

# Material Focus Area | Community Relationships and Investment

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

Lonmin is committed to contributing to the wellbeing and development of the communities that host our operations. We view social spend as an investment and a business imperative. Operational and societal success is only possible through multi-stakeholder commitment. We believe that together we can create a better future for future generations. Building strong and constructive relationships with the communities surrounding our operations creates a more predictable and stable operating environment that supports our strategic goals over the long term.

Our community projects support the wellbeing and development of our host communities, and demonstrate our continued focus on corporate citizenship. These projects form part of the Mine Community Economic Development initiatives contained in our Social and Labour Plans (SLPs).

### Key chapter takeaways

- R102.8 million was spent in 2017 on community development
- The performance of learners attending supplementary programmes shows significant improvement compared to non-attendees
- Approximately R12 million per annum is contributed to Company-sponsored buses for the transport of around 2,500 learners to and from school
- Our preferential procurement contribution exceeds the Mining Charter targets
- Procurement value through Bapo contracts amounted to R325.3 million
- Mining Charter elements:
  - Ownership
  - Procurement and enterprise development
  - Mine community development

## Accountability and Governance



**The Lonmin Charter:** We are successful when the communities in which we operate value our relationships. This is supported by our **values** of:

- **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

**Strategic approach:** *continuing to improve relationships with key stakeholders and continuing to focus on the requirements of the Mining Charter and SLPs*

### Lonmin's Safety and Sustainable Development Policy:

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



Learners from Grade R at Thlapi Morue Primary

#### Other policies, standards and plans governing community relationships and investment:

- SLP
- Security Policy
- Security Code of Conduct

The Executive Vice-President of Stakeholder Engagement and Regulatory Affairs, who reports to the Chief Executive Officer, is responsible for, among others, delivery on the Company's community development commitments and engagement with the community. Progress against transformation, stakeholder relations and community development goals is monitored by the Social, Ethics and Transformation (SET) Committee of the Board.

Lonmin's community investment programme comprises community development projects specified in our SLPs and a number of additional community upliftment projects that are conducted over and above those in our SLPs. The Stakeholder Engagement and Regulatory Affairs Department works with the Procurement Department to identify local small, medium and micro-sized enterprise (SMME) opportunities through our economic development programme.

#### External policies, frameworks and regulations

Lonmin's regulatory community development projects are defined in our SLPs, which are compiled in terms of the Mineral and Petroleum Resources Development Act (MPRDA), and progress against these commitments is reported to the Department of Mineral Resources (DMR). The current SLP cycle concludes at the end of 2018.

Preferential procurement is an important part of transformation regulated by the Broad-Based Black Economic Empowerment Act, 53 of 2003. Our approach is framed by the Preferential Procurement Policy Framework Act, 5 of 2000. The Mining Charter has a focus on preferential procurement which was extended in the Reviewed Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (Reviewed Mining Charter), the requirements of which remain uncertain.

## Material Focus Area | Community Relationships and Investment (continued)

### Approach and Performance

We strengthen our community relationships and, in turn, our social licence to operate through the following broad focus areas:

- Community relations and engagement:** Regular formal and ad hoc engagements with stakeholders in local communities improve our understanding of their expectations of Lonmin and provide forums to communicate necessary information related to the Company. These include regular engagements with government and local traditional authority representatives. During 2017 the Board visited the Royal Council of the Bapo Ba Mogale Traditional Community (Bapo). We invested in the development of community representative structures, although progress continues to be slower than we aspire to due to political instability and inadequate resourcing. We are developing an electronic system to record, monitor and manage issues that affect our different stakeholders. Further information on our stakeholder engagement is available on page 19 and in the online supplementary report at <https://sd-report.lonmin.com/2017/download-manager/>.
- Community upliftment initiatives:** Lonmin invests in local communities with the aim of addressing some of the most pressing socio-economic challenges facing the surrounding communities and certain labour-sending areas. The community development strategy defines how Lonmin intends to create long-term social and economic value by alleviating poverty and unemployment and enabling communities to participate in decision-making to achieve greater long-term control over their lives and development. Investments include improving education and health, developing local suppliers and assistance in improving basic services and social infrastructure. We believe that education can fundamentally change lives; therefore, we invest in the education value chain – from early childhood development, school infrastructure and sport development to supporting students at tertiary level. Our strategy aims to ensure communities are resourcefully skilled and able to take full advantage of economic opportunities. Therefore, we provide training in local communities, which develops the pipeline of possible future skilled employees and increases opportunities for local procurement. These skills are transferable and can later be used for other community development projects, such as road construction.
- Enterprise development and preferential procurement:** To address the challenges evident in local communities a broader partnership approach is required. Our commitment to principles of transformation are embedded in our business processes. This includes collaboration between the Company and the communities in which we operate.

### Community relations and engagement

Lonmin's Stakeholder Engagement and Regulatory Affairs Department implements the Stakeholder Engagement Framework and Community Development Strategy, which were informed by the community value proposition (CVP). The CVP process, which commenced in 2012 and involved extensive engagement with community leaders and interested and affected parties, supports social investment that is sustainable and has a lasting impact beyond the life of the mines through ensuring an in-depth understanding of communities' development needs.

Stakeholder groups are identified, prioritised and mapped on the basis of common issues of concern and on a geographic basis. Stakeholder engagement officers interact with representatives from local communities through formalised structures, including community project meetings, ward councillor meetings, and meetings with representatives of civic, religious, environmental, youth and women's groups. Community members and other stakeholders can raise complaints with the Company through these channels. Complaints are noted in the minutes of the meetings for follow-up.

During 2017, monthly sessions were held with collectives to ensure alignment between municipality and community representatives to shift community engagements into a more proactive space, rather than reacting to demands from various parts of the community as they arise. Agreements around infrastructure delivery are formalised in memoranda of agreement that stipulate reciprocal rights and obligations to ensure infrastructure is operated and maintained after handover.

### Community focus areas

Lonmin's community focus areas are:

- Education
- Health
- Local economic development

Where possible, projects under these focus areas are incorporated into Lonmin's SLPs, which consider local municipality integrated development plans (IDPs)<sup>1</sup> and the projects identified through our community need assessment process. Progress against projects is monitored, where applicable, against SLP targets determined at the start of the projects, and reported to the SET Committee of the Board, as well as on an annual basis to the DMR. Lonmin's project management office supports community development projects with project planning, key performance indicators (KPIs) and monitoring to improve performance measurement and track delivery. Further detail on our SLPs is provided on page 103.

In 2017 we invested R80.56 million (2016: R52 million) in approved community projects that form part of Western Platinum Limited (WPL) and Eastern Platinum Limited (EPL) SLPs.

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

## Summary of expenditure of key community focus areas

	2016 Rm	2017 Rm
<b>Financial investment in communities<sup>1</sup></b>		
Community education programme (in schools)	10.3	<b>20.3</b>
Skills development (mining skills, portable skills training, technical skills, and learnerships for communities)	18.8	<b>10.1</b>
Sports, arts and culture	1.7	<b>1.0</b>
Community health programmes (including nutrition programme spend)	16.4	<b>17.7</b>
Basic community services	6.5	<b>35.0</b>
Supplier development	5.1	<b>5.5</b>
Other corporate social investment-related spend (career guidance, community transport and community study assistance)	13	<b>13.2</b>
<b>Total<sup>2</sup></b>	71.8	<b>102.8</b>

### Community education

Lonmin invests in projects that support education and improve skills for employability, two of the most serious challenges facing South Africa and our local communities.

Education projects are reviewed and adjusted on a quarterly basis to remain aligned with evolving community needs and are benchmarked against the education component of the National Development Plan (NDP) and with the Mining Qualifications Authority (MQA). Baseline assessments are conducted before commencing projects, specifically in the case of school infrastructure projects and early childhood development (ECD) centres, so that the impact of these projects can be more accurately measured.



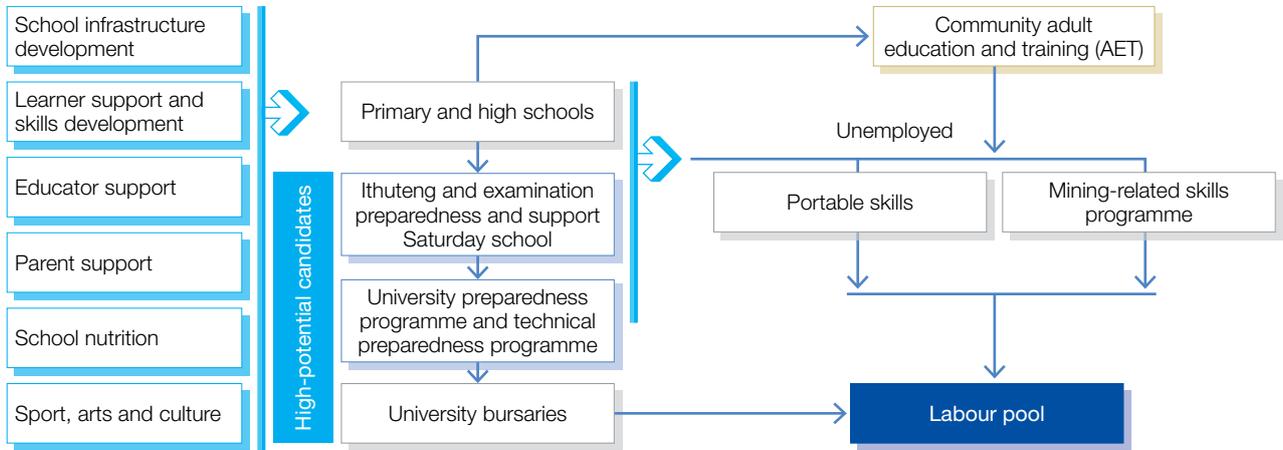
Learner at Majakaneng Creche

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

<sup>2</sup> Excluding administration costs and donations.

## Material Focus Area | Community Relationships and Investment (continued)

### Community education value chain



#### School infrastructure development

Since 2007, Lonmin has supported the infrastructure needs of 28 schools in surrounding communities, including additional classrooms, mobile classrooms, electricity upgrades, sporting facilities, or ablution facilities. Since 2010, Lonmin has provided a total of 82 classrooms (with supporting ablution facilities) in local schools.

The construction of a new primary school in Marikana, including sports facilities that will benefit 680 learners, is due for completion by November 2018. A community school in Limpopo is being upgraded and new classrooms are being built.

Other infrastructure projects include security upgrades at the Maruatona Primary School in Wonderkop, and upgrades to mobile classrooms in Majakaneng.

#### Community skills development

Unemployment, particularly among youth, is a critical concern in our host communities and the country as a whole. The unemployment rate in the North West province (27%<sup>1</sup>) is above the South African average. In May 2017, Lonmin's E2 and E3 shafts were closed due to protest action by unemployed youth from the Bapong community, demonstrating for increased community recruitment opportunities. The protests kept the shafts closed for 10 days, resulting in the loss of approximately 5,830 platinum ounces in production.

Lonmin supports learners in surrounding communities to improve education and pass rates through a number of programmes. Our skills development programmes aim to provide school leavers with the skills required for employability in the mining industry or to generate an income through self-employment.

<sup>1</sup> Source: Statistics South Africa: Statistical release P0211 Q2 2017. The expanded unemployment rate in North West province is 42%.

Our active programmes as well as our 2017 performance are summarised below.

<i>Programme</i>	<i>Details of programme</i>	<i>2017 update</i>
Supplementary curriculum (Ithuteng)	The Ithuteng Saturday school programme is aimed at high-potential students in grades 9 to 12. It provides additional support in terms of mathematics, English and science. These learners are ultimately the pipeline for the university preparedness programme (UPP) and technical preparedness programme (TPP).	105 learners participated in the programme (2016: 100)
Examination preparedness and support programme	The examination preparedness and support (EPS) programme provides learners in grades 11 and 12 from the surrounding community with extra classes in all subjects in a bid to improve grade 12 pass rates. This is done in partnership with the Department of Basic Education.	396 learners participated in the programme (2016: 449)
General preparedness programme	The general preparedness programme is a one-year residential programme that supports students who are applying to tertiary institutions or for engineering learnerships to make a successful transition to tertiary education. School leavers preparing for learnerships receive support to achieve technical skills accreditation within one year of training.	50 students were identified from eight high schools in Marikana and six high schools in Limpopo were supported by the programme (2016: 47)
Mining-related skills programme	Young adults with a minimum of AET level 4 (and who pass the various screening and medical criteria) are trained in Competent B skills and are provided with four months of 'on-the-face' training with production crews.	114 cadets completed the training (2016: 189)
Community portable skills	Community members are given the opportunity to obtain a portable skill (e.g. sewing, carpentry, bricklaying, welding, painting, hospitality, landscaping).  In order to support the local economy, contracting companies are encouraged to access these skills developed in the community that are appropriate for specific projects. Examples of this are the community pool of bricklayers, welders and plumbers being used in construction of the infill apartment housing project, and the use of local construction companies in school infrastructure development projects.	165 community members received portable skills training (2016: 137)  Local sourcing and contracting is becoming more challenging as the demand to source from specific wards within a community is increasing.
Community AET	Community members are given the opportunity to increase their numeracy and literacy to AET level 4.	76 community members received AET training in 2017 (2016: 295)

In addition to the above skills development and learner support, Lonmin supports promising students from surrounding communities with bursaries. No new bursaries were allocated in 2016 or 2017 due to cost constraints, but additional funding was allocated to existing bursars for accommodation assistance. More information on our bursaries and graduates can be found on page 47. We have a community study programme in place which sponsors tertiary studies for 63 high-potential students studying non-mining or mining-related fields who are unable to access bursary opportunities. A number of these students obtain financial assistance once they are registered students.

While our goal is to increase employment from local communities, Lonmin has unfortunately not been able to offer employment to all of the beneficiaries of these programmes since 2016. This is due to the section 189 process in 2016,

cash constraints, and the orderly closure of shafts which resulted in fewer vacancies. Some graduates were absorbed by Lonmin and some by Lonmin contractors. We continue to develop relevant industry skills in the community in preparation for the industry recovery and upswing. We initiated a project to track and trace graduates from our training to measure the effectiveness of these programmes on increasing employability. Some graduates of our mine technical services programme have found employment at nearby mining companies, while others are continuing their studies.

Lonmin provides free transport for community members. Around 2,500 learners use Company-sponsored buses to commute to and from school, and there are a further over 500 ad hoc trips for church groups, choirs and sporting events annually. The Company contributes approximately R12 million per annum to community transport.

## Material Focus Area | Community Relationships and Investment (continued)

### *A strong performance by community high schools*

We conducted an impact assessment on the supplementary programmes provided by Lonmin, which benefit approximately 500 learners per year (page 69).

The performance of learners attending supplementary programmes shows significant improvement compared to non-attendees.

Learners who attended the Ithuteng programme achieved a 76% pass rate for mathematics, compared to 27% for learners from the same schools who did not attend the programme; and a 71% pass rate for physical science, compared to 38% for non-participants.

Examination preparedness and support programme attendees achieved a 94% pass rate for accounting, compared to 58% for learners not attending; and a 97% pass rate for geography compared to 80% for non-participants.

### *Educator support*

Given the importance of educator skills to learner outcomes, Lonmin provides support for primary and high school educators in the form of in-class and off-site workshops. These workshops are primarily focused on mathematics, and include technology and physical science. During 2017, 40 (2016: 92) educators attended these workshops in surrounding communities and Lebowakgomo, Limpopo. Study assistance was provided to nine educators to assist them in improving their qualifications.

Improved educational outcomes and socio-economic development depend on access to good ECD facilities and teaching. Not all children in surrounding communities have access to formal education during early childhood, and are cared for in informal day-care facilities. Lonmin supports 62 (2016: 52) ECD centres by providing 177 (2016: 171) ECD educators with basic skills, enabling them to teach children the foundations required to begin their formal schooling. The programme benefits these educators and the 2,777 (2016: 2,674) children in the ECD centres. A new group of 15 educators (2016: 12) attended ECD level 4 accredited training.

### *Parent support*

Parent open days are held to create an appreciation of the programme and ensure that learners are given the proper motivation and support by their families.

### *School nutrition programme*

We recognise the vital role of nutrition in educational outcomes. Our school nutrition programme, which forms part of the community health programme, is described on page 71.

### *Sport, art and culture development*

The Company supports various sports tournaments and provides ad hoc assistance to individuals and teams who qualify for district, provincial and national competitions. Lonmin sponsors an annual school sports tournament for 30 schools in the communities around Marikana. 183 under-13 to under-17 sports teams participate in netball, soccer, volleyball and chess. We sponsored Marikana Boxing Club to participate in the junior championships in Cape Town. Local soccer, netball and cricket teams were sponsored with sport equipment.

Further information on Lonmin's support of sport, art and culture development can be found in the supplementary report at <https://sd-report.lonmin.com/2017/download-manager/>.

## Community health

Supporting the health and wellness of our local communities supports the family members of those working for us. We partner with the Department of Health and other stakeholders to provide quality healthcare services to the communities of Marikana, Lebowakgomo (Limpopo), at the precious metals refinery (PMR) and in the Eastern Cape.

Lonmin's community health projects are aligned to the community health needs identified by the Department of Health, with input from municipal IDPs, where relevant. These programmes are within our SLP commitments and support community health through awareness, promotion and prevention and, where possible, infrastructure development. Expenditure on community health initiatives amounted to R17.7 million during 2017 (2016: R6.4 million).

### *Health infrastructure projects*

Lonmin invests in health infrastructure projects that improve access to basic healthcare in surrounding communities, in partnership with the Department of Health, local government and other stakeholders. 21 panel vans were secured and converted into 17 ambulances, and one patient transporter that will be donated to the Department of Health in terms of our SLP commitments. Four of these ambulances will be situated at the Bapong community health centre, where we are establishing an emergency medical services station to improve response times in the surrounding community. Lonmin will sponsor the operator salaries for one of the ambulances. Emergency medical services training was provided to 106 Department of Health employees, including basic and advanced life support.

We procured and delivered two mobile health units to the Department of Health to replace the current units that provide services to schools in the area.

Lonmin is committed to constructing a forensic mortuary in Bapong, rather than in Brits as previously planned, due to re-zoning issues.

Approval for the planned extension to the Majakaneng clinic is still outstanding pending the resolution of a dispute between the municipality and landowners. Planning commenced for the construction of a community health centre for the Marikana community.

## Community wellness

### *Tuberculosis and HIV/Aids*

HIV/Aids education continued within the Marikana, Limpopo, Brakpan and Eastern Cape communities where we operate. Where possible, education programmes are aligned with those of the many HIV/Aids non-governmental organisations (NGOs) active in the area, including joint campaigns, to ensure that the benefits reach as many people as possible. Seven formal joint health promotion campaigns were held, which focused on HIV/Aids, tuberculosis (TB) and sexually transmitted infections (STIs). In Marikana 4,811 community members were tested for HIV/Aids, of which 12.3% tested positive.

Our HIV/Aids programme in the Marikana community aligns with the recommendations of the Department of Health by focusing on home HIV/Aids counselling and testing (HCT) and TB contact tracing, which are crucial in curbing the high incidence of HIV/Aids and TB in mines and communities. TB contact tracing is done on behalf of the Andrew Saffy Memorial Hospital through 24 volunteers stationed around the community. The volunteers do tracing and HCT on behalf of the seven Department of Health clinics in the community. To date, 191 source patients have been referred by the mine hospital and 142 contacts were traced. Of these, five were found to have TB and started TB treatment. HCT and TB contact tracing volunteers also received referrals from the local Marikana community clinics, and since January 2017, they managed to screen 8,442 community members for TB, and collected 2,602 smears, resulting in 147 positive tests for TB.

Lonmin supports peer education in the communities around our Limpopo operations, and home-based carers and peer educators in Brakpan and in the Eastern Cape.

Our 21 Eastern Cape volunteers are active in the eight villages of the Silindini area in the Eastern Cape, our main labour-sending area. Since October 2015, they have cared for 216 patients and 56 orphaned and vulnerable children, and had 30 patients on TB directly observed treatments (DOTs). In Limpopo, peer educators managed to conduct 4,538 peer education sessions, reaching 8,682 community members from Makushoaneng, Makoeng, Dithabaneng, Makurung and Hwelereng. 136,699 male and 4,691 female condoms were distributed. The Brakpan home-based carers were transferred to the Ekurhuleni Department of Health and serve communities as outreach healthcare workers. Here, peer educators held 238 peer education sessions and reached 1,927 people. They distributed 6,900 male and 370 female condoms from October 2016 to January 2017.

### *General health promotion*

Lonmin runs various health promotion initiatives in the Marikana local community to raise awareness among learners and out-of-school youth about issues such as sexual health, HIV/Aids, TB and substance abuse. Programmes include support for school peer educators to raise awareness about these issues and encourage young people to access health facilities, should they need to. To support improved attendance, sanitary towels are distributed at all schools in the community surrounding our Marikana operation.

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

Parents and community members are engaged via meetings to raise awareness and explain the initiatives communicated with the youth.

### *Nutrition and food gardens*

Lonmin supports orphaned and vulnerable children in surrounding communities in Marikana and Limpopo through food centres and supporting food gardens in recognition of the essential role good nutrition plays in physical and mental development.

Our programme supports the Department of Basic Education's national schools nutrition programme, which provides meals to learners in the surrounding community. Lonmin established six food centres in Marikana and two in Limpopo that provide meals to 676 orphaned and vulnerable children. We provide training to community members on how to cultivate food at their household gardens. An annual competition encourages schools to establish the best and most productive gardens. Students are taught how to grow their own food and can share this knowledge with their families.

## Local economic development

Our local economic development projects focus on three main areas: job creation, social infrastructure and capacity building. These investments aim to create socio-economic infrastructure that provides a platform for economic development. We work closely with local and national government to support their agenda to improve basic service in surrounding communities. Local infrastructure needs are discussed in our sustainability context on page 8.

## Material Focus Area | Community Relationships and Investment (continued)

Our primary focus during the year was on capacity building to support the operation and maintenance of infrastructure once handed over to beneficiaries. This proved challenging due to political uncertainty at municipal level and tribal authorities, some of which do not have a standing council at present.

Lonmin's capacity-building initiatives aim to strengthen the structures for beneficiary groups and local authorities. The focus remains on capacitating the Bapo, the Rustenburg local municipality and the Madibeng municipality.

Local economic development expenditure, including waste removal, amounted to R35.1 million in 2017, a 112% increase from 2016 (R16.5 million), with our key projects outlined below.

### **Bulk water infrastructure**

Lonmin works closely with the local water authority, the Madibeng Local Municipality and the Department of Water and Sanitation (DWS) to identify sustainable water solutions for host communities, including exploring alternative methods to source and store bulk water. Acting as an intermediary for Rand Water, Lonmin distributes five megalitres of bulk water per day to various local communities, benefiting an estimated 6,500 households in the formal settlements and 5,500 households in informal areas of Wonderkop. Water is provided to various communities from the Lonmin bulk water supply. In 2017 3,170,671 m<sup>3</sup> of potable water from Lonmin's Rand Water supply was provided to the surrounding communities through the Lonmin bulk water infrastructure.

The Madibeng local municipality is supported by the German Development Corporation (GIZ), to build capacity, develop a water master plan for the surrounding community, and potentially access funding through the regional bulk infrastructure grant from the DWS. Lonmin's water infrastructure development initiatives going forward will need to align to this bulk water master plan once complete.

### **Road infrastructure**

Lonmin's road infrastructure project focuses on the upgrading of existing roads to improve access for employees living in surrounding communities. The construction of paved roads provides contract opportunities for local civil construction companies and short-term job opportunities for local labourers. The roads are surfaced with paving blocks manufactured from the Bapong youth brick-making project, which employs an average of 30 local youth.

Lonmin is upgrading three roads in the Bapo communities.

### **Waste removal**

The Company supports an estimated 37,000 household units in surrounding communities through a tri-sector partnership (with government, communities and Lonmin) which delivers household waste and refuse management. The project, started in 2012 to serve local communities, promotes a cleaner environment, creates local jobs and supports enterprise development. The project will be handed over to the local municipality in 2018.

### **Public safety and security**

11 lights were installed in Segwaelane in 2017 and an additional nine are planned for remaining communities. The revised construction method placed all lines, transformers and other electrical infrastructure overhead and proved successful in addressing the issue of illegal power connections.

## Transformation through enterprise development and procurement

Lonmin's commitment to transformation is embedded in our business processes. The Mining Charter aims to promote transformation in the mining industry. The Reviewed Mining Charter will impose more onerous requirements on the industry.

### **BEE equity ownership**

The three black economic empowerment (BEE) transactions Lonmin concluded with local communities in November 2014 support the improvement and development of local communities, and align the interests of communities, employees and shareholders. The transactions provided the Company an additional 8% equity empowerment and enabled Lonmin to achieve the target of 26% BEE ownership by 31 December 2014 as required by the Mining Charter.

A further issue of BEE shares was made to the Bapo in 2016 to enable BEE shareholders to maintain a proportional interest in Lonmin on a post-Rights Issue basis at 26%. The Bapo agreed to accept a 10-year lock-in period with regard to the Bapo BEE shares.

### **Bapo ba Mogale Procurement**

Lonmin has complied with (and exceeded by R1.45 billion) its procurement undertakings of R200 million total amount given to the Bapo in terms of the 2014 BEE Transaction. Governance within the Bapo entities that manage the above contracts remains a work in progress.

### **Community trusts**

2014 saw the establishment of two separate community trusts. Each trust holds 0.9% of the ordinary shares in Lonplats, and is entitled to dividend payments which have been mandated for upliftment projects in the respective communities. To the extent that no dividend is payable in a particular year, each community trust is entitled to a minimum annual payment of R5 million escalating in line with the Consumer Price Index (CPI) each year. All payments to the trusts are up to date and, in the case of the Bapo community, advance payments have been made. In addition, the monies paid to the Bapo Trust have been used for community upliftment purposes. In the case of the trust supporting our western communities, the monies paid have not yet been utilised as local ward councillors have not yet been able to agree on the community upliftment projects that the monies are to be used for. Trustees hope to resolve this issue in the near future.

### Preferential procurement

Lonmin's preferential procurement strategy requires procurement adjudication to favourably weight suppliers with broad-based black economic empowerment (B-BBEE) credentials, female representation and, where possible, companies from the surrounding communities. Certain procurement areas are ring-fenced for local community and BEE suppliers only. Only local community companies are invited to tender for capital items.

We are implementing a vendor portal that will enable full access to more than 60,000 local vendors in our database, including the small enterprises being incubated through the Shanduka Black Umbrellas (SBU) initiative. Lonmin reviews its top-200 suppliers every month to assess BEE compliance and areas needing improvement. The supplier adjudication process was updated to include a supplier bidder sign-off list, showing BEE credentials that require sign-off by cross-functional teams.

The Mining Charter sets targets of procuring 70% of services, 50% of consumable goods and 40% of capital goods from HDSA-owned suppliers. Lonmin recognises the importance of actively involving citizens who were previously excluded from the mainstream economy and has far exceeded these procurement targets. The Revised Mining Charter provides reviewed and more stringent procurement targets. Our Supply Chain Department undertook an internal exercise to compare the definitions of the Mining Charter to the Revised Mining Charter to understand the changes and new requirements.

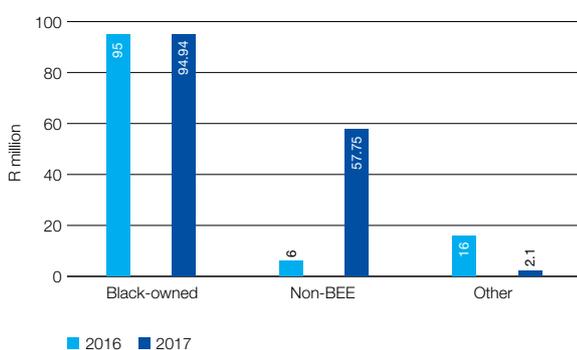
Identifying suitable black youth and women-owned suppliers/manufacturers are our preferential procurement challenges going forward. We are working to address this issue through various enterprise development initiatives and projects. The Procurement Department works closely with the Enterprise Development Department to develop local suppliers that show potential.

### Procurement with locally based suppliers

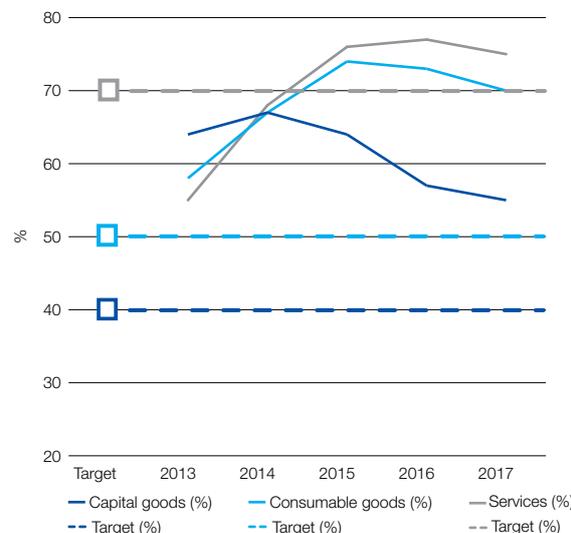
#### Locally based suppliers

	2016	2017
Total value spent on local procurement	R2.8 billion	<b>R3.56 billion</b>
Amount spent with suppliers based within surrounding communities	R761 million	<b>R1.01 billion</b>
Number of new suppliers registered as vendors from surrounding communities	11	<b>13</b>

#### Total spend with new vendors created (R million)



#### Preferential procurement performance (%)



## Material Focus Area | Community Relationships and Investment (continued)

### Enterprise development

Enterprise development initiatives provide financial and non-financial support to small businesses to foster entrepreneurship, employment and economic growth in local communities. These projects promote the creation of a sustainable pool of local BEE suppliers to support further improvement in our preferential procurement performance.

Lonmin's enterprise development programmes are facilitated through a small business incubation centre in Mooinooi established in partnership with SBU. The centre creates opportunities for local community members who want to transact with the Company.

SBU promotes entrepreneurship as a desirable economic path and provides support to 100% black-owned businesses through their first three years of existence. The programme provides training, mentorship, business plan development and access to practical resources, including office space at the Lonmin community office and IT resources. Lonmin's Procurement Department communicates the Company's procurement needs and SBU develops a database of robust, accredited vendors.

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

- Businesses in full incubation: 73 (of which 28 were incubated in 2017)
- Permanent jobs created: 806 (of which 239 were created in 2017)
- Temporary jobs created: 24 (of which 0 were created in 2017)

Key enterprise development projects during the year are discussed below.

#### *Modi Mining*

Modi Mining joined SBU in July 2014. Modi Mining is an established mining company based in Rustenburg, that employs 279 people. Modi Mining has contracts with Royal Bafokeng, Impala Platinum, South32 and Lonmin. In 2017, they received the 'best performing company' award in the National Enterprise Development Awards. SBU assisted Modi Mining with business plan development workshops, enabling it to develop business strategies for company growth.

#### *IRESS*

IRESS specialises in fire management. In 2017, it secured contracts with Delmas Coal to supply fire extinguishers, professional services for incident investigation and risk assessments.

#### *Katli and Rati Cleaning Services*

Katli and Rati Cleaning Services is a black-female-owned business that joined SBU in March 2014. The business employs 162 people with two projects at Lonmin.

#### *SEDA Platinum Incubator – jewellery collaboration*

Lonmin supports the SEDA Platinum Incubator (SPI), a dedicated PGM beneficiation incubator focused on the design and manufacture of jewellery and industrial applications. The SPI has a strong focus on facilitating skills transfer and uplifting HDSAs through its involvement in PGM beneficiation activities. During 2017 a new strategy was developed for the SPI, which includes an advocacy component to promote PGM beneficiation.

### Employee volunteering and donations

Employees support various community programmes by volunteering their time. Information on employee volunteering and donations is available at <https://sd-report.lonmin.com/2017/download-manager/>.



Supplier open day held in Moolinooi



Celebrating Mandela Day