Accelerating our strategy in a tough operating environment

Lonmin
Sustainable development report
for the year ended 30 September 2015
Table of contents

2 – Approach to reporting
   2 – Overview
   2 – Reporting guidelines
   2 – Scope and boundary
   2 – Units of measurement and comparative data
   2 – Rectifications
   3 – Assurance
   3 – Lonmin-specific terms and references
   3 – Suite of reports
   3 – Navigation

4 – Corporate profile
   4 – Our company
   6 – Platinum Group Metals (PGMs)
   7 – SEDA Platinum Incubator (SPI)
      – Jewellery Collaboration
   7 – Market overview
   9 – Value-added statement
   10 – Our business

12 – Letter from the Chief Executive Officer
   “Our vision – We dig to improve lives – remains in place, although the timeline of some of the strategic actions has changed.”

16 – Our strategy
   16 – Operational context
   16 – Strategic pillars
   17 – Sustainability strategy

18 – Farlam Commission of Inquiry Report
   18 – Preamble
   18 – Addressing immediate needs
   19 – Farlam Commission’s findings on Lonmin
   19 – Lonmin’s comprehensive response
   22 – Partnerships
   23 – Conclusion

24 – Reporting according to the material focus areas
   24 – Context
   24 – Materiality determination process
   25 – Risk analysis
   26 – Stakeholder perspectives
   26 – Overview of material focus areas
The five material focus area chapters:

32 – **Material focus area: Employee relations**
- 34 – Context
- 35 – Key stakeholders
- 36 – Risks and opportunities
- 38 – Accountability and governance
- 39 – Approach and performance

48 – **Material focus area: Safety and health**
- 50 – Context
- 51 – Key stakeholders
- 52 – Risks and opportunities
- 54 – Accountability and governance
- 55 – Approach and performance

64 – **Material focus area: Social licence to operate**
- 66 – Context
- 67 – Key stakeholders
- 68 – Risks and opportunities
- 70 – Accountability and governance
- 71 – Approach and performance

82 – **Material focus area: Environment**
- 84 – Context
- 86 – Key stakeholders
- 87 – Risks and opportunities
- 89 – Accountability and governance
- 90 – Approach and performance

106 – **Material focus area: Relationships with government**
- 108 – Context
- 109 – Engaging with government
- 109 – Driving compliance
- 110 – Government priorities
- 111 – Key government departments

114 – **Governance and compliance**
- 114 – Governance for sustainable development
- 117 – Ethics
- 119 – Compliance
- 120 – Assurance
- 121 – Independent assurance report to the Directors of Lonmin Plc

125 – **Annexures**

**Contacts**
Lonmin welcomes feedback from stakeholders on the Sustainable Development Report, our approach to reporting according to the various frameworks and how we address Lonmin’s material focus areas. For feedback or requests for more information on sustainable development please contact:

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Approach to reporting

Overview

Lonmin Plc (Lonmin, the Group or the Company) has prepared this report to provide its key stakeholders and other interested parties with an overview of Lonmin’s sustainable development policies, practices and performance. The information presented is intended to give an understanding of the most material sustainability matters the Company faces, and how the related opportunities are pursued and challenges addressed, as we endeavour to generate value for stakeholders.

Reporting guidelines

This report has been compiled in accordance with the Global Reporting Initiative (GRI)1 G4 core compliance and its Mining and Metals Sector Supplement. In the report, we also considered the United Nations Global Compact (UNGC)2 principles and the International Council on Mining and Metals (ICMM)3 principles and reporting requirements.

Scope and boundary

This report covers the financial year from 1 October 2014 to 30 September 2015 (FY15), unless otherwise stipulated; our previous Sustainable Development Report covered the financial year ended 30 September 2014.

The scope of the information contained in the report relates to Lonmin group subsidiaries: Western Platinum (Proprietary) Ltd (WPL), Eastern Platinum (Proprietary) Ltd (EPL), Messina Platinum Mines Ltd (MPML), and Akanani Mining (Proprietary) Ltd (Akanani), including the joint ventures and exploration activities over which the Company exercised management control during the financial year. In 2015, Lonmin announced the reorganisation of the business, which will have an impact on about 6,000 employees and contractors (details on page 40). Lonmin also announced that it will carry out the orderly closure to care and maintenance of Hossy and Newman shafts, and put 1B shaft on care and maintenance. We have re-examined West 1 and East 1 shafts and renegotiated the ore purchase agreements with contractors to continue mining for the 2016 financial year. Details of the share register can be found in the Annual Report and Accounts 2015 on page 73.

Gary Nagle and Paul Smith served as Directors until their retirement on 8 May 2015 following the approval by Glencore’s shareholders of the distribution in specie of their 24.5% shareholding in the Company. Phuti Mahanyele served as a Director until her retirement on 30 June 2015 when she ceased to be a director of Shanduka, the Company’s BEE partner. Varda Shine has joined the Board in February 2015 and Ben Moolman, COO, joined the Board in June 2015. Apart from these changes, there were no other significant changes to the size, structure or ownership of the Group subsidiaries during 2015.

Following a reassessment, the five material focus areas in the 2014 report have remained for 2015 and form the basis of the reporting structure. The material focus chapters provide an overview of the applicable material aspects and supporting data. To keep the report concise and relevant, certain topics are covered in our online supplementary reports and comprehensive GRI index, available on the Company’s website. The boundary of data remains unchanged and, where possible, data is reported on a comparative basis with no major restatements.

Units of measurement and comparative data

All monetary amounts reflected in the report are expressed in South African Rand (R) or in US Dollar (US$). During the year, the average cost of US$1 was R12.01, compared to an average of R10.55 to US$1 in the 2014 financial year.

A total production of 1,447,364 (2014: 882,094) platinum group metal ounces (PGMoz) is used to calculate intensity or efficiency ratios in the report, unless indicated otherwise.

The protracted strike of 2014 resulted in five months of limited to no production, impacting the comparability of 2014 data with that of other years. In tables and graphs, where data was severely affected by the strike, the icon has been used to indicate where it should be understood in the context of the five-month strike.

Rectifications

• Employee turnover by reason: Retirements incorrectly reported as 35 male retirements and 0 female retirements instead of 156 and 4 in 2014.
• Grid electricity consumption: Note that grid electricity consumption was incorrectly plotted on the graph in the 2014 Sustainable Development Report (page 89). The graph’s left legend should have shown hundred MWh and not thousand MWh.
• Total area covered by waste rock (surface – overburden): Incorrectly stated in 2014 as 17,011 ha instead of 2,011 ha.

1 The GRI is a global reporting guideline that provides a framework for sustainable development reporting (www.globalreporting.org). Lonmin’s GRI index is available online at www.sd-report.lonmin.com/2015/download-manager/.
2 The UNGC sets universal principles on labour, environment, anti-corruption and human rights (www.unglobalcompact.org).
3 The ICMM is an organisation of mining, minerals and metals companies and associations committed to driving social, economic and environmental progress in the industry (www.icmm.com).
Assurance

KPMG Services Pty (Ltd) provided assurance on selected performance data in this report, in line with the International Standard on Assurance Engagements (ISAE 3000) assurance standard and the ICMM Sustainable Development Framework: Assurance Procedure as it relates to Subject Matters 1 – 4. ICMM Subject Matter 5 no longer applies, as it refers to the GRI G3 guidelines. The scope of the assurance engagement, the data assured and the statement of assurance are provided on page 121 of this report.

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

Lonmin-specific terms and references

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

- **Marikana:** Refers to the mining and processing activities of Western Platinum Ltd (WPL) and Eastern Platinum Ltd (EPL) in the North West Province
- **The Precious Metal Refinery (PMR):** Owned by WPL, refers to the precious metal refinery, located in Brakpan, Gauteng Province
- **Limpopo operations:** Refers to the operations of Messina Platinum Mines Ltd (wholly owned by WPL), located in Limpopo Province
- **GLC:** Refers to the Greater Lonmin Community, which incorporates the communities within a 15 km radius of the Company’s operations

Suite of reports

This Annual Sustainable Development Report should be read in conjunction with the Annual Report and Accounts 2015 and the online supplementary reports.

<table>
<thead>
<tr>
<th>Contents</th>
<th>Annual Report and Accounts 2015</th>
<th>Sustainable Development Report for the year ended 30 September 2015</th>
<th>Supplementary online reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Governance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Financial statements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• A deeper look</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Shareholder information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Detailed disclosure on</td>
<td></td>
<td></td>
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<td>• Lonmin’s material</td>
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<tr>
<td>• Sustainable development</td>
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<td>• policies, practices and</td>
<td></td>
<td></td>
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<tr>
<td>• performance</td>
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<tr>
<td>• Independent assurance</td>
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<tr>
<td>• report</td>
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<tr>
<td>• Safety and Sustainable</td>
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<tr>
<td>• Development Policy</td>
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<tr>
<td>• Lonmin Charter</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Navigation

- 1 Strike-impacted data (2014)
- 2 Assurance provided by KPMG: Reasonable (✓R), Limited (✓L)
- 3 Further information available online
- 4 Targets
- 5b Lonmin’s four strategic pillars
Corporate profile

Our Company
Lonmin is a primary producer of Platinum Group Metals (PGMs). We operate under new order mining rights granted by the South African government for our core operations, which remain valid until 2037 and will then be renewable to 2067. Our value chain includes the exploration, mining, refining and marketing of PGMs, with platinum positioned as our principal product, generating 60% to 70% of our revenue in a typical year. The primary end markets for these metals are the automotive and jewellery industries.

Who we are

The Company employs 35,669 people – 26,968 permanent employees and 8,701 contractors

Women constitute 8.8% of permanent employees

Our flagship operations, the source of more than 95% of our production, are located at Marikana in the North West Province

The Group estimates that approximately 126,000 people live in the areas immediately adjacent to its operations

Net sales of R15,527 million

At Marikana, the Company has 10 active shafts, one on care and maintenance and opencast operations

Exploration both in South Africa and internationally

Pandora operations – a joint venture in which Lonmin has a 50% interest; and contributing 5% of our annual production

An additional mine at the Limpopo operations under care and maintenance

1 Based on the assumption that every employee and contractor supports 3.3 dependants based on the result of the South African Census 2011 – Statistical Release (revised) PO301.4 by Statistics South Africa.
2 Lonmin announced that it will carry out the orderly closure of Hossy and Newman shafts and 1B shaft on care and maintenance.
Seven concentrators at Marikana and one concentrator in Limpopo

Smelter and a base metal refinery (BMR) at Marikana

Operations are based in the North West, Limpopo and Gauteng provinces of South Africa

At the Akanani project, we continue with exploration to develop a viable operation

Precious metal refinery (PMR) at Brakpan, Gauteng

Small exploration projects in Canada, Northern Ireland and Kenya

Head office in Johannesburg, South Africa and a registered office of the parent company in London, United Kingdom

Primary listing on the London Stock Exchange (LSE); Secondary listing on the Johannesburg Stock Exchange (JSE)

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Post year-end events – Rights Issue

The sustained low PGM pricing environment we experienced in 2015, which we anticipate to prevail in the short to medium term was a major challenge to the sector and to Lonmin in particular, given the Group’s maturing debt facilities in 2016. The Company examined all possible options to address the balance sheet pressures caused by low commodity prices and the maturing of Lonmin short-term debt facilities, seeking the best solution for the business. Alongside a renegotiation of our debt facilities, it was concluded that an underwritten rights issue was the most effective solution. This was approved by the shareholders on 19 November 2015. The entire Lonmin Rights Issue has been taken up.

Platinum Group Metals (PGMs)

PGMs are durable precious metals found in PGM-bearing rock and are valuable due to their robust catalytic and electrical properties, long life cycle and high recyclability. The PGMs mined by Lonmin include platinum, palladium, rhodium, ruthenium and iridium, of which platinum is the principal product.

The automotive industry is the major market for PGMs, accounting for over half of the annual demand for the metals.

Although the primary production of PGMs is energy intensive, PGMs play an important role in reducing pollutants from the combustion of fuel through technologies like catalytic converters. There are also several socio-economic benefits from mining PGMs, through employment, socio-economic development investment and tax contributions, contributing to local and national economies.

End uses of PGMs globally¹

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto catalysis</td>
<td>61%</td>
</tr>
<tr>
<td>Jewellery</td>
<td>16%</td>
</tr>
<tr>
<td>Electrical</td>
<td>8%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>7%</td>
</tr>
<tr>
<td>Dentistry</td>
<td>2%</td>
</tr>
<tr>
<td>Glass</td>
<td>1%</td>
</tr>
<tr>
<td>Petroleum</td>
<td>1%</td>
</tr>
<tr>
<td>Medical</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

¹ SFA (Oxford) 2015 estimate.
Market overview

During the year under review, the platinum price has fallen to the point that the metal is now oversold. The deficit market of 2014 is now shifting back towards balance as the recovery of supply closes the gap to demand. Autocatalyst demand is growing, particularly in Western Europe, with the introduction of Euro 6 emissions legislation for all vehicles in 2015. Platinum demand was supported by buying on price dips in late 2014 and early 2015. After significant growth, Chinese jewellery demand is forecast to fall between 3% and 7% this year. Sales have been affected by the falling local stock market and lower platinum jewellery marketing expenditure. Fabricators did not use the weaker price environment as an opportunity to stock up throughout the year. However, the strongest buying was evident in September, giving leave for cautious optimism for a recovery as retailers destock.

PGM prices

During the financial year, platinum underperformed both palladium and gold. The recovery of platinum supply, combined with downgrades to global growth and the softening in jewellery sales, were the primary reasons for platinum’s underperformance. At the start of the 2015 financial year, the platinum spot price traded at US$1,274 per ounce but ended the financial year at US$916 per ounce, a drop of 28%. Compared to 2014, average prices were down 20% at US$1,134 per ounce for the year.

Rhodium’s performance also impacted the PGM basket, with excess selling resulting in a 38% decline in price during the financial year to end US$760 per ounce. Palladium outperformed on a relative basis, but was hit by news of slowing growth in China impacting car sales and therefore palladium demand. Prices were down 6% compared to the previous year and fell 13% during the course of 2015.

The announcement of stimulus measures by China and the possibility of increased gasoline vehicle sales owing to the Volkswagen (VW) scandal saw prices recover from below US$600 per ounce to US$664 per ounce at the end of the financial year.

Market outlook 2016

Reporting of how the VW diesel crisis might affect PGMs has been varied. The story broke in the US and added to the negative view of diesel vehicles that has prevailed in Europe for much of the past year. However, the crisis highlights the need for tightened and harmonised legislation worldwide, which would require more platinum. The diesel market is vital for platinum, but less so for palladium and rhodium. The platinum used in heavy-duty diesel vehicles is largely ‘captive demand’, as diesel powertrains are expected to be the dominant choice for the foreseeable future. The risk applies only to light-duty vehicles, where gasoline vehicles with much lower platinum content are a ready substitute. Nonetheless, diesel remains essential to meet stringent carbon dioxide targets in Europe.
Furthermore, outside Europe the fundamentals remain in place for growing platinum autocatalyst demand, as half of the world's vehicles still do not comply with the latest emissions legislation, which would benefit demand for platinum. Depending on jewellery fabricator buying strength in the second half, there is a risk in that China jewellery demand could fall further this year. Nevertheless, demand is growing elsewhere, partially offsetting this. The Indian market is a brighter prospect, with purchasing expected to be up by 28% in 2015, though off a small base.

The basket price has fallen below the 50th centile of the cost curve of production, an unsustainable level. In 2015, around 4% of global primary supply has been closed or deferred, with substantial capital expenditure postponed.

So far, producers have cut capital expenditure and announced delays to shafts and some closures.

Forced closure of mines or shafts may be inevitable across the South African platinum industry in 2016, as minor adjustments to supply will not be enough to rebalance the market.
Value-added statement

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

Value-added statement

<table>
<thead>
<tr>
<th>US$ million</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash generated</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers, consumers and investment income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received for products</td>
<td>972</td>
<td>1,290</td>
</tr>
<tr>
<td>Cash returns on investment</td>
<td>15</td>
<td>3</td>
</tr>
<tr>
<td>Suppliers¹</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash payments for materials and services purchased</td>
<td>(174)</td>
<td>(521)</td>
</tr>
<tr>
<td>Cost of borrowings</td>
<td>(31)</td>
<td>(27)</td>
</tr>
<tr>
<td><strong>Net cash flows</strong></td>
<td>782</td>
<td>745</td>
</tr>
<tr>
<td><strong>Cash distributed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human capital (salaries and benefits)</td>
<td>563</td>
<td>721</td>
</tr>
<tr>
<td>Social capital²</td>
<td>6.6</td>
<td>6.8</td>
</tr>
<tr>
<td>Donations</td>
<td>0.1</td>
<td>0.6</td>
</tr>
<tr>
<td>Other community projects</td>
<td>6.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Government taxes</td>
<td>18</td>
<td>24</td>
</tr>
<tr>
<td>Shareholders’ distribution</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Cash retained for growth</td>
<td>194</td>
<td>(7)</td>
</tr>
<tr>
<td><strong>Net cash distributed</strong></td>
<td>782</td>
<td>745</td>
</tr>
</tbody>
</table>

Distribution of cash to stakeholders

<table>
<thead>
<tr>
<th>Destination</th>
<th>US$m</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments to employees (including directors)</td>
<td>721</td>
<td>52</td>
</tr>
<tr>
<td>Payments to suppliers³</td>
<td>521</td>
<td>43</td>
</tr>
<tr>
<td>Payments to government taxes</td>
<td>24</td>
<td>2</td>
</tr>
<tr>
<td>Payments to/for communities</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Payments to bank lenders (interest etc.)</td>
<td>27</td>
<td>2</td>
</tr>
<tr>
<td>Cash retained for reinvestment</td>
<td>(7)</td>
<td></td>
</tr>
<tr>
<td><strong>Reconciling to cash earned in the year</strong></td>
<td>1,293</td>
<td>100</td>
</tr>
</tbody>
</table>

¹ Lonmin has a 30-day payment policy on services and procurement.
² This includes the expenses related to the Social and Labour Plan community projects, donations and other community investments.
³ A significant proportion will be wages paid to contractors. We estimate around 60% of our costs are labour-related.
## Our business

Our main productive operations are all in South Africa, and our principal resource base is our substantial investment in the major and established mines in South Africa, the world’s premier PGM deposit.

<table>
<thead>
<tr>
<th>Process</th>
<th>Explore</th>
<th>Mine</th>
<th>Mill</th>
<th>Concentrate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description</strong></td>
<td>Explore for potentially economic PGM mineralisation</td>
<td>Underground and surface mining of two ‘reefs’, Merensky and UG2, each approximately 1 metre thick</td>
<td>Crushing ore brought to surface to liberate contained PGMs</td>
<td>Separation of metalliferous particles from host rock using basic physical chemistry</td>
</tr>
<tr>
<td><strong>Output measurement</strong></td>
<td>Mineral resources (PGMoz)</td>
<td>Millions of tonnes</td>
<td>Millions of tonnes</td>
<td>Kilogrammes of PGMs in concentrate</td>
</tr>
<tr>
<td><strong>Effectiveness measurement</strong></td>
<td>Increase or replace mineral resources</td>
<td>Tonnes hoisted Ore reserves</td>
<td>Tonnes milled</td>
<td>PGMs in concentrate (kg) Recovery rate (% of contained PGMs recovered)</td>
</tr>
<tr>
<td><strong>Quality measures</strong></td>
<td>In situ PGM grade and tonnes</td>
<td>Underground head grade, per ore type (grammes per tonne)</td>
<td>Milled head grade (grammes per tonne)</td>
<td>Concentrate grade (grammes per tonne)</td>
</tr>
<tr>
<td><strong>Efficiency measures</strong></td>
<td>Resources converted to reserves</td>
<td>Cost per ounce</td>
<td>Cost per tonne milled</td>
<td>Cost per ounce recovered</td>
</tr>
<tr>
<td><strong>Supply chain</strong></td>
<td>The Company has 3,132 discretionary suppliers registered in its data base. Of these suppliers, 68% are based in South Africa (5.1% are from the GLC) and 32% are internationally based. The discretionary spend on suppliers during 2015 was R8.6 billion (2014: R5.4 billion).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Smelt</td>
<td>Refine base metals</td>
<td>Refine precious metals</td>
<td>Market</td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>-------------------</td>
<td>-----------------------</td>
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<td></td>
</tr>
<tr>
<td>Further separation of metals (matte) from silicate host rock (slag) using electrically generated heat</td>
<td>Chemical and electro-chemical separation of base metals (for sale in finished or semi-finished form) from PGMs within the matte</td>
<td>Chemical separation of the individual PGMs contained in base metal refinery (BMR) matte and refining to purity of 99.995% or better for sale in various finished forms</td>
<td>Three principal customers with global corporations. Six customers for base metals</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Kilogrammes of PGMs in smelter matte</th>
<th>Troy ounces of PGMs in BMR matte</th>
<th>Troy ounces of finished metals</th>
<th>Troy ounces of finished metals purchased</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Primary tonnes smelted recovery rate (% of contained PGMs recovered)</th>
<th>Recovery rate (% of contained PGMs recovered)</th>
<th>PGMs in saleable form recovery rate (% of contained PGMs recovered)</th>
<th>Revenues per PGMoz achieved relative to price in spot market</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Convertor matte grade (grammes per tonne)</th>
<th>Base metal purity (%)</th>
<th>Purity (%)</th>
<th>Quality of product confirmed by customer as complying with specification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovery rate (% of contained PGMs recovered)</td>
<td>Recovery rate (% of contained PGMs recovered)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost per tonne smelted</th>
<th>Cost per refined ounce</th>
<th>Cost per refined ounce</th>
<th>Days from delivery of PGMs to cash settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>First pass recoveries (% of each metal recovered)</td>
<td>Throughput time</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Letter from the Chief Executive Officer

Ben Magara, Chief Executive Officer, reflects on 2015 and outlines the Lonmin strategy going forward.

Lonmin’s operations managed to deliver a commendable operational performance this year, with production exceeding market guidance. Despite this, Lonmin is taking action to mitigate the effects of the current pricing environment and the tough decision has been taken to reduce high-cost production by orderly closure of Hossy and Newman shafts. Combined with this, Lonmin experienced increased Section 54 safety stoppages and difficult financial conditions.

The persistently low PGM prices made it necessary to focus on our financial liquidity in the context of the maturing of our debt facilities in May 2016. The Board and executive management have reviewed the Group’s business and capital structure and developed the Business Plan to be able to deal effectively with the effects of a continuation of the low PGM pricing environment.

Successfully navigating the current operating, social, labour and financial environment will require all stakeholders to accept some short-term discomfort to preserve the long-term benefits when conditions improve. The Company’s current situation represents an opportunity for all stakeholders to work together – a winner-take-all approach that emphasises the interests of one stakeholder group over another is simply not sustainable.

Lonmin’s strategy and vision

Our vision, ‘We dig to improve lives’, remains in place, although the timeline of some of the strategic actions has changed in light of the macro factors that are beyond our control. The development of our generation two shafts was fast-tracked and we started closing shafts that are unprofitable at current prices sooner than originally anticipated. The Business Plan aims to achieve positive cash flow after capital expenditure in the PGM pricing environment prevailing in 2015, while preserving the ability of the Group to increase its production as and when PGM prices improve.

2015 has been tough but our strategy is delivering results operationally and we have taken robust measures to ensure our sustainability as a business.

Ben Magara
Chief Executive Officer

1 Refer to page 57 for further details on Section 54.
In October 2015, Lonmin announced the Business Plan, which has been crafted to reduce fixed cost expenses, remove high-cost PGM production ounces and reduce capital expenditure to the minimum required for the safe and efficient running of the operations. The Business Plan aims to achieve positive cash flow after capital expenditure while preserving our ability to increase production as and when PGM prices improve. One of the focus areas of the Business Plan is to reduce overheads, which includes measures such as reduction of labour, waiving annual cash bonuses to management level employees for 2015 and withholding salary increases to management for 2016.

The Farlam Commission of Inquiry

The findings of the Farlam Commission of Inquiry released in June 2015, provided a vital step in the healing process after the tragic events of August 2012. It also provided an opportunity to examine how South Africa can ensure that such a tragedy never happens again. Lonmin is committed to playing both a singular and collective role to avoid such a situation reoccurring and we embrace working with all stakeholders including employees, communities, other mining companies and the three tiers of government to find sustainable solutions to the challenges facing the country. In this way, the tragedy at Marikana can be a catalyst for positive change in society. Refer to page 18 for further information on the Farlam Commission of Inquiry Report.

Stakeholder engagement

We believe that by keeping stakeholders well informed of Lonmin’s current position, the wage negotiations in the coming year can be conducted in a positive way that will support the ongoing sustainability of the Company for the benefit of all stakeholders.

We also continue building bridges with stakeholders in our local communities. Unemployment and poor government service delivery in these communities is becoming an increasingly serious problem. A strong and thriving Lonmin can contribute to solving some of these problems by creating jobs, contract and procurement opportunities and by investing in communities.

Through our membership with the International Council on Mining and Metals (ICMM) and the United Nations Global Compact (UNG), like-minded organisations seek collaborative approaches to improve sustainable development performance. We remain committed to the principles set out by the ICMM and the UNG.

Governance

Prioritising and managing risks becomes even more crucial in challenging times such as these. The Company’s financial position took centre stage this year, as this was most critical.

Another area of concern included production interruptions from Section 54 safety stoppages. We have overseen robust action in cutting costs and taking sensible decisions on pay freezes and waiving bonuses. Against this backdrop, we started a Section 189 consultation process to engage on implementation of the agreed avoidance measures, which include redeployment and re-skilling and voluntary separations. As at 6 November, 3,136 colleagues of the 6,000 affected positions had left the Company. The consultation process is in place to ensure that Lonmin protects the majority of its 35,000 jobs. The Relationship Charter established between Lonmin and the Association of Mineworkers and Construction Union (AMCU) allowed us to have a robust process around the consultation process. Unions work to look after their members, as they should, but the progressive way in which this process has unfolded would have been unthinkable two years ago. We hope that this will continue into the next round of wage negotiations.

Investing in employee relationships and their development

Our culture transformation initiative ‘The Way We Work at Lonmin’ is something that is both close to my heart and crucial to building the passion and energy we need for a sustainable Lonmin. The initiative prioritises building connections with every employee, making sure everyone understands the need to pull together and what is expected of them. It aims to foster empathy, care and respect in interactions with employees, which is particularly important when these include tough discussions around areas such as individual performance and headcount reductions. It also aims to build an appreciation that our actions are necessary to place this Company on the right footing for the future.

The Employee Share Ownership Programme (ESOP) we implemented in 2014 emphasises the role employees play in the profitability of the Company and aligns their interests with Lonmin’s. As economic partners with aligned responsibilities and involvement, it is clear that the destiny of Lonmin is partly in their hands and that their role is critical to ensure the Company makes money by coming to work and delivering on their targets.

Through the Chamber of Mines, Lonmin is a signatory to the Mining Leadership Declaration agreement to ameliorate job losses. The Company will continue to work together and collaborate with government and unions on alternatives to minimise the impact of job losses.

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2 Section 189a of the Labour Relations Act 66 of 1995.
Promoting employee and contractor safety and health

It is deeply saddening to report that we suffered three fatalities at our operations in FY15. We extend our heartfelt condolences to the families, friends and colleagues of Mr Silva Cossa, Mr Mark Potgieter and Mr Bonisile Mapango.

We strive to be the industry leader in safety and we believe that ‘Zero Harm’ is both achievable and realistic. Working safely is even more critical in economically constrained times, not only to protect employees and contractors from harm, but also to avoid production interruptions from safety stoppages. In the months before the fatalities, Lonmin attained some notable safety achievements and recognitions, becoming the first mining company in South Africa to go 18 months without a fatality and winning the JT Ryan award for the safest mine in South Africa for the third consecutive year.

Our safety statistics, particularly the lost-time injury frequency rate (LTIFR), deteriorated during 2015. We have put a comprehensive safety improvement programme in place. Each shaft has a safety improvement plan in place to address the specific safety challenges they face. Section 54 safety stoppages increased during the year, and had the unfortunate and unintended effect of disrupting momentum.

Maintaining our social licence to operate and investing in our community

Maintaining our social licence to operate through securing the trust and acceptance of communities and stakeholders is material, as they host our operations.

The Bapo ba Mogale traditional community empowerment agreement signed in 2014, marked the next phase in a long journey. It is the start of a new relationship with our host community that aims to improve the lives of community members by giving them a share in the business. Just as the transaction gives the community rights in the business as shareholders, it also confers obligations and responsibilities.

As part of enhancing relations with communities, Lonmin entered into mediation proceedings with the Bapo community. The Bapo transaction and Lonmin’s other BEE transactions announced in 2014, resulted in the establishment of two community development trusts and an undertaking by the Company to provide the Bapo with R200 million in procurement opportunities.

This transaction involved setting up the necessary structures and providing training and upskilling to support the sustainability of the businesses created, and to ensure that both the community and Lonmin benefit from the procurement process. While this process has taken time to put in place, we are confident that what has been established is in the best long-term interests of both the Company and the community, in their dual role as suppliers and shareholders.

Lonmin is committed to community development as defined in its Social and Labour Plans (SLPs). In the current economic climate, this investment involves a trade-off between minimising job losses and investing against commitments made when economic conditions were far more positive than they are now. Given the current economic climate Lonmin has commenced a review of the current SLPs to align it with the new reality.

Managing environmental impacts and opportunities

Lonmin is dedicated to managing its impact on the natural environment in a responsible manner. While we experience many of the same challenges as other South African businesses in terms of resource availability, we are also aware of a number of exciting opportunities in this area. There is a lot of debate around the environmental impact of traditional forms of electricity generation, but the reality is that we need energy. Products using PGMs have an important role to play in managing emissions and providing a promising alternative source of power through fuel cell technology.

An unintended benefit of the shortage of electricity is that it has forced Lonmin to use electricity more efficiently, which is ultimately beneficial for the environment. Conversely, uncertain electricity supply represents constraints on the economic growth of the country and limits the ability of business to contribute to resolving many of the country’s most significant socio-economic challenges.

Water is a scarce resource and securing an adequate supply for our operations and local communities remains a challenge. There are a number of innovative solutions to these challenges, including sourcing grey water from local municipalities to reduce our use of potable water.
Improving relationships with government

We continuously engage with government around the shared responsibilities implicit in SLPs, minimising job losses, safety stoppages and the financial status of the Company to ensure that the respective roles and responsibilities of each party are clear.

Maintaining a good working relationship with the South African government is important to Lonmin, and many challenges facing Lonmin and the industry are closely linked to the broader systemic socio-economic issues facing South Africa. The responsibility for broader change and development is shared with government.

To demonstrate our commitment to collaboration, we have donated 50 hectares of land to the government to build accommodation for employees and community members. The handover of the first phase of such housing is imminent.

The government has recently announced Project Phakisa for mining companies. The primary objective is to accelerate the delivery of some of the development priorities for the mining industry and local communities.

We also encourage government to enhance vehicle emission legislation and fuel cell power generation to augment national power requirements. These projects would contribute to Platinum demand and job creation through local manufacturing and beneficiation.

Outlook

In conclusion, this year has been tough, but our strategy is delivering results operationally and we have taken robust measures to ensure our sustainability through these challenging times. We have taken steps to refinance the business and address balance sheet issues, which were thrown into sharp focus by the combination of maturing debt facilities and low prices. These measures will stand us in good stead in the years ahead, I believe, as the long-term PGM market remains attractive.

Appreciation

I would like to thank the Company’s management and all our employees for their hard work, enabling us to achieve so many of our targets during such a challenging year. I would also like to thank all of our other stakeholders for their role in contributing to the Company’s achievements during the year.

Ben Magara
Chief Executive Officer
4 March 2016
Operational context

In 2013, we began a fundamental review of our business. Throughout and after the subsequent five-month strike in 2014, we took the opportunity to adapt our thinking. This has developed into the strategy we have today.

The sustained low Platinum Group Metal (PGM) pricing environment we experienced in 2015, which we anticipate to prevail in the short to medium term, was a major challenge for the sector, and to Lonmin in particular, given the Group’s maturing debt facilities in 2016. We took the opportunity to re-examine our strategy set against this background.

In essence, we found that our wider strategic approach remained appropriate, but we needed to take robust and decisive action to further protect the business in the short and medium term and embed sustainability.

Fundamentally, this resulted in us developing a comprehensive response, which has seen us accelerate the move to reshape and resize the business for the low-price environment, reducing fixed-cost expenses, removing high-cost ounces, reducing headcount and capital expenditure to the minimum required for the safe and efficient running of the Group’s operations, while preserving the ability of the Group to increase its production when PGM prices improve. We are able to do this because our operations and capital expenditure are scalable. Our existing strategy was built to ensure flexibility in these areas, and that has proved vital in recent months.

A detailed overview of Lonmin’s operational context and strategy can be found on pages 13 – 21 of the Annual Report and Accounts 2015.

Strategic pillars

Lonmin’s strategy aims to achieve its vision as the PGM supplier, investment partner and employer of choice, creating shared value for all stakeholders. A detailed overview of Lonmin’s strategic priorities is provided on page 13 of the Annual Report and Accounts 2015, and is summarised here according to the four strategic pillars, which are:

- Operational excellence
- Enhancing balance sheet strength
- Our people and relationships
- Our corporate citizenship agenda

Operational excellence

We strive to be the industry leader in safety and we believe that Zero Harm is both achievable and realistic. This starts with the safety, health and wellbeing of our employees and extends to everything we do, including minimising the environmental impact of our operations.

We believe that integrating our operational and sustainability strategies will assist us to achieve our goal of Zero Harm.

Our highest short-term priority is our excellent Marikana operations, which are some of the best in the industry, in terms of quality, safety and performance. We are also the industry leader in UG2 mining and processing technology, an increasingly important part of the ore mix mined in the industry.

Within our mining operations, our shafts are split into three categories, namely Generation 1, Generation 2 and Generation 3 shafts. The Generation 1 shafts – Newman, E1, E2, E3 and W1 are smaller, older shafts in the latter stages of their operational life. The Generation 2 shafts, K3, Rowland, 4B/1B, Saffy and Hossy are the larger, newer shafts. Saffy was the last to ramp up and did so successfully, reaching steady state ahead of schedule.

Our Generation 3 vertical shaft, K4, reached the early stages of ramp-up prior to being placed on care and maintenance in September 2012. We believe that K4 is one of the Group’s best projects in South Africa, as it continues to offer the best brownfield replacement and growth optionality for the Group. We plan to reopen the shaft when market conditions improve.

Profitability and returns are crucial. The Group is highly geared to the PGM pricing environment and the Rand/US Dollar exchange rate. We mine for value, not for volume. Where volume might help deliver this in the future, we aim to have the flexibility to increase production with minimal expenditure but, given the present PGM market, we believe that the priority in the short term is efficiency and cash.

Within the constraints of market conditions, we strive to ensure that our newer assets reach the most efficient and profitable points they can in terms of safety, costs, production and productivity as the older shafts reach the end of their lives.

Enhance balance sheet strength

Our philosophy of preserving a conservative balance sheet with access to sufficient funds to finance both ongoing operations and prudent and efficient capital expenditure was severely tested in 2015 by the sustained deterioration of PGM prices, coupled with our need to renegotiate bank debt facilities against this backdrop.

We examined multiple options around refinancing, as our success in delivering solid and steady operational results in all quarters was undermined by PGM prices. We concluded that amending our debt facilities and launching a rights issue in November 2015 was in the best interest of Lonmin’s shareholders.
Our people and relationships

Our people are critical to the implementation of our strategy throughout the day-to-day operations. It is essential that we create a workplace where people are energised and that is characterised by strong relationships with employees and unions. Leadership needs to be adequately resourced and accountable, working with empowered teams in a collaborative manner.

In the months since the strike in 2014, we made a priority of further solidifying and improving those relationships – particularly with our unions. Given the significant changes to employee numbers, which became necessary in 2015, the fact that we have been able to manage the process without disruption and with tough but mutually respectful and productive negotiations with unions, has shown that the hard work of the last two years in this area is delivering dividends.

We are continuing with our effort to communicate directly with employees and to reclaim our role as the primary source of communication. We believe this direct engagement with employees through the existing line management structures and the periodic communication forums forms part of ‘The Way We Work’ at Lonmin and the basis of creating empowered, high-performance teams.

We have implemented the changes of personnel and structures in our top team, which we talked about last year, and seen immediate positive impact. Our management structure is now flatter, and our operational structure reconfigured to increase cohesion, execution and accountability. The operating philosophy promotes operational excellence, knowledge sharing, collaboration and consistency. We believe that the Group experienced major benefits from this philosophy, as can be seen both in the effective, holistic oversight management has of the business, and in the empowerment of key operational staff to bring their experience and skills to bear quickly.

Our corporate citizenship agenda

The importance of genuine and robust stakeholder engagement and relationship building has become increasingly apparent over the past decade, given the need to understand stakeholder expectations and communicate on key issues transparently, consistently and in a timely manner. We have identified and prioritised our stakeholder groups and individuals and allocated relationship ‘owners’ to each grouping. Our aim is to develop and nurture Lonmin’s relationships with all stakeholders.

Alongside the Group’s legal and regulatory obligations, Lonmin believes that it is necessary to earn its social licence to operate from the people and communities that host its operations. The Group estimates that approximately 126,000 people live in the areas immediately adjacent to its operations and refers to them collectively as the GLC. The Group has therefore, over the years, engaged with and invested in local communities. Lonmin considers spend in social initiatives as an investment and a business imperative for sustainability.

Sustainability strategy

The sustainability strategy aims to integrate sustainable development thinking into the business, so that the generation of financial and social value is mutually reinforcing, rather than seen as a trade-off between the two. Lonmin is conscious of its role as a responsible corporate citizen and the critical importance of having a working and trusting relationship with employees. This is prioritised under the overall business strategy in the pillars of operational excellence, our people and relationships and our corporate citizenship agenda.

Underpinning the overall business strategy, Lonmin commits to Zero Harm in safety, health and environment. Building on this understanding, the Company has crafted a safety, health and environmental strategy that rests on five pillars. The first is forward energy that needs to be applied to prevent injuries, incidents and diseases. The other pillars focus on culture and behaviour, creating a learning organisation, formalising consequence management and ensuring retention of the Company’s licence to operate.

The sustainability strategy is defined in the Lonmin Sustainable Development Standards1, and the Safety and Sustainable Development Policy2 sets out our commitments towards sustainability development. It aligns with the International Council on Metals and Mining’s 10 principles of sustainable development and the United Nations Global Compact principles.

The sustainability strategy is reviewed regularly against the Lonmin strategy and Life of Business Plan (LoBP) to ensure relevance and alignment. The LoBP spans in excess of 40 years, detailing operational plans to mine and process the Group’s long-life mineral resources.

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2 Please see page 128 for the Safety and Sustainable Development Policy.
Farlam Commission of Inquiry Report

Lonmin’s response to Judge Farlam’s Report Findings

Introduction
The release of the Farlam Commission of Inquiry: Report on matters of public, national and international concern arising out of the tragic events at Marikana in the North West Province (the Farlam Report) to the broader public in June 2015 was a vital step towards achieving healing. The Farlam Report is of huge significance for all South Africans. Lonmin is grateful for the enormous effort from so many people in making the report possible.

Forty-four people, mostly Lonmin colleagues, died in August 2012, leading up to, during and after the week that changed our lives. The Farlam Report is about them, their families and all of us at Lonmin whose lives were touched by those events.

The Farlam Commission was essential and at Lonmin we gave it our full support. It was not an easy process, and required intensive introspection.

After the report was released, we undertook to consider its findings and to respond accordingly.

Lonmin has moved a long way towards building a more open, transparent and mutually trustworthy environment. Many of our stakeholders have done the same and deserve great credit. We have worked hard over the past three years to rebuild trust between Lonmin’s management and employees, between our unions and management, between unions and our employees, and between our employees themselves. We are committed to operating the Company in a transparent and mutually trustworthy environment, and it is in all stakeholders’ interests to create an environment where such a tragedy never happens again.

Addressing immediate needs
In the immediate aftermath of the tragedy, our primary concern was to take care of the families of our employees who died. Our offer of employment to a member of every family who had suffered bereavement was taken up by every family. No one can replace their loved ones but we could ensure that the families continued to receive an income. All dependent children are now beneficiaries of the Sixteen Eight Memorial Trust, set up by Lonmin and Shanduka, providing them with schooling all the way through from pre-school to tertiary level (http://www.lonmin-farlam.com/images/pdfs/lonmin-community-report_2015.pdf). This is in addition to the statutory pay-outs received from pension and life funds as well as good-will payments to cover funeral costs.

In the communities surrounding our operations, we have met with ward councillors, civic, religious, environmental, youth and women’s groups. We have engaged with them to find common solutions to common challenges - for example, how we adapt our Social and Labour Plans (SLPs) or collaborate on new ventures to benefit all – in pursuit of our objective of contributing towards sustainable, broad-based social and economic investment.

We have also put in place a number of measures to improve the quality of life of our employees, and took steps to determine what their most immediate significant concerns are and establishing what we can do to alleviate some of them.

Several issues have been identified, with indebtedness being arguably the most debilitating burden suffered among our employee base and in the mining sector in general. Over many years, the comparatively high wages of mineworkers have been regarded as easy pickings for loan-sharks. We have sought to help our employees manage this burden by utilising external experts to challenge excessive rates of interest and to negotiate lower interest rates for our employees. We have also challenged and set aside improperly obtained garnishee orders. To date this proactive approach at Lonmin has resulted in employees recovering more than R5.2 million per year in improper charges against wages. We have also embarked on a voluntary comprehensive financial education programme for our employees to assist them in managing their financial affairs more effectively.

Lonmin donated 50 hectares of serviced land in Marikana – in the spirit of partnership with the North West provincial government – to facilitate the Government in building 2,658 accommodation units for employees and community members. Lonmin has also completed the conversion of its hostels to single accommodation and family units in line with our Mining Charter commitments, and we are currently implementing our plans to build infill apartments around our converted hostels, which can utilise the already available services and infrastructure.

This is just a glimpse of some of the employee and community upliftment work we have carried out in conjunction with our efforts to run a sustainable business operation.
Farlam commission’s findings on Lonmin

The Farlam Report contains the following findings relevant to Lonmin:

**Finding #1:** The Commission found that "Lonmin did not use its best endeavours to resolve the disputes that arose between itself and the workers who participated in the unprotected strike and between the strikers and those workers who did not participate in the strike" and also “did not respond appropriately to the threat of and the outbreak of violence” (page 556).

The labour conflict, strike and tragic killings of August 2012 were unprecedented and exceeded anything Lonmin or any other South African company had ever experienced, and what any private company could be expected to manage.

Lonmin is committed to improving labour relations, and believes that it is doing so. We have implemented wide-ranging changes based on the shortcomings identified by the Farlam Commission, industry best practice and the lessons learnt from the Marikana Tragedy.

Since then, Lonmin has made significant progress in re-establishing direct relationships and improving two-way communication with all employees. We have made great efforts to improve relationships with the Association of Mineworkers and Construction Union (AMCU), which is our majority union, including crafting and agreeing a Relationship Charter.

The Relationship Charter outlines the expectations and accountabilities of both parties in order to facilitate a healthy and constructive relationship. This document is a statement of intention from the leadership on both sides that goes beyond the legal stipulations contained in the formal agreement. The spirit of this relationship agreement has been replicated and adapted at all levels of the Company and AMCU to arrive at a robust culture of co-operation. A number of our peer producers have since adopted a similar approach.

We have revised our employee engagement policies and procedures, and have continued to improve our training programmes for employees and managers – especially in the area of communication channels and techniques to aid union/employer relationships.

**Finding #2:** The Farlam Report states that “Lonmin failed to employ sufficient safeguards and measures to ensure the safety of its employees and insisted that the employees who were not striking should come to work in spite of knowing that it was not in a position to protect them from attacks by the strikers” (page 557).

With regard to the employment of sufficient measures and safeguards, the Farlam Report states that Lonmin failed to provide its security staff with the armoured vehicles they needed for protection despite being requested to do so. The Farlam Report further states that Lonmin’s “failure to insist on and ensure heightened security arrangements in view of the intelligence information available to them is inexcusable” and Lonmin’s “reckless action in urging employees to work in circumstances where they were aware of the potential dangers to them ... falls to be condemned in the strongest terms.”

With regard to the non-closure of the mines, the Farlam Report states further that Lonmin failed to inform its employees of the dangers of attending work.

**Lonmin’s response:**

**Employment of measures and safeguards**

Historically, the Company’s security operations had significant armed capability. The Company changed its security operation in 2011 to reflect a more normal environment. As tensions on and around the mine escalated in 2012, the violence and conflict ultimately exceeded Lonmin’s capacity and jurisdiction – which is why Lonmin appealed to the South African Police Service (SAPS) for help.

The Constitutional mandate and role of the SAPS in a democratic South Africa is to serve and protect South African residents. Asking Lonmin to secure public order and prevent criminal acts in the circumstances of August 2012 is, in our view, unreasonable.

Notwithstanding this, Lonmin continues to take steps to address those shortcomings in its security operations identified both in its own investigation, Incident Cause Analysis Methodology (ICAM) and the Farlam Report. We are addressing each finding in the Farlam Report to drive improvements, including:

- improving training, education and vulnerability assessment processes;
- ensuring staff have appropriate equipment with applicable logistics necessary for asset protection;
- updating appropriate policies to bring Lonmin in line with current best practice; and
- engaging KPMG to audit the extent to which all Lonmin policies are properly authorised.
Lonmin has appointed new leadership in the Lonmin Security function. As a Company, we recognise that mine and host-community security requires a partnership approach to achieve public safety. We have, therefore, subscribed to and are implementing the:
• Framework for Peace and Stability in the Mining Industry (February 2013); and
• The Deputy President’s Framework Agreement for a Sustainable Mining Industry (July 2013).

Other actions include:
• Co-operation with the National Joint Operational Centre (NATJOC);
• High-level interaction on security, planning and preparation:
  • advocating the use of minimum force in line with the Voluntary Principles on Security and Human Rights
  • Conducting peace and tolerance campaigns;
  • Participating in the Mine Policing Forum;
  • Providing improved lighting for communities to deter crime;
  • Participating in the Community Safety and Sustainability Summit;
  • Formulating and approving a Human Rights Policy, as well as performing a Human Rights Gap Analysis; and
  • Being a signatory to the Business for Peace (B4P) initiative of the United Nations Global Compact.

Consideration is also being given to:
• Co-ordinating a ‘think-tank’ with government, labour and fellow platinum companies on how to pursue positive collaboration on the platinum belt; and
• Visible and positive commitment to the Mining Phakisa.

We are also reviewing:
• Whether there are any circumstances in which armoured vehicles should be made available to Lonmin Security and third-party service providers;
• Methods to improve the gathering of information and ‘early warning signs’;
• Communication protocols for the effective communication of intelligence;
• An assessment to determine training needs of Security personnel and that of third-party service providers;
• Benchmarking exercises to measure Lonmin practices against those within and outside the industry; and
• The formulation of a Catastrophic Events Protocol to govern practices in the event of a catastrophe.

Mine closure
As a matter of principle, Lonmin respects the right of employees to come to work and their right to stay away should they not feel safe coming to work. Under the violent circumstances of August 2012, Lonmin might have been more proactive and effective in terms of informing employees of the dangers of attending work.

However, Lonmin could not simply close its operations without risking the viability of the entire mine due to operational considerations, including the risk of flooding.

Lonmin’s position at the time was that:
• It had obtained an Order of Court calling upon the strikers to return to work and channel their dispute through the statutory conciliatory mechanisms contained in the Labour Relations Act. They were ordered by the court not to interfere with any employee who wanted to go to work.
• To close the mine as a response to an unprotected strike risked creating a precedent whereby workers would, in future, be encouraged to use heightened levels of violence until mines are closed.

We have reviewed our policies regarding potential selective closure of our mines in exceptional circumstances. During this process, we have considered and are cognisant of the potential unintended consequences of such action, including the need to ensure the provision of essential services that could be targeted, and that closure would effectively legitimise unprotected strike action and infringe on the rights of those employees who wish to work.

Finding #3:
The Commission’s report found that “Lonmin created an environment conducive to the creation of tension and labour unrest by failing to comply with its housing obligations as required by its Social and Labour Plans on the strength of which it converted its rights” (page 557).

The Farlam Report finds that Lonmin committed to a hostel conversion process and the building of 5,500 houses, both to be completed by September 2011, and was legally obligated to carry out these undertakings, save in the event that it obtained the written consent of the Department of Mineral Resources (DMR) not to do so. Lonmin did not obtain consent in terms of Section 102 of the Department of Mineral Resources (DMR) not to do so. Lonmin did not obtain consent in terms of Section 102 and only completed the hostel conversion in 2014.

The Commission recommends that Lonmin’s failure to comply with its housing obligations should be brought to the attention of the DMR, which should take steps to enforce performance of these obligations by Lonmin. The Commission also recommends that an investigation should be carried out into the DMR’s apparent failure to adequately monitor Lonmin’s implementation of its SLPs.
Lonmin’s response:

Lonmin believes that the provision of accommodation and housing has a fundamental impact on our relationship with our employees. Success in the area of accommodation and housing, however, requires collaboration between all role players, including government, mining companies, local municipalities and employees as well as significant financial resources. We have made significant strides in improving collaborative efforts between the different role players but there is still much to be done. We also acknowledge that the living out allowance paid monthly to employees has not been used for the intended purpose.

Lonmin did not meet its initial SLP housing targets due to a number of factors, including a sudden and dramatic decline in the platinum price at the time of the global economic downturn, which severely impacted revenues. Lonmin kept the DMR informed of developments and reported the status of its compliance with housing commitments to the DMR on a regular basis, including by way of a detailed written submission in August 2012.

Subsequent to August 2012, Lonmin increased its Housing Department’s internal capacity, skills and resourcing and committed R100 million per annum towards housing and accommodation programmes. In the current economic circumstances, this commitment of R100 million per annum has been internally reviewed and an application will shortly be made for Ministerial approval for an amendment of this undertaking in order to minimise job losses.

Lonmin completed the conversion of its single sex hostels as required by the Mining Charter. In addition, the Company donated 50 hectares of serviced land to the State and is working with various levels of government to create sustainable, mixed-use communities. This will include bulk water and sewage facilities, security upgrades, landscaping, crèches, learning centres and recreation facilities.

Remedial actions currently being undertaken include:

• Lonmin engaging pro-actively with the DMR on a constructive way forward regarding housing strategy;
• Reviewing the current SLP housing commitment of R100 million per annum and revising this if necessary through a Section 102 application;
• Ongoing investigation into further improvement of local living conditions with government, including the Department of Human Settlements, and the continuous improvement of collaborative projects such as the Special Presidential Package; and
• Working more closely with the Madibeng and Rustenburg municipalities, and other stakeholders, to improve infrastructure and service provision.

By standing together and committing to ‘The Way We Work at Lonmin’ we will be able to protect our Company and with it, our livelihoods and our future.
Partnerships

While we recognise that some challenges are structural and a legacy of the mining industry in South Africa, we remain committed to engaging with all our stakeholders, including all three tiers of government, to solve community challenges in partnership.

Conclusion

The compilation and conclusions of the Farlam Report have generated painful memories for many people, including the employees of Lonmin. Time has not made the events of ‘the week that changed our lives’ perfectly clear in hindsight, and many questions remain unanswered.

This has not stopped us from acknowledging that we could have done more. We must also acknowledge the integrity, commitment and indeed bravery of many people within and associated with the Company during this time.

We also acknowledge the findings of the Farlam Report in as far as they are ascribed to the NUM, AMCU, SAPS and other stakeholders. It is only through collective and individual responsibility and commitment that we can ensure that such a tragedy never happens again. In addition, Lonmin also hopes that the Labour Relations Act will be changed to address such issues as the right to strike not being stronger than the right to life; the individual’s right to strike or not to strike; the introduction of a secret ballot; and a rethink of the “winner takes all”, majoritarian philosophy.

In conclusion, we recognise our collective and individual responsibility. We will not lose sight of our common humanity and will not destroy the good work already done. We will conduct ourselves and treat others respectfully and – most importantly – in collaboration with our stakeholders, ensure that nothing similar ever happens again.
In memoriam

Hassan Fundi  
11 Jun 1965 — 12 Aug 2012  
Home: Blantyre, Malawi  
Occupation: Security & Risk Officer

Frans Mabelane  
6 Nov 1964 — 12 Aug 2012  
Home: Brits, North West  
Occupation: Security & Risk Officer

Thapelo Eric Mabebe  
9 Jun 1975 — 12 Aug 2012  
Home: Taung, North West  
Occupation: Loco Operator

Semi Jokanisi  
Home: Tabankulu, Eastern Cape  
Occupation: Winch Operator

Temcalakhe Mati  
Home: Maseru, Lesotho  
Occupation: Rock Drill Operator

Phumzile Sokanyile  
21 May 1964 — 13 Aug 2012  
Home: Elliotdale, Eastern Cape  
Occupation: Winch Operator

Julius Langa  
27 Jan 1953 — 13 Aug 2012  
Home: Bela Bela, North West  
Occupation: Production Team Leader

Isaiah Twala  
18 Jan 1961 — 14 Aug 2012  
Home: Ladysmith, KwaZulu-Natal  
Occupation: Team Leader Engineering

Molefi Osiel Ntsoele  
1 Jan 1972 — 16 Aug 2012  
Home: Bizana, Eastern Cape  
Occupation: Rock Drill Operator

Modisaotsile Van Wyk Sagala  
2 Jul 1952 — 16 Aug 2012  
Home: Mafikeng, North West  
Occupation: Equipment Erector Labour

Nkosiyabo Xalabie  
Home: Elliotdale, Eastern Cape  
Occupation: Winch Driver

Babalo Mtshazi  
Home: Libode, Eastern Cape  
Occupation: Rock Drill Operator

John Kutlwano  
Ledingoane  
22 April 1988 — 16 Aug 2012  
Home: Wonderkop, North West  
Occupation: Engineering Assistant

Bongani Ngqongqo  
27 Sep 1981 — 16 Aug 2012  
Home: Elliotdale, Eastern Cape  
Occupation: Rock Drill Operator

Cebisile Yawa  
Home: Cala, Eastern Cape  
Occupation: Rock Drill Operator

Mongezele Ntenetya  
Home: Edutywa, Eastern Cape  
Occupation: Rock Drill Operator

Henry Mvuuyi Pato  
13 Nov 1977 — 16 Aug 2012  
Home: Bizana, Eastern Cape  
Occupation: General Production

Ntandazo Okomba  
6 Jan 1976 — 16 Aug 2012  
Home: Libode, Eastern Cape  
Occupation: Rock Drill Operator

Bongani Mdze  
5 May 1984 — 16 Aug 2012  
Home: Mount Freire, Eastern Cape  
Occupation: Winch Driver

Bonginkosi Yona  
6 Dec 1980 — 16 Aug 2012  
Home: Lady Freire, Eastern Cape  
Occupation: Rock Drill Operator

Makholosandile Mkhonjiwa  
20 Feb 1983 — 16 Aug 2012  
Home: Bizana, Eastern Cape  
Occupation: Rock Drill Operator

Stalega Gadelo  
1 Jan 1962 — 16 Aug 2012  
Home: Mzanzi, Swaziland  
Occupation: Team Leader

Telang Vitalis Mohai  
Home: Maseru, Lesotho  
Occupation: General Production

Mafolisi Mabiya  
20 Nov 1983 — 16 Aug 2012  
Home: Idutywa, Eastern Cape  
Occupation: Rock Drill Operator

Andries Motlapula  
Ntshenye  
Home: Vereeniging, Gauteng  
Occupation: Rock Drill Operator

Janeke Raphael Liao  
14 Sep 1967 — 16 Aug 2012  
Home: Maseru, Lesotho  
Occupation: Rock Drill Operator

Fezile David Saphendu  
Home: Mqanduli, Eastern Cape  
Occupation: General Production

Anele Mdizeni  
6 Feb 1983 — 16 Aug 2012  
Home: Elliotdale, Eastern Cape  
Occupation: General Production

Mzukisi Sompeta  
3 Jan 1976 — 16 Aug 2012  
Home: Libode, Eastern Cape  
Occupation: Rock Drill Operator

Thabiso Johannes  
Thelejane  
Home: Bela Bela, North West  
Occupation: Team Leader for Contractor

Mphangeli Tukuza  
Home: Maseru, Lesotho  
Occupation: Helper Fitter

Thobile Mpumza  
6 Jul 1986 — 16 Aug 2012  
Home: Mount Ayliff, Eastern Cape  
Occupation: Rock Drill Operator

Mncineni Noki  
2 Oct 1982 — 16 Aug 2012  
Home: Mqanduli, Eastern Cape  
Occupation: Rock Drill Operator

Thobisile Zibambele  
10 Sep 1973 — 16 Aug 2012  
Home: Libode, Eastern Cape  
Occupation: General Production

Thabiso Mosebetsane  
7 Feb 1963 — 16 Aug 2012  
Home: Matatiele, East Griqualand  
Occupation: Winch Driver

Akhona Patrick Jijase  
12 Mar 1986 — 16 Aug 2012  
Home: Matatiele, Eastern Cape  
Occupation: Winch Operator

Michael Ngweyi  
Home: Mthatha, Eastern Cape  
Occupation: Rock Drill Operator

Jackson Lehupa  
8 May 1964 — 16 Aug 2012  
Home: Mt Fletcher, Eastern Cape  
Occupation: Rock Drill Operator

Khanare Elias Monesa  
21 Jan 1976 — 16 Aug 2012  
Home: Buthabuthe, Lesotho  
Occupation: Rock Drill Operator

Mpuumzeni Ngxande  
22 Jun 1974 — 16 Aug 2012  
Home: Ngqeleni, Eastern Cape  
Occupation: Rock Drill Operator

Dumisani Mthinti  
11 Nov 1962 — 11 Sep 2012  
Home: Bizana, Eastern Cape  
Occupation: Rock Drill Operator

Daluvuyo Bongi  
Home: Libode, Eastern Cape  
Occupation: Full Time NUM Representative
Reporting according to the material focus areas

Context
The decline in commodity prices has put pressure on margins in the global mining industry and increased the focus on financial sustainability. This is particularly true for South African mining companies, which face a combination of factors that have both increased the cost base and hampered efficient production. These include rising wage demands, low labour productivity, above-inflation electricity price increases and electricity supply disruptions. The mining environment is also characterised by numerous regulatory requirements and a need for socio-economic development in local communities, which the private sector is increasingly expected to address.

Lonmin's current strategic reorganisation aims to position the business for the current low PGM prices by optimising efficiencies, reducing costs and improving profitability and cash flows. While ensuring the Company's overall sustainability requires a short-term emphasis on financial sustainability, our commitment to our vision and values ensures that the social and environmental aspects of sustainability will be addressed.

Lonmin’s Annual Report and Accounts 2015 covers the Company’s financial strategy in detail, including our financial position, the immediate outlook and how we position the Company for a sustainable future. This report covers the Company’s most material sustainability matters.

Materiality determination process
Lonmin defines material matters as those matters that substantively affect the Company's ability to create long-term value and those that considerably influence key stakeholder decisions.

Six-step process
An extensive materiality determination process was undertaken in 2014, to establish the Company’s most material matters. This included an analysis of internal operational variables and external factors that followed a structured six-step process, as depicted below, which identified the five material focus areas reported last year. It included an assessment of Lonmin’s value drivers, the Company's impact on social, human and natural capital, the key societal risks identified through our risk management processes and the most pressing concerns of our key stakeholders. The output from this process was aligned with the Global Reporting Initiative (GRI) G4 material aspects and with Lonmin’s strategy.

In 2015, the material focus areas were reassessed through an internal survey. The results from the survey, in combination with benchmarking against peer reporting, feedback and a review of relevant reporting guidelines, were used in an externally facilitated materiality workshop. The five material focus areas were reconfirmed and certain key topics identified as requiring either increased or reduced emphasis in the 2015 report.

Operational variables
Value drivers
What drives Lonmin’s ability to create value?

Contextual variables
Social impacts
What are our impacts on social, human and natural capital?

Risk analysis
What are the key risks that impact value?

Stakeholder perspective
What do key stakeholders identify as the most important issues?

GRI G4 Alignment with the Global Reporting Initiative’s (GRI’s) G4 Aspects
Material focus areas

- Employee relations – Investing in employee relationships and development (page 32)
- Safety and health – Promoting safety and health for employees and contractors (page 48)
- Social licence to operate – Maintaining social licence to operate and investing in the community (page 64)
- Environment – Managing environmental impacts and opportunities (page 82)
- Relationships with government – Improving relationships with government (page 106)

Each of the first four chapters outline the context, risks, stakeholders, governance and performance of the focus area, and the fifth chapter consolidates Lonmin’s vision for addressing these challenges in partnership with government.

Risk analysis

Approach

Lonmin’s integrated approach to risk management informs the internal audit process and includes the implementation of mitigation measures, where necessary. The risk management structure below shows how the risk management process integrates into, and cascades throughout, the various levels of the organisation.

The Company’s risk management process considers social and environmental risks, and sustainability risks make up a substantial portion of Lonmin’s risk profile. Sustainability risks are reviewed jointly by the Safety, Health and Environment (SHE) and the Social, Ethics and Transformation (SET) Board Committees.

Lonmin uses a matrix scoring system that rates risks based on probability of occurrence and potential severity, should they materialise. These are measured against the overall risk tolerance of the Company – the amount of risk Lonmin is willing to accept to meet its strategic objectives. Top-down and bottom-up risk reviews are carried out in the business, which involve Executive Committee (Exco) and operational management. All senior managers are responsible for risk management and monitoring of risks. For each risk, management assesses the causes and consequences and develops mitigation controls and, when required, the internal audit department will perform internal reviews of these controls.

At an operational level, risk registers are regularly reviewed and updated to take any operational-related risks that might occur during the daily activities into consideration. These risk registers roll up to the corporate risk register that is regularly reviewed by Exco. During the Exco review, strategic risks are discussed that take the changing macro environment into account, as well as how the country and industry circumstances evolve.

Further information on how we manage and mitigate risk is available on page 26 – 31 of the Annual Report and Accounts 2015. We have also included a description of key risks and the impact linking to the material focus areas at the beginning of each of the material focus area chapters.
Stakeholder perspectives
The importance of genuine and robust stakeholder engagement and relationship building has become increasingly apparent over the past decade, given the need to understand stakeholder expectations and communicate on key issues. We have identified and prioritised our stakeholder groups and individuals and allocated relationship ‘owners’ to each grouping. Stakeholder groups were identified through desktop reviews, analysis of media coverage, online sources, internal conversations and consultation sessions. Our aim is to develop and protect Lonmin’s relationships with all stakeholders who have a significant ability to impact Lonmin’s operations and investment case.

The events of August 2012, the protracted strike of 2014, and the media coverage surrounding these events all had a negative impact on the Lonmin brand. This further highlighted the importance of genuine and robust stakeholder engagement, and the fact that trust and reputation are built by actions, not words. This starts with a thorough understanding of stakeholder expectations, and requires that we communicate key issues transparently, consistently and in a timely manner. Functional partnerships between government, organised labour and community leaders are essential if we are to create the necessary environment for a sustainable future and realise the true meaning of ‘shared value for all’.

Our goal is to rebuild and protect Lonmin’s relationships with critical stakeholders. Through building trust, both with external stakeholders and between management and employees, we aim to create an environment of peace and tolerance in which all stakeholders engage constructively so that the Company achieves its ‘We Dig to Improve Lives’ vision by creating long-term value for all its stakeholders.

Our stakeholder initiatives centre on improving communication and transparency, and driving genuine engagement to align the Company and our stakeholders with a shared vision of a sustainable and profitable Lonmin through all cycles and minimise business interruptions. Projects such as the Employee Value Proposition and the Community Value Proposition support improved communication, strengthen relationships, and rebuild trust. Formal engagement structures have also been established in the form of bilateral forums with the Bapo ba Mogale traditional authority and surrounding communities. The engagement meetings address employment, economic development, community infrastructure programmes and the SLP status. Lonmin also entered into mediation proceedings with the Bapo community to improve relations.

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

For further information, please refer to the supplementary report on stakeholder engagement, including an overview of the method and frequency of engagement, concerns raised and Lonmin’s responses at www.sd-report.lonmin.com/2015/pdf/Supplementary_report_Stakeholder_engagement.pdf.

Overview of material focus areas
The sections that follow summarise the key elements of each of the material focus areas. The tables in each section discuss the stakeholders that are important to that particular material focus area, the international, national and business context of the focus area, how these areas link to the GRI’s material aspects, the key performance indicators (KPIs) we use to measure our performance and progress and the risks represented by the focus area. The table also shows which pillar of the Lonmin strategy the material focus area aligns with and gives a page reference for further information.
Employee relations

Investing in employee relationships and development

We can only achieve our strategic goals by attracting, developing and retaining the necessary skills required to sustain operational excellence. Rebuilding trust and strengthening the Company’s relationship with employees and their representative unions was a key focus for the year. Transformation in the Company and our workforce, and improving employee accommodation and living conditions, remain imperative to strengthening our social licence to operate.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>GRI aspects</th>
<th>KPIs</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lonmin’s human capital, comprising our employees and contractors working at our operations, represent a critical relationship for the Company.</td>
<td>• Employment and transformation</td>
<td>• Number of employees</td>
<td>• Employee and union relations</td>
</tr>
<tr>
<td>This year, we held our first Future Forum meetings and strengthened operational engagement structures. We have established task teams with the majority union to address process issues emanating from the 2014 wage agreement and implemented a relationship building programme to strengthen our relationship with organised labour.</td>
<td></td>
<td>• Number of contractors</td>
<td>• Loss of critical skills</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Historically disadvantaged South Africans (HDSAs), including white women, employed in management on a permanent basis (%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Women employed in mining (%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Women employed at the mine (%)</td>
<td></td>
</tr>
<tr>
<td>Global, local and Lonmin reference</td>
<td>• Training and education</td>
<td>• Number of people registered for adult basic education and training (ABET)</td>
<td>• Our people and relationships</td>
</tr>
<tr>
<td>United Nations Global Compact Business and the Sustainable Development Goals: Goal 5, 8, 10.</td>
<td></td>
<td>• Number of people on the bursary programme</td>
<td>• Operational excellence</td>
</tr>
<tr>
<td>Protracted strike in 2014.</td>
<td></td>
<td>• Number of graduates</td>
<td></td>
</tr>
<tr>
<td>Restructuring process in 2015 and upcoming wage negotiations in 2016.</td>
<td></td>
<td>• Number of people on the learnership programme</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Number of employees with mentorship agreements in place</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Human Resources Development expenditure as percentage of annual payroll</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Labour practices and decent work</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Employee turnover rate (%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Freedom of association and collective bargaining</td>
<td>Page</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Labour/management relations</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Market presence</td>
<td></td>
</tr>
</tbody>
</table>

International (global) context  National (South African) context  Lonmin’s operational context
### Safety and health

**Promoting employee and contractor safety and health**

Lonmin has a duty to ensure that appropriate procedures and controls are in place to create a safe working environment and support the health and wellness of our employees. Our initiatives aim to improve health, wellness and productivity, and strengthen our relationships with our people. Certain primary healthcare projects are extended into local communities through our community health initiatives to improve wellbeing and support the country’s health agenda.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>GRI aspects</th>
<th>KPIs</th>
<th>Risks</th>
</tr>
</thead>
</table>
| Ensuring the safety and health of employees and contractors is a moral and legal duty. Lonmin works closely with government and industry partners to ensure compliance with relevant legislation and to promote national healthcare goals in our workforce and local communities. | • Occupational health and safety | • Fatalities  
• LTIFR  
• LTIs  
• Level 3 safety incidents  
• New noise-induced hearing loss (NIHL) cases diagnosed – employees and contractors  
• NIHL cases compensated – employees  
• Diagnosed and treated tuberculosis cases  
• Voluntary counselling and testing conducted  
• Patients on antiretroviral treatment (ART) and on the wellness programme | • Safety |

**Global, local and Lonmin reference**

- OHSAS legislative requirements.
- Chamber of Mines – Chief Executive Officer-led committee on elimination of fatalities.
- Strategic focus to have a safe and healthy workforce underpinned by the belief that we can operate without accidents.

**Strategic pillar**

- Operational excellence
- Our people and relationships
**Social licence to operate**

**Maintaining social licence to operate and investing in the community**

Lonmin’s strategic commitment to *our corporate citizenship agenda* defines our duty to contribute to the wellbeing and development of the communities that host, and are affected by, our operations. Our investments in the community address some of the most pressing socio-economic challenges the Greater Lonmin Community (GLC) faces, including education, skills development, environmental management, health and infrastructure programmes. Economic transformation in local communities is supported through our SLPs, our enterprise development and local procurement programmes.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>GRI aspects</th>
<th>KPIs</th>
<th>Risks</th>
</tr>
</thead>
</table>
| Lonmin partners with non-governmental organisations and the relevant local and national government departments to contribute to the socio-economic development of local and labour-sending communities. | • Indirect economic impact  
• Local communities | • Number of community members receiving bursaries  
• Number of community members on the general preparedness programme (inclusive of university and technical preparedness)  
• Number of community members receiving ABET training  
• Number of community members receiving mining skills and portable skills training | • Community relations  
• Changes to the political, legal, social and economic environment, including resource nationalism |

### Global, local and Lonmin reference

- Our corporate citizenship agenda – a strategic pillar of the Company.

Implementation of various community-based programmes to support local government by aligning our community projects with the Integrated Development Plans.

- Economic performance
- Procurement practices
- Security practices

- Rand value spent on SLP projects
- Number of local suppliers receiving training and/or contracts from Lonmin
- Procurement spend on BEE entities
- Revision of the Human Rights Policy

### Strategic pillar

- Our corporate citizenship agenda
Environment

Managing environmental impacts and opportunities

Lonmin’s commitment to Zero Harm includes a commitment to minimising the environmental impact of our operations. The Company’s core businesses of mining and refining PGMs have an environmental impact that must be prevented, mitigated or remediated. Our regulatory environmental obligations are tied to our legal licence to operate, and our social licence to operate also depends on the way we conduct ourselves as good corporate citizens.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>GRI aspects</th>
<th>KPIs</th>
<th>Risks</th>
</tr>
</thead>
</table>
| Lonmin is committed to responsibly managing its impact on the environment and local communities, working closely with government and regulators to ensure legal compliance as a minimum requirement. The Company’s membership with and involvement in industry bodies and associations help to ensure that it stays abreast of the latest developments and that its viewpoint on emerging issues is heard. | • Energy  
• Electricity (MWh)  
• Electricity efficiency (MWh/PGMoz) | • Total direct and indirect energy terajoules (TJ)  
• Electricity usage and efficiency  
• Energy efficiency (GJ/PGMoz) | • Mining Charter obligations, other regulatory requirements and social licence to operate  
• Access to secure energy and water |
| Global, local and Lonmin reference | | | |
| COP21 meetings focusing on business and climate change.  
ICMM on environmental matters.  
United Nations Global Compact: goals 6, 7, 13, 14, 15  
Increased service delivery unrest relating to water and energy.  
Impact of drought on food supplies.  
Strategic importance and principal risks identified on securing water and energy. | • Energy  
• Electricity (MWh)  
• Electricity efficiency (MWh/PGMoz)  
• Total direct and indirect energy terajoules (TJ)  
• Electricity usage and efficiency  
• Energy efficiency (GJ/PGMoz)  
• Total freshwater consumption (m³)  
• Total freshwater intake efficiency (m³/PGMoz) | • Operational excellence  
• Our corporate citizenship agenda  
• Total scope 1, 2 and 3 greenhouse gas emissions (tCO₂e)  
• Greenhouse gas efficiency (tCO₂e/PGMoz)  
• Average sulphur dioxide emissions (t/d)  
• Tailings disposed to tailings facilities (kt)  
• Waste rock disposed to rock dumps (kt)  
• Hazardous waste disposed of to landfill and incineration (tonnes)  
• General waste to landfill (tonnes) |
## Relationships with government

### Improving relationships with government

Many of the challenges Lonmin and the platinum industry face are closely linked to the broader systemic socio-economic issues in South Africa. These issues can only be addressed through a close collaboration between communities, business and government. Lonmin’s operations are highly regulated and strengthening relationships with regulators helps us to sustain operational excellence, optimise production and create shared value for all stakeholders.

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>GRI aspects</th>
<th>KPIs</th>
<th>Risks</th>
</tr>
</thead>
</table>
| We engage frequently with various **government departments** on all three tiers during the normal course of business. | • Diversity and equal opportunity | • Performance against KPIs across all operational aspects of the business is measured according to various government policies and compliance requirements. | • Community relations  
• Changes to the political, legal, social and economic environment, including resource nationalism |

### Global, local and Lonmin reference

- **Special Presidential Package.**
- **Project Phakisa.**
- **Partnering with government to meet the demand for housing, water and electricity infrastructure.**

### Strategic pillar

- **Our corporate citizenship agenda**
- **Our people and relationships**
Material focus area:
Employee relations

34 – Context
35 – Key stakeholders
36 – Risks and opportunities
38 – Accountability and governance
39 – Approach and performance
Material focus area: Employee relations

Investing in employee relationships and development

Context

Our people are important, and they are the means by which our strategy is effected through the day-to-day operations. Lonmin’s mining model is labour-intensive and we appreciate that our human capital is the most important relationship in order to realise value from our infrastructure and mineral reserves.

The South African labour environment is complex. This is particularly true of the extractive industries due to the legacy of migrant labour, which is tied to many social challenges. These include informal settlements around operations that place pressure on local infrastructure and service delivery.

During 2015, Lonmin announced a reorganisation of the business to drive ownership and accountability, and to empower operational management with the objective of optimising efficiencies, reducing costs and gearing the Company to be profitable at current PGM price levels. This process could result in the reduction of around 6,000 employees and contractors. (Refer to page 40 for further detail.)

We are aware and concerned about the socio-economic effects of job losses; yet believe that the current course of action is necessary to safeguard the future of the Company and the majority of jobs that remain. We are committed to implementing the process in a responsible manner and are encouraged by the positive interactions and engagements we have had with all relevant stakeholders. As 2016 brings both the opening of a new wage negotiation period and local municipal elections, developing strong relationships with employees, unions and local communities will be particularly important.

This chapter discusses the Company’s approach to employee engagement and development, and our performance against our objectives for the past year. The content covers all operations; however, data relating to accommodation mainly applies to the North West Province operations.

Lonmin’s focus remains on rebuilding trust in our relationship with employees.
Key stakeholders

Employees

Lonmin’s focus remains on rebuilding trust in our relationship with employees. We see the daily interactions between management, leaders and teams as an important means of strengthening employee relations. This includes our progress during the year around the key areas of dissatisfaction among our employees, including addressing employee accommodation, financial indebtedness and profit-sharing through the Employee Share Ownership Programme (ESOP). The reorganisation process includes a flattening of the company structure and increases interaction between management and employees. Engagement channels include shaft lekgotlas (large meetings between shaft senior management and employees) and meetings about the safety and productivity performance improvement programmes.

Our aim is to inform, engage and ultimately mobilise employees by continuously reinforcing the Company’s values and culture and demonstrating examples of these in action. We also work to empower supervisors and managers to be able to engage their employees around important issues, supplying them with regular Talking Points, responses to frequently asked questions and other communication materials on a wide range of topics. Apart from helping to keep employees informed, it supports the business strategy of building our relationship with our employees by establishing confidence in management.

Unions

Rebuilding and deepening our relationships with unions is a critical focus area for the Company, especially in the current context of reorganisation. Unions play an important role through their position as employee representatives. Association of Mineworkers and Construction Union (AMCU) is the majority union and the Company provides limited organisational rights to minority unions. For information regarding the changes in union relationships, refer to pages 41 – 42. Lonmin supports our workers’ rights to choose their organised labour representatives. There is ongoing engagement through the various union structures and management. Interactions with union representatives during the voluntary separation process and the Section 189 consultations have been positive thus far.

Contractors

Contractors make up approximately a quarter of our workforce and remain vital to creating and sustaining employment in and around our operations. Following renegotiation of ore purchase agreements between the Group and contractor management on more favourable terms, and subject to a favourable outcome of the Section 189 consultation process, mining at E1 and W1 shafts will continue for the year ending 30 September 2016, and these shafts will not be placed on care and maintenance as previously announced in July 2015.

The safety and health of contractors working on Lonmin property is the shared responsibility of the contractors’ employers and Lonmin. Contractors include transient and small-scale partnerships and long-term, large-scale professional relationships. Only around 1% of our workforce is contracted through labour brokers, which we use when there is no immediate replacement for a vacant permanent position through our succession plans. We engage with contractors through day-to-day interactions and as stipulated in the formal service agreements. Lonmin has also introduced a software solution to improve engagement with our contractors and enforce compliance with statutory and other regulatory aspects.
Risks and opportunities

The sustainability risks that apply to employee relations are discussed below, with references to where further information can be found regarding how these risks are managed and mitigated. The risk management approach is discussed on page 25 of this report and on page 26 of the Annual Report and Accounts 2015.

Employee and union relations

The industrial relations environment has stabilised over the last 12 months, evidenced by the Voluntary Separation Programme (VSP) currently underway. The Company has also undertaken two parallel consultation processes under the Section 189 framework in connection with its planned workforce reductions. While the environment has remained stable, the potential for volatility, which could result in disruptions to operations and have a material adverse effect on the Group’s financial position, business and results of operations, remains.

Further detail on how the risk and mitigation is managed can be found on page 28 of the Annual Report and Accounts 2015.

Opportunities and mitigation

Through consistent, clear communication we are building a deeper understanding of the key concerns and interests of our key stakeholders, while communicating the realities of the Company’s current situation given the low PGM price environment.

A relationship building programme and charter to govern relations between unions and the Company were established. In order to increase employee ownership in the Company an ESOP has been launched and, to improve transparent dialogue, appropriate structures were established to enable effective union engagement. These structures include consultation on the voluntary separation and Section 189 processes.

Further reading

- Reorganisation (page 40)
- Employee and union engagement (pages 41 – 42)
- Transformation and empowerment (page 42)
- Working for Lonmin (page 43)
- Employee skills development (pages 44 – 46)
- Employee accommodation and living conditions (pages 46 – 47)
Loss of critical skills

Increased global investment in mining over the past few years, particularly in other African states, has driven demand for skilled workers around the world. The current shortage of skilled and experienced personnel in the mining industry in South Africa is likely to continue in the future. The competition for skilled and experienced employees is exacerbated by the fact that mining companies operating in South Africa are competing to recruit and retain historically disadvantaged South Africans (HDSAs) and women with the relevant skills and experience.

The loss of critical skills could negatively impact safety, production, the ability to deliver against targets and Lonmin’s ability to do so at a commercially viable cost. Failure to meet our HDSA targets could also negatively impact Lonmin’s mining rights.

Opportunities and mitigation

As part of ensuring the development and retention of critical skills, Individual Development Plans (IDPs), succession planning and retention strategies for scarce skills have been established. Benchmarked remuneration practices are monitored on an ongoing basis. Graduate development, mentorship programmes and internship programmes have also been established to ensure development of existing and future human resource capacity. In order to retain our skilled labour, we continuously review market-related remuneration packages as compared to the incentive and retention schemes offered by Lonmin.

Further reading

- Transformation and empowerment (page 42)
- Employee skills development (pages 44 – 46)
Accountability and governance

Lonmin employee relations are guided by the human resources function in accordance with the Human Resources Strategy. Human resources is well integrated into the Company’s other business streams to enhance service delivery to our employees and to support more effective decision-making.

This strategy integrates the Lonmin strategy with strategic human resource drivers, including:

- Employee relations – rebuilding our relationship with employees and unions
- Winning the hearts and minds of our people – ensuring visible leadership and management accessibility
- A compelling proposition for employees – culture transformation through The Way We Work at Lonmin
- Financial debt counselling
- BEE transactions – through the Employee Trust and the Employee Share Ownership Programme (ESOP)

Progress against our human resource targets is measured through monthly reporting on key internal indicators and integrating certain targets into Lonmin’s corporate objectives.

Contractors

The Company’s procurement assessment process requires contracted companies to operate sound business models that protect the basic rights of their employees and facilitate an environment of productivity and development. The terms and conditions that contracting companies sign require them to adhere to Lonmin’s Sustainable Development Standards, Code of Business Ethics and to the Basic Conditions of Employment Act, 75 of 1997. Contracting companies are also required to provide evidence of internal processes that provide and uphold fair treatment of their employees’ rights.

Grievance procedures

The Company has formal mechanisms in place for employees to lodge grievances, including an anonymous ethics hotline. Employees can also approach a human resources practitioner or line manager to set up mediation, which is a formal process set out in the corrective action procedure. Further information on human rights and ethics is available on pages 80 and 117.

External policies, frameworks and regulations

Lonmin’s Human Resources Strategy, policies and procedures align with South African labour laws and other relevant frameworks, guidelines and codes of practice. These include the social development requirements of the Minerals and Petroleum Resource Development Act, which are defined in the Company’s SLPs, the human rights provision in the International Council on Mining and Metals principles of sustainable development and the United Nations Global Compact. The Company also reports to the Department of Minerals and Resources against the human capital requirements of the Mining Charter, which include accommodation and living conditions, employment equity and human resource development.

Changes to South African labour laws during the year affected the use of labour brokers, amended retrenchment practices and specified that unequal pay for work of equal value without justification is unfair discrimination. Such new labour legislation and any additional changes in labour regulation in South Africa could result in increased labour costs and increased administrative, regulatory and other obligations, any of which could have a material adverse effect on Lonmin’s business, financial condition, results of operations and prospects. Lonmin also formally reports to the Department of Labour annually on our transformation progress and mandatory compliance requirements.
Approach and performance

Employee overview

As at 30 September 2015, we employed 26,968 (2014: 28,276) people on a permanent full-time basis, of whom 21,305 (79%) are HDSAs. We also employed 8,701 (2014: 10,016) contractors; of these, 799 (2014: 897) contractors are women. Of our full-time employees, 8.8% are women. Our management headcount, as at 30 September 2015, was 475 compared to 516 at 30 September 2014.

<table>
<thead>
<tr>
<th>Employment category</th>
<th>Paterson band</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary employees</td>
<td>Temporary</td>
<td>165</td>
<td>61</td>
<td>226</td>
</tr>
<tr>
<td>Unskilled and defined decision-making</td>
<td>A-band</td>
<td>12,400</td>
<td>1,264</td>
<td>13,664</td>
</tr>
<tr>
<td>Semi-skilled and discretionary decision-making</td>
<td>B-band</td>
<td>8,955</td>
<td>316</td>
<td>9,271</td>
</tr>
<tr>
<td>Skilled technical and academically qualified: junior management; supervisors; foremen and superintendents</td>
<td>C-band</td>
<td>2,706</td>
<td>626</td>
<td>3,332</td>
</tr>
<tr>
<td>Professionally qualified and experienced specialists and mid-management</td>
<td>D-band</td>
<td>239</td>
<td>96</td>
<td>335</td>
</tr>
<tr>
<td>Senior management</td>
<td>E-band</td>
<td>114</td>
<td>15</td>
<td>129</td>
</tr>
<tr>
<td>Top management</td>
<td>F-band</td>
<td>10</td>
<td>1</td>
<td>11</td>
</tr>
<tr>
<td><strong>Grand total</strong></td>
<td></td>
<td>28,276</td>
<td>2,379</td>
<td>26,968</td>
</tr>
</tbody>
</table>

Lonmin’s employee profile comprises 84% South Africans and 16% foreign employees; the majority of our foreign employees originate from Mozambique and Lesotho. Our South African workforce comes mainly from the North West and Eastern Cape provinces. We recognise the need for South Africans to participate in the local resource economy and, therefore, our aim is to promote employment of those living locally.

Lonmin promotes local employment to the extent that this is permissible by law. To hire from local communities brings a number of benefits, including decreased migrancy, enabling employees to commute to their homes daily. There are a number of skills development initiatives for developing capacity in local communities to increase the pool of local employees. These include the production cadet, the mining technical service and community (18.2) engineering learnership programmes. Further information on community education and skills development can be found in the chapter on social licence to operate, on pages 72 – 76 of this report.

The Company has a number of interventions in place to address the symptoms of migrant labour-related challenges, such as absenteeism, growth in informal settlements and high levels of employee indebtedness. These interventions include trialling nutritional supplements to enhance wellness and reduce absenteeism, and the Company’s various projects that aim to provide accommodation for employees. Find further detail on our human settlements on page 46.

\[1\] Temporary employee data has been separated, which impacts the comparability with data reported in the 2014 report.
Employee demographics by geographic origin at 30 September

<table>
<thead>
<tr>
<th>Province</th>
<th>Percentage of total employees</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014 %</td>
<td>2015 %</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>33</td>
<td>32</td>
</tr>
<tr>
<td>North West</td>
<td>31</td>
<td>33</td>
</tr>
<tr>
<td>Limpopo</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Free State</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Gauteng</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Western Cape</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total foreigners</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Grand total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Reorganisation

Headcount reductions arose in response to the current metal prices that remain at depressed levels. These started with a review of the operating model, redeployment of employees and contractors, a freeze on general recruitment and utilising natural attrition. The restructuring costs associated with the implementation of the Business Plan, which largely consist of retrenchment costs, have been separately disclosed as special costs in the 2015 financial year and can be viewed in the Annual Report and Accounts 2015.

The Company subsequently entered into a Section 189 process as the next phase of the headcount reduction that was announced in July 2015.

In May 2015, the Company opened up voluntary separation and early retirement packages and, as at 6 November 2015, 3,136 employees had left the Company – 2,120 employees through a voluntary process and 1,016 contractors, all within six months. Support for employees considering the voluntary separation process included a dedicated help desk, SMS helpline, easy access to payroll services and financial advice from the external financial advisor, as well as pension and provident fund service providers. Employees could also make use of the counselling service, should they require emotional support. Portable skills training was provided for those taking up the packages. Additionally, any study assistance or debts to the Company accrued during 2014 strike would be written off.

The Relationship Charter established between the Group and AMCU during 2014, has been a useful reference point in the Section 189 consultation process. In the interests of ensuring timely consultations, the Group has undertaken two Section 189 consultation processes in parallel – one with AMCU, the Group’s majority union, and another with the other unions and non-unionised employees. Both processes are being facilitated by the South African Commission for Conciliation, Mediation and Arbitration. The consultation period was extended by mutual agreement of all relevant stakeholders to enable full exploration of all alternatives to forced retrenchments. The formal consultation process with the unions ended on 22 October 2015, and the Group is now in the process of finalising the voluntary separations and redeployment.

We have agreed to avail reskilling and redeployment opportunities to employees in affected positions.

Employee turnover

Employee turnover increased to 9.1% in 2015 (2014: 5%); of this, 57% was as a result of the headcount reduction initiatives. Adjusting for the headcount reductions, Lonmin’s turnover rate has remained low.
Employee turnover by reason as at 30 September 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New recruits</td>
<td>1,158</td>
<td>156</td>
<td>1,314</td>
<td>1,026</td>
<td>243</td>
<td>1,269</td>
</tr>
<tr>
<td>Resignations</td>
<td>(231)</td>
<td>(68)</td>
<td>(299)</td>
<td>(198)</td>
<td>(31)</td>
<td>(229)</td>
</tr>
<tr>
<td>Deaths (not work-related)</td>
<td>(226)</td>
<td>(9)</td>
<td>(235)</td>
<td>(226)</td>
<td>(7)</td>
<td>(233)</td>
</tr>
<tr>
<td>Deaths employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(work-related)</td>
<td>(1)</td>
<td>0</td>
<td>(1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dismissals</td>
<td>(606)</td>
<td>(49)</td>
<td>(655)</td>
<td>(392)</td>
<td>(65)</td>
<td>(457)</td>
</tr>
<tr>
<td>– Retrenchments – VSP</td>
<td>(156)</td>
<td>(4)</td>
<td>(160)</td>
<td>(90)</td>
<td>(6)</td>
<td>(96)</td>
</tr>
<tr>
<td>Medical repatriation</td>
<td>(35)</td>
<td>0</td>
<td>(35)</td>
<td>(75)</td>
<td>(3)</td>
<td>(78)</td>
</tr>
<tr>
<td>Total exits</td>
<td>(1,286)</td>
<td>(131)</td>
<td>(1,417)</td>
<td>(2,401)</td>
<td>(176)</td>
<td>(2,577)</td>
</tr>
<tr>
<td>Net gain/(loss)</td>
<td>(128)</td>
<td>25</td>
<td>(103)</td>
<td>(1,375)</td>
<td>67</td>
<td>(1,308)</td>
</tr>
</tbody>
</table>

Absenteeism

Improving productivity is a critical part of our strategic goal of operational excellence and is particularly important, given the headcount reductions during the year. Absenteeism deteriorated to 11.2% this year compared to 6.3% in 2014 (adjusted for the strike), meaning that the Company lost 1,156,607 shifts. Absenteeism has an impact beyond the individual as the safety and efficiency of working teams that are short a member are affected. We have measures in place to discourage absenteeism, including the linking of attendance to bonus payments. In light of the high absenteeism rate, the Company is piloting a project to assess the impact of nutritional supplements on employee wellbeing and to determine whether it has a positive impact on absenteeism.

As reported in 2014, we trialled a new shift pattern at E1 shaft to improve productivity; this has been put on hold due to operational constraints. Refer to page 47 of the Annual Report and Accounts for further information on business improvement initiatives.

Employee and union engagement

Initiatives are in place to encourage management to build more direct relationships with employees, improve two-way communication and ensure consistent messaging. One of our goals is to build trust to such a level that issues can be quickly resolved at the time and place at which they arise, whenever this is possible.

Lonmin respects and supports its employees’ rights to collective bargaining and freedom of association, and for trade unions to negotiate terms and conditions of employment on behalf of their members.

Lonmin supports our workers’ rights to choose their organised labour representatives. There is ongoing engagement through the various union structures and management interactions with union representatives. We are committed to a multi-union environment, which aspires to peaceful co-existence of all unions registered with the Company, and we provide limited organisational rights to minority unions. While engagement with unions occurs at many levels within the Company, the Executive Vice-President of Human Resources is responsible for union negotiations.

At the end of September 2015, 24,648 employees (91.4%) were members of organised trade unions.

Recognition structures

AMCU is the majority union and represents 78.2% of full-time employees, as at 30 September 2015. AMCU has bargaining rights, unrestricted access to the workplace and rights to deductions, full-time shop stewards and office facilities on the Company’s premises.

Our focus in the first half of the financial year was on a rigorous process of rebuilding relations with AMCU after last year’s five-month strike. This included the creation of a Relationship Charter that maps out the legal aspects of the Company’s relationship with the majority union, including aspirations, expectations, accountability and commitments from both parties, to enable the
relationship. The Charter presents a real opportunity to strengthen relations with trade unions, inter alia, through constructive and regular engagements. A series of workshops were conducted across all leadership, union and management levels to deepen understanding and strengthen relationships. Union engagement structures have been institutionalised and regular meetings are held with management to update unions on the status of the business. Training is provided to shop stewards on legislative matters, business skills and the requirements of their roles and responsibilities.

Joint task teams between management and the union were set up in 2015 to ensure progress is made on the matters that were raised during negotiations in 2014, but that had not been finalised at the time of the wage agreements. These include broader stakeholder engagement in line with the generic processes of consultation and social dialogue, and cover, among others, productivity improvements, accommodation and living conditions, employee indebtedness, skills development, and shareholding and profit sharing. Management and unions also engage at quarterly meetings of the Future Forum that was established in December 2015 as required by the Mineral and Petroleum Resources Development Act (MPRDA), which aims to establish a joint working relationship between the mine, workforce representatives, government and community representatives.

We have been encouraged by the robust but constructive engagements with unions. We believe that, if we continue deepening our relationships with our employees and their union representatives, the wage negotiations in 2016 will take place on a much stronger platform of respect and trust than in the past. This year, the Company did not experience any strike action that lasted longer than 24 hours and lost only 57 shifts as a result of breakdowns in employee relationships.

**Tonnes of production missed due to industrial action: considered to be a measure of employee relations.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>162</td>
</tr>
<tr>
<td>2012</td>
<td>1,680</td>
</tr>
<tr>
<td>2013</td>
<td>252</td>
</tr>
<tr>
<td>2014</td>
<td>6,382</td>
</tr>
<tr>
<td>2015</td>
<td>27</td>
</tr>
</tbody>
</table>

Transformation and empowerment

Lonmin embraces transformation as a business imperative.

Transformation is monitored and overseen at Board level by the SET Committee. Targets relating to transformation are included in the balanced scorecard that is used to determine performance for the management incentive scheme. Recruitment, succession, skills development and talent management functions include transformation elements to create a pipeline of strong internal HDSAs, including women.

HDSAs in management (including white women) increased to 50.3% in 2015. We once again surpassed the required target of 40% at management level. Our focus is to create a pipeline of strong internal candidates, particularly HDSAs and women, to take Lonmin into the future. This is, inter alia, done through our bursary and graduate development programmes and prioritised recruitment.

<table>
<thead>
<tr>
<th>Year</th>
<th>HDSAs in management (including white women) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>'11</td>
<td>40</td>
</tr>
<tr>
<td>'12</td>
<td>45</td>
</tr>
<tr>
<td>'13</td>
<td>46.5</td>
</tr>
<tr>
<td>'14</td>
<td>49.4</td>
</tr>
<tr>
<td>'15</td>
<td>50.3</td>
</tr>
</tbody>
</table>

HDSAs in management

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1 Chemical Energy Paper Printing Wood and Allied Workers Union.
Women in mining
Lonmin is committed to cultivating a working environment that welcomes the contribution of women in a traditionally male-dominated industry. In 2015, women comprised 8.8% of the total number of full-time employees and 6% of core mining positions were occupied by women. We actively seek to attract and retain more women into the workforce, but this remains challenging.

Our goal for 2016 is to continue working towards transforming the organisation’s demographics related to HDSAs in management and women in mining.

The Way We Work at Lonmin
This initiative aims to develop and institutionalise a Lonmin culture that ensures sustained success in the context of the changing world of work. It is a leader-led change process focused on establishing productive behaviour and mindsets that are built around work-team relationships.

‘The Way We Work at Lonmin’ is constructed on five concepts:
• Passion, pride and purpose
• Shaping our future
• People make it happen
• Accountable for excellence
• Working safely together

At the core of the initiative are improved communication, appropriate accountability and ensuring that teams are adequately resourced and empowered to do what is required of them.

Working for Lonmin
Lonmin has focused projects such as the Employee Value Proposition that aim to improve relationships and rebuild trust for those working for Lonmin. The Employee Value Proposition includes a broad set of programmes and initiatives that outline the total package a full-time employee can expect to receive from the Company in terms of pay, benefits, development and advancement opportunities.

Remuneration and benefits
Employees receive a range of benefits, including on-site healthcare, life and disability insurance, which include an education protection plan and retirement provisions, and a defined-contribution pension scheme. Free transport to and from shafts, plants, hostels and bus stops is provided to all employees residing in the GLC. Other benefits include study assistance, study leave, training, four months’ paid maternity leave and family responsibility leave.

Employees are incentivised through various performance-linked bonus schemes. The majority of employees in operations participate in production-related bonus schemes based on specific targets. Management employees are incentivised against a corporate balanced scorecard that includes weightings for Company financial performance, operational performance, safety, transformation, employee relations and personal achievement. All management cash incentives were sacrificed in 2015, as was the annual salary increase for 2016, in line with the cost-containment strategy and to curtail retrenchments. Detail of the balanced scorecard is available on page 100 of the Annual Report and Accounts 2015.

Within the category 4 – 9 workforce and at junior official level, wages are generally negotiated through collective bargaining arrangements. The Group monitors the wages paid by comparable employers for equivalent levels of work in the South African mining industry and aims to pay competitive wages. The Group has also reviewed the absolute level of earnings for its employees.

The third year of the wage increases agreed in 2014, which runs to June 2016, took effect on 1 July 2015. The current monthly package for entry-level employees working underground is R13,388, including benefits (which excludes bonus and overtime). The package consists of the following items:
Breakdown of total pay package for an entry-level employee at Lonmin working underground

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic wage</td>
<td>R7,713</td>
<td>R8,713</td>
</tr>
<tr>
<td>Living-out/accommodation allowance</td>
<td>R2,000</td>
<td>R2,000</td>
</tr>
<tr>
<td>Holiday leave allowance</td>
<td>R593</td>
<td>R617</td>
</tr>
<tr>
<td>Attendance allowance</td>
<td>R274</td>
<td>R285</td>
</tr>
<tr>
<td><strong>Cash package</strong></td>
<td><strong>R10,580</strong></td>
<td><strong>R11,615</strong></td>
</tr>
<tr>
<td>Value of medical benefits</td>
<td>R626</td>
<td>R676</td>
</tr>
<tr>
<td>Employer contribution to pension fund</td>
<td>R1,055</td>
<td>R1,097</td>
</tr>
<tr>
<td><strong>Total package per month before taxes and bonuses</strong></td>
<td><strong>R12,261</strong></td>
<td><strong>R13,388</strong></td>
</tr>
</tbody>
</table>

The living-out allowance is paid to category 4 – 9 employees to support employees in paying for their own accommodation and living expenses. In 2015, 96.8% of the employees received a living-out allowance (2014: 95%).

Other benefits available to employees include access to an employee wellness service that provides free, confidential professional counsellors and therapists on matters of emotional, physical and financial distress. Lonmin's accommodation programme for employees is discussed on page 46.

**Employee Share Ownership Programme (ESOP)**

During the year, the ESOP was introduced for all employees who did not participate in the Company’s existing share option scheme. The new scheme receives an annual distribution of the greater of 3.8% of Lonplats’ (Eastern and Western Platinum combined) net profit after tax or dividend declared, which is then distributed to participants. This scheme aims to align employee performance with the overall performance of the business, and create a sense of shared ownership among employees.

**Financial debt counselling**

Employee indebtedness remains a serious concern for Lonmin, and has a significant impact on employee wellbeing. In response to the concern, we introduced a financial wellbeing programme to educate and advise employees on financial matters, the impact of microlenders, savings and affordability.

Lonmin has engaged an external service provider to assist with employee financial wellness training and support. The financial wellness programme includes two components:

- A financial fitness module on basic financial matters, such as credit, debt and budgeting, that is included in the induction programme. Every employee goes through induction on joining the Company and returning from leave.
- Financial wellbeing support through an on-site office that assists employees on how to manage their debt and also reviews garnishee orders.

The programme was started in 2012 and accelerated in 2013. During the first year, 2,089 employees utilised the on-site facility. It steadily increased and this year 5,720 employees made use of this service (2014: 1,465).

The service provider also audits all emolument attachment orders (garnishee orders) that are issued against Lonmin employees before Lonmin activates the payments to the respective parties. Following this approach in 2015, we managed to save our employees approximately R1.8 million. This process helped to stop or cancel a significant number of garnishee orders this year that had irregularities, such as administration fees charged above the allowed 12.5%.

Furthermore, our service provider helped to reduce the outstanding balances on our employees’ loans and emolument attachment orders by R750,000. Interest charged on employee debt was halved from 19% to 8% and the total debt instalments charged to employees were reduced by over R200,000 a month. Through the help of the service provider, three houses and thirteen cars were saved from being repossessed.

In addition, the service provider also assists employees with tax consulting services, which has resulted in tax savings and refunds to the tune of R462,000 over the last year.

**Employee skills development**

Lonmin's employee development programmes are critical in developing a skilled, empowered and productive workforce. Shortage of critical skills is a risk to the Company and there are a range of employee development initiatives to facilitate talent management through the upskilling of existing employees.

Lonmin invested R183 million (2.6% of annual payroll) compared to R172 million in 2014 (2014: 3.3% of annual payroll) on employee development in 2015.

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1 The total package per month for entry-level employees at Lonmin working on the surface is R12,360.
2 Induction training is a pre-requisite to employment and those working in core operations have to attend refresher training every 12 to 18 months.
The current focus on cost containment and cash preservation meant that spending on developmental training was reduced. This included deferring the further development of the leadership staircase initiative, which was an employee development framework enacted in various leadership development programmes throughout the business.

Breakdown of average training hours per employee

<table>
<thead>
<tr>
<th>Employee category</th>
<th>2014 Male</th>
<th>2014 Female</th>
<th>2015 Male</th>
<th>2015 Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractors</td>
<td>28.5</td>
<td>15.4</td>
<td>23.6</td>
<td>15.4</td>
</tr>
<tr>
<td>Unskilled and defined decision-making</td>
<td>31.0</td>
<td>26.9</td>
<td>28.8</td>
<td>20.2</td>
</tr>
<tr>
<td>Semi-skilled and discretionary decision-making</td>
<td>29.4</td>
<td>23.6</td>
<td>23.4</td>
<td>23.5</td>
</tr>
<tr>
<td>Skilled technical and academically qualified, junior management, supervisors, foremen and superintendents</td>
<td>19.5</td>
<td>13.2</td>
<td>17.7</td>
<td>13.6</td>
</tr>
<tr>
<td>Professionally qualified, experienced specialists, and mid-management</td>
<td>14.6</td>
<td>12.1</td>
<td>10.6</td>
<td>15.9</td>
</tr>
<tr>
<td>Senior management</td>
<td>11.6</td>
<td>8.1</td>
<td>9.9</td>
<td>5</td>
</tr>
<tr>
<td>Top management</td>
<td>13.1</td>
<td>11.5</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Lonmin trained 25,221 employees and 10,217 contractors during the year, investing 2,009,375 hours of training.

Learnerships

Learnerships in our Mining and Process Operations, and Engineering Function help to develop scarce technical skills in the relevant areas. New intakes into the programme were postponed during the year due to cost containment that affected the current pool of learnerships, which only slightly increased from 144 in 2014 to 148.

Core skills

A core skills programme was introduced during the year that focuses on developing critical skills required within the Mining and Process Operations. These are typically offered to employees to develop basic core skills to meet key operational standards. During the year, 5,286 employees participated in core skills training interventions.

Bursaries and graduates

Lonmin’s bursary and graduate programmes aim to meet the future skills needs of the Company by developing a pipeline of promising candidates. Comprehensive bursaries are offered to students wishing to pursue a career in mining or mining-related disciplines, such as mining, electrical, mechanical or chemical engineering, metallurgy and mining technical services disciplines (for example geology). Preference is given to HDSA candidates and those from the Greater Lonmin Community (GLC). Bursars that successfully complete their studies enter Lonmin’s graduate-in-training programme.

Lonmin had 98 bursaries in place during 2015 (2014: 89). Of these, 52% are students from the community, 81% are HDSA and 37% are women.

---

1 Lonmin has a leadership staircase for employees, which maps the route for performing at a senior management level. The programme emphasises the development of capabilities such as safety management, leading others, emotional intelligence and change management.
There were 39 graduates on the graduate-in-training programme during the year, including 82% HDSAs; 36% are from the GLC and 46% are women.

**Experiential Learners**

During 2015, a total of 15 learners participated in the Lonmin Experiential Learner Programme. All of our Experiential Learners are HDSAs, with 20% from the GLC. Women constitute 27% of Experiential Learners.

**Mentorship programme and Individual Development Plans (IDPs)**

The Company’s talent management strategy is executed mainly through formal mentorships and IDPs. Mentorships support skills transfer and knowledge sharing, while formal IDPs encourage employees to set personal goals for their current and future development.

There were 115 active mentorships in 2015 (2014: 75), of which 38% are women mentorships. For C-level and above, 1,317 employees (19% women) have formal IDPs in place (2014: 1,735).

**Adult basic education and training (ABET)**

ABET is provided by the Lonmin Academy and courses include pre-ABET and ABET levels 1 – 4. Level 4 is the equivalent of a Grade 9 qualification in the South African schooling system. There were 781 people registered on ABET courses in 2015 (2014: 473). This total includes 481 (62%) employees, and 300 (38%) community members. The emphasis on productivity and cost created a challenge in releasing full-time employees for training during working hours.

**Portable skills training**

Portable skills training is offered to employees who leave the Company through retirement, medical repatriation or retrenchment, and is also offered to community members as part of community upliftment programmes. Training aims to transfer practical skills that can be applied outside of the mining industry.

During the year, 303 people received portable skills training (2014: 378), of whom 138 were members of the community (2014: 158).

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**Employee accommodation and living conditions**

**Human settlements**

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

**Integrated human settlement strategy**

The intention of our integrated human settlement strategy is to improve our understanding of our employees’ way of living and their needs, accelerate the provision of accommodation opportunities to assist employees in this primary need, the rights and responsibilities of our employees as owners and tenants, and to ensure optimal and sustainable use of Company resources. Improving living conditions for our employees and their families supports productivity, reduces absenteeism and increases the stability and security of our operations.

As construction and housing development fall outside the Company’s core business, Lonmin has developed an integrated human settlement strategy that operates on a partnership model. In this model, Lonmin provides services, prefeasibility studies (if available), payroll administration, non-financial technical support and, where appropriate, land.

The ultimate objective is to create a community that will be sustainable even when mining activities stop. This requires that the local economy be developed by keeping wealth in the region through a stable population that is housed comfortably with access to the relevant social and economic resources to sustain it over the long term.

One of the challenges we face in executing the strategy is the deficient or non-existent bulk services and infrastructure in the settlements, such as water, power and sewerage. We continue working closely with government to ensure that infrastructure challenges that fall outside our mandate are addressed to support community development. Other challenges include sourcing funding for developments and meeting union and community expectations, which include the use of local labour and the provision of suitable accommodation.

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1. There were 156 employees registered for full time ABET and 325 registered for part time ABET.
The integrated human settlement strategy comprises three pillars:

**Pillar 1: Hostel conversions and infill apartments**

The 128 single-sex hostel blocks were successfully converted into modern apartment blocks at a total cumulative cost of R387 million.

The second phase of the development involves building further apartments in the free space around the existing converted structures through the Infill Apartment Project. This was designed in such a way that the new development can access the existing installed bulk infrastructure surrounding the hostels. The opportunity exists for construction of 4,000 units over the next five years. Extensive efforts are required to access possible funding from institutions such as the Social Housing Regulatory Authority to unlock and secure social housing grants and subsidies that are available.

The 2015 phase of this project has commenced with the construction of 325 units at Karee, which is planned to be completed in December 2015.

**Pillar 2: Affordable accommodation**

Through the Marikana Housing Development Company, a Section 21 non-profit company, Lonmin has made available 1,149 two-bedroom homes for outright purchase or on a rent-to-buy scheme from circa August 2005. The selling price of these 45 m² homes is R62,426, including land. To date, 325 people (2014: 305) have taken ownership of these houses. Notwithstanding the challenges relating to affordability and access to mortgage funding, we are intensifying the marketing and education programmes to encourage employees to purchase the houses.

In addition to these houses and the converted hostel accommodation, there are 369 houses at Karee and 280 houses at Wonderkop that are available on a rental basis at favourable rentals.

**Pillar 3: Future accommodation plans**

We are conducting feasibility studies on 134 hectares of unserviced land at Marikana Extension 5 and 25 hectares in MooiNooi. These include securing external funding, bulk services, serviceable land and mortgage funding for home ownership. We are in dialogue with various government departments, capital funders and developers to partner with us to develop these projects, including the provision of much needed bulk services.

Lonmin’s long-term strategy to facilitate access to decent accommodation for employees relies on collaboration with external partners for funding, construction, administration, rental collection and maintenance of the properties. We continue engaging with potential partners that can develop and administer property to find a solution that balances supply, affordability and quality.

**Special Presidential Package initiative**

To succeed with our employee accommodation strategy, structured and consistent engagement is required with key stakeholders. These include government, potential funders, developers, employees, unions and communities. Following the announcement of the Special Presidential Package initiative, Lonmin contributed 50 hectares of serviced land, known as Marikana Extension 2, to help address the critical issue of accommodation in the area. This donation was made directly to the Department of Human Settlements, the North West Public Safety and Liaison Department and Rustenburg Local Municipality. The premier of the North West Province announced that R462 million was set aside to fund this project in phases. An estimated 2,658 dwellings of various typologies will be constructed on the land for the benefit of the GLC community, including Lonmin employees.

Phase one of this project is under way and comprises 292 breaking-new-ground units (formerly known as RDP housing) and 252 community residential units. The latter are rental units.

In October 2013, Lonmin contributed 50 ha of serviced land for the development of 2,658 (rental and ownership) housing units at Marikana Extension 2. Phase 1, comprising 252 community residential units, is now complete.
Material focus area:
Safety and health

50 – Context
51 – Key stakeholders
52 – Risks and opportunities
54 – Accountability and governance
55 – Approach and performance
Material focus area: Safety and health
Promoting safety and health for employees and contractors

Context

Our core business of mining and refining PGMs is labour-intensive and involves a range of potential safety and health hazards. Safety comes first in everything we do and we strive to be the industry leader in safety. Our belief is that we can operate without accident – that Zero Harm is achievable.

It is not only a moral and ethical duty to ensure safe working conditions and support the health and wellness of our workforce, but also a key outcome of our commitment to Zero Harm and a critical part of our Employee Value Proposition. We subscribe to the aspirations and goals of industry bodies, including the International Council on Mining and Metals (ICMM), the Mining Industry Occupational Safety and Health (MOSH) programmes driven by the Chamber of Mines and the Tripartite Health and Safety Targets and Milestones. Learnings and best practices are shared through these forums and within the Company to continue improving our performance. In 2015, we spent R92 million on personal protective equipment (PPE) and safety equipment.

Interruptions to production through labour unrest and internal or external safety stoppages affect our ability to achieve our production and financial targets, and also disrupt the rhythm of safety routines. The safety performance of the platinum industry as a whole was negatively impacted by last year’s extended strike, with key safety metrics deteriorating after ramp-up. Restoring to positive trends is proving to be a challenge.

We understand that the safety and health of each employee does not begin and end in the workplace. Many of our safety awareness and healthcare programmes extend into the communities surrounding the operations. The informal accommodation conditions of many of the settlements are not conducive to wellness and can have a negative impact on safe and healthy behaviour.

Safety is a never-ending journey. While the Company achieved several noteworthy safety milestones during the year, these achievements are negated by three tragic fatalities.

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

“The sustainability of Lonmin is inextricably linked to the safety, health and wellness of our employees.”
Government regulations the safety and health practices of the mining industry through the Department of Mineral Resources (DMR), which conducts assessments and site inspections and enforces work stoppages. Lonmin’s legal licence to operate requires the Company to demonstrate that its operations are compliant, particularly with safety and health practices. Lonmin regularly engages with government representatives on safety and health matters and participates in industry forums that focus on workplace safety and health. The Department of Health regulates the Company’s hospital and on-site clinics, and monitors our tuberculosis (TB) and HIV/Aids programmes.

Contractors
Lonmin participates in several industry-wide forums that share learnings and best practice, and benchmark performance. These include the MOSH programme, the ICMM, the Health Policy Committee, the Mine Health and Safety Council (MHSC) and the Chief Executive Officer-led Elimination of Fatalities Committee through the Chamber of Mines.
Risks and opportunities

The information below focuses on why the following risks to sustainability were identified, with particular reference to employee health and safety, and where to find more detail on how Lonmin manages and mitigates these risks. Further detail on the risk management approach is available on page 25 of this report and on page 26 of the Annual Report and Accounts 2015.

Safety

Our belief is that Zero Harm is possible and our aim is to provide a safe working environment for our employees, our contractors and the communities we operate in. By the nature of our mining activities we have inherent risks that can cause fatalities or injuries.

Poor safety performance has a direct impact on the lives of employees, contractors and their families. Hazards such as fall-of-ground, tramming, working at heights, scraping and rigging, trackless mobile equipment, exposure to gases, fire, molten metal, electrocution and many others have to be controlled to reduce and eliminate fatalities and injuries.

A failure in safety processes could result in injury or loss of life, which would have tragic implications for employees, their families and the local communities. Stoppages may be mandated by regulatory authorities, imposed on the Company through the actions of organised labour or voluntarily entered into by management or any combination of those factors. Safety-related suspensions of operations, whether voluntary or mandated by regulators, contribute to disruption of production, reduced revenues and increased unit costs, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Opportunities and mitigation

Safety improvement plans are being implemented, with an enhanced focus on accident analysis and proactive preventative measures. As part of improving relations with the regulator and ensuring appropriate accountability, the Operational General Managers interact directly with the Chief Inspector of the DMR. In order to improve and enhance employee productivity, a wellness and health improvement plan has also been established. Lonmin focuses on continuously improving its operational safety processes and, as part of enabling this, a revision of all risk assessments, standards and operating procedures headed by the Operational General Managers was undertaken.

Sharing learnings on safety and health and benchmarking practices and performance through industry partners such as the ICMM and the MOSH programme, can help to save lives and improve our safety and, therefore, operational performance.

Further reading

• Safety at Lonmin (page 55)
• Safety performance (pages 55 – 57)
• Safety stoppages (page 57)
Noise-induced hearing loss (NIHL)

NIHL remains a significant occupational disease and is a particular focus for the DMR. Exposure to high noise levels is addressed through various programmes and Lonmin does not procure any new equipment or machinery with a noise intensity level greater than 110 dB(A). Personal Protective equipment (PPE) specifically hearing protection devices, are reviewed to ensure that Lonmin uses only the most effective products to reduce exposure to sounds of above 85 dB(A).

Opportunities and mitigation

A Hearing Conservation Committee is in place to seek opportunities to reduce noise levels in work areas and to drive increased awareness on the importance of wearing hearing protection equipment.

Further reading

- Health strategy (pages 57 – 58)
- Employee health services (pages 58 – 62)

Disease profile with high incidence of TB and HIV/Aids

Tuberculosis (TB) and HIV/Aids are debilitating diseases. HIV/Aids-related diseases remain the biggest cause of in-service deaths. TB and HIV/Aids are key focus areas for the DMR and Department of Health. Employees failing on treatment and the high incidence of TB are a concern.

Opportunities and mitigation

Information campaigns can raise awareness about the importance of employee health and behaviour associated with a healthy lifestyle.

Further reading

- Health strategy (pages 57 – 58)
- Employee health services (pages 58 – 62)

These risks are not part of Lonmin’s strategic risks, but in the context of health, they are important to note.
Accountability and governance

Lonmin’s approach to managing safety and health is defined in the Safety and Sustainable Development Policy, which aligns with ICMM principles, International Standards Organization (ISO) and Occupational Health and Safety Management Standard (OHSAS 18001) management system requirements, and is endorsed by the Chief Executive Officer. The Lonmin Sustainable Development Standards are based on international safety, health and environment (SHE) standards and standardise safety, health and environmental management across the Company.

The responsibility for building a safer and healthier Lonmin lies with every person employed by the Company. Accountability for performance is embedded at an operational management level and operational SHE Committees are in place. Line managers are responsible for the safety of their teams and daily incident reports are consolidated, analysed and ultimately reported to the Exco. A separate SHE Committee that reports to the Exco reviews SHE performance monthly to ensure that executive management is kept informed about operational performance. The Exco’s responsibilities include developing and monitoring the Company’s policies and practices in respect of safety, health and environmental matters. The Chief Executive Officer is ultimately accountable for the health, safety and wellbeing of all employees and contractors when they are on site. The SHE Committee of the Board assists the Board by setting aspirational standards for SHE matters and implementing a culture in which these goals are promoted and enforced.

The health and hygiene department is responsible for healthcare delivery, occupational health and hygiene policies, standards, monitoring and for auditing these services. Lonmin’s safety department is responsible for monitoring and auditing safety protocols and standards.

Safety performance is monitored against internal targets and reviewed for trends that motivate proactive management of future performance. Safety is an important component of the Balanced Scorecard that is used to determine performance for the management incentive scheme and also forms part of incentive schemes at operational level.

Safety and health representatives attend quarterly Health and Safety Committee meetings on behalf of employees. There were 16 full-time safety and health representatives employed throughout the operations in 2015, and 1,740 part-time safety representatives.

A formal agreement that covers safety and health is in place with the majority union, AMCU, which defines how full-time and part-time safety representatives are elected, trained and appointed.

Employees and contractors receive training on safety and health practices through the induction process when joining the Company and when returning from annual leave. This includes training on risk awareness and controls, the standardised approach to critical tasks and procedures, information on TB, HIV/AIDS and nutrition, and Section 23 of the Mine Health and Safety Act, 29 of 1996.

The safety and health programme at all processing plants was externally certified under OHSAS 18001. Mining is driving their health and safety management system using the Lonmin Sustainable Development Standards.

External policies, frameworks and regulations

The South African Mine Health and Safety Act is the overarching governance framework that applies to our mines. Through the Act, the Mine Health and Safety Council (MHSC) was also established to promote a culture of health and safety in the South African mining industry. Lonmin submits annual medical reports and hygiene monitoring, including reporting on HIV/AIDS and TB policies and data to the Department of Health. The Mineral and Petroleum Resources Development Act requires mines to implement SLPs.


Lonmin’s Safety and Sustainable Development Policy and standards align with the ICMM principles of sustainable development, Principle 5: Seek continual improvement of health and safety performance.

During December 2014, a guideline for a mandatory code of practice for risk-based fatigue management at mines was gazetted. Lonmin developed and submitted its mandatory code of practice for fatigue management within the allotted time.

Lonmin also participates in industry bodies at which safety and health is a key discussion point. These include the Bushveld Safety Forum and the North West Tripartite Forum.
Approach and performance

Employee and contractor safety

Safety at Lonmin

Our safety strategy takes a risk-based approach and is built around the belief that we can operate without accidents. Achieving our safety goals is a critical part of achieving operational excellence. Our approach to safety is defined in the Lonmin Safety and Sustainable Development Policy, Sustainable Development Standards and the Fatal Risk Control Protocols.

The safety strategy has three key objectives:
- Fatality prevention
- Injury prevention
- A safe operational culture

In 2015, our focus expanded to proactive safety management, with an emphasis on building a safety culture to influence safety behaviour and mindset. Proactive management includes leading measures like safety campaigns, and management-initiated safety stoppages. The Lonmin Life Rules, another proactive tool, focus specifically on those risk areas that cause the majority of fatal or serious accidents. These Life Rules are a set of five non-negotiable rules that employees must follow when working underground or in the plants. The application of these rules is regularly audited and measured per mining area. The Mining Life Rules will be expanded to include out-of-stope hazards such as trackless mobile machinery. We also believe that management-initiated stoppages are effective in stopping substandard or dangerous work and are a helpful tool as a proactive measure to prevent injuries.

The Company also focuses on ‘white flag’ days. These are days that mark no injuries and celebrate our belief in operating without injuries. Daily communication alerts are distributed that summarise the safety performance for the prior day to continuously inform the workforce of our safety performance. In 2015, Lonmin had 70 white flag days.

The Lonmin Process Operation developed a forward energy system to manage the focus on safety on a continuous basis to prevent harm. The system includes safety, health and environment measurements and pre-empts the possibility of increased operational activity and increased risk. It also triggers management intervention.

Safety training forms part of induction for employees and contractors. Lonmin’s objective is for every person in the business to have a personal understanding of, and respect for, the importance of safety in the workplace. This is achieved by entrenching safety principles in the organisation and increasing visibility on safety matters.

Day-to-day safety is complemented by 90-day safety turnaround action plans that were introduced this year to address the increase in injuries at our operations. Progress on these is reported to the Chief Executive Officer on a monthly basis and these plans are continuously adapted to new hazards or emerging trends. Audits include internal, cross-site and external audits, the results of which are used for tracking the safety maturity of each operational business unit.

Safety performance

It is with deep regret that after 18 fatality-free months, Lonmin lost three employees to fatal accidents during the second half of the year. On 19 May 2015, Mr Silva Cossa, a Team Leader, suffered fatal injuries when an underground service vehicle overturned at Hossy shaft. On 22 July 2015, a Sandvik Mining contractor, Mr Mark Potgieter, died as a result of injuries sustained in an accident at Hossy shaft that occurred during maintenance of a load haul dumper. A third fatality occurred on 31 July 2015, when Mr Bonisile Mapango, a winch driver, succumbed to injuries sustained in

Inspecting a level indicator at one of the holding tanks at the PMRL.
a scraping and rigging accident in May at E3 shaft. Subsequent to the year end, Zilindile Ndumela, a locomotive driver at Rowland shaft was fatally injured on 26 October. We extend our heartfelt condolences to the families, friends and colleagues of the deceased.

Each fatality was investigated to identify lessons learnt and action plans to prevent a similar accident. These lessons were shared throughout the Company and, for example, include key control for mobile machinery, licensing of machine operators, working under suspended loads, working in no-go zones during scraping and rigging operations and reducing the number of personnel during cleaning operations with winches.

In the period leading up to the first fatality, Lonmin had operated 18 months without a fatality and achieved 11.6 million fatality-free shifts, a new record for the Company. The smelter had also undergone reconstruction without an injury, a significant achievement considering the high-risk nature of this activity.

There were 21 level three safety incidents during the year, compared to 12 in 2014. Level three injuries are those that cause an irreversible disability. The LTIFR increased 62% from 2014 to 5.41 per million man hours worked. In 2015, we targeted a further 5% improvement from the 2013 base rate, which was not achieved. We are setting a new target for 2016 to have a 15% improvement from the 2015 base rate.

There were 473\(^1\) LTIs in 2015 that resulted in 29,694 days lost, with most of these attributable to fall-of-ground, and scraping and rigging incidents. The severity rate, which is the total days lost to LTIs per million hours worked, increased 75% to 339.38 (2014: 194.16). First-aid cases increased to 146 (2014: 141) and medical treatment cases to 689 (2014: 314).

We are disappointed in the deterioration of our safety performance. Contributing factors to the increased injuries include similar or repeat injuries occurring, employee behavioural challenges, and frequent safety stoppages. In order to enhance safety and production performance, a programme is being developed to empower front line supervisors.

We have developed an updated and focused safety improvement plan to curb the increase in LTIs and high-potential incidents. Each shaft has a 90-day safety turnaround action plan in place to address site-specific safety challenges, and these action plans are implemented by the General Manager of each area. We also introduced incident review meetings and recall meetings, chaired by the Chief Operating Officer, to discuss and learn from potentially severe incidents and to discuss the lessons learnt from incidents that have occurred; the implementation of these learnings is tracked and reported monthly.

90-day safety turnaround action plans – proactively addressing increased injuries

The success of the turnaround action plans at each mine and shaft, since their introduction earlier this year, has already been noticeable. The Lonmin three-month rolling average LTIFR has dropped from 6.45 (April 2015) to 4.41 (October 2015), resulting in the 12-month rolling LTIFR plateauing at 5.41 over the last three months.

We will maintain our focus on these initiatives to effect a turnaround on safety performance.

All safety achievements and initiatives are covered comprehensively in the Weekly Bulletin, an employee newsletter that promotes and upholds the values of the Company. We also participate in a number of forums to learn from others and benchmark safety performance, including the Mine Health and Safety Council (MHSC), the ICMM, the Chief Executive Officer-led Fatal Elimination Committee, the mine industry occupational safety and health (MOSH) initiative, leading practice days and the sharing of learnings from Section 54 among industry peers.

Lonmin’s involvement with the MOSH programme has led to the implementation of bolting and netting protocols to address fall-of-grounds, proximity detection systems to minimise the risk of vehicle-related accidents and winch signalling devices to reduce winch accidents.

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1. LTIFR: LTIs (473) x 1,000,000 hours / 87,494,668 man hours. The LTIFR for women only is 2.69.
2. Of the LTIs, 21 injured were women. Women contribute 0.24 to the total LTIFR.
Safety stoppages occur internally whenever Lonmin's Life Rules have been violated. To support this, the Company has implemented Section 23 stoppages and procedures in the operations that equip team members to exercise their right to withdraw from dangerous workplaces.

Section 54 stoppages are imposed by the DMR under the Mine Health and Safety Act. These stoppages are imposed when a DMR inspector has reason to believe that any practice or condition at a mine endangers the health or safety of any person at the mine.

During 2015, 36 Section 54 stoppages were imposed at operations (2014: 20), resulting in 173 production days lost (2014: 55.5) and 770,000 tonnes lost. Not only did we have more frequent Section 54 stoppages, but these were also enforced broadly and took longer to lift after the initial safety issue was addressed. We continue engaging with the DMR proactively to build sound relationships and we also participate in various forums between industry, labour and government that discuss expectations and shared objectives on safety stoppages.

Employee health and wellbeing

Health strategy

Lonmin’s health and hygiene department manages both occupational health and hygiene, and primary healthcare programmes under the slogan “Your Health, Our Priority”. The safety, health and environmental strategy is designed to support the four objectives of fatality prevention, injury prevention, safe operational culture and operational excellence.

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1 These statistics reflect all fatalities, lost-time injuries and medical treatment cases in alignment with the ICMM safety definitions.
2 Section 23 of the Mine Health and Safety Act gives employees the right to withdraw from any situation or area that they deem is unsafe.
Health services are offered through four clinics and an on-site hospital. Community health programmes that deliver on the SLP projects are managed by the Community Development Department. Further detail on Lonmin’s community health programmes can be found on pages 76 – 77 of this report.

South Africa has a high incidence of HIV/AIDS, TB and lifestyle diseases such as hypertension and diabetes. Our medical surveillance and wellness campaigns aim to identify health challenges early and control them.

One of the health and hygiene department’s primary goals is to embed a health and wellness culture at Lonmin. This is achieved through monthly health talk topics, workplace peer educators, health education conducted during safety breaks and awareness campaigns, including wellness days. During 2015, these included activities around World Aids Day, Condom Week, World TB Day and Youth Day. Activities included screening and awareness initiatives. During the World Aids Day campaign, 5,457 employees were tested for HIV/AIDS and 697 tests were reactive (12.8%). Over 1,000 employees were screened for TB during World TB Day, and on Youth Day, 21 workplace peer educators received training on drug and alcohol rehabilitation.

Monthly health customer satisfaction surveys are conducted to measure the quality of the service provided at the medical facilities.

**Employee health services**

The Company provides a range of occupational and primary healthcare services that fulfil its regulatory obligations and also form part of the Employee Value Proposition. Every employee undergoes regular health assessments. Lonmin spent R180 million on employee health programmes (2014: R150 million). The total investment increased due to the higher number of patients, specifically antiretroviral-treated (ART) patients, and additional cost on critical equipment. Despite the cost pressures, patient physical care has not been compromised and the customer satisfaction rating increased to an average of 84% in 2015, from 83% in 2014.

**Primary healthcare**

Lonmin’s primary healthcare services focus on addressing non-work related health issues, primarily TB and HIV/AIDS, but including trauma, which affect many of our employees. Chronic diseases prevalent in our workforce include HIV/AIDS, hypertension, diabetes, asthma and epilepsy.

**TB and HIV/AIDS**

The Lonmin HIV/AIDS and TB Policies define the Company’s approach to addressing these diseases, including providing medical and emotional support to infected patients, and an emphasis on education and awareness in an effort to combat the stigma around HIV/AIDS.

HIV/AIDS-related diseases like TB are the primary cause of mortality among in-service employees. Lonmin supplies ART to employees and monitors patients at an estimated annual treatment cost to the company of R8,935 per person. Lonmin supplies ART to employees and monitors patients at an estimated annual treatment cost to the company of R8,935 per person. Lonmin provides ART for life, so all former employees (including those that have taken voluntary separation packages or left the Company for any reason) can return every three months for consultation, monitoring and treatment collection. If logistics preclude these former employees from returning to our Medical Services centres, Lonmin will provide them with a referral letter to enable the collection of ART from provincial clinics or hospitals, and they will be given a three-month supply of ARTs when they leave Lonmin.

Lonmin also offers a wellness programme that is designed to cater for the physical and emotional effects of HIV/AIDS, and includes counselling sessions and training on treatment and healthy eating. The number of patients on this programme decreased by 25% from 2014 due to many of them starting on ART. Voluntary counselling and testing are offered at all primary healthcare and occupational health centres and during awareness campaigns, of which two were held during the year. In total, 16,301 employees and contractors were tested for HIV/AIDS during the year, of which 10% were positive. However, the prevalence of HIV/AIDS infection among our workers is estimated to be higher, at 19.1%, based on actuarial modelling and previous large-scale campaigns. Workplace peer educators are on site to raise awareness and we targeted a ratio of one trained peer educator for every 75 employees for 2015.

In 2015, there were 391 peer educators active, a ratio of one per 69 employees. We have met our target for the ratio of one peer educator per 75 employees.

Adherence rates to the ART regime were good, with more than 72% ART success rate. Default rates on treatment increased during the strike last year, but have been brought under control. While the number of patients that participate in the ART programme increased by 14% to 4,167 in 2015, HIV/AIDS-related deaths increased to 119 (2014: 97).
Our target for 2015 was to reduce the rate of ART defaulters to below 3% and we achieved the target reducing ART defaulters to 2%. We will again target to reduce the rate of ART defaulters to below 3%. Despite low defaulter rates, more than 20% of patients on ART are not controlled on treatment. A survey established that reasons for this include inconsistent taking of medicines, late initiation of treatment and non-disclosure of the condition to their spouse or partner while not practising safe sex. The importance of starting treatment early, taking medicine consistently and disclosing status is being emphasised in counselling sessions.

We raised the threshold at which employees are eligible for ART from a CD4 count of below 350 to a CD4 count of below 500 in January 2015 to initiate treatment earlier. This approach proved to maintain a productive life for longer, to reduce disease complications and produce fewer side-effects. We have seen a significant increase in the success rate as a result of this shift.

A further initiative to assist in the prevention of HIV/AIDS infection is male medical circumcisions, in conjunction with other measures. During 2015, 142 male medical circumcisions were performed at Lonmin.

The ART trends at three platinum producers for 2013 and 2014 are shown in the graph below.

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**Tuberculosis (TB)**

South Africa is a high-burden TB country and the prevalence in the mining sector is even higher. TB is an opportunistic infection and people infected with HIV/AIDS are more prone to TB, increasing the importance of monitoring and tracking the disease. The Company’s diagnosis, classification and treatment regimens for TB align with the South African Department of Health and DMR programme management guidelines. The TB policy outlines the responsibilities of employer and employees, treatment and fitness to work and training of employees and relevant structures. INH prophylaxis is given to HIV-positive patients to prevent TB.

In 2015, 462 new cases of TB were diagnosed and treated, including 12 cases of multi-drug resistant TB and one case of extreme drug resistant TB. Our cure and treatment completion rate was 89% (2014: 85.1%), surpassing our 2015 target of 85%. Continuous communication between patients and the medical facilities to remind them of treatment collection, as well as early diagnosis, has helped to achieve this target. We will again aim to have a TB cure rate and treatment completion rate of 85% in 2016. Patients who do not collect treatment are prevented from clocking in at work until they do so. Community volunteers visit employees to do contact tracing at their homes and at the same time confirm that they are taking treatment. These teams also provide on-the-ground support and counselling to patients and their families.

Where employees receiving treatment for TB left through the voluntary separation programme and retrenchment process, they received a referral letter and three months of medication to cover their transition period. Employees are referred to TEBA to ensure that they complete their treatment course and that Lonmin is kept advised of the outcome of the treatment. Employees that are medically repatriated are also referred to TEBA for home-based care where indicated, and currently TEBA supports and visits about 80 ex-employees on a regular basis.

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1. Isonicotinylhydrazide (INH) is an anti-TB drug and INH prophylaxis is recommended in the Department of Health’s Antiretroviral Treatment Guidelines.
2. TEBA Ltd is a labour recruitment and management service provider and offers additional services to the mining industry on human resources, social and financial services both during and after employment.
Five-year performance: TB and HIV/AIDS

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<td>527</td>
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<td>HIV/AIDS-related deaths</td>
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<td>657</td>
<td>690</td>
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**Other healthcare programmes**

**Chronic disease treatment**
Lonmin provides care for chronic and acute illness and outcomes are monitored through controlled treatment programmes. Chronic illnesses in our workforce include asthma, diabetes, epilepsy and hypertension. Where necessary, patients are referred to appropriate specialist care. There were 3,980 patients listed on chronic disease registers other than ART (2014: 4,224). The decrease is due to employees that took voluntary separation packages and were referred to external facilities. Of these, 89% (2014: 77%) is controlled on treatment. Default rates have normalised since the strike in 2014 and this has enabled control of chronic conditions.

**Trauma and emergency care**
Lonmin’s primary healthcare programme includes casualty capacity for emergency cases. Relationships have been built with industry peers and other hospitals to support each other in emergency situations. Regular emergency drills are conducted to test emergency preparedness.

We have an on-site emergency and disaster management department that responds to emergencies at the mine and surrounding communities. A 24-hour emergency line is available and the team can dispatch ambulances, helicopters and rescue teams (including underground rescue specialists) to address emergency situations. This team also provides first aid and firefighting training to Lonmin employees and community members. Scenario planning and emergency drills are tested regularly to ensure successful response times to real-life emergencies.

The emergency and disaster management team has a proactive focus that includes compliance audits, equipment inspection and road safety.

**Women’s health**
As part of Lonmin’s commitment to support the increase of women in mining, a short-stay female ward is provided and antenatal care is available on site.

**Employee wellbeing service**
The Company provides a counselling and follow-up service to employees and their households. Contractors are covered by Lonmin for work-related trauma debriefing. The services provided through this programme include face-to-face counselling with a therapist as required, 24-hour telephonic counselling with a qualified psychologist, life management on legal and family matters, and access to an electronic service that provides a host of health and wellness information.

**Dietician**
Nutrition, health and wellbeing are closely connected. Employees have access to nutrition consultations twice a month to promote a healthy diet and lifestyle. A pilot programme is ongoing to assess the impact of nutritional supplements on employee wellbeing, including its potential impact on reducing absenteeism.

**Medical scheme**
All employees have access to a medical scheme. The Lonmin Medical Scheme, which is administered by a third-party provider, fully covers the cost of all medical treatment of the member, with subsidised treatment for dependants. Employees who opt to use their own medical schemes receive subsidies towards the cost.

**Occupational health**
The primary occupational health and hygiene risk at our operations is noise-induced hearing loss. We also monitor all occupational diseases listed in terms of the Compensation for Occupational Injuries and Diseases Act, 130 of 1993, and the Occupational Diseases in Mines and Works Act, 137 of 1991, as amended, including occupational asthma, dermatitis, platinum salt sensitivity and silicosis. Risk-based medical surveillance programmes are in place to ensure medical fitness to work and diagnosis, and reporting of occupational diseases. Comprehensive occupational health and hygiene programmes reduce the risk of hazardous exposures, ensure regulatory compliance, and improve workplace conditions.
Noise-induced hearing loss (NIHL)

Lonmin’s hearing conservation initiatives align with the MHSC Milestones for the elimination of NIHL. The goals, as per the MHSC, are for there to be no new cases of NIHL and a reduction of noise emitted by all our equipment to below 107 dB(A) by December 2024.

Lonmin has a hearing conservation programme that includes engineering controls, administrative controls, provision of personal protective equipment and related training, and medical surveillance. A Hearing Conservation Committee reviews and investigates opportunities to reduce noise exposure and prevent NIHL. All rock drills and noise sources are silenced to below 110 dB(A). Employees at high risk of NIHL are monitored through six-monthly audiograms to identify changes early and to prevent further deterioration.

Our target for 2015 was to reduce NIHL cases diagnosed by 10% from a 2012 baseline year. This was not achieved in 2015, with 199 new cases of NIHL diagnosed. During the year, 108 cases of NIHL received compensation.

Following the significant increase of NIHL cases, an incident cause analysis method (ICAM) investigation was performed to identify possible causes for the increase in NIHL cases and remedial actions. Contributing factors include employees’ age, number of years exposed to noise, concurrent medical conditions and non-compliance with wearing hearing protection devices. A number of cases of incorrect recording of baseline hearing tests around the time of the change in legislation in 2003 were also picked up, which resulted in registering hearing shifts from the incorrect baseline. This constitutes 41% of NIHL cases reported in 2015.

We will implement the recommendations identified in the ICAM, including continuing to emphasise the importance of wearing hearing protection equipment, silencing of equipment and detailed investigations of all incidents.
Other occupational healthcare programmes

Physical and functional work capacity fitness testing

Functional capacity testing includes work simulation assessments as part of our comprehensive medical surveillance programme. The fitness testing ensures that new employees are placed in appropriate positions and that recovering employees are fully rehabilitated prior to returning to the workplace. Employees who do not achieve the required scores are referred for cardio-conditioning and vocational rehabilitation through physiotherapy and occupational therapy respectively, or considered for alternative job placement. In 2015, 71% of employees passed their fitness assessments (2014: 62%).

Physiotherapy, occupational therapy and rehabilitation

Employees suffering reversible trauma conditions can access therapy and rehabilitation programmes. Patients with chronic conditions undergo cardio conditioning at physiotherapy once stable, and prior to the functional capacity test.

The Company is formalising its disability management framework, which makes provision for accommodation, retraining or alternative job placement of people with disabilities. Currently, 1.4% (383) of employees are registered as disabled (2014: 1.4%).

Management of other occupational diseases

Exposure to platinum salts during processing can result in occupational diseases such as platinum salt sensitivity, dermatitis and occupational asthma. Lonmin works with the International Platinum Group Metals Association specifically to understand and manage platinum salt sensitivity better. There were no new cases of occupational asthma, dermatitis or platinum salt sensitivity diagnosed in 2015.

Platinum mining is not associated with high levels of silica. Silica levels in our mines are monitored and remain below 10% of the occupational exposure limit.

Contractor safety and health

Suppliers sign terms and conditions committing to adhere to Lonmin’s policies and standards, which cover safety, health and environmental aspects, and are required to register their full compliance accreditation on a formal industry-wide database as evidence of good practice. The procurement department assesses contractor companies on a yearly or half-yearly basis, placing a particular emphasis on safety, health and environmental practices.

Contractors report to the on-site contractor hub that assesses their medical fitness and provides induction, including familiarisation with Lonmin’s SHE procedures. All on-site contractors have access to the Company’s healthcare facilities and all incidents requiring use of these facilities are investigated and treated on site. These facilities provide a range of services including health and safety induction, medical surveillance, voluntary HIV/AIDS counselling and testing, treatment of injuries on duty, TB screening and treatment, and NIHL mitigation measures. Where necessary, contractors are referred to appropriate health services for further medical care.

Lonmin and other industry partners were involved in establishing the South African Mining Contractors Association (SAMCA). SAMCA is a non-profit organisation intended to create an environment for sharing best practices and standardisation of safety practices.
Melting pot at our smelter.
Material focus area:
Social licence to operate

66 – Context
67 – Key stakeholders
68 – Risks and opportunities
70 – Accountability and governance
71 – Approach and performance
Material focus area: Social licence to operate

Maintaining our social licence to operate and investing in the community

Context

Our commitment to our corporate citizenship agenda defines our duty to contribute to the wellbeing and development of the communities that host, and are affected by, our operations. This duty is formalised in our SLPs, which set out our local economic development commitments. Our broader social licence to operate depends on strong relationships with our host communities. The Company’s ability to build financial capital in the long term is critically dependent on a predictable and stable operating environment, which is only possible if we have constructive relationships with our immediate communities and labour-sending areas.

We aim to strengthen our social licence to operate through:

• Stakeholder engagement to ensure expectations are understood
• Community upliftment initiatives to address social issues
• Ethical business practices that include the commitment to uphold human rights
• Corporate and community partnerships

Lonmin’s investments in the community aim to address some of the most pressing socio-economic challenges facing the GLC. These initiatives focus on education, health, local supplier development and infrastructure programmes, and also aim to sustain a pipeline of skilled local employees and increase procurement from the local community. Working in partnership with local government is a key enabler for these initiatives and for building our social licence to operate.

This chapter provides an overview of the initiatives implemented in local communities, with a predominant focus on the GLC as the majority of the Company’s operations are in the North West Province.

Community programmes are developed to address the most pressing community issues in the short, medium and long term.

We have established a waste swap shop in Wonderkop at the primary school.
Key stakeholders

Communities
Lonmin’s operations are surrounded by communities located in formal and expanding informal settlements. These settlements bring with them a range of challenges, including a lack of formal governance structures and the need to provide jobs equitably to local community members without infringing on migrant workers’ right to work.

The traditional local community on the eastern side of our operation is the Bapo ba Mogale, while other community members include localised and transient migrant workers from across southern Africa. In Limpopo, we have various traditional authorities – Mphahlele, Ledwaba, and Kekana.

Community engagement is managed through a range of initiatives and meetings that facilitate engagement and support communication with local ward councillors and traditional authorities. These interactions give the Company insight into the needs and expectations of the communities and enhance collaboration in contributing to the GLC.

Government
For socio-economic development initiatives to be viable and sustainable, they need to align with the National Development Plan (NDP) and regional Integrated Development Plans. We engage regularly with the departments of Basic Education, Health, Trade and Industry, Human Settlements and Mineral Resources, as appropriate, and with provincial and local government to build partnerships. These engagements also provide oversight on projects implemented by the Company to create alignment with standards and goals.

In addition, issues of concern to stakeholders are being addressed in the government-driven Project Phakisa.

Non-governmental organisations (NGOs), non-profit organisations (NPOs) and faith-based organisations
NGOs, NPOs and faith-based organisations play a critical role in local communities through their support of people in need and through various awareness initiatives on a range of social matters. Lonmin’s collaboration with these stakeholders allows us to address many social challenges better.
Risks and opportunities

The information below involves risks to the sustainability of the business that apply to our social licence to operate, and indicates where to find more detail on how Lonmin manages and mitigates these risks. Find further detail on the risk management approach on page 25 of this report and page 26 of the Annual Report and Accounts 2015.

Community relations

In line with a number of mining companies operating in South Africa, the Company has also experienced high levels of community unrest in the areas adjacent to its operations. These could persist or worsen in scale, intensity and duration. Mining is conducted in areas where communities are present and the communities have various expectations of the mines, such as employment opportunities, socio-infrastructure support and business opportunities. When these expectations are not met, it may result in conflict and unrest.

Deteriorating relationships with local communities as a result of poor service delivery by local government and high unemployment rates can result in civil unrest, which sometimes disrupts our operations. Failure to deliver social upliftment projects can trigger protests or violence and result in corporate reputational damage if the relationships with these stakeholders are not managed effectively. The environmental, health and social impacts of mining can be felt by those communities who live and work in close proximity to the operations.

Opportunities and mitigation

As part of enhancing relations with communities, the Company has reviewed its engagement process and implemented a revised stakeholder management process. In order to improve governance and project execution of community-related investments, a procurement framework with appropriate project management office capabilities has been established. Other aspects of community investment included the establishment of a Cadet Training programme as part of the Company enhancing its potential future employment capacity. Formal engagement structures have also been established in the form of bilateral forums with the Bapo and Madibeng Rustenburg communities. The engagement meetings address employment, economic development, community infrastructure programmes and the SLP status. The Bapo Transaction and Lonmin’s other BEE transactions announced in November 2014, resulted in the establishment of two community development trusts, each receiving a minimum of R5 million per annum, and an undertaking by the Company to provide the Bapo traditional community with R200 million of procurement opportunities.

Further reading

- Investing in community development (pages 71 – 72)
- Transformation through enterprise development and procurement (pages 78 – 80)
- Human rights (pages 80 – 81)
Changes to the political, legal, social and economic environment, including resource nationalism
The Company is subject to the risks associated with conducting business in South Africa, including, but not limited to, changes to the country's laws and policies in connection with taxation, royalties, divestment, repatriation of capital and resource nationalism. Resource nationalism is a broad term that describes the situation where a government attempts to assert increased authority, control and ownership over the natural resources located in its jurisdiction (with or without compensation). It is a global phenomenon, not limited to a single country. In South Africa, the threat of nationalisation has been rejected by the government.
Lonmin is regulated by a vast array of regulatory requirements including the Mineral and Petroleum Resources Development Act (MPRDA). This legislation is critical as it impacts Lonmin’s operating licence and prospecting and mining rights. Alongside these legal and regulatory obligations and equally critical, are the Company’s social responsibility obligations, by which we earn our social licence to operate in the communities that host our operations.
Opportunities and mitigation
Lonmin and other mining companies are engaging with the South African government on issues of concern to stakeholders through the government-driven Project Phakisa. Project Phakisa for the mining industry is scheduled to commence during November 2015 and is aimed at creating win-win solutions for all industry stakeholders. Lonmin is also endeavouring to engage with representatives of local communities in an effort to minimise unrest.

Further reading
• Transformation through enterprise development and procurement (pages 78 – 80)
• Human rights (pages 80 – 81)
Accountability and governance

At Board level, Lonmin's Social, Ethics and Transformation Committee is responsible for overseeing that the Company meets its commitments in the areas of transformation and community development. Delivery on the Company’s community development commitments is the responsibility of the Executive Vice-President of Communications and Public Affairs who reports to the Chief Executive Officer.

The Company’s commitment to partnering with communities is entrenched in our Charter and commitments are outlined in Lonmin’s Safety and Sustainable Development Policy. Specific community development projects form part of our community investment programme and are defined in our SLPs, further complemented by a range of additional community upliftment projects that are conducted over and above those in our SLPs.

Our engagement with local communities was driven through the Community Value Proposition process, which aimed to identify community needs through consultation and to prioritise the SLP projects through a collaborative process. The community development department works closely with the enterprise development arm of the procurement department to identify opportunities arising from local economic development projects.

Progress made on community development projects is measured against defined project objectives, investment targets and/or progress against baseline assessments, and is reported internally on a monthly and quarterly basis. Most of the community projects set out a purpose statement supported by objectives and deliverables to be achieved prior to implementation. During project roll-out performance against deliverables is reported and tracked to manage progress. Transformation targets are set according to the Company's long-term transformation goals and progress against these is reported internally each month.

External policies, frameworks and regulations

Lonmin’s regulatory community development obligations arise from its SLPs, which are compiled in terms of the MPRDA. Performance against these commitments is reported regularly to the DMR. As a member of the ICMM, Lonmin subscribes to the principles of sustainable development, including Principles 9 (community development) and 10 (stakeholder engagement). We also support the ICMM’s Position Paper on Mining and Indigenous People, which includes a number of commitments to respect and have meaningful engagement with indigenous people.

Transformation, including procurement, is regulated by the Broad-based Black Economic Empowerment Act, 53 of 2003, and our approach is also framed by the Preferential Procurement Policy Framework Act, 5 of 2000.

In 2010, a revised mining charter (the ‘Revised Charter’) was introduced and companies were required to comply with the provisions of this Revised Charter as opposed to the 2004 Mining Charter. The Revised Charter targeted 31 December 2014 as the date by which companies were required to comply. The DMR is currently carrying out an audit to determine the extent of compliance.
Approach and performance

Social and labour plans (SLPs)

Our commitment to corporate citizenship defines our duty to contribute to the wellbeing and development of the communities that host and are affected by our operations. This duty is formalised in the SLPs’ obligations, an integral part of mining or prospecting rights granted under the MPRDA. Despite numerous challenges during 2015, Lonmin remains committed to deliver on the commitments of our SLPs. The SLPs set out the Company’s commitment to develop and implement comprehensive human resources development programmes, including local economic development programmes and employment equity plans.

Given the current economic climate, subdued market conditions and consequential downscaling of the organisation, Lonmin has commenced with the review of the current SLPs. Of particular focus is a remaining three-year period 2016 – 2018. The intended outcome of the review is to align the SLPs with our new reality by way of revising commitments via a Section 102 application to the regulator as per the MPRDA.

<table>
<thead>
<tr>
<th>Communities</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rand value spent on SLP community projects of WPL and EPL</td>
<td>Rand 37,980,955</td>
<td>39,743,935</td>
<td>38,661,225</td>
<td>47,672,897</td>
<td>62,551,677</td>
</tr>
</tbody>
</table>

Community relations and engagement

The community development department manages the various projects and initiatives active in local communities. New projects are proposed according to needs identified by internal stakeholders, community representatives and local government priorities. These projects are then agreed and incorporated with Lonmin’s SLPs, which link to local municipality Integrated Development Plans (IDPs) and the projects identified through our Community Value Proposition process. IDPs are prepared by local municipalities to map out short, medium and long-term plans, including spatial planning, economic development and infrastructure development.

Community programmes are developed to address the most pressing community issues, with a focus on those interventions most likely to enable a step-change. Progress is monitored against baselines and SLP targets determined at the start of the projects and reported to the SET Committee.

Community liaison officers and stakeholder engagement officers interact with representatives from local communities through formalised structures, including community project meetings and ward councillor meetings. These meetings are used to gather community input, including complaints, and to report back to communities on progress in the various initiatives under way.

Investing in community development

In response to the needs identified in the Community Value Proposition process, Lonmin’s community development projects primarily focus on enterprise and skills development, education, community health and social infrastructure (including accommodation).

The community development strategy aims to create long-term social and economic value through:

- alleviating poverty and unemployment;
- enabling communities to participate in decision-making to achieve greater long-term control over their lives and development;
- ensuring communities are resourceful, skilled and able to take full advantage of economic opportunities;
- enabling community businesses to become a business partner of choice and contribute to the growth of Lonmin.

In 2015, Lonmin invested R62.5 million in community projects that form part of WPL and EPL SLPs (2014: R47.7 million). The increase in 2015 relates to infrastructure upgrades at schools, the mining skills programme that gained momentum and increased expenditure on sport, art and culture.
Summary of expenditure of key community focus areas

<table>
<thead>
<tr>
<th>Financial investment in communities¹</th>
<th>2014 Rm</th>
<th>2015 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community education programme (in schools)</td>
<td>6.4</td>
<td>11.7</td>
</tr>
<tr>
<td>Skills development (mining skills, portable skills training, technical skills, and learnerships for communities)</td>
<td>11.0</td>
<td>14.0</td>
</tr>
<tr>
<td>Sports, arts and culture</td>
<td>0.6</td>
<td>1.9</td>
</tr>
<tr>
<td>Community health programmes (including nutrition programme spend)</td>
<td>5.1</td>
<td>6.5</td>
</tr>
<tr>
<td>Local economic development</td>
<td>28.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Supplier development</td>
<td>5.1</td>
<td>3.2</td>
</tr>
<tr>
<td>Other infrastructure projects (such as waste management)</td>
<td>9.9</td>
<td>10.0</td>
</tr>
</tbody>
</table>

¹ Excludes overheads and donations.

Community Value Proposition

Lonmin’s overarching community development objective is to make a social investment that has a lasting impact beyond the life of the mines. The Community Value Proposition process aimed to develop a deep understanding of the community’s development needs to deliver focused social investment that is sustainable and has an impact beyond the life of the mine.

The Community Value Proposition process started with research to ensure that projects are aligned with the NDP, municipal IDPs and other contextual frameworks. This was followed by a series of engagements with prominent community stakeholders and other interested and affected parties. These engagements highlighted the key community needs as improved living conditions, employment opportunities, increased access to health services and basic social services, all of which have provided input into the SLP. The final phase of the process is ongoing and involves feedback to the communities and local government on progress, and adapting projects for the changing needs of the community.

Community education and skills development

Lonmin’s community education programme provides support in six key areas of education: school infrastructure development, learner support, educator support, parent support, school nutrition, and sport, arts and culture. Improving education and reducing unemployment are two of the most serious challenges South Africa faces. By investing in the skills, education and employability of the individual, these projects contribute to the sustainable upliftment of the community and address some of the most pressing immediate needs of the community and the country. At the same time, these initiatives develop a pipeline of skilled community members for the Company and local industries.

Lonmin’s education and skills development projects are reviewed and adjusted on a quarterly basis according to the changing needs of the community and the future skills that need to be developed, as identified by internal departments. These are also benchmarked against the education component of the National Development Plan and through engagements with the Mining Qualifications Authority (MQA).

Prior to commencing, projects’ baseline assessments are completed, specifically for school infrastructure projects and early childhood development centres.

¹ This includes programmes over and above SLP projects for Western Platinum Ltd and Eastern Platinum Ltd.
Community education programme

School infrastructure development

The Company funded additional classrooms and ablution facilities for Segwaelane and Thlapi Moruwe primary schools and the construction of Bapong Sports Fields during 2015. These projects were awarded to GLC construction companies to support the local economy. These projects will benefit approximately 2,000 learners and 45 educators in the GLC.

Our baseline assessments were first conducted in 2007 and updated in 2010 and 2014. Since 2007, Lonmin has provided infrastructure support to all 28 schools in the GLC through additional classrooms, mobile classrooms, electricity upgrades, sporting facilities, or ablution facilities.

Learner support

Lonmin provides a number of programmes for improving education and pass rates for GLC learners. The Ithuteng programme supports 100 learners in Grades 9 to 12 and the Examination Preparedness and Support programme has 350 students enrolled. The Community Study Assistance Programme supported 64 students enrolled for mining and non-core mining-related studies, and more than 3,000 students attended career guidance workshops during the year.

Students applying for tertiary institutions or learnerships are supported through the University and Technical Preparedness Programmes, which assisted 51 (2014: 13) students in 2015 to successfully make the transition to tertiary education through either a university or an engineering learnership. The Technical Preparedness Programme enables school leavers to achieve N3 accreditation for their technical skills within one year of training. In 2015, the curriculum was amended to incorporate Instrumentation Mechanical and Rigger/Ropeman at N3 level.

The Mining-related Skills Programme provides skills development opportunities to local youth who have reached ABET level 4 (equivalent to Grade 9) and are seeking employment. The first 59 cadets who completed the training were given permanent employment within the Company and a further 91 students completed their studies by year end.

Students from the GLC who have university acceptance can apply for a Lonmin bursary, and in 2015 GLC candidates held 52% of the Lonmin bursaries (2014: 63%). More information on our bursaries and graduates can be found on page 45.

Educator support

Early childhood development (ECD) builds a vital foundation for education and is a critical part of socio-economic development in the region and the country. A number of children in the GLC do not have access to formal education during early childhood, and are cared for in informal day-care facilities. Lonmin supports 49 ECD centres with 143 ECD educators who serve 2,497 children. The programme provides carers with basic skills to teach children the foundations required to begin their formal schooling. A new group of 16 educators attended ECD Level 4 accredited training in 2015.

Mathematics, technology and physical science workshops were also provided to 80 educators for the year through in-class and off-site training.

Parent support

Parents are invited to attend career guidance workshops to illustrate career opportunities for learners and to create awareness among parents about the programmes Lonmin offers. The goal is to motivate parents to support their children’s performance so that they can enter Lonmin programmes.

School nutrition programme

School nutrition forms part of the Company’s community health programme and is described on pages 76 – 77.

Sport, art and culture development

Lonmin supports various netball and soccer tournaments and also offers ad hoc assistance to individuals and teams who qualify for district, provincial and national competitions.
Soccer
Lonmin supported 128 teams with transport to participate in tournaments and trials such as the Platinum Star Junior soccer trials.

First aid kits and sporting equipment were provided.

Boxing
Ms Tsolofelo Ngwane from Wonderkop community was selected to represent South Africa in Boxing at the Summer Olympic Games in Brazil in 2016. Lonmin assisted Ms Ngwane with transport to ensure her participation in national events, and she has recently participated in the African Championships, obtaining a gold medal for her performance.

Lonmin is a proud supporter of the Marikana Boxing Club, through the provision of boxing equipment and transport to enable members to participate in events. At the national championships held in Pretoria, boxers from the Marikana Boxing Club were awarded six gold, five silver and four bronze medals, and Rorisang Zwakala received the title of best boxer in the age 12-14 category.

Arts and culture
Three local learners from Tebogo Primary were selected to represent South Africa in a chess tournament to be held in neighbouring Botswana.
Skills development

Lonmin’s skills development programmes include one-year specific skills interventions and programmes to bridge the gap created by local schools not offering technical programmes, and school leavers who do not have the requisite skills to be employed at the mines. Graduates of these programmes can enter the job market with a quality skills set that makes them attractive to the Company as potential employees.

The Mine Technical Skills Programme supported 20 students during 2015.

Social return on investment

With the national unemployment rate at about 24%, the North West Province at a rate of 25% and the GLC at about 30%, unemployment is unacceptably high in the country and in the region in which we operate. Empowering local community members with the skills to be more employable or with the ability to seek own employment is undeniably important.

In 2010, Lonmin commenced with a programme to equip community members with the skills to more easily find employment in the mining industry or to generate an income through self-employment. This programme combines competent B mining training with interview coaching, first aid training and African Wisdom, which provides life skills necessary for everyday life.

When the programme commenced, the financial conditions in which the Company operated were more favourable. Unfortunately Lonmin had to reduce its cost base in the current metal price environment to sustain a viable operation and announced the orderly close down of the Hossy and Newman shafts, which affected employment. Despite the downturn, the programme contributes to a longer-term view and prepares for the industry recovery and upswing, building a pipeline of local skills and equipping participants to find alternative employment.

Earlier this year, we completed an exercise to measure and account for our community mining skills-related training programme and to express the value created in monetary terms. The result of the study indicated that for every R1 invested, R1 is returned. Since 2010, 79% of those trained by the programme received employment either at Lonmin or at other companies. Of these, 96% are still employed. The programme also has a high success rate where 98% of those who started the training completed it. Of the 207 women who received training, 86% found employment.

Lonmin has also reached an understanding with the Bapo ba Mogale traditional authority to train some of the Bapo community members. Those who pass the minimum qualifications will receive mining-related skills training and those not able to complete the minimum requirements will receive training on infrastructure-related portable skills for three months.

Many of the benefits of this programme cannot be quantified in monetary terms, such as the joy of a mother whose child was returned from foster care as a result of her employment after completing the training programme. Another woman was inspired by the African Wisdom training to refocus her life on children and has commenced her studies to become an early childhood development teacher.

Portable skills training

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

<table>
<thead>
<tr>
<th>Skills development programme</th>
<th>2015 progress and beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portable skills</td>
<td>138 community members received training on various portable skill programmes.</td>
</tr>
<tr>
<td>Mining-related skills programme</td>
<td>150 cadets (of which 95 cadets are women) completed their training and 59 were employed permanently.</td>
</tr>
<tr>
<td>Bapo ba Mogale community member training</td>
<td>In 2016, 500 Bapo community members will either be trained as production generals or will be offered three-month skills development programmes, mainly linked to construction.</td>
</tr>
<tr>
<td>Community ABET</td>
<td>300 community members received ABET training during 2015.</td>
</tr>
<tr>
<td>Exposure</td>
<td>Programme placed on hold due to cost-containment focus.</td>
</tr>
<tr>
<td>Process operation exposure programme</td>
<td>Programme placed on hold due to cost-containment focus.</td>
</tr>
<tr>
<td>Community learnerships</td>
<td>Programme placed on hold due to cost-containment focus.</td>
</tr>
</tbody>
</table>

Community health

As the majority of our employees live in our surrounding communities, the health of these communities has a direct impact on the health of our employees. Lonmin’s community health programme aims to support health through awareness, promotion and prevention and, where possible, infrastructure development.

Community health programmes are managed with various partners and implemented in all the operational areas – Marikana, Lebowakgomo (Limpopo), at the Precious Metals Refinery and in the Eastern Cape. The Company’s partnership with the Department of Health is particularly important to provide quality healthcare services to the communities around the GLC.

Of the R6.5 million spent on community health initiatives (2014: R5.1 million), R2.4 million (2014: R1.3 million) was spent on health infrastructure and vehicles.

Awareness, promotion and prevention

HIV/Aids

Our preferred approach is to work closely with NGOs in the field of HIV/Aids and conduct joint campaigns whenever possible. The Company held six formal health promotion days focused on HIV/Aids, TB and sexually transmitted infections (STIs) in 2015. The Company has two programmes in place: peer education to educate members of the community about HIV/Aids, and home-based care to assist in caring for those affected and infected. During the year, 1,231 community members were tested for HIV/Aids at a 17.7% positive rate. Lonmin also supports 89 home-based carers by supplying home-based care kits, immune booster meals and stipends. The carers tend to those who are too ill to leave their homes and take care of orphans and vulnerable children within their villages.

Furthermore, Lonmin offers training to volunteers from within the community to spread awareness. These peer educators work closely with seven community clinics to disseminate information, distribute condoms and go on door-to-door campaigns to perform mobile assessments of community members. Volunteers receive in-service training and medical kits provided by the Company, and are assisted in registering as formal carers with the Department of Health. At the end of September, there were 125 active HIV/Aids volunteers in local communities taking care of 1,968 patients and 1,160 orphans and vulnerable children. Volunteers reached 2,694 patients and distributed 15,026 condoms.

Lonmin encourages and supports volunteer peer educator and home-based carer networks to form Non-profit Organisations (NPOs) with the relevant structures and systems to be self-sustaining entities. There are currently nine successful HIV/Aids NPOs operating in the GLC managed by 125 community volunteers, and two new Marikana NPOs were trained in home-based care.

Health promotion

Lonmin’s health promotion project addresses learners and out-of-school youth with a focus on sexual health, HIV/Aids, TB and substance abuse. Initiatives include support for school peer educators to encourage young people to access facilities when they need to.

Lonmin also conducts TB awareness and contact tracing into the communities by visiting households of employees who have been diagnosed with TB for case-finding and health education. Health awareness campaigns at the Limpopo and Marikana communities reached 604 households during 2015.

Nutrition

Nutrition has a direct impact on health and wellbeing, and poor nutrition is linked to illness and fatigue. In children, good nutrition is essential for physical and mental development. Food is provided to GLC learners by the Department of Education and Lonmin has
established six food centres that provide meals to 672 orphaned and vulnerable children in Marikana and Limpopo. These food centres operate throughout the year to provide a daily meal to children who would otherwise go hungry over weekends and holidays.

The second focus area is establishing food gardens at schools and at home. Permaculture food gardens at four of the centres offer training on how to cultivate food and encourage community members to start their own gardens. An annual competition encourages schools to establish the best and most productive gardens. Students learn how to grow their own food and can share this knowledge with their families.

**Health infrastructure projects**
Lonmin partners with various stakeholders, including the Department of Health and local government, to improve access to basic healthcare in the GLC.

Several of last year’s planned health infrastructure projects were affected by the strike and rolled over into 2015. Two ambulances were acquired in 2014 and converted into obstetric ambulances during 2015. These, along with a health promotion vehicle and eight computers, were handed over to the Department of Health. Two maternity waiting homes were constructed at the request of the Department of Health to mitigate maternal and infant mortality. Security upgrades were implemented at Wonderkop and Segwaelane clinics.

**Infrastructure development**
Lonmin’s local economic development investments were identified as part of the Community Value Proposition process and aim to improve living conditions in the GLC by investing in social infrastructure that provides a platform for economic development initiatives to thrive. Lonmin works closely with local and national government to assist in its agenda to improve basic service in the GLC, and to ensure that both sides contribute co-operatively in line with their skills and resources, and deliver according to agreed timelines.

Local economic development expenditure amounted to R30 million¹ in 2015, a decrease of 21% from 2014 (R37.9 million), and focused on various programmes, including bulk water and road infrastructure, waste removal, lighting for public safety and the construction of a resource centre, as discussed hereafter.

**Bulk water infrastructure**
Lonmin’s bulk water infrastructure project focused on improving access to potable water in Wonderkop during 2014 and 2015. Leaks and broken water pipes were fixed and refurbished to improve water availability. The Company provides five megalitres per day of bulk water supply to various local communities, benefiting an estimated 6,500 households in the formal settlements and 5,500 households in informal areas of Wonderkop. Water from the Lonmin-owned reservoir also provides water to the various communities. Refurbishment of

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¹ Spend on local economic development and other infrastructure projects such as waste removal.
existing water storage facilities increased storage capacity by 25,000 litres per day in Wonderkop. We continue improving bulk water supply in other villages of the GLC, with plans to address Segwaelane in 2016, and Bapong in 2017.

Lonmin engages with the National Department of Water and Sanitation (DWS) to explore ways to provide sustainable water solutions to host communities. These include exploring alternative methods to source and store bulk water.

**Road infrastructure**
The Company's road infrastructure project develops the GLC's socio-economic corridors through the construction of new and upgrading of existing access roads. This improves access for employees living in surrounding communities and settlements, and includes a bus and taxi drop-off zone. Construction provides contract opportunities for local civil construction companies and short-term job opportunities for local labour. This project has now reached practical completion; all road signs are installed, marking is complete and the road is open. Paving blocks for the road are manufactured from Lonmin’s waste ash at the youth brick-making project established in Bapong. Roads in Segwaelane and Bapong will be upgraded in the next phase of the project.

**Waste removal**
As a service to communities and to improve and promote a cleaner environment, create local jobs and enterprise development in waste and refuse management, Lonmin explored community household refuse management models. This led to the development of a community-based service delivery model, which developed four local businesses in refuse and waste management, creating at least 40 permanent jobs. Refer to page 96.

**Lighting for public safety**
Lonmin funded and installed 11 high-mast lights and refurbished eight existing lights in the Wonderkop formal and informal areas to address a rise in crime in Nkaneng and Wonderkop. The installation included the upgrade of power supply from rural to semi-urban supply. While 19 new installations of these lights were initially planned, illegal power connection to the new lights impedes progress. New ways of isolating and protecting the power source for the lights are being investigated and we are engaging with community leaders to support the sustainability of this project.

**Resource centre**
Construction of a resource centre to host youth development and recruitment began in 2015, with completion aimed for 2016, should resources allow for it. The centre will also serve as an information hub for the GLC and as an outlet for the sale of prepaid electricity, water, data and airtime.

**Update on previously reported local economic development projects**
The brick-making facility in Bapong is in the final year of receiving assistance from Lonmin. The project is on track to reach self-sustainability and employs an average of 32 local people. Due to the gravel road upgrade project, the scope of this project has been reviewed to accommodate the manufacturing of road pavers and curbing.

**Transformation through enterprise development and procurement**
Transformation is promoted throughout the business and is an obligation in terms of the Mining Charter, specifically through the ownership and procurement clauses that seek to accelerate the participation of HDSAs in the mainstream economy.

**BEE equity ownership**
In November 2014, Lonmin successfully completed three BEE transactions, which cumulatively give the Company an additional 8% equity empowerment. Lonmin accordingly achieved the target of 26% BEE ownership by 31 December 2014, as required by the Mining Charter. These transactions support the improvement and development of local communities and align the interests of communities, employees and shareholders.

The South African Department of Trade and Industry (dti) is responsible for leading government action on the implementation of BEE initiatives under the auspices of the Broad-Based Black Economic Empowerment Act, No. 53 of 2003 (the ‘B-BBEE Act’) and the B-BBEE Codes, while certain industries have their own transformation charters administered by the relevant government department (in the Group’s case, the Mining Charter administered by the DMR). On 30 October 2015, the South African Minister of Trade and Industry exempted the DMR from applying the BEE Trumping Provisions for a period of twelve months, on the basis that the alignment of the Mining Charter with the B-BBEE Act and the B-BBEE Codes is still ongoing. Generally speaking, the amended B-BBEE Codes, which have been effective since 1 May 2015, make BEE compliance more onerous to achieve. A new Mining Charter is currently being discussed by industry stakeholders and it is likely that this Mining Charter, if applicable, will contain more onerous provisions than the current Mining Charter.

**Bapo transaction**
The Bapo ba Mogale Traditional Community is a key shareholder in Lonmin. The intention of the BEE deal with the community is to share the value created by the Company and to assist in building our host community. The value that accrues to the Bapo community over the long term should make a significant difference to their
lives and help improve living conditions while providing Lonmin with a stable and peaceful operating environment, which is important to successfully operate the business.

The Bapo transaction involved a royalty for equity swap and the sale of the Bapo 7.5% stake in the Pandora joint venture to a Lonmin subsidiary. This transaction provided the Bapo community with equity participation of circa 2.24% at Plc level and a deferred royalty payment of R20 million per annum payable by Lonplats (Eastern and Western Platinum combined) in each of the five years following completion of the transaction. The BEE accreditation arising from this royalty for equity swap transaction amounted to 2.4%.

The transaction includes a commitment from Lonmin to provide procurement opportunities to members of the Bapo community of at least R200 million over an initial 18-month period. The first such contract was finalised in March 2015, involving the supply of equipment to move ore between shafts, and plans are in place to award further contracts in 2016, resulting in the target of R200 million likely being far exceeded. These contracts will bring additional benefits to the community through job creation and other multiplier effects.

Other long-term opportunities are currently being identified that will not only achieve the committed amount during the stipulated period, but will also bring additional benefits to the community through job creation and other multiplier effects.

**Community trusts**

During 2014, two separate community trusts were established. Each trust holds 0.9% of the ordinary shares in Lonplats, and is entitled to dividend payments, which were mandated for upliftment projects in the respective communities. To the extent that no dividend is payable in a particular year, each community trust will be entitled to a minimum annual payment of R5 million, escalating in line with the consumer price index each year.

While these transactions have been successfully concluded, there has been a challenge to the transaction by a faction within the Bapo community. Lonmin continues engaging with all stakeholders to resolve the issues of concern.

**Preferential procurement**

The preferential procurement strategy provides opportunities to empowered companies in terms of broad-based black economic empowerment (B-BBEE), female representation and, where possible, focuses on candidates within the GLC.

The Mining Charter has set targets of procuring 70% of services, 50% of consumable goods and 40% of capital goods from HDSA-owned suppliers.

The procurement department works closely with the enterprise development department to develop local suppliers that show potential. The biggest challenge we face is increasing the number of black women-owned suppliers in our vendor base, an area that we are making an effort to address through various enterprise development initiatives and projects, such as the manufacturing of personal protective equipment.
Approach to reporting and corporate profile
Letter from the Chief Executive Officer
Our strategy and Farlam Commission of Inquiry Report
Employee relations
Lonmin Plc
Sustainable development report

Other enterprise development projects in which Lonmin is involved include:

**Retswelapele Construction**
The company was established in 2007 and received ad hoc work around Lonmin, such as plumbing and installation of pole lights. During 2015, they were awarded a contract to construct a maternity ward and to build additional blocks at a school in Wonderkop.

**Phakwe Mining**
Phakwe Mining was founded in 2010 and is a black-owned company from the Bapo ba Mogale community that employs 290 people and generates R34 million in annual turnover. Phakwe Mining Services provides underground cleaning, hauling, maintenance and vamping to Lonmin.

**Technical mentorship**
Four GLC entrepreneurs within SBU are currently in mentorship relationships that provide the opportunity for skills transfer from expert individuals and suppliers to GLC entrepreneurs.

**SEDA Platinum Incubator (SPI) – Jewellery Collaboration**
During 2015, Lonmin advanced its collaboration with SEDA Platinum Incubator (SPI) to assist in the launch of a range of corporate gifts to be made in platinum. The incubatees and trainees participated in a design competition and the top five designs are earmarked for production during 2016.

Located in Rustenburg, North West Province, the SPI is South Africa’s first platinum beneficiation incubator for the design and manufacture of jewellery. It is the only dedicated incubator for PGMs beneficiation in South Africa. Its primary aim is to facilitate skills transfer and ensure upliftment of historically disadvantaged South Africans. This is done through their involvement in platinum beneficiation activities, mainly jewellery manufacturing.

**Employee volunteering and donations**
Employees volunteer their time each year to support various community programmes.


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### Procurement with locally-based suppliers

<table>
<thead>
<tr>
<th>Locally-based suppliers</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value spent on local procurement</td>
<td>R1.8 billion</td>
<td>R2.8 billion</td>
</tr>
<tr>
<td>Percentage of discretionary expenditure</td>
<td>81%</td>
<td>81%</td>
</tr>
<tr>
<td>Amount spent with suppliers based within GLC</td>
<td>R427 million</td>
<td>R634 million</td>
</tr>
<tr>
<td>Number of new suppliers registered as vendors from GLC</td>
<td>423</td>
<td>161</td>
</tr>
</tbody>
</table>

### Total spend with new vendors created in 2015

<table>
<thead>
<tr>
<th>Vendors</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black-owned</td>
<td>14.6</td>
<td>7.7</td>
</tr>
<tr>
<td>Non-BEE</td>
<td>16.8</td>
<td>61.3</td>
</tr>
<tr>
<td>Other</td>
<td>0.8</td>
<td>7.3</td>
</tr>
</tbody>
</table>

### Enterprise development

Increasing the pool of sustainable BEE suppliers is essential for Lonmin to achieve further improvements in its preferential procurement performance. To achieve this goal and to offer a solution for members of the GLC that want to do business with the Company, Lonmin established a small business incubation centre in partnership with Shanduka Black Umbrellas (SBU). SBU focuses on promoting entrepreneurship as a desirable economic path and nurturing 100% black-owned businesses in the critical first three years of existence. The programme includes training, mentorship, business plan development and access to practical resources, including office space at the Lonmin community office and IT resources. SBU works closely with Lonmin’s procurement department to understand the procurement needs of the Company and to develop a database of robust, accredited vendors.

This year, the Mooinooi incubator received several awards in a competition with its counterparts. GLC companies Phakwe Mining (Best in Job Creation) and Modi Mining (Most Profitable Business) received awards and the Mooinooi incubator was recognised as the best Shanduka incubator in South Africa.

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

- Businesses in full incubation: 43
- Permanent jobs created: 279
- Temporary jobs created: 25
Social licence to operate

An ore transport contract was finalised between Lonmin and the Bapo ba Mogale traditional community.

**Human rights**

Lonmin is committed to respecting the human rights of those who have interests in and are affected by the Company’s operations. This national and international commitment is contained in our Human Rights Policy, which was updated this year following a periodical review. Along with human rights contained in the Constitution of the Republic of South Africa, the policy has regard to the International Bill of Human Rights, which includes the United Nations Universal Declaration of Human Rights and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. The policy is also informed by the United Nations Guiding Principles on Business and Human Rights, which are a global expectation of all business enterprises for managing human rights risks linked to their business activities. The commitments contained in the Policy have been incorporated into the Lonmin Sustainable Development Standards.

With the support of the Executive Committee, the Chief Executive Officer is ultimately accountable for human rights matters across all operations.

Human rights training forms part of the induction programme for all employees and contractors, including mandatory annual refresher training. Training informs attendees of their rights, expectations, standards and mechanisms to report grievances or incidents, which include a toll-free ethics hotline service.

Incidents of human rights violations are recorded and investigated where possible.

**Human rights performance**

Incidents of human rights violations are recorded and followed up wherever possible. There has been a marked improvement in reported incidents on Human Rights violations. There were four cases of intimidation reported in 2015 (2014: 16) and no cases of discrimination (2014: 1). There were no incidents of forced or child labour at the operations.

**Protecting human rights through supply chain**

Human rights conditions are included in the Lonmin general terms and conditions of contract, which are attached to all tenders, requests for quotation, vendor applications, contracts and orders. New suppliers are screened when registering on the vendor database. Compliance audits are conducted on request from the operations. This year, 11 vendor contracts were terminated due to unethical behaviour.

**Human rights and security**

In the past three years, the Company has overcome various challenges, particularly in the area of security on the property. We revised our security procedures in early 2014, to align with international best practice with the implementation of a Security Risk Management Policy and Security Code of Conduct.
Material focus area: Environment

84 – Context
86 – Key stakeholders
87 – Risks and opportunities
89 – Accountability and governance
90 – Approach and performance
Material focus area: Environment
Managing environmental impacts and opportunities

Context

Our strategic pillar of operational excellence incorporates a commitment to minimising the environmental impact of our operations. We share global concern for environmental degradation and resource scarcity as we are dependent on these resources to operate. Due to the nature of our business, our operations have an environmental impact that needs to be reduced, mitigated or remediated. This includes our responsibility to minimise our environmental footprint by adopting cleaner technologies, and to improve the efficiency with which we use input resources such as energy and water.

There is an increased global focus on reducing carbon emissions with the 21st Conference of Parties (COP21) that was held in Paris and focused on the issues of global warming. Intensive users of energy are likely to be pushed to find creative ways to improve energy efficiency and to manage their carbon footprint cost effectively. For the platinum industry, this is both a challenge and an opportunity. Despite the energy-intensive nature of its primary production, PGMs play an important role in reducing pollutants from the combustion of fuel through catalytic converter technology, among others.

Our regulatory environmental obligations are tied to our licence to operate and defined by the range of legislation that applies to our industry. Our environmental strategy goes further to entrench a proactive approach to managing our long-term impact on our host communities and the natural environment around our operations. To this end, we participate in various research and development initiatives to improve our scientific understanding through continuous improvement for sustainable mining.

Our environmental strategy has four pillars:
- Maintaining our licence to operate
- Resource management and use
- Minimising environmental footprint and impact for sustainable closure
- Stakeholder relations

Water

Community protests over service delivery and the severe impact of local water infrastructure failures during 2015 emphasise the seriousness of the potential water crisis South Africa faces. We are reliant on water to operate our business, and it is an increasingly scarce resource. Dry conditions and municipal potable water supply challenges underscore the material importance of managing this resource efficiently.

Water is needed to lubricate drill bits and for cooling purposes in underground mining, and is used extensively in the Group’s processing plants.

Electricity

South Africa’s power utility, Eskom, continued its load-shedding programme during 2015, requiring consumers to reduce their electricity consumption at short notice. Lonmin is an Eskom premium user and has agreements in place with the energy provider that include predetermined warnings requesting load curtailing to determine how we can reduce electricity use while ensuring the safety of our employees. A remaining concern is the planned future tariff hikes that will have an impact on the affordability of electricity and Company sustainability.
This chapter provides an overview of the main areas of material environmental matters, how these are managed, monitored and, where possible, mitigated. The programmes discussed are predominantly situated in the North West Province near Marikana, where the majority of Lonmin’s operations are located.

**Waste**

There were changes to environmental regulations published and to regulations regarding the planning and management of residue stockpiles and residue deposits from a prospecting, mining, exploration or production operation. These developments have significantly changed how residue deposits and stockpiles are planned for and managed, due to the reclassification of residue deposits and stockpiles as hazardous waste. This will add a significant administrative and cost burden to the Company, as mine residue deposits and stockpiles will need a composite landfill liner, which will double the cost of the design and construction of these facilities, particularly for tailings facilities. Furthermore, size, weight, reuse options, and vehicle accessibility on site have not been accounted for within these regulations.

**Air quality**

Air quality is managed in terms of the atmospheric emissions licences at our smelter, base metals refinery, precious metals refinery and laboratory. Significant capital investment will be required to ensure the Process Operation meets the 2020 minimum emissions limits set by the National Environmental Management: Air Quality Act, 39 of 2004. Extensive ambient and source monitoring networks are in place to monitor performance and to identify areas of concern to mitigate adverse impacts.

**Climate change**

Lonmin recognises the importance of reducing greenhouse gas emissions and is committed to managing its carbon footprint responsibly. The Company’s Climate Change Response Strategy and Risk Management Policy incorporate the risks climate change poses to our operations and industry. Mechanisms aimed at reducing carbon emissions – such as carbon taxes – must be weighed carefully against cost and competitiveness considerations to arrive at a balanced and sustainable solution.

**Biodiversity**

Understanding ecological goods and services formed the basis in establishing environmental management requirements, risk planning and liability management to strive for our vision of Zero Harm. Biodiversity in and around our operations is protected and managed through our biodiversity action plans and compliance-related projects. Biodiversity is a key concern for Lonmin and many stakeholders, and we report on it accordingly.

The strike in 2014 affected the comparability of data with the prior year. While there was limited to no production during the five months of the strike, core equipment for ventilation and water pumps remained operational and maintenance took place. Environmental management continued unabated to ensure compliance with legal requirements.
Key stakeholders

Government and regulators

Government sets environmental regulatory standards and monitors compliance with these to achieve equitable access to natural resources and the responsible management of the mining industry’s direct and indirect environmental impacts. The DMR is responsible for overseeing the mining industry of South Africa and the extraction of the country’s mineral resources, working closely with the Water and Sanitation, and Environmental Affairs and Energy departments. Engagements are undertaken at national, provincial and local levels.

Community

Lonmin shares environmental resources with the communities in which it operates and engages to understand the concerns of community members. The Company has an official environmental complaints number where concerns can be logged, and the precious metal refinery has a facility for physically logging concerns.

Industry bodies and associations

The Company works closely with industry bodies and associations, including Business Unity South Africa (BUSA), the National Business Institute (NBI) and the South African Chamber of Mines to ensure that the Company’s stance on environmental matters is represented and registered. Through our memberships with the ICMM and the Chamber of Mines, the Company is indirectly involved in advocacy on environmental issues such as the feasibility of renewable energy programmes to supplement the national grid, carbon tax and climate change.
Risks and opportunities

The information below discusses the risks to sustainability that were identified, with particular reference to the environment, and indicates where to find detail on how Lonmin manages and mitigates these risks. Further detail on the risk management approach can be found on page 25 of this report and on page 26 of the Annual Report and Accounts 2015. Various opportunities identified in the environmental sphere are also highlighted in this chapter.

Access to secure energy and water

Recent increases in electricity tariffs, the Company’s inability to reduce this cost any further, its reliance on sole state-owned suppliers along with unreliable electricity supply have severely compromised Lonmin’s operations and margins. Rolling power outages, voltage imbalances or reductions in availability may restrict production or could require Lonmin to shut down production. A more stable electricity environment, in terms of both pricing and supply, is therefore critical. Water utilisation has also been challenging; both from an infrastructure point of view as well as availability. Lonmin’s smelting, mining and refining activities require significant amounts of water, and shifting rainfall patterns and increasing demands on the local water supply have, and will in the future, caused water shortages.

Supply constraints in respect of energy or water could impact our ability to operate effectively and meet our production targets. Furthermore, cost increases in respect of these utilities impact our margins. Water availability is becoming a critical consideration for the survival of any business and remains a basic human need. Government must find the balance between authorising water use, supplying water and delivering services as required by communities; however, this is challenging, especially due to informal settlements and pressures from development.

Opportunities and mitigation

The Company recognises that the national power utility is experiencing challenges in terms of supplying energy to meet national demand. As part of ensuring optimal electricity usage, Lonmin conducts monthly and daily electricity monitoring and reporting. Lonmin is a member of the Eskom energy-intensive user groups. Additional initiatives to ensure optimal usage is the Electricity Conservation Programme and load-shedding contractual agreements to manage supply-side constraints. As part of ensuring appropriate continuity during an outage, the Company has implemented risk-based scenario planning based on available Eskom capacity. From a water optimisation perspective, the Company has implemented and monitors water conservation and demand management initiatives.

Lonmin engages with communities and other stakeholders and seeks opportunities for environmental management that will be sustainable. The Company supports the sustainability of local communities through investing in critical water and sewage infrastructure. Improvements in water management have increased the recycling of water, added inflows from dewatering and reduced the dependence on municipal supply. We work closely with Eskom to manage our power use responsibly and avoid outages.

Further reading

- Water management (pages 90 – 92)
- Energy security and efficiency (pages 92 – 94)
Increasing environmental regulatory requirements, legislation and amendments

Increasing environmental legislation for mining and processing requires careful understanding and management to ensure compliance and avoid unnecessary costs. Various regulatory requirements must be complied with and it is therefore critical that these are understood and that appropriate measures are implemented to ensure compliance.

Lonmin and other mining companies continue to engage with the South African government and the broader community in order to raise awareness of the risks associated with resource nationalism. In addition, issues of concern to stakeholders are being addressed in the government-driven Project Phakisa.

Opportunities and mitigation

By taking a proactive approach to our environmental obligations, we can demonstrate good stewardship and build our relationships with communities and regulators. There are opportunities to work more closely with industry partners and government so that environmental matters are sustainably managed on both a regional and national basis.

Further reading

- Accountability and governance (page 89)
- Waste management (page 94 – 97)
- Climate change (pages 100 – 103)

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1 This risk is not part of Lonmin’s principal risks, but is important in the context of our environmental management.
Accountability and governance

Ultimate accountability for the Company’s environmental performance resides with the Board, through the Safety, Health and Environment Committee, and the Exco, supported by senior management at corporate and operational levels. A separate Safety, Health and Environment Committee – a subcommittee of the Exco – reviews SHE performance monthly to identify critical concerns and opportunities, and to monitor operational safety, health and environmental performance.

Environmental management and compliance are managed by the Lonmin environmental department, which also monitors environmental performance. Operational compliance and accountability are driven by line management at the operational areas, supported by the operational environmental departments. The Company takes a precautionary approach to environmental management, aiming for best practice and continual improvement. To support this approach, service level agreements with operational areas were established, that encapsulate risk management, accountability and the protection of the environment through the application and monitoring of standards, policies and procedures.

Lonmin’s approach to environmental stewardship is outlined in the Safety and Sustainable Development Policy and in the Lonmin Sustainable Development Standards. Lonmin’s Environmental Management Plan (EMP) defines the processes by which the Company will meet its environmental obligations.

The Company’s ISO 14001 environmental management system (EMS) is well managed and we have maintained our certification through annual third-party verification. The integrity of the EMS and the Company’s overall environmental performance are monitored and verified through a range of internal and external audits. These include quarterly internal KPI audits, external EMP performance assessments, water use licence audits, various permit and licence audits, Mining Charter audits, internal and external ISO 14001, and environmental legal compliance audits. Environmental incidents and complaints are logged on the ISO 14001 environmental management system registers for action and close-out. The ISO 14001 environmental management system is a self-regulatory tool that promotes the minimisation and management of potential environmental impacts.

There is a range of internal environmental indicators and targets that are reported against on a monthly basis to track performance on environmental matters. Detailed reports are provided every month to the operations, SHE and Exco Committee and the Board, and every quarter to the Board SHE Committee, which meets quarterly to review the Company’s performance on SHE matters.

External policies, frameworks and regulations

The primary Acts that apply to Lonmin’s environmental impacts are the MPRDA, the National Environmental Management Act, 107 of 1998 (the National Environmental Management Act), and the National Water Act, 36 of 1998 (the National Water Act), with numerous other relevant legislation and associated regulations. The requirements of our various mining rights include an EMP approved by the DMR.

Lonmin’s approach to environmental responsibility is also shaped by:

- the ICMM principles of sustainable development (Principle 6: Seek continual improvement of environmental performance and Principle 7: Contribute to biodiversity and integrated approaches to land use planning); and
- the UNGC (Principle 7: Businesses should support a precautionary approach to environmental challenges, Principle 8: Undertake initiatives to promote greater environmental responsibility and Principle 9: Encourage the development and diffusion of environmentally friendly technologies).


In the spirit of transparency and our commitment to following best practice reporting principles, we are committed to disclosing incidents that may have an environmental impact. Level three environmental incidents are those incidents that have a moderate impact on the environment, but are reversible within the lifetime of the operations. Lonmin had no environmental incidents above a level three in 2015. There were six level three environmental incidents this year. Three were related to water and three to emissions (five incidents occurred at Marikana and one at the PMR. All of these incidents were reported to the regulating authorities.

To gain a better understanding of our environmental programmes or incidents, please contact us. Contact details of the Head of SHE and Sustainability are provided on page 1.
Approach and performance

The following section discusses the specific approach and the 2015 performance for each material environmental area at Lonmin.

Water management

Water availability in South Africa represents a serious challenge for the country and its development. South Africa is rapidly approaching full use of all easily accessible water. The few remaining large-scale water resource development opportunities will be challenged to meet forecast demand, making delivery and supply of water costly. Water is not only a key input in Lonmin’s operations, it is an essential resource for the communities that surround us. The growth of nearby towns and settlements will see demand and pressure on bulk water infrastructure continue to grow.

Climate change also has an impact on water and thus proactive water management is required to counter its effects.

The Marikana water infrastructure network spans a distance of about 30 km, delivering water to and from the various mining and processing areas. Not only does Lonmin distribute water for operational activities, the Company also acts as a water services intermediary by distributing water to surrounding communities.

Through the Lonmin Integrated Water and Waste Management Plan (IWWMP) and the Water Conservation and Water Demand Management Strategy, Lonmin focuses on securing, optimising and avoiding contamination of ground and surface water resources. Lonmin also assesses water-related risks through its structured, multi-disciplinary risk assessment process, which covers all operations and some key suppliers, including the Rand Water utility as Lonmin’s primary water supplier.

Through the risk assessment processes, the Company realises that it has to seek ways to lower the intake of freshwater and increase the reuse of water.

Anthropogenic aquifer systems or aquifer storage and recharge (ASR) has a wide range of applications, most commonly the storage of water in the subsurface for later use. Water filters into the subsurface aquifers through infiltration basins or by injection boreholes, enabling the user to store surplus water that would otherwise be lost through evaporation from dams and rivers and/or spillages during high-flow events, and use this water in times of limited availability.

The South African government has recognised ASR as a method to enhance aquifer conditions and developed the Artificial Recharge Strategy to introduce ASR as a water management option and to provide guidance on how it can be applied in South African conditions (Department of Water Affairs, 2007). As a result, Lonmin will have guidance from government and many well-documented international case studies available as references.

The Integrated Water Balance (IWB) uses specialised software that simulates scenarios and risk assessments to enable Lonmin to make informed decisions about its water use and manage the effectiveness of the strategy. Using the latest long-term figures, the IWB assists in determining the best ways to transfer water from water-positive areas to water-deficit areas within the operations, increases understanding of water flows, improves efficiency, investigates opportunities, reduces costs, and decreases potable water consumption. It is an important tool to standardise best water practices throughout the business.

Water use is governed by the National Water Act, the Water Services Act and the National Environmental Management Act, and regulated through approved Water Use Licences. The burden to comply in all respects with the applicable legislation is significant, due to the vast area covered by the Lonmin operation and complexity of the water systems. Due to the nature of the ore and the manner in which it is processed, no acid mine drainage is generated from PGM mining and processing activities.

Lonmin manages and monitors water use through the environmental management system, and includes groundwater modelling, surface and groundwater monitoring, toxicity testing and bio-monitoring. Compliance is monitored through various auditing mechanisms.

Consequently, one of the biggest opportunities in the Bushveld Igneous Complex lies in using backfilled opencast pits that can store large volumes of water, as a source of water to the operations, using anthropogenic aquifers to support the intake of freshwater.
We established a Water Conservation and Demand Management Strategy with the view to:

- secure access to sufficient water to supply our operations and sustain our Life of Business Plan;
- optimise our freshwater consumption and use process water more efficiently; and
- minimise the contamination of ground and surface water resources around our operations, ultimately to reduce our closure liabilities.

Lonmin purchases freshwater for its Marikana and PMR operations from the Rand Water utility and Buffelspoort allocation, and our Limpopo operations draw water from regional well fields.

**Performance**

- Total water consumption for 2015 was 8,326,566 m³ (2014: 6,206,167 m³), a 34% increase on the strike-impacted prior year.
- Water efficiency was 5.8 m³/PGMoz (2014: 7.04 m³/PGMoz).

Our five-year target (to 30 September 2017) is to reduce our aggregate freshwater intake per unit of production by 15% from the 2012 baseline year. In 2015, against the 2012 baseline year, water efficiency improved by 9.7%, less water was used and production ounces delivered were higher, positively impacting our water efficiency.

**Water recycling and reuse**

The Lonmin Integrated Water Balance optimises water reuse and recycling through a closed loop reticulation system in the processing plants to reduce and minimise water withdrawals. The Company’s Marikana operations have seven waste water sewage treatment plants from which final effluent is used for operational processes. Through the closed reticulation system, 13.4 million m³ (2014: 9.5 million m³) of water was recycled and reused.

**Water emissions**

Groundwater and surface water monitoring at 11 borehole and 109 surface monitoring sites measures water quality at the operations. Water quality is compared to SANS 241 Standards for drinking water and Water Use Licence parameters. Lonmin is committed to protecting water quality through our water conservation and demand management strategy aligned to ensure water distribution across the operation to minimise the risk of discharge – in line with the conditions of our Water Use Licences. Preventative and management procedures are in place for discharges and monitoring equipment is placed at risk areas to measure the volume of discharges, should they occur.

Any discharge that occurs is reported to the Department of Water and Sanitation. Water samples are taken at source and if a discharge enters a stream, upstream and downstream samples are also taken to determine the impacts on water quality. Internally, a flash report is generated and, based on our risk ranking tables, a level three incident is reported based on a combination of volume, quality, impact on the environment and legal requirements. A full investigation is undertaken and action plans put in place to reduce discharges. The Water Conservation and Water Demand Management Strategy and Integrated Waste Management Plan (IWMP) allow maximum water reuse, which reduces the amount of water purchased from Rand Water and reduces discharges into the environment.

Three level three water discharge incidents occurred during 2015 (2014: eight):

- A discharge on 28 November 2014 of final treated effluent from the K3 Waste Water Treatment Works into the Crocodile West Catchment Area.
- A discharge on 4 January 2015 of process water from the Rowland Corner Dam into the Crocodile West Catchment Area.
- A sewage spill on 6 September 2015 as a result of vandalism and blockage of a manhole in the Khalmatwana settlement.

The volume of all three discharges is estimated to be 57.5 m³. The final effluent from the K3 Waste Water Treatment Works and the discharge from the Rowland Corner Dam had limited impact on the receiving environment due to the low volume of the discharge. Sadly, the vandalism of the manhole resulted in sewage discharge reaching the Midderspruit and Kareespruit; the results of the analysis performed indicated that the water quality is poor. Action plans were implemented to ensure early warning when manholes are vandalised to prevent similar incidents. None of our discharges reached or had an impact on any biodiversity-sensitive or protected water bodies.

The reduction in water discharges compared to last year is due to differences in rainfall and production levels, where 2015 had less rainfall and the reduced production in 2014 resulted in less water being recycled, causing dams to overflow. We have also commenced with phased implementation of an integrated water balance project.
Water and the community

Responsible stewardship of scarce water resources has a direct impact on the GLC. The Company partners with local municipalities to find solutions for community water sources, including enabling and aligning local economic development in support of water infrastructure creation.

Bulk water infrastructure for the Wonderkop/Nkaneng area was built during 2015. The municipalities use Lonmin’s bulk infrastructure to supply water to the communities of Segwaelane, Oustad, Wonderkop, Marikana and Mooinooi, with Lonmin playing only an intermediary role. To support the local municipalities and communities further, Lonmin treats 20 megalitres (ML) of waste water from communities per day, through two waste water treatment plants and tanker discharge points. The Company also provides maintenance support to the municipality services and will remove blockages, when notified.

Water recycling and discharge incidents

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume of water recycled and reused (million m³)</td>
<td>27</td>
<td>31</td>
<td>9.5¹</td>
<td>13.4</td>
</tr>
<tr>
<td>Water discharge incidents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discharge incidents reported and investigated (number)</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>3</td>
</tr>
</tbody>
</table>

Energy security and efficiency

Energy, primarily in the form of electricity, is a critical input for our operations. Electricity is used to power surface and underground ventilation fans, dewatering pumps, material handling equipment, smelters and winder plants. Therefore, supply interruptions can have a negative effect on our ability to achieve process efficiencies in our operations, and on the safety of our employees underground.

Electricity constitutes approximately 7% of operating cost and the price of electricity is expected to increase well ahead of inflation for the foreseeable future. Energy efficiency initiatives therefore not only contribute to improving our carbon footprint, but also have a direct impact on cost efficiencies.

Lonmin is a member of the energy-intensive user group, which regularly communicates with Eskom regarding power interruptions and supply constraints. The depth of our mines does not require air refrigeration for mining operations and we can manage notified interruptions to minimise the impact on production. We achieve this by shutting down concentrator streams so that mining production and smelter power can be kept stable.

Lonmin’s energy management strategy is based on the SANS 50001 standard. Our operations work closely with Eskom to manage company electricity demand in accordance with agreed levels.

Energy efficiency projects are centrally managed, tracked and reported and there is an annual capital budget in place to pursue strategic new technologies and various research and development initiatives. Electricity consumption targets are set per area and reported on monthly, with specific energy-efficiency projects launched to reduce electricity consumption.

¹ In order to evaluate the reuse and recycling figures, the utilisation of a simulation model is undertaken. The dynamic model is frequently updated and refined to align to production, and actual water consumption once it becomes available. The model was refined as part of continuous improvement in 2015 to improve comparability between the 2014 year and 2015 year; we are restating the 2014 figure to be 9.5 million m³.
Performance

Energy consumption and efficiency

Our 30 September 2017 target is to improve our aggregate energy consumption per unit of production by 8% from the 2012 baseline. We report energy efficiency performance in terms of MWh per PGMoz produced and in kWh per tonne mined. Energy consumed increased to 6,783 TJ, and from the 2012 baseline we have seen an increase of 3.8%. However, our energy efficiency compared to the 2012 baseline has improved by 1.8%. Year-on-year, our energy efficiency improved by 12%, but the impact of the 2014 strike needs to be taken into account. Our operations have a high baseload, meaning that even when there is no production, running of essential equipment and services still consumes a significant amount of energy. Achieving our energy efficiency targets requires that we achieve our production targets.

Existing energy efficiency targets will be reviewed to ensure these are achievable in the light of the new production profiles linked to the recently announced shaft closures.

Energy efficiency projects

During 2015, Lonmin energy efficiency projects included:

- Completing the roll-out of 290 new 45 kW energy-efficient ventilation fans at all shafts.
- Investigating optimisation of the compressed air network in our mines, which is progressing well, with support from Eskom.
- Rolling out energy-efficient lights underground.
- Retrofitting various surface areas with energy-efficient lights and day/night switches where possible.
- Optimising the control of the main surface ventilation fans, which resulted in a 3,352 kWh saving.

The fuel cell project at the precious metals refinery is on hold for now as we continue seeking funding to make the project viable. However, we continue supporting fuel cell development as it is an important product stewardship initiative. To demonstrate our support, we have co-sponsored the launch event of the Chamber of Mines’ 100 kW fuel cell that runs on platinum and natural gas, which will provide baseload power to their building in Johannesburg.
The improvement in energy efficiency was driven by the decrease in opencast mining combined with the increased PGM production and the success of many initiatives in the area.

Energy profile 2015 (2014) (%)

<table>
<thead>
<tr>
<th></th>
<th>Electricity (indirect)</th>
<th>Fuels (non-renewables)</th>
<th>Gas</th>
<th>Coal</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.07 (4.75)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.59 (0.53)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.21 (9.67)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>86.13 (85.05)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Savings per energy-efficient technology (2015)

<table>
<thead>
<tr>
<th>Technology</th>
<th>R million</th>
<th>MWh saved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compressed air</td>
<td>17.28</td>
<td>28,122</td>
</tr>
<tr>
<td>Ventilation</td>
<td>25.49</td>
<td>36,123</td>
</tr>
<tr>
<td>Lighting</td>
<td>1.37</td>
<td>1,966</td>
</tr>
</tbody>
</table>

Solar plant update

The environmental authorisation for a solar plant capable of delivering 1 MW of power was issued, and on-site generation at the main offices at the operations in Marikana will be trialled.

Waste management

Mining, processing and refining of metals generate extensive amounts of general and hazardous waste that can impact the natural environment and surrounding communities if not managed properly. Lonmin is committed to minimising the waste it generates through preventing and reducing waste production, and through recycling and reuse wherever possible. Where waste is treated and/or disposed of, we do so responsibly and in accordance with the relevant legislation. We prioritise the identification of alternatives to disposal to landfill, whenever possible, to reduce our environmental footprint, minimise costs and adhere to legal requirements.
**2015 highlights**

- Waste separation projects were rolled out at various business units.
- Waste recycling projects rolled out at processing plants to recycle paper, glass, plastic, cardboard and tin cans.
- An e-waste collection system was established at the information management department and process operations.
- The Lonmin Waste Management Standard was developed, defining the Company’s approach, ensuring compliance and reducing environmental impact.
- A community waste swap shop was initiated at Wonderkop.

**Performance**

**General waste**

General waste is separated on-site at plants, shafts and offices into domestic waste, mixed recyclables, wood, steel and rubber. Waste that can be reused, refurbished and recycled is taken to internal transfer areas such as the salvage yards (Marikana and Limpopo operations) or the waste storage area at the PMR, where independent parties collect the waste for reuse and recycling. The Company’s general waste goes to the licensed Mooinooi GSB landfill site at the Marikana operation, while the other operations use the nearest permitted municipal landfill sites. Specialist external waste concentrators are used for the collection, the internal and external transportation of waste and the operation of the Mooinooi landfill site. Monthly meetings are held with these contractors to ensure compliance with contract and legal requirements.

**Performance**

- 16,595 tonnes of general waste generated, increased 57% compared to 2014 due to the limited waste generated during the five-month strike period in 2014.
- 8,585 tonnes of general waste to landfill in 2015.
- 48% of general waste recycled or reused during the year:
  - 6,498 tonnes recycled
  - 1,392 tonnes reused
  - 120 tonnes composted.

Our 30 September 2017 target is to reduce general waste to landfill by 5%, from the 2012 baseline year. General waste to landfill decreased by 13.6% in 2015 compared to the 2012 baseline year.

**Hazardous waste**

Calcium sulphite (CaSO₃) is a residue generated from the capture and treatment of sulphur dioxide (SO₂) emissions from the smelter. The capture and generation are directly linked – the more SO₂ captured, the more CaSO₃ is generated. Extensive research was undertaken regarding cleaner production technologies for the generation of CaSO₃, where it is hoped that a product can be generated from this process rather than a waste stream. It is the most significant component of Lonmin’s hazardous waste stream and is disposed of at a licensed waste disposal site.

In 2013, Lonmin temporarily closed and capped the CaSO₃ dams on site and installed a seepage drainage collection system, to capture residual seepage to prevent environmental impacts. Our preferred long-term option is to rework and convert the estimated 100,000 tonnes of stored CaSO₃ in these dams into gypsum for the production of cement and other building products. However, the technical and economic viability of this option still has to be confirmed. If this is not possible, responsible rehabilitation and closure of the CaSO₃ dam will be incorporated into the permanent closure design at a later stage.

The PMR produces acid and alkaline liquid waste streams. Our aim is to have a closed-loop system, with much of our research going into reusing the sizeable water component within this waste stream by recycling this back into the process plants, replacing municipal water input. Currently, offsite treatment and disposal to landfill are the waste management options for this waste stream. Another closed-loop system project, which will promote our aim of zero waste disposal to landfill, is the PMR waste incinerator. This project was initiated to allow for the application of the waste hierarchy principle promoting reduced disposal to landfill, to manage the loss of PGMs through waste streams going off site, and to reduce the theft risk of PGMs.

Our aim is to reduce hazardous waste production through continuing research and development into cleaner technology use, generating non-hazardous products and waste, reducing toxicity through treatment technologies or reusing and recycling hazardous waste materials. These include ash waste as an input into brickmaking and e-waste refurbishment.

All of Lonmin’s hazardous waste streams were analysed and classified according to the new Waste Management and Classification Regulations and associated Norms and Standards. We are in the process of developing safety data sheets for various waste streams to provide the transporter and end user with information in terms of responsible handling and management of these waste streams. Waste procedures are being updated to include classification status and possible additional landfill sites should these be required.

The Environmental Regulations and Amendment Act for waste management published in 2014 transferred governance of mine residue deposits and stockpiles from the MPRDA, where they were not classified as a waste, to the Waste Act, where they are classified as hazardous waste and are subject to waste licensing requirements, regulations and standards. Lonmin is engaging with the Chamber of Mines regarding the legalities and challenges in managing waste streams within the existing legal framework.
Performance

In 2015, 90,297 tonnes of hazardous waste were generated, of which:

- 86,881 tonnes sent to landfill which includes:
  - 58,166 tonnes of CaSO₃ were sent to landfill, an increase of 57% on 2014
  - 26,593 tonnes of PMR waste effluent were sent to landfill
  - 2,122 tonnes of other hazardous waste.
- 3,404 tonnes were recycled and reused.
- 12 tonnes of hazardous waste were incinerated.

CaSO₃ and PMR effluent production is linked to production, which increased in 2015 due to the strike in 2014.

Our five-year target (for 30 September 2017) is to reduce hazardous waste to landfill by 5% off the 2012 baseline year. In 2015, hazardous waste to landfill showed a 5.8% increase from the 2012 baseline year. The operation of our SO₂ control equipment reduces our atmospheric SO₂ emissions, but the process generates calcium sulphite, a hazardous waste, thus increasing our hazardous waste footprint. (Refer to page 99 – Air quality). Achieving the targeted reduction will require significant capital expenditure, which is challenging in the Company’s current constrained capital position.

Waste rock

Waste rock is generated primarily from underground workings, where non-ore-bearing rock is discarded as waste and disposed of onto waste rock stockpiles also known as mine residue stockpiles. There are also overburden waste stockpiles from our opencast pits, which are temporary facilities as the waste rock will be returned to the opencast pit during reinstatement and rehabilitation. Lonmin’s Marikana and Limpopo operations have 10 on-site waste rock dumps and continue seeking viable uses for this waste stream. Some of the finer waste rock material is supplied to a privately owned crusher plant on site, and the surrounding municipalities, private entities, the community and the South African National Roads Agency, SANRAL, also purchases waste rock for road construction. The waste rock at Limpopo is being reused by various entities and taken to a crusher plant offsite. In this way, 67,400 m³ of waste rock was reused during 2015, reducing our environmental liability and rehabilitation costs. In total, Lonmin generated 870.3 kt of waste rock during 2015 (2014: 85 kt), with the increase mainly attributable to strike-related production interruptions last year.

Tailings

There are six operational and five dormant above-ground tailings storage facilities (TSFs), which store tailings from ore being milled at the concentrators. TSFs are managed in terms of a specific internal mandatory code of practices, which are also submitted to DMR and to the Department of Water and Sanitations’ Dam Safety Office. Current TSFs are lined with a layer of clay and managed by specialist tailings contractors, who are on site continuously to monitor TSF integrity, stability and functionality. Quarterly inspections are undertaken by specialist engineers to ensure compliance. All sites are grassed on perimeter walls and the dormant tailings dams are grassed on top to reduce dust generation and erosion. In addition, the tailings dams have irrigation systems to suppress dust, and chemical dust suppressant systems are in place at TSF 6. The revised waste legislation in terms of the National Environmental Management: Waste Act preclassifies tailings as hazardous waste and imposes stringent liner requirements for new facilities, at significant cost.

In 2015, 11,636 kt of tailings were generated (2014: 6,006 kt).

Land contamination

Lonmin has compiled an internal inventory of all areas that could be contaminated, regardless of whether assessments have been conducted to confirm contamination. A phased approach to the assessments is being implemented to confirm whether these areas would require registration on the Department of Environmental Affairs’ contaminated land inventory or not. Lonmin submitted a basic assessment application to the Department of Environmental Affairs in 2012 on the remediation of contaminated land at the PMR. Lonmin is conducting further studies to implement the required remediation measures.

Due to changes to the Waste Act, the basic assessment submission was no longer valid and Lonmin had to revert to the remediation order process. Lonmin received a remediation order for this application in 2014 and is working closely with the authorities on progress and actions related to this order.

Community waste management

Lonmin’s waste management initiatives extend into local communities to address the challenge of lack of service delivery, illegal dumping and littering. The Tedcor waste collection project was established in 2012 and has been successfully operating within the GLC for the past three years, collecting waste from 12 different areas and resulting in 4,328 tonnes of waste being removed from local communities in the past year.

The Company participates in clean-up campaigns in the community and is collaborating with the Rustenburg Municipality to construct a waste transfer station. The Marikana community will benefit from this facility through improved municipal service delivery, job creation and the introduction of a waste buy-back centre, where the community will exchange valuable waste for cash for specific items.
Case study

Lonmin established a waste swop shop at the Thlapi Moruwe Primary School in Wonderkop to address a number of burning community issues, including children and families in need, littering and over-used landfill sites. The project encourages local learners from all areas in and around Wonderkop to swop glass, paper, plastic and tins for stationery, clothing, toiletries and toys. The project teaches learners that waste has a value and an impact on the environment and their health if not managed properly. Since the start of the project in April 2015, the swop shop has collected more than 10 tonnes of recyclable waste, and the community of Wonderkop and its surrounding areas are visibly cleaner.
### Summary of waste streams

<table>
<thead>
<tr>
<th>Material (tonnes)</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>General waste to landfill</td>
<td>5,460</td>
<td>8,585</td>
</tr>
<tr>
<td>Hazardous waste to landfill</td>
<td>40,097</td>
<td>86,881</td>
</tr>
<tr>
<td>General and hazardous waste incinerated</td>
<td>7.53</td>
<td>277</td>
</tr>
<tr>
<td>Hazardous waste recycled, reused and treated</td>
<td>3,915</td>
<td>3,404</td>
</tr>
<tr>
<td>Tailings (kt)</td>
<td>6,006</td>
<td>11,363</td>
</tr>
<tr>
<td>Waste rock (kt)</td>
<td>85</td>
<td>870</td>
</tr>
</tbody>
</table>

### General waste materials recycled and reused

<table>
<thead>
<tr>
<th>Recycled (tonnes)</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ferrous and non-ferrous scrap¹</td>
<td>3,581</td>
<td>4,360</td>
</tr>
<tr>
<td>Paper (and mixed domestic recyclables)</td>
<td>31</td>
<td>30</td>
</tr>
<tr>
<td>Rubber</td>
<td>8</td>
<td>1,801</td>
</tr>
<tr>
<td>Plastics</td>
<td>94</td>
<td>89</td>
</tr>
<tr>
<td>Tyres</td>
<td>25</td>
<td>219</td>
</tr>
<tr>
<td>Garden waste</td>
<td>289</td>
<td>120</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reused (tonnes)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovered steel</td>
<td>77</td>
<td>138</td>
</tr>
<tr>
<td>Food</td>
<td>23</td>
<td>33</td>
</tr>
<tr>
<td>Wood</td>
<td>990</td>
<td>1,219</td>
</tr>
<tr>
<td>Plastic</td>
<td>94</td>
<td>1</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Hazardous waste (tonnes)</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calcium sulphite (CaSO₃) sent to landfill (tonnes)</td>
<td>25,252</td>
<td>58,166</td>
</tr>
<tr>
<td>PMR effluent (tonnes)</td>
<td>13,431</td>
<td>26,593</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recycled (tonnes)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>29.7</td>
<td>70</td>
</tr>
<tr>
<td>E-waste</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>PMR effluent (acidic waste)</td>
<td>2,522</td>
<td>1,334</td>
</tr>
<tr>
<td>Batteries</td>
<td>0</td>
<td>38</td>
</tr>
<tr>
<td>Cartridges</td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reused (tonnes)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ash</td>
<td>1,361</td>
<td>1,952</td>
</tr>
</tbody>
</table>

¹ In previous reports metal liners with steel balls and concentrator scats and scrap were presented as separate line items. These amounts are not included in the total ferrous and non-ferrous scrap amount.
Air quality

Emissions from our operations can affect the ambient air quality, and we acknowledge our responsibility to continuously manage and minimise this impact. The Air Quality Act regulates air quality in South Africa and focuses on both source and impact on the ambient environment. Listed activities are required to operate with an Atmospheric Emission Licence (AEL), which governs emissions.

Air quality management is an integral component of the Environmental Management Strategy, with emissions to the atmosphere minimised through the use of appropriate technology.

Lonmin’s smelter, base metals refinery, precious metals refinery and laboratory hold approved five-year AELs, as renewed through the relevant legislative requirements. Air quality objectives and requirements are managed through the Environmental Management Programmes incorporated into the ISO 14001 environmental management system. Emissions and ambient air quality monitoring is an integral part of the monitoring and management component of the system. Internal and external audits, emissions verification audits, emissions reduction management plans and the independent ISO 14001 certification audits are components of our management tools.

South African regulations, published in 2010, require that minimum emission standards are reached by 2015 and then subsequently reduced by 2020. Achievement to the year 2020 standards requires significant capital investment to ensure the emissions are reduced to the relevant minimum emission standards for the activity and the pollutant. Feasibility studies are in place to identify and research the appropriate technology that would provide the most sustainable solution to meet these requirements. The Air Quality Act makes provision to apply for the postponement of the 2020 standards.

Performance

Emissions management

Our principal atmospheric emission is sulphur dioxide (SO2), generated through smelting and converting activities at the smelter. Air pollution control equipment is maintained to minimise SO2 emissions released into the atmosphere. The fugitive capture system is fully operational and a positive trend was noted on the impact of ambient ground level concentration through various modelling scenarios. The chemical process used to remove the SO2 generates calcium sulphite (CaSO3) as a product, which is disposed of as a hazardous waste stream. The Company continually researches alternative technology that generates a by-product rather than a waste stream.

The PMR uses various chemicals in its processes to extract and refine PGMs and as a result the following gases are emitted from various refining activities: Cl2, HCl, NH3, particulate matter, NOx and SO2. A series of air pollution control equipment is in place to scrub and control emissions of these gases prior to release to the main stack. The waste effluent generated from the scrubbers is stored in the effluent tanks and removed by a service provider to a landfill site. The PMR is currently investing in research and development projects to reduce effluent, beneficiate waste, and recover and recycle water back to the process by 2020.

Performance

• SO2 emissions averaged 11.2 tonnes/day, which is below the permit limit of 16.5 tonnes/day for the smelter operations. The increase compared to 2014 is attributed to the increase in matte produced from the smelter in 2015, given that 2014 saw a decrease in production as a result of the protracted strike.
• Yearly average SO2 concentration for the concrete stack was 1,820 mg/Nm3 (2014: 724 mg/Nm3) and for the Sulphur Fixation Plant stack was 1,372 mg/Nm3 for the smelter operations.
• Renewal applications of the BMR, Lab and the Smelter AELs were approved by relevant licensing authorities.
**Total suspended particles (TSPs)**

TSPs, including dust, are generated from wind erosion of tailings dams, stacks, general mining activities such as drilling and blasting, materials handling, crushing and screening and from vehicle movement on paved and unpaved roads.

Lonmin manages TSPs through various dust suppression measures that include vegetation on the sidewalls of all tailings dams and surfaces of dormant tailings dams; chemical and water suppression on the surfaces of operational tailings dams and unpaved roads (grey water is recycled and reused in the process); sweeping of tarred/surfaced roads; and suppression systems at materials handling and crushing facilities. Air pollution control equipment is in place for the various processing activities to minimise particulate matter emissions from these sources.

During 2015, particulate matter management projects included:

- a new baghouse at Rowland Concentrator;
- a chute over the conveyor belt at Merensky Concentrator;
- commissioning of a pod irrigation system for K4 tailings dam; and
- feasibility studies conducted to implement a chemical dust suppressant dosing system at Tailings Dam 6 to replace the use of water trucks.

Ambient dust monitoring is undertaken in and around our operations, with fallout monitored on a monthly basis against both residential and non-residential dust fallout regulations. Sites located to monitor the impact from our tailing facilities continue, indicating the positive performance of our suppression measures.

Other emissions, including those classified as ozone-depleting substances (ODS), persistent organic pollutants, volatile organic compounds and hazardous emissions are present at our operations, although to a significantly lesser extent. In terms of our ODS programme, we have ensured no new purchase on these substances through our systems management in procurement.

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**Climate change**

“At Lonmin climate change is a topic close to our hearts. Not just because we are committed to mitigating the impact of our own carbon footprint and adapting to climate change through the use of new technologies but because what we produce is part of the solution.”

Ben Magara
Chief Executive Officer, NBI Position Paper on Climate Change

Climate change poses risks and opportunities to our operations and the industry from both a physical and regulatory perspective. Physical risks include extreme weather events that could lead to operational disruptions, water discharges, increased operating costs and negative effects on local communities and the Company’s upstream and downstream supply chain. Changes in climatic patterns could increase heat and vector-borne diseases, increase water scarcity and result in a loss in biodiversity and increased operating costs. Regulatory risk arises primarily from the impending implementation of the national carbon tax scheme in South Africa, but also from the increased direct and indirect costs of carbon regulatory mechanisms, emissions standards and border tax adjustments. Climate change also raises the potential for increased reputational and litigation risk if carbon emissions are not managed responsibly.

The most significant source of greenhouse gas (GHG) emissions is the indirect emissions (scope 2) generated from use of electricity from a predominately coal-based power generation system. Lonmin’s main initiatives to reduce GHG emissions relate to energy efficiency projects through the Energy Management Strategy, which is certified in terms of SANS 5001.

The Company voluntarily discloses its GHG emissions and climate change matters through the CDP and has set targets for both energy and GHG emissions. The Chairman of the Board attended the Business and Climate Change Summit in Paris this year to facilitate the involvement of business, with the intention of encouraging meaningful progress and binding commitments from governments at the COP21 session.

The platinum industry plays an important role in managing GHG emissions through the role of PGMs in technology, such as fuel cells.
The 46% increase in the Company’s carbon footprint in 2015, compared to 2014, is distorted by the strike in 2014, which resulted in limited to no production for five months. For the same reason, the improvement in GHG intensity, which is directly linked to production, is also not comparable (a decrease of 14% year-on-year).

**Carbon tax**

Carbon tax is proposed as an economic instrument to move South Africa to a cleaner and greener economy. Lonmin fully understands our carbon footprint and the potential carbon tax to be attributed to our business. The carbon tax regime as currently proposed will affect Lonmin in two ways:

- As a direct cost of carbon tax on scope 1 emissions.
- As a pass-through cost from Eskom, which could amount to an increase of more than 7% in the year of inception, over and above any other electricity price increases that have been planned.

Lonmin recognises that a transition to a low-carbon economy is under way, that GHG emission reduction is necessary, that the risks have to be managed, and that opportunities should be implemented within a sustainable framework. We remain concerned above the implications carbon tax will have on costs and global competitiveness and add our voice to the debate, urging that the final mechanism strikes a reasonable balance between the ambitious and the achievable to ensure a sustainable transition.

The National Treasury has published the Carbon Tax Bill for public comment. The bill was published on the National Treasury’s website on 2 November 2015 and the comment period ended 15 December 2015.

**Meeting reduction targets**

Our target is to reduce scope 1 and 2 GHG emissions by 4% by 2017 from a 2012 baseline year. In 2015, GHG tonnes of CO\textsubscript{2} increased by 11.8% against the 2012 baseline for scope 1 and 2 emissions. GHG efficiency has improved by 14% from 1.4 tCO\textsubscript{2e}/PGMoz in 2014 to 1.2 tCO\textsubscript{2e}/PGMoz in 2015. The year-on-year comparison is distorted by the strike in 2014, which resulted in limited to no production for five months. In total, Lonmin emitted 1,758 ktCO\textsubscript{2e} in 2015.
Material focus area: Environment continued

<table>
<thead>
<tr>
<th>GHG emission category</th>
<th>Emissions 2015 (tonnes CO₂e)</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope 1:</strong> Direct emissions from operations that are owned or controlled by Lonmin:</td>
<td>84,302</td>
<td>GHG protocol: Corporate Accounting and Reporting Standard</td>
</tr>
<tr>
<td>– Mobile combustion (27,933.8 tCO₂e)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Stationary combustion (49,669 tCO₂e)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Explosives (6,314.6 tCO₂e)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Non-combustion product use (384.7 tCO₂e)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Scope 2:</strong> Energy indirect emissions from electricity:</td>
<td>1,669,489</td>
<td>GHG protocol: Corporate Accounting and Reporting Standard</td>
</tr>
<tr>
<td>– Electricity (1,669,489 tCO₂e)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Scope 3:</strong> All indirect emissions that occur outside of Lonmin, upstream and downstream:</td>
<td>3,879</td>
<td>GHG protocol: Corporate Value Chain Accounting and Reporting Standard for the reporting of scope 3 emissions</td>
</tr>
<tr>
<td>– Category 1: Purchased goods and services (64.7 tCO₂e)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Category 4: Upstream transportation and distribution: (817.3 tCO₂e)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Category 6: Business travel (1,707.9 tCO₂e)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Category 7: Employee commuting (1,288.6 tCO₂e)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total carbon footprint (tCO₂e)</strong></td>
<td>1,757,670</td>
<td></td>
</tr>
</tbody>
</table>

Detail on GHG and climate change assessment can be found in the CDP submission online at www.sd-report.lonmin.com/2015/download-manager/.
Safety and health  Social licence to operate  Relationships with government
Governance and compliance

Scope 1 GHG emissions ('000 tCO₂e)

Scope 2 GHG emissions ('000 tCO₂e)

Scope 3 GHG emissions ('000 tCO₂e)

Total GHG emissions ('000 tCO₂e)
Biodiversity and land management

Mining is classified as a threatening process for biodiversity, and the Marikana Thornveld, in which our Marikana operations lie, is listed as a ‘vulnerable’ ecosystem under the National Environmental Management: Biodiversity Act, 10 of 2004. However, none of Lonmin’s operations are located in high biodiversity-sensitive areas, although it is likely for a number of protected/threatened species to be found at Lonmin’s operations. Relocation strategies are in place to transplant protected/threatened flora and relocate faunal species such as bees and snakes, should these be encountered at operations.

Biodiversity is deemed to be a material aspect, regardless of the ecosystem vulnerability of the operational area, as rehabilitation is a key regulatory and financial requirement for the Company that is linked to annual closure liabilities and is an area of interest for stakeholder groups.

All (100%) of the mining operations have biodiversity action plans (BAPs) that were updated to align with relevant legislation, regional and national conservation plans and the Mining and Biodiversity Guidelines. Lonmin’s updated BAP for the Marikana Operations in particular, aligns our approach to biodiversity management with the ICMM Principles and their position statement on mining and protected areas, the DMR Biodiversity Guidelines and the relevant legal statutes and regulations. The Marikana BAP is now supported by software that models key parameters like the potential buffering quality of existing wetlands and associated vegetation, faunal habitats (richness and abundance), and ecological degradation, and indicates where red data and protected species were observed on site. The new BAP GIS tool allows for rapid evaluation and identification of risks to biodiversity of proposed infrastructure development management and monitoring decisions and compliance risks.

Biodiversity risks are incorporated into operational risk registers and action plans are in place to address these potential risks.

2015 highlights

- Updated the BAP for the Marikana operations, which includes a GIS management platform.
- Detailed screening of fauna and flora at all processing areas.
- Relocation of protected plant species.
- Updated the identification of red data species and protected species.
- Communication and awareness initiatives were held across the mines.
- A mass clearing of alien invasive species was initiated in collaboration with the government’s Working for Water project, the Kusuala Green and Biodiversity project and the GLC, creating 85 jobs for local community members.

Performance

Biodiversity composition

A register of protected species (Schedule 11 of the Nature Conservation Ordinance of Transvaal – No. 1 of 1983), and a list of plants and animals on the International Union for Conservation of Nature (IUCN) Red List of Threatened Species sighted at our operations over the past 10 years, and the conservation status of these species, is available online at www.sd-report.lonmin.com/2015/pdf/Supplementary_report_Biodiversity.pdf.

Heritage management

Lonmin consults with stakeholders in local communities to provide insight on heritage sites that were identified within Lonmin’s mining right area. Over 165 sites (including Iron Age sites, archaeological artefacts, graves and old building structures) have been identified around the Lonmin Marikana operations to date. A number of new graves were found in and around the Marikana mining right area during 2015. These were added to the heritage inventory and one of these sites was fenced off and demarcated to protect it, due to its proximity to our operations. A phased approach to the mitigation management plan for sites with significance rating one is being developed, which includes prioritising those sites which could potentially be impacted by mining-related activities.
Safety and health  Social licence to operate  Relationships with government  Governance and compliance

Stakeholders
Communities are contacted before significant projects are started, as per legal requirements, such as with the relocation of graves. All Environmental Impact Assessment (EIA) regulatory processes provide for community and public participation in projects at Lonmin. A comprehensive database of Interested and Affected Parties in and around Lonmin operations was developed. Lonmin also has formal environmental complaints registers at all operations, where any community members can raise their concerns regarding heritage sites or environmental issues.

Closure
Lonmin’s mine closure strategies and risk-based closure and rehabilitation assessment for the Marikana operations have identified risks for closure and address the potential impacts and risks on the available ecosystems during the operational phase of mining. Progressive rehabilitation and closure is systematically applied at the operations so as to meet the objectives of the closure strategies. The unscheduled forecast closure costs and scheduled closure costs are reviewed and assessed annually, and any shortfall in financial provision is made primarily through the issuing of bank guarantees, or transfers to the Lonmin Platinum Pollution and Rehabilitation Trust Fund.

The Marikana Closure Strategy and Risk Based Closure and Rehabilitation Assessment is being updated and consolidated into a Closure and Rehabilitation Strategy. In addition to this, the Department of Water and Sanitation (DWS) requirement for a Rehabilitation Strategy and Implementation Plan, as required by our Water Use Licence at Marikana, is being updated in alignment with the various rehabilitation plans.

Land management governance
On-site environmental officers monitor compliance with, and implementation of, rehabilitation programmes to manage land responsibly. This is supported by external audits to verify compliance with Legislation, Environmental Management Plan (EMP) Performance Assessment and ISO 14001 requirements, which consider land-related matters.

Lonmin’s Land Use and Biodiversity Standard was completed in 2015 and takes all legal and policy-related guidance on biodiversity from government into account. This standard reinforces the importance of planning for closure and rehabilitation during the operational phase.

The Environmental Drilling Standards and Protocol provides specific actions for prospecting and exploration with regard to on-site operational environmental requirements and rehabilitation. Regular inspections by on-site environmental officers are conducted to manage adherence and compliance and to ensure adequate remediation and rehabilitation has taken place at these sites.

<table>
<thead>
<tr>
<th>Land under Lonmin management</th>
<th>Hectares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total land managed</td>
<td>25,112</td>
</tr>
<tr>
<td>Total area in use for Company activities in North West, Limpopo and Gauteng</td>
<td>22,375</td>
</tr>
</tbody>
</table>
| Total area disturbed by opencast activities in North West | Merensky Reef – 244  
UG2 Reef – 482 |
| Area rehabilitated to date | 310      |
| Area disturbed not yet rehabilitated | 416     |
| Total area covered by waste rock (surface – overburden) | 150     |
| Total area covered by waste rock (from underground) | 60      |
| Total area covered by tailings | 1,075   |
Material focus area:
Relationships with government

108 – Context
109 – Engaging with government
109 – Driving compliance
110 – Government priorities
111 – Key government departments
Material focus area:
Relationships with government

Improving relationships with government

Context

Mining and beneficiation are highly regulated industries and require close interaction with a broad range of regulators. Many of the challenges facing Lonmin and the platinum industry are closely linked to the broader systemic socio-economic issues facing South Africa and cannot be solved by the Company in isolation. The needs of the local community and the priorities that Lonmin seeks to address through its SLPs are aligned with national priorities and can only be effectively achieved in collaboration with government. Maintaining a good working relationship with the South African government is important to Lonmin, not only because its operating assets are located entirely in South Africa, but also due to Lonmin’s vision of shared value.

This chapter overlaps and corresponds with the preceding four material focus chapters and highlights the need to partner with the three tiers of government to find sustainable solutions to the challenges facing the country. The three tiers of the South African government include national, provincial and local governments. While Lonmin is committed to driving sustainable change in the areas it can directly affect, the responsibility for broader change and development is shared with government, at all levels. As a regulator and socio-political leader, government creates the environment for business growth and development to thrive or die.

Employee and government relations

Our ability to build strong relationships with employees and unions is adversely impacted by shortcomings in community infrastructure and service delivery failures that negatively affect employees’ home environments. While Lonmin acknowledges its responsibility to support development in local communities and drive the solution to reasonable accommodation, improving our employees’ home environment requires a thriving profitable business and collaborative partnership with government.

The Mining Charter compels companies to assist their employees in improving living conditions. Rightfully so, this ensured that single-sex hostels were converted into family units by the end of 2014. Lonmin complied with the Mining Charter requirement and also contributed 50 hectares of serviced land to the Provincial Human Settlements Department. Government has built housing in Marikana Extension 2 and some employees from Lonmin will be beneficiaries in the leased accommodation.

Safety, health and government relations

The safety and health of our employees is one of Lonmin’s most important concerns. In recent years, Section 54 safety stoppages were imposed more frequently across the industry, more broadly applied across operations and took longer to uplift. Lonmin participates in industry-wide initiatives and is part of the mining leadership declaration agreement which aims to minimise production disruptions.

Our clinics and hospitals support government priorities in community health through various awareness and outreach initiatives, particularly in the areas of tuberculosis and HIV/AIDS. Detail on these initiatives is available in the safety and health chapter on page 58.

Social licence to operate and government relations

The MPRDA requires a five-year SLP that is approved by the DMR. The SLPs include initiatives that Lonmin has to deliver against as part of its legal and social licence to operate, and focus on transformation and socio-economic development initiatives aimed at improving socio-economic conditions of employees and communities. The detail of Lonmin’s SLP projects is provided from page 71.

Environmental matters and government relations

Lonmin’s daily activities are regulated by more than 50 environment-related licences, authorisations and permits. Building sound relationships with government supports the practical implementation of environmental policies in a spirit of collaboration and acknowledgement of the Company’s specific context and challenges. Further information on Lonmin’s legal obligations under the various environmental regulations that apply to the Company’s operations is available in the environmental chapter from page 89.

1 Local/(municipal) provincial and national.
Engaging with government

Lonmin engages with the three tiers of government at all levels of the Company, as appropriate to the nature of the engagement. For example, engagements with the DMR’s safety inspectors will involve operational safety representatives, but engagements regarding Mining Charter compliance are the responsibility of the Executive Vice-President for Human Resources and Executive Vice-President for Communications and Public Affairs.

Lonmin also engages with government through various business and industry organisations to ensure that the Company’s positions on matters of importance are represented at the correct level of responsibility.

Driving compliance

The mining industry operates within a regulatory context that includes a vast array of laws, government policies, guidelines and frameworks. Representatives from a range of government departments engage with Lonmin on a regular basis to monitor implementation and compliance with these requirements.

Review of Mining Charter obligations

All holders of mining rights in terms of the Mineral and Petroleum Resources Development Act (MPRDA) are measured against the targets set in the Revised Broad-Based Socio-economic Empowerment Charter for the South African Mining Industry, 2010 (the Revised Mining Charter). The targets support transformation and socio-economic development in the mining industry, covering nine areas. These include promoting meaningful economic partnership by HDSAs in the mining industry through ownership, employment equity, skills development, preferential procurement and enterprise development provisions. Socio-economic development is driven through provisions to improve housing and living conditions for mineworkers and promote community development. Sustainable development commitments include environmental management compliance, health and safety, and capacity and skills aspects. The Mining Charter also aims to promote local beneficiation in line with government’s mineral beneficiation strategy.

Lonmin continues to improve its performance against the targets set by the Mining Charter and submitted its annual scorecard report to the DMR for the 12 months ended 31 December 2014, as required.

The Mining Charter is scheduled to be replaced by a new Charter still to be negotiated between industry stakeholders. It is anticipated that the new Charter will be finalised in 2016. In the interim, the targets contained in the current Mining Charter continue to apply.

Social and labour plans (SLPs)

The MPRDA also requires the submission of SLPs to the DMR. The SLPs cover a five-year forecast period and include initiatives Lonmin has to deliver on as part of its legal and social licence to operate. It is drawn up in close collaboration with community and government representatives to address key challenges facing these stakeholders. Many of these projects also align with government’s social development agenda and National Development Plan (NDP) and the Integrated Development Plans from municipalities. Our SLPs focus on accelerating transformation and implementing measures to significantly improve the living conditions of our employees, host communities and major communities from where our employees originate.

Given the current economic climate, subdued market conditions and consequential downscaling of the organisation, Lonmin has commenced with the review of the current SLPs. The intended outcome of the review is to align the SLPs to the Company’s new reality by way of revising our commitments via a Section 102 application to the regulator as per the MPRDA.

Further detail on Lonmin’s SLP projects is provided from page 71.

Mining and prospecting rights

Lonmin’s primary legal licence to operate is its mining rights issued in terms of the MPRDA. The Company was granted new order mining rights for its core operations that continue to 2037 and are then renewable to 2067. The ongoing benefit of these mining rights depends on the Company complying with the requirements of the MPRDA, including continuing to substantially meet the targets set by the Revised Mining Charter.

Numerous other licences apply to various areas within our operations, such as our water use licences, and atmospheric emissions licences.

Lonmin has processes and controls in place to ensure it complies with the requirements of its operating and legal licences, and undergoes regular internal and external audits to verify this. As importantly, the Company is committed to ensuring that it retains its social licence to operate, as discussed in the initiatives described in the chapter starting on page 64.
Government priorities

Lonmin recognises that its stakeholder group encompasses more than those individuals and groups it has direct interaction with and includes broader society. The Company is committed to investing in initiatives that align with South Africa’s developmental goals to contribute to a better future for all. We engage closely with government to ensure that, as far as possible, our socio-economic development commitments align with the country’s broader overarching goals.

To fast-track the issues that have been highlighted by the National Development Plan, the government has announced Project Phakisa for mining. This is a government initiative that will accelerate the delivery of some of the development priorities for the mining industry and local communities.

The Framework Agreement for a Sustainable Mining Industry

Lonmin is a signatory to the July 2013 Framework Agreement for a Sustainable Mining Industry, also known as the Peace Accord. This agreement, signed by government, labour and business, defines the roles of each party and outlines their commitments. The Peace Accord highlights the need to improve the working and living conditions of mine workers, and accelerate transformation to redress the historical imbalances, legacies and inequalities in the mining industry.

The improvement areas outlined in the agreement are addressed through the Company’s commitment to transformation and its investment in improving accommodation and contributing to the socio-economic development of local and labour-sending communities.

The National Development Plan (NDP)

Lonmin supports the South African government’s NDP and is committed to playing its part in achieving its goals. The NDP aims to eliminate poverty and reduce inequality by 2030, prioritising employment through faster economic growth and improving the quality of education, skills development and innovation. Our socio-economic development initiatives are established after engagement with communities and government representatives to address community needs while aligning with the NDP and regional IDPs.

Local infrastructure development

Many of our community development initiatives focus on local infrastructure development. The Mining Charter requires that infrastructure development in terms of the SLP align with regional and municipal IDPs.

Beneficiation

Local beneficiation is an element of the Mining Charter scorecard and a key issue in the debate around resource nationalism. Beneficiation has been incorporated into the MPRDA Amendment Bill, which is currently the subject of Parliamentary debate. The Bill proposes that the Minister of Mineral Resources be granted a discretion to declare certain minerals as strategic, determine what percentage of strategic minerals are to be made available locally, set the developmental price at which strategic minerals are to be sold and decide the conditions applicable to export permits. While Lonmin supports the underlying intention of local beneficiation, it is important that the legislation as finally enacted effectively achieves these intentions while not undermining the competitiveness of the local mining industry. Lonmin is looking at ways to maximise the beneficiation of platinum, including the use of fuel cell technology.
Key government departments

Lonmin works with all three tiers of government – national, provincial and local – to address community challenges. Social infrastructure projects require co-ordination and alignment between local, provincial and national priorities to ensure effective delivery. Where these priorities do not align, projects are delayed and social delivery suffers.

Lonmin interacts with a range of representatives from government departments, including those listed in the table below.

**Department of Mineral Resources**

The DMR regulates South Africa’s mineral and mining resources, with the objective of ensuring their optimal use and benefits to the country’s economy. The DMR is responsible for monitoring and regulating mine safety, health and environment as well as the social performance and transformation.

**Lonmin and the Department of Mineral Resources**

- Lonmin’s legal licence to operate is regulated by the DMR.
- SLPs are submitted to the DMR for approval on a five-yearly basis.
- EMPs are a mandatory requirement to operate.
- Performance against EMPs is regularly submitted to the DMR.
- Occupational health and safety performance is regulated and monitored by the Mine Health and Safety Inspectorate.
- Transformation and empowerment performance is measured against the requirements of the Mining Charter.

**Department of Labour**

The Department of Labour regulates labour relations in South Africa, with the objective of reducing unemployment, poverty and inequality and protecting human rights.

**Lonmin and the Department of Labour**

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

**Department of Trade and Industry**

The Department of Trade and Industry is responsible for enabling structural economic transformation through the facilitation of investment in trade and enterprise development. The department administers B-BBEE.

**Lonmin and the Department of Trade and Industry**

- Promotion and support of small, medium and micro-sized enterprises (SMMEs) in the GLC.
- Promotion of beneficiation strategy.
- Promotion of transformation in the workforce.
- Procurement contracts based on B-BBEE status verification as part of the broader preferential procurement framework.
The Department of Health is tasked with ensuring all South Africans can enjoy their basic right of access to effective healthcare.

**Lonmin and the Department of Health**
- Regular monitoring and reporting against compliance requirements in the provision of occupational and primary healthcare at our clinics and hospital.
- Ongoing awareness and voluntary counselling and testing campaigns for HIV/AIDS and TB.

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

**Lonmin and the Department of Basic Education**
- Monitoring of school administration in the GLC.
- Support of school infrastructure projects.
- Provision of a daily meal to all schools in the GLC through the National School Nutrition Project (NSNP).

The Department of Environmental Affairs is responsible for the protection of the environment and conservation of natural resources, including sustainable development and the equitable distribution of the benefits derived from natural resources.

**Lonmin and the Department of Environmental Affairs**
- Environmental Impact Assessments and Environmental Management Plans are submitted for the operation of listed activities and relevant activities.
- Legal licence to operate is framed by compliance to and implementation of various environmental acts pertaining to water, waste, air, biodiversity and land.

The Department of Water and Sanitation is responsible for formulating and implementing policy governing water in South Africa. It has an overriding mandate for the provision of water services by local government.

**Lonmin and the Department of Water and Sanitation**
- Legal licence to use water operationally through the granting of a Water Use Licence.
- Integrated Water and Waste Management Plan requirements to adhere to.
- Bulk infrastructure projects as part of human settlements plan to address accommodation in the GLC.
Lonmin and the Department of Energy

- Lonmin’s energy management strategy is regulated and monitored against the Department of Energy’s Policy requirements.

Lonmin and the Department of Rural Development and Land Reform

- The BEE transaction with local communities discussed on page 78 was authorised by the Minister of Rural Development and Land Reform because all mineral rights are owned by government.
- Lonmin’s community development strategy seeks alignment with the National Development Plan.
- All development plans at local and provincial government level must find expression in the Integrated Development Plans, which we aim to achieve through our SLPs.

Lonmin and the Department of Social Development

- Several of Lonmin’s socio-economic development initiatives are delivered in co-operation with the Department of Social Development, specifically those that support orphans and vulnerable children and community health initiatives.
Governance
and compliance

Governance for sustainable development

The Company manages the environmental and social impact of its operations through corporate governance based on strong leadership and accountability from a Board level, supported by Lonmin’s corporate values and the Lonmin Code of Business Ethics.

Lonmin Plc is a company incorporated in England and Wales. It conducts very limited business activities on its own account and trades principally through its subsidiary undertakings in various jurisdictions, with material operations being based in South Africa. The Company has a premium listing on the London Stock Exchange and a secondary listing on the JSE Securities Exchange. Therefore, the Company is subject to the UK Corporate Governance Code and its supporting guidance (www.frc.org.uk).

The Lonmin Board of Directors (the Board) is the foundation of the corporate governance system and the custodian of the Company’s strategic aims, vision and values. It provides entrepreneurial leadership to management within a framework of prudent controls that enables risk to be assessed and managed appropriately. It assesses whether the necessary financial and human resources are, and will continue to be, in place to enable the Company to meet its objectives and ensure that it takes full account of safety, environmental and social factors. In support of this, a short-term incentive arrangement is in place through a balanced scorecard format to provide an incentive for delivery within the financial year across a range of strategically important areas. This includes incentives linking to the Company’s performance on safety and social responsibility matters.

At 30 September 2015, the Board consists of eight members, including the Chairman, four Non-executive Directors (of whom all are independent) and three Executive Directors. Lonmin currently has one female member on the Board and one of the Directors is a historically disadvantaged South African. Board appointments are made on merit, against objective criteria that include skills, experience and personal attributes, including independence of mind. Detailed information regarding the Board is available on pages 60 – 75 of the Annual Report and Accounts 2015. Details on how Board members are selected and their performance assessed are discussed on pages 68 – 69 of the Annual Report and Accounts 2015. In our Annual Report and Accounts 2015, we discuss and provide the details of how we communicate to our shareholders; formally report; and the details of our Annual General Meeting (AGM). (Refer to page 74 of the Annual Report and Accounts 2015).

To fulfil its role in the time available, the Board must delegate some of its duties and powers to committees. As well as the committees recommended in the UK Corporate Governance Code, the Board has established two other committees to specifically oversee safety and social responsibility matters, the SHE Committee and the SET Committee. (Refer to the Annual Report and Accounts 2015.) As with any business, power is also delegated from the Board to the Chief Executive Officer, and through him to the management team via a documented Delegation of Authority, setting out the responsibilities, decision-making and approval powers of managers at different levels of the enterprise.

More detailed information on these committees, including a full discussion of the Company’s Remuneration Policy, can be found in the committee reports in the Annual Report and Accounts 2015.

1 Lonmin had two Directors that are HDSA up until 30 June 2015 when Phuti Mayanyele retired from the Board.
The Social, Ethics and Transformation Committee
This Committee oversees the Company's strategy and actions in meeting its commitments and obligations in the areas of transformation, empowerment, and in those social and ethics matters prescribed in South African law, and ensures that the interests of all stakeholders are properly recognised. The Committee met three times during the year and the following work was undertaken by the Committee:

**Social**
- Reviewed reports on commitments made in the Social and Labour Plans and requirements of the Mining Charter and provided feedback to management.
- Reviewed strategic plans for transformation programme and remedial actions.
- Reviewed the rental cost of Company-sponsored accommodation, and how this compared to market. In-depth reviews of the housing and living conditions of our employees and our community infrastructure investment projects were undertaken, supplemented by site visits undertaken by Committee members.
- Reviewed reports on Social and Labour Plans and Mining Charter and provided feedback to management.

**Ethics**
- Reviewed a proposed development plan for reviewing and updating the Human Rights Policy.
- Reviewed and amended the Human Rights Policy and implementation plan.

**Transformation**
- Considered objections to transaction with Bapo and management proposals in respect thereto.
- Reviewed the funding and terms of the 1608 Education Trust.
- Reviewed reports on Social and Labour Plans and the Mining Charter and provided feedback to management.

**Governance, regulatory and reporting**
- Reviewed changes to the Mining Charter Scorecard.
- Reviewed changes to local and international regulations and new legislation, including Modern Slavery Act and Reports on Payments to Government Regulations.
- Reviewed the Committee’s report within the 2014 Annual Report and recommended approval to the Board.
- Set the Committee’s strategic goals for 2015.
- Considered and approved the appointment of KPMG as the assurance provider for the 2015 Annual Sustainable Development Report.
The Safety, Health and Environment Committee

This Committee oversees the areas of safety, health and environment, and assists the Board in meeting the commitments of the Sustainable Development Policy. This includes setting aspirational standards, implementing an appropriate culture, ensuring robust and independent assurance and providing advice to the Board on SHE compliance with legal requirements. The Committee met three times during the year and the following work was undertaken:

| Safety | • Received reports from accountable managers on three fatalities during 2015 and all serious safety incidents, including a detailed analysis of factors contributing to the safety incident and the corrective and preventative measures taken to prevent recurrence.  
• Reviewed reports on key safety indicators and trends.  
• Reviewed company security procedures.  
• Reviewed progress and implementation of a strategic plan to improve safety and long-term safety initiatives. |
| --- | --- |
| Health | • Reviewed reports on health and community indicators and trends.  
• Participated in a Health deep dive, including a report on the health impact following a five-month strike. |
| Environment | • Received reports from accountable managers on all serious environmental incidents, including a detailed analysis of factors contributing to the incident and the corrective and preventative measures taken to prevent recurrence.  
• Reviewed reports on key environmental indicators and trends.  
• Reviewed progress reports on various environmental initiatives, including the Group’s integrated water management strategy and waste services project operating in the local community surrounding the operations. |
| Governance, regulatory and reporting | • Reviewed changes to local and international safety, health and environmental regulations.  
• Reviewed the Committee’s report within the 2014 Annual Report and recommended approval to the Board.  
• Considered feedback from external auditors following their assurance review of selected data in the 2014 Annual Report and 2014 Sustainable Development Report.  
• Considered and approved the appointment of KPMG as the assurance provider for the 2015 Sustainable Development Report.  
• Set the Committee’s goals for 2015. |
Ethics

Lonmin is committed to the highest standards of social and business practices and requires that employees and contractors share this commitment. The Company’s Code of Business Ethics formalises how Lonmin conducts, manages and regulates all of its business dealings. The Lonmin Code of Business Ethics aligns with the principles of the International Council on Mining and Metals (ICMM) and the United Nations Global Compact (UNGC), and can be accessed online at www.unglobalcompact.org.

Employees and contractors receive training on the Code of Ethics during induction. Employees and contractors go through the induction as a pre-requisite to employment, and those working in core operations have to attend refresher training on an annual basis. Lonmin believes that good ethical practices reinforce Lonmin’s licence to operate, assist the Company to attract and maintain the best talent, create an environment of trust and should facilitate the sustained success of the Company. Lonmin aspires to embed an ethical culture in the Company through its corporate values.

The Code of Business Ethics outlines the Company’s stance on conflicts of interest, anti-competitive behaviour, lobbying and relationships with government, bribery and corruption, insider trading, the receipt of gifts and donations, whistle-blowing and reporting of corruption or unethical behaviour.

All business units are analysed for corruption risks through internal audits. The Company investigates any incident of corruption that is exposed through internal auditing or reported with sufficient detail by other stakeholders. Consequences for those found guilty of contravening the Code of Business Ethics include dismissal, contract termination and/or legal action.

A 24-hour ethics hotline is available to all employees and community members to anonymously report ethical grievances through formal Company channels. The hotline is operated by an independent third party and the call logging process is designed to protect individual rights, ensure anonymity and encourage the true spirit of whistle-blowing. Each call received is logged and addressed to the relevant investigations unit, which takes appropriate steps to determine culpability and issue disciplinary action where required. (Refer to Annual Report and Accounts 2015 for further detail.)

Performance

In 2015, 176 cases of unethical behaviour were investigated, consisting of 71 cases carried forward from 2014 and 105 cases reported in the current year. All reported cases are investigated according to a formal Code of Conduct for Security and Investigations. Of these cases, 32 are still under review, 108 were unfounded, and 36 were concluded having confirmed inappropriate behaviour. The following disciplinary action has resulted from the 36 cases investigated and concluded in the year:

- 10 cases resulted in dismissals and/or final warnings
- 11 vendor contracts were terminated
- Five employees were counselled
- Two cases were settled with vendors with regard to reimbursements
- One employee passed away before disciplinary action could be taken
- One case was referred to a third party
- Five employees resigned prior to conclusion of disciplinary action
- One employee was discharged in absentia
Unethical behaviour cases investigated and concluded 2015 (2014)

- Corruption: 4 (1) 1 (0)
- Fraud: 1 (0)
- Human rights – sexual harassment: 6 (1)
- Human rights – intimidation: 9 (8)
- Total: 36 (44)

Unethical behaviour cases investigated and concluded

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of incidents of sexual harassment investigated</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Number of whistle-blowing incidents logged through hotline</td>
<td>45</td>
<td>33</td>
</tr>
<tr>
<td>Number of cases of unethical behaviour reported</td>
<td>72</td>
<td>71</td>
</tr>
<tr>
<td>Percentage of business units analysed for corruption risks</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Twilight view of a concentrator.
### Compliance

Our commitment to sound ethical business conduct includes our membership of, and alignment with, the recommendations and requirements of various international bodies that uphold corporate ethical responsibility and sustainable business practices. This includes voluntary membership to various external organisations, initiatives and social charters, including active participation in national and international mining organisations. Those of strategic or legal importance are listed below.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CDP</strong></td>
<td>The CDP (formerly the Carbon Disclosure Project) is an international, non-profit organisation that provides a global system for the measurement, disclosure, management and sharing of vital environmental information. Lonmin submitted a CDP report for our carbon emissions for the ninth consecutive year in 2015, disclosing our carbon emissions for financial year 2014. In 2015, the Company also submitted a CDP Water Disclosure Report for the second time; the first time for public disclosure.</td>
</tr>
<tr>
<td><strong>Chamber of Mines</strong></td>
<td>Lonmin is a member of the Chamber of Mines and is represented at various committees including the Chief Executive Officer Forum, which shares experiences good and bad, successful strategies and leading practices in an effort to drive improvements in safety.</td>
</tr>
<tr>
<td><strong>ICMM</strong></td>
<td>The International Council on Mining and Metals, or ICMM, was founded in 2001 to improve sustainable development performance in the mining and metals industry. As a member and active contributor of the ICMM, Lonmin shares information with industry peers about our programmes to encourage mutual learning and is indirectly involved in environmental advocacy on issues. Our 15 Sustainable Development Standards are fully aligned with the ICMM’s 10 Principles and the requirements set out in the Position Statements. External assurance of our Sustainable Development Report is in line with the ICMM’s Sustainable Development Framework: Assurance Procedure relating to Subject Matters 1 – 4.</td>
</tr>
<tr>
<td><strong>EITI</strong></td>
<td>Lonmin supports the Extractive Industries Transparency Initiative (EITI) through our membership with the ICMM. The EITI is a global standard that promotes openness and accountable management of revenues from natural resources. The Company pays tax fully and properly in all jurisdictions in which it operates, as a matter of policy.</td>
</tr>
<tr>
<td><strong>GRI</strong></td>
<td>The Global Reporting Initiative (GRI) is an international organisation that promotes the use of sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development. This year, our Sustainable Development Report was prepared in accordance with the GRI G4 guidelines, as per the Core requirements.</td>
</tr>
<tr>
<td><strong>UNGC</strong></td>
<td>The United Nations Global Compact is a strategic policy initiative to help business align with 10 universally accepted principles in the areas of human rights, labour, environment and anti-corruption. Lonmin recognises the importance of these principles and endorses them across the various areas of our business.</td>
</tr>
<tr>
<td><strong>World Platinum Investment Council</strong></td>
<td>The World Platinum Investment Council was formed by six leading platinum producers to develop the market for platinum investment, through providing actionable insights, targeted development, data to support informed decisions regarding platinum and supporting the development of products and channels.</td>
</tr>
</tbody>
</table>

Assurance

The Audit and Risk Committee oversees internal audit and external assurance procedures to support the integrity of our measurement and data management systems. These procedures set out the internal management and controls of key risks, and enhance the reliability of information used by investors and other stakeholders. Further detail can be found in the Audit and Risk Committee Report in the Annual Report and Accounts 2015.

Internal audit

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

External assurance

Assurance over aspects of our sustainable development reporting provides the reader with an objective and impartial opinion over the balance and legitimacy of the performance data presented with either a (✓R) or a (✓L). The Company obtains external assurance over certain aspects and indicators in line with the ICMM principles of sustainable development and best practice. External assurance of our safety, health and environmental and social indicators is sought annually. The proposal for external assurance on these indicators is presented to the SHE Committee of the Board, and to the SET Committee of the Board for their consideration and approval.
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 2015 Sustainable Development Report for Lonmin plc (Lonmin) for the year ended 30 September 2015 (the Report). This engagement was conducted by a multi-disciplinary team of health, safety, social, environmental and assurance specialists with relevant experience in sustainability reporting.

Subject matter and related assurance

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

Subject Matter (a) and (b):


<table>
<thead>
<tr>
<th>Subject Matter (a)</th>
<th>(a) Reasonable Assurance (RA)</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of contractor and employee fatalities</td>
<td>No. of people</td>
<td></td>
</tr>
<tr>
<td>Employee and contractor Lost Time Injury Frequency Rate (LTIFR)</td>
<td>Ratio</td>
<td></td>
</tr>
<tr>
<td>Total fresh water consumption</td>
<td>m³</td>
<td></td>
</tr>
<tr>
<td>Direct and indirect energy</td>
<td>TJ</td>
<td></td>
</tr>
<tr>
<td>Total scope 1, 2 &amp; 3 Greenhouse Gas (GHG) emissions as per defined boundary</td>
<td>tCO₂e</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Subject Matter (b)</th>
<th>(b) Limited Assurance (LA)</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new cases of noise induced hearing loss (NIHL) diagnosed</td>
<td>No. of cases</td>
<td></td>
</tr>
<tr>
<td>Number of cases of noise induced hearing loss (NIHL) compensated</td>
<td>No. of cases</td>
<td></td>
</tr>
<tr>
<td>Number of new cases of TB diagnosed and treated</td>
<td>No. of cases</td>
<td></td>
</tr>
<tr>
<td>SO₂ Emissions (against Atmospheric Emissions Licence)</td>
<td>T/day</td>
<td></td>
</tr>
</tbody>
</table>

Subject Matter (c):


<table>
<thead>
<tr>
<th>Subject Matter (c)</th>
<th>(c) Limited Assurance (LA)</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of own employees registered full time for ABET programmes</td>
<td>No. of employees</td>
<td></td>
</tr>
<tr>
<td>Total number of own employees registered part time for ABET programmes</td>
<td>No. of employees</td>
<td></td>
</tr>
<tr>
<td>Total number of community members registered for ABET programmes</td>
<td>No. of community members</td>
<td></td>
</tr>
<tr>
<td>Total number of employees registered for learnership programme 18.1</td>
<td>No. of employees</td>
<td></td>
</tr>
<tr>
<td>Total number of employees registered learnership programme 18.2</td>
<td>No. of employees</td>
<td></td>
</tr>
<tr>
<td>Total number of community members trained in portable skills programme</td>
<td>No. of community members</td>
<td></td>
</tr>
<tr>
<td>Total number of graduates in graduate training programme</td>
<td>No. of graduates</td>
<td></td>
</tr>
<tr>
<td>Total number of own employees who had an active mentoring relationship</td>
<td>No. of employees</td>
<td></td>
</tr>
<tr>
<td>Project spend in South African Rands against approved project budget (Health, Education, Social Infrastructure)</td>
<td>Rand value</td>
<td></td>
</tr>
</tbody>
</table>
Subject Matter (d):
Selected Mining Charter elements prepared in compliance with the Amendment to the BBSEEC (2010) and related Scorecard (2010):
(Annexure: Key Performance Statistics on pages 125 to 127 of the Report)

<table>
<thead>
<tr>
<th>Unit</th>
<th>Boundary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total percentage HDSA in top management – RSA Board (Incl. White Females)</td>
<td>% HDSA WPL &amp; EPL</td>
</tr>
<tr>
<td>Total HRD spend in financial year expressed in South African Rands.</td>
<td>Rand value WPL &amp; EPL</td>
</tr>
<tr>
<td>HRD expenditure as percentage of total annual payroll (excl. SDL)</td>
<td>% HRD spend WPL &amp; EPL/</td>
</tr>
</tbody>
</table>

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

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

• (a) and (b), Lonmin’s reported performance during the given reporting period for the identified material Sustainable Development (SD) risks and opportunities (ICMM Subject Matter 4): the Global Reporting Initiative (GRI) G4 Guidelines.
• (c), selected Mining Charter elements: the BBSEEC (2002) and related Scorecard (2004).
• (d), selected Mining Charter elements: the Amendment to the BBSEEC (2010) and related Scorecard (2010).

Our Responsibility
Our responsibility is to express a reasonable assurance opinion and limited assurance conclusions on the selected sustainability information based on the procedures we have performed and the evidence we have obtained. We have conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain reasonable or limited assurance about whether the selected sustainability information is free from material misstatement.

An assurance engagement in accordance with ISAE 3000 (Revised) involves assessing the suitability in the circumstances of Lonmin’s use of its reporting criteria, as set out above, as a basis of preparation for the selected sustainability information and performing procedures to obtain evidence about the quantification of the selected sustainability information and related disclosures. In a reasonable assurance engagement, the procedures selected depend on the practitioner’s judgement, having regard to our understanding of the nature of the company, the purpose for which the selected sustainability information has been prepared, and other relevant engagement circumstances, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments we considered internal controls relevant to Lonmin’s preparation of the selected performance data.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the
appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

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

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

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinion on the selected sustainability information on (a).

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

**Opinion and conclusions**

In relation to the Report for the year ended 30 September 2015:

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

In our opinion, the selected performance data identified in a) above is prepared, in all material respects, in accordance with the GRI G4 Guidelines.

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

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

(c) On the selected mining charter elements in compliance with the BBSEEC (2002) and related Scorecard (2004) on which we are required to express limited assurance

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

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

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

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

1. The alignment of Lonmin’s sustainability policies to the ICMM 10 SD Principles and any mandatory requirements set out in ICMM Position Statements (ICMM Subject Matter 1).

2. The reporting of Lonmin’s material sustainable development risks and opportunities based on a review of its business and the views and expectations of its stakeholders (ICMM Subject Matter 2).

3. The implementation of systems and approaches that Lonmin is using to manage its material safety risks and opportunities (ICMM Subject Matter 3).

Directors’ Responsibilities

The Directors are responsible for:

• The alignment of Lonmin’s sustainability policies to the ICMM 10 SD Principles and any mandatory requirements set out in ICMM Position Statements.

• The reporting of Lonmin’s material sustainable development risks and opportunities based on a review of its business and the views and expectations of its stakeholders.

• The implementation of systems and approaches that Lonmin is using to manage its material safety risks and opportunities.

Our Responsibility

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

Findings

Based on our evidence gathering procedures in our assurance engagement for the year ended 30 September 2015 on the subject matter in (a) and (b) set out in our ‘Report on Selected Sustainability Information’ above, nothing has come to our attention that causes us to believe that:

1. Lonmin’s sustainability policies are not aligned with the ICMM 10 SD Principles and any mandatory requirements set out in ICMM Position Statements.

2. Lonmin has not reported material sustainable development risks and opportunities based on a review of its business and the views and expectations of its stakeholders.

3. Lonmin has not implemented systems and approaches to manage its material safety risks and opportunities.

Other matters

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

Restriction of liability

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

KPMG Services Proprietary Limited
Per PD Naidoo
Director
Johannesburg
4 March 2016
KPMG Crescent
85 Empire Road
Parktown
Johannesburg
2193
Key performance statistics

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate profile: Production</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PGMs produced</td>
<td>oz</td>
<td>1,446,662</td>
<td>1,349,802</td>
<td>1,336,109</td>
<td>882,094</td>
</tr>
<tr>
<td><strong>Material focus area 1: Employee relations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees Number</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>26,968</td>
</tr>
<tr>
<td>Contractors Number</td>
<td>27,796</td>
<td>28,230</td>
<td>28,379</td>
<td>28,276</td>
<td>9,564</td>
</tr>
<tr>
<td>HDSAs, including white women, employed in management Percentage</td>
<td>46.5</td>
<td>49.4</td>
<td>47.2</td>
<td>48.4</td>
<td>50.3*</td>
</tr>
<tr>
<td>Women employed in mining1 Percentage</td>
<td></td>
<td>4.33</td>
<td>5.11</td>
<td>5.09</td>
<td>5.35</td>
</tr>
<tr>
<td>Women employed at mining2 Percentage</td>
<td>7.45</td>
<td>8.15</td>
<td>8</td>
<td>8.18</td>
<td>8.8</td>
</tr>
<tr>
<td>Employee turnover rate Percentage</td>
<td>10.57</td>
<td>6.17</td>
<td>6.1</td>
<td>5.0</td>
<td>9.1</td>
</tr>
<tr>
<td>Employees belonging to organised trade unions Percentage</td>
<td>55.5</td>
<td>80.8</td>
<td>87.7</td>
<td>88.6</td>
<td>91.4</td>
</tr>
<tr>
<td>People registered for ABET Number</td>
<td>609</td>
<td>942</td>
<td>954</td>
<td>473</td>
<td>781*</td>
</tr>
<tr>
<td>People on graduate programme Number</td>
<td></td>
<td>29</td>
<td>27</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>People on learnership programme3 Number</td>
<td>184</td>
<td>248</td>
<td>181</td>
<td>144</td>
<td>148*</td>
</tr>
<tr>
<td>People on bursary programme Number</td>
<td>44</td>
<td>98</td>
<td>86</td>
<td>89</td>
<td>98</td>
</tr>
<tr>
<td>Total number of own employees who had an active mentoring relationship Number</td>
<td>201</td>
<td>160</td>
<td>63</td>
<td>75</td>
<td>115*</td>
</tr>
<tr>
<td>HRD expenditure as % of annual payroll %</td>
<td>3.8</td>
<td>3.6</td>
<td>3.2</td>
<td>3.3</td>
<td>2.6*</td>
</tr>
<tr>
<td>Total HRD spend in financial year Rand</td>
<td></td>
<td>195 million</td>
<td>200 million</td>
<td>202 million</td>
<td>172 million</td>
</tr>
</tbody>
</table>

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1 Women employed in mining represent those employed in core mining operations.
2 Women employed at the mine represent all women employed at our operations.
3 After audits conducted on ABET for our SLP reporting, we identified that we had underreported the ABET figure in the 2011 Sustainable Development Report as 601. The correct figure is 603.
4 This number is made up of the following data points:
   - Total number of own employees registered for full-time ABET programme (156 = 10 employees working at the Pandora Joint Venture + 112 employees working for WPL + 34 employees working for EPL.)
   - Total number of own employees registered for part-time ABET programme (325 = 11 employees working at the Pandora Joint Venture + 248 employees working for WPL + 64 employees working for EPL.)
   - Total number of community members registered for ABET programmes (300 community members made up of 192 community members as per the WPL social and labour plan and 108 community members as per the EPL social and labour plan.)
5 This number is inclusive of the employees registered for the 18.1 and 18.2 learnership programmes.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatalities</td>
<td>Number</td>
<td>6</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Lost-time injury</td>
<td>Rate(^6)</td>
<td>4.71</td>
<td>4.16</td>
<td>3.50</td>
<td>3.34</td>
<td>5.41</td>
</tr>
<tr>
<td>Level 3 Safety incidents</td>
<td>Number</td>
<td>36</td>
<td>16</td>
<td>21</td>
<td>12</td>
<td>21</td>
</tr>
<tr>
<td>Lost-time injuries</td>
<td>Number</td>
<td>419</td>
<td>372</td>
<td>317</td>
<td>217</td>
<td>473</td>
</tr>
<tr>
<td>Section 54 Stoppages</td>
<td>Number</td>
<td>27</td>
<td>37</td>
<td>18</td>
<td>20</td>
<td>36</td>
</tr>
<tr>
<td>New NIHL cases diagnosed</td>
<td>Number</td>
<td>35</td>
<td>42</td>
<td>48</td>
<td>66</td>
<td>199</td>
</tr>
<tr>
<td>NIHL cases compensated</td>
<td>Number</td>
<td>17</td>
<td>33</td>
<td>36</td>
<td>49</td>
<td>108</td>
</tr>
<tr>
<td>Diagnosed and treated tuberculosis new cases</td>
<td>Number</td>
<td>545</td>
<td>527</td>
<td>446</td>
<td>436</td>
<td>462</td>
</tr>
<tr>
<td>HIV/Aids-related deaths</td>
<td>Number</td>
<td>139</td>
<td>104</td>
<td>99</td>
<td>97</td>
<td>119</td>
</tr>
<tr>
<td>Voluntary counselling and testing conducted (VCT)</td>
<td>Number</td>
<td>31,666(^7)</td>
<td>46,945(^7)</td>
<td>17,682</td>
<td>17,964</td>
<td>16,301</td>
</tr>
<tr>
<td>Patients on ART</td>
<td>Number</td>
<td>2,022</td>
<td>2,510</td>
<td>3,288</td>
<td>3,666</td>
<td>4,167</td>
</tr>
<tr>
<td>Patients on the wellness programme</td>
<td>Number</td>
<td>526</td>
<td>657</td>
<td>690</td>
<td>637</td>
<td>477</td>
</tr>
<tr>
<td>Material focus area 3: Social licence to operate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community members receiving portable skills training</td>
<td>Number</td>
<td>97</td>
<td>176</td>
<td>154</td>
<td>158</td>
<td>138</td>
</tr>
<tr>
<td>Rand value spent on community SLP projects for WPL and EPL</td>
<td>Rand</td>
<td>37,980,955</td>
<td>39,743,935</td>
<td>38,661,225</td>
<td>47,672,897</td>
<td>62,551,667</td>
</tr>
</tbody>
</table>

\(^6\) Injuries per million hours worked.
\(^7\) These figures include VCT offered to employees daily (average of 2,000 tests a month), wellness campaigns and does not exclude those employees tested twice.
### Material focus area 4: Environment

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Total freshwater intake</td>
<td>m$^3$</td>
<td>7,912,595</td>
<td>8,667,896</td>
<td>8,284,039</td>
<td>6,206,167</td>
</tr>
<tr>
<td>Total freshwater intake efficiency</td>
<td>m$^3$/PGMoz</td>
<td>5.47</td>
<td>6.42</td>
<td>6.20</td>
<td>7.04</td>
</tr>
<tr>
<td>Electricity</td>
<td>MWh</td>
<td>1,496,841</td>
<td>1,485,630</td>
<td>1,555,651</td>
<td>1,135,000</td>
</tr>
<tr>
<td>Electricity efficiency</td>
<td>MWh/PGMoz</td>
<td>1.03</td>
<td>1.10</td>
<td>1.16</td>
<td>1.28</td>
</tr>
<tr>
<td>Energy</td>
<td>TJ</td>
<td>6,533</td>
<td>6,433</td>
<td>6,740</td>
<td>4,696.7</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>GJ/PGMoz</td>
<td>4.52</td>
<td>4.77</td>
<td>5.04</td>
<td>5.32</td>
</tr>
<tr>
<td>Greenhouse gas emissions</td>
<td>ktCO$_2$e</td>
<td>1,648</td>
<td>1,572</td>
<td>1,646</td>
<td>1,205</td>
</tr>
<tr>
<td>Greenhouse gas efficiency</td>
<td>tCO$_2$e/PGMoz</td>
<td>1.14</td>
<td>1.16</td>
<td>1.23</td>
<td>1.4</td>
</tr>
<tr>
<td>Tailings disposed to tailings facilities</td>
<td>Kt</td>
<td>11,820</td>
<td>10,666</td>
<td>11,661</td>
<td>6,006</td>
</tr>
<tr>
<td>Waste rock disposed to rock dumps</td>
<td>Kt</td>
<td>1,772</td>
<td>1,482</td>
<td>996</td>
<td>85</td>
</tr>
<tr>
<td>Hazardous waste disposed of to landfill</td>
<td>Tonnes</td>
<td>72,052</td>
<td>77,826</td>
<td>71,336</td>
<td>40,097</td>
</tr>
<tr>
<td>General waste to landfill</td>
<td>Tonnes</td>
<td>9,744</td>
<td>10,271</td>
<td>9,577</td>
<td>5,460</td>
</tr>
<tr>
<td>Average sulphur dioxide emissions</td>
<td>Tonnes/day</td>
<td>10.58</td>
<td>8.5</td>
<td>11.9</td>
<td>7.16</td>
</tr>
</tbody>
</table>

Assurance provided by KPMG: Reasonable ($^a$), Limited ($^b$).

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$^a$ In the 2013 Sustainable Development Report incorrectly referred to kilotonnes CO$_2$e/PGMoz; the measurement unit which aligns with the units reflected is tonnes of CO$_2$e/PGMoz.

$^b$ In the 2013 Sustainable Development Report incorrectly referred to tonnes; the measurement unit which aligns with the units reflected is kilotonnes.
SAFETY AND SUSTAINABLE DEVELOPMENT POLICY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ben Magara
Chief Executive Officer
August 2014
Lonmin
Charter

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

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

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

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

Our values
• Zero harm – We are committed to zero harm to people and the environment
• Integrity, honesty and trust – We are committed ethical people who do what we say we will do
• Transparency – Open, honest communication and free sharing of information
• Respect for each other – Embracing our diversity enriched by openness, sharing, trust, teamwork and involvement
• High performance – Stretching our individual and team capabilities to achieve innovative and superior outcomes
• Employee self-worth – To enhance the quality of life for our employees and their families

Brian Beamish
Chairman

Ben Magara
Chief Executive Officer