

Material Focus Area | Constructive Engagement: Government, Regulatory and Other Stakeholders

Improving relationships with key stakeholders

Building strong relationships with external stakeholders and between management and employees is important to create constructive engagements so that all stakeholders benefit. This is particularly true when establishing strong partnerships between business, government, organised labour and community leaders to ensure that necessary steps are taken to secure a sustainable future and realise shared value for all.

This chapter provides an overview of Lonmin's key stakeholders, with a focus on government relationships. Further information, including an overview of the method and frequency of stakeholder engagement, concerns raised and Lonmin's responses, is available in the supplementary report on stakeholder engagement at <https://sd-report.lonmin.com/2017/download-manager/>.

Key chapter takeaways

- Key engagement topics with our stakeholders unpacked
- Social responsibility activities align with government priorities
- Lonmin's positioning on primary regulations

Accountability and Governance



The Lonmin Charter includes a commitment to deliver the requirements of the South African Broad-based Socio-economic Charter and we welcome the opportunity to transform our business. 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*

Lonmin's Safety and Sustainable Development Policy:

- Upholding ethical business practices, sound corporate governance and transparency, while meeting or exceeding applicable legislation, standards and other requirements
- Maintaining transparent and ongoing consultative relationships with all stakeholders and incorporating this engagement into the decision-making process

Other internal policies governing constructive engagement: government, regulatory and other stakeholders:

- Stakeholder Engagement Framework
- Reporting Framework



Stakeholder management is coordinated by the Executive Vice-President of Stakeholder Engagement and Regulatory Affairs who reports to the Chief Executive Officer.

Approach and performance

Stakeholder groups are identified and prioritised using a risk-based approach that is supplemented by desktop reviews, analysis of media coverage, online sources, internal conversations and consultation sessions to improve our understanding of stakeholder views.

The primary goal of our stakeholder initiatives is to improve communication and transparency to align the Company and our stakeholders with a shared vision of a sustainable and profitable Lonmin through all cycles.

Engagement between stakeholders and the Board promotes the enhancement of the Board’s collective knowledge of

economic, environmental and social topics and enables consultation and feedback. The Board engages through the Annual General Meeting (AGM) and quarterly and interim roadshows to investors in the United Kingdom and South Africa that follow the AGM. The Board visits the operations twice a year for meetings, focusing on housing, education and working conditions. Board meetings cover deep-dive topics across the areas of safety, health, environment and other topical areas.

We have re-grouped our stakeholder engagement and Regulatory Affairs Department. We allocated more resources to the department to ensure consistent professional and structured engagement.

Management, union leadership and the inspectorate formed a coalition. The intention is to share the unified message that production needs to be improved.

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Key stakeholders

The content that follows defines how Lonmin engages with its main stakeholder groups and the key 2017 engagement themes. Further detail of our response to the concerns raised is included in the material focus chapters, and the Annual Report and Accounts.



Employees and contractors

The daily interactions between management, leaders and teams provide an opportunity to build trust and strengthen our relationships. Frontline supervisors and managers are supplied with information to enable them to keep employees informed and engaged. This includes communication materials on a wide range of topics, regular talking points and responses to frequently asked questions to support conversations around important matters.

Contractors are an important resource for creating and sustaining employment in and around our operations and include transient and small-scale partnerships, and long-term, large-scale relationships. Engagements with contractors happen in the daily course of business as stipulated in formal service agreements.

<p>Why is this stakeholder important?</p>	<p>Lonmin relies on its human capital to execute on its strategy.</p>
<p>How do we engage?</p>	<p>We engaged through regular meetings, forums and steering committees, shaft <i>lekgotlas</i>, Company communications, and formal contractor meetings.</p> <p>Engagements in 2017 included:</p> <ul style="list-style-type: none"> • <i>Weekly Bulletin</i> newsletters sent out to employees • Wellness days, World Aids Day, Condom Week and other health campaigns (page 60) • Environmental open days • Industrial theatre highlighting sexual harassment and abuse (page 48)
<p>Key 2017 themes</p>	<ul style="list-style-type: none"> • Financial sustainability and job security • Wage agreement and remuneration • Employee accommodation and living conditions • Safety
<p>Feedback loop</p>	<ul style="list-style-type: none"> • Human resources grievance mechanisms, whistle-blower hotline

Unions

Lonmin supports our workers' rights to choose their organised labour representatives and recognition agreements are in place to allow for freedom of association, within the confines of South African labour legislation. The Association of Mineworkers and Construction Union (AMCU) is the majority union at our operations.

 Why is this stakeholder important?	<p>Unions provide an important link between the Company and its employees.</p>
 How do we engage?	<p>We engage through regular meetings with union structures and union representatives.</p> <p>Engagements in 2017 included:</p> <ul style="list-style-type: none"> • Four tripartite safety visits, comprising the Lonmin Chief Executive Officer, the AMCU president and a DMR representative • Future Forum meetings • Meetings of the Joint Housing Forum, which contributed to the successful conclusion of negotiations to determine rents for the infill apartments
 Key 2017 themes	<ul style="list-style-type: none"> • Financial sustainability and job security • Wage agreement and remuneration • Employee accommodation and living conditions • Safety
 Feedback loop	<p>Engagements through shop stewards, Future Forums, task teams and engagement forums</p>

Communities

The Bapo Ba Mogale (Bapo) community lies to the east of Lonmin's Marikana operations. Other communities around the operations include localised and transient migrant workers from across southern Africa. More than 130,000 people live in formal and expanding informal settlements around our operations, where the socio-economic challenges arising from informal living conditions are exacerbated by lack of basic services.

At the Limpopo operation, local traditional authorities include the Mphahlele, Ledwaba and Kekana.

Formal engagement structures are in place with the Bapo traditional authority and surrounding communities to discuss the most pressing community needs, such as employment, economic development, community infrastructure programmes and the Social and Labour Plan (SLP) status. These structures take the form of bilateral forums that include specialist sub-committees.

 Why is this stakeholder important?	<p>Lonmin views social spending as an investment and part of our strategic approach. Weak relationships with local communities can lead to production disruptions through unrest.</p>
 How do we engage?	<p>We held regular meetings with community representative structures</p> <p>Engagements in 2017 included:</p> <ul style="list-style-type: none"> • Environmental open days • Environmental community focus group meetings and site visits at our operations • Regular meetings with community representative structures • The Board visited the Bapo Royal Council • A special committee to address community unrest was formed, comprising the Premier of the North West province, the DMR, Madibeng local municipality and Bapo traditional authority
 Key 2017 themes	<ul style="list-style-type: none"> • Local economic development and infrastructure • Skills development • Employment opportunities • Environmental impacts
 Feedback loop	<p>Formal communications through structures, whistle-blower hotline and environmental hotlines at the Marikana operations and the PMR</p>

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Suppliers

Lonmin has 1,541 discretionary suppliers registered in its data base, 91% of which are based in South Africa and 9% are from the surrounding community. Discretionary spend on suppliers during 2017 was R7.87 billion. Our 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 community.

 <p>Why is this stakeholder important?</p>	<p>Lonmin depends on its suppliers for a dependable and cost-effective supply of the products and skills we need to do business.</p>
 <p>How do we engage?</p>	<p>We engage through the procurement function, regular meetings and site inspections.</p> <p>Engagements in 2017 included:</p> <ul style="list-style-type: none"> • Vendor administration process support and day-to-day general procurement/supplier open day issues • The tendering and negotiation of new contracts • Assistance with queries and updating contracts • Managing early payment requests to support supplier cash flows where required
 <p>Key 2017 themes</p>	<ul style="list-style-type: none"> • Financial sustainability • Preferential procurement including local sourcing
 <p>Feedback loop</p>	<p>Regular meetings and day-to-day interactions</p>



Customers

Lonmin's principal customers for PGMs are all global corporations. We appreciate the importance of demonstrating good corporate citizenship as part of the global PGM supply chain and are open to customers' feedback that aims to improve the sustainability of the Company.

 <p>Why is this stakeholder important?</p>	<p>Without customers, we have no business. Customers provide market intelligence and an understanding of market trends.</p>
 <p>How do we engage?</p>	<p>We engage through the marketing function and regular meetings.</p> <p>The Company interacts with customers daily, monthly and in the ordinary course of business.</p> <p>Engagements in 2017 included:</p> <ul style="list-style-type: none"> • BASF audit follow up and second review • Site visit by Johnson Matthey (a customer) and Volvo (an end-user of their product)
 <p>Key 2017 themes</p>	<ul style="list-style-type: none"> • Financial sustainability • Environmental, social and governance practices
 <p>Feedback loop</p>	<p>Regular meetings, annual surveys, customer audits as required</p>

Shareholders

Our top-10 shareholders are PIC, Majedie Asset Management, Schroder Investment Management Limited, Exor SpA, Shah Capital Management Inc, BlackRock Inc, Standard Life Aberdeen, Legal & General Investment Management Limited, Bapo Ba Mogale traditional community and Pictet & Cie (Europe) SA.

Our objectives are to ensure that Lonmin is positioned to withstand low commodity prices in the short to medium term; to operate on a sustainable basis; and to be able to build financial value for our shareholders and all our stakeholders. We place high value on being a responsible corporate citizen.

 Why is this stakeholder important?	Shareholders, potential investors, analysts, and current and future business partners provide the financial capital required to fund the business.
 How do we engage?	We engage through formal reporting structures and meetings, including annual and interim reports, announcements, results presentations, site visits and the AGM.
 Key 2017 themes	<ul style="list-style-type: none"> Operational and financial performance, including a focus on costs, production efficiencies and operational review Regulatory, operating and political environment in South Africa Platinum prices Environmental, social and governance performance Employee engagement and housing conditions
 Feedback loop	Ongoing dialogue takes place on topics of interest or concern

Media

The media plays a role in creating and shaping public opinion by generating awareness. Media acts as watchdog to protect public interest against malpractice.

 Why is this stakeholder important?	The media assists with informing the public and our key audiences about the Company's operations and performance.
 How do we engage?	Through our Communications Department, we engage with media through various platforms including: <ul style="list-style-type: none"> Sustainable Development Report media roundtable Media and regulatory statements Interviews and panel discussions Results announcements and AGM media engagements Media site visits, meet-and-greets
 Key 2017 themes	<ul style="list-style-type: none"> Employee accommodation and living conditions Mining Charter Women in mining Operational review Five years post Marikana 2012 Community protests
 Feedback loop	Media monitoring one-on-one media engagements

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Industry associations

Lonmin participates in various industry organisations that focus on addressing key concerns for the mining and metals processing industries, including health, safety and environmental matters. Participation in these forums exposes the Company to shared learnings, best practice and peer performance benchmarks. These associations offer a focal point to represent particular industry positions in negotiations with government.

<p>Why is this stakeholder important?</p>	<p>Participation shares best practices and helps to shape industry policy.</p>
<p>How do we engage?</p>	<p>We engage through attendance at regular meetings and representation on governance structures.</p> <p>Engagements in 2017 included:</p> <ul style="list-style-type: none"> • Ongoing engagements by the Chamber of Mines with government • Participation in the Chamber of Mines Mine Industry Occupational Safety and Health (MOSH) initiative to share best practice in noise-induced hearing loss (NIHL) (page 59) and safety • Participation in the Chamber of Mines Environmental Policy Committee • Participation in the multi-stakeholder team that is executing the Waterberg-Bojanala Air Quality Plan and in the Highveld Priority Area multi-reference stakeholder group
<p>Key 2017 themes</p>	<ul style="list-style-type: none"> • Health and safety performance • Environmental responsibility • Employee relations • Reporting and assurance frameworks
<p>Feedback loop</p>	<p>Formal communications and information disclosed in meetings</p>

Government and regulators

Government is a key stakeholder for Lonmin, and ensuring a constructive relationship at local (municipal), provincial and national level is critical for the Company to operate effectively.

Our representatives engage with government at the levels relevant 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.

During the course of business, Lonmin engages with all three tiers of government. The Company engages through various business and industry organisations, such as the South African Chamber of Mines and the National Business Institute (NBI), so that the Company's positions on matters of importance are represented at the correct level of responsibility.

Lonmin's Group Risk Manager and Head of Legal are in the process of setting up a compliance forum to meet quarterly to consolidate compliance across the Company.

 Why is this stakeholder important?	<p>Lonmin's licence to operate depends on ensuring regulatory compliance and positive engagements with government.</p>
 How do we engage?	<p>We engage through regular meetings, inspections and assessments, and participation in forums.</p> <p>Engagements in 2017 included:</p> <ul style="list-style-type: none"> • Four coalition safety visits, comprising the Lonmin Chief Executive Officer, the AMCU president and a DMR representative • Signing a Memorandum of Understanding with the Housing Development Agency to partner in addressing local housing needs • Quarterly meetings held with the DMR and Department of Water and Sanitation (DWS) to drive proactive engagement on environmental and regulatory issues
 Key 2017 themes	<ul style="list-style-type: none"> • SLP performance • BEE ownership • Safety performance • Environmental performance
 Feedback loop	<p>Written communication, meetings and forums, inspections, audits and assessments</p>



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Contributing to government priorities

Lonmin's socio-economic development projects are derived in collaboration with government and, wherever possible, are designed to support the country's broader developmental goals. These goals underpin various developmental frameworks, including those discussed below, which are most relevant to Lonmin.

The Framework Agreement for a Sustainable Mining Industry¹

Description and purpose

The Framework outlines the commitments of each party and aims to support improved working and living conditions for mine workers, and accelerate transformation to redress the historical imbalances, legacies and inequalities in the mining industry.

Local integrated development plans (IDPs)

Description and purpose

Local IDPs are five-year plans for a municipal area that provide a framework for future development to coordinate the work of local government, other spheres of government and key stakeholders. All municipalities have to produce an IDP, and are responsible for coordinating the plan and ensuring that all municipal planning and projects happen in terms of the IDP.

Lonmin's contribution

Lonmin's Marikana operations fall under the Madibeng and the Rustenburg local municipality which lies in the Bojanala Platinum district municipality.

In line with the requirements of the Mining Charter, Lonmin's infrastructure development in terms of our SLPs is informed by engagement with the relevant government representatives to ensure alignment with regional and municipal IDPs.

United Nations Sustainable Development Goals (SDGs)

Description and purpose

The SDGs are a set of 17 'Global Goals' with 169 targets among them. They promote global partnership, and provide guidelines and targets that tackle the root causes of poverty, inequality and environmental issues. They aim to make a positive change for people and the planet in a sustainable way, for future generations.

Lonmin's contribution

Lonmin is in the process of aligning its sustainable development agenda with the SDGs. Our activities aim to address the issues underlying these goals.

The National Development Plan (NDP)

Description and purpose

The NDP is a long-term developmental plan that sets goals for South Africa to eliminate poverty and reduce inequality by 2030, prioritising employment through faster economic growth and improving the quality of education, skills development and innovation. Project Phakisa for mining is a government initiative announced in 2015 to fast-track the implementation of solutions on the critical developmental issues highlighted by the NDP.

Lonmin's contribution

Lonmin is committed to playing its part to achieve the goals of the NDP and our socio-economic development initiatives aim to address the most pressing community needs, which generally align with the NDP.

Local beneficiation

Description and purpose

The Mineral and Petroleum Resources Development Act (MPRDA) Amendment Bill (the Bill) grants the Minister of Mineral Resources powers, including: the discretion to declare certain minerals as strategic; to determine what percentage of strategic minerals are to be made available locally; to set the developmental price at which strategic minerals are to be sold; and decide the conditions applicable to export permits.

Lonmin's contribution

Lonmin supports the underlying intention of local beneficiation, and it is important that the legislation, as finally enacted, achieves these intentions without undermining the competitiveness of the local mining industry.

Although the Bill has not yet been signed into law, Lonmin continues to investigate ways to maximise platinum beneficiation, for example through our sponsorship of the SPI in the North West.

¹ Also known as the Peace Accord, signed between government, labour and business in July 2013.

Primary regulations

Mining and beneficiation are highly regulated industries, and most aspects of the Company's activities require close interaction with regulators, including in the areas of safety, health and wellness, environment and transformation.

Mining and prospecting rights

Lonmin's primary legal licence to operate is its mining rights issued in terms of the MPRDA by the DMR, and retention of these rights is dependent on continued compliance with the requirements of the MPRDA. Lonmin's new order mining rights for core operations continue to 2037 and are renewable to 2067.

Reviewed Mining Charter – focus areas

- Mine ownership
- Employment equity
- Skills development
- Preferential procurement
- Enterprise development
- Housing and living conditions for mineworkers
- Community development
- Sustainable development (environmental management compliance, health and safety, and capacity and skills)
- Local beneficiation

SLP focus areas

- Human resources development
- Mine community development
- Housing and living conditions
- Employment equity
- Processes to save jobs and manage downscaling and/or closure

The Mining Charter

Transformation and socio-economic development in the mining industry is driven by the Broad-based Socio-economic Empowerment Charter for the South African Mining Industry (the Mining Charter), which sets targets in nine areas. Programmes in these areas aim to promote meaningful economic partnership by HDSAs in the mining industry. Mining companies report their progress against the Mining Charter annually to the DMR.

The Reviewed Mining Charter was published on 15 June 2017 and is the subject of legal dispute. The Minister of Mineral Resources gave a written undertaking that the Reviewed Mining Charter will not be implemented until the legal issues around it have been resolved. The 2010 Revised Mining Charter set targets to 2014, and these apply until replaced by the Reviewed Mining Charter.

Social and Labour Plans

The MPRDA commits mining companies to SLPs as a prerequisite to acquire mining or prospecting rights to ensure the effective transformation of the mining industry. The plans aim to promote employment and advancement of the social and economic welfare of all South Africans, while ensuring economic growth and socio-economic development.

The projects contained in SLPs are identified and planned in close collaboration with community stakeholders and local, regional and national government. Mining companies submit their SLPs to the DMR, and delivery on projects is required to retain their legal and social licence to operate.

Lonmin confirms that we have received correspondence from the DMR that highlights areas that have been identified as non-compliant and/or are behind scheduled implementation in terms of our SLP. We continue to engage with the DMR in an attempt to reach a constructive solution.

The current five-year SLP commitments expire at the end of 2018.

Breakdown of rand value spent on community SLP projects:

Communities (Rand)	Measurement	2013	2014	2015	2016	2017
Project spend in South African Rand against approved budget (Health, Education and Social Infrastructure) WPL and EPL		38,661,225	47,672,897	62,551,677	52,062,623	80,558,123

Close cooperation with local government is critical to ensuring socio-economic development initiatives are viable, sustainable and align with the NDP, regional IDPs and other government-driven community initiatives such as Project Phakisa. Regular engagements are held with various government departments, including the departments of Basic Education, Health, Trade and Industry, Social Development, Human Settlements and Mineral Resources, as appropriate, and with provincial and local government. These engagements provide oversight on projects implemented by the Company.

More information is available in the Community Relationships and Investment chapter on page 64.



**THE BOARD IS GUIDED BY
ACCOUNTABILITY, LONMIN'S
VALUES AND A RESPONSIBLE
LEADERSHIP ETHOS**