and occupational healthcare services through various on-site facilities. There is a hospital at Marikana with a medical and surgical ward, which conducts minor procedures and has a casualty and out-patients department. In addition to this hospital we have four clinics – two at Marikana, one at Limpopo and one at the PMR – which offer a combination of primary and occupational healthcare services.

If an employee or contractor is injured on the job we will treat them on-site or, if the injury is serious, refer them to a private facility for specialised care. A Lonmin doctor will go to the shaft if there is a critical injury, and when necessary, arrangements are made for patients to be airlifted to a specialised trauma unit. Our healthcare services take responsibility for patient after-care.

In the event of multiple casualties our disaster management plan is activated, mobilising additional staff and ensuring the appropriate level of care of patients through a triage procedure.

Employees are eligible to participate in the Lonmin Medical Scheme but may choose to join an “open” scheme if they feel this would suit them better. All our employees are required to participate in a designated medical aid scheme, even if they do not use the healthcare facilities provided on site. We also require that all contractors and suppliers verify that their employees are on a registered medical aid scheme.

To ensure that healthcare is accessible to more people in the greater community, we encourage employees to register family members as dependants, who then also qualify for Lonmin’s comprehensive healthcare programme. Our vendor registration ensures that contractor employees are provided with a certain minimum level of healthcare support.

Critical areas of focus are:
occupational health and hygiene;

community health; and

TB and HIV/AIDS.

Occupational health and hygiene

Our occupational hygiene initiatives are aimed at reducing the risk of exposure to potentially hazardous conditions in the workplace, to ensure regulatory compliance and to improve workplace conditions by implementing appropriate occupational hygiene programmes. The programmes implemented at operations and mines include the continuous assessment of identified risks and surveys aimed at identifying new hazards and risks.

Noise-induced hearing loss

Noise is identified as a key occupational hygiene risk at Lonmin and regrettably we have seen an increase in the number of new cases of NIHL identified during the year. Refer for the NIHL graph for more details. This can be attributed to equipment still emitting noise levels above 110dB and reluctance of operators to wear hearing protective devices. We looked into this reluctance and found that many employees find the device uncomfortable. Subsequently we have introduced improved hearing protective devices (with higher noise reduction capabilities) and are monitoring the progress with these. We have also introduced education, training and awareness programmes around noise protection. We had set a target to reduce the number of new NIHL cases by a further 10% by 30 September 2012, but we have not achieved this target as our number of new NIHL cases increased by 20%.

Our hearing conservation programme is aimed at reducing the risk of NIHL through:

- engineering controls;
- administrative controls;
- training of staff;
- provision of personal protective equipment (PPE) – including various campaigns to enforce the wearing of PPE; and
- medical surveillance.

Our rock drill silencing programme, which aims to bring the noise levels associated with this equipment to below 110dB, has continued at a cost to the company of R18 million (US$ 2.2 million) during FY2012. Thus far we have issued 2,061 rock drills fitted with silencing equipment, and plan to issue a further 506 rock drills with the silencing equipment.

Other occupational health risks

Various programmes are in place that is aimed at reducing the risk of exposure to potentially hazardous substances in the workplace. Recent occupational hygiene measurement data show significant improvement in employee exposure profiles for specifically lead and sulphur dioxide. Reduced employee exposure to lead and sulphur dioxide is due to the implementation of successful engineering controls.

Exposure to chloroplatinates (Platinum salts) is a potential occupational health risk during the Platinum refining process. Through our association with the International Precious Metals Association's (IPA) Scientific Task Force we have been involved in research to determine Occupational Exposure Limit (OEL) thresholds for Platinum salts, as well as to determine an adequate Inhalation Reference Concentration (RfC). Zero cases of Platinum Salt Sensitivity have been reported.

No occupational asthma incidents were reported during the year and the number of reported skin allergies has also declined to zero. A baseline vibration study to evaluate compliance with international standards and guidelines for whole body vibration has been completed.

The table below provides the rate of occupational disease, including NIHL, during 2012 per 100,000 employees and contractors.

<table>
<thead>
<tr>
<th>Rate of occupational disease (per 100,000 employees and contractors)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>New NIHL cases diagnosed</td>
<td>115</td>
</tr>
<tr>
<td>NIHL cases compensated</td>
<td>90</td>
</tr>
<tr>
<td>Pulmonary tuberculosis</td>
<td>1,230</td>
</tr>
<tr>
<td>Occupational asthma</td>
<td>0</td>
</tr>
<tr>
<td>Occupational dermatitis</td>
<td>0</td>
</tr>
<tr>
<td>Platinosis (platinum salt sensitivity)</td>
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</tbody>
</table>

Physical and functional work capacity testing

Another area of progress has been the optimising of our physical work capacity testing programme. Each new recruit must undergo an assessment to ensure they are able to work in the conditions that apply to their job. This is in addition to the basic medical assessment. These physical tests include heart rate and cardio-respiratory function assessments, as well as the recruit's physical ability to perform the specific job required. These tests are explained prior to recruitment so that the potential recruit understands that they must be able to perform the tasks required for that job. We have found that women wishing to work in core mining positions frequently do not have the required physical or functional capability and upper body strength. If women fail the initial assessment, then we provide the potential recruit with an individual exercise programme particularly to improve their cardiovascular health, as part of the WIM programme. This initiative has helped greatly and has resulted in pass rates rising from 30% to between 50% and 55%. This is especially important given the increasing focus on local employment and the employment of women.
Community health

Community health is very relevant to our employees and the sustainability of our business. A large proportion of our category 3-9 employees (an estimated 77%) live in the communities surrounding our operations, and often in very poor conditions. Further, the lack of delivery of basic infrastructure and healthcare services, by the state, has meant that many community members look to local companies to meet these needs.

This situation is recognised by Lonmin as requiring particular attention and, to better understand the situation, we commissioned research among 979 households in seven communities surrounding our operations. See case study: 2011 GLC health survey review informs community health strategy.

While we were encouraged by the evidence of a positive trend observed in response to our TB and HIV/AIDS awareness and management programmes, the overall results were quite disheartening and we have used these gaps to guide Lonmin’s community healthcare strategy and projects.

HIV/AIDS and Tuberculosis

Lonmin’s biennial wellness campaign, which involves testing for HIV, blood pressure, glucose, cholesterol and a TB symptom screen, took place during between February and August 2012. Supporting this initiative are regular awareness campaigns for employees and communities. The most significant community health issues are HIV/AIDS and TB.

HIV/AIDS

Our HIV management programme aims to:

- educate and inform about HIV/AIDS and its treatment;
- provide access to voluntary counselling and testing;
- provide those employees who are HIV-positive with both medical and emotional support through our wellness programme;
- administer anti-retroviral treatment (ART) to those patients who are HIV-positive. We administer ART to patients with a CD4 T-lymphocyte count of 350, which is higher than the level at which this is administered by the state, to pre-empt, where possible, the progress of the disease; and
- ensure equitable treatment for those infected, in line with the law, Company policy and agreements.

We have 486 trained HIV/AIDS workplace peer educators who inform, educate and instruct their colleagues about HIV/AIDS. Prior to the Marikana tragedy, 279 were active. This is a ratio of 1:101 peer educators per employee, which is below our target of one peer educator per 75 employees. This year, we undertook refresher training to motivate and encourage peer educators. An on-site social worker provides additional counselling to employees, ensuring a holistic approach to their well-being.

We sponsored 46,945 voluntary counselling and HIV tests during the year (2011: 31,666) and had a total of 657 people participating in our wellness programme (2011: 526). This is a 24% improvement towards achieving the target set in 2011. In 2011 we aimed to improve our wellness programme by a further 5% by 30 September 2012 (against the 2011 baseline).

A total of 2,510 people received ART from the Company (2011: 2,022), thus a 24% increase in ART uptake. Of the people receiving ART 92% are male employees. Refer to the Patients on ART graph for a five-year comparison.

An achievement during the year has been the marked reduction in ART-defaulters to below 5%, before August, which was below our target. (ART-defaulters are those individuals who, for whatever reason, miss their monthly treatment collection). This was an encouraging step towards our aim of having zero defaulters. The improvement can be attributed to a combination of education, adherence counselling and the parading system. Sadly the unrest during August negatively impacted this and for that specific month we saw a defaulting rate of 14%. In the month of September defaulting lowered to 9%, thus for the year on average we managed to have a 10% ART-defaulting rate.

HIV/AIDS remains a major cause of in-service deaths, and in 2012 we reported 104 HIV/AIDS-related deaths that are known to the Company (2011: 139).

Tuberculosis
The high incidence of TB and the relationship between TB and HIV/AIDS remains of concern. All employees and contractors are screened for TB during occupational health examinations, and treatment is provided to all those diagnosed with TB. We also conduct contact tracing and try and manage treatment defaulters in the same way as ART defaulters. In 2012, 527 new cases of TB were diagnosed (2011: 545 cases). We achieved a cure rate of 87% of cases where the treatment outcome is known, which exceeds our target of 85%. A total of 11 cases of Multi-Drug Resistant Tuberculosis and no cases of Extremely Drug Resistant Tuberculosis were reported in 2012 (2011: 15 and 4).

**CASE STUDY: Building bridges of hope**

The Workplace Peer Educators are workers from different levels within the organisation who volunteer or are selected by their peers. They are there to share knowledge and practical information, encourage and support others, and promote healthy living. Their services are not limited to the workplace, extending to their families and community. [READ CASE STUDY](#)
Human rights and labour relations

Our context

We seek to uphold human rights though all our operations and we believe in the importance of internalising internationally recognise standards of human rights.

We use the following conventions to inform our policies: Voluntary Principles on Security and Human Rights; the framework for businesses formulated in the UNGC, The United Nations Universal Declaration of Human Rights and the proceedings of both the International Labour Organisation (ILO) and the ICMM. We also ensure that the policies and practices in place at our operations fully reflect the legislative requirements of South Africa, including the Bill of Rights contained in the South African Constitution, together with the Company’s Act in the United Kingdom, where we have our primary listing. We have incorporated a Standard within our Lonmin Sustainable Development Standards that specifically focuses on Business Ethics and Human Rights. Lonmin embarked on a three year roll out plan for these standards of which, at the end of the three year period, Lonmin aims to have integrated these Standards within all business units.

In particular we observe the UNGC Principles relating to Human Rights that businesses should:

- support and respect the protection of internationally proclaimed human rights;
- make sure they are not complicit in human rights abuses;
- uphold the freedom of association and the effective recognition of the right to collective bargaining;
- uphold the elimination of all forms of forced and compulsory labour;
- uphold the effective abolition of child labour; and
- uphold the elimination of discrimination in respect of employment and occupation.

Our Human Rights Policy was developed in 2009 and in line with these principles to assist the Company in its goal of upholding international human rights through all of its dealings and operations. The policy applies to all employees, contractors, suppliers and business partners. We record and report any credible allegations of human rights abuses, by public or private security, within our area of operations to the appropriate authorities. We undertake to monitor investigations to completion; and ensure actions are taken to prevent reoccurrences.

Key principles of this policy are:

- equality, fair labour practices and the right to prosperity;
- human dignity and the individual’s right to life, freedom and security;
- taking a stand against slavery and child labour;
- ensuring privacy, freedom of religion, belief and opinion and the right to language and culture;
- freedom of expression, association, trade, occupation and profession; and
- access to an environment that is not harmful to health or wellbeing.

Our CEO holds the responsibility for human rights matters across all our operations, and is supported in this role by our Executive Vice President: Human Capital and External Affairs, and by the Company Secretary.

Communicating our Human Rights Policy

All human rights related policies are available on the Company intranet and new or revised policies are circulated via emails and discussed in management meetings and safety briefs to ensure that employees are aware of their and our responsibilities in respect of human rights.

Training on human rights and business ethics is undertaken during induction and during our annual refresher course in which all employees participate. All employees working on site (underground or at the plants) have to do an annual refresher course. In this way, we ensure that there is widespread exposure to this information. During induction employees are also provided with information on how to appropriately handle grievances and report incidents. The training material is available in English, Setswana, Sesotho, isiXhosa and Afrikaans, and employees can also request to be briefed verbally.

As an avenue for anonymous or sensitive information, we provide an Ethics Hotline, a phone-in service available to anyone involved in our operations. The service is provided by an independent third party and is a secure channel that can be used to report any conduct of concern in the Company. These issues are investigated by our internal investigations department and they track the progress of each case and report monthly to the Head of Internal Audit.

During 2012 we conducted a Human Rights Awareness Campaign within our Process Division. The campaign used various communication media, including video clips, noticeboards and other electronic communication to create awareness around the 30 Human Rights of the UN declaration.

Managing working conditions

Lonmin is committed to ensuring that our working conditions are in line with our Human Rights Policy, and employees are not allowed to engage in activities that may conflict with this or cause prejudice to the Company. Both our Human Rights Policy and our Employment Policy prohibit forced or child labour and we have had no incidents of either during 2012 at any of our operations or perpetuated by any of our primary contractors or suppliers, nor is there any risk of this in the coming year. All of our contracts with suppliers contain human rights clauses. Our employees enter into their employment conditions voluntarily and all conditions are regulated by legislation, thus none of our operations have a risk for incidents of forced labour. Any overtime is restricted to the national level permitted by the Basic Conditions of Employment Act 75 of 1997.

We analyse all (100%) of our business units for risks related to corruption and respond to any related complaints. Lonmin has a zero-tolerance
approach to corruption and complies with all legislations regarding this. Our revised vendor application system specifically asks if the applicant has ever been investigated for any reason by any other mining company.

Due to the nature of our business we have an impact on the communities around our operations. We have various mechanisms in place to assess the actual and potential impact on human rights. This year we have assessed the health and wellness of the communities surrounding our operations, which included the assessment of access to public services such as clinics.

**Security and human rights**

Our security services comply with the relevant national legislation and the United Nations Basic Principles on the Use of Force and Firearms by Law Enforcement Officials. We endeavour to handle any security incidents with sensitivity, upholding human rights as the basis for any decision. Lonmin has a security code of conduct, which governs the security staff and contains the requirements to prevent human rights abuse. The majority (80%) of our security personnel have been trained on the code through our security induction programme. Training for all employees and contractors in these roles includes dedicated modules on human rights and the appropriate and legal behaviour when carrying out security-related responsibilities. This training programme is designed in accordance with the South African Private Security Industry Regulatory Authority.

In September of 2011, media reports alleged that Lonmin security personnel were involved in intimidation and harassment of PMR employees suspected of product theft. Lonmin strongly condemned any such action and confirms that these criminal acts were carried out without Lonmin's knowledge. It should be noted that product theft is reported to and investigated by the SAPS. We provided the affected employees with counselling and helped them to lay criminal charges against the perpetrators.

The effect of these allegations has remained with us though, and to reaffirm our commitment to human rights we undertook a further programme of intensive human rights training for our security teams. We have had a security Code of Business Ethics ratified by EXCO and signed by our CEO, which addresses human rights issues, specifies behaviour that is not condoned and sets out guidelines for security practices. This document was drawn up using not only the Criminal Procedure Act Number 51 of 1977, but also international codes to ensure it encompasses a broad view of human rights. The Code applies to our entire workforce regardless of location or job. Any suspected transgressions can be reported to our investigations department through our independent and confidential ethics hotline, in line with our formal Whistle-blowing Policy. Responsibility for the monitoring and resolution of these investigations is then transferred to the Company's internal audit teams.

Standard Eight of the Lonmin Sustainable Development Standards sets out mandatory requirements such as training and reporting for how to integrate ethics within the business. In addition, we are currently developing training material, which will be implemented over the next year, to sensitise all security employees and service providers to the approved Code of Business Conduct. We have also included this in service providers’ contracts, and any violation of the code will result in a breach of contract.

Mining companies cannot assume the roles of government or social organisations. They are not structured to advance social interests, not enforce public order. We will consider how we respond to the challenges posed by Marikana while being mindful of our competencies and resource limitations and, in particular, the way in which we uphold our values within the context of our society.

**Ensuring freedom of association and collective bargaining**

Our Human Rights Policy and agreements are aligned to the Labour Relations Act No 66 of 1995. We ensure that we comply with the South African government’s set minimum wage for employees with basic skills across industries. Lonmin respects the rights of its employees to freedom of association and to be covered by collective bargaining agreements, if they so choose.

Trade unions negotiate terms and conditions of employment on behalf of their members with particular focus on wage increases. Union representatives are also involved in formal forums that meet monthly to discuss issues such as housing, transformation and skills development, while safety and health are discussed in formal tri-partite structures comprising, management, unions and government representatives. Collective bargaining agreements are often framed by South African labour legislation requirements, to which we adhere. The minimum notice period regarding operational changes is one such rule and is set by law at between three days and 12 weeks. We have formal agreements in place with a number of trade unions in South Africa, which permit them to organise (that is, to recruit and represent members) in our business. This enables us to engage with democratically-elected representatives whom we know to be acting on behalf of our workforce. The Company conducts collective bargaining with unions it knows to represent more than 50% of the relevant workforce.

Lonmin undertakes to negotiate in a responsible manner with all recognised unions and the extent of their recognition will be based on the level of membership that the union holds. Once a union has a majority membership (in excess of 50%), it is granted full recognition status. A union with over 33% membership will be granted partial recognition. A recognition agreement confirms that the employer accepts the trade union as a bargaining agent. Within the agreements the rules of engagement and the rights of the employer are stipulated.

As at 30 September 2012, 80.8% of employees are members of recognised trade unions (2011: 55.5%). We have seen an increase in AMCU membership this year, with it rising from 20.82% at the end of September 2012 to 45% at the end of October 2012.

We believe that it is important for our employees to be able to choose the representation that best suits them, and for a culture of freedom of expression and association be fostered within the Company.

The Farlam Judicial Commission of Inquiry on the Marikana tragedy began in the first week of October and its outcomes are expected to have a bearing on Lonmin’s approach to collective bargaining.

**Eliminating discrimination and resolving grievances**

Lonmin prohibits discrimination on the basis of race, gender, ethnic or social origin, age, sexual orientation, disability, religion, language, marital status or pregnancy. We acknowledge South Africa’s troubled history of racial discrimination and we...
have transparent recruitment and development targets in line with the South African Mining Charter to foster a more equitable employment environment, both at Lonmin and throughout South Africa's mining industry.

We have various programmes in place to encourage mutual tolerance and understanding, and to further equal opportunities. Specific policies where the most common types of workplace discrimination are directly addressed include our Human Rights Policy, Employment Equity Policy, HIV/AIDS Policy, Women in Mining Policy, Maternity Policy and Sexual Harassment Policy, each of which provides necessary and relevant information to our employees. Grievances or experiences of discrimination may be reported through our ethics hotline.

In 2012, two incidents of discrimination were reported and one case of sexual harassment. One incident of discrimination was reported via the ethics hotline and was successfully closed out, while the other was reported through our internal processes and could not be substantiated. The sexual harassment case was raised by a human capital officer on site and a final warning was issued against the offender. This year four human rights related cases were reported; these cases relate to intimidation. One of the cases has been withdrawn, two cases are with the SAPS and one case is still being investigated. The unprotected strike that sadly saw the loss of life will be investigated by the Farlam Commission. See Critical review: Making sense of Marikana

Investing in ethical value chains

At Lonmin we realise that our responsibility extends beyond internal policies and so we hold all our employees, customers, suppliers and contractors to the same standard of human rights and ethical conduct under which we perform our business operations. Contractors are expected to behave in the same way as our employees, in a manner that neither undermines our commitment to human rights nor jeopardises our reputation.

Our suppliers are screened at project pre-feasibility stage with regard to their human rights behaviours, and once we contract a supplier they are expected to meet Lonmin's ethics requirements. We have systems in place to monitor this compliance and any breach of this standard is also considered a breach of contract. Our primary suppliers and contractors must also comply with South African law in respect of working conditions. All of our suppliers are subject to human rights assessments, with 53 individual assessments having been completed in 2012. There were no allegations or reports of human rights violations committed by any of our contractors or suppliers during the year however one contract was terminated due to unethical business practice.

Respecting the rights of communities residing in areas adjacent to our operations

Lonmin respects the traditional and cultural rights of the communities living around its operations and endeavours to add value to their long-term wellbeing. The tribal authorities with whom we engage regularly are Bapo Ba Mogale (at our Marikana operations) Mapela, Mphahlele, Ledwaba, Kekana Ndlovu (at our Limpopo operations) and the Silindini traditional authority, from the Eastern Cape, where many of our employees originate. Details on the methods and frequency of our engagement with communities around our operations and their representative authorities can be found in the Engaging with our stakeholders section of this report.

CASE STUDY: Heritage before exploration

We know that our heritage sites are irreplaceable and we are committed to preserving our heritage for future generations. A Phase 1 Assessment at the Marathodi Chiefdom heritage site at Vlakfontein was completed in June 2011.  

READ CASE STUDY
DEVELOPING OUR PEOPLE:
training, development and transformation

Our context

Amidst a shortage of skills in the South African mining industry – combined with the need to meet transformation objectives – attracting, developing and retaining skilled employees from a diverse background is of critical importance to Lonmin. We confront the competition for skilled labour not only in South Africa but also internationally and across industries.

Compounding the matter further are the following important issues:

• an unemployment crisis in South Africa. Job creation is one of government’s most pressing imperatives, and communities are increasingly looking to companies to deliver jobs where government has not and cannot meet this demand;
• current market circumstances, which place significant cost pressures on the Company;
• a legacy of inequality in South Africa, which has meant that historically disadvantaged South Africans (HDSAs) and women have not been appointed or developed in core mining skills, or in professional or management positions; and
• a legacy of systematic sub-standard education for HDSAs that has left large percentages of the country’s adult population illiterate or without skills. Further, many employees from neighbouring countries have received similarly poor standards of formal education.

Our SLPs respond to statutory requirements in compliance with the Broad-Based Socio-Economic Empowerment Charter for the South Africa Mining and Minerals Industry (the amended Mining Charter). But our recruitment, development and retention programmes are about more than compliance. We strive to develop and retain a skilled, productive workforce drawn from the broadest spectrum of South Africans, particularly from our host communities, to maintain a profitable and sustainable business.

Finding people, particularly from our local communities, who have the appropriate level of education or skills is a challenge which we are addressing through:

• investing in the education of young people in the GLC from early childhood through to tertiary education (see Partnering with our communities for further information); and
• providing ABET in the GLC so we can close the gap in the education levels of job seekers and equip them to qualify for employment within Lonmin.

The management of our human capital is a line function, guided by the Executive Vice President: Human Capital and External Affairs, who in turn reports directly to our CEO.

Our strategy is aimed at:

• The effective attraction and retention of employees, by providing competitive rewards, recognition and development opportunities for employees, and ensuring compliance with our Mining Charter targets;
• the creation of skills, talent and leadership within our employee pool through effective employee and leadership development;
• building a culture that is values-based, performance-focused and through which teams and individuals are highly motivated – in short, a transformed performance culture.

Our recruitment, remuneration and promotion policies and procedures aim to ensure that equal opportunities are afforded to all, although there is an emphasis on achieving transformation within our workforce and in meeting our Mining Charter requirements.

Attracting and retaining employees

During 2012 we recruited 2,016 employees (2011: 6,544 employees) - 76% of the new recruits were HDSAs and 14% of these recruits were women. While every effort is made to source employees from local communities, the lack of available skills locally, particularly at a professional and management level, sometimes necessitates the drawing of candidates from major urban centres. This issue is complicated by the definition of who can be classified as a local community employee. Employees who have a local address may have originally lived elsewhere. Currently 30% of our employees originate from the North West Province, 7% from Gauteng, 5% from Limpopo, 31% from the Eastern Cape, 10% from the other provinces and 17% from outside South Africa.

Identifying critical skills

An important component in our recruitment strategy is the identification of critical skills. Our analysis started from the base of critical skills identified by the Mining Qualifications Authority (MQA) and was supplemented by an intensive study not only of vacancies and attrition rates but also forward-looking projections, given the fact that ours is an aging workforce. Key disciplines of concern were: shift supervisors, engineers, artisans, miners, surveyors, ventilation officers, among others.

To address the issue of skills shortages and to bolster our skills pipeline we have embarked on a process to identify and develop talent, both within and outside of the Company. We are investing in developing the communities around our operations through various programmes which include education, mining skills related training, bursaries and learnerships.

The hiring of people from surrounding communities is no different to our standard recruitment process.

Learnerships and bursaries

As far as possible, we aim to empower the local community by providing training opportunities and employment. We employ a number of initiatives to attract new talent to the Company.
Good progress was made in a number of elements of this programme in 2012:

- from the GLC.

Each employee takes responsibility for his/her own development and is expected to complete or update this document on a periodic basis to support

which in many cases is our local communities and HDSAs.

In 2012, 25 learners participated in the supplementary school programme and 15 learners in the university preparedness programme. All of these participants were HDSAs. Following this, 21 students from the community were awarded learnerships in 2012 (2011: 9).

The Lonmin Bursary Scheme is another important part of our human capital pipeline. It is not only a valuable entry point into Lonmin, but also generates loyalty to and within the Company. Bursars are defined as students who are busy studying towards a tertiary qualification on a full-time basis. Our bursar pool currently consists of students in the following major fields of study: chemical engineering, electrical engineering, electronic engineering, industrial engineering, mechanical engineering, mining engineering, mine survey, metallurgy, geology and instrumentation. Non-core bursaries are also allocated in the fields of finance and information technology. In 2012, Lonmin supported 98$b^{14}$ bursars (2011:43) of which 42% are from the GLC.

Good progress was made in a number of elements of this programme in 2012:

- a revised Bursary Policy was developed, with the inclusion of various new clauses and consistency guidelines;
- a vacation programme was set up for each bursar by discipline, including a Facebook page to improve interaction with students;
- internal mentors were identified per discipline. These mentors undertook university visits and provided academic guidance to students as requested; and
- an online bursary application was developed. However, GLC community members still have the opportunity to apply via the paper-based application route.

The Company is currently experiencing a high failure rate amongst bursars. In response to this, Lonmin has developed mentorship and vacation programmes. A Lonmin Bursary Support Programme is also being developed together with the University of Pretoria and Career Wise. The objective of this programme, like the supplementary school programme, is to improve bursars' academic success rate through additional mathematics and science tuition.

Another core challenge for Lonmin is the low entrance into core fields such as mining and engineering. We have hosted several school open days to promote mining and mining-related careers among school-leavers to try and address this.

The graduate development programme provides valuable and structured practical experience and exposure through a Graduate-in-Training Programme to bursary students who have completed their studies. In 2012, we had 27LA graduates-in-training. The retention of these graduates-in-training is an area of concern and a review of Lonmin's graduate remuneration was undertaken during the year to ensure that the Company's offering is competitive.

Remuneration and career development

Lonmin endeavours to provide its employees with remuneration, benefits and career development prospects that are competitive within the market in which we operate. In respect of gender equity, calculated on the basic salaries of our employee categories the most significant differences are:

- in top management, where women earn 21.22% more than men.
- in the semi-skilled category where women earn 10.83% more than men.
- in the technical skills category, where men earn 14.07% more than women.

To remain competitive we compare the wages which are agreed with organised labour with the industry standard through annual market-related surveys.

For those employees in Patterson grading A and B we pay rates are higher than the local minimum wage for the mining and platinum industry. The comparison with our junior and middle managers compare well with the local minimum wage and no significant differences exist.

Competitive benefits are offered to full-time employees, and comprise health care, life insurance, disability insurance, retirement provisions, and a share incentive programme for management level employees. An employee share option programme (ESOP) is currently under development, which will see all Lonmin employees participating directly in the profit of the company. This ESOP is expected to be implemented within the next two years.

Incentivising and retaining employees

We reward outstanding performance and incentivise employee development through our reward and retention programmes. A Talent Management Policy guides our performance management process, and all supervisors, management and professionally qualified employees (6.2% of employees in 2012) are subject to an annual performance review. Performance management includes the ongoing management, measurement, monitoring and development of employees to drive performance at the individual level, to ensure that the organisation meets its goals and objectives.

Developing employees, developing leaders

Employee and leadership development are critical objectives for Lonmin. Our aim is to retain and develop employees with the right skills to continue implementing our business strategy. In 2012 the Company spent R200 million or (US$24 million) (2011: R195 million, US$28million) on training and development. This equates to 3.6%$^{14}$ of payroll (2011: 3.8% of payroll).

A total of 2,326$b^{14}$ learnerships (2011:1,611). Individual Development Plans (IDPs) were in place in 2012, with a significant emphasis on HDSAs and women in management. IDPs assist C-level and management employees either to improve performance in their current position, and/or prepare them for their next role. A comprehensive Human Resources Development Value Chain was designed focusing on human resources development from source, which in many cases is our local communities and HDSAs.

Each employee takes responsibility for his/her own development and is expected to complete or update this document on a periodic basis to support
career development discussions and any other development related activities. These plans are optional for management employees. We have a number of programmes in place to develop other employees through alternative means. These include on the job coaching, functional competence, performance coaching and leadership training.

A baseline competency analysis of internal skills informs our training plan, with particular consideration having been given to the fact that a significant percentage of our workforce will be retiring in the next 10 to 15 years.

In 2012, employees received, on average, 88 hours of training, compared with 209 hours in 2011. This decrease is due to financial constraints. Employees who are women received an average of 42 hours of training.

* Of these IDPs 2294 are only for WPL and EPL, which excludes our Pandora Joint Venture.

**Adult Basic Education Training**

The challenges of employees who are illiterate is considerable. Adult Basic Education and training (ABET) provides the means to close the gap in education levels and to enable employees within the company to progress, and for community members to be recruited. Intensive efforts in ABET have paid off, with literacy levels rising year-on-year. It is currently estimated that Lonmin’s employee level of literacy is around 77%. Refer to the ABET graph alongside for more detail.

This year 942LA people attended ABET, including 15 from our Pandora operations. On a full-time basis we had accommodated between EPL, WPL and Pandora 124LA employees and on a part-time basis 523LA employees that have completed ABET. Community members may also participate in our ABET programme and this year 295LA completed ABET.

**Other training**

Among the specific training initiatives we provide are:

- induction courses and annual refresher training, which involves information on technical issues, business ethics and the key principles of human rights, and is available to all our employees and contractors;
- artisan skills training;
- Front Line Supervisory Development Programme and managerial skills training programmes;
- a team effectiveness training for supervisors and production teams, covering Lonmin’s safety life rules, personal life skills, Line of Sight operating principles, mission-directed work teams, bonus system, Lonmin values, teamwork and issues impacting performance.
- a Study Assistance Policy for employees, which sets out the financial assistance we will provide to our employees who wish to study and the terms of sabbaticals for employees studying independently; and
- portable skills training, which is provided to employees who retire, are retrenched or leave the Company for other reasons, and which contributes to community skills. In 2012, 304LA people received portable skills training - 128 employees (six from the Pandora joint venture) and 176 community members received portable skills training (2011: 57). These portable skills include basic computer skills, sewing, broiler production, solar geyser installation, carpentry, clothing manufacturing, cooking skills just to mention a few. We supplied cooking kits and sewing machines to the participants. We have also linked 20 health and safety trainees with various GLC vendors.

**Leadership development**

Our Management Advancement Programme (MAP) targets managers who need to attain a broad base of business knowledge to prepare them for a senior management position. It aims to provide a practical base of knowledge for experienced functional managers and broaden their understanding of the fundamentals of management, to develop management skills of all functional areas of business management, and to develop an integrated understanding of the management process. A total of 30 students were enrolled for MAP in 2012; 17 were HDSA employees, 11 were women and two were white males.

Our 2012 Global Executive Development Programme programme took place at the Gordon Institute of Business Science (GIBS) in Johannesburg, with sessions in Beijing, Shanghai and Singapore. The modules were led by hand-picked faculty from GIBS, as well as leading business schools around the world. They cover a wide range of business disciplines in which best practice is a central component. Employees are exposed to both
local and international best practice within a world-class faculty, engaging with fellow delegates and globally successful companies. Four Lonmin managers participated in the programme in 2012; two were HDSAs and one was a woman. Two further managers will participate in 2013.

Issues of concern relating to this programme, include the difficulty in retaining these EDP employees; negotiating time schedule, workload and work-life balance; and practically applying the programme at the workplace with the support of line management.

Succession planning

Talent management enables the Company to manage the identification and development of employees proactively, to ensure that we have the right skills, in the right place, at the right time, to meet our business needs, now and in the future. The specific purpose of succession management is to ensure there is a continuous pool of competent managerial and specialist staff to fill key posts, and to retain critical core skills.

Succession planning is thus a crucial part of guaranteeing business continuity by ensuring critical core skills are transferred from the present job incumbent to employee or employees identified as possible incumbents of that position. It is highly structured and supported by an IDP. In 2012 all management and supervisory employees (C-level and above) had an IDP in place. Skills matrices are in place for lower-level employees’ development.

Our 2012 succession planning process was informed by an analysis of the Company according to a ‘9-box matrix’, based on each employee’s performance and potential indicators. This matrix is a classification system that assesses employee performance and potential, providing a basis for comparability across boundaries, including departments, teams, functions and disciplines.

Succession planning was revisited at a senior management level in 2012 and extended to all management positions. An additional category was included on the succession plan in terms of readiness (within a time frame of five to 10 years), with a specific focus on identifying HDSA candidates in this category. Progress in terms of appointments made on the succession plan is tracked and monitored on a monthly basis. A particular area of concern remains the lack of HDSA and women successors currently available.

In 2012, 26 internal appointments where made based on the succession plan. A total of 47 external appointments were made, as in most cases there were no immediate successors available. Around 73% of the appointments were HDSA candidates. At the end of 2012, 48.8% of future successors identified are HDSA candidates, while 30.3% of the successors identified are female candidates.

Our Mentorship Programme is a key component and tool in support of Lonmin’s talent management practices. These, in turn, support Lonmin’s career and succession management process, providing for a transfer of knowledge, work and life experiences as well as supporting individuals to meet performance objectives. The Mentoring Programme will support the empowerment and development of individuals in order to ensure sustainable business development and leadership. In 2012, there were 160 active mentoring relationships.

Building a transformed, performance-based company

Leadership transformation

Specific programmes are in place to ensure a fair and representative employment equity profile in the Company, and to meet the Mining Charter requirement of 40% HDSAs in management by 2014. Our Recruitment Policy gives preference to HDSA candidates. To add impetus to our programme, the Lonmin Corporate Scorecard has a bonus metric relating to the employment of HDSAs in management positions.

At the end of 2012, 49.4%RA of permanent employees in management positions were HDSAs, including white women and 35.9%RA, excluding white women. HDSA in management, including white women increased by 6.2%. We are on track to increase the participation of employees from HDSA, including white women, within each level of management to 40% by 2014.

Women in mining

At the end of 2012, women represented 8.15%RA of our workforce, with 5.11%RA of our workforce being women in core mining positions. We employed 9.4% more women than in 2011. In 2011, these figures were 7.45% and 4.33% respectively. We are on track to achieve the Mining Charter requirement to increase female participation at the mine to 10% by 2014.

To facilitate employment of women we have:

- conducted a recruitment drive during the previous financial year and provided a mining skills programme specifically for women
- provided potential employees who are women with a fitness programme which enhances their ability to pass the entrance fitness test for specific work options; and
- attended to the physical environment, and the creation of policies to assist with the protection of women in the workplace.

See case study: Women in mining: fit for the job.

Productivity and absenteeism

High rates of absenteeism have a negative impact on our productivity levels. In 2012, our
absenteeism rate was 13.81% (2011: 8.36%). The higher absenteeism rate can be ascribed to the unprotected strike that contributed 35% to our absenteeism performance. The primary reasons for absenteeism were: the strike (35%), illness (17%), and absenteeism without permission (2.48%). We have a number of internal controls in place to address the abuse of sick leave, these include disciplinary procedures and corrective actions.

CASE STUDY: Fit for the job
Apart from promoting equality in the workplace, the South African Mining Charter set a target that women should make up 10% of the total women in mining. Achieving these levels has brought with it unique challenges including the real and perceived issue of reduced physical capacity. [READ CASE STUDY]
Housing our employees

Our context

Addressing the critical shortage of affordable housing in our regions of operation, particularly around Marikana, is a multi-faceted challenge that requires careful consideration and the support and co-operation of both regional and national government. The challenge extends well beyond Lonmin and the mining sector as a whole, and has no simple solution.

The Company has made significant efforts to move away from historical single sex hostels. Of our total workforce approximately 4000 employees (8%) remain in hostel accommodation, compared to 8000 employees (33%) five years ago. At the end of the year, approximately 8% of employees resided in Company-owned hostels, down from 33% in 2007.

We have committed to providing all employees with accommodation options that are affordable and secure and that allow for a decent standard of living. We believe that the living conditions of our employees have a direct influence on their general well-being and on their ability to focus and perform in their working environments.

Lonmin does not support or promote informal settlements. We recognise, however, that they are a reality in our region and in our country. In conjunction with our local authorities we aim to provide better living conditions for the communities – by assisting with sanitation, water reticulation and refuse removal. Again, the issue is a complex one. Where does the role of the Company begin and end and where does the role of the state begin and end? And to what extent can the Company or state take away the freedom of an employee or citizen to choose to live in an informal settlement, particularly when there remains a housing shortage?

A further exacerbating factor is that employees who are migrant have indicated an aversion to settling in formal accommodation close to the mine, preferring to return to their home base at the end of their careers. In addition, there is a high incidence of ‘second families’ – employees effectively setting up two households; one in proximity to the mine and one at their home of origin.

Achieving this ambition though is likely to be costly and time-consuming, and is not something that Lonmin will be able to achieve in isolation.

Among the different aspects of the housing challenge are the following:

- rising costs of housing and finance amid increasing economic constraints;
- lack of land available on Lonmin property;
- shortage of water and electricity, which is exacerbated by the spread of unplanned, informal settlements and consequent increase in pressure on services, as some employees choose to sub-let their purchased or rented homes to tenants;
- lack of interest in home ownership, despite government requirements that ownership among employees be increased. Many employees still opt to stay in hostels or rentals as they are considered to be more affordable and employees from distant labour-sending areas often do not want to invest in property at Marikana when they already have a home and community base elsewhere; and
- lack of schooling and community facilities for employees’ family members who choose to leave their homes to move into converted family units, which are often isolated from mainstream township communities.

Our focus is on achieving a series of sustainable, integrated housing initiatives, where densification has been identified as a central theme. These initiatives will also focus on the value of building partnerships with property developers, providers of capital, micro-lending institutions and local municipalities. We consult regularly on this strategy with government, local authorities and unions, whose involvement has been vital so far.

Our commitment to our SLP targets is important, and the consequence of not meeting our SLP targets is critical to the sustainability of our business. Our SLP commits the company to the conversion of all hotels into single or family units by 2014, but this in itself will not address the enormity of the challenge facing us.

Our Integrated Human Settlement Strategy comprises three pillars: transforming existing structures, provision of affordable housing and planning for future housing requirements.

Transforming existing structures

Lonmin has four hostels: Karee, Wonderkop, Eastern Platinum and Middelkraal, all of which are currently undergoing conversion to either single family unit accommodation. Of our total workforce, approximately 4,000 employees (8% of employees) remain in hostel accommodation. This compares with 8,000 employees (33% of employees) five years ago.

In 2012, we completed the conversion of a further 19th of hostel blocks into 407 single units and 64 family units, which represents progress towards our overall 2014 target of 2,790 units. To date, we have completed 71.43% of our family units, and 47.07% of our single units. We still have 49 blocks to convert by 2014. In 2012 R89 million (US$11 million) was spent on hostel conversions (2011: R87 million / US$10 million). This budget is set for R102 million (US$12 million) in 2013 and R110 million (US$13 million) in 2014.

We aim to complete the programme of converting all existing hostel blocks and later, if possible, to investigate the option of erecting new units in the open spaces in the immediate vicinity of the converted blocks, making effective use of the resources and assets already available to us.

Affordable housing

In 1998, the Marikana Housing Development Company (MHDC) was set up to build houses in the area of Marikana Extension 1 with the intention to sell or rent to employees and to members of the community. This has had the added benefit of providing contracts and opportunities to GLC-based suppliers, wherever possible.
Lonmin also provides financial advice and assistance with loans and rent-to-buy options to encourage home ownership, although the uptake has been slow. Of the 1,149 homes that have been built, only 242 have been sold. We believe that education in this regard is critical. The purchase price of a unit is R62,426 (US$7,754) and we provide assistance to employees to obtain finance.

In addition to these homes built through the MHDC, we also have 369 houses at Karee, 280 houses in Wonderkop Renamile Township for our employees of which 176 have been upgraded into family units.

Initially aimed at encouraging employees to take responsibility for their own accommodation, a living-out allowance was introduced at Lonmin and across the industry. The living-out allowance has also been a fixed agenda item for annual wage negotiations. This allowance was set at R1,850 (US$230) per month. With this allowance, employees may elect to seek their own accommodation, including the newly converted hostel units for families and single accommodation, if available. It is estimated that rental at the informal settlements are market related, ranging from approximately R200 (US$25) to R1,200 (US$149) per month for family accommodation. The monthly rental at our converted units has not been increased for five years and is made available for as little as R350 (US$43). The former excludes water, lights and transport, and the latter is inclusive of these costs. While the payment of living-out allowances has proved to be a popular option for employees with more and more employees moving out of hostels, better regulation and support is required to ensure that the allowance is indeed spent on adequate accommodation that is in line with the minimum living standards we are trying to achieve for our employees. We are considering implementing personal finance skills programmes through our line-of-sight training.

Planning for the future

Housing alone does not provide an integrated solution for longer term sustainability and it is government policy to transform the country’s residential areas and build communities with closer access to work and social amenities. There has been a fundamental shift in the approach to housing in South Africa. A redirection of policy was brought about in 2004, through the Comprehensive Plan for the Development of Sustainable Human Settlement, commonly known as ‘Breaking New Ground’. The key objectives of this plan are the promotion of densification and the provision of social and community services in combination with residential developments, in order to build spatially, economically and socially sustainable communities.

A pilot project along this theme is already under development in Marikana Extension 2 and progress will be reported in 2013. Of the 863 service stands that belong to the Marikana Housing Development, 17 have been rezoned for the erection of five apartment blocks.
Partnering with our communities

Our context

Contributing to long-term social, economic and infrastructural development is a direct investment in the sustainability of our operations, and that of the people affected by our activities. Securing our licence to operate is much more than achieving compliance to operate within current and future regulatory environments. It is the implicit and explicit acceptance or approval granted and, indeed, earned by the company from local communities and other stakeholders. This means engaging with communities on an on-going basis to ensure the continuation of our social licence.

Historical inequalities in respect of economic opportunity, education and, indeed, access to basic infrastructure, as well as difficulties facing the state in meeting rising community expectations for social delivery, place an enormous burden on companies. Mining companies, in particular, are required to contribute to economic transformation and social delivery in line with the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry (amended Mining Charter).

By continuing to address the challenges facing South Africa, including poverty alleviation, job creation, education and healthcare, Lonmin is able to make a positive contribution to the communities and thus ensure our and their sustainability. We believe that proper acknowledgement of our community members achievements are a necessary step. This year we held an event that acknowledges these achievements. One such achievement is that of Tinny Modise from Bapong who, at the age of 70, passed ABET level 4. It also recognised the loyalty and dedication of Esther Seboko, one of our Home Based Care givers who has been part of our programme since inception.

Community consultation is important to our sustainability approach and the Company is committed to engaging openly and honestly with the communities that make up the GLC, including areas in the North West Province, Limpopo Province and the Eastern Cape Province. Our employees originate from various areas around the country; and this together with the unsanctioned development of informal settlements, means that our community boundaries are constantly shifting. The situation brings a unique set of challenges and additional demands regarding community engagement and development.

The GLC, with a population of close to 85,000 people, is confronted by high unemployment and inadequate infrastructure. Unemployment is as high as 43% around the operations based near Marikana for example, in comparison with the national average of 25%; literacy is estimated at approximately 35%, and the number of people living below the poverty line is estimated at 60%. Lonmin's community investment programme, that reflects our Social and Labour Plan (SLP) community commitments, is a response to some of these urgent issues. We have invested close to R176 million in SLP community projects since 2007. The Company has also invested in additional community projects that are not covered in the current SLP commitments. These projects address some immediate community needs, such as: paying the transportation fees of communities to and from community programmes; building an iPopeng community service centre; providing waste removal services, of which the baseline assessment was completed and the pilot project will commence early 2013; removal of alien invasive species that offers 30 full-time jobs to community members, and providing building material to upgrade the Bapong SAPS satellite station as well as provide material in support of the University of Pretoria Slovo Park project.

CASE STUDY: Removing invasive plants

Lonmin's Environment and Community departments have compiled a joint plan for the development of co-operatives within the GLC to manage and remove alien and invasive plant species, a major threat to biodiversity, found within our Marikana operations’ area. READ CASE STUDY

Any investment in a Local Economic Development (LED) project, which is part of our SLPs, is matched to the needs identified by the integrated development plans of the municipalities in which the GLC communities and major labour sending areas are located, and the South African Government’s Departments of health and education.

The Executive Vice President of Human Capital and External Affairs is responsible for this important area of work, and supports our CEO, who is directly accountable for performance in terms of Lonmin’s commitments to community development. Our community projects align with the millennium development goals that relate to the end of poverty and hunger, universal education, maternal health, child health and combating HIV/AIDS.

Proactive communication means we engage with the GLC before new projects are introduced, hold monthly meetings with ward councillors and have implemented formal procedures to deal with community queries and complaints.

The Lonmin Charter links our performance to the success of our relationships with the GLC. Further, the commitments we have made to the GLC are outlined in our Safety and Sustainable Development Policy.

Low education levels and increasing youth unemployment in the GLC were major areas of concern during 2012. To address this, we have introduced initiatives specifically aimed at increasing the number of learners passing through the education system and bridging the widening education gap between school and university. We have a holistic approach to building a better system for learners through our unique education value chain.

The Company increased our social and labour plan community spend to R39,743,935\textsuperscript{th} in 2012 (2011: R37.9 million) and tried to engage more proactively, and thus effectively, with the community. Refer to the value of the SLP community projects graph for more detail on spend. Initiatives
include visits, shared programmes and active participation in the community. For example during the month of May Lonmin participated in the Shanduka Adopt-A-School day where Lonmin visited all the schools in the GLC. On the day our technical preparedness programme students did experiments with learners and shared personal experiences with the educators. Technology kits were also distributed and workshops were held with educators to facilitate the implementation of these kits.

Although Lonmin has a department dedicated to larger scale community projects our operational areas also make contributions to support the communities around our operations. These initiatives include our Supply Chain department visiting the Sonop Old-age Home providing much needed winter supplies, repairing the boiler and delivering wheel chairs. Our Process Division is paying the salaries of the staff at the Grace Help Centre (a home for abused women and children). The Process Division is also financially assisting the school governing body staff positions at the Sonop School, providing food supplies to struggling families in Twarelela and Elandskraal. Further to these contributions our PMR division supported the Muriel Brand School’s concert and a fundraiser event. The PMR is also participating in creating awareness on Leprosy, HIV/AIDS and TB. A number of other donations that our PMR provided financial contributions to the following organisations: Action for the Blind and Disabled Children, Where Help is Needed, and CANSA. The Far East Rand Hospital required proper facilities to foster abandoned babies, and with the help of the PMR it has been renovated. Our Mining Division has also adopted schools in the surrounding communities and regularly makes donations; one of these initiatives included assistance with the rebuilding of an employee’s house that was damaged by fire.

We realise that donations such as the above are charitable activities and do not have a sustainable lifespan. We have a number of other, more substantial community development programmes that form part of our social and labour plans. The Lonmin Community Development Programme has three major focus areas: community education, community health and Local Economic Development.

**Phatsima Project launched**

The Phatsima* project that was launched in June aims to provide a platform for GLC community learners to showcase their talent using the medium of Sports, Arts and Culture. This provides an opportunity for talented community members to pursue a career in arts and culture. Ward Councillors nominated local unemployed youths who would promote the project and implementation of it. We currently have 21 promoters from the eight communities (and nine wards). To date we have received 2,247 entries and community learners indicated a 58% interest in singing with 28% in dancing. Other arts such as writing also received traction. Investment in sport included a soccer and netball tournament of 27 schools. Through the project we also saw seven children accepted to a soccer training academy.

*Phatsima: a Setswana word meaning “shine;glow”.

### Community education

Our Community Education Programme has been delivering support to learners of different ages, their educators and their parents. Our chosen approach has remained consistent over this period and our work in 2012 consisted largely in building further on the foundations we had previously set.

While the scale of the demand still heavily outweighs the impact we can have as a Company, we continue to make an important, lasting and valuable contribution to the quality of life and the future prospects of the many learners whose lives we are able to touch.

Our approach is a holistic one that aims to provide support for learners who are at different stages of their educational development, from pre-school children all the way through to high school leavers. We consider our education initiatives in the context of a value chain that feeds into the employment opportunities that we can offer, or that could realistically be sought by learners elsewhere. We also complement our programmes with separate skills development initiatives for adults who have not had the benefit of a good education, to create as many opportunities as we possibly can through our community education investments.

The five pillars of our community education programme are:

- development and maintenance of local school infrastructure;
- learner support;
- educator support;
- parent support; and
- our school nutrition programme (see details under nutrition and home-based care).

**Community education value chain**
Among the many initiatives that benefit a whole range of schools and individual learners in different ways, we have remained committed to providing on-going support to a total of 29 schools and 43 early childhood development centres in Marikana and 16 schools situated in the vicinity of our Limpopo operation.

**Development and maintenance of local school infrastructure**

We spent R6.6 million (US$819,000) on school infrastructure and equipment in 2012, through upgrades, donations and refurbishments. These were decided based on a scoring system that we use to prioritise those schools most in need of attention.

This year we built 20 new classrooms at four community schools and constructed ablution facilities at five schools and upgraded the electricity at Mogale High School. Internet solutions have been provided to four schools, existing computer labs at three schools have been upgraded and 40 additional workstations have been donated. In addition schools have been equipped with 300 combination computer desks.

**Learner support**

Expenditure on the learner support programmes amounted to R8.2 million in 2012, which was predominately focussed on high school learners. Our flagship programme, the Ithutheng Saturday School Programme, run in partnership with the Department of Basic Education, over a period of 36 weeks. This programme provides learners with the opportunity to improve their understanding of the school curriculum, with a focus on Mathematics, Science and English. This year we had 103 learners from Grade 9-12 that participated.

Training of 1,278 learners in E-learning was provided at seven High Schools through mathematics and physical science curriculum support software. We have also provided 40 scholarships to GLC and non GLC members.

Grade 12 learners, the final year of school, require attention as their final examinations can determine whether they will be accepted to universities. A 20-day examination preparedness programme was provided, and was attended by 183 Grade 11s and 12s. Assistance was given to these learners with university registrations. A number of community members were trained as career guidance counsellors to work with these learners. This year 1,718 contact sessions were held. At 13 schools 3,382 Grade 8-12 learners completed the Differential Aptitude Tests to assist with guidance on career choices.

We are providing a one-year full time programme to those learners that have completed Grade 12 and going to complete tertiary studies, this year 15 top 2011 Grade 12 learners participated. The aim is to increase pass rates at tertiary level.

In order to increase pass rates at tertiary level a full one-year technical preparedness programme is offered aimed at increasing the number of community members who are able to access learnership opportunities in engineering-related fields. Post Grade 12 learners (25) wrote their N1 engineering subjects and 98% passed. Of our 16 young adults 78% passed.

For more information on our bursary schemes, please see [Developing our people: training and development, and transformation](#).

**Educator support**

Expenditure on educator support amounted to approximately R2.3 million in 2012. This year various workshops of early childhood development educators were held to build their capacity. We continue to pay the salaries of 11 of these educators. We supplied 12 Grade R centres with educational toys and equipment and trained 44 early childhood development educators on Grade R school readiness.

Educator workshops (24) have been extended to the primary and secondary schools that specifically focus on physical science. On-site workshops (20) and in-classroom support was provided to educators; a total of 48 classroom based contact sessions in Limpopo and a total of 154 classroom based contact sessions in Marikana were held. This followed our previous year’s investment in science laboratory upgrades and the equipment of these laboratories.

**Parent support**

Enabling more constructive communication between parents and educators, with the aim of making parents feel more included and therefore more active in their children’s education.

The SMS system that has been implemented between parents and educators to enhance communication opportunities is assisting three schools to maintain feedback between parents and the schools. We have further extended our support to parents by having a Parent’s Day as part of the Ithutheng Saturday School Programme. The day was well attended and parents received communication regarding studying habits, learning difficulties and general concerns.

**Community health**

Our aim is to provide better access to comprehensive primary health care to as many people in the communities as possible. The priorities of community health programme were based on the findings of a comprehensive community health baseline assessment survey conducted in 2006 and reviewed in 2011.

These priorities are infrastructure development in the form of increased clinic facilities, the provision of equipment and facilities to health centres, nutritional support, HIV/AIDS treatment and patient care, and general health promotion.

**CASE STUDY: GLC health survey**

In 2006, we commissioned research on the health status of the GLC. The survey gave us an accurate understanding of the impact of Lonmin’s activities on the community, and formed the basis of our Community Health Programme. Five years later, we commissioned a review of the survey.

**Health related infrastructure development**

The Company’s goal in terms of health infrastructure development was to provide the residents of the GLC with access to comprehensive primary health care services, situated within 5km of their homes. This was achieved during 2012.

To date, Lonmin has completed two clinic extensions, built a new clinic, donated two mobile clinics, commenced with construction of three staff houses in collaboration with the Department of Health, developed a lodger/mother facility at Far East Rand Hospital and has also donated one obstetric ambulance to the surrounding communities, with a total of R11.2 million (US$1.3 million) having been spent. The Marikana, Modderspruit,
HIV/AIDS care: Our network of peer educators and home-based carers

Our care-based efforts to manage the HIV/AIDS pandemic continued in 2012 through our network of peer educators and home-based carers, who work to reduce the spread of HIV/AIDS and to enhance treatment and awareness of the disease by visiting patients regularly and participating in awareness campaigns such as World Aids Day. They in turn get support from a strong network of community volunteers who receive training and can then pass on their knowledge as well. The Company’s partnership with the Department of Health, Rustenburg Hospice and Centre for Positive Care is a crucial part of the success of the programme.

To date, 49 community based peer educators and 92 home-based carers have been trained and are active in their communities in Marikana, Brakpan and Limpopo Province. In 2012, 1,318 patients received regular visits in their homes.

CASE STUDY: Building bridges of hope

The Workplace Peer Educators are workers from different levels within the organisation who volunteer or are selected by their peers. They are there to share knowledge and practical information, encourage and support others, and promote healthy living. Their services are not limited to the workplace, extending to their families and community.

Nutrition and home-based care

There are currently around 1,300 OVCs in the GLC, who need special care and present unique challenges to the community. This year we have worked at equipping the peer educators and home-based carers with the necessary skills to deal with the issues surrounding orphaned children. The nutrition programme provided food to over 400 OVCs at five community-based food centres in Marikana and two in Limpopo. The programme is a natural progression of the School Nutrition Programme.

The cornerstone of both our community education and our health strategies, the GLC school nutrition programme has been in place since 2008, providing daily meals to school children and also to many children over weekends and during the school holidays. For many children, this is the only meal that they will eat in a day, and the nutrition programme has been accredited with increased attendance over the past year. To ensure sustainability of the project, Lonmin is working with the schools to develop food gardens that will supplement the nutrition programme for years to come. Training in permaculture food gardening was provided to 88 educators and 1,013 learners. Food gardens have been established at five food centres, 24 schools in Marikana and nine schools in Limpopo with some already harvesting vegetables.

Health promotion

Youth programmes in schools and youth clubs were given special attention in 2012, following the sharp increase in teen pregnancy, substance abuse and HIV/AIDS in the youth of the GLC, particularly in Grades 6 to 12. The long-term goal is to reduce school drop-out rates due to teen pregnancy. For grades 1-5, the programme focuses on abuse and children’s rights.

The health promotion campaign reached 28 schools and 33 youth gatherings to date. Child Protection Campaigns were conducted at seven Primary schools in the Marikana area. Safety Net training was conducted for the Marikana schools. It is aimed at equipping School Governing Body (SGB) members to be able to assist learners with challenges such as rape, abuse, HIV and teenage pregnancy where they would be hesitant to approach their parents or teachers. The school drop-out rate due to teenage pregnancy improved from 23.4% in 2011 to 17.2% in 2012.

CASE STUDY: Health promotion for the next generation

The long-term vision of our Community Health Programme is to increase general wellness in the GLC. The Health Promotion Programme was developed as part of this overall strategy, aimed specifically at the youth living in these communities.

Local economic and enterprise development

Lonmin’s community LED programme is designed to work in partnership with local authorities and government to address the major service provision problems facing the GLC and help to boost the local economy. The projects we elected to invest in during 2012 focused on increasing the provision of basic water and sanitation services and encouraging local small and medium enterprises. Our choice of projects is always guided by consultations with the communities, ward councillors and local municipalities.

Part of our endeavour to ensure that local companies benefit from procurement programmes, we ring-fence as many opportunities as possible for local suppliers. Some examples of this include:

- a 100% black, women-owned construction company, who were contracted to work on our hostel conversion programme;
- our school infrastructure upgrade contracts were awarded to another GLC construction company; and
- the catering contract for the Ithuteng Saturday School Programme was awarded to a GLC vendor.

We have also successfully established six joint ventures that enable us to transfer skills to emerging local suppliers, including small business training, access to finance and mentorship. Our Preferential Procurement Strategy is also aimed at BEE and local supplier development, in line with the goals of the amended Mining Charter.

During the year Lonmin has partnered with a financial institution to increase access to finance SMMEs within the GLC communities. A training session was held, training 25 GLC companies with the aim to educate SMMEs about the various ways to raise funding. Training material included techniques that could assist local suppliers in accessing funding from banks, as well as providing them with information to assist in improving business performance. We have also extended our training initiatives to train 20 GLC suppliers on health and safety as well as on tax compliance for small businesses.

Major LED projects

We match our investment in LED projects to the needs identified by the Integrated Development Plans (IDPs) of the municipalities in which the GLC communities and major labour sending areas are located, and the South African Government’s departments of Health and Basic Education. Baseline
assessments are used to measure the impact and effectiveness of these projects throughout their life cycles. Expenditure on upgrades to LED projects amounted to R15.5 million in 2012.

This year a Brick Making Project saw 10 young people from the local community receiving training on making bricks. The training included Hydraform and stock brick making, as well as suitable building knowledge. Initial on-job training has taken place with the road infrastructure project in the area of Bapong. Lonmin has procured the machinery for the brick making to commence. The initiative will support the development of basic services as well as on road construction.

**Other major projects that received investment for 2012**

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Benefits to the GLC</th>
</tr>
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<tbody>
<tr>
<td>GLC Waste Management</td>
<td>Provision of refuse and waste management service in the communities around our operations</td>
<td>Service 2,600+ household by removing refuse and cleaning the environment. Create a minimum of 45 medium term jobs, target the unemployed youth. Create an opportunity for at least four local waste management entrepreneurs.</td>
</tr>
<tr>
<td>Water reticulation programme</td>
<td>Providing access to basic service infrastructure, specifically water and sanitation.</td>
<td>Providing 400 households with yard connections and 200 households with sanitation systems in the Madibeng Local Municipality in the North West. In the Eastern Cape, water reticulation has been provided to 405 households and sewer systems to 320 households.</td>
</tr>
<tr>
<td>Rain water harvesting programme</td>
<td>Provision of rainwater harvesting facilities to selected households for use as irrigation water supply.</td>
<td>Provided 156 households with rainwater harvesting systems for sustained water supply in the OR Tambo district municipality. The use of this water for irrigation saves potable water for human consumption. 36 temporary jobs were created.</td>
</tr>
<tr>
<td>Modderspruit water project</td>
<td>The construction of water reticulation for 700 houses in Modderspruit village.</td>
<td>54 medium-term jobs to skilled and semi-skilled community members.</td>
</tr>
<tr>
<td>Brick-making factory</td>
<td>Setting up a brick-making factory in Bapong.</td>
<td>A group of 10 young people from the GLC were sent on a brick-making course to be employed at the factory.</td>
</tr>
</tbody>
</table>

**CASE STUDY: Keeping the GLC clean**

Recognising the growing problem of waste in the GLC – an issue raised at various stakeholder meetings, Lonmin has partnered with the innovative waste management company, TedCor, to offer a reliable waste removal service to the residents of the GLC. [READ CASE STUDY](#)

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We care for our planet and are committed minimising and mitigating pollution caused by our operations and to continually improving our environmental performance. Our environmental programmes are aligned to the Millennium Development Goals for environmental sustainability and global partnerships agreed to by the international community.

Focus areas

Our areas of focus, identified through an internal risk analysis and the engagement of stakeholders, are:

- Long-term security of energy and water supply at an affordable cost for current operations
- Managing risks and leveraging opportunities for our business in line with our climate change response strategy.
- Ensuring the Company's ability to plan for and achieve closure that leaves communities with a sustainable end land use and an asset rather than a liability.

Our context

By its very nature, mining has an adverse impact on the natural environment. Our fundamental approach to environmental management is a precautionary one, based on a sound assessment of potential risks and their mitigation throughout the life cycle of our operations, from exploration to closure. We seek compliance as a minimum, with leading industry practice and continual improvement forming the basis of our approach.

Accountability for environmental management, including our response to climate change, resides ultimately with our Board (including our CEO), and is supported by management on both corporate and operational levels. Board members are in turn guided by the Board's Safety and Sustainability Committee, to whom the Board has delegated this responsibility. Our Environmental Department ensures adherence to our Safety and Sustainability Policy through the implementation of programmes, systems and procedures.

The Lonmin Integrated Environmental Strategy for 2011 to 2014 supports the Safety and Sustainability Policy with the following key objectives and performance indicators:

- Maintaining our environmental programmes, with no directives or fines being issued; striving to ensure compliance with existing and new environmental legislation; continually improving on environmental maturity; and implementing uniform systems. Efficient resource use, consumption and alignment with strategic programmes and corporate targets relating to energy, water and waste management.
- Minimise environmental footprint, pollution, degradation and social liability by implementing measures to prevent or minimise environmental risks by, among other things, integrating short-, medium- and long-term closure planning within operational environmental plans.
- Overseeing sustainable material and product stewardship.
- Maintaining a good business and stakeholder standing by facilitating environmental integration within business, strengthening relationships with stakeholders and enhancing community wellness and development through the implementation of environmental community projects.

An Environmental Maturity Audit Protocol has been developed in alignment with Lonmin’s SHE Maturity Chart. The Protocol is being rolled-out to all business units in order to determine environmental maturity levels, culture change and ownership within the operations. Environmental maturity reflects the extent of ownership, improvement and environmental performance within the operations.

All of our operations seek to comply with applicable environmental legislative requirements to the extent described below. Our compliance and that of our contractors and lessees is monitored and audited regularly, along with our performance in terms of the objectives and targets set out in our strategies and plans. All our operations have maintained their ISO14001 certification.

Ours is an organisation willing to actively share learning experiences and contribute to policy and programme development at both national and international levels, as well as to the development of legislation. External environmental initiatives and programmes in which we actively participate include:

- The Chamber of Mines of South Africa’s Environmental Policy Committee and Business Unity South Africa (BUSA) to influence environmental policy and legislation. Lonmin representatives also serve on various Technical Working Groups of the Chambers of Mines’ Environmental Policy Committee.
- The Steering Committee for the Centre of Sustainability for Mining and Industry (CSMI) at the University of the Witwatersrand, which provides training and development for managers, practitioners and regulators.
- ICMM task forces on Climate Change, Socio-Economic Contribution, Resource Endowment, Materials Stewardship and Environmental Stewardship. Lonmin was integrally involved in the ICMM’s preparations for Rio+20. At COP17, Lonmin representatives participated in the CEO ‘fireside chat’ and made a presentation on Water Management and Adaptation Measures for Climate Change at the ICMM COP17 event Sustainable Development and Life Cycle Assessment Initiatives currently being undertaken by the International Platinum Association
- The National Business Initiative (NBI), a non-governmental organisation provides a platform for and facilitates co-operative partnerships, policy development and projects between government and industry. Current focus areas are climate change and energy management.
- Water policy and regional water resource management forums such as the Western Limb Producers’ Forum in the North West Province, the Olifants River Joint Water Forum in Limpopo Province, the Bojanala Platinum District Municipality Bulk Water Master Plan and Rand Water Services Forum.
- The National Association for Clean Air (NACA), as well as the North West Branch which is chaired by Lonmin.
- The North West Air Pollution Control Forum (NAPCOF), an industry-led forum that facilitates a collective response to government on air quality policy, legislation and strategic projects, as well as technical sessions.
• North West and Limpopo Air Quality Monitoring Groups led by the respective provincial departments to facilitate an air quality management plan for the Waterberg Priority Area.

• The Institute of Waste Management of Southern Africa is a multi-disciplinary non-profit association, where Lonmin is represented. It is committed to supporting professional waste management practices; contributing to the improvement of waste management standards and legislation; supporting international, national and regional trends in best environmental practices; promoting the science and technology of waste management; and practising affordable cost-effective management of waste. Education and training in the realm of effective and efficient waste management is also a key focus.

• The Gauteng Waste Management Forum, chaired by the Provincial Environmental Department, is held quarterly and aims to exchange ideas for managing waste and making a visible difference in the province; to encourage the implementation of developed plans; and to table and discuss draft Provincial Regulations and Projects.

The principles of environmental industry good practice that we wish to incorporate into our Company culture are communicated by means of annual induction and scheduled training of employees and contractors, which includes general environmental and legal training. Each operation also conducts site-specific environmental training. In 2012, Lonmin spent more than R298 million (US$37 million) (2011: R169 million / US$21 million) on environmental management although this may be under-reported as many of our environmental activities are integrated into operating costs, and capital expenditure for infrastructure development within the operations.
Incident reporting and management

Lonmin encourages transparency in environmental reporting and disclosure. An Environmental Incident Reporting System has been finalised for implementation, which will facilitate greater consistency of incident reporting. Our operations report and investigate environmental incidents and mitigate the impacts of these incidents in accordance with law. We employ the Incident Cause Analysis Method (ICAM) as the basis for investigation and have a Significant Incident Reporting Procedure and Environmental Severity Table in place to support management in this.

During the year, no level five or four environmental incidents were reported, while a total of 19 level three environmental incidents were recorded. A level three environmental incident is one that has a moderate impact on the environment, with natural processes, while being notably altered, continuing in a modified way. The impacts of a level three incident are reversible within the lifetime of the operation and are confined to mine property.

### Level three environmental incidents that have occurred at our operations during the year:

<table>
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<tr>
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<td>Waste</td>
<td>K4 Shaft</td>
<td>Tailings liner burst resulting in tailings spilling into the environment.</td>
<td>Replace liner and clean-up contaminated environment.</td>
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<tr>
<td>November 2011</td>
<td>Water</td>
<td>Settling Dam 1Belt</td>
<td>Settling dam seeping contaminated water into the environment. Water discharge from the settling dam through overflow column.</td>
<td>Close-off the overflow column, survey dam and line dam.</td>
</tr>
<tr>
<td></td>
<td>Water</td>
<td>Settling Dam 4Belt</td>
<td>Settling dam seeping water into the natural environment.</td>
<td>Line the dam to prevent seepages.</td>
</tr>
<tr>
<td>December 2011</td>
<td>Air quality</td>
<td>EPL weighbridge</td>
<td>The dust that is generated at EPL weighbridge has exceeded the dust limit.</td>
<td>Paving of weighbridge area underway.</td>
</tr>
<tr>
<td></td>
<td>Air quality</td>
<td>Rowland Shaft</td>
<td>Rowland crusher dust exceeding the limit.</td>
<td>Effective dust suppression system to be implemented.</td>
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<tr>
<td>January 2012</td>
<td>Water</td>
<td>UG2 Concentrator</td>
<td>Return Water Dam 5 discharged water into the environment</td>
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<td>Water</td>
<td>Karee operations</td>
<td>Water discharge into the environment through dam wall cracks.</td>
<td>Rectify dam wall cracks.</td>
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<tr>
<td>February 2012</td>
<td>Air quality</td>
<td>Merensky concentrator</td>
<td>Dust exceedance close to office environment.</td>
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<td>Poor hydrocarbon management at the shaft especially outside contractors’ workshop.</td>
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<td>March 2012</td>
<td>Waste</td>
<td>Andrew Saffy Memorial Hospital</td>
<td>Medical waste contractor did not collect medical waste at ASM Hospital. The delay in the waste collection has resulted into a congested medical waste store.</td>
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<tr>
<td>May 2012</td>
<td>Land</td>
<td>Rock Dump 1Belt</td>
<td>Dumping of hazardous waste on top of the rock dump.</td>
<td>Clean-up waste and provide skip for disposal of hazardous waste.</td>
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<td>Land</td>
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<td>About 5500 litres of oil spilled from the Transformers stored covering an area of about 100m at the EPL capital store yard</td>
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| July 2012        | Waste            | EPL concentrator | Material was dumped and levelled in the area next to the Saffy Stockpile are using a TME for a period up until the 2 July 2012. A manhole was damaged (between the 2 and 9 July 2012) and material fell inside the manhole and caused the sewage to flow over into the veld. | • Dumped material was removed to unblock the manhole and markers were installed to make manhole more visible.  
• Analyse contaminated land against required parameters.  
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Managing access to and optimisation of energy

Since late 2008, South Africa’s electricity utility, Eskom, has struggled to meet existing and growing demand for energy. As an energy-intensive sector, the mining industry was called upon to reduce its energy usage, particularly at times of peak demand. The reliability of contracted supply remains cause for concern and, further, the ability of the utility to meet additional supply for growth projects have been placed under pressure.

This situation is expected to continue until the current Eskom build-up programme has been completed. An anticipated increase in economic growth is likely to continue to impact the reserve capacity until the next build-up programme starts to come online in 2030. All of these factors have added to our need to optimise energy usage. Pending carbon taxation adds impetus to this drive.

The cost of electrical energy has risen by 128% since 2008, placing additional pressure on profit margins. In 2008, electricity comprised 2.85% of our operating cost base; in 2012, this had risen to 5.82%.

Energy consumption

Our total energy consumption in 2012 was 6,433.35 TeraJoules, 1.5% lower than in 2011 (6,532.63 TeraJoules). We set a target in 2011 to improve energy efficiency by 5% by September 2015. We are not on track to meet this target as our energy intensity per unit of production rose by 5.5% year-on-year. The reason for this increase is lower PGM production in 2012. We have however embarked on a number of initiatives to optimise our energy usage, including shaft pumping enhancements, compressor optimisation and installation of standalone compressors. We are committed to reducing our aggregate energy consumption per unit of production by 8% by 2017, thereby reducing GHG emissions by 4% against a 2012 baseline.

Electricity is our most significant indirect energy source (83.1% of total energy consumption in 2012) and amounted to 1,485,630 MWh (2011: 1,496,841 MWh). This represents a year-on-year decrease of 0.75%. This is not a significant decrease and can be attributed to the commissioning of chrome plants as well as activities at our K4 shaft. Fuel consumption is driven by motor gasoline (141,592.30 MWh), diesel/gas oil (28,980.44 MWh) and bituminous coal (123,688.28 MWh) with methane being the smallest contributor (17.87 MWh).

Optimising energy usage

We have a range of proposed projects and initiatives to improve our energy efficiency, with some already completed, some still under development, and the balance in the pre-construction phase. Many of these projects involve partnerships with Eskom and the combined Eskom/Lonmin investment in these projects equates to R150 million (US$18 million).

The projects we have been able to implement thus far have collectively contributed to a total increase in our electrical efficiency of 0.08 MWh/PGM ounces since 2007. These projects range from energy efficiency projects to peak load clipping and shifting projects. The details of realised and anticipated savings are shown in the chart below:

We have completed a pre-feasibility study on the development of a renewable resource facility on site. An independent consultant was contracted to conduct the study, which assessed the viability of a wind, bio-fuel or solar project. The project is currently in the design phase and Lonmin is hoping to partner with Eskom to trial this small-scale renewable programme. A suitable location for the project has been identified and an Environmental Impact Assessment is due to be completed in the coming months.
Access to energy and reliability of supply

We are confident that we have secure access to sufficient and reliable energy supply from Eskom to support our operations and growth plans until at least 2017. We anticipate, however, that associated costs are likely to continue to rise, with increases of 15% scheduled for the next two to three years, and carbon taxes due to be imposed on Eskom from 2014 are likely to be passed on to consumers. In order to withstand these operational cost increases, we are exploring ways of diversifying our electrical supply through the development of renewable projects and continuing to find new ways of improving our efficiencies.

* As determined by Eskom Annexure A, based on MW savings and estimated load factors
Addressing climate change

Lonmin is an intensive user of energy, particularly fossil-fuel generated non-renewable energy, and we recognise that we have a role to play both in mitigating climate change and in responding appropriately to its potential consequences. Our primary product, platinum, is an important component in the development of a low-carbon intensity economy.

Lonmin’s Climate Change Response Strategy is customised for the Company and aligned with our Corporate Business Strategy. Specific aspects within the Corporate Strategy have been influenced by Climate Change aspects, including global risks pertaining to climate change policy and competitiveness, resource management efficiency in terms of energy, water and waste management, and strengthening partnerships in cost management, operational efficiency and growth, which include exploring opportunities for PGMs.

Our climate change strategy focuses on identifying risks, opportunities and adaptation measures. As one of the first steps of this process, Lonmin conducted both a top-down and bottom-up risk and opportunity identification exercise in line with our risk process. This involved conducting structured interviews with key Lonmin staff across the business areas, ranging from staff members from supply chain, procurement, long-term planning, mining, processing, technical services, marketing, investor relations, environmental, community and senior executives. The structured interview process involved mapping out all possible risks and opportunities pertaining to climate change within the business, building capacity within Lonmin with regard to climate change risks and opportunities, and assessing the likely impact of climate change on our operations. Our implementation of a structured and comprehensive risk management system across Lonmin establishes a common understanding and methodology for identifying, assessing, monitoring and reporting risks. It provides management and the Board with the assurance that our principal and key risks are identified, managed and controlled.

We identified numerous climate change related risks across our business at operational and corporate levels. These were separated into four risk categories-physical, regulatory, reputational and litigation. Low-, medium- and high-potential scenarios were developed for priority risks. We developed a financial model to help us understand the potential implications of these risks and provide an initial indicative cost.

The short-term strategy to address our priority climate change risks, addresses:

- physical risks pertaining to operational disruptions/damage to facilities (due to extreme weather events); and
- regulatory risks in respect of the introduction of a Carbon Price Mechanism in South Africa (Carbon Tax), where Lonmin faces a carbon tax liability/cost resulting in increased operating cost. It is proposed that a Carbon Tax per tonne of emissions will be introduced within the 2013/2014 budget period; the tax will start at R120 (US$15) per tonne and increase by 10% a year, reaching R213 (US$26) per tonne by 2019/2020.

The medium- to longer-term strategy in respect of the priority climate change risks addresses the following:

- physical risks relating to operational disruptions/damage to facilities leading to water scarcity and impact on existing operations and the execution of the long term business plan; and
- increasingly complex regulatory environment nationally and internationally combined with the physical changes in climate, potentially leading to contraventions of laws.

Opportunities in gaining a strategic advantage over our competitors include:

- exploring low-carbon technologies and products that use PGMs as an input;
- driving operational efficiency through efficient resource management (energy, water, waste);
- efficient governance systems;
- prioritising greenhouse gas (GHG) emission and energy consumption reduction measures;
- embedding climate change in operational risk management throughout the value chain and in existing performance management systems;
- developing and implementing effective systems to collect, manage, verify and report energy and GHG data;
- introducing adaptation measures; and
- increasing resilience of Lonmin’s operations to physical weather events and managing the financial impact thereof.

Lonmin has developed a carbon optimisation model which quantifies the carbon stresses by source through the value chain and forecasts Scope 1, 2 and 3 emissions. The model serves as an input into strategic planning and informs the feasibility for different operational interventions that have the potential to reduce GHG emissions. The model will remain dynamic in response to policy development and business conditions. The model is structured to provide the following: GHG emissions by source, GHG emissions by activity, GHG intensity, Carbon Tax liability (low-high scenarios) and Carbon Tax liability per activity.

CASE STUDY: Adapting to climate change

Consideration of and planning for climate change is an integral part of our business. Lonmin has made a number of substantial business decisions during the reporting year that have been influenced by the climate change-driven aspects of our strategy.

Management of carbon emissions

The two greatest contributors to our GHG emissions remain our dependence on electricity (93.53%) and...
the use of fuel (6.1%). As a result, our efforts to reduce carbon emissions focus on these two areas.

Lonmin’s carbon footprint was calculated in accordance with the GHG Protocol: Corporate Accounting & Reporting Standard developed by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) as well as the ISO 14064 International Standard Part 1 (for reporting of GHG emissions and removals at the organisational level). We calculate our carbon footprint for the purposes of disclosure in both annual reporting and voluntary disclosure through the CDP. The current Lonmin carbon footprint calculation covers carbon emissions for the period October 2011 – September 2012. The GHG Protocol divides emissions into three categories:

- **Scope 1** – direct emissions from sources owned or under the operational control of the Company;
- **Scope 2** – indirect emissions from the consumption of purchased electricity; and
- **Scope 3** – indirect emissions an optional reporting category allowing for other indirect emissions associated but not controlled by the Company to be included.

<table>
<thead>
<tr>
<th>Scope</th>
<th>Emission sources included Benefits to the GLC</th>
</tr>
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<tbody>
<tr>
<td>Scope 1 – Direct Emissions</td>
<td>Mobile combustion: Petrol: including diesel used to transport concentrate and ore and diesel used in forklifts, Jet Fuel</td>
</tr>
<tr>
<td></td>
<td>Stationary Combustion: Petrol used in mining operations, Diesel used in mining operations, Coal Peas used in the BMR and Smelter, Acetylene used in welding, LPG, Methane, Natural Gas</td>
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<tr>
<td></td>
<td>Process Emissions: Smelter, BMR, Lab, PMR, Explosives: Shellsol, Ammonia Nitrate, Anfo, Emulsion</td>
</tr>
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<td></td>
<td>Non-Combustion Oils: Lubricants, Refrigerants: R22, HFCs, Landfill: Waste disposed of at Lonmin owned landfill sites</td>
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The consumption of purchased electricity at facilities both owned and leased by Lonmin.

**Scope 3 – Indirect Emissions**

- Transportation of general waste to the Mooiion Landfill Site;
- Transportation of employees in and around the Marikana operations;
- Employee business related travel (e.g. flights, car hire and accommodation);
- Waste management services at the PMR; and
- Third Party waste disposal at landfill.

Lonmin’s total carbon footprint for 2012 is estimated at 1,571,940 tonnes CO₂e, which represents a decrease of 76,403 tonnes (or 4.6%) over the 2011 performance. This can be attributed to lower electricity and lower fuel consumption during the year.

Lonmin is currently in the process of ascertaining and confirming its Scope 3 emission reporting boundary and has committed to finalising the scope boundary by 2014. The sources of outstanding Scope 3 emissions for which CO₂e data is not yet disclosed and which are applicable to the Company include: purchased goods and services; upstream transportation and distribution; third party waste disposal at landfill; waste management services at the PMR; downstream transportation and distribution; and use of sold products. In the graph alongside we provide a five-year comparison of our emissions profile.

**Carbon emissions per location**

The largest contribution to total emissions is Marikana at 97.7% (1,536,015 tCO₂e).

The Scope 2 indirect emissions from Marikana’s purchased electricity purchased is the single largest contributor to Lonmin’s carbon footprint, making up 91.4% of the total (1,436,645 tCO₂e).

Electricity use accounts for 93.5% of Marikana’s total carbon footprint. Although our electricity consumption has been lower than 2011 this has not been significant due to the commissioning of the chrome plants and activities at K4 shaft. The second largest contributor to Lonmin’s total carbon footprint was Marikana’s scope 1 direct emissions at 6.1% (95,713 tCO₂e).

Lonmin significantly improved on our CDP disclosure in 2012, achieving 78% (B-band)* on the disclosure index in comparison with 65% (C-Band) in
* The carbon performance is given as a banded score. Band B achieve above 60% and the integration to climate change is seen as a priority. Band C had some activity and climate change above 40%.
Addressing air quality

Our principal atmospheric emissions are sulphur dioxide (SO₂), total suspended particulates (TSP) which include dust, PM10 and PM2.5*, and GHGs. Disclosure of GHG emissions is discussed in detail in the section on Addressing climate change.

Air quality management is a significant feature of our overall environmental strategy and relates directly to several of our focus areas. Compliance with legislation and regulatory requirements is fundamental to maintaining our authorisation under air quality legislation to operate, which makes air quality management a critical component of the long-term success of our business. Through our engagement with GLC residents, we are aware that air quality is of significant concern to them.

We operate within our Atmospheric Emissions Licence (AEL) at the Smelter and BMR boiler, which was granted in January 2011 under the new National Environmental Management: Air Quality Act 39 of 2004 (NEMAQA). Our commitment to comply with our NEMAQA-aligned strategy has two main focus areas, emissions and ambient air quality management.

Measuring, reducing and managing our emissions

SO₂ emissions

The primary contributors to our SO₂ emissions are the Smelter and our BMR boiler.

In line with our AEL, our impact and emissions reduction strategy is aimed at meeting the 2015 and 2020 NEMAMQ commitments and reducing, by 40%, the volume of ground level fugitive SO₂ emissions by 2014 (from a 2010 baseline). Quarterly performance reports are submitted to the authorities and available for scrutiny by interested and affected parties.

In 2012, our average SO₂ emissions from the Smelter were 8.51 A tonnes per day, which includes the coal from the BMR boiler. See the graph to the right for more detail. This is a decrease of 20% if compared to the 10.58 tonnes per day average in 2011. The significant improvement can be ascribed to increased performance in the availability and efficiency of the Sulphur Fixation Plant (SFP) and the Air Pollution Control Equipment during operating conditions.

The AEL conditions include that the total SO₂ in tonnes per day should be below 17.9, the Air Pollution Control Equipment runs at 96% efficiency and 97% availability. In 2012 the Smelter operated well within these conditions. Two exceedances occurred in 2012 - in February 2012, when maintenance was required on the SFP from 20 February 2012 to 5 March 2012; and in August 2012, when the SFP plant was put on emergency bypass due to the unprotected strike and to ensure safety measures were applied.

The Company is also required to implement a SO₂ reduction strategy and Fugitive Management Plan to reduce the SO₂ emissions to specific targets set for 2015 and 2020. These include the installation of primary and secondary hoods on the Pierce Smith Converters and the installation of extraction fans to capture and stack fugitive emissions. This will inform options considered for implementation in the medium term. The Smelter is on track with its implementation of these measures and progress is reported in the legal quarterly reports to the North West Provincial Environmental Department. The implementation of the strategy is also aimed at meeting the sustainability target of reducing the volume of ground level fugitive SO₂ emissions by 40% by 2014 (from a 2010 baseline).

Addressing ambient air quality

Lonmin undertakes continuous monitoring of our ambient air quality. The objectives of the monitoring programme include: to assess ambient SO₂ concentrations, validate and inform atmospheric dispersion modelling, facilitate the measurement of progress against the fugitive management plan; tracking of progress and performance of air pollution control equipment, authority reporting, and informing the community and other stakeholders.

With regard to the averages for ambient SO₂ for community sites, no exceedances of the national standard of 19 parts per billion were observed. No exceedance of the national standard has been observed since 2004 for community areas. Monthly averages continue to show a stabilising and reducing trend within both monitoring sites in close proximity to the Smelter and the adjacent community areas.

Total suspended particulates (TSP)

TSP emissions emanate from the following sources at our Marikana operations: stacks and buildings, wind-blown dust from tailings facilities, drilling and blasting, material handling, crushing and screening, unpaved roads and paved roads. The chemical composition of this dust has been independently tested and does not present a health risk.

Lonmin undertakes dust fallout monitoring within our operational and community areas. Compliance to dust fallout within industrial areas is set at 1,200 mg/m²/day and in residential areas at 600 mg/m²/day. Over a period of 12 months, Lonmin has maintained 91% compliance to the industrial standard and 89% compliance with the residential standard.

The total cost of implementing environmental projects on tailings dams amounted R40 million (US$4.9 million) in 2012. At our operational tailings dams, dust suppression measures include the use of chemical suppression in the inner beach area on our larger tailings dams, pod or floppy irrigation systems, the grassing of the side slopes and alternate deposition of tailings to keep the beach area wet and the grassing of the side slopes of the tailings dams. All decommissioned tailings dams are vegetated on its side slopes and surface areas.
Other emissions

As a member company of the ICMM, we recognise the potential risks associated with mercury emissions and support the ICMM’s position statement on mercury risk management. While we do not produce mercury, nor use it in any of our processes, we recognise that it may be present as a naturally-occurring trace element in the ore that we process. To determine the potential exposure risk, we are identifying and testing point source atmospheric emissions for mercury through sampling at the Smelter and at our refineries. We completed a high level mass balance for the period October 2011 to September 2012 where mercury emissions was estimated to be 0.094 tonnes emitted within this period. An occupational health risk assessment was also undertaken in support of the high level mass balance where mercury emissions were found to be negligible. Mercury is not of significance and our approaches are consistent with the ICMM position statement.

Other emissions, including those classified as ozone-depleting substances, persistent organic pollutants, volatile organic compounds and hazardous emissions are present at our operations, although to a significantly lesser extent. We are currently completing a thorough review of our emissions profile with a view to comprehensive disclosure by 2014.

The Hazemeter Campaign, implemented since 2010, was intended to inform both local and regional air quality management. This campaign indicated that both Lonmin sources and activities unrelated to the Company influence the ambient air quality of the Bojanala district, within which our Marikana operations are located. These activities include historical mining and other industrial activities in the region, as well as the burning of domestic fuel in the surrounding settlements.

Thus, our Air Quality Management Strategy considers these challenges holistically, in co-operation with the communities and local authorities, so that we can make a real and lasting difference to the air quality of the area. We are in the process of investigating the opportunity of mitigating activities that could enable us to collectively reach this objective.
Access to and optimising our water resources

Our approach to water management at Lonmin is underpinned by:

- securing access to sufficient water to supply our current operations and supporting our LOBP;
- optimising our fresh water consumption, thereby relieving pressure on regionally strained water resources and reducing cost risks associated with future supply; and
- preventing and minimising the contamination of ground and surface water resources in the regions where we operate, and ultimately reducing our environmental liability.

Securing access to water

Water scarcity in South Africa presents one of the greatest challenges to the country and its development. Annually mining and large industry together use approximately 8% of South Africa's water resources. South Africa is rapidly approaching full utilisation of all easily accessible water and the few remaining large-scale water resource development opportunities are far from centres of demand, making delivery and supply of water costly and inefficient.

By 2012, South Africa recorded 16 consecutive years of above-average rainfall in the majority of summer rainfall areas, with the last major drought occurring more than two decades ago. This trend is unlikely to continue. In the North West Province, where our Marikana operations are situated, the total water demand has recently been calculated at 97% of supply, with the minimal surplus only as a result of high rainfall periods between 2009 and 2011. Even the slightest drought conditions could lead to an almost immediate shortfall in water. Our mining and exploration projects in Limpopo are faced with even scarcer water availability. We are investigating various options to secure access to water for our current and future operations.

Our Limpopo operation received its Integrated Water Use Licence (IWUL) in 2005. On 30 October 2012 Lonmin received approval of its Integrated Water Use Licence (IWUL) from the Department of Water Affairs (DWA) for our Marikana operations. It has indeed been a long journey from 2004 when Lonmin initially applied to the DWA and then re-applied in 2007 after the DWA had lost our initial application. The IWUL supersedes previous authorisations issued in terms of the Water Act 1956 (Act 54 of 1956) and National Water Act, 1998 (Act 36 of 1998) and includes licenced water uses ranging from Section 21(a) to 21(j) in terms of the National Water Act, 1998. Compliance to the IWUL conditions will need to be internally and externally audited on an annual basis and reports submitted to the DWA timeously. The approval of the IWUL is an achievement and milestone for us considering the long time period taken to process and grant the IWUL application, the geographical extent of our operations and the licensing backlog experienced at the DWA.

Water consumption

Our primary source of fresh water for Marikana and PMR operations is Rand Water, which transports water over the Magalies Mountains to the Rustenburg area from the Vaal Dam in Gauteng Province. In Limpopo, we are authorised to use water from the regional well-fields, as per our water use licence. In 2012, our total fresh water intake amounted to 8,667.896m³ RA (2011: 7,912,590m³), a year-on-year increase of 9.5% but an overall decrease of 27% in fresh water consumption, compared to our 2007 baseline. Refer to the graph below for more details. The year-on-year increase is due to the chrome plants coming online as well as the drier season. In terms of efficiencies, our consumption also rose by 0.95 m³/PGM oz to 6.42 m³/PGM ounces in 2012 from 5.47 m³/PGM ounces in 2011, but an overall decrease of 20% from 8.06m³/PGM ounce baseline in 2007.

Optimising our water storage, recycling and reuse is therefore important to us – see case study below. In 2012 we were able to recycle and re-use collectively 26.87 million m³ of process water (2011: 20.2 million m³). We have set a new target to reduce our aggregate fresh water intake by 15% per unit of production by 30 September 2017 (2010 baseline year).

Preventing and minimising contamination

As far as possible, our process water is maintained in a closed system. Any discharge incident is timeously reported to DWA, as required in terms of the National Water Act, water samples are taken for analyses to determine water quality and compliance is checked against stipulated effluent standards. There has been a significant decrease in unplanned discharges from our return water dams and waste water treatment plants in 2012. There were eight incidents in 2012 compared to 19 in 2011.

- Three of these discharges occurred at WPL, with the majority resulting from overflows from return water dams following heavy rainfall received. The discharges travelled as surface flow into tributaries of the Marethware River.
- Three occurred at EPL in similar circumstances, all of which flowed into a tributary of the Kareespruit River.
- Two discharges occurred at Karee, again following high seasonal rainfall, one into the Brakspruit and the other into the Sterkstroom.

CASE STUDY: Water conservation in mining

Lonmin acknowledges the importance of understanding the possible long-term advantages and disadvantages of mining and aims to ensure that in closure of mining activities, the local communities will inherit an invaluable sustainable water resource. READ CASE STUDY

The year-on-year increase is due to the chrome plants coming online as well as the drier season. In terms of efficiencies, our consumption also rose by 0.95 m³/PGM oz to 6.42 m³/PGM ounces in 2012 from 5.47 m³/PGM ounces in 2011, but an overall decrease of 20% from 8.06m³/PGM ounce baseline in 2007.
The water quality results obtained from the analyses showed that the discharges had limited impact on the receiving environment due to the corrective actions implemented by the operations. We are currently unable to quantify the volumes of the discharges but the integrated water balance will be able to estimate the volumes discharged in the future. In October 2011, DWA identified the need to undertake the classification of significant water resources in the Crocodile (West) Marico Water Management Area in accordance with the Water Resource Classification System (WRCS). The classification of water resources aims to ensure that a balance is reached between the need to protect and sustain water resources on one hand and the need to develop and use them on the other. The ultimate goal of the study is the implementation of the WRCS in the study area in order to determine the Management Classes (MCs) for significant water resources. The purpose of the MC is to establish clear goals relating to the quantity and quality of the relevant water resource. This study is expected to be completed in 2014.

None of our discharges had a significant impact on any protected or biodiversity-sensitive water bodies. We continue to monitor boreholes for potential groundwater contamination – quarterly at Marikana, bi-annually at Limpopo and the PMR. We aim to prevent all discharges from our Marikana return water dams and waste water treatment plants into the environment by September 2014, and onwards through the phase implementation of the Integrated Water Balance. Surface water quality is monitored monthly at all operations. We also conduct bio-monitoring analyses bi-annually to assess the status of the aquatic biota in the rivers that flow through our mining right areas.

In 2012, Lonmin participated in the CDP Water Disclosure Project, which is aimed at helping institutional investors better understand the business risks and opportunities associated with water scarcity and other water-related issues by increasing disclosure on this critical issue. Water is becoming an increasingly important strategic resource for businesses: in 2011, 38% of respondents reported that they have already experienced detrimental impacts to their business from water including disruption to operations from drought or flooding, declining water quality resulting in costly on-site pre-treatment and increases in water prices. Through increased disclosure, CDP believes that companies will be better positioned to both understand and manage these risks and that the information provided will ensure better decision making by investors, policy makers and other interested stakeholders.

The CDP Water Disclosure questionnaire was sent to listed companies globally, operating in the most water-intensive sectors and those sectors most exposed to water-related risk. The CDP Water Disclosure Report for 2012 will be published in early 2013.
Land management

At Lonmin, we promote integrated land use management and the conservation of the natural and cultural heritage of the land around our operations and exploration sites during all phases of our activity, from initial prospecting and development right through to decommissioning and closure.

We support and stand by the commitments contained in the ICMM position statement on Mining and Protected Areas. Through meeting these commitments, we hope to contribute to the development of transparent and informed decision-making processes and assessment tools that will promote biodiversity conservation and responsible land management within a context that recognises the social and economic importance of mining and metals. We also share best practice in biodiversity management through our membership of the South African Mining and Biodiversity Forum.

In 2012, we set up the Land Management Forum for internal stakeholders within Lonmin. The forum is intended to allow for the integration and visibility of various land management issues within the various divisions through the respective representatives. In this way, decision-making throughout our business will be better informed with regard to land management concerns, and potential challenges can be identified early.

Rehabilitation

In line with our approved EMPs, we are committed to the on-going rehabilitation of our opencast pits between 2011 and 2013. A contractor was appointed to complete the rehabilitation on four opencast sites which had been partially rehabilitated.

<table>
<thead>
<tr>
<th>The total land managed</th>
<th>2012 (hectares)</th>
<th>2011 (hectares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total land disturbed and not yet rehabilitated</td>
<td>212</td>
<td>168</td>
</tr>
<tr>
<td>Total areas rehabilitated</td>
<td>403</td>
<td>403</td>
</tr>
<tr>
<td>Net land disturbed by opencast</td>
<td>698.61</td>
<td>655</td>
</tr>
<tr>
<td>Total land covered by waste rock (underground mining)</td>
<td>53.25</td>
<td>109</td>
</tr>
<tr>
<td>Total land covered by waste rock (opencast mining)</td>
<td>149</td>
<td></td>
</tr>
<tr>
<td>Total land covered by tailings facilities</td>
<td>975</td>
<td>975</td>
</tr>
<tr>
<td>Other land managed (i.e. shafts, process division plants)</td>
<td>21,140</td>
<td>21,321</td>
</tr>
<tr>
<td><strong>Total land managed</strong></td>
<td><strong>23,631</strong></td>
<td><strong>23,631</strong></td>
</tr>
</tbody>
</table>

We have developed a comprehensive rehabilitation plan for those open cast pits that have yet to be rehabilitated or are partially rehabilitated. We perform on-going monitoring, repair and maintenance on rehabilitated pits.

Exploration continued during the year at Vlakfontein, in North West Province, South Africa, and at our joint venture project sites in Canada and Northern Ireland. This has been conducted in line with the relevant government-approved environmental guidelines, which include the mitigation and rehabilitation measures to be implemented throughout the exploration stage and at decommissioning and closure. We have also recently developed our own environmental standards for drilling, where the establishment of drilling and sampling sites, access road development, operational requirements and site rehabilitation practices, will meet compliance requirements and best practice.

Potential rehabilitation of hydrocarbon contaminated soils and sediment sludge at drilling sites is currently being addressed by means of a successfully tested bioremediation solution.

Biodiversity

Biodiversity Action Plans (BAPs) are in place at our operations in Marikana and Limpopo Province. None of our operations are in biodiversity sensitive areas or are adjacent to biodiversity sensitive areas. These BAPs are included in our Integrated Water and Waste Management Plans for these operations and have been drawn up in terms of NEMA and the MRPDA. They include flora and fauna studies and surveys of alien and invasive species and their impact on water resources.

Our database of protected and vulnerable species with a high probability of occurring within our lease areas is monitored continually and has remained unchanged for 2012. Whenever new EIAs or baseline assessments are conducted, they always include a fauna and flora study, the results of which are checked against the IUCN Red List. None of the species associated with our properties is considered critically endangered or endangered.

<p>| List of threatened species with a high probability of occurring around our operations |
|-------------------------------------------------|-----------------|-----------------|-----------------|</p>
<table>
<thead>
<tr>
<th>Scientific name</th>
<th>Common name</th>
<th>Red Data Status</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invertebrates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metisella meninx</td>
<td>Marsh Sylph</td>
<td>Vulnerable</td>
<td>High</td>
</tr>
<tr>
<td>Reptiles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Python natalensis</td>
<td>Southern African Python</td>
<td>Vulnerable</td>
<td>High</td>
</tr>
<tr>
<td>Mammals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atelerix frontalis</td>
<td>South African Hedgehog</td>
<td>Near threatened</td>
<td>High</td>
</tr>
<tr>
<td>Miniopterus schreibersi</td>
<td>Schreiber’s Long-fingered bat</td>
<td>Near threatened</td>
<td>High</td>
</tr>
<tr>
<td>Tatera leucogaster</td>
<td>Bushveld Gerbil</td>
<td>Data deficient</td>
<td>High</td>
</tr>
<tr>
<td>Birds</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
An on-going challenge is the removal of alien and invasive species from our mine lease areas, as included in our BAPs. These species can cause significant biodiversity degradation beyond our mining boundaries, within local communities.

**CASE STUDY: Removing invasive plants**

Lonmin’s Environment and Community departments have compiled a joint plan for the development of co-operatives within the GLC to manage and remove alien and invasive plant species, a major threat to biodiversity, found within our Marikana operations' area. [READ CASE STUDY]

**Heritage**

Cultural heritage is defined as the legacy of physical artefacts and intangible attributes of a group or society. Our approach to the conservation of cultural heritage resources is governed by the requirements of the National Heritage Resources Act 25 of 1999. No activity can take place on Lonmin premises without due process to identify whether a heritage resource might be affected. An important area of focus during the year has been to increase awareness among employees and management of the need to consider heritage resources as part of development planning.

Between 2006 and 2011, we compiled an inventory of an estimated 80% of the heritage sites identified so far around our Marikana operations. These are from the late Iron Age (1660 – 1880) and include various archaeological remains, mostly of the Bapo tribe, whose descendants now occupy the village of Bapong, east of Mooinooi. In 2012, this inventory was updated from 152 sites to 158 sites (with some burial grounds still to be determined); the end result will constitute 100% of the visible sites in the area, and we will believe this list will be complete, once final numbers are confirmed. Comprehensive detailing of these sites includes location, photographs, and classification as well as applicable mitigation measures identified for each site.

We have also completed the data transfer of information about these sites onto our centralised planning and GIS system, so that their locations are immediately visible to those responsible for planning and development in all divisions and accidental impacts can thus be reduced. This will be updated further with the mitigation requirements for each site.

**CASE STUDY: Heritage before exploration**

We know that our heritage sites are irreplaceable and we are committed to preserving our heritage for future generations. A Phase 1 Assessment at the Marathodi Chiefdom heritage site at Vlakfontein was completed in June 2011. [READ CASE STUDY]

**Land use**

We have developed a draft Land Use and Spatial Development Framework for our operations at Marikana and in Limpopo Province. This Framework has provided guidance on specific land uses for the entire Mining Rights area, which has assisted in informing the Closure Based Risk Assessment as to potential closure and rehabilitation options in various areas.

**Closure and closure liability**

Our Environmental and Closure Planning Strategy is founded primarily on the requirements of the MPRDA the National Water Act, and other applicable legislation. All our operations have closure plans and strategies in place and we apply a risk-based closure-approach where medium to long term environmental risks are identified, assessed and managed. This is to prevent or minimise the risks when we reach mine closure.

We anticipate expanding our closure planning approach to a regional closure strategy from 2014 onwards that will include the development of a Regional-scale Closure Strategy with the cooperation and participation from all of our adjacent mining companies and stakeholders.

Our unscheduled closure liabilities for Marikana based on 60 years life of mine are currently estimated at R1.5 billion (US$18.6 million) (2011: R1.4 billion/US$203 million). Scheduled closure liability is currently calculated to be R687 million (US$85 million) (2011: R658 million/US$94 million). Closure costs for our Limpopo Province operations are currently calculated at R55.6 million (US$6.2 million), including prospecting (2011: R48 million/US$6.95 million).

The overall goal of our Integrated Environmental Strategy is to minimise environmental liability and degradation of the environment. To determine the unscheduled or premature closure situation more accurately, we developed an approach called the “three year rolling scenario” for unscheduled closure. The three year rolling scenario define closure objectives within a three-year horizon, define key closure, commissioning or transfer measures that are applicable to the above time horizon and document the three-year rolling closure scenario in line with the proposed business plan.
A new approach to waste management

Our strategy to improve our resource efficiency extends to the reduction of waste generated as a result of our operations. Mining and metallurgical operations produce considerable amounts of general and hazardous waste, which can degrade the surrounding environment unless properly managed. It is likely that the total volume of waste generated by our operations, both general and hazardous, will increase as the implementation of the Lonmin LOBP advances at our Marikana operations and as we bring our exploration projects in Limpopo Province into production.

We believe that we can significantly reduce the volumes of waste disposed to landfill through the development and implementation of new technologies and innovations that prevent the generation of waste, essentially cleaner technology, or that promote improved reuse, recycling and refurbishment (RRR) of waste materials. This shift is already evident at our Marikana operations. In addition, awareness drives have made employees more conscious of different waste types, the opportunities that exist for waste minimisation and what their role can be in implementing the various initiatives.

Adequate waste management is also critical to many stakeholder groups. We have developed a positive working relationship with our environmental regulators, as well as with the communities in the GLC regarding the environment. Waste awareness and clean-up campaigns remain the function of our environmental department.

CASE STUDY: Keeping the GLC clean
Recognising the growing problem of waste in the GLC – an issue raised at various stakeholder meetings, Lonmin has partnered with the innovative waste management company, TedCor, to offer a reliable waste removal service to the residents of the GLC.

Our Integrated Waste Management Plan

Our new IWMP, to be finalised by November 2012, focuses on the reduction of hazardous waste and on investigating viable arrangements in our value chain related to storage, collection, transportation, transfer, waste minimisation and disposal. Waste minimisation in particular is a priority and the IWMP expands on the prevention, reduction, recycling, re-use and refurbishment of our various waste streams. This plan is aligned with the new National Environmental Management Waste Act 59 of 2008, certain aspects of which are not yet in force.

Following the research and planning begun in 2011, we have made good progress with the implementation of certain projects parallel to IWMP. A gap analysis, a review of all current waste contracts and a legal alignment review have been completed, and our first stakeholder engagement workshops have been held. The phased implementation of our IWMP remains on track for 2014.

In 2012, a total of 24,691 tonnes of general waste was generated, with 10,271 tonnes disposed to landfill and 14,420 tonnes recycled (including composting), re-used or refurbished (2011: 25,183 tonnes, 10,172 tonnes and 15,011 tonnes respectively). See the graph below for more detail. The unprotected strike action reduced the waste generation at operations significantly during the last two months under review.

Our general waste to landfill increased by 1% relative to 2011, and by 17.7% in comparison to our 2008 baseline. The main reasons for this increase were the operational start-up of K4 Shaft, the additional development of a number of shaft levels at Rowland Shaft, the destruction of old infrastructure, the development of new facilities and buildings, and the demolition of the old furnace to make way for the construction of a new one. This waste was deposited at permitted landfill sites. The Mooiinooi Landfill, which we operate at Marikana, received 94% of this waste, with the balance disposed of at municipal landfill sites situated in Springs Gauteng, and Polokwane, in Limpopo Province.

We are the permit holder of the Mooiinooi GSB landfill Site and have given permission for the pilot testing of the first solar spark vent flare in Africa to be conducted here. This flare has been installed as part of a study to determine its effective use for small scale landfills, where smaller amounts of landfill gasses, including methane, are being generated and burning presents the most cost-effective and environmentally sound way of dealing with these gases. An acceptable monitoring regime is currently being defined to determine the extent of the landfill gas flared.

The 0.4% increase in general waste re-used, recycled or refurbished was largely due to the increase in scrap metal recycled, with the balance largely made up of garden waste, industrial plastics and wood. Treatment of garden waste has been viewed as a recycling option, with this value included in our total. We are working towards decreasing general waste to landfill by 5% by September 2017 (2012 baseline) and recycle, reuse or refurbish 70% of this waste.

Some of our recycling projects for both general and hazardous waste that have continued or been initiated in 2012 include:

- recycling, re-use and refurbishment of all industrial metal scrap, industrial plastics and rubber, and wood;
- re-use and recycling of e-waste through the Lonmin Information Management Division;
- re-use of ash in blending to reduce the toxic nature of hazardous wastes;
- return of UPS and lead batteries to suppliers for recycling and re-use;
- the recycling of tyres for crumbing, mats and blasting barricades;
- the recycling of waste oil at all operations by Oilkol;
• the recycling of PPE gum boots from the shafts;
• the recycling of a portion of the acid effluent waste streams from the PMR at an acid rejuvenation plant, where approximately 25% of this waste can be recycled on a monthly basis. The acid waste steam can be regenerated into a clean usable input acid into the steel industry to remove rust;
• treatment and composting of garden waste, as well as the composting of treated waste water sludge and compost wood chips;
• sending back reusable plastic containers; and
• pilot recycling project started on 5 June 2012, with the introduction of separate waste bins for recyclables in the offices at the onsite main office block.

Hazardous waste disposed to landfill has increased by 8%, from 72,052 tonnes in 2011 to 77,826 tonnes in 2012, while a total of 5,222 tonnes was re-used or recycled by external parties (2011:1,763 tonnes). Calcium sulphite is the largest component of our hazardous waste to landfill and contributed 68.2% of our overall waste to landfill disposal in 2012. Our other significant waste stream currently being disposed to landfill is the effluent hazardous waste stream from the PMR. Extensive research and development is currently being conducted on these materials to divert most if not all from landfill.

A process has recently been initiated for the development of a Dynawave scrubbing system to replace the older scrubbing technology at the Smelter, which currently generates a residue of CaSO₃. This new technology would generate gypsum as a by-product, not a waste, and currently the market for premium quality gypsum is good. This year we are setting a target to reduce hazardous waste by 5% by September 2017 (2012 baseline) and recycle 9% of this waste.

Our mineral waste, comprising mostly waste rock and tailings, is disposed of at on-site waste rock dumps and tailings storage facilities (TSFs). The codes of practice which govern our residue stockpiles, as per the requirements of the Mine MHSA, are reviewed and updated every second year.

A further re-use opportunity arose with the upgrade and construction of the N4 national highway, whereby we provide SANRAL, the national road utility, with waste rock that it can use in the road’s construction. The primary source of waste rock has come from the Newman Shaft Waste Rock dump with 127,571m³ re-used in 2012, and the income generated was R701,640 (US$87,160). We have 13 waste rock dumps, many of which supply waste rock for construction developments in and around the mine.

Sulphidic minerals occurring naturally in our ore are recovered with our concentrate during the concentration process; these are then separated in the smelting process and the sulphides are either oxidised and captured in the calcium sulphite waste or refined into nickel sulphate. As a result, our processing and residues do not generate acid mine drainage.

We have five dormant and six operational TSFs, all situated above ground. Our TSFs are not lined, but are managed and monitored to minimise the risk of any environmental spills. Our operational dams have grassed side walls, while various re-vegetation and dust suppression measures have been undertaken on the dormant dams. We have 13 waste rock dumps.

### Waste management (tonnes)

<table>
<thead>
<tr>
<th>Category</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>General waste to landfill</td>
<td>10,271</td>
<td>10,172</td>
</tr>
<tr>
<td>Hazardous waste to landfill</td>
<td>77,826</td>
<td>72,027</td>
</tr>
<tr>
<td>General and hazardous waste incinerated</td>
<td>12.42</td>
<td>25</td>
</tr>
<tr>
<td>General waste recycled, reused and refurbished</td>
<td>14,420</td>
<td>15,011</td>
</tr>
<tr>
<td>Hazardous waste recycled, reused and refurbished</td>
<td>5,222</td>
<td>1,747</td>
</tr>
<tr>
<td>Tailings kilo tonnes</td>
<td>10,666</td>
<td>11,820</td>
</tr>
<tr>
<td>Waste rock kilo tonnes</td>
<td>1,483</td>
<td>1,772</td>
</tr>
<tr>
<td><strong>Recycle</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ferrous and nonferrous scrap</td>
<td>5,970.4</td>
<td>5,828</td>
</tr>
<tr>
<td>Metal liners with steel balls</td>
<td>785.9</td>
<td>387.6</td>
</tr>
<tr>
<td>Concentrator scats and scrap</td>
<td>920.1</td>
<td>954.8</td>
</tr>
<tr>
<td>Paper (mixed domestic recyclables, mostly paper)</td>
<td>17.3</td>
<td>12.6</td>
</tr>
<tr>
<td>Rubber</td>
<td>2,024.8</td>
<td>2,062.5</td>
</tr>
<tr>
<td>Plastics</td>
<td>209.5</td>
<td>201.3</td>
</tr>
<tr>
<td>Tyres</td>
<td>120.1</td>
<td>185.8</td>
</tr>
<tr>
<td>Garden Waste</td>
<td>322.9</td>
<td></td>
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<tr>
<td><strong>Refurbishment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refurbished steel</td>
<td>86.2</td>
<td>136.5</td>
</tr>
<tr>
<td><strong>Re-use</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>37.4</td>
<td>28.6</td>
</tr>
<tr>
<td>Wood</td>
<td>4,147.0</td>
<td>4,556</td>
</tr>
<tr>
<td>Plastic</td>
<td>13.0</td>
<td>0</td>
</tr>
<tr>
<td>Building rubble</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Hazardous waste recycled</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil</td>
<td>51.5</td>
<td>120.9</td>
</tr>
<tr>
<td>E-waste</td>
<td>3.4</td>
<td>1.64</td>
</tr>
<tr>
<td><strong>Hazardous waste re-used</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ash</td>
<td>4,097</td>
<td>1,640.6</td>
</tr>
</tbody>
</table>


CASE STUDY: CaSO₃ dam remediation

Lonmin recently completed the temporary remediation of two calcium sulphite (CaSO₃) dams (residue stockpiles), which are situated west of the company’s BMR and Smelter complex near Marikana in the North West Province.
Our mission is to create direct and indirect value for our stakeholders. We believe that mining plays an important, positive role in national and regional economies, particularly in developing nations, and this sector contributes to broad economic development and poverty reduction.

Focus areas
Our areas of focus, identified through both an internal risk analysis and through the engagement of stakeholders, are:

- Lack of certainty and inconsistency in policy and its application within the South African regulatory regime, combined with increasing levels of regulatory requirements resulting in greater administrative and cost burdens to the Company.
- Securing Lonmin’s status as a BEE company.
- Supply and demand dynamics in the market which affect actual prices and revenue, general investment sentiment and perceived risk of the sector, as well as the Company’s ability to sustain and raise capital.
- Ensuring the security of products and by-products.
- The effective development, adoption, implementation and management of technology to conserve resources, optimise yields, reduce costs and produce to capacity.

Our context
South Africa remains the world leader in Platinum production, and host to the world’s largest known Platinum resource. There are fewer than 10 primary Platinum producers in the world.

SFA estimates that in 2012, 72.7% (4.2 million ounces) of global primary Platinum production of 5.8 million ounces will come from South Africa; this figure is lower than the 2011 figure of 6.1 million ounces (Source: SFA September 2012). Lonmin’s production of 679,821 ounces of saleable Platinum in our 2012 financial year is expected to be around 11.8% of forecast 2012 primary supply. This is about 15.6% of South Africa’s forecast Platinum production in 2012.

The bulk of our production is exported for use in autocatalysts, industrial application and investment. Around 9.4% of our Platinum production (2011: 14%) and 55.2% of our Palladium production (2011: 36%) was beneficiated in South Africa in the production of autocatalyst converters for the automotive industry.

Counting the cost
The cost of the loss of human life and the loss of confidence in the sector cannot be quantified.

However, our estimate of the production and financial impact of the strike on Lonmin was significant, amounting to:
- production loss of some 1.79 million tonnes mined
- loss of 110,000 ounces of saleable Platinum

The settlement reached with employees to end the strike on 18 September 2012, provided for an average rise in wages of between 11 and 22% for all employees falling within the Category 3 – 9 bargaining units, effective from 1 October 2012. This includes the previously agreed 9-10% rises for these employees due to come into effect in October 2012, and which had been factored into company planning. It also addresses issues of promotion for some categories of workers as well as other allowances.
Our market

The global PGMs market at present reflects the state of the global economy. The global economic climate is currently dominated by the financial crisis in Europe, an important market for PGMs, especially Platinum, with the European automotive sector, which is mainly diesel, making up 50% of the global automotive market. To October 2012, European auto sales had declined around 8% year-on-year. Weaker demand was countered by relatively stronger automotive sales in the United States, where consumers are seeking to replace older vehicles with more fuel efficient ones, and in China, where although the economy is slowing, economic growth well in excess of 5% is still forecast. European demand is expected to stabilise in and begin to grow from 2013 as Euro 6 emission regulations come into play for the 2014 model year. Autocatalyst demand for Platinum has recovered significantly since the 2008 credit crunch, rising from 2.5 million ounces in 2009 to an estimated 3.2 million ounces in 2012.

A deficit in the Palladium market is expected for calendar 2012 as Russian exports decline. It should also benefit from growth in the automotive markets in the United States, and in China particularly. Substitution for Platinum by Palladium is also expected to boost demand fundamentals in coming years. Palladium demand in autocatalysts is expected to have increased from 4.3 million ounces in 2009 to 6.9 million ounces in 2012. Rhodium, which continues to be oversupplied, should also benefit from growth in the automotive sales given that 90% of it is consumed by this sector. However, its growth in the autocatalyst sector has been more muted, increasing from 600,000 ounces in 2009 to an estimated 800,000 ounces in 2012.

The autocatalyst market is expected to benefit from inclusion of the non-road diesel sector, which covers vehicles such as tractors, harvesters and bulldozers. This end-use is expected to grow from zero a year or two ago to a market potentially in excess of 400,000 ounces per year by 2014. This will include only the US, Europe and Japan, with the majority of non-road equipment, residing in countries such as China and India, expected to be covered in the future.

Jewellery is the second largest end-use of platinum, amounting to 2.5 million ounces per year market. However, this market is very price sensitive and driven largely by China and therefore may actually shrink in a rapidly rising or volatile pricing environment. Volumes have been relatively flat over the last three years and 2012 looks to be no different.

Industrial users of Platinum have taken advantage of low prices in 2012 and are thus well-stocked. The higher stock levels will dampen prices until there is sustained growth, expected now to occur from 2013 on. However, recent supply disruption and industrial action at South African platinum mines should see markets returning to deficits and stocks drawn down more rapidly than previously anticipated.

Investment in Platinum ETFs has matured and stabilised over the last five years, as evidenced by the resilience of these funds in the face of price fluctuations recorded during the year. They are likely to benefit from any improvement in demand fundamentals. It is likely that the investment sector will continue to be a net contributor to demand over time, with holdings accumulating to almost 1.6 million ounces by September 2012. As with Palladium, the Palladium investment sector has tracked price movements of the metal and stood at around 1.9 million ounces in September 2012. This is important as when the PGM markets recover, the investment sector will not necessarily provide the liquidity needed in a deficit market with rising prices.

Investors and speculators played an increasing role in PGM pricing in 2012, sometimes overriding supply/demand fundamentals, as concerns about the Eurozone crisis drove sentiment to a large extent. Producers, including Lonmin, have had significant cost increases which have not been matched by increases in prices received for most of the year, despite significant cuts in production as a result of curtailed production owing to strikes and suspended operations.

PGM markets appeared to be headed for an oversupply in 2012, but a wave of strikes and disruptions starting in August have changed the outlook to one of deficit. While the short-term outlook is uncertain and volatile, caused largely due to socio-political issues, the medium and longer term prospects remain strong and the company is positioning itself to take advantage of the expected upturn in demand for PGMs.

Recycling

Lonmin is a mine-to-market producer and is not involved in the recycling of PGMs. Over the past five years recycling has increased to around 21% (SFA September Monthly Stats) of prior consumed metal. The recycling market is subject to the same market constraints as primary producers. Given the medium to longer term market demand trajectory from the automotive industry, this secondary supply from the recycling sector is important to supplement primary supply, especially in times of constraints and deficits. The secondary market is already estimated at 1.6 million ounces, of which the majority is sourced from the autocatalyst sector and the balance from jewellery and electronics. Secondary supply is likely to grow at a faster pace than primary supply over the next few years as it is less capital and labour intensive than primary supply and carries a lower risk.

The future – fuel cells

The fuel cell market is another exciting end-use, with stationary applications expected to take off first. Fuel cell system shipments in 2011 increased by 39% year-on-year, to 24,600 units, led by increases in the stationary power sector. Shipments are expected to triple in 2012 to reach a total of over 76,000 units. Annual megawatts shipped are expected to grow by over 60%, to around 176 MW. The most dramatic growth will be from the portable sector with the widespread commercial release of fuel cell chargers for consumer electronics. Large stationary power deployments in South Korea and North America are expected to boost the annual megawatt figure. Fuel cell growth in the automotive sector is likely to take longer as it relies on the installation of a hydrogen refueling infrastructure, but auto producers such as Hyundai, Honda, Toyota and Mercedes all have plans to
Lonmin is supportive of the development of and use of PGMs in fuel cells. This will be a very small niche market initially but as legislative requirements regarding CO₂ emissions tighten further from the current 125g/km to around 95g/km in 2020, automotive companies will have to find alternative sources to power vehicles. These vehicles are expected to be commercial on a large scale post 2020.
Operational and financial performance

The operational and financial performance can be summarised as follows:

- Commendable operational performance in light of circumstances.
- The tragic events at Marikana significantly impacted operational and financial results:
  - impact of 110,000 ounces of mined Platinum;
  - saleable metal in concentrate down 5.5% to 679,821 Platinum ounces; and
  - platinum sales of 701,831 ounces – down 2.6% on 2011.
- Improved safety performance – LTIFR of 4.16 per million man hours worked vs. 4.71 in FY2011.
- Immediately available ore reserves at 3.3 million centares, up 14% – healthy levels aligned to creating operational flexibility to respond to market conditions.
- Further improvements in grades and concentrator recoveries.
- Number Two Furnace commissioned on schedule in July 2012 and Number One Furnace successfully modified and operating well.

Financial results

- Underlying profit before tax US$57 million.
- Special costs of US$755 million, including US$159 million for costs related to illegal work stoppage and impairment of Akanani exploration asset at US$602 million.
- Resulting loss before tax of US$698 million.

Balance Sheet restructuring.

- Underwritten Rights Issue to raise US$817 million.
- Amended banking facilities – strengthening financial position.

Focus areas FY2013 onwards

- FY2013 guidance of 680,000 Platinum ounces of saleable metals in concentrate, and sales of 660,000 ounces.
- Targeting Platinum sales in excess of 750,000 ounces in FY2014 and FY2015.
- Unit costs to increase by around 10% to R9,350 per PGM ounce produced in FY2013.
- Capital expenditure of US$175 million for 2013 financial year.
- Attractive long-term fundamentals for PGM markets remain, despite short-term volatility.
Creating and distributing value

Our value-added statement accounts for the Company’s contribution to the creation of wealth (in terms of net cash generated), and the resulting rewards disbursed to labour, capital (shareholders, banks and others) and the state. By far the most significant beneficiary of the Company’s wealth creation efforts were employees, who received R6,078 million ($755 million) in salaries and wages (79.81% of net cash distributed) during the year. Please refer to our Annual Report and Accounts for revenue.

Value-added statement for Lonmin Plc as at 30 September 2012

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>$ Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$m</td>
<td>US$m</td>
<td>%</td>
</tr>
<tr>
<td><strong>Net cash generated</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers, consumers and investment income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received for products</td>
<td>1,663</td>
<td>2,226</td>
<td>(25)</td>
</tr>
<tr>
<td>Cash returns on investment</td>
<td>4</td>
<td>3</td>
<td>33</td>
</tr>
<tr>
<td>Suppliers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash payments for materials and services purchased</td>
<td>(690)</td>
<td>(641)</td>
<td>8</td>
</tr>
<tr>
<td>Cost of borrowings</td>
<td>(31)</td>
<td>(39)</td>
<td>(21)</td>
</tr>
<tr>
<td><strong>Net cash flows</strong></td>
<td>946</td>
<td>1,549</td>
<td>(39)</td>
</tr>
<tr>
<td><strong>Cash distributed</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; benefits</td>
<td>755</td>
<td>796</td>
<td>(5)</td>
</tr>
<tr>
<td>Social capital</td>
<td>10</td>
<td>8.8</td>
<td>14</td>
</tr>
<tr>
<td>Donations</td>
<td>0.4</td>
<td>1.1</td>
<td>100</td>
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<tr>
<td>Other community projects</td>
<td>9.6</td>
<td>7.7</td>
<td>25</td>
</tr>
<tr>
<td>Government taxes</td>
<td>30</td>
<td>40</td>
<td>(25)</td>
</tr>
<tr>
<td>Directors’ remuneration</td>
<td>4</td>
<td>7</td>
<td>(43)</td>
</tr>
<tr>
<td>Shareholders’ distribution</td>
<td>31</td>
<td>30</td>
<td>3</td>
</tr>
<tr>
<td>Cash retained for growth</td>
<td>116</td>
<td>667</td>
<td>(83)</td>
</tr>
<tr>
<td><strong>Net cash distributed</strong></td>
<td>946</td>
<td>1,549</td>
<td>(39)</td>
</tr>
</tbody>
</table>

Creating and sustaining value requires both effort and ingenuity, along with required capital investment.

Factors critical to Lonmin are:

- Safely resuming operations and the re-building of a climate of constructive engagement. This will take time and we will take the necessary time to build mutual trust between employees and management.
- Managing costs and protecting margins – see the Annual Report and Accounts for further details.
- Optimising our assets and processes to essentially recover more from our value chain – see below.
- Conserving capital to secure the viability of our operating base. On 26 July 2012, Lonmin announced that, in light of the weak price environment, some capital expenditure at the K4, Hossy and Saffy shafts were being deferred so as to reduce capital expenditure in 2013 and 2014 to R2,012 million (US$250 million) per annum. Further to that, and in support of this initiative, the Company announced that from 17 October 2012, that the K4 shaft would be placed on care and maintenance.

Business optimisation programmes

At the beginning of the financial year we implemented several business and asset optimisation plans and initiatives in areas of the business. These were aimed at supporting our two most significant long-term objectives, namely to achieve our production targets despite rising costs and to move with the industry towards our goal of mining with zero harm.

Team effectiveness training

A new team effectiveness training programme has been rolled out during the year, focused on improving the effectiveness of the individuals who make up our work teams by helping them with their general wellbeing and opportunities for personal growth. We believe this can contribute to better communication overall, and to adapting to the external factors that have an impact on our business.

Each working team was taken off shift for three days, with individuals taking turns to examine different aspects of their working and personal lives. Training elements included financial planning and management, the importance of decent nutrition and sleep and ways to cope when supporting family living with HIV/AIDS. Work elements focussed on going back to basics to ensure that these were refreshed in people’s minds. They covered the Standard Operating Procedures and the cycle of mining, with a specific component dedicated to safety risk identification and response. Finally, a
module on the Lonmin Values was included to discuss what each person understood them to mean. The recently updated Lonmin Code of Business Conduct was also discussed and each employee was asked to sign a copy of it, and to hold themselves and their colleagues accountable for upholding it.

Approximately 70% of our workforce had undergone this training at the time this report went to print, and we are aiming to complete the training for our full employee complement by December 2012. A second phase is planned for 2013, with more technical aspects being considered this time.

**Rewards and recognition for hard work**

We have implemented a new bonus system across the mining division to motivate and reward people for improvements in areas of performance which are within their control. So, the core incentive for employees is based on three main drivers: production, safety and attendance. The incentive for miners includes stopping and quality indicators as additional sweeping percentages and further parameters in terms of efficiency and cost controls are incorporated for shift bosses.

The bonus system is in place with the safety incentive currently being revised, following an external audit where it was suggested that it could be amended to encourage even better safety improvements. Any revisions to this aspect of the system will be implemented in 2013.

**Leadership development and improved communication**

We place significant emphasis on leadership development at Lonmin as we believe that it is up to the leaders and management teams of a company to shape its culture. Investment in the skills and competencies of our leaders is an investment towards achieving higher safety performances and improved output efficiencies.

The participation of our leadership teams in a DuPont training intervention during the year was viewed as just such an investment and the exposure to a superior culture of safety, best practice and leadership style has given us a renewed common vision.

Another significant focus area in terms of leadership development has been the improvement of our employee-supervisor communications. We recognised that communication as part of line supervision had been somewhat neglected at our shafts in the past and we wanted to better equip our supervisors to do their jobs more effectively. We brought in independent communications specialists to assist us with a review and updated employee communications plan for the mining division, which was integrated into our overall corporate communications strategy. It was implemented during the last quarter of the year.

We also initiated several other communication improvement initiatives several months prior, such as back to basics training on Standard Operating Procedures and industrial best practice so that every team leader, miner, shift boss and supervisor would have the necessary information and the skills to answer questions from their teams effectively, to lead constructive team meetings and to effect discipline while retaining respect.

**Line of Sight reporting system**

The Line of Sight reporting system was implemented last year but full roll out took place in 2012 and it is during this year that the full benefits of the system have begun to be felt.

The Line of Sight concept is based on keeping production and safety performances against targets uppermost in the minds of our employees and supervisors by literally keeping them in their daily line of sight. It includes monthly and daily production and safety planning charts and updates per team, which are displayed outside the entrances of each shaft, updated and discussed by team leaders and supervisors at the start of every shift.

This simple addition has already begun delivering positive results and is the backbone of our shift towards simplifying our management systems across the mining division and trying to base them on a model that combines care with growth.

**Managing external influences**

As a mining company operating in South Africa, we are well aware that factors external to our organisation can have major influences on our performance. We do our best to manage this influence by conducting surveys that examine concerns that may arise outside the business, working together with our Human Capital and Sustainability departments. These surveys are on-going, and many of the programmes initiated during the year and discussed in the People section of this report, such as the GLC waste disposal service and our focus on community health clinics, came out of these surveys and bear witness to our belief that an investment in the communities is an investment in our business.

CASE STUDY: Keeping the GLC clean

Recognising the growing problem of waste in the GLC – an issue raised at various stakeholder meetings Lonmin has partnered with the innovative waste management company, TedCor, to offer a reliable waste removal service to the residents of the GLC.

Improved efficiency through mining strategy changes

Other more direct adjustments that were made during the year included the introduction of systems for half-level optimisation, increasing the number of crews working at the face lengths on each level, and ongoing research and development to examine the tried and tested methods used in the Company and applying new strategies where fit for purpose.

These initiatives were implemented during 2012 and full roll out will take place over the next three years. We are already examining additional strategies for implementation after 2015.

**Research and development**

Group companies continue to focus on research and development in the areas of mineral extraction, processing and refining to unlock new technology opportunities and to extract optimal value from our assets. Good progress has been made on these projects across the business, including:

- on-going work on the characterisation of ores, leading to improved specifications for processing equipment and reagents aimed at improving PGM recovery at our concentrators;
- improved stability and availability of the smelting furnaces through new sensor technologies, better mineralogical understanding and design improvements which has been evident in the performance of our smelting operations in 2012;
- on-going work on a new process aimed at significantly upgrading the PGM concentrates from the BMR leading to an overall reduction in waste, reduction in residue tolling costs and improved PMR efficiencies; and
- significant progress has been made on the development of a new process for the production of finished metals at the PMR following extensive and
Most of our research is conducted by third party institutions, such as Mintek, and we make extensive use of universities, such as the universities of Cape Town, Stellenbosch and Pretoria via their post-graduate programmes. This provides us with cost-effective research and also provides a stream of highly qualified potential future employees who understand the Lonmin working environment.

Current research involves new technologies for heap leaching for Akanani, improving Rhodium and Iridium recovery at the PMR and a novel process route that will integrate the BMR and PMR more closely, thereby reducing cost, improving recovery and reducing inventories.

Notable Research and Development achievements in recent years have revolved around tonne concentrator benchmark recoveries, smelting technology recoveries and resolving many of the issues associated with Furnace No 1 and its sustainable smelting of high chrome and UG2 concentrate.

Capital to sustain and grow

During the past five years, Lonmin had capital expenditure of more than R13 billion (US$1.7 billion), representing a significant investment and vote of confidence in the Company’s future. In 2012, capital expenditure amounted to R3,296 million (US$402 million), of which R2,286 million or US$270 million (69.6%) was spent by the Mining Division and R1,014 million or US$127 million (30%) by the Processing Division. Capital expenditure in 2013 is expected to be around R 1,409 million (US$175 million). See the graph alongside for a five-year comparison.

Exploring for the future

Given the current market circumstances, Lonmin’s exploration is currently funded at minimum expenditure levels to ensure that work programmes and expenditures are sufficient to satisfy joint venture commitments and retain permits in good standing. In the prospective Sudbury region in Ontario, Canada, the Company is carrying out exploration in Joint Ventures (JV) with Vale and Wallbridge, and has the opportunity to earn into these ventures as exploration proceeds. During the year we completed a positive prefeasibility study on a PGM open pit on the Vale JV, and Wallbridge’s exploration located significant extensions of offset dykes – know to be prospective for PGMs in Sudbury. We also elected to exercise an option to form a second JV with Wallbridge covering 14 North Range properties.

Lonmin’s Greenfield exploration venture in Northern Ireland continues with geophysics and preliminary drilling.

In South Africa Lonmin will be carrying out follow up drilling on targets on Vlakfontein where historically PGMs were found associated with discrete, massive nickel copper sulphide bodies.

Beneficiation

In June 2010, government’s Beneficiation Policy Framework was approved by parliament paving the road for the implementation plans for the five key value chains identified. While these implementation plans have not yet been released to parliament Lonmin has engaged with the DMR’s beneficiation department, holding monthly meetings to continue the development and discussions around Lonmin’s co-operation agreements with our existing customer base and expansive global relationships. The key focus remains the exploration of opportunities for technical skills development and general upliftment of South Africans through PGM beneficiation.

During 2012 Lonmin made 19% of its PGM production available to the South African catalyst manufacturing industry, 60% of our Nickel Sulphate production was made available for local beneficiation into stainless steel and 88% of our Chrome concentrate production was made available for local beneficiation into ferrochrome.

Payments to government

Transparency through open and honest communication is one of our key values. Lonmin fully supports and endorses the Principles and Criteria of the Extractive Industries Transparency Initiative (EITI), and has been a Supporting Company of the EITI through its membership of the ICMM since 2008. The EITI is a voluntary process whose membership is government-led. Neither of the governments of South Africa nor the United Kingdom are signatories to the EITI. Lonmin would be fully supportive of their becoming members, should they consider doing so.

Lonmin did not receive any financial assistance from its host governments during the reporting period.

Lonmin does not participate, directly or indirectly, in party politics. We do not make any payments or donations to any political party of individual politician.

Our indirect economic impacts are significant, yet difficult to accurately quantify. To assess and understand our impacts, we engage our stakeholders in surveys and carry out baseline assessments, needs analyses, as well as environmental and social impact assessments.

Royalties paid

Lonmin pays royalties to the Bapo Ba Mogale (Bapo) tribe in respect of ore that is mined from tribal land. These royalties are based on the taxable income generated from PGMs mined from ground owned by EPL as well as from the Wonderkop surface area. Funds are paid to the Department of Finance, North West Provincial Government which retains this money in trust on behalf of the Bapo Community. For over 18 years, we have paid royalties into a trust on behalf of the Bapo Ba Mogale community. The amount of funds contributed to date is approximately R371 million.

<table>
<thead>
<tr>
<th>Royalty Payments in 2012</th>
<th>R million</th>
<th>US$ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Royalties</td>
<td>64.89</td>
<td>8.06</td>
</tr>
<tr>
<td>Royalties payable to Bapo</td>
<td>3.28</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68.17</strong></td>
<td><strong>8.46</strong></td>
</tr>
</tbody>
</table>

Indirect economic impact

Indicators of our indirect economic impact include:

- Infrastructure development initiatives within the GLC. See People: Partnering with our communities.
- The impact of our direct and indirect job creation. See People: Employees and contractors.
• Procuring supplies from companies within the GLC, and particularly the impact of our programmes to procure from and develop companies owned by HDSAs and women. See People: Partnering with our communities.

• The benefits resulting from our local economic development initiatives in the GLC and in rural areas in South Africa from which our employees are drawn (labour-sending areas). See People: Partnering with our communities.
Black economic empowerment

Black Economic Empowerment (BEE), through internal and external transformation, is a cornerstone of South African minerals legislation which seeks to address legacy issues in terms of the uneven distribution of wealth and opportunity. Lonmin supports government’s aims and is committed to achieving the commitments made by the Company in its SLPs.

 Lonmin believes in transformation as more than a matter of compliance. Only by removing historical barriers and providing equal opportunity to all, can we seek to meet our human capital needs in the future. Our efforts to empower HDSAs and people within the GLC in particular will contribute to building economically independent, thriving and sustainable communities, which in turn will provide a functional environment for the Company’s operations.

Critical drivers of BEE within Lonmin include:

• internal transformation initiatives of the company, aimed specifically at recruiting, developing and retaining HDSAs in management and women in mining. See Developing our people: training and development, and transformation.
• empowerment through equity ownership; and
• empowerment through procurement.

Empowerment through equity ownership

In 2011 BEE company Shanduka Resources (Proprietary) Limited acquired a majority stake in Incwala Resources (Proprietary) Limited (Incwala), Lonmin’s BEE partner. Given the importance to Lonmin of securing a stable empowerment partnership via a financially robust financing structure, Lonmin agreed to provide Shanduka with funding of R38 million (US$309 million) towards the total acquisition cost.

Under the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (Mining Charter), Lonmin must ensure economic participation by HDSAs (as part of the granting of its New Order Prospecting and Mining Rights) of 26% by December 2014.

Lonmin was a key facilitator of the original BEE transaction with Incwala in September 2004 which resulted in Incwala owning 18% of the equity of Lonmin’s two principal operating subsidiaries. Lonmin also provided third party loan indemnifications, financing and related arrangements, totalling R15 million (US$126 million) which together with external bank debt enabled equity participation by the original HDSA shareholders.

At the end of September 2012, Lonmin and the International Development Corporation of South Africa (IDC) each owned 23.56% of Incwala, with 50.03% being held by Shanduka Resources and 2.85% by a Bapo-affiliated trust.

Shanduka is now our BEE partner through the Incwala Resources structure with representation on our Board and Executive Committee and an 18% equity interest in WPL and EPL. Shanduka has a proven track record of BEE investment and management in the natural resources sector and believes this investment will advance its strategy of developing as an operating BEE company in the South African mining sector.

Shanduka has delivered to the Company, a feasibility study of our Limpopo Operations which, if positive, will result in Shanduka acquiring a direct stake in, control and operatorship of the Limpopo operations. The feasibility study is under review by the Company and it is expected that this review will be completed during the first quarter of 2013.

A concept paper has been submitted to the DMR outlining our proposal for increasing our equity ownership to achieve Phase 2 charter compliance by 2014. Good progress has been made in discussions with the DMR in clarifying the different initiatives we are progressing. These include:

• incorporating broad-based ownership for employees through an ESOP;
• communities via community ownership schemes; and
• migrating HDSA equity and royalty holdings in the various Lonmin entities into Lonmin Plc as well as consolidating future HDSA ownership at this level.

Empowerment through procurement

Our Preferential Procurement Strategy aims at providing HDSA companies with the resources and experience to meet our business needs, and those of other mining companies. This programme:

• encourages partnerships between local HDSA companies and our existing suppliers to build capacity in local HDSA companies;
• facilitates access to finance and provide mentorship to HDSA companies; and
• awards community infrastructure projects to local business participation to assist them in developing their expertise beyond mining.

When the Mining Charter was revised in September 2010, it increased the empowerment requirements for qualification as a black-owned entity. In line with the revised Mining Charter, we have revised our targets and are well on track to achieve the 2014 target as set by the Mining Charter. By 30 September 2014, HDSAs will account for 68% of our discretionary expenditure on capital goods, 70% of services and 50% of consumable goods.

This year preferential procurement spent on capital goods was 50.43% RA, 63.74% RA of services and 54.2% RA of consumables.

Initiatives that have supported this progress have been:

• An increased effort to verify and promote the empowerment credentials of vendors has underpinned much of this achievement. While we have around 2,000 active vendors, around 1,100 of these account for the majority of our expenditure.
• A focus on capital procurement as a starting point. By ensuring that we meet the Charter requirements in respect of capital expenditure, we then make it easier to progress this into the services and consumables sectors.
• Close collaboration between the procurement and contracts personnel within the company.
• Constructive engagement with major suppliers on their BEE planning.

Another challenge faced in transforming our procurement base is procurement of highly technical plants and equipment from multinationals. They do not see the need to transform their local ownership structures, but we are often not able to obtain these from alternative sources. We are investigating this through the forum of the Chamber of Mines and, together with other mining companies, are seeking to encourage key multinationals to address their local structures to include a BEE component.

We currently have a number of initiatives in place to ensure we spend as much as possible on local Black Owned Suppliers. These include policies relating to Black-owned Supplier Development, the Lonmin Code of Business Ethics; our Sustainable Development Policy; our BBSEE Policy and our Tender Procedure.

Some of the practices we have in place to facilitate the vendor transformation process are:

• ring fencing of certain commodities for black-owned and preferably local suppliers;
• preference given to local GLC suppliers on tenders and orders;
• early payments to GLC suppliers during their initial phases;
• the appointment of a dedicated Manager on GLC and Enterprise Development; and
• meetings with the Rustenburg Local Council regarding local procurement.

We are currently establishing a Shanduka Black Umbrella Incubation Centre to help with the development of local vendors. The types of businesses to be developed within the centre include existing businesses within the Lonmin database; existing businesses within the GLC but not on the Lonmin database; and businesses currently located outside of the GLC which may be able to set up local operations within the GLC and thus employ people resident within the GLC. We are currently setting up the objectives of the programme as well as a project plan. This project is likely to have a significant impact on both GLC and expenditure with black-owned companies.

During the year a joint venture between an expert cleaning supplier and two GLC companies to provide cleaning services to the Company. We also held a number of training interventions with our local suppliers.
Security of our assets

Theft of metals is an important area of risk for the company, particular at the PMR and BMR. Much effort has been focussed on investigations, surveillance and operational security improvement during the year, as well as on plant process improvements, increased sampling and a number of major capital projects, all of which are believed to have led to a reduction in theft.

Our initial emphasis has been on improving security at our PMR; and we will work backwards in the coming year through the value chain to counteract these losses; but the BMR is an area of focus for 2011. Of particular concern to the Company is the high level of involvement of organised crime, with international syndicates known to be involved.

A special emphasis has been placed on human rights surrounding our security efforts after certain allegations of human rights abuses in late 2011. See People: Upholding human rights.
Material stewardship

At Lonmin, material stewardship essentially relates to compliance. Given that what we produce is a commodity, much of this compliance relates to its labelling and ensuring that this is accurate.

There are five aspects of material stewardship on which we focus:

- Ensuring that the products are in a form that does not have a negative impact on the people who use it during the production phase and by our consumers.
- Ensuring that the labelling of our product is clear and that it indicates the safe use of our products.
- Minimising and reducing the use of hazardous materials in the PGM production process.
- Marketing and selling of our products responsibly and in line with Lonmin's values and policies and in compliance with international regulation such as contained in the REACH agreement.
- Encouraging the use, re-use, recycling and responsible use and disposal of our products. In selecting customers, Lonmin gives preference to those who are aware of the application of and recycling of our products. This also serves as a basis of continued relationships with customers.

Product responsibility

There were no incidents of non-compliance with the relevant regulations and voluntary codes concerning our products or with laws and regulations governing the provision and use of our products and services. We are committed to the responsible marketing and selling of our products, as informed by our values and policies.

Life-cycle analysis

Responsibility for our primary products does not vest with a single individual or team or at a particular stage; rather this responsibility extends across the value chain.

Owing to their durability and recyclability PGMs have an exceptionally long life-cycle. The PGM recycling business has become a significant industry, presenting an important 'new' source of PGMs to the market each year. It is estimated that about 96% of PGMs can be recovered in a high-efficiency recycling process. In 2012, SFA estimates that 1.5 million ounces will be produced by the recycling industry.

The IPA embarked on a life-cycle assessment process in May 2011 on behalf of the entire PGM industry. This study will assess the life-cycle of PGMs from mine through to market and the producers portion of it is expected to be completed early 2013. Lonmin is a member of the IPA and has two representatives on the IPA Sustainability Committee.

Customer health and safety, and satisfaction

Safety and health risk assessments are conducted throughout the life-cycle of our products.

We conduct an annual survey of customer satisfaction in which we assess our performance on delivery, product quality, responsiveness, communication, labelling and packaging. Lonmin protects the privacy of our customers by keeping specific feedback confidential. No violations of customer privacy or data loss have occurred during 2012, nor were there any incidents of non-compliance with voluntary codes regarding health and safety impacts associated with the use of our products, or concerning product marketing practices.

Product labelling

Following the enforcement of the European Union's REACH programme in 2007, all the packaging of our products was upgraded. Our labelling reflects the required layout and symbols established under the United Nations' Globally Harmonised System (GHS). None of our products require product and service information.

Lonmin is also a founder member of the PGM and Rhenium Consortium within the European Precious Metals Foundation (EPMF), which has assisted in ensuring compliance with the requirements of both directives on Classification, Labelling and Packaging (CLP) as well as REACH.

The percentage of products we sell for which the packaging is reclaimed is not significant, nor is the percentage of materials we use that are recycled or classified as secondary input material in the context of PGM production and they are not a significant risk for Lonmin.
Building bridges of hope

The Workplace Peer Educators are workers from different levels within the organisation who volunteer or are selected by their peers. They are there to share knowledge and practical information, encourage and support others, and promote healthy living.

READ CASE STUDY

Getting to zero

The southern African region has the highest number of people infected and affected by HIV in the world. To try and turn the tide, our 2011 World Aids Day Campaign focussed on managing the impact of HIV/AIDS in Lonmin, under the banner: “Getting to Zero”

READ CASE STUDY

Addressing vibration

Increasing industrial mechanisation has created a work environment where vibration is a common phenomenon. Our employees can be exposed to vibration when they come into contact with vehicles, vibrating machinery and certain hand tools.

READ CASE STUDY

Lonmin Artisan College

Lonmin’s Artisan College opened its doors in April 2012 at a critical time in the industry and the country. South Africa is in the midst of a critical shortage of artisan skills, against ever increasing demand, and the mining industry will be faced with dire consequences if the skills shortage is not addressed.

READ CASE STUDY

GLC health survey

In 2006, we commissioned research on the health status of the GLC. The survey gave us an accurate understanding of the impact of Lonmin's activities on the community, and formed the basis of our Community Health Programme. Five years later, we commissioned a review of the survey.

READ CASE STUDY

Fit for the job

Apart from promoting equality in the workplace, the South African Mining Charter set a target that women should make up 10% of the total women in mining. Achieving these levels has brought with it unique challenges including the real and perceived issue of reduced physical capacity.

READ CASE STUDY

Promoting healthy living

The long-term vision of our Community Health Programme is to increase general wellness in the GLC. The Health Promotion Programme was developed as part of this overall strategy, aimed specifically at the youth living in these communities.

READ CASE STUDY

Counting every drop

Diesel fuel is one of the largest operational costs to our mining operations. Even a small percentage of fuel saving can add direct value to the bottom line and is closely aligned with Lonmin’s objective of improving operating and environmental efficiencies.

READ CASE STUDY

Keeping the GLC clean

Recognising the growing problem of waste in the GLC – an issue raised at various stakeholder meetings Lonmin has partnered with the innovative waste management company, TedCor, to offer a reliable waste removal service to the residents of the GLC.

READ CASE STUDY
Adapting to climate change

Consideration of and planning for climate change is an integral part of our business. Lonmin has made a number of substantial business decisions during the reporting year that have been influenced by the climate change-driven aspects of our strategy.

READ CASE STUDY

Removing invasive plants

Lonmin's Environment and Community departments have compiled a joint plan for the development of co-operatives within the GLC to manage and remove alien and invasive plant species, a major threat to biodiversity, found within our Marikana operations' area.

READ CASE STUDY

Water conservation

Lonmin acknowledges the importance of understanding the possible long-term advantages and disadvantages of mining and aims to ensure that in closure of mining activities, the local communities will inherit an invaluable sustainable water resource.

READ CASE STUDY

Heritage before exploration

We know that our heritage sites are irreplaceable and we are committed to preserving our heritage for future generations. A Phase 1 Assessment at the Marathodi Chiefdom heritage site at Vlakfontein was completed in June 2011.

READ CASE STUDY

CaSO₃ dam remediation

Lonmin recently completed the temporary remediation of two calcium sulphite (CaSO₃) dams (residue stockpiles), which are situated west of the company’s BMR and Smelter complex near Marikana in the North West Province.

READ CASE STUDY
CASE STUDY: Building bridges of hope

The Workplace Peer Educators are workers from different levels within the organisation who volunteer or are selected by their peers. They are there to share knowledge and practical information, encourage and support others, and promote healthy living. Their services are not limited to the workplace, extending to their families and community.

Our network of Workplace Peer Educators is integral to our effort to combat and manage the HIV/AIDS and TB pandemic. Our Workplace Peer Educators were initially trained by Careworks and Epicentre from 2008 to 2011. For 2012, 67 of our active Workplace Peer Educators received additional training facilitated by South African Business Coalition of HIV/AIDS (SABCOHA) while 133 Workplace Peer Educators are still to attend. SABCOHA is a member driven organisation consisting of several big corporates, medium-sized enterprises and smaller companies, including service providers who have joined forces in the private sector initiative to combat HIV/AIDS.

The training is aimed at revitalising their skills in a way that will ensure a greater impact both within the workplace and the wider community. They are being trained on global-award winning Bridges of Hope activities that focus on behavioural change techniques and address a wide range of issues around HIV/AIDS and TB prevention, testing, treatment, stigma, positive living and self-esteem.

Bridges of Hope creates a learning experience that touches the heart, not just the head. Our Workplace Peer Educators can apply the learning experiences in a practical way to their own health and peer’s wellness. They have already done the activities both in GLC schools and in different shafts, and we have received a positive feedback from this.

For our Workplace Peer Educators to be certified as a Bridges of Hope facilitator they need to submit the minimum of five training sessions incorporating Bridges of Hope activities. The activities should be with different types of group, both in the workplace and in the community. Our Workplace Peer Educators walked the extra mile to submit their training sessions; some went to the local clinics, taverns and prison to impart knowledge on this deadly disease.

Through the continuous support of the Wellness Team, 67 Workplace Peer Educators have been certified to date. Additional to the refresher course 15 new workplace peer educators were trained.
CASE STUDY: Getting to zero - World AIDS Day Campaign 2011

The southern African region has the highest number of people infected and affected by HIV in the world. The HIV prevalence level amongst our employees and communities is estimated to be between 18 and 20% based on actuarial modelling conducted by Health Monitor, an independent health and HIV/AIDS risk management company, and supported by HIV/AIDS counselling and testing (VCT) conducted among Lonmin employees and the GLC in 2012.

Despite the comprehensive testing and wellness programmes available to employees and their dependents, HIV infection and management of the illness remains one of the most significant challenges facing our employees and their communities. Specifically, we continue to see:

- new HIV infections despite a high level of knowledge about the disease, how it is contracted, how to avoid it, its consequences and treatment;
- continued fear of discrimination and the stigma associated with the disease which prevents those who may be HIV-positive from undergoing VCT or seeking treatment at an early stage; and
- reluctance of those who have contracted the illness to participate in the wellness programme, to participate in our ART programme when this is medically-indicated, and to comply with their treatment regimen. During 2012, [44%] (104) of in-service deaths (238) were related to AIDS (2011: 64% of 139 in-service deaths).

To try and turn the tide, our 2011 World Aids Day Campaign focussed on managing the impact of HIV/AIDS in Lonmin, under the banner: “Getting to Zero”. The primary message underpinning this theme was to encourage employees to work towards three goals:

- zero new HIV infections;
- zero discrimination; and
- zero AIDS-related deaths.

This gave us three platforms on which to inform and persuade participants on the complex challenges of the HIV/AIDS epidemic:

- Zero HIV infections focussed on the importance of employees knowing their HIV status and practicing responsible, safe sex.
- Zero discrimination had messages about employees disclosing their HIV status, accessing ART treatment and offering support to those with HIV in the workplace and in the community.
- Finally, we spoke about the importance of participating in wellness programmes, taking medication and living a healthy lifestyle to be able to successfully live with HIV.

With these messages in mind, we began training programmes aimed specifically at supervisors and managers in three one-day workshops held in November 2011. This training was well-received and equipped the participants to address the impact of HIV/AIDS in the workplace, putting HIV/AIDS on the agendas of workplace meetings.

Once this training was completed, the focus shifted to individual events at each operation on and around 1 December. Line managers championed the campaign and through VFL raised awareness of HIV/AIDS. These events involved a multitude of activities including: lighting candles of remembrance; distributing 118,000 condoms; taking gifts to TB patients in hospital; playing soccer games to raise awareness; presentations on HIV/AIDS and “Getting to Zero”; distribution of pamphlets in three languages; distribution of informative DVDs; and emails with links to video clips about the topics of the day.

Several operations ran on-site wellness campaigns offering VCT, performing 7,430 HIV tests in just 14 days. The decentralised approach of the campaign and the active involvement of line managers proved effective in reaching more employees and will continue in future campaigns.
CASE STUDY: Addressing vibration as an occupational risk

Increasing industrial mechanisation has created a work environment where vibration is a common phenomenon. Our employees can be exposed to vibration when they come into contact with vehicles, vibrating machinery and certain hand tools. Two types of vibration are present in our workplaces:

- whole body vibration caused by vehicles and machinery; and
- hand-arm vibration caused by vibrating hand tools.

In 2012, we conducted a baseline vibration survey to identify possible risk and to evaluate compliance to international standards.

An inventory of possible high risk equipment, vehicles and areas was compiled for all mines and operations. Based on the inventory, measurements were taken and equipment, vehicles and areas were then classified as high, medium or low risk. We are now in the process of identifying possible control measures. Current control measures include:

- **Engineering controls**: the use of springs and dampers for mounting machinery and equipment maintenance, including replacement of worn components.
- **Administrative controls**: training.
- **Personal protective equipment**: the provision of suitable gloves that have been correctly designed gloves to have a damping effect on the transfer of vibration through the hand arm system.

Implementing control methods is one step in the process of minimising potential harm, creating awareness amongst our workforce is also vital. Lonmin will focus on communicating what the high risk jobs are and how to choose the correct tool for the task at hand.
CASE STUDY: Lonmin Artisan College: a milestone in our Human Resources Development history

Lonmin’s Artisan College opened its doors in April 2012 at a critical time in the industry and the country. South Africa is in the midst of a critical shortage of artisan skills, against ever increasing demand, and the mining industry will be faced with dire consequences if the skills shortage is not addressed. Of further critical importance to the mining industry in particular is the need to attract, train and retain HDSAs (including women), and to provide employment in the industry for community members residing around mining operations.

Based near our Eastern Platinum Operations, the college will provide theoretical and practical engineering training specific to the mining industry and has been recognised by the MQA as an accredited facility. The initiative forms part of Lonmin’s integrated Human Resources Development (HRD) strategy in that it creates value for both business and the community. By creating a local recruitment pool and providing community members with sought-after skills, these previously unskilled people become employable by companies such as Lonmin or other mining companies or go to begin their own businesses.

The creation of economic opportunity is an important consideration. Direct jobs created by the mining industry are always going to be finite and limited, and for both imminent job creation as well as long term sustainability of communities, we need to assist in reducing the overreliance by local communities on the mine for employment. Learners intending to pursue the establishment of small and medium-sized enterprises (SME) will be supported through the Lonmin’s enterprise development programme and will receive SME training, mentorship, access to finance and contracting opportunities.

Electrical Engineering learnerships are the first to be initiated at the college and other trades will be gradually phased in, including learnerships for diesel mechanics, instrument mechanics, boiler makers, riggers and millwrights. There will be two learner intakes a year of 45 learners; of this intake, 50% will be made up of community members and drawn from 50% existing Lonmin employees who have been identified for skills development. The learnership opportunities will be advertised at strategic points within the community; high visibility is important to ensure the selection process is as transparent and fair as possible.

At the opening ceremony Lonmin CEO, Ian Farmer, spoke of the difference the college will make to the Company and the mining industry as a whole, providing the necessary skills to power the industry. A sentiment echoed by Ms Susan Shabangu, the Honourable Minister of Mineral Resources and the CEO of the MQA, Sam Seepei. Lonmin invested R1.7 million in the upgrade of the college.
CASE STUDY:

2011 GLC health survey review informs community health strategy

Conducting thorough research before initiating any project and engaging with the community from the outset is an important step in the process to help marry expectations with solutions. In 2006, we commissioned Nova and MRC, organisations that specialise in corporate social investment and project research, to conduct research on the health status of the GLC. The survey gave us an accurate understanding of the impact of Lonmin's activities on the community, and formed the basis of our Community Health Programme. Five years later, in 2011, we commissioned a review of the survey to ensure that our understanding of community health and the potential causes for health challenges remained up to date. The findings of the new survey were published in March 2012.

Fieldworkers gathered data from a total of 3,631 community members in 979 households in seven communities surrounding Lonmin's operations. The results confirmed the poor socio-economic conditions in the GLC. Key findings include:

- 17% have access to piped water in their houses;
- 84% do not have a flushed pipe sewerage system in their households and 12% have no access to toilet facilities at all;
- 89% report that no refuse collection takes place; and
- 16% of the sample population of caregivers have completed school.

These are contributing factors to the health of the GLC, with the following conditions being reported as potential results of poor living conditions: diarrhoea; respiratory conditions; marasmus (malnutrition characterised by energy deficiency); HIV; TB; physical abuse, as well as alcohol and drug abuse, and sexually transmitted infections (STIs).

It is clear that there is still a high level of stigma and fear attached to the diagnosis of HIV/AIDS. This coupled with the increase of risky sexual behaviour (STI prevalence has doubled), means further HIV/AIDS education, testing and counselling is urgently needed.

Lonmin is working towards long-term solutions for both the health problems and socio-economic challenges from which they result. Comparisons with the 2006 baseline assessment however, reveal trends that illuminate the sheer scale of the socio-economic challenges against which the Company is fighting. The percentage of people living in informal housing for example, has increased from 32% in 2006 to 67% in 2011, as more and more people leave their situations of rural poverty and move to the platinum belt, with the hope of finding work. This is borne out by local unemployment figures that are as high as 43% in some areas.

An enormous challenge lies ahead of Lonmin, municipalities, government and the individuals who live in the GLC. Open engagement, mutual understanding and strong partnerships between all stakeholders on these and the related problems facing the GLC will be necessary in order to find successful solutions.
CASE STUDY:
Women in mining: fit for the job

Until recently, South African legislative barriers prevented women from working underground. Apart from promoting equality in the workplace, the South African Mining Charter set a target that women should make up 10% of the total women in mining. (A distinction is made between women at the mine, which is the total number of women employed by Lonmin, and women in mining. The latter includes only those women occupying core positions in mining and processing, and this is the basis on which the Charter targets are set).

Achieving these levels has brought with it unique challenges including infrastructure development, family planning issues, sexual harassment cases and, not least, the real and perceived issue of reduced physical capacity. We continue to experience an imbalance in gender distribution between surface and underground jobs, despite significant effort spent on recruiting physically fit women and placing them in appropriate jobs. This is in line with the millennium development goal for gender equality.

One such effort is our Physical Work Capacity assessment programme, a way to test a person's physical load capacity and covers both muscular and cardiovascular endurance. Matching a person's physical ability to the appropriate job decreases the risk of injury and safety incidents, so we have made this assessment a pre-employment requirement. If someone fails the assessment, and recently 70% of women tested failed, they are given an exercise programme to improve cardiovascular health and strength and repeat the assessment after six weeks. After completing the exercise programme the failure rate decreased to 50%.

Working in a male-dominated environment means infrastructure in terms of ablution and changing room facilities were historically built for men. Lonmin has spent R4.8 million on building appropriate facilities for women. We have also sourced appropriate personal protective equipment (PPE) for our female employees, including lighter lamps, after receiving complaints that the current lamps were causing shoulder and neck pain. We are currently introducing bandanas for hair protection for female employees in compliance with safety standards.

Significant work has gone into improving health care facilities available to women, specifically with regards to family planning (contraceptives are freely available at all our clinics) and maternity care. All female employees have regular pregnancy tests to make sure any risk to their unborn child is reduced, and they are not exposed to undue occupational risk. For the first 28 weeks of pregnancy, our clinics provide primary healthcare including maintenance, ultrasound scans, vitamins and medication. Thereafter they are referred to a gynaecologist at a government hospital. During a woman's pregnancy we do our best to accommodate her in a non-risk occupation. If this is not possible, we pay a stipend for the time she is away.

Lonmin promotes human dignity for all its employees and does not tolerate any act of sexual harassment.

While we know we still have a long way to go in changing people's perception about women working in mining, we have made considerable progress. We have realised that it is a business imperative to prepare women for other mining critical skills in line with the HRD value chain. Within this context, three women have been trained on becoming rock drill operators with the aspiration of developing them into miners.
CASE STUDY:
Health promotion for the next generation

The long-term vision of our Community Health Programme is to increase general wellness in the GLC. The Health Promotion Programme was developed as part of this overall strategy, aimed specifically at the youth living in these communities.

During the application of some of our older community health projects, such as our peer education and home-based care networks and the School Nutrition Programme in previous years, it became evident that more emphasis was needed on promoting health among the youth. Reports by school principals and local health clinics of teenage pregnancy, substance abuse and other social ills were increasing. In fact, according to records kept by 29 GLC schools, 23.4% of the total of 17,732 (5,089 females from Grade 6 upwards) learners fell pregnant during 2011.

In response, Lonmin decided to embark on a targeted series of campaigns in schools to engage learners at intermediate and high school level on teenage pregnancy, HIV/AIDS, TB and substance abuse. We set ourselves the target of reducing teen pregnancy by 5%.

Primary school learners were also included in the campaigns, but they were approached differently with child protection messages at the centre of their communications.

The campaigns were developed and launched in partnership with the University of Pretoria (UP) and the Centre for the Study of AIDS (CSA). CSA worked with field workers, assisted by a group of Lonmin peer educators. Before the campaigns began, all the volunteers involved were trained by the Department of Health and the Madibeng sub-district Health Promotion Unit, to ensure that they articulated the same messages as had been communicated already by the Department. The departments of Education and Social Development also provided much welcome support.

By the end of September 2012, the figure for reported teenage pregnancy dropout was 17.2%; 66 of 18,584 learners (5,117 Grade 6 – 12 female learners). We were very encouraged by this result. 28 campaigns were conducted at schools with presentations at an additional 33 informal gatherings of young people outside of their schools.

Youth clubs were also approached, with peer educators presenting monthly talks on a variety of topics such as Basic HIV/AIDS information, Sex and Sexuality, Understanding Stigma and Discrimination, Human Rights and Access to Justice, Basic Project Management, Writing Skills and Nutrition and Hygiene. A trained field worker would be present at these meetings, ready to assist with information.

The GLC youth and school learners live under difficult social conditions and we believe that interventions like these can enable them to distinguish between destructive and healthy behaviour. These young people can also have more of a hand in determining their future by making informed decisions about their health and bodies and eventually break the cycle of poverty.
CASE STUDY:
Counting every drop – Lonmin introduces fuel management system

Diesel fuel is one of the largest operational costs to our mining operations. Even a small percentage of fuel saving can add direct value to the bottom line and is closely aligned with Lonmin’s objective of improving operating and environmental efficiencies. Fuel consumption is therefore worth monitoring and measuring.

Lonmin recognised the opportunity to reduce our diesel consumption by introducing a fuel management system in June 2011. This system is used to electronically monitor and control the receipt, despatch and reporting of fuel consumption. Typically used for fleets of vehicles, the system provides detailed daily reports of fuel consumption per individual transaction (driver and vehicle), giving us an accurate indication of how much fuel is stored in our on-site tanks, how much has been used and how much we need. All our vehicles and contractor vehicles that use our fuel have been registered and fitted with electronic vehicle identification systems and each of our on-site fuel tanks has been fitted with probes to facilitate the system. The system alerts us to any leaks or spills, allowing us to minimise waste, and prevent or rehabilitate ground contamination. In addition, monthly inspections of diesel tank facilities enhance continual improvement on environmental management at these facilities.

The fuel management system cost R8.1 million (US$1 million) to install and in just one year has saved the company R15 million (US$1.8 million). It is estimated that the system will reduce our fuel costs by 15% per annum, which in turn will reduce energy usage and carbon emissions.

A further benefit is that the system prevents vehicles with outstanding traffic fines, missed services or due for tyre rotation from filling up. Vehicles that are using too much fuel can also be called in for efficiency checks.
CASE STUDY: Pooling our resources to keep the Greater Lonmin Community clean

It is not only our mining and processing teams that need to tackle the challenges of waste management. Waste management is one of the most dynamic industries in the world, with requirements that vary from massive scale industrial waste right down to domestic waste. Managing the large volumes of waste that accompany economic growth is a global challenge.

Recognising the growing problem of waste in the GLC – an issue raised at various stakeholder meetings Lonmin has partnered with the innovative waste management company, TedCor, to offer a reliable waste removal service to the residents of the GLC, with Lonmin providing the investment and TedCor acting as the project’s managing agents. The project is still in pilot phase. 86% of an estimated 86,000 of the community members have no waste and refuse management services.

TedCor has over 12 years of experience in providing waste management solutions in disadvantaged communities in South Africa, and their model shares some interesting features with Lonmin’s integrated approach to sustainable development. TedCor is committed to public-private partnerships, and managing and mentoring small enterprises to empower community members through the transfer of skills. Working with and training members of the local community means they become contractors to TedCor, and are given access to a source of income. The invitation for all interested community parties to manage refuse and waste in the GLC resulted in 26 applications. We have procured new trucks for this partnership. The short-term objective is to start collating household refuse, clear illegal waste sites and engage 30 youth members on a short term contract. Our long-term objective is to have a revenue collection system in place to sustain the service and to build the capacity of local government.

We realise that the local municipalities simply don’t have the necessary capacity to service the growing informal settlements. The delivery of a waste removal service is the legal mandate of the Madibeng and Rustenburg local municipalities and therefore their respective buy-in on the project is required, and so far, we have received great support from these corners. On-going consultation with both the local municipalities and the communities will continue to bring success to the project.

We have initiated a domestic waste removal delivery service which will serve over 20,000 households in the GLC and in doing so, provide much needed employment to 30 people in the community. We have set spent R4,300,000 (US$ 534,161) this year on the project.
CASE STUDY:
Adaptation measures implemented to address climate change risks

Consideration of and planning for climate change is an integral part of our business. Lonmin has made a number of substantial business decisions during the reporting year that have been influenced by the climate change-driven aspects of our strategy. These include:

- funding for research and development of viable renewable energy sources; and
- funding for the development and phased implementation of an Integrated Water Balance (IWB) and supporting Water Management Plan as an adaptation measure for both flooding and/or water scarcity scenarios. We aim to improve water management and efficiency, water quality, obtain access for future water supply and ensure sustainable closure.

As a member of the ICMM, we engage collectively with external stakeholders who develop policy and reporting guidelines and with fellow members on the status of carbon pricing/actions in other areas of the world. We also use our relationship with the Chamber of Mines and its associated companies to develop climate change principles that can realistically be enacted in the mining sector. We are a member company of the Industry Task Team on Climate Change where we actively participate in work undertaken by that body with the aim of presenting a well-balanced, quantified fact-base to inform policy debate.

The participation of delegates from Lonmin at the COP17 Summit in Durban in November 2011 was another highlight of our engagement on climate change in the past year, and is indicative of our desire to go beyond compliance. This resulted in several positive steps forward for the industry in the debate, such as the implementation of an ICMM Climate Change Programme on Adaptation measures and managing impacts of Climate Change.
CASE STUDY:
Lonmin partner with Working for Water and GLC in removing invasive plant species

Like many other parts of the world, southern Africa has been affected by a global migration of plants and 198 plant species in the country have been declared to be weeds or invaders, covering approximately 10% of South Africa's land.

Invasive alien plant species are considered to be a major threat to biodiversity. They displace indigenous plants, intensify the impact of fires and floods and lead to accelerated soil erosion.

Furthermore, and most importantly in a water scarce region like ours, invasive plant species use much more water to grow than the better-adapted natural flora of the area and preventing their encroachment is a water-saving imperative as well as a measure to preserve natural biodiversity.

Lonmin’s Environment and Community departments have compiled a joint plan for the development of co-operatives within the GLC to manage and remove alien and invasive plant species found within our Marikana operations’ area. The intention was to develop this project as a public-private sector initiative, providing income and employment in the GLC, with a budget of R500,000 (US$63,000) set aside for the project in 2013. We have partnered with the DWA and the Working for Water programme to foster a spirit of cooperation within the community and facilitate the passing of information and sharing of ideas for mutual benefit. The Working for Water programme is involved in the clearing of alien plant species within riverine catchment areas throughout the country.

Mapping of the invasive species in the Marikana area has been completed and submitted to the Working for Water team for review. Demarcated areas of work will be determined from this review and control methods suggested, including uprooting, felling, cutting or administration of herbicides.

Repetitive follow up activities are mandatory, with the aim of reaching a point where the species concerned no longer occur in the area.

All project contractors and labour will be sought from the GLC, which currently or previously were part of the Working for Water Programme, providing up to 30 full-time jobs to the community and, importantly, protecting biodiversity and ensuring the sustainability of our land.

An additional initiative will be the reseeding of areas where required, as well as investigation into the development of a community nursery which will replace trees removed during clearing activities. Wood accumulated from this project will be collected by an external party who re-uses wood for the production of furniture.

An additional challenge in maintaining our biodiversity and carbon sink, is the cutting down or extensive removal of locally indigenous trees for community wood reserves for cooking and heating. This is partially mitigated by the donation of large volumes of waste wood from the operations to the GLC communities on a daily basis.

In celebrating Arbour day, we have contributed to already established food gardens at 31 GLC schools, by planting of six fruit trees (orange, plum, apricot, pomegranate, almond) at each school, which will not only provide nutritional value to the school children, but provide valuable shade, act as a carbon sink and provide additional habitats for insects and birds.
CASE STUDY:

Is water conservation and water demand management in mining a real option?

South Africa is amongst the 40 driest countries in the world, with extreme weather conditions, and is plagued by both droughts and intensive floods. Coupled with economic growth is an increased demand on water resources and, as with all other industrial developments, mining requires large volumes of water. This is likely to have an impact on the water resource and the environment. The mining industry also realises that minerals are a non-renewable resource and the contribution to wealth creation from mineral extraction is not infinite. Mining can serve as an economic boost and careful planning is required to ensure that mining impacts post-closure are sustainable, and that some of the returns from mining provide continual economic and social prosperity. Lonmin acknowledges the importance of understanding the possible long-term advantages and disadvantages of mining and aims to ensure that in closure of mining activities, the local communities will inherit an invaluable sustainable water resource. Lonmin has embarked on a long-term project to use our Marikana operations as a flagship to ensure that the legacy left behind after mining ceases, contributes to sustainability for the local people and generations to come.

This topic was the subject of a paper presented by Lonmin at the Platinum 2012 Conference, 17 – 21 September 2012, at Sun City, South Africa.

In response to this challenge, we developed a Water Conservation and Water Demand Management Strategy (WCWDM) in 2012. This strategy includes:

- An Integrated Water Balance (IWB) which uses specialised software to integrate the static and dynamic variables associated with Lonmin’s business that have an impact on water resources, providing a valuable tool to simulate accurate scenarios and risk assessments. Implementation of this IWB is currently in progress.
- Effective and regular surface, and groundwater monitoring and reporting.
- An Integrated Water Management Plan (IWMP), aligned to the anticipated Integrated Water Use Licence (IWUL) conditions, comprising a dynamic set of action plans to manage the demand, use, conservation and storage of water at our operations and to facilitate maximum re-use and recycling of process water through closed system reticulation, while improving our contamination control measures.

The IWMP includes a variety of management measures to minimise our impact on water resources. Some of the more established measures include: improving the lining of current pollution control dams; constructing additional lined pollution control dams; using clean water diversion berms to divert clean storm water flow upstream of dirty water areas, thereby limiting the nature of clean and dirty water streams, and the strategic placement of water treatment plants with the objective of treating process water so that it can be re-used, either as gland service water or for dust suppression by the operations.

Some management measures, however, are the result of new ideas, approaches and technologies that demonstrate our pursuit of knowledge, understanding and fit for purpose systems as a tool in water resource management. These include:

- scavenger boreholes;
- aquifer storage and recovery (ASR);
- a salt balance (to support the IWB);
- 3-D groundwater model; and
- possible development of water utility as a sustainable water management.

The term ‘scavenger boreholes’ is used to refer to boreholes that harvest dirty groundwater from a pollution plume around a tailings dam. These boreholes can be placed at strategic locations around the tailings dams to capture dirty water arising from the tailings dam and therefore reduce the risk of any pollution, while at the same time collecting more water for re-use and recycling in the operations. Scavenger boreholes also contain the movement of the pollution plume around the tailings dam and over time reduce the extent of the pollution plume.

Artificial recharge (AR) is the process whereby surface water is transferred underground to be stored in an aquifer. AR has many uses, with the two prime uses in South Africa being water storage and water conservation. Aquifers, like dams, can be used to store water, and in doing so, water that would otherwise be lost to evaporation, can be conserved for later use. ASR, a type of AR, involves the sub-surface storing of water in natural aquifers, to prevent losses due to evaporation, and is usually achieved by allowing water to penetrate the subsurface via infiltration basins or injection boreholes and recovery of water from the same boreholes. Water stored in the sub-surface can be used to meet domestic, agricultural, industrial and environmental needs. Mining companies are in an advantageous position in this regard, because their opencast mining activities have left available anthropogenic (man-made) aquifers ready for use in this application.

A pilot study was conducted in late 2011 to determine whether the mining areas created suitable conditions that would lead to substantial anthropogenic aquifers and to evaluate the potential to develop these aquifers to supply Lonmin’s current and future peak demands without using more potable water from the regional bulk water utility. This pilot study showed the use of anthropogenic aquifers to be a feasible option for Lonmin.

At Marikana, the opencast pits that have been backfilled are usually more porous than the surrounding rock and are often shallower and better confined than natural aquifers, thereby creating ideal conditions for the underground storage of large volumes of water. These anthropogenic aquifers are near centres of mining activities and thus present significant water storage and re-use opportunities for the industry. This initiative is currently...
being developed for implementation at our Karee opencast pits.

The South African government has recognised ASR as a method to enhance aquifer conditions and has developed the Artificial Recharge Strategy to introduce Artificial Recharge (AR) as a water management option and to provide guidance on how AR can be applied in South African conditions. Lonmin therefore has guidance from government and many well documented international and national case studies available as references for this strategic water resource management tool. Further to this, much work with regard to ASR has been done in the nearby Brits mining area, where fissure water harvested from backfilled open pits is being used in mining operations. Results have also shown that the quality of water from the ASR system has improved over time. One of the strategic advantages of the ASR system is that it will be a sustainable asset as a source of water supply to the communities rather than a liability upon closure of the mining operations.

A salt balance is a water management tool that is used to predict salt concentrations at certain locations on mine sites. Water and salt balances are used to simulate the impact of potential management strategies before implementation. Total Dissolved Salts (TDS) is used as an indicator parameter to define salt loads. Most of the salt load is retained in water and precipitated minerals in the tailings. Slow release of this salt load over time presents a significant long-term liability risk for Lonmin as this salt load leads to downstream contamination of groundwater, and potentially, surface water resources. Salt loads were calculated from the annual flow volumes and estimates of TDS from water quality data obtained from monthly sampling of process water, wastewater treatment works and the regional bulk water utility. Preliminary static salt balances have been completed for EPL and WPL. In addition, geochemical and hydrological characterisation of tailings material from each tailings dam is being conducted to assess the water flows and chemical processes affecting salt retention and salt losses from the tailings. This will also assist in identifying geochemical processes that may be active or which could be supplemented to modify our salt load in the medium to long term. The expected date of completion of the salt balance is in September 2013.

There are three major issues related to groundwater in mining that need to be addressed: mine dewatering requirements; stability of pit walls or developments; and impacts on groundwater levels and on groundwater quality, during mining and post-mining phases. Groundwater modelling has become a tool commonly used to analyse, estimate and predict these impacts. Lonmin currently has a two-dimensional groundwater model that is insufficient adequately to understand the groundwater levels, flow paths and extent of our pollution plume around key infrastructure in our mining right areas.

Groundwater flow in the vicinity of open pits or underground mines is usually three-dimensional and consequently, 3-D numerical groundwater flow models must be based on 3-D hydrogeological data if they are to become reliable predictive tools for resolving the issues listed above. For this reason, a project was initiated in 2012 to combine the current models into an overarching 3-dimensional mode. Three dimensional hydrogeological data in the vicinity of the mining area including a lateral and vertical characterisation of hydraulic parameters, groundwater levels and water chemistry data was collected from the surface to the pit bottom or the lowest point of the underground shaft or even below, depending on local hydrogeological conditions and proposed depth of the mine. This was done, in order to analyse the flow through the bottom of the pits or underground developments. This project is expected to be completed in December 2012.

Lonmin is confident that with the implementation of our IWB, IWMP and overarching WCWDM Strategy, we will save on costs associated with the supply and recycling of water; enhance water resource management and efficiencies in our operations; minimise pollution and environmental liabilities thereby reducing our closure costs and risks and ensuring a safe and healthy environment upon closure.
CASE STUDY:
Heritage assessment influences exploration drilling

We know that our heritage sites are irreplaceable and we are committed to preserving our heritage for future generations. A Phase 1 Assessment at the Marathodi Chiefdom heritage site at Vlakfontein was completed in June 2011. This was undertaken to:

- determine the nature, extent and the significance of the remains on site; and
- establish the impact that exploration drilling could potentially have on the site and whether the drilling of boreholes would have to be relocated, as well as what additional mitigation measures would have to be implemented on site.

The South African Heritage Resources Agency (SAHRA), approved the report and stipulated that the implementation of the recommendations be undertaken. Eighteen boreholes were drilled between October 2011 and June 2012. The recommendations were implemented which resulted in the closure of one borehole, and the relocation of four boreholes, outside of the heritage site. In addition, staff was given awareness training and an assigned archaeologist, provided support during the drilling. A follow-up Inspection Report sent to SAHRA provided confirmation that the recommendations had been implemented and that no destruction occurred at the Marathodi Chiefdom during the drilling period. It has, however, been highlighted that the Marathodi cultural landscape is under threat due to activities by local people whose numbers and activities seem to be on the increase.
CASE STUDY:
Temporary remediation of calcium sulphite dams

Lonmin recently completed the temporary remediation of two calcium sulphite \((\text{CaSO}_3)\) dams (residue stockpiles), which are situated west of the company’s BMR and Smelter complex near Marikana in the North West Province. CaSO\(_3\) is a residue generated from the treatment of SO\(_2\) emissions from the smelting operation, through a wet/dry scrubbing process where lime is added to neutralise and capture the emissions. The remediation process cost in the region of R14 million (US$1.7 million). The process was designed to prevent environmental impacts by effectively encapsulating the dams for a minimum of 20 years, during which time we will be able to explore opportunities to rework the CaSO\(_3\) into saleable gypsum, which is chemically non-toxic and used in the manufacturing of cement.

The two emergency dams were constructed in 2003/2004 to store CaSO\(_3\) sludge emanating from the smelter’s scrubber system. The last of this sludge was deposited into these dams in 2006, after which we began sending it to a hazardous waste disposal facility for disposal.

During the operational period, the two dams were joined to form one large dam (residue stockpile). The dams consisted of waste mine rock and soil embankment walls, while the bottom was lined with a high-density polyethylene (HDPE) liner. Over time, the integrity of the liner was compromised and the dams began to leak. This resulted in groundwater, surface water and soil contamination. Furthermore, the dry surface of the dams resulted in windblown CaSO\(_3\) dust affecting the surrounding environment. Incidents of vandalism to the pumping system, fencing and electrical installation also took place, including theft of parts of the dam’s liner, compromising its integrity further.

- **Groundwater:** groundwater monitoring results indicated very high sulphate levels in the boresholes around the dams, suggesting contamination, mainly of the shallow weathered rock aquifer, as a result of seepage from the leaking dams.

- **Surface water and soil:** there was visible seepage of contaminated water from the dams along the toe of the dams, particularly along the eastern and southern sides. Fortunately, the rate of surface seepage was slow allowing evaporation to occur with only the remaining salts resulting in contamination of surface soils. The soil was removed and placed under the capping system to contain residual contamination. The nearest water course is approximately 2.8km away with extensive infrastructure obstructing any potential water flow in that direction.

- **Dust:** the surface of the dams dried out in winter and resulted in windblown dust from the surface onto the surrounding areas during the windy months of August and September.

Lonmin made a decision to temporarily close and cap the dams and to install a seepage drainage collection system, to capture residual seepage so as to prevent further environmental impacts. This is regarded as a temporary, medium- to long-term measure while the preferred long-term option is to re-work and convert the estimated 100,000 tonnes of stored CaSO\(_3\) into gypsum for the use in the production of cement and other building products. However, the technical and economic viability of this option still has to be confirmed. The capping design facilitates the possible subsequent removal of CaSO\(_3\) for re-use or disposal elsewhere. If an alternative use for the CaSO\(_3\) cannot be found, Lonmin is committed to remediate and rehabilitate the dams’ in-situ to the required departmental and regulatory standards. With this in mind, the temporary remediation measures have been carried out in such a manner that they can be incorporated into the permanent closure design at a later stage.

Technical and waste landfill engineers with geotechnical, geosynthetic and landfill qualifications and experience, were appointed to carry out the required remediation work, which began in August 2011 and was completed in April 2012.

The remediation design was based on the capping requirements for a hazardous waste disposal facility, as outlined in the *Minimum Requirements for Waste Disposal by Landfill*, published by the DWA, and on international best practice. The design approach was to isolate the contaminant body from the environment by effectively encapsulating it – and in this way containing the source of pollution for at least 20 years. The measures had to be sufficiently robust to resist theft and vandalism and to use low technology systems that would require minimal maintenance.
Upholding ethical business practices

Our context

Lonmin is committed to upholding ethical conduct at all times and requires that our employees and contractors do the same. Our business ethics are grounded in our values, and especially integrity, honesty and trust. Operating in a manner that fully supports human rights and demonstrates strong ethical foundations is both the right thing to do and good for our business. We believe it fortifies our licence to operate, helps us attract and maintain the best talent, creates an environment of trust and should facilitate the sustained success of the Company.

The newly refined Lonmin Code of Business Conduct (the “Code of Conduct”), entitled Living Our Values, has replaced the Code of Business Ethics, and develops from our values, serving as a guide for our employees as to how to conduct themselves professionally. The new Code of Conduct includes ethics-related provisions, providing real life examples of how to interpret and apply the Code of Conduct, and incorporates measures to comply with anti-corruption legislation. The Code of Conduct is being implemented through a training and communication plan. All (100%) of our employees participate in our induction programme which gives them further detail on the Code of Conduct.

Our commitment to sound ethical business conduct includes our membership of international bodies that uphold corporate ethical responsibility. Lonmin is a founding member of the Institute of Business Ethics, headquartered in London, a charity set up to advance public education in business ethics and related subjects with particular reference to the study and application of ethical standards in the management and conduct of industry and business generally in the United Kingdom and elsewhere. We were also founding members of the Ethics Institute of South Africa. The Code of Conduct is aligned with the principles of the ICMM and the UNGC. Due to the nature and setting of our business, issues of transformation and sustainable development receive significant focus.

Preventing anti-competitive behaviour and conflicts of interest

Anti-competitive behaviour creates disadvantages to competing firms and consumers, generates significant social costs and has a negative effect on the economy as a whole. The Code of Conduct contains provisions promoting fair competition and outlining to staff the sorts of conduct that could comprise or promote anti-competitive behaviour.

Our Code of Conduct also sets out our expectations of directors, management staff and other employees with regards to conflicts of interest and clear guidelines on the Company’s stance on donations, gifts, entertainment and hospitality. Board members are required to disclose all of their business interests, and to sign confirmation that they are not subject to conflicts of interest.

The Company also has a Securities Dealing Policy which governs trading in the Company’s shares to achieve compliance with applicable law and regulation relating to insider dealing. Directors, persons discharging managerial responsibilities, certain employees who routinely have access to our ethical requirements.

Changes to legislation on corruption

In July 2011 the Bribery Act 2010 came into force. The Bribery Act is a UK statute which sets out new offences in relation to public and private corruption. It applies to UK companies, which may in certain circumstances be liable for the acts of persons associated with them, including their foreign subsidiaries, contractors and agents, even if the offences are committed abroad in a jurisdiction in which they would, under local law, be legal. The Board and Executive Committee have committed to ensure that adequate and proportionate procedures are in place to comply with the Bribery Act and implement best practice, taking account of the “adequate procedures” guidelines published by the UK Government, and the Principles for an Anti-Corruption Programme under the UK Bribery Act in the Energy & Extractives Sector, which has been endorsed by the UK’s Serious Fraud Office.

Due Diligence

In March 2012 the Exco conducted an ethical risk review to identify functional areas of higher risk where resources should be focussed, such as face-to-face training with employees to identify specific practical mitigating measures. This exercise will be repeated so as to ensure that our procedures evolve to address changes in our activities and business environment.

Proportionate Procedures - on the basis of the risk review, proportionate procedures have been defined to address each area’s specific needs and prioritise resource allocation in terms of training, monitoring and reviewing compliance. Our Code of Conduct contains detailed guidance applying our principles to specific areas (e.g. hospitality, gifts and political lobbying).

Due Diligence - as described below (see Ethical Value Chains) Lonmin assesses its suppliers thoroughly and our supplier contracts incorporate our ethical requirements.

Communication - we take active measures to disseminate our policies and back them up with appropriate training and knowledge resources, such as the case studies and FAQs in the Code of Conduct and face-to-face training where appropriate (see above). An e-learning module has been prepared and will be rolled-out as soon as possible, and modules for employee induction and refresher training are being prepared.

Monitoring and Review - Lonmin monitors and reviews compliance with its policies through its internal audit and risk management processes, supplemented by annual certifications required of senior management and backed up by the on-going activities of our whistle-blowing programme and internal investigations unit of 10 investigators.

Ethical value chains

Clear guidelines for the procurement of goods and services from third parties are set out in our Procurement Policy – available on request. Included in these is the assessment of our suppliers in terms of ethical business practices, human rights, safety and sustainable development practices and transformation. See the discussions in the People: Human rights and labour relations and Profit: Operational and financial performance sections respectively.
These requirements are stipulated in our supplier contracts and are enforced and monitored through our systems which include a security clearance to be conducted before any formal engagement of a supplier. In 2012 five suppliers were the subject to investigation and one business relationship assessed by our investigations department was terminated because of unethical business practices. We have assessed 53 suppliers during the year against our supply chain criteria.

Lonmin and our relationship with governments
Lonmin respects the authority of governments in the countries in which it conducts its business and we therefore consider it imperative that employees maintain an honest, transparent and ethical relationship with any government agencies, officials or personnel. Lonmin employees are required to ensure that when providing company information to government representatives, that information is accurate, comprehensive and in compliance with the applicable laws and regulations.

Whistle-blowing and action against corruption
Despite our stated intent to operate ethically, things can go wrong. We encourage employees, contractors, suppliers and other parties to report improper, corrupt and fraudulent activities through our Ethics Hotline, anonymously if they wish. The 24-hour phone-in service is provided by an independent third party and designed to maintain confidentiality. Reports are referred to the Company Secretary and the Head of Internal Audit, who are authorised to take appropriate action to investigate any allegations of a breach of the Lonmin Code of Conduct. We analyse 100% of our business units for risks related to corruption and respond to any complaints laid made on risks related to corruption.

In 2012, 33 instances of unethical behaviour were reported and investigated. This is slightly down from last year’s 37. Of these, 81% were reported directly to the Investigation Department by employees and other stakeholders. Four cases were reported via the ethics hotline.

We analyse all of our business units for risks related to corruption and respond to any complaints made on risks related to corruption. Although there were no significant cases of corruption detected during the reporting period, two employees were dismissed following investigation into unethical behaviour and two were given final warnings. In three cases criminal prosecution has been instituted.
Governance of sustainability

Our context

Upholding and implementing principles of good corporate governance is integral to the way in which we do business, and underpins our Charter. We believe that our leaders should lead by example, and all aspects of our business and the way in which we do business, are in line with our values – see the discussion on ethics under Upholding ethical business practices. A detailed discussion on governance is provided in our annual report and accounts. This section summarises certain aspects of our governance framework pertaining to sustainability.

As an English-incorporated company with a premium listing on the London Stock Exchange, Lonmin is subject to The UK Corporate Governance Code (the “Code”) published by the Financial Reporting Council (FRC) in June 2010 and its supporting guidance, all of which is available on the FRC website, www.frc.org.uk.

During the year to 30 September 2012 and to the date of this report, the Company has in all respects complied with the provisions of the Code, save in relation to the requirement to conduct a review of the effectiveness of the board and its committees and of individual directors. The continuous improvement opportunity presented by a formal review of the Board’s effectiveness is valuable. Ordinarily, we would have done such a review in August or September 2012, but given the events at Marikana and the absence of the Chief Executive Officer, the Board judged that it would be inappropriate to conduct such a review in 2012. The Board does not believe that this decision creates any additional risk for Shareholders, and believes that the decision can be justified given that the time otherwise needed for a review was utilised to address the multiple issues then facing the Company. It is currently intended that an independent facilitator will manage a rigorous review process in 2013.

Almost all of the Company’s business is based in South Africa, where the prevailing governance code is the King Report on Governance for South Africa 2009, more commonly known as ‘King III’. While the Company and its subsidiaries are not subject to King III the Board has identified certain provisions which it feels are of benefit to the Company’s overall governance framework, primarily in relation to ethics and sustainability, and which we follow on a voluntary basis. In addition, South African legislation mandates that certain companies must form and operate a Social and Ethics Committee. To discharge these obligations in relation to the Company’s principal operating subsidiaries, Western Platinum Limited and Eastern Platinum Limited, the relevant duties and functions were, to the limited extent that they were not already included, integrated into the terms of reference of the Transformation, Safety and Sustainability and Audit and Risk Committees in March 2012 and accordingly in April 2012 an application was made to the South African Companies’ Tribunal for a five year exemption from the applicable obligations.

In addition, our governance practices are guided by the values set out in the Lonmin Charter and supported by our Lonmin Code of Business Conduct.

As a member of the ICMM, we ensure that our Lonmin Sustainable Development Standards are aligned with the Ten Principles of the ICMM, as well as ICMM Position Statements, which give greater clarity to some of the commitments contained within the Ten Principles. As in previous years, where discrepancies between our own governance documentation and the Position Statement commitments have been identified, we have realigned our Standards to ensure that they fully reflect those of the ICMM. Our documentation pertaining to Mercury Risk Management and Mining and Indigenous Peoples Issues are now fully in line with the ICMM Position Statements on these issues.

Managing responsibility for sustainability

Our CEO is ultimately responsible for championing sustainable development within Lonmin, assisted by the Executive Committee. Specific responsibility for our Sustainable Development Programme lies with the EVP: Processing, who is in turn supported by an Executive Manager Sustainability.

By definition, though, sustainability cannot be the responsibility of a small group of individuals; it needs to be woven into the fabric of the Company, its values, policies, strategies and practices. The illustration below provides some insight into the management structure and strategies that guide the management of sustainability within Lonmin, and illustrates that they extend across disciplines and stakeholder groups. In addition our remuneration policy links sustainability performance to reward for Executive Directors, members of the Exco and other participating executives and managers: for example, currently 15% of the bonus opportunity for Executive Directors relates to safety performance, while another 10% relates to progress on SLP targets.

**Integrated Approach for Sustainable Development**

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<th>People</th>
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<td>• Safety Strategy</td>
<td>• Safety and Sustainable Development Policy</td>
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<td>• Health Strategy</td>
<td>• Climate Change Response Strategy</td>
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<td>• Human Settlement Strategy</td>
<td>• Integrated Environmental Strategy:</td>
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<td>• Human Capital Strategy</td>
<td>• Air Quality Management</td>
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<td>• Stakeholder Engagement Protocol</td>
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<td>• Climate Change Response Strategy</td>
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<td>• Air Quality Management</td>
<td>• Integrated Environmental Strategy:</td>
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<td>• Closure Planning</td>
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<td>• Climate Change Response Strategy</td>
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<td>• Market Development Strategy</td>
<td>• Integrated Environmental Strategy:</td>
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<td>• Life of Business Plan</td>
<td>• Air Quality Management</td>
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<td>• Exploration Strategy</td>
<td>• Energy Management</td>
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**Governance**

Board Committees: Safety & Sustainable Committee, Transformation Committee and the Audit & Risk Committee Lonmin’s Code of Business Conduct and relevant Sustainable Development related policies

**Leadership**
The Company is led and controlled by the Board, which is collectively responsible for the long term success of the Company, and protecting the interests of its shareholders. The Board is committed to maintaining the highest standards of corporate governance to facilitate the sustained success of the Company.

The Board provides entrepreneurial leadership within a framework of prudent controls which enables risk to be assessed and managed, and is the custodian of the Company’s strategic aims, vision and values. It assesses whether the necessary financial and human resources are, and will continue to be, in place to enable the Company to meet its objectives and ensure that it takes full account of safety, environmental and social factors. The schedule of matters reserved to the Board, last reviewed in January 2012 and available on the Company’s website, sets out the Board’s ultimate responsibility for the Group’s strategy, operations and risks, requiring the board to maintain oversight of risk management and internal control systems and requiring the approval of the Board for certain decisions of a significant nature.

Role of the board

The independent* Chairman, Roger Phillimore, is responsible for leading and managing the Board, providing strategic guidance to the executive team, ensuring effective communication with shareholders and promoting the highest standards of corporate governance. The CEO provides leadership to the executive team in running the business, develops proposals for the Board to consider in all areas reserved for its judgment, ensures that effective internal controls and risk management systems are in place and implements all Board approved actions. The Senior Independent Director, Jim Sutcliffe, acts as an intermediary for other Directors and for shareholders where appropriate and provides a sounding board for the Chairman. The Non-executive Directors scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance, as well as reviewing the integrity of financial information and determining whether internal controls and systems of risk management are robust. They also determine appropriate levels of remuneration for the Executive Directors, are involved in the appointment and removal of Executive Directors, and monitor succession planning.

The Board supports diversity of board representation, but is gender neutral when appointing board members. Skills, experience and personal attributes, including independence of mind, are considered when making appointments to the Board. Directors have a statutory duty to avoid actual or potential conflict of interest. In accordance with law, the Board is empowered to authorise such conflicts where appropriate and has a documented procedure in place to ensure that best practice is followed in this regard.

Certain specific responsibilities are delegated to the Board’s Committees on the basis of written terms of reference and in line with the Code, best practice and the highest standards of corporate governance. The Board has established five Board Committees and provides sufficient resources to enable them to perform their duties effectively. Detailed information on the Board Committees’ roles, terms of reference, composition and activities in the financial year, as well as the Board’s procedures and practices for evaluation can be found in our 2012 Annual Report and Accounts.

Membership of Board Committees during the year to 30 September 2012 is shown below. We have one female Director comprising 10% of the Board, and three of the Directors are HDSAs equating to 30%. The majority (60%) of Board members are between the ages of 51-60.

* An independent director is a director who is independent in character and judgement and free from relationships or circumstances which could affect their judgement, subject to detailed guidance in, inter alia, the Code, as to factors which may affect independence

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<tr>
<th>Non-executive Directors</th>
<th>Audit &amp; Risk</th>
<th>Nomination</th>
<th>Remuneration</th>
<th>Safety &amp; Sustainability</th>
<th>Transformation</th>
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<tr>
<td>Michael Hartnall¹ (Non-HDSA)</td>
<td>Member</td>
<td>Member</td>
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<tr>
<td>Len Konar (HDSA)</td>
<td>Chairman</td>
<td>Member</td>
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<tr>
<td>Jonathan Leslie (Non-HDSA)</td>
<td>Member</td>
<td>Member</td>
<td>Chairman</td>
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<tr>
<td>David Munro (Non-HDSA)</td>
<td>Member</td>
<td>Member</td>
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<tr>
<td>Roger Phillimore (Non-HDSA)</td>
<td>Chairman</td>
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<tr>
<td>Cyril Ramaphosa (HDSA)</td>
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<td>Chairman</td>
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<td>Mahomed Seedat (HDSA)</td>
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<td>Member</td>
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<tr>
<td>Karen de Segundo (Non-HDSA and the only woman on the Board)</td>
<td>Member</td>
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<tr>
<td>Jim Sutcliffe (Non-HDSA)</td>
<td>Member</td>
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<td>Chairman</td>
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<th>Executive Directors</th>
<th>Audit &amp; Risk</th>
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<tr>
<td>Ian Farmer² (Non-HDSA)</td>
<td>Member</td>
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<td>Member</td>
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<tr>
<td>Simon Scott (Non-HDSA)</td>
<td>Member</td>
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<td>Member</td>
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¹ Michael Hartnall retired on 26 January 2012
² Simon Scott assumed membership of these committees in his capacity as acting CEO on 24 August 2012
The Safety & Sustainability Committee

The Safety & Sustainability Committee has oversight of all safety, health and environment matters. It comprises four Non-executive directors, one of whom is the Chairman of the Committee, as well as one executive director, the CEO. In the absence of Ian Farmer Simon Scott, as acting CEO, has stepped into his role on this Committee. This Committee meets on a quarterly basis, and in 2012 also held an additional ad hoc meeting.

The Safety & Sustainability Committee is delegated certain powers and responsibilities by the Board in accordance with its written terms of reference, last reviewed by the Board in March 2012 and available on the Company’s Website. The primary purposes of the Committee are:

- to assist the board to meet its commitments under the Group’s Safety and Sustainable Development Policy;
- to have oversight of and provide advice to the board in the areas of safety, health, environment, community (to the extent not covered by the Transformation Committee), external affairs and human rights, including the risks in each of these areas;
- to have oversight of and provide advice to the board on the Group’s compliance with applicable legal and regulatory requirements associated with safety and sustainability;
- to report to the board developments, trends and/or forthcoming significant legislation in relation to safety and sustainability which may be relevant to the Group’s operations, its assets or employees; and
- to review the Group’s external reporting and regulatory disclosures in relation to safety and sustainability.

The Transformation Committee

Because transformation is such a critical component of our licence to operate, our Transformation Committee was created in January 2011 to ensure that the Company meets or exceeds its commitments and obligations in relation to transformation. The committee comprises five Non-executive Directors of whom one is the Chairman of the Committee, and one Executive Director: the CEO. As above, Simon Scott has been appointed to this role in the absence of Ian Farmer.

The Transformation Committee has powers summarised in its terms of reference, which were last reviewed in March 2012 and are available on the Company’s Website. The primary purpose of the Transformation Committee is to ensure that the Company meets or exceeds its commitments and obligations in the areas of transformation and empowerment, and that the interests of all stakeholders (including shareholders) are properly recognised when doing so. The Committee supports the Board in the following areas:

- to develop strategies, policies and processes and set goals and targets for transformation and empowerment, and assess the means by which such strategies are proposed to be implemented and goals achieved, with the aim of ensuring there is a disciplined, co-ordinated and sustainable approach to transformation;
- to monitor, review and evaluate progress made by management in meeting the Company’s obligations in respect of transformation and empowerment, including the Company’s adherence to applicable legal and regulatory requirements and external commitments made in relation to the same;
- to ensure effective communication on transformation issues between management, the Board and various stakeholders; and
- to guide and otherwise provide encouragement and counsel to management in relation to transformation and empowerment.

The Executive Committee

The Exco team comprises:

- Ian Farmer (CEO)
- Simon Scott (CFO and Acting CEO)
- Albert Jamieson (Chief Commercial Officer)
- Barnard Mokwena (Executive Vice President: Human Capital & External Affairs)
- Mark Munroe (Executive Vice President: Mining)
- Thandeka Ncube (Business Transformation Manager, Shanduka Resources)
- Natascha Viljoen (Executive Vice President of Process and Sustainability)

The composition of Exco includes two women or 29% and also 29% of Exco are HDSAs. The CEO chairs the Committee, which meets monthly. In addition, Roger Phillimore and Mahomed Seedat joined the Committee in late August 2012 in the light of Mr Farmer’s absence and the events at Marikana. The responsibilities of the Exco include the following key areas: developing strategy for submission to the Board; developing, implementing and monitoring operational plans, policies, procedures and budgets; reviewing financial performance, forecasts and targets; prioritising initiatives and allocating resources; identifying and driving efficiencies across the Group; approving capital expenditure proposals within the authority levels delegated by the Board and otherwise recommend to Board; developing and monitoring the Group’s policies and practices in respect of health, safety and environmental matters taking into account legal requirements, regulations and best practice; reviewing ICAM findings for all serious incidents; overseeing risk management including identifying risks and developing and implementing risk mitigation plans; developing and monitoring the internal control environment; and developing and implementing Group wide evaluation, training, reward and remuneration practices and managing wage negotiations and benefits with unions.

Assurance

We commission regular assurance processes with the aim of improving the integrity of our measurement and data management systems and the quality of our external reporting activities. The Audit & Risk Committee approves the annual Company-wide internal and external assurance plans. To safeguard the objectivity and independence of the external auditors, the Company adopted an Audit Engagement Policy in 2010, a copy of which is available on the Company’s website. Under this policy, the external auditors are not permitted to perform any work that they may subsequently need to audit or which might otherwise either create a conflict of interest or affect the auditors’ objectivity and independence. The Committee monitors the balance between audit, audit-related and non-audit spend to ensure that auditor independence is maintained. External assurance is provided within selected parameters in the Sustainable Development Report on the alignment of our policies and business practices with the ICMM Principles and our reporting in accordance with the GRI reporting principles and self-declared A+ application level.

Audit findings and the related management actions are tracked and verified periodically by Internal Audit after being reported by management as complete. Material findings and recommendations are summarised to the Committee, which receives regular updates on progress in addressing the matters raised by internal audits. All action points are recorded in a database to enable on-going monitoring and facilitate accountability.

All of our business units are ISO14001-compliant, 44% are OHSAS18001 compliant and 22% are ISO9001 compliant. The following management
systems have retained the following compliance certifications:

<table>
<thead>
<tr>
<th>Management Systems Certifications within Lonmin</th>
<th>OHSAS 18001</th>
<th>ISO 14001</th>
<th>ISO 9001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marikana Mining</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limpopo Mining</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concentrators</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smelter</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Base Metal Refinery</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Precious Metals Refinery</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Analytical Laboratory</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training Academy</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Service Departments</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

We have recently embarked on the implementation of the ISO 9001 quality system for our concentrators. This process began with a GAP assessment on the current systems in order to align and implement integrated ISO 9001/14001 and OHSAS 18001 systems. The assessment revealed several areas that needed to be addressed before we could continue, and we have worked towards closing these gaps. An internal audit was subsequently conducted with only two instances of non-conformance identified. These are being addressed and we will begin the first phase of certification as soon as possible. We are in the process of implementing the Lonmin 15 Sustainable Development Standards which are aligned with ISO 9001/14001 and OHSAS 18001.

Membership of external organisation and initiatives

Lonmin maintains membership of several external groups and organisations. Some of these, where membership is considered strategically important to our business, are listed below. We provide funding to the Platinum Guild in addition to our membership fees. For all other groups and organisations we pay only the applicable membership fees.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Membership status</th>
<th>Participation level</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Council of Metals and Mining (ICMM) -2005:</td>
<td>Voluntary</td>
<td>Committees and projects</td>
</tr>
<tr>
<td>ICMC aims to improve sustainable development performance in the mining and metals industry.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Nations Global Compact (UNG) - 2008:</td>
<td>Voluntary</td>
<td>Alignment</td>
</tr>
<tr>
<td>A strategic policy initiative to help business align with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Platinum Group Metals Association (IPA) - 2006:</td>
<td>Voluntary</td>
<td>Committees</td>
</tr>
<tr>
<td>A non-profit association that represents the worldwide leading mining, production and fabrication companies in the PGMs industry.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South African Chamber of Mines:</td>
<td>Voluntary</td>
<td>Committees</td>
</tr>
<tr>
<td>A prominent industry employers’ organisation which exists to serve its members and promote their interests in the South African mining industry.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Association of Mine Managers, South Africa - 2008:</td>
<td>Voluntary (endorsed through Chambers of Mines)</td>
<td>Governance body</td>
</tr>
<tr>
<td>A forum for discussion and evaluation of technical ideas, debating minerals policy issues and building camaraderie.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Precious Metals Foundation - 2008:</td>
<td>EU regulated</td>
<td>Committees and projects</td>
</tr>
<tr>
<td>Aims to increase the commitment, efficiency, credibility and legitimacy of the European precious metals industry. Related to the REACH Committee.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Labour Organisation’s Code - 2003:</td>
<td>Regulated</td>
<td>Alignment</td>
</tr>
<tr>
<td>The international organisation responsible for drawing up and overseeing international labour standards.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mine Metallurgical Manager’s Association:</td>
<td>Voluntary (endorsed through the Chamber of Mines)</td>
<td>Projects</td>
</tr>
<tr>
<td>Upholds the status of the mine metallurgical profession discourages bad practice and promotes the common professional interests of metallurgists, while providing education, representation, training and support.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Business Initiative:</td>
<td>Voluntary</td>
<td>Committees and projects</td>
</tr>
<tr>
<td>A voluntary group of national and multi-national companies, working together towards sustainable growth and development in South Africa.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Platinum Guild Initiative (PGI) - 2004:</td>
<td>Voluntary</td>
<td>Governance</td>
</tr>
<tr>
<td>PGI aims to provide easily accessible resources, practical help and education and be an interactive forum for jewellery professionals to network, seek advice and share information.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A common standard of achievement for all peoples and all nations to promote and uphold human rights.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Public policy positions

Our company secretary participates in associations of company secretaries/general counsel that undertake significant lobbying in the United Kingdom and Europe on corporate, legal and governance matters on a cross-industry basis.

In South Africa we engage with government, particularly the Department of Mineral Resources, both directly and indirectly through the Chamber of Mines on the Mining Industry Growth, Development and Employment Task Team. Our CEO participates as an Executive Council member of the South African Chamber of Mines. We have representatives on several Strategic Task Forces within the ICMM, for example: Reporting and Assurance, Community and SED, Environmental Stewardship, Health and Safety, Materials Stewardship and Governance.
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, to fulfil our Vision 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 well-being 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 sustainable 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 appropriately 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 in 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 the ICMM Sustainable Development Framework and utilising the guidance of the Global Reporting Initiative Sustainability Reporting Guidelines.

Ian Farmer
Chief Executive
October 2008
Independent Assurance Report to the Directors of Lonmin Plc

Report on Selected Sustainability Information
We have undertaken an assurance engagement on selected sustainability information, as described below and presented in the online Annual Sustainable Development Report for Lonmin Plc (Lonmin) for the year ended 30 September 2012 (the Report).

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

- Subject matter (a) to (c)

In compliance with the International Council of Mining and Metals’ (ICMM) Sustainable Development Framework: Assurance Procedure (ICMM Assurance Procedure), Subject Matters 4 (selected performance data) and 5 (self-declared application level) in accordance with the Global Reporting Initiative (GRI) G3.1 Guidelines:

### Subject Matter 4

<table>
<thead>
<tr>
<th>a) Reasonable Assurance (RA)</th>
<th>Unit</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new cases of noise induced hearing loss (NIHL) diagnosed</td>
<td>No. of cases</td>
<td>42</td>
</tr>
<tr>
<td>Number of cases of noise induced hearing loss (NIHL) compensated</td>
<td>No. of cases</td>
<td>33</td>
</tr>
<tr>
<td>Number of contractor and Employee Fatalities</td>
<td>No. of people</td>
<td>2</td>
</tr>
<tr>
<td>Employee and Contractor Lost Time Injury Frequency Rate (LTIFR)</td>
<td>Ratio</td>
<td>4.16</td>
</tr>
<tr>
<td>Fresh Water consumption</td>
<td>Litres</td>
<td>8,667,896</td>
</tr>
<tr>
<td>Direct and Indirect Energy</td>
<td>TJ</td>
<td>6,433</td>
</tr>
<tr>
<td>Total scope 1, 2 &amp; 3 Greenhouse Gas (GHG) emissions as per defined boundary</td>
<td>CO\textsubscript{2}e</td>
<td>1,571,940</td>
</tr>
</tbody>
</table>

- Subject Matter 5

b) Limited Assurance (LA)

<table>
<thead>
<tr>
<th>Unit</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new cases of TB diagnosed and treated</td>
<td>No. of cases</td>
</tr>
<tr>
<td>SO\textsubscript{2} Emissions (against Atmospheric Emissions Licence)</td>
<td>T/day</td>
</tr>
</tbody>
</table>

### Subject Matter 5

c) We are also required to report, based on our work performed on the Key Performance Indicators, whether we concur with the self declaration made by Lonmin that the Report is consistent with the GRI G3.1 A+ application level.

- Subject matter (d) to (g)

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


<table>
<thead>
<tr>
<th>d) Reasonable Assurance (RA)</th>
<th>Unit</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of women employees in mining (WIM)</td>
<td>Percentage</td>
<td>5.11</td>
</tr>
<tr>
<td>Percentage of women employees at the mine (WAM)</td>
<td>Percentage</td>
<td>8.15</td>
</tr>
<tr>
<td>EE in Management &lt;incl. white women&gt;</td>
<td>Percentage</td>
<td>49.40</td>
</tr>
<tr>
<td>HDSA's in Management &lt;excl. white women&gt;</td>
<td>Percentage</td>
<td>35.90</td>
</tr>
<tr>
<td>Community Development: Rand Value Spend on approved SLP projects</td>
<td>Rand Value</td>
<td>39,743,935</td>
</tr>
<tr>
<td>Number of hostel conversions</td>
<td>No. of Hostels</td>
<td>19</td>
</tr>
</tbody>
</table>

e) Limited Assurance (LA)

<table>
<thead>
<tr>
<th>Unit</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees who attended and completed ABET full time</td>
<td>No. of people</td>
</tr>
<tr>
<td>Number of employees who attended and completed ABET part time</td>
<td>No. of people</td>
</tr>
<tr>
<td>Number of community members who attended and completed ABET</td>
<td>No. of people</td>
</tr>
<tr>
<td>Number of employees and community members provided with portable skills training</td>
<td>No. of people</td>
</tr>
<tr>
<td>Total number of employees in active mentorship relationships</td>
<td>No. of people</td>
</tr>
<tr>
<td>Number of GLC and non GLC Sponsorships provided</td>
<td>No. of people</td>
</tr>
<tr>
<td>Number of GLC and non GLC Bursaries provided</td>
<td>No. of people</td>
</tr>
<tr>
<td>Number of GLC and non GLC graduates and Internships provided</td>
<td>No. of people</td>
</tr>
<tr>
<td>Total number of learners (internal 18.1 and external 18.2) in the learnership programme</td>
<td>No. of people</td>
</tr>
<tr>
<td>Number of employees in management (including C levels) with IDPs in place</td>
<td>No. of people</td>
</tr>
</tbody>
</table>
Independent Assurance Report to the Directors of Lonmin Plc continued

Subject matter and related assurance continued

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

<table>
<thead>
<tr>
<th>f) Reasonable Assurance (RA)</th>
<th>Unit</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE in Management: Percentage of employees who are classified as designated groups and who are employed at management levels (Top, senior, middle, and junior management)</td>
<td>% Level D</td>
<td>54.70</td>
</tr>
<tr>
<td>&lt;incl. White women&gt;</td>
<td>% Level E</td>
<td>39.40</td>
</tr>
<tr>
<td>Percentage reduction of occupancy rate towards 2014 target - One person per room</td>
<td>Percentage</td>
<td>47.07</td>
</tr>
<tr>
<td>Percentage conversion of hostels into family units</td>
<td>Percentage</td>
<td>71.43</td>
</tr>
<tr>
<td>Procurement spend from BEE entities (in line with the mining charter categories of capital goods, services &amp; consumable goods)</td>
<td>% Capital</td>
<td>50.43</td>
</tr>
<tr>
<td></td>
<td>% Services</td>
<td>63.74</td>
</tr>
<tr>
<td></td>
<td>% Consumables</td>
<td>54.20</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>g) Limited Assurance (LA)</th>
<th>Unit</th>
<th>Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRD expenditure as percentage of total annual payroll (excl. Mandatory skills development levy)</td>
<td>Percentage</td>
<td>3.59</td>
</tr>
</tbody>
</table>

Directors’ Responsibilities

The Directors are responsible for the preparation and presentation of the Report as well as the information and assessments contained within it, and for determining the company’s objectives in respect of sustainable development performance, including the identification of stakeholders and stakeholder reporting requirements, the identification of material issues, for commitments with respect to sustainability performance, for establishing and maintaining appropriate performance management and internal control systems from which the reported information has been derived, and the selection of the sustainability performance indicators which form the subject matter of our assurance engagement.

Management are also responsible for the selection and application of the following reporting criteria used in the evaluation of the respective subject matter:

- (a) & (b), Lonmin’s reported performance during the given reporting period for the identified material SD risks and opportunities (ICMM Subject Matter 4): the GRI G3.1 Guidelines.
- (c), Lonmin’s self declared A+ application level of the GRI G3.1 Guidelines in relation to subject matter 5 of the ICMM Assurance Procedure: the GRI G3.1 Guidelines for the A+ application level.
- (d) & (e), selected mining charter elements: the BBSEEC (2002) and related Scorecard (2004).
- (f) & (g), selected mining charter elements: the Amendment to the BBSEEC (2010) and related Scorecard (2010).

Our Responsibility

Our responsibility is to express assurance conclusions on the subject matter in (a), (b), (d), (e), (f) and (g) and to report whether we concur with Lonmin’s self-declared application level in accordance with the GRI G3.1 Guidelines, based on our work performed. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than the Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain assurance about whether the selected information is free from material misstatement.

Our procedures selected depend on our judgment including the risks of material misstatement of the selected sustainability information in the Report, whether due to fraud or error. In making our risk assessments, we considered internal controls relevant to Lonmin’s preparation of the Report. In a limited assurance engagement, the evidence gathering procedures are less than where reasonable assurance is expressed. We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

Summary of work performed

Our work included the following evidence-gathering procedures:

- Interviewing management and senior executives at group level to evaluate the application of the GRI G3.1 Guidelines and to obtain an understanding of the internal control environment relative to the reported sustainability information.
- Inspecting documentation at corporate level to corroborate the statements of management and senior executives in our interviews.
- Understanding the risk assessment process and the information systems which inform the related sustainability reporting processes.
- Testing the processes and systems at group level and site level which generate, collate, aggregate, monitor and report the selected sustainability information.
- Performing site work at Lonmin’s Marikana operations (which represents the most material contribution to the selected sustainability performance information for ICMM Subject Matter 4 and for selected elements from the Broad Based Socio-Economic Empowerment Charters [2002 and 2010] and related Scorecards)
- Conducting an application level check on the Report to evaluate whether all disclosure requirements of the GRI A+ application level have been adhered to.
Independent Assurance Report to the Directors of Lonmin Plc continued

Conclusions
In relation to the Report for the year ended 30 September 2012, we report

(a) On the selected performance data on which we are required to express reasonable assurance

In our opinion, the selected performance data identified in (a) above is fairly stated, in all material respects, in accordance with the GRI G3.1 Guidelines.

(b) On the selected performance data on which we are required to express limited assurance

Based on our work performed, nothing has come to our attention that causes us to believe that the selected performance data identified in (b) above is not fairly stated, in all material respects, in accordance with the GRI G3.1 Guidelines.

(c) On Lonmin’s self-declaration on the GRI A+ application level

Based on the procedures performed, we concur with the assessment made by Lonmin, that the Annual Sustainable Development Report for the year ended 30 September 2012 is consistent with the GRI G3.1 A+ application level.

(d) On the selected mining charter elements in compliance with the BBSEEC (2002) and related Scorecard (2004) on which we are required to express reasonable assurance

In our opinion, the selected mining charter elements identified in (d) above have been prepared, in all material respects, in compliance with the BBSEEC (2002) and related Scorecard (2004).

(e) On the selected mining charter elements in compliance with the BBSEEC (2002) and related Scorecard (2004) on which we are required to express limited assurance

Based on our work performed, nothing has come to our attention that causes us to believe that the selected mining charter elements identified in (e) above have not been prepared, in all material respects, in compliance with the BBSEEC (2002) and related Scorecard (2004).

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

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

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

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

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

1. The alignment of Lonmin’s sustainability policies to the ICMM 10 Sustainable Development (SD) Principles and any mandatory requirements set out in ICMM Position Statements (ICMM Subject Matter 1).

2. The reporting of Lonmin’s material sustainable development risks and opportunities based on a review of its business and the views and expectations of its stakeholders (ICMM Subject Matter 2).

3. The implementation of systems and approaches that Lonmin is using to manage its material safety risks and opportunities (ICMM Subject Matter 3).
Independent Assurance Report to the Directors of Lonmin Plc continued

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

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

Findings
Based on our evidence gathering procedures in our assurance engagement for the year ended 30 September 2012 on the subject matter in (a), (b) and (c) set out in our ‘Report on Selected Sustainability Information’ above, nothing has come to our attention that causes us to believe that:
1. Lonmin’s sustainability policies are not aligned with the ICMM 10 SD Principles and any mandatory requirements set out in ICMM Position Statements.
2. Lonmin has not reported material sustainable development risks and opportunities based on a review of its business and the views and expectations of its stakeholders.
3. Lonmin has not implemented systems and approaches to manage its material safety risks and opportunities.

Independence, Expertise and Limitation of Liability
We have complied with the International Federation of Accountants’ Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our engagement was conducted by a multidisciplinary team of health, safety, social, environmental and assurance specialists with extensive experience in sustainability reporting.

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

Other matter
For the 2012 financial year, Lonmin have taken the decision to present an interactive online sustainable development report. The maintenance and integrity of the Lonmin’s online Sustainability Report is the responsibility of Lonmin management. Our procedures did not involve consideration of the integrity of the host company for the online report and, accordingly we accept no responsibility for any changes to the information in the Report that may have occurred since the date of this opinion.

KPMG Services (Pty) Limited

Per PD Naidoo

Director
Johannesburg
18 December 2012

KPMG Crescent, 85 Empire Road
Parktown
Johannesburg, 2193
<table>
<thead>
<tr>
<th>Glossary</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABET</td>
<td>Adult Basic Education and Training, aimed at improving literacy levels and providing learners with nationally recognised qualifications.</td>
</tr>
<tr>
<td>AEL</td>
<td>Atmospheric Emissions Licence</td>
</tr>
<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome, a disease of the immune system caused by HIV infection. HIV &amp; AIDS pose serious challenges for the government and the industry, as South Africa is one the countries worst affected by the Pandemic.</td>
</tr>
<tr>
<td>AMCU</td>
<td>Association of Mineworkers and Construction Union</td>
</tr>
<tr>
<td>AMMSA</td>
<td>Association of Mine Managers South Africa</td>
</tr>
<tr>
<td>Anti-competitive behaviour</td>
<td>Actions of the Company and employees that may result in collusion with potential competitors to fix prices, coordinate bids, create market or output restrictions, impose geographic quotas, or allocate customers, suppliers, geographic areas, and product lines with the purpose of limiting the effects of market competition.</td>
</tr>
<tr>
<td>ART</td>
<td>Anti-retroviral treatment, treatment of retroviruses especially HIV, given to patients who have CD4 cell counts of 350 cells/mm³ and below.</td>
</tr>
<tr>
<td>ASR</td>
<td>Aquifer storage and recovery</td>
</tr>
<tr>
<td>BAPs</td>
<td>Biodiversity Action Plans</td>
</tr>
<tr>
<td>Basel Convention</td>
<td>The 'Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal' was drafted and adopted in 1989 and came into effect in 1992. The convention works to reduce the movement of hazardous wastes to ensure that wastes are disposed of as close as possible to where they were produced and to minimise the generation of hazardous wastes in terms of quantity and level of hazard.</td>
</tr>
<tr>
<td>BEE</td>
<td>Black Economic Empowerment, a socioeconomic policy that contributes to the economic transformation of the country and increases the number of HDSAs (historically disadvantaged South Africans) participating in the economy.</td>
</tr>
<tr>
<td>BMR</td>
<td>Base metal refinery</td>
</tr>
<tr>
<td>CDP</td>
<td>Carbon Disclosure Project is an independent not-for-profit organisation which acts as an intermediary between shareholders and corporations on all climate change related issues, providing primary climate change data from the world’s largest corporations, to the global market place.</td>
</tr>
<tr>
<td>CO2-equivalent</td>
<td>Carbon dioxide equivalent which is the universal unit of measurement to indicate the global warming potential of each of the six greenhouse gases, expressed in terms of the global warming potential of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.</td>
</tr>
<tr>
<td>Collective bargaining agreements</td>
<td>Binding collective bargaining agreements include those signed by the Company itself or agreements by employer organisations of which it is a member. These agreements can be at the sector, national, regional, organisational, or workplace level.</td>
</tr>
<tr>
<td>COP17</td>
<td>17th Conference of the Parties to the United Nations Framework Convention on Climate Change.</td>
</tr>
<tr>
<td>CSI</td>
<td>Corporate social investment</td>
</tr>
<tr>
<td>CSMI</td>
<td>Centre of Sustainability for Mining and Industry</td>
</tr>
<tr>
<td>CURA</td>
<td>A risk management system that automates risk management updates and tracks progress on all risk registers.</td>
</tr>
<tr>
<td>DAFF</td>
<td>Dissolved air flotation and filtration</td>
</tr>
<tr>
<td>Designated groups</td>
<td>A person, category of persons or communities, disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa Act 200 of 1993 came into operation. The definition of designated groups includes employees who are disabled, women, or employees classified as African, Asian or Coloured and who have South African citizenship status and who are based in South Africa.</td>
</tr>
<tr>
<td>DMR</td>
<td>Department of Mineral Resources</td>
</tr>
<tr>
<td>DBE</td>
<td>Department of Basic Education</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
</tr>
<tr>
<td>DWA</td>
<td>Department of Water Affairs, South Africa</td>
</tr>
<tr>
<td>EETF</td>
<td>Employee Empowerment Trust Fund</td>
</tr>
<tr>
<td>EDP</td>
<td>Executive Development Programme</td>
</tr>
<tr>
<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
</tr>
<tr>
<td>EMP</td>
<td>Environmental Management Plan</td>
</tr>
<tr>
<td>EMS</td>
<td>Environmental Management System</td>
</tr>
<tr>
<td>ESG</td>
<td>Environmental, social and governance</td>
</tr>
<tr>
<td>ETFs</td>
<td>Employee Empowerment Trust Fund</td>
</tr>
</tbody>
</table>
Any waste that does not pose an immediate hazard or threat to health or to the environment, and includes:

- domestic waste;
- building and demolition waste;
- business waste; and
- inert waste;

For the mining and metals sector this refers to site waste, e.g. office, canteen and camp waste, scrap steel, tyres, wood and building waste.

Greenhouse gas. Greenhouse gases comprise the following, as outlined in the Kyoto Protocol to the United Nations Framework Convention to Climate Change (1998):

- Carbon dioxide;
- Methane;
- Nitrous oxide;
- Hydrofluorocarbons;
- Perfluorocarbons;
- Sulphur hexafluoride;

Means gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and remit infrared radiation.

Greater Lornmin Community. Communities situated within a 15 kilometre radius of our operations.

Global Reporting Initiative is a multi-stakeholder governed institution collaborating to provide the global standards in sustainability reporting. These standards set out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance.

Any waste that contains organic or inorganic elements of compounds that may, owing to the inherent physical, chemical or toxicological characteristics of that waste, have a detrimental impact on health and the environment. For the mining and metals sector this refers to site waste e.g., waste oils, oily waste, spent cell lining, fluorescent tubes, batteries, medical waste, etc.

Historically disadvantaged persons

Historically disadvantaged South Africans, all persons and groups who have been previously discriminated against on the basis of race, gender and disability. Defined by the MPRDA.

Human Immunodeficiency Virus which causes AIDS by infecting the helper T cells of the immune system. The HIV virus is transmitted through blood or bodily secretions.

International Council on Mining and Metals

Published in 1996 by the International Organisation for 14001 Environmental Standardisation, it specifies the actual requirements for an environmental management system (EMS).

An inventory of the global conversation status of plant and animal species developed by the International Union for the Conservation of Nature and Natural Resources.

Integrated Water Management Plan/ Integrated Waste Management Plan

Integrated Water Use Licence

JSE Limited, formerly known as the JSE Securities Exchange South Africa

King III is the abbreviated name for the King Report on Corporate Governance for South Africa published in 2010 in South Africa

Key performance indicator

Local economic development

Incidents which result in a high impact on the environment, where natural processes are totally disrupted for the duration of the activity, but resume functioning after the operation has been terminated with possible irreversible impacts-impact extends locally or regionally, beyond mine property.

Incidents which result in a moderate impact on the environment, where natural processes are notably altered but continued in a modified way with impacts being reversible within lifetime of operation. Impact confined to mine property.

Line of Sight

Labour Relations Act 66 of 1995, South Africa

Exchange traded funds

Eastern Platinum Limited

Employee share option programme

Fatal injury incidence rate per 200 000 man hours worked

General waste

GHG

GLC

GRI

Hazardous waste

HDP

HDSAs

HIV

ICMM

IDP

ILO

IPA

ISO

IUCN Red list species

IWMP

IWUL

JSE

King III

KPI

LED

Level 4 environmental incidents

Level 3 environmental incidents

LOS

LRA

LSE
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>LTI</td>
<td>Lost Time Injury resulting in the injured being unable to attend/return to work to perform the full duties of his/her regular work, as per advice of a suitably qualified medical professional, on the next calendar day after the injury.</td>
</tr>
<tr>
<td>LTIFR</td>
<td>Lost Time Injury Frequency Rate per million man hours worked</td>
</tr>
<tr>
<td>Mining Charter</td>
<td>The Broad-Based Social-Economic Empowerment Charter for the South African Mining Industry. The goal of the charter is to bring about an industry that reflects the promise of a non-racial South Africa</td>
</tr>
<tr>
<td>MAP</td>
<td>Management Advancement Programme</td>
</tr>
<tr>
<td>MHDC</td>
<td>Marikana Housing Development Company</td>
</tr>
<tr>
<td>MSHA</td>
<td>Mine Health and Safety Act 29 of 1996</td>
</tr>
<tr>
<td>MPRDA</td>
<td>Minerals and Petroleum Resources Development Act 28 of 2002</td>
</tr>
<tr>
<td>MQA</td>
<td>Mining Qualifications Authority, a Sector Education Training Authority for the Mining and Minerals Sector. Its mission is to facilitate and promote human resources development in the sector</td>
</tr>
<tr>
<td>NBI</td>
<td>National Business Institute</td>
</tr>
<tr>
<td>NEMA</td>
<td>National Environmental Management Act 107 of 1998</td>
</tr>
<tr>
<td>NEMQA</td>
<td>National Environmental Management Air Quality Act 39 of 2004</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non-governmental organisations</td>
</tr>
<tr>
<td>NIHL</td>
<td>Noise induced hearing loss</td>
</tr>
<tr>
<td>NUM</td>
<td>National Union of Mineworkers, the largest collective bargaining agent representing</td>
</tr>
<tr>
<td>OLD</td>
<td>Occupational lung disease</td>
</tr>
<tr>
<td>OVC</td>
<td>Orphaned and vulnerable children workers in the mining, energy and construction industries in South Africa</td>
</tr>
<tr>
<td>PGM</td>
<td>Platinum group metals, including copper, nickel, palladium, rhodium and gold</td>
</tr>
<tr>
<td>PMR</td>
<td>Precious Metals Refinery</td>
</tr>
<tr>
<td>PPE</td>
<td>Personal protective equipment</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and development</td>
</tr>
<tr>
<td>REACH</td>
<td>Registration, Evaluation, Authorisation, and Restriction of Chemicals</td>
</tr>
<tr>
<td>RIIIR</td>
<td>Reportable Injury Incidence Rate: injuries resulting in 14 or more days absence from work per 200 000 man hours worked</td>
</tr>
<tr>
<td>ROM</td>
<td>Run of mine</td>
</tr>
<tr>
<td>SACMA</td>
<td>South African Colliery Managers Association</td>
</tr>
<tr>
<td>SAIMM</td>
<td>Southern African Institute of Mining and Metallurgy</td>
</tr>
<tr>
<td>SAPS</td>
<td>South African Police Services</td>
</tr>
<tr>
<td>SETA</td>
<td>Mining Sector Education Training Authority, South Africa</td>
</tr>
<tr>
<td>SHE</td>
<td>Safety, health and environment</td>
</tr>
<tr>
<td>SLPs</td>
<td>Social and labour plans aimed at promoting employment and advancement of the social and economic welfare of all South Africans whilst ensuring economic growth and socioeconomic development. Stipulated in the MPRDA</td>
</tr>
<tr>
<td>SME</td>
<td>Small and medium-sized enterprises</td>
</tr>
<tr>
<td>SMS</td>
<td>Short message service, or text message.</td>
</tr>
<tr>
<td>SRI</td>
<td>Socially responsible investment index of the JSE</td>
</tr>
<tr>
<td>STIs</td>
<td>Sexually transmitted infections</td>
</tr>
<tr>
<td>TB</td>
<td>Pulmonary tuberculosis refers to tuberculosis of the respiratory organs of individuals, which is confirmed by positive sputa microscopy or culture for mycobacterium tuberculosis.</td>
</tr>
<tr>
<td>TSF</td>
<td>Tailings storage facility</td>
</tr>
<tr>
<td>Tsp</td>
<td>Total suspended particulate</td>
</tr>
<tr>
<td>UNGC</td>
<td>United Nations Global Compact</td>
</tr>
<tr>
<td>VCT</td>
<td>Voluntary counselling and testing, a programme aimed at encouraging voluntary HIV testing in order for individuals to know their status</td>
</tr>
<tr>
<td>VFL</td>
<td>Visible felt leadership</td>
</tr>
<tr>
<td>WCWDM</td>
<td>Water Conservation and Water Demand Management Strategy</td>
</tr>
<tr>
<td>WDP</td>
<td>Water Disclosure Project</td>
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</tbody>
</table>