SOCIAL CAPITAL **CONTINUED**

LOCAL COMMUNITY RELATIONSHIPS

Northam enjoys a reasonably healthy relationship with the communities where it operates. However, these relationships play out in areas of very low economic activity, among community members often with low education and skills levels and this inevitably brings challenges to bear on those relationships.

Both operations have developed databases of local skills to assist in recruitment requirements.

ZONDEREINDE

At Zondereinde, councillors and traditional leaders collaborate with the mine in respect of key interventions such as local recruitment, CSI and LED projects. Engagements with communities are on a needs basis and relationships to date can be reported as constructive and fruitful.

Some civil unrest took place in our Welgeval community in F2017, mainly relating to a lack of job opportunities. The mine engaged with the young people who were protesting and collected their CVs for future job opportunities and the cadetship programme.

BOOYSENDAL

As discussed on page 67, some civil unrest took place around Booysendal in F2017, prompted in the main by the lack of job opportunities in the area. See table below for Northam's response.

Northam is currently engaged with other companies in the area and initiatives led by local government leaders to deal with service delivery protests.

LOCAL EMPLOYMENT AND PREFERENTIAL PROCUREMENT

As previously indicated, Northam's mines are in areas of low economic activity where there are limited employment opportunities, resources and infrastructure. Northam is unable to meet all local employment and other requirements and also recognises the need to think beyond the operational lives of its mines. Northam works closely with municipal officials to manage community expectations and has assisted in identifying economic targets which could be developed by way of small, medium and micro enterprises (SMMEs) in collaboration with local entrepreneurs.

ZONDEREINDE

In F2017, 21% of permanent employees came from the Limpopo province, and 19% originated from the North West province.

In order to limit the dependence of communities on the mining industry for jobs, Zondereinde has prioritised key economic areas to be developed through the contributions of small businesses and local entrepreneurs. These areas include:

- Environment and waste management
- Agriculture
- Construction

In pursuit of developing a local supplier base, a supplier forum has been established at Zondereinde, with mining companies and municipal officials represented on the steering committee. Ongoing engagements are held with local community structures and with municipal council representatives during which specific issues relating to sustainable small business development and establishment of local economies are considered.

The incubation and training process of local SMMEs does take time before they are compliant which then enables us to procure their services. Zondereinde has identified all SMMEs and interviews have been conducted to assess any gaps which will be addressed via training and business support interventions.

BOOYSENDAL

As at the end of June 2017 an average of 60% of the total workforce of Booysendal mine came from the local community. Booysendal is committed to hiring people from our host communities at all levels of the workforce and encourages contracting companies to do the same in support of local development.

The mine strives to provide meaningful support to small and medium-sized businesses in nearby communities as well as those who are already providing services to the mine so that they can contribute to the development of the local economic base.

Northam's response to community unrest in Booysendal area (F2017)

Community complaint	Steps taken to ease problem
Lack of job opportunities/ mine recruitment	We used our engagement platforms to discuss this issue. Community engagement included the explanation of company policies and procedures.
Procurement	We used our engagement platforms to discuss this issue. Two business consultants were appointed to facilitate enterprise development initiatives among our local communities. Their role also includes promoting a clean and sustainable supply chain.
Infrastructure development	We used our engagement platforms to discuss this issue. Our SLP has been approved with the following projects ready to be implemented in F2018 • electrification project • water and sanitation project • PPE workshop • Ngwaabe Combined School science laboratory

S

Booysendal supports some 13 local SMMEs who provide a range of services including transport, change house maintenance, landscaping, and printing.

In collaboration with the local municipalities around Booysendal, mine management has contributed towards the establishment of a dynamic database for appointment of local suppliers with the necessary skills and experience, particularly in the fields of engineering, trackless mining and plant operations. This database continues to provide a sound base for the recruitment of local labour.

GROUP PREFERENTIAL PROCUREMENT

In compliance with the Mining Charter, Northam is committed to giving preference to local businesses in the communities surrounding its operations. Northam's procurement policy accordingly gives local BEE companies preferred supplier status. Northam accords preferred-supplier status to HDSA suppliers subject to commercial competitiveness. Northam spent R4.6 billion in F2017 (F2016: R3.5 billion) on procurement, of which 75.3% or R3.4 billion was allocated to BEE suppliers.

BEE TRUSTS

The two community beneficiary groups which participate in the Zambezi Platinum consortium are located in the neighbourhoods of the Zondereinde and Booysendal mines.

Northam has made progress in putting in place the Trusts to regulate the disbursements which will be paid to the communities in the future. The community trusts have already benefitted in the amount of R25.9 million each (a percentage of the R400 million lock-in fee paid to the BEE consortium at the time of the transaction), and like all other shareholders, will benefit further financially when Northam resumes dividend payments. Northam has not paid dividends in recent years owing to weak PGM prices and its large capital expansion programme.

The **Booysendal Community Trust** is operational. All trustee appointments have been registered with the Master of the High Court; have participated in a trustee orientation session and have held two meetings. After consultation with their constituencies, the community trustees have forwarded project proposals to the Trust for consideration.

With regard to the **Zondereinde Community Trust**, all the identified beneficiary communities have been consulted. Community, independent and Northam Platinum trustees have been identified and their appointments are in the process of being lodged with the Master of the High Court. Trustee training, orientation and the Trust's first meeting are scheduled to take place before November 2017.

All is on track for the Trusts to disburse educational bursaries, fund community skills development programmes and consider health related projects in 2018.

Consolidated report on HDSA expenditure

	Capital	Services and contracting companies	Consumables	Total	
HDSA spend as % of total discretionary spend	**43.20%**	**86.14%**	**57.89%**	**65.90%**	
	R000	**R000**	**R000**	**R000**	**% spend**
HDSA owned*	231 418	1 367 774	236 073	1 835 265	40.33
HDSA empowered**	364 234	360 564	438 138	1 162 936	25.56
HDSA influenced***	–	–	–	–	0.00
HDSA spend	**595 652**	**1 728 338**	**674 211**	**2 998 201**	**65.89**
Exempt micro enterprises	–	–	–	–	0.00
Multinational enterprises	370 954	22 610	32 451	426 015	9.36
Measured HDSA spend	**966 606**	**1 750 948**	**706 662**	**3 424 216**	**75.25**
Without HDSA	412 187	252 279	413 290	1 077 756	23.68
HDSA influenced***	628	3 278	44 610	48 516	1.07
Total discretionary spend	**1 379 421**	**2 006 505**	**1 164 562**	**4 550 488**	**100.00**
Non-discretionary spend					
Electricity				670 820	
Water				28 266	
Municipal services				283	
Total spend				**5 249 857**	

* *>50% BEE equity*

** *>25% BEE equity*

*** *>5% – <25% BEE equity*