

# Material Focus Area | Employee Relationships

## Investing in employee relationships and development

Lonmin's human resources comprises our employees and the contractors that work at our operations. This capital is a key asset to the Company, particularly given our labour-intensive mining model. The Company's success is driven by our solid relationships with employees and their representative unions. They help us achieve our strategic goals and, with these relationships, we currently provide employment to 33,000 people.

Information in this chapter is relevant to all operations, however, data relating to accommodation applies to the Marikana operations.

### Key chapter takeaways

- Of our 24,713 (2016: 25,296) permanent full-time employees, 79.22% are historically disadvantaged South Africans (HDSAs) and 9.1% (2016: 9.1%) are women
- Management representation of HDSAs increased to 55.6% (above 40% target)
- Employee turnover decreased by almost 50% and absenteeism remained unchanged
- Three-year wage agreement concluded, effective to 30 June 2019
- 19,969 employees and 9,269 contractors trained
- Mining Charter elements:
  - Housing and living conditions
  - Employment equity
  - Human resource development
- Our infill apartment project is progressing as planned

## Accountability and Governance



**The Lonmin Charter:** We are successful when our employees live and work safely and experience the personal satisfaction that comes with high performance and recognition. The following **values** support our employee relationships:

- **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

**Strategic approach:** *to continue to improve relationships with key stakeholders, reducing fixed costs and continued focus on our people*

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

- Implementing the principle of equal opportunity and equity while maintaining an appropriately skilled and diverse workforce
- Maintaining transparent and ongoing consultative relationships with all stakeholders and incorporating this engagement into the decision-making process
- Seeking continual improvement to achieve a high level of performance through a framework of setting and reviewing our policy, objectives and targets
- Fostering the commitment of all employees and contractors to this policy through training and awareness programmes



Our success is dependent on solid relationships with our employees

**Other policies, standards and plans governing employee relationships:**

- Human Rights Policy
- Social and Labour Plan
- Human resources strategy

Lonmin’s human resources strategy outlines action plans to fulfil the commitments in the Lonmin Charter, Safety and Sustainable Development Policy and Sustainable Development Standards, and the requirements of relevant internal policies and plans which govern employee relationships. Human resources targets are included in Lonmin’s corporate and operational objectives. Progress against targets is tracked through monthly reporting on key internal human resources indicators. The Human Resources Department implements the strategy. Lonmin’s Executive Vice-President for Human Resources<sup>1</sup> reports to the Chief Executive Officer and is responsible for the management and implementation of the strategy.

**2018 focus**

- Achieving our Lonmin human resources targets
- Revitalising employment equity committees across the Company
- Improving the representation of women in mining

**External policies, frameworks and regulations**

Lonmin’s human resources policies, strategy and procedures comply with the requirements of South African labour laws and align with the relevant International Council on Mining and Metals (ICMM) and United Nations Global Compact (UNGC) guidelines that relate to human resources. The Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter) includes various human resources requirements that include accommodation and living conditions, employment equity, transformation and human resource development. We report our progress against these requirements to the Department of Mineral Resources (DMR) annually.

The Reviewed Mining Charter, released in 2017, contains several provisions that are likely to have an impact on the Company, including ownership, transformation, employee housing, procurement and skills development. Consultation between the industry and the Minister of Mineral Resources is ongoing. Further information on the Reviewed Mining Charter is available on pages 18 and 103.

<sup>1</sup> A brief profile of all members of the Executive Committee is available on pages 56 to 57 in the Lonmin Annual Report and Accounts 2017.

## Material Focus Area | Employee Relationships (continued)

### Approach and Performance

#### Employee overview

At financial year-end, Lonmin employed 24,713 (2016: 25,296) permanent full-time people. 9.1% (2016: 9.1%) of our full-time employees are women, and 79.22% are Historically Disadvantaged South Africans (HDSAs). 435 employees are in management roles, compared to 437 at 30 September 2016. Our contractor headcount was 7,831 (2016: 7,497), 685 (2016: 689) or 8.7% of whom are women. Lonmin occasionally makes use of labour brokers to cover short-term business needs, for example to cover positions when someone is on leave. This is always done within the requirements of the Labour Relations Act, 60 of 1995.

Headcount decreased as recruitment was limited and the focus on efficiency continued.

Employment category	Paterson band	30 September 2016	Own employees as at		
			30 September 2017		
			Male	Female	Total
Temporary employees	Temporary	90	93	34	127
Unskilled and defined decision-making	A-band	12,756	11,015	1,173	12,188
Semi-skilled and discretionary decision-making	B-band	8,772	8,428	315	8,743
Skilled technical and academically qualified junior management, supervisors, foremen and superintendents	C-band	3,246	2,590	630	3,220
Professionally qualified and experienced specialists and mid-management	D-band	305	218	91	309
Senior management	E-band	117	104	14	118
Top management	F-band	10	7	1 <sup>1</sup>	8
<b>Total</b>		25,296	<b>22,455</b>	<b>2,258</b>	<b>24,713</b>

South African employees make up 84% of our workforce, and mostly come from the Eastern Cape and North West provinces. The majority of our foreign employees come from Mozambique and Lesotho. Lonmin employs South Africans where possible to support the local resource economy. We host local training programmes in the communities in which we operate, aimed at developing necessary skills to increase the pool of local employees.

The Community Relationships and Investment chapter covers community education and skills development in detail on pages 46 and 47.

#### Employee demographics by geographic origin at 30 September 2017

Origin	Percentage of total employees		Number of employees		
	2016 %	2017 %	2017		
			Male	Female	Total
Eastern Cape	34	41	8,159	327	8,486
North West	32	36	5,870	1,496	7,366
Limpopo	1	6	1,151	86	1,237
Free State	3	5	905	36	941
Gauteng	5	6	1,111	204	1,315
KwaZulu-Natal	3	4	698	32	730
Mpumalanga	6	2	355	28	383
Northern Cape	0	1	245	22	267
Western Cape	0	0	7	1	8
Total foreign	16	16	3,954	26	3,980
<b>Grand total</b>	100	100	<b>22,455</b>	<b>2,258</b>	<b>24,713</b>

<sup>1</sup> As of 19 January 2018 two females.

## Employee turnover

Employee turnover decreased by almost 50% to 4.0% in 2017 (2016: 7.9%). The 2016 turnover figure was skewed as a result of the headcount reduction initiatives. Lonmin's turnover rate comparatively remains low for the mining industry.

### Employee turnover by reason – as at 30 September 2017

	2016			2017		
	Male	Female	Total	Male	Female	Total
New recruits	1,026	243	1,269	<b>373</b>	<b>52</b>	<b>425</b>
Resignations	(198)	(31)	(229)	<b>(179)</b>	<b>(30)</b>	<b>(209)</b>
Deaths (not work-related)	(226)	(7)	(233)	<b>(190)</b>	<b>(6)</b>	<b>(196)</b>
Deaths <sup>1</sup> (work-related)	(2)	(0)	(2)	<b>(3)</b>	<b>(0)</b>	<b>(3)</b>
Dismissals	(392)	(65)	(457)	<b>(390)</b>	<b>(20)</b>	<b>(410)</b>
Retirements	(90)	(6)	(96)	<b>(102)</b>	<b>(0)</b>	<b>(102)</b>
– Retrenchments – Voluntary Separation Packages (VSPs)	(1,418)	(64)	(1,482)	<b>(28)</b>	<b>(2)</b>	<b>(30)</b>
– Retrenchments				<b>0</b>	<b>0</b>	<b>0</b>
Medical repatriation	(75)	(3)	(78)	<b>(55)</b>	<b>(3)</b>	<b>(58)</b>
<b>Total exits</b>	<b>(2,401)</b>	<b>(176)</b>	<b>(2,577)</b>	<b>(947)</b>	<b>(61)</b>	<b>(1,008)</b>
<b>Net (loss)/gain</b>	<b>(1,375)</b>	<b>67</b>	<b>(1,308)</b>	<b>(574)</b>	<b>(9)</b>	<b>(583)</b>

### Productivity and absenteeism

Achieving our strategic goal to improve relationships and reduce cost is critically dependent on increasing labour productivity. The workforce rationalisation saw an increase in productivity in 2016. However, this was not sustained into the first four months of 2017. The reasons for this include redeployment and reskilling of employees taking longer than anticipated, absenteeism of key personnel reducing the planned blasts per month, and an adversarial relationship developing in certain shafts between management and the union (AMCU). A coalition of management, union leadership and the DMR inspectorate was formed with the intention of sharing the unified message that production needs to be improved to make the Company successful again and protect jobs. This resulted in significant increases in production.

Four business improvement initiatives were implemented in the year to improve productivity:

- Establishing a labour skills buffer
- Addressing employee absenteeism
- Introducing a programme aimed at the empowerment of frontline supervisors
- Implementing the Theory of Constraints Framework in order to improve the optimisation of half levels at Generation 2 shafts

Our approach to addressing absenteeism (unplanned non-availability) includes an emphasis on improving our understanding of the root causes, how to address them, and how best to support our employees. Despite this focus, absenteeism remained at 13.0% (2016: 12.7%), which equates to 917,092 person days lost/shifts lost. With planned non-availability due to training or leave recorded at 11.4%, minimising absenteeism is critical to support safe and productive operational performance.

Measures to address absenteeism include:

- Linking attendance to bonus payments and the use of buffer labour crews, which is being piloted at a number of our Generation 2 shafts
- In an effort to support the health and wellbeing of the workforce and to improve productivity, we offer daily nutritional supplements to employees
- We are negotiating with the majority union leave arrangements for category 4 to 9 employees that will increase the flexibility of leave across the year. This will increase leave options for employees and improve workforce planning by reducing unplanned absenteeism.

<sup>1</sup> Five of our colleagues were fatally injured during 2017, three of whom were Lonmin employees, and two were contractors.

## Material Focus Area | Employee Relationships (continued)

### Valuing our employees

Last year's re-organisation and continuing cost constraints, as a result of the challenging South African mining environment, resulted in limited salary increases and few development opportunities. These factors affected the morale and retention of our employees. The contributions of our employees are valuable to us. We recognise that the sustainability of the Company is inextricably linked to the productivity and commitment of our human resources. Lonmin pays fair salaries and wages that are competitive relative to the mining industry. We acknowledge that employee satisfaction is achieved from more than fair pay, and we have a range of tools in place to support effective management and retention.

We continue improving communication and ensuring consistent messaging to build trust and, wherever possible, address concerns and resolve issues as they arise. Line managers are encouraged to communicate with employees directly to build relationships and reduce the perceived gap between Company and employee.

'The Way We Work at Lonmin' (TWWWW@L) is an ongoing leader-led change process to develop and institutionalise a Lonmin culture that supports sustained success by establishing productive behaviour and mindsets built on teamwork. The initiative is based on five core concepts that aim to improve communication, entrench accountability and empower resource teams to do what is required of them. We are rolling out workshops with executive and operational management on a leadership process based on TWWWW@L.



### Remuneration and benefits

Lonmin's Remuneration Committee (Remco) reviews and ratifies all remuneration and benefits matters. Wages for employees in the bargaining units are negotiated through collective bargaining arrangements. We pay competitive wages and monitor wages of comparable employers for equivalent levels of work in the South African mining industry. We take into account the absolute level of earnings for employees when setting wages.

Employees are rewarded with performance incentives, including production-related bonus schemes set against specific targets. The majority of operational employees participate in these schemes. In 2017, production-related bonuses paid totalled R655,781 million, an average of 8.73% on top of remuneration. For employees not on the production bonus schemes, a corporate balanced scorecard incentivises performance against a range of targets. These include Company financial performance, operational performance, safety, transformation, employee relations and personal achievement. The balanced scorecard is explained further on page 102 of the Annual Report and Accounts 2017.

Lonmin's employee benefits exceed those specified in the Basic Conditions of Employment Act, 75 of 1997 and employees have access to a range of financial and non-financial benefits, including:

- On-site healthcare
- Comprehensive life and disability insurance, including retirement provisions
- A defined contribution pension scheme
- A provident fund for full-time employees
- A Group life benefit in the event of death while employed
- Paid study leave
- Four months' paid maternity leave
- Family responsibility leave
- Free transport to and from shafts, plants, housing areas and bus stops for those residing in the communities surrounding our Marikana operations
- Financial literacy and counselling
- An employee wellness service that provides free, confidential professional counsellors and therapists on matters of emotional, physical and financial distress

The 1608 Memorial Trust provides for the education of the dependant children of Lonmin employees who lost their lives at Marikana in August 2012. The Lonmin Memorial Fund covers the education costs of the children of any person killed or disabled as a result of an accident on the mine.

### Wage settlement

In October 2016, the Company concluded a three-year wage agreement effective to 30 June 2019. The agreement includes several non-financial discussion points, including commitments around employee housing, job grading, medical aid benefits, the benefit fund and spousal issues. Task teams were assigned to each of these areas and progress on implementation of agreements continues.

Below is an example of the basic agreed guaranteed packages for category 4 to 9 employees. These figures exclude overtime and safe production bonuses, which make up 13% of employees' wages.

### Lowest-paid entry-level underground employees

Date	Basic salary R	Cash remuneration <sup>1</sup> R	Guaranteed package R
Current	10,713	14,126	16,199
1 July 2018	11,713	15,328	17,588

### Rock drill operators

Date	Basic salary R	Cash remuneration <sup>1</sup> R	Guaranteed package R
Current	11,296	15,770	17,950
1 July 2018	12,296	17,043	19,455

### Employee Profit Share Scheme

We designed the Employee Profit Share Scheme (EPSS) for employees who do not participate in the share award schemes. The EPSS provides an opportunity for economic partnership while sharing the responsibilities and involvement that this brings. The implementation of this EPSS contributed to Lonmin's HDSA equity accreditation of 3.8%. We are investigating how the changes in the Reviewed Mining Charter will impact the scheme's structure.

The Company introduced a staggered deferred cash plan for management employees in December 2016 to replace the share-based compensation plan that was withdrawn in 2015. The plan spreads cash annual bonuses payments over three years to improve retention.

### Financial literacy and counselling

Lonmin implemented a financial wellbeing programme facilitated by an external service provider. The programme supports our employees and provides financial wellness training. It aims to address employee indebtedness, which is continuously identified in engagements with employees and their unions as a serious concern at Lonmin and in the broader mining industry.

The Company's induction programme<sup>2</sup> includes a financial fitness module. An on-site office provides employees with information on how to manage their debt, and evaluates garnishee orders.

The financial wellness service provider offers several other financial services to support employees, including:

- **Audits of emolument attachment orders (garnishee orders):** Before Lonmin activates payments, audits are conducted on emolument attachment orders issued against Lonmin employees. This prevents irregular or illegal garnishee orders, for example, administration fees charged above the allowed 12.5%. This process has saved employees approximately R12.2 million, and stopped 500 garnishee orders since its establishment.
- **Reviewing interest charged:** Since inception, interest rate reviews have helped to reduce the outstanding balances on our employees' loans by R65 million. Interest charged on employee debt decreased from 23% to 6% and the total debt instalments charged to employees reduced by over R640,000 a month. To date, 49 houses and 159 cars have been saved from being repossessed.
- **Assisting employees with tax consulting services:** Our tax consulting services facilitated tax savings and refunds for employees. The service played a role in detecting a tax scam involving illegitimate tax practitioners. We alerted our employees to the scam and assisted those in need with R607,227.

Initial uptake of the financial literacy and wellness programme was positive, but did not continue as strongly as we had predicted. We are engaging with unions to promote the benefits of the programme and increase employee participation.

<sup>1</sup> Cash remuneration is paid directly to the employee, while the guaranteed package includes payments to funds on behalf of employees (e.g. provident fund).

<sup>2</sup> Induction training is a pre-requirement and those working in core operations have to attend refresher training every 12 to 18 months.

## Material Focus Area | Employee Relationships (continued)

### Grievance procedures

Our anonymous ethics hotline is one of many formal channels through which employees can lodge grievances. The human resources practitioner or line manager can set up a mediation upon the request of employees. We focus on ensuring good communication so that issues can be addressed at an early stage, and clarifying the roles of the union and line managers in the case of grievances. Further information on human rights and ethics is available in the Ethics and Human Rights section on pages 107 to 111.

Lonmin's revised disciplinary procedure was accepted by AMCU and will take effect during the 2018 financial year. It outlines the repercussions of failure to observe Company standards, including absenteeism and safety disciplines.

### Skills development

Recent job losses across the industry reduced the risk of critical skills shortage in mining in the short term. However, loss of critical skills remains one of Lonmin's top risks. The Company's focus on cost containment and cash preservation resulted in constrained spend on developmental training outside legal requirements. Despite this, we are taking steps to ensure that our employee development initiatives continue to develop the required skills pipeline to meet our forecast needs. Succession planning remains a priority and focuses on identifying future leaders.

#### Breakdown of average training hours per employee

Employee category	2016		2017	
	Male	Female	Male	Female
Contractors	20.43	15.12	<b>32.22</b>	<b>20.95</b>
Unskilled and defined decision-making	31.54	27.06	<b>26.22</b>	<b>22.37</b>
Semi-skilled and discretionary decision-making	26.28	12.70	<b>21.94</b>	<b>12.02</b>
Skilled technical and academically qualified junior management, supervisors, foremen and superintendents	20.99	22.22	<b>14.45</b>	<b>12.73</b>
Professionally qualified, experienced specialists, and mid-management	14.01	10.36	<b>13.32</b>	<b>11.00</b>
Senior management	9.36	9.50	<b>8.28</b>	<b>7.50</b>
Top management	9.00	0.00	<b>21.00</b>	<b>0.00</b>

### Core skills

2,949 (2016: 3,858<sup>1</sup>) employees received training to develop basic core skills and meet key operational standards. We focused on critical competencies required by the mining and process operations. Core skills requirements at operations are determined by assessing and comparing attrition rates in various skill sets.

### Learnerships

Lonmin offers learnerships in the mining, process and engineering functions to develop scarce technical skills in these fields.

Lonmin's ISO 9001 accreditation covers all operations, and human resources development programmes are standardised across the Company.

In line with the focus on cost management, the programme to develop and upskill leadership planned for 2017 was placed on hold. A pilot project is planned for 4B shaft.

In 2017, we held initiatives aimed at increasing youth interest in mining as a career. These included shaft visits, developmental days, career shows and roadshows at various schools.

We reviewed our training programmes to reduce duplication within and across programmes, which led to a reduction in the length of training programmes. The Reviewed Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (Reviewed Mining Charter) has significant cost implications due to more stringent specifications on human resource development spend allocation. We continue to monitor developments in this regard.

Lonmin invested 1,511,538 hours in training at our training facility based at the Marikana operations. We trained 19,969 employees and 9,269 contractors in 2017.

Lonmin's total investment in employee development increased to R169.67 million compared to R156.89 million in 2016.

Learnership type	2016	2017
Mining	5	<b>21</b>
Process	0	<b>42</b>
Engineering	33	<b>21</b>
Total	38	<b>84</b>

A learnership programme for rock engineers was initiated to address this skills shortage. The programme meets the DMR's requirement to increase the frequency of visits in the underground operations by rock engineers and qualified surveyors. An internship programme for qualified rock engineers is in place. These programmes contribute to our strategy to create a buffer of skills in areas that could create bottlenecks due to absenteeism, including rock engineers and winch drivers.

<sup>1</sup> Core skills training data has been restated to include first aid training.

### Mentorship programme and individual development plans

Formal mentorship programmes are in place at our operations to facilitate skills transfer and knowledge sharing among employees. Active formal mentorships in 2017 totalled 104 (2016: 104), of which 21.2% are for women. Individual development plans (IDPs) are developed to assist employees to establish and implement personal development goals.

We aim to have an IDP in place for all interested employees within C-band and above. For these bands, 807 (2016: 671) employees (21.8% women) have formal IDPs in place.

### Adult education and training

The Lonmin Academy conducts adult education and training (AET) courses for pre-AET and AET levels 1 to 4. In the South African schooling system, a level 4 is equivalent to a grade 9 qualification. 128 employees registered for AET courses during 2017 (2016: 432). We continue to assess more cost-effective and sustainable ways of providing AET in a way that does not disrupt production, including engaging with relevant partners.

### Portable skills training

Portable skills training was provided to 68 employees and 165 community members (2016: 156 employees and community members). These employees became eligible for early pension. They received practical and relevant training in skills such as sewing, cooking, welding, farming and plumbing.

### Bursaries and graduates

Lonmin identifies and develops promising candidates through its bursary and graduate programmes, which focus on students studying mining or mining-related disciplines. The programmes cater to the Company's needs by building a pipeline of necessary future skills. These include mining, electrical, mechanical, industrial or chemical engineering, metallurgy and mining technical services disciplines. Comprehensive bursaries require a service binding contract after graduation, for a period equal to the number of years' study. Preference is given to HDSA candidates and those from surrounding communities. Bursars enter Lonmin's graduate-in-training programme after completing their studies.

Of the 44 bursaries in place (2016: 66), 50% are students from surrounding communities, 82% are HDSAs and 43% are women.

Around 95% of bursars are absorbed into Lonmin's graduate-in-training programme on completion of their studies. 35 graduates were on the programme during the year, of which 77% are HDSAs, 49% are from surrounding communities and 31% are women.

### Employment equity and diversity

The Mineral and Petroleum Resources Development Act (MPRDA), implemented through the Mining Charter, was enacted to facilitate meaningful participation of HDSAs and to drive transformation in the mining industry. Lonmin recognises transformation as a business imperative and we are committed to cultivating a workforce that reflects the diversity in our country, and a working environment that accommodates women.

### Transformation and empowerment

Transformation is monitored and overseen at Board level by the Social, Ethics and Transformation (SET) Committee. HDSA representation in the Company is reported to the Executive Committee (Exco) on a monthly basis. Recruitment, succession, skills development, talent management and our bursary and graduate development programmes incorporate transformation considerations to ensure that a strong pipeline of HDSAs (inclusive of women) is developed.

We are making good progress in improving management representation of HDSAs, which increased to 55.6% in 2017 and remains above the current Mining Charter target of 40% at management level.

#### HDSAs in management (including white women)%



#### Women in mining

Lonmin's human resources strategy supports our commitment to cultivating a working environment that welcomes the contribution of women in a traditionally male-dominated industry. In 2017, women made up 9.1% of the full-time and fixed-term workforce, and 6.4% of core mining positions. Lonmin established a Women in Mining Committee that includes union representatives. A strategy session was held to determine the main stakeholder concerns, consolidate the various separate women in mining structures, and to agree an overarching strategy and related projects for the next three years.

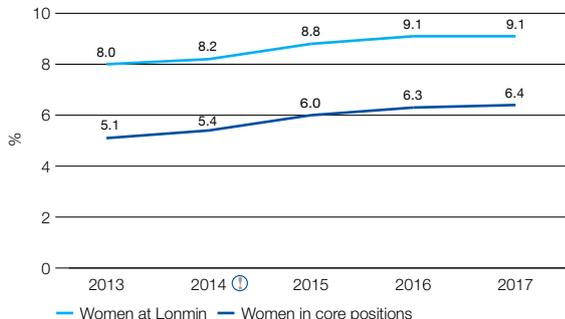
Lonmin is committed to improving the representation of women in our workforce by ensuring that our culture and working environment welcomes them. Last year, we introduced a short-stay female ward. The ward contains two observation beds and an infant warmer at a local clinic, which also provides on-site antenatal care.

The Company piloted personal protective equipment (PPE) to cater for the needs of women working at the mine. The PPE designs for women are being finalised and the new PPE equipment, which includes women's safety goggles, earplugs, gloves and hard hats, will soon be rolled out to all mine stores within the operations.

## Material Focus Area | Employee Relationships (continued)

We continue to monitor developments regarding the Reviewed Mining Charter to ensure that our human resources goals and processes can align with its requirements.

### Women employed on a full-time basis



### Women in mining

The findings of a pilot study focusing on the issues of women in mining in 2016 led to a campaign being rolled out across shafts to raise awareness around sexual harassment and abuse.

The campaign included industrial theatre performances aimed at empowering women, raising their awareness of their rights, and equipping them to speak out against gender discrimination and abuse in the workplace. Delivered in Xhosa and Setswana to around 15,000 employees to date, the performances invited men to reconsider their actions towards their female coworkers. More information on the issues addressed in the performance was distributed via translated flyers.

The campaign will continue in 2018 with a focus on issues that impact women, including advancement, workplace policies, working conditions and confidence-building initiatives to encourage women to report incidents without fear of victimisation.

## Accommodation and living conditions

Creating good living environments is about more than providing housing – it is about building a community. Lonmin understands that it is necessary to consider the Lonmin housing goals in relation to the spatial development of the area.

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

Accommodation and living conditions are key elements of our Social and Labour Plans (SLPs) and a topical issue following the conclusion of the Farlam Commission<sup>1</sup>, the recent interactions with the DMR and statements by the Presidency in December 2016.

Lonmin is committed to achieving employee accommodation targets that are entirely within its control. We are working with stakeholders to ensure that our collaborative targets are achieved. Lonmin's Board committed R500 million for the period 2014 to 2018 towards the housing provision. The Lonmin Board was succinct in its resolution to provide financially for key housing endeavours. The Board is aware that this requires financial contribution from Lonmin, and the decision is underpinned and caveated by the knowledge that all such endeavours will be subject to prevailing market conditions and the sustainability of business operations.

Over and above this commitment, Lonmin incurs an operating cost for its current rental stock of R31 million per annum, after rental recoveries, due to subsidisation, as well as a cost of R532 million per annum in living-out allowances to category 4 to 9 employees.

### Lonmin Home Ownership Facilitation Strategy

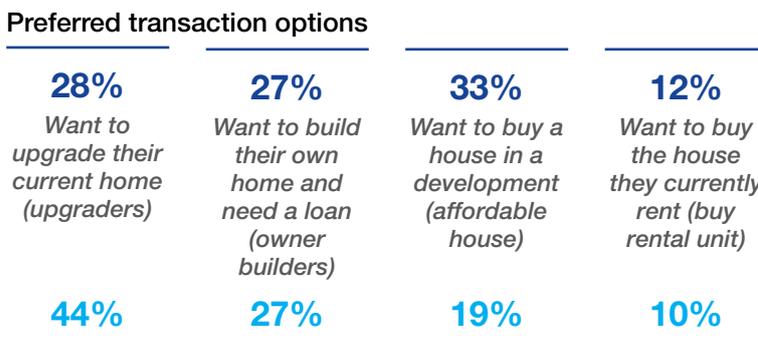
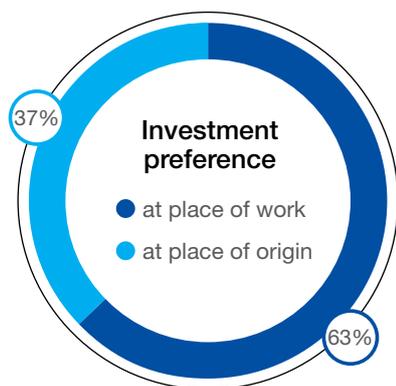
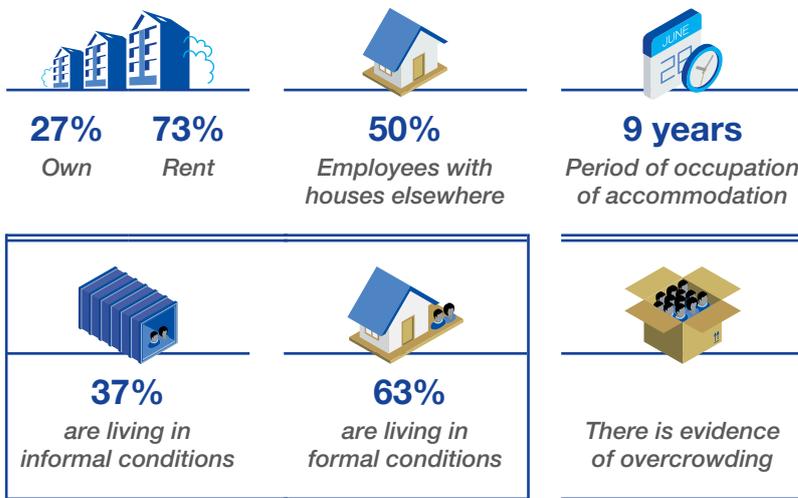
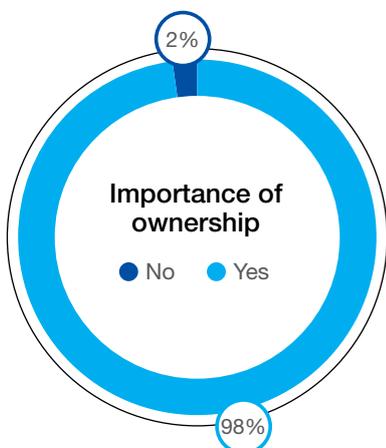
Lonmin undertook an in-depth review of the human settlements strategy. The Company established a joint forum, comprising management and the majority union, AMCU, to oversee this revision process. These engagements revolve around employees within the bargaining unit (categories 4 to 9 and officials up to C4 Paterson grading). These employees are the primary focus of the review of the Lonmin Home Ownership Facilitation Strategy, which will be embarked on during the following year.

In February 2017, the Exco appointed a Strategic Advisor and Implementation Agent. The Strategic Advisor supports the development of a detailed Lonmin Home Ownership Facilitation Strategy and Implementation Plan. The Implementation Agent will coordinate and oversee the implementation of identified projects.

The review commenced with an assessment of the existing housing and accommodation situation. The assessment took into consideration spatial framework and infrastructure, settlement and housing areas, stakeholders and potential partnerships, supply and demand, housing and services delivery options, development zone analysis, among other factors. An employee survey was conducted to understand housing and living aspirations.

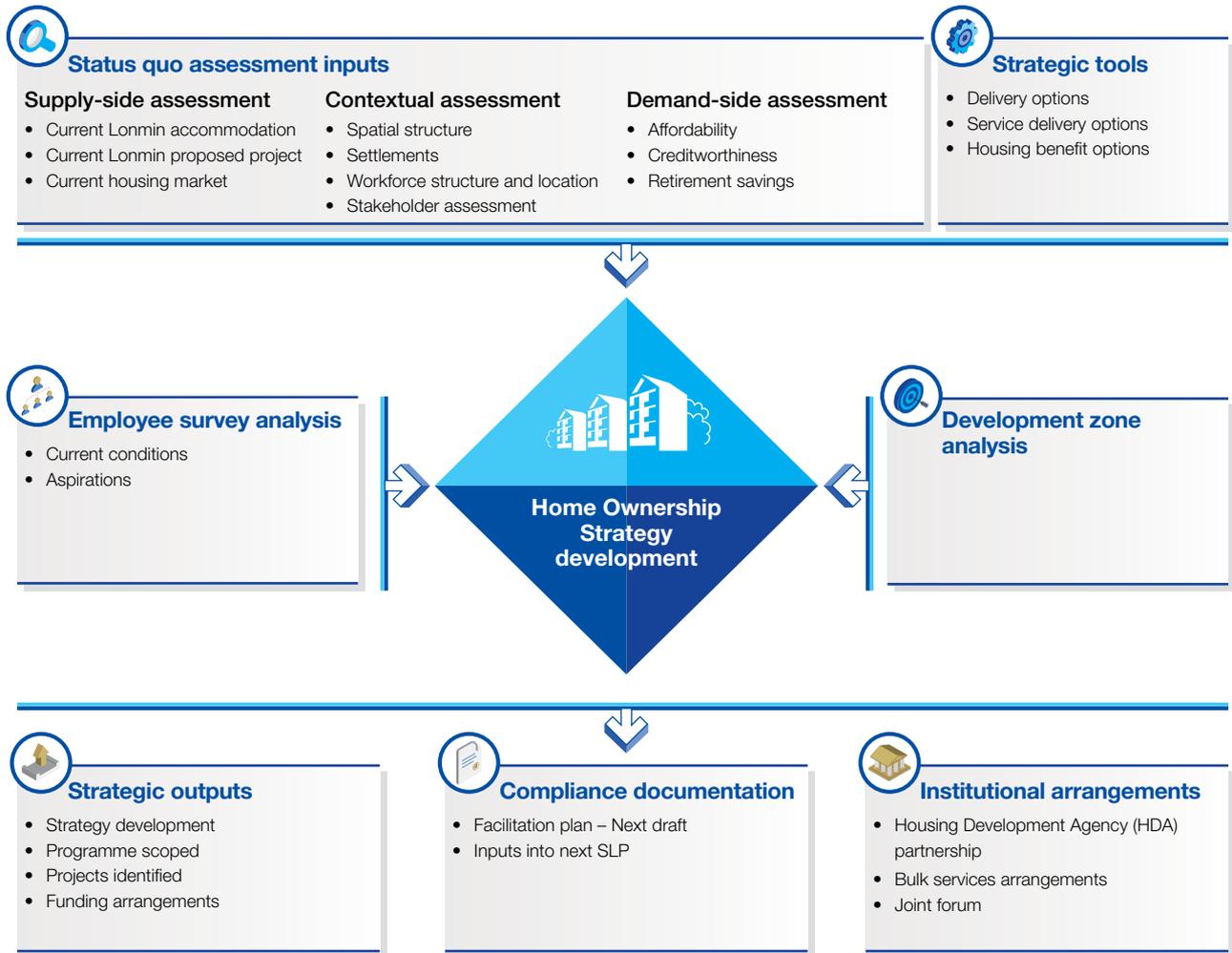
<sup>1</sup> Subsequent to the events of Marikana 2012, President Jacob Zuma announced the establishment of the Marikana Commission of Inquiry in terms of section 84(2)(F) of the Constitution. The commission was known as the Marikana Commission of Inquiry and as the Farlam Commission, named after its chair, retired Judge of the Supreme Court of Appeal, Judge Ian Gordon Farlam.

The employee survey yielded the following insights:



## Material Focus Area | Employee Relationships (continued)

This revised strategy facilitates home ownership by focusing on affordability and the creditworthiness of employees to ensure that the demand for housing can be met. Collaborative partnerships with government are central to the strategy. The strategy aims to address the housing requirements of employees, contractors and the broader community, and to integrate plans for schools, clinics, transport hubs and other municipal infrastructure. The revised Lonmin Home Ownership Strategy was presented to the Exco, Lonmin Board, the majority union (AMCU) and the DMR, and is pending endorsement by key government and other stakeholders. Once the strategy is approved, the detailed implementation plan, inclusive of a funding solution, will be integral to the revised SLPs, which will be in place from 2019.



### Our performance

Of the R500 million allocated to housing and living conditions of our employees for the period 2014 to 2018, Lonmin has spent R84.8 million on the completion of the hostel conversion programme. In parallel to the revision of the strategy, the balance of this allocation has been and will be spent on developing 1,240 modern infill apartments. Development includes paving and landscaping to transform the space into employee housing villages. The infill apartment project develops the areas between the converted hostel blocks into renovated single and family apartment blocks. This allows the development to use the space available and access the existing installed bulk infrastructure around the converted hostels. The development of the first phases (1 and 2) of the infill apartments is complete (493 units) and 403 of these apartments have been allocated to category 4 to 9 employees who met registration criteria. Allocation was determined through the joint forum and provided on a first-come, first-served basis. A significant step during the year, and a clear demonstration of the maturing relationships with the majority union (AMCU), was the agreement of rental rates for the infill apartments, based on a comprehensive benchmarking exercise. The building of a further 300 (phase 3) and 447 (phase 4) units will commence as scheduled. Since 2014 over R300 million has been spent on construction in terms of infill apartments and conversion of hostel units to single or family units. Once the infill apartments are complete, Lonmin's full portfolio of units for rental to employees will comprise 5,006 units located mainly in the Marikana and Mooiooi areas.

In addition to the infill apartments, Lonmin has 1,149<sup>1</sup> two-bedroom homes, managed by the Marikana Housing Development Company, a section 21 non-profit company. These homes are available for employees for purchase or on a rent-to-buy scheme since 2005. The selling price of these 45 m<sup>2</sup> homes is R62,426, including land. Marketing and education programmes are being enhanced to encourage employees to purchase these houses. Affordability, indebtedness, and access to mortgage funding create serious challenges. As of 2017, 374 people (2016: 369) have taken ownership of these houses.

From January 2017, housing projects were implemented through Lonmin's project management office to formalise tendering and execution through the Company's procurement function. This process includes a strong focus on safety standards and the use of contractors from local communities. The infill apartment project utilises 100% black-owned companies from the surrounding community. To improve the success of local contractors in applying for, tendering and executing these projects, a new contractor information pack was put together and made available through the Shanduka Black Umbrella incubator in Mooiooi.

**Future focus**

- Phase 4 is expected to be completed by the end of 2018, with occupancy anticipated for February 2019.

<sup>1</sup> There are 369 rental houses at Karee and 280 rental houses at Wonderkop.

## Material Focus Area | Employee Relationships (continued)

### Collaboration projects

Lonmin donated 50 hectares of serviced land at Marikana Extension 2 to the Department of Human Settlements, the North West Public Safety and Liaison Department and Rustenburg local municipality in 2013. The area can accommodate an estimated 2,658 dwellings for the benefit of community members, including Lonmin employees. 292 breaking-new-ground units and 252 community residential rental units were constructed by the provincial government in 2016. Feasibility studies are being conducted on additional unserviced land that is potentially available for development at Marikana Extension 5 (134 hectares) and Mooiooi (25 hectares).

A Memorandum of Understanding was signed between Lonmin and the HDA. We are working together to establish a partnership agreement which will provide a framework for the rights and obligations of each role player during the strategy's execution. Potential collaboration projects on six potential development sites are outlined in this partnership agreement, with specific timelines and funding arrangements.

### Union relations

Our employees have rights to collective bargaining, and freedom of association and representation.

We show our respect and support of these rights by continuously interacting with unions at different levels within the Company. We engage through the various union structures and management interactions with union representatives to share information on Lonmin's performance and important issues. These include Future Forums; fortnightly and quarterly operational meetings with AMCU branches and operational management; monthly shaft/plant committee meetings; monthly health and safety meetings; and various other statutory meetings such as employment equity and skills development forums. The Company trains shop stewards on their responsibilities, legislative matters and business skills.

Our Relationship Charter and 'rules of engagement' in place with AMCU are being reviewed.

The Charter includes aspirations, expectations, accountability and commitments from both parties. Implementing the terms of the Charter and regular and constructive engagements strengthened Lonmin's relationship with trade unions. This was evident in the successful workforce restructuring in 2016, reduced work stoppages and successful 2016 wage negotiations.

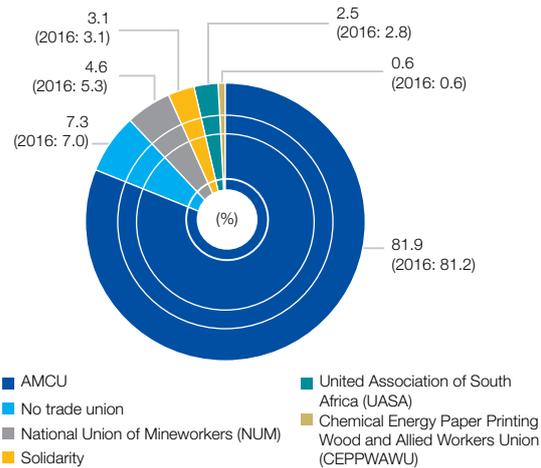
Union rivalry continues to complicate our relationships with unions, as labour dynamics at other companies can influence union attitudes in our workplace. We are impacted by internal rivalries in individual unions. Lonmin is re-assessing the rights of the employee representative structures outside AMCU.

At year-end, 22,914 employees (92.72%) were members of various organised trade unions.

### Recognition structures

AMCU represents 81.9% of full-time employees at year-end, making it the majority union. AMCU has collective bargaining rights; unrestricted access to the workplace; and rights to deductions, full-time shop stewards and office facilities on the Company's premises, in terms of the Labour Relations Act of South Africa, 66 of 1995.

### Union representation



## The week that changed our lives

This year marked the fifth anniversary of the ‘week that changed our lives’. This tragedy has shaped us all and continues to inspire us to be the catalyst for change. Our primary concern remains to take care of the families of the Lonmin employees who died that day. Our Chief Executive Officer (CEO) travelled to meet with each widow in local communities, in villages, and in their homelands to express our deepest condolences.



Lonmin understands that the lives lost can never be replaced.

We provided counselling services to families of the deceased. A member of each of the 41 impacted families was provided with a permanent employment opportunity and accommodation to ensure continued income. Each family received statutory pay-outs from pension and life funds, and goodwill payments from Lonmin to cover funeral costs and additional contributions.

In 2012 Lonmin established the 1608 Memorial Education Trust (1608 Trust) to provide financial support for the educational needs of the children who lost fathers who were Lonmin employees in the Marikana tragedy. This was subsequently extended to include the children of contractors who passed away during the tragedy.

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

The Trust’s first graduate, Mr Mandla Yawa, completed his BSc degree in agriculture and animal science (masters) at Fort Hare University in 2016.

The 1608 Trust provides the cost of attending school or other education facilities (inclusive of boarding fees), including registration costs and fees, books, uniforms, transport, extramural activities and school trips, and other educational costs approved by the independent trustees.

To date, costs incurred by Lonmin amount to R12.37 million. Our CEO has made numerous visits to these schools. Lonmin will honour its commitment to provide education support of the beneficiaries until the last child completes tertiary education.

Through the 1608 Trust, Lonmin completed infrastructure improvements at the New Millennium School in Lesotho, where 10 of the 1608 Trust beneficiaries attend school. These improvements were completed in 2017 at a cost of R768 000, and included improving the supply of potable water, installing hot water facilities for boarding units, and improving sanitation facilities.

In August 2017 we unveiled the concept for a memorial park in Marikana. The park will be designed around the visual representation of a green blanket, the garment worn by one of the strike leaders in 2012. The ‘blanket’ will be a green space planted with indigenous trees that will serve as a social gathering space for the community and will stretch over three koppies (hills) to signify new hope.

The design will be finalised with input from Lonmin employees, families that lost loved ones in the tragedy, and other key stakeholders. Later additions to the site may include an amphitheatre and a museum showcasing the history of platinum mining and detailing the events of the tragedy.



Each person attending the memorial event received a tree sapling inside a solar-powered glass jar, symbolising life and growth