

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

FINANCIAL CAPITAL

Northam aims to create meaningful value and sustainable benefits for all stakeholders, including shareholders.

KEY FEATURES



11-week strike
at Zondereinde –
estimated loss in
revenue of

R750.0 million

Employees lost
R151.0 million
in wages

Booyssendal ramp-up
progressing

R1 billion
raised in successful
fund raising

Northam acquires
a further **10%** in
Northam Chrome Producers
(NCP)*

Smelter at Zondereinde
recommissioned in
October 2013

Total capex for the
year reaches

**R891.1
million**

(Booyssendal:
R539.6 million
Zondereinde:
R351.5 million)

Group tax down
at **R26.2
million**

*Post the year-end NCP became a wholly-owned subsidiary of Northam.

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FINANCIAL CAPITAL CONTINUED

APPROACH

In terms of market capitalisation, Northam ranks as a mid-tier PGM producer. The company is distinguished from its peers and other smaller PGM producers in that its activities are integrated; from the underground mining function, through to the concentrating, smelting and base metal removal processes.

Final precious metal concentrate is transported from Zondereinde platinum mine and metallurgical complex for refining to the Heraeus facilities in Hanau, Germany, and also to the Heraeus refinery in Port Elizabeth. Northam's in-house marketing department administers sales of precious metals to customers in Europe, Japan and North America. By-product metals, copper and nickel sulphate, are extracted at the on-site base metals removal plant and sold in the domestic market.

For about 20 years, Zondereinde was Northam's only operating asset. Construction of the shallow mechanised Booyssendal mine started in 2010 and, for Northam, represents a significant diversification in terms of geography, mining method, costs and, consequently, lowers the risk that the company is exposed to with a single operating asset. Booyssendal came into production on 1 July 2013. Ramp-up to reach steady-state production in F2016 continues. Booyssendal plans to produce some 2 250 000 tonnes of ore per annum at steady state, generating around 160 000oz of metals in concentrate (3PGE+Au), together with associated precious and base metal by-products.

F2014 FINANCIAL PERFORMANCE

- 79 production days lost at Zondereinde owing to industrial action, resulting in the loss of approximately 48 000oz in production, R750.0 million in revenues and R151.0 million in employee wages
- Two-year wage deal of 7.5% to 9.5% per annum reached, concluded at Zondereinde resulting in an increase of R49 million to the total wage bill
- 20.9% increase in Zondereinde's unit operating costs to R395 629/kg (F2013: R327 331/kg)
- 18.9% decline in metals in concentrate produced at Zondereinde to 235 693oz (3PGE+Au) (F2013: 290 675oz (3PGE+Au))
- Impact on sales revenue mitigated by first-time contribution to production of 92 668oz (3PGE+Au) from Booyssendal
- 96.3% decline in annual group profits to R19.6 million (F2013: R528.0) resulting in headline earnings per share of 2.2 cents (F2013: 136.5 cents per share)
- Year-on-year the value of the rand weakened by 17.4% against the US dollar, averaging R10.35/US\$ (F2013: R8.82/US\$)

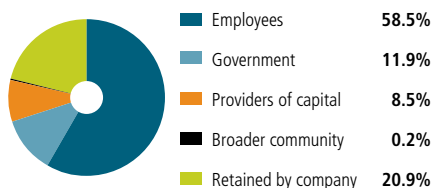
For production and financial performance see pages 68 and 137 respectively.

IMPACT OF THE STRIKE

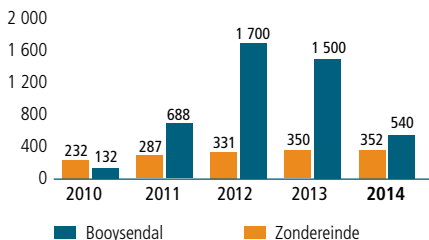
Days of production lost	79
Production lost	48 000oz
Revenue lost estimate	R750.0 million
Employee wages lost	R151.0 million

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F2014 value distribution (%)



Capital expenditure (R million)



F2014 ECONOMIC IMPACTS

- The Toro Employee Empowerment Trust received R9.2 million (F2013: R24 million)
- In its first pay-out to employees, the Toro Employee Empowerment Trust disbursed R54.8 million to 6 332 individuals at Zondereinde
- A total of 6 889 permanent employees at Zondereinde and Booyssendal
- R1 499 million paid to employees in wages and benefits
- R26.2 million paid in corporate tax (F2013: R169.1 million)
- A total of 359 affordable housing units sold to employees to date
- Corporate social investment (CSI) expenditure amounted to R2.9 million
- No significant financial assistance received from government

Black economic empowerment

Northam was one of the first resource companies in the South African mining space to comply with the requirement imposed by the South African Minerals Petroleum and Resources Act (MPRDA) and the associated South African Mining Charter for 26% HDSA equity ownership. However, given the economic downturn post 2008, and the associated decline in the price of platinum equities, including those of Northam, certain of Northam's BEE shareholders were obligated to dispose of a significant portion of their holdings in order to address breaches of covenants applicable in their BEE financing agreements in 2012.

Northam is currently working on a transaction to restore the group's empowerment credentials. The new scheme, which seeks to balance the requirements of current shareholders with legislative compliance, is based on the following key principles:

- Compliance with the provisions and principles of the Mining Charter and the Mineral and Petroleum

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Resources Development Act, 2008 (Act No 49 of 2008) (MPRDA);

- A BEE transaction that is sustainable and beneficial for all stakeholders;
- A secure shareholding structure so that the BEE status cannot be threatened again in future;
- Broad-based participation as much possible; and
- Northam's historically disadvantaged South African (HDSA) employees and communities should participate in and benefit from the scheme.

In pursuit of further satisfying BEE criteria, Northam submitted its Mining Charter Annual Report in April 2014, while its Work Skills Plan and Annual Training Report for both operations were completed and submitted by the end of May 2014.

In February 2014, Zondereinde was subjected to the Mining Charter Impact Assessment audit conducted by Moloto Solutions, an external consultant to the DMR. The overall audit findings indicated that all elements

of the Mining charter were valid, verifiable and accurately reported.

A number of areas were, however, highlighted indicating shortfalls (these included local enterprise and supplier development) in order to improve procurement from local black-owned enterprises, and a requirement of more proactive community engagement since the municipality channels may not be adequate in the future.

Preferential procurement

Northam accords preferred-supplier status to HDSA suppliers subject to commercial competitiveness. Northam spent R3.1 billion in F2014 (F2013: R2.9 billion) on procurement, of which 57.70% or R1.6 billion was allocated to BEE suppliers.

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.



Zondereinde employees

HDSA EXPENDITURE

		BEE equity	Capital	Services and contractors	Consumables	Total* % Spent*	
		%	R	R	R	R	R
Actual spent			58.25%	59.43%	54.13%	57.70%	
HDSA owned	>50%		53 761 600	53 647 871	86 872 496	192 281 967	7.21
HDSA empowered	25% to 50%		414 776 087	654 808 652	291 475 131	1 361 059 869	50.49
HDSA influenced	5% to 25%		0	0	0	0	0.00
			468 537 686	708 456 524	378 347 626	1 555 341 836	57.70
Exempt micro enterprise	Exempt micro enterprise		1 656 096	1 947 233	4 274 575	7 877 905	
Multinational enterprises	Multinational company		69 631 782	5 394 228	21 639 880	96 665 889	3.59
Measured HDSA spend			539 825 565	715 797 985	404 262 081	1 659 885 630	61.29
Without HDSA	No BEE shareholding		262 471 673	468 385 930	298 212 123	1 029 069 726	38.18
Black influenced	Less than 25% shareholding		3 712 944	9 922 975	743 362	14 379 281	0.53
Total discretionary spend			806 010 181	1 194 106 890	703 217 565	2 703 334 637	100.00
Non-discretionary spend							
Electricity			0.00	383 408 460.02	0.00	383 408 460	
Water			0.00	16 544 927.88	0.00	16 968 359	
Municipal services			74 566.60	1 965 469.17	0.00	2 040 036	
Royalties			0.00	27 234 317.00	0.00	27 234 317	
Total spend			806 084 748	1 623 260 064	703 640 996	3 132 985 808	
			66.85%	74.97%	57.49%		

* Excluding custom purchases and toll smelting

Local employment and economic development

Given the rural isolation of both the Zondereinde and Booyensdal operations (and indeed of the majority of mining operations) employment opportunities are scarce and frequently the level of education and skills in these communities is low. Consequently the expectations in local communities are frequently unrealistic. Northam works closely with municipal officials to manage these expectations and has assisted in identifying economic targets which could be developed by way of SMEs or SMMEs in collaboration with local entrepreneurs.

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FINANCIAL CAPITAL CONTINUED

VALUE ADDED STATEMENT

	F2014		F2013	
	%	R'000	%	R'000
Sales revenue		5 339 397		4 420 977
Less: Purchase of goods and services in order to operate and produce refined metals		(3 294 369)		(2 113 027)
Value added by operations	92.8	2 045 028	95.7	2 307 950
Add: Share of earnings from associate	0.1	2 137	0.4	9 638
Investment revenue	2.7	59 963	1.4	33 434
Net sundry income	4.4	97 011	2.5	60 108
Total value added	100.0	2 204 139	100.0	2 411 130
Value distributed				
EMPLOYEES	58.5	1 288 616	46.9	1 130 199
Salaries and wages	60.9	1 341 254	47.4	1 143 292
Contributions to retirement benefit funds	4.5	99 275	3.9	94 050
Contributions to health-care funds	2.7	58 615	2.2	52 361
Pay-as-you-earn deducted	(9.6)	(210 528)	(6.6)	(159 504)
GOVERNMENT	11.9	262 992	15.9	384 356
Mining and non-mining tax, including capital gains tax	4.4	96 229	8.2	197 629
Deferred tax	(3.2)	(70 030)	(1.2)	(28 575)
Royalties	1.1	26 265	2.3	55 798
Pay-as-you-earn deducted from employees	9.6	210 528	6.6	159 504
PROVIDERS OF CAPITAL				
Dividends	0.5	11 066	1.0	21 747
Finance charges	8.0	176 124	5.1	123 703
BROADER COMMUNITY				
Corporate social responsibility	0.2	2 917	0.1	3 002
Total value distributed	79.1	1 741 715	69.0	1 663 007
RETAINED BY COMPANY	20.9	462 424	31.0	748 123
Depreciation and write-offs	20.2	445 875	9.7	234 690
Decommissioning provision to meet statutory obligations	0.4	9 345	0.5	11 324
Retained income	0.3	7 204	20.8	502 109
	100.0	2 204 139	100.0	2 411 130

HUMAN CAPITAL

Northam aims to maintain constructive consultation with all employees, while protecting their lives and livelihoods.

As an operator of mines, Northam's business is reliant on people. The successful operation of Northam's assets requires a healthy, skilled, trained and committed workforce, which is capable of working safely and productively.

KEY FEATURES



One million
fatality-free
shifts achieved at
Zondereinde

359 houses sold to
employees to date

No safety stoppages at
Booyseindal

One million
fatality-free
shifts achieved at
Booyseindal

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HUMAN CAPITAL CONTINUED

HEALTH AND SAFETY

The health and safety of Northam employees takes precedence over all production objectives. Health and safety is a key material issue and forms an important part of Northam's strategy.

Northam's approach to health and safety is guided by extensive legislation and regulations, notably the Mine Health and Safety Act No 29 of 1996. The health, safety and environment (HSE) board sub-committee is responsible for overseeing compliance with health and safety laws and regulations that may have an impact on the company. Operational health and safety ultimately remains the responsibility of the general manager at each operation, while day-to-day safety management is delegated to the operational managers, who are supported by the mine health and safety departments. All employees and contractors receive safety induction training on an annual basis, and intermittently during the year, for example, when they return from leave.

All employees who participated in the strike were required to undergo normal induction upon their return to work.

The operations maintain policies and procedures, detailed records and reports on safety matters, accidents and their severity, transgressions and remediation work. This information is analysed and used to improve safety performance. Reports on health and safety are submitted to the HSE board sub-committee, which is tasked with health and safety matters for further interrogation and oversight.

Joint management/employee approach

Northam encourages the participation of employees and management in all health and safety matters. Given fairly strong labour union affiliation at Zondereinde in particular, employees participate in the union's health and safety committees through their elected officials. Some 84% of Zondereinde's workforce is affiliated to a union while 22% of employees at Booysendal belong to a union.

Accordingly, these employees may participate in and contribute to the union's elected health and safety committees.

At Zondereinde, the joint management and employee-represented health and safety committee meets on a monthly basis or more frequently if required. The committee is responsible for the identification of critical issues that may have an effect on the health and safety of employees and the environment as well as for inspections, audits and accident investigations, identifying areas for training and development, and providing personal protective equipment. The committee's main focus is on empowering employees to take responsibility for their own health and safety, and the health and safety of others, by identifying and reporting potentially hazardous situations.

The operational HSE committees hold monthly meetings, which are chaired by each operation's general manager and attended by two full-time health and safety representatives who have been elected by employees. Safety representatives receive training in safety and also attend mine production meetings where safety concerns are discussed.

Free issue personal protective equipment (PPE) is supplied to employees and a comprehensive code of practice was drafted in F2013 for the allocation of PPE for occupational-specific requirements.

Zondereinde's HSE committee aligns its activities with the joint health and safety committee.

There are three health and safety committees in place at Booysendal, these include:

- The mining operation's health and safety committee which meets on a monthly basis.
- The concentrator plant health and safety committee which also meets on a monthly basis.
- An overarching health and safety committee, which meets every quarter to discuss unresolved issues which were raised at the business unit level.

Incidents and accidents are discussed and reviewed at this level and common risks are identified and deliberated as a preventative measure. Other issues raised during the year include PPE for women, remuneration of safety representatives, additional safety training as well as approvals of codes of practices, procedures and standards.

In total 64 safety representatives were trained at the new on-mine training centre during the year.

SAFETY

F2014 safety performance

In line with the material issue of operating safely and efficiently to protect the lives and livelihoods of all employees, all incidents are considered very seriously at Northam, and continuous efforts are made to ensure the reinforcement of operational standards and responsibility.

Analysis of safety incidents indicates that injuries are generally associated with the following:

- Material handling
- Trucks and tramming
- Falls of ground
- Winches and rigging
- Slip and falls
- Moving machinery
- Hydropower
- Ventilation
- Explosives

Traditionally, handling of materials and falls of ground have been the main contributors to injuries at Zondereinde – with employees involved in construction, development and stoping activities most at risk.

A particular safety theme at Zondereinde during the year was highlighting the need to adhere to safety standards. Focused training and disciplinary measures

were introduced to manage the prevalence of behaviour-based safety transgressions:

- Counselling
- Verbal warnings
- Written warnings
- Final written warnings
- Suspension without pay
- Dismissal

At Zondereinde, the Du Pont safety management programme was instituted in 2012. This system focuses on incident investigations to ensure that the correct hazards, risks and root causes are detected in incident investigations, and the requisite training is provided. This is supplemented by coaching in the completion of hazard identification and risk assessment documents. The system is further enhanced by coaching in visible felt leadership. All management levels are coached in the various aspects of visible felt leadership.

No fatalities were reported during the year under review (F2013: 1).

Northam defines a lost time injury (LTI) as an injury which results in one to 13 days of lost time while a reportable injury (RI) is an injury which results in lost time of 14 days or more. The LTI and RI incidence rates are based on 200 000 man-hours worked.

Zondereinde

Efforts to reduce the number and severity of injuries at Zondereinde continued during the year. The total number of injuries recorded was lower year-on-year as a result of substantially fewer shifts worked owing to industrial action. Expressed in terms of rates, however, injury rates deteriorated marginally as fewer man hours were worked during the strike. Pleasingly, however, Zondereinde reported a fatality-free year.

After the conclusion of the strike, safety personnel, in consultation with other service departments, assisted mining crews to ensure that workplaces that had not

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been operational for the duration of the strike were subjected to thorough risk assessments. Risks were duly scrutinised and recorded, and remedial action plans were prioritised and executed.

The “making safe” of workplaces was the most urgent priority at the start-up of operations after 21 January 2014. Safety officers intensified on-the-job training activities and management exercised due diligence in declaring working areas safe. Abnormally high ambient temperatures in some workplaces and where ground conditions had deteriorated over time, were the main impediments noted. However, these challenges were resolved during the making safe process.

In F2014, 113 LTIs were reported at Zondereinde, of which 57 were reportable. The primary causes of LTIs in F2014 were related to materials handling and to falls of ground.

The DMR imposed three Section 54 safety-related work stoppages at Zondereinde during the year under review. Two followed routine visits and another after an *in loco* investigation into a reportable injury. The stoppages were all restricted to specific working places, which were stopped for a period of three days each.

To date, Zondereinde has adopted and implemented the following Mining Industry Occupational Safety and Health (MOSH) initiatives:

- Hearing-protection devices
- Netting with bolting
- Entry examinations and making safe
- Proximity detection system

FATALITIES – ZONDEREINDE

F2014	F2013	F2012	F2011	F2010
0	1	2	5	1

LOST TIME INJURY INCIDENCE RATE PER 200 000 HOURS WORKED – ZONDEREINDE

F2014	F2013	F2012	F2011	F2010
 1.70	1.50	1.91	1.34	0.83

REPORTABLE INJURY INCIDENCE RATE PER 200 000 HOURS WORKED – ZONDEREINDE

F2014	F2013	F2012	F2011	F2010
0.86	0.83	0.88	0.74	0.52

FATAL INJURY INCIDENCE RATE PER 200 000 HOURS WORKED – ZONDEREINDE

F2014	F2013	F2012	F2011	F2010
 0.00	0.01	0.02	0.06	0.01

Booysendal

In F2014, Booysendal achieved one million fatality-free shifts. Booysendal's total lost time injury incidence rate (LTIIR) was  0.27 per 200 000 hours worked (F2013: 0.53) and the reportable injury incidence rate (RIIR) was 0.21 per 200 000 hours worked (F2013: 0.33). To date, no fatalities have been recorded at Booysendal. There were no safety-related work stoppages at the operation during the year.

Booysendal recorded five LTIs in F2014 of which four were reportable. The primary causes of LTIs for F2014 were falls of ground, trucks and tramming,

and materials handling. The early examinations initiative known as THINK FALL OF GROUND was initiated in F2013. It provides for officials to go underground every Monday and Friday morning to ensure that employees are entering their worksites safely. Any deviations are rectified immediately. This drive continues and has resulted in significant improvements in examination techniques.

The mine's trigger action response programme has been incorporated into the daily early morning examination process and continues to inform the mine's safety initiatives.

LOST TIME INJURY INCIDENCE RATE PER 200 000 HOURS WORKED – BOOYSENDAL

F2014	F2013	F2012	F2011
 0.27	0.53	0.19	0.65

REPORTABLE INJURY INCIDENCE RATE PER 200 000 HOURS WORKED – BOOYSENDAL

F2014	F2013	F2012	F2011
0.21	0.33	0.05	0.22



Underground operations at Booysendal



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HEALTH

Approach

As a mining company, Northam is subject to stringent health and safety laws and regulations that change from time to time. In the event of changes to health and safety legislation, the company may incur additional costs in order to comply with any new laws and regulation.

Northam seeks to comply fully with applicable health and safety legislation, and to ensure that all the employees adhere to group safety standards. The primary occupational health risks identified at Northam in F2014, which were the key health focus areas, included:

- Tuberculosis (TB)
- Noise induced hearing loss (NIHL)
- Occupational lung disease

HIV/Aids and TB have been targeted aggressively with a strong focus on prevention, through education initiatives and community involvement, as well as a monitored employee wellness programme, which includes the provision of ART. There has also been focus on drugs and alcohol, and their effects on employee performance.

Zondereinde

An integrated and holistic healthcare service, for primary health and occupational health, is provided to Zondereinde employees and contractors through Suremed® and Life®. This service is provided on site and at a network of medical facilities where employees reside and is available to all employees who contribute to the schemes. It provides on-site paramedics with emergency response vehicles, social

workers and physiotherapists. A network of doctors, specialists and dentists is also contracted to the scheme. Five hospitals are available to employees in the area, as well as the Netcare® and Life® network countrywide. In addition, Suremed® administers a comprehensive TB and HIV/Aids management programme at Zondereinde.

Zondereinde's occupational health programmes cover:

- Wellness
- Medical surveillance
- Injury-on-duty management
- Occupational and chronic disease management
- Rehabilitation and back-to-work programmes
- Emergency care

Booyssendal

Booyssendal's medical facilities are located at the Mashishing medical station. The Suremed® scheme offers healthcare services to Booyssendal employees, contractors and their families. The scheme's healthcare services include:

- An on-site emergency facility with four full-time 24/7 paramedics available for the treatment of accidents, injuries and minor health issues
- Two on-site ambulances on permanent standby with a back-up facility at Dwarsrivier and Thornduff
- Access to helicopter services
- Medical centres in Mashishing, Middelburg and Nelspruit

Through the Suremed® scheme, families in Mashishing, Middelburg, Nelspruit, Burgersfort and Steelpoort areas have access to these facilities.

F2014 HEALTH PERFORMANCE

Zondereinde

During the year, 10 397 medical surveillance examinations were undertaken at Zondereinde (F2013: 12 500), 650 of which were entry, 796 exits and 8 951 annual examinations.

The results of surveillance examinations undertaken during the year were satisfactory and no concerns were raised.

MEDICAL EXAMINATIONS F2014 – ZONDEREINDE

	F2014	F2013	F2012	F2011
Entry examinations	650	1 231	1 407	1 484
Exit examinations	796	2 263	1 073	926
Annual examinations	8 951	9 006	8 260	8 118
Total examinations	10 397	12 500	10 740	10 528
Total number of employees (including contractors)	8 788	9 148	–	–

Booyssendal

A total of 3 464 medical surveillance examinations were undertaken at Booyssendal (F2013: 9 586), 1 334 of which were entry, 598 exits and 1 532 annual examinations.

The results of surveillance examinations undertaken during the year were satisfactory and no concerns were raised.

MEDICAL EXAMINATIONS F2014 – BOOYSENDAAL

	F2014	F2013	F2012	F2011
Entry examinations	1 334	2 294	4 160	1 427
Exit examinations	598	2 347	1 496	77
Annual examinations	1 532	1 271	500	56
Total examinations	3 464	5 912	6 156	1 560
Total number of employees (including contractors)	1 421	1 915	–	–

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HIV/AIDS

Northam has a comprehensive HIV/Aids policy in place which covers employee care, education programmes, information confidentiality and non-discrimination. All Northam employees have access to professional counselling and support including VCT and ART.

The Northam HIV/Aids programme focuses on the following priorities:

- Encouraging employees who are HIV-negative not to participate in high-risk behaviour through education and awareness programmes, the mass distribution of condoms, the treatment of sexually transmitted infections (STIs) and a peer education programme
- Early detection and identification of HIV to limit high-risk behaviour among those infected and to start them on a treatment regimen that can prolong healthy living (the VCT programme underpins this objective and provides the necessary counselling)
- Encouraging infected employees to participate in the wellness programme, which includes the provision of ART (comprehensive counselling is provided to ensure that employees understand and accept the long-term implications of participating in the ART programme)

Zondereinde

Zondereinde's HIV/Aids programme comprises:

- Health education
- Campaigning
- Clinical management (VCT, pre- and post-test counselling, adherence testing and counselling, prevention of mother-to-child transmission, and HIV treatment)
- Laboratory investigations

In F2014, 1 049 employees were registered on the VCT programme (F2013: 1 088). Of these, 210 tested

positive. A total of 902 employees currently participate in the HIV/Aids wellness programme.

Zondereinde's peer educator programme includes 15 employees who form part of the support structure that provides counselling and training for employees infected and affected by HIV/Aids.

During the 11-week strike, more than 60% of the employees registered on the Suremed® HIV/Aids programme defaulted on their ART treatment. A number of these employees were admitted to hospital owing to compromised health. As a result, the medical aid scheme embarked on a targeted strategy to identify the defaulters and make arrangements for them to receive their ART treatment. Upon return to work, employees' viral loads were checked and medication was adjusted in order to ensure that the treatment remains appropriate and effective. At the end of F2014, the rate of defaulters had declined to 20.5% and viral loads had improved as a result of the focused strategy.

VCT ENCOUNTERS – ZONDEREINDE

F2014	F2013	F2012	F2011	F2010
1 049	1 088	1 659	271	1 840

Booyensdal

Booyensdal's HIV/Aids peer education group is managed by a core contractor, Minopex. The contractor aims to educate employees about chronic illness, the spread of contagious diseases and prevention measures. Minopex encourages employees to undergo VCT and to ensure that effective intervention, assistance and referral systems are in place. They manage the proper distribution and supply of preventative promotion material.

The numbers of employees registered on the VCT programme and taking ART medication are not recorded at Booyensdal as this information is kept confidential.

TUBERCULOSIS

In South Africa, TB is a significant health risk due to the symbiotic relationship between TB and HIV. Northam runs a highly effective, directly observed treatment regime, which is aligned to the TB guidelines of the World Health Organisation.

Zondereinde

In F2014, 97 new cases of TB (F2013: 70) were identified at Zondereinde. A total of 109 employees were discharged from the programme. A total of 68 employees remained on TB treatment at the end of F2014 (F2013: 63)

NEW CASES OF TB – ZONDEREINDE

F2014	F2013	F2012	F2011	F2010
97	70	85	93	127

Booyseendal

In F2014, 6 (F2013:2) new cases of TB were identified at Booyseendal – all of whom were receiving treatment.

NEW CASES OF TB – BOOYSEENDAL

F2014	F2013	F2012	F2011	F2010
6	2	3	–	3

NOISE INDUCED HEARING LOSS

Excessive noise exposure is one of the most pervasive health hazards in mining. Prolonged exposure to hazardous noise causes loss of hearing acuity, which occurs gradually and is known as noise-induced hearing loss (NIHL). Northam ensures that it is legally compliant by guaranteeing that the noise associated with underground equipment is contained to below 110dBA. All Northam employees are issued with personal protective equipment to ensure that

any exposure to noise levels above 85dBA over an extended period of time is limited.

Training in the use of personal protective equipment and prevention of NIHL is ongoing as part of the mines' hearing conservation programme overseen by a hearing conservation committee.

Zondereinde

In F2014, 20 incidences of NIHL were detected and referred for compensation (F2013: 43), of which two were compensable (F2013: 25).

NEW CASES OF NOISE INDUCED HEARING LOSS – ZONDEREINDE

F2014	F2013	F2012	F2011	F2010
20	43	44	18	9

Booyseendal

Booyseendal has a hearing awareness campaign in place, as well as a hearing conservation committee, which holds quarterly meetings. In F2014, 41 incidences of NIHL were detected (F2013: 28) of which one received compensation (F2013: 0). There were 41 new cases of NIHL reported in F2014 (F2013: 28).

NEW CASES OF NIHL – BOOYSEENDAL

F2014	F2013	F2012	F2011	F2010
41	28	19	17	7

OCCUPATIONAL LUNG DISEASE

The use of hydropowered mining equipment at Zondereinde helps to reduce employee exposure to both noise and dust. Bushveld Complex rock does not contain quartz, thereby eliminating the threat of silicosis and occupational lung disease. Neither operation reported any such cases.

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

HUMAN CAPITAL CONTINUED

DRUG AND ALCOHOL TESTING

Drugs and alcohol are not tolerated in the workplace. At Zondereinde tests are conducted on a daily basis, and particularly after any safety incident. Employees who test positive are subject to disciplinary procedures along with assistance/rehabilitation offered to overcome dependency.

During F2014, a total of 3 578 employees were tested for drugs and alcohol at Zondereinde. A decrease in drug use (22 employees tested positive in F2014) and alcohol use (two employees tested positive in F2014) in the workplace was recorded.

Boosendal does not report on the number of alcohol and drug tests, but does implement a strict no tolerance policy.

EMPLOYMENT AND HUMAN RIGHTS

Northam upholds the basic labour rights of the Fundamental Rights Convention of the International Labour organisation (ILO), through the implementation of fair employment practices. In terms of policies, Northam's policies and practices comply with South Africa's employment equity requirements. All employees are treated fairly, irrespective of origin, race or gender.

All Northam employees are expected to adhere to the code of ethics – supervisors and managers are required to take all reasonable steps to ensure that the people for whom they are responsible are aware of and uphold the guidelines set out in the code. This includes consistent demonstration of exemplary behaviour, activities to foster a culture in which employees understand their responsibilities and feel comfortable to raise concerns without fear of retaliation or victimisation, ensuring mandatory policies, standards and procedures are accessible and understood, and responding promptly to legitimate concerns.

The corporate human resources and transformation manager is tasked with overall responsibility for employment equity and is, therefore, responsible for providing strategic direction and priorities in respect of equity and transformation.

A senior manager, tasked with overseeing the operation's human resources function, is in place at each operation and reports to a general manager. The general managers and chief executive officer are ultimately responsible for the management of human capital while the social, ethics and human resources committee assumes board level oversight of the management of human capital.

The social, ethics and human resources committee is responsible for ensuring that employees are equitably and fairly rewarded in alignment with company standards and their industry peers. The committee complies with the Companies Act No 71 of 2008 in terms of its social and ethical obligations. It is also responsible for governance of employment contracts and the remuneration packages of senior management, ratifying their appointments, setting mandates, approving short-term incentive schemes and bonuses, and overseeing shares in line with the Northam share scheme.

Mine-based human resources departments are responsible for the implementation and achievement of human resource priorities, including all aspects of the Mining Charter, focusing on:

- Training and development
- Mentorship and talent management
- Recruitment and retention
- Succession planning
- Career plans
- Employment equity programmes
- Labour relations
- Human resource development
- Stakeholder and compliance management

F2014 PERFORMANCE

Wage negotiations

Wage negotiations at Zondereinde started on 31 July 2013 and were marked by disputes from the outset. Following the intervention of third-party facilitators and extensive talks, the National Union of Mineworkers (NUM) was granted a certificate of non-resolution and proceeded with strike action on 3 November 2013.

The strike continued for 79 days until 21 January 2014. Losses amounted to 48 000oz of PGM production and revenues of R750.0 million while employees lost R151.0 million in wages.

The two-year wage agreement reached included increases in basic wages of 8.5% to 9.5% for Category 2 to 8 employees, and a 9% increase in the living-out allowance. Category 9 to 10 employees' increases ranged from 7.5% to 8% with a living-out allowance increase of 7%. The settlement also included an *ex gratia* payment of R3 000 per employee upon return to work. The terms for payment of the *ex gratia* amount were elected by individual employees – either upfront or over time.

While engagement with labour around wages and conditions of service will always be a dynamic process, Northam management actively seeks to build constructive and progressive relationships, and to avoid any unnecessary work stoppages, which will inevitably have a negative impact on the company's performance and the welfare of employees. The company has an established protocol and communication strategy in place to deal with industrial action, which includes maintaining open channels of communication with unions, employees, shareholders and investors, labour relations experts, mediators and facilitators, security services and the media. See page 82 on stakeholder engagement and communication.

The company also acts in compliance with the Labour Relations Act No 66 of 1995 and may use established processes, inclusive of legal relief when necessary, to bring any form of strike action to a swift resolution. The company is committed to engage and negotiate with any union that achieves the necessary representation levels.

There was no industrial action at Booysendal during F2014.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

All employees, contractors and suppliers have the right to freedom of association and to act out this freedom within the bounds of the law, collective agreements and the rights of others. Employees and their elected representatives must shoulder the duties and responsibilities that attain to this right.

Wages and other conditions of service are negotiated on an annual basis. At Northam operations, unions registered with the Department of Labour (DoL), which represent at least 15% in any particular bargaining unit, receive organisational rights including:

- Access to the workplace, allowing qualifying unions to recruit members and host meetings on mine property outside of working hours
- Access to payroll deduction facilities
- The opportunity to elect employee representatives for internal disciplinary processes
- Paid leave for representatives to allow them to carry out union-related duties

When a registered union reaches a representative threshold of 33.3% within a bargaining unit, it acquires the right to bargain for that particular unit. The company aims to engage in good faith to reach agreement on matters such as wages, substantive conditions of service and other matters of mutual interest.

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

HUMAN CAPITAL CONTINUED

At Zondereinde, employees are divided into three bargaining units. Category 2 to 8 comprises operator level employees, Category 9 miners and artisans, and Category 10 officials. A total of 84.3% of the workforce in these bargaining units is covered by collective bargaining agreements.

At Booyseindal, Murray & Roberts Cementation Proprietary Limited (MRC) is currently unionised and holds regular structured meetings with NUM while Minopex holds employee forum meetings from time to time.

RECOGNISED UNION REPRESENTATION AT ZONDEREINDE F2014 (PERMANENT EMPLOYEES)

	Category 2 to 8		Category 9		Category 10		Total	
Complement	5 935		389		366		6 690	
NUM	4 874	84.1%	151	38.7%	121	33.3%	5 146	78.6%
Solidarity	19	0.3%	92	23.6%	113	31.1%	224	3.4%
UASA	14	0.2%	79	20.3%	55	15.2%	148	2.3%
Total	4 907	84.7%	322	82.6%	289	79.6%	5 518	84.3%

RECOGNISED UNION REPRESENTATION AT BOOYSENDAL F2014 (PERMANENT EMPLOYEES)

	Category 2 to 8		Category 9		Category 10		Total	
Complement	56		9		82		147	
NUM	27	48.2%	6	67.0%	1	1.2%	34	23.0%
Total	27	48.2%	6	67.0%	1	1.2%	34	23.0%

At Zondereinde, Northam has formal structures in place to facilitate consultation with organised labour including:

- An employee equity and training committee, which is consulted on issues relating to employment equity and human resource development, to review the company's employment equity, recruitment, and training and development policies, to ensure equity and transparency within these procedures.
- A six-a-side committee, comprising management and organised labour, tasked with the smooth progress of the hostel de-intensification programme.
- A corporate social investment (CSI) committee, which oversees all initiatives relating to mine community and rural development, including

review and approval of all applications regarding CSI, local economic development (LED) and socio-economic development.

- A joint health and safety structure, which is a statutory component of the Mine Health and Safety Act No 29 of 1996, with organised labour participating in this process to ensure that the company adheres to safe operating practices.

EMPLOYMENT PRACTICES

Northam is committed to fair and progressive employment practices where long-term employment opportunities are provided to employees to grow and develop their potential. Remuneration practices take account of the demanding skills required in the mining industry, as well as the difficulty of attracting skilled

historically disadvantaged South Africans (HDSA) to work in remote locations.

Northam's employment practices and policies are governed by South African legislation and regulations such as the Mine Health and Safety Act, the Employment Equity Act No 55 of 1998, the Skills Development Act No 97 of 1998, the Skills Development Levies Act No 9 of 1999, the Basic Conditions of Employment Act No 75 of 1997, the Labour Relations Act, the MPRDA, collective bargaining and recognition agreements with organised labour.

A formal grievance policy is in place, providing for both individual and group grievances at Zondereinde. During F2014, three grievances were submitted. These have been referred for resolution in the current financial year. In F2013, nine grievances were submitted, relating to unfair labour practice, and were resolved in F2014.

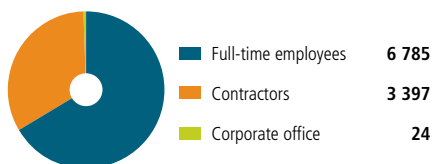
Full-time Northam employees receive the following benefits:

- Membership of pension and provident funds
- Death benefits
- Access to medical care
- Housing and living-out allowances
- Study assistance
- Maternity and paternity leave

Minimum notice periods prior to the implementation of significant operational changes that could substantially affect employees are prescribed by legislation.

TOTAL EMPLOYMENT: GROUP

Total employment 2014



Zondereinde

In F2014, Zondereinde employed 6 638 full-time employees and 2 150 contractors (F2013: 6 916 full-time employees and 2 232 contractors) and the operation's total employee turnover was 358 (4.0%).

Given the emphasis on local employment, engagement with the Thabazimbi municipality provides a platform for management to discuss required skills levels and competencies amongst the local populace.

Zondereinde's migrant labour contingent comprises 30.9% of its permanent workforce and 32.3% contractors – sourced from South African provinces other than Limpopo and the North West. The operation's foreign labour workforce, drawn from beyond South Africa's borders, comprises 31.3% of permanent employees.

NUMBER OF EMPLOYEES AND CONTRACTORS – ZONDEREINDE

F2014	F2013	F2012	F2011	F2010
8 788	9 148	9 163	8 927	8 724

EMPLOYEE TURNOVER RATE (%) – ZONDEREINDE

F2014	F2013	F2012	F2011	F2010
4	1	7	7	8

Booysendal

In F2014, Booysendal employed 174 full-time employees and 1 247 contractors (F2013: 143 full-time employees and 1 772 contractors).

Booysendal's employment policies and those of its contractors give preference to local employees and South African citizens as part of its commitment outlined in its social and labour plan (SLP). Booysendal has recruited 42% of its workforce from local communities as part of its stated SLP commitment.

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

HUMAN CAPITAL CONTINUED

All contractors on site are obliged to commit to the company's local recruitment targets, and they are required to submit a monthly report detailing the number of local employees, resignations and terminations. The employment of migrant labourers is discouraged at Booyseindal, particularly in the mine's unskilled categories.

NUMBER OF EMPLOYEES AND CONTRACTORS – BOOYSEINDAL

F2014	F2013	F2012	F2011	F2010
1 421	1 915	2 468	Not reported	Not reported

HOUSING AND LIVING CONDITIONS

The welfare and living conditions of employees is a key concern for Northam. The MPRDA and the Mining Charter provide the company with direction in respect of the provision of housing and accommodation for employees and contractors.

At Zondereinde the Mining Charter targets are beyond its reach for F2014. To this end, the accommodation and home ownership strategy is currently being reviewed and accelerated in order to meet the necessary requirements by 2017. The company continuously engages with the DMR and provides regular updates on progress made to achieve set targets.

A six-a-side committee, consisting of six NUM representatives and six hostel managers, meets regularly and is chaired by the corporate human resources and transformation manager.

Zondereinde

The majority of Zondereinde's workforce comes from labour-sending areas – other countries, provinces and

regions where they have their primary homes and families – and most employees have indicated that they would not like to be permanently housed in the area. A total of 2 797 employees are provided with a living-out allowance while another 2 884 live in hostels provided by Northam.

The living-out allowance for each category forms part of the annual wage negotiations between Northam and organised labour.

Employees in company-provided accommodation are provided with meals, which are overseen by a dietician who draws up meal plans and rigorously monitors energy, macro and micro nutrient content. An average of 4 586 meals were served to employees every day during F2014.

Hostel conversions

By the time of going to print some 1 640 single units were created in terms of the hostel conversion programme. A further 1 280 units will be converted during F2015. During F2014 alone, the company spent R31.3 million on upgrading hostels.

Mojuteng Home Ownership Scheme

In 2005 Northam introduced the Mojuteng housing project to promote home ownership among its employees. Employees are offered a home loan, a debt consolidation facility and a structured housing subsidy, which helps employees to increase disposable income levels and results in higher home loan approval rates.

A total of 359 housing units have been sold to employees at Mojuteng near Zondereinde. An additional 29 stands are being prepared for the construction of houses for the benefit of employees. For the Mojuteng township in F2014, Northam paid

R51 107 to the Thabazimbi Municipality for services. The project is managed by Northam Properties (Norprops) and costs incurred are debited to the cost of sales. Norprops has a loan account with Northam, which is repaid in terms of houses sold.

Booysendal

Booysendal employees and contractors live predominantly in the towns and villages surrounding the operation, including Mashishing, Steelpoort, Burgersfort, Ngwaabe and Jane Furse. The mine only provides single unit accommodation for employees and core contractors at Tshufi residence where a total of 185 employees and contractors currently live (F2013: 184). The remaining employees and contractors opt to receive living-out allowances.

THE TORO EMPLOYEE EMPOWERMENT TRUST

The Northam Toro Employee Empowerment Trust, a profit-share scheme, was established in August 2008 and represents the interests of 6 530 employees who fall into Category 2 to 10 at Zondereinde. In F2014, Northam contributed R9.2 million to the trust (F2013: R24.0 million). The trust's net income for the year was R3.0 million (F2013: R4.3 million) and the net interest of the beneficiaries was R94.2 million (F2013: R127.2 million) at 30 June 2014.

The Toro Trust intends to distribute benefits to employees in three stages over a 15-year period, with the first payment of R54.8 million having been made in 2013. The creation and intent of the Toro Trust was communicated via a robust internal communications campaign to educate employees on its functioning and the benefits it creates.

During this time, Northam launched an internal communications campaign to help educate employees about the purpose of the trust, how it works, who will benefit and its value creation. The Toro Trust is governed by a board of trustees comprising representatives of management, the unions and independent trustees.

EMPLOYMENT EQUITY AND TRANSFORMATION

South African employment equity legislation is aimed at redressing the imbalances of the past through equal opportunity, non-discrimination and affirmative action. To rectify these imbalances, Northam focuses on the participation of black South Africans and women. The Mining Charter requires 40% of management to comprise HDSA employees by 2014. Northam achieved a 45% HDSA level of management in F2014 with 39% at Zondereinde (F2013: 37%) and 64% at Booysendal (F2013: 31%).

The employment equity and training committee structure, although equitably and transparently constituted, has had significant challenges in successfully achieving its objectives. The company is currently engaging with recognised organised labour structures and officials from the Department of Labour in addressing these challenges and realising requisite goals and targets.

Northam's corporate human resources and transformation manager is responsible for employment equity, strategic direction and the priorities of equity and transformation.

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

HUMAN CAPITAL CONTINUED

LA HDSAs IN MANAGEMENT (%) – GROUP

F2014	F2013	F2012	F2011	F2010
45	37	35	45	33

HDSAs AT BOARD LEVEL (%) – GROUP

F2014	F2013	F2012	F2011	F2010
44	56	64	62	62

LA HDSAs AND WOMEN IN MANAGEMENT IN F2014

		Total workforce (number)	Target (%)		Actual (%)	
Occupational levels			HDSAs	Women in mining	HDSAs	Women in mining
Zondereinde	Senior management	8	40	10	25	13
	Middle management	66	40	10	33	9
	Junior management	191	40	10	41	9
Booyensdal	Senior management	6	40	10	67	0
	Middle management	19	40	10	26	0
	Junior management	69	40	10	74	35

It is important for Northam to attract and retain HDSAs and women in management positions in order for the company meet the 40% HDSA and 10% women in mining targets respectively. Detailed plans are being put in place to finalise departmental employment equity plans and to find ways of retaining appropriately competent individuals.

Northam's employment equity plan is compliant with the requirements of the Mining Charter and the Employment Equity Act. Northam submits its employment equity plans and progress reports to the Department of Labour annually. The Mining Charter annual report was submitted to the DMR in Polokwane in April 2014 for both Zondereinde and Booyensdal.

Northam's transformation priorities are informed by constructive, productive and sustainable

working relationships with organised labour and key stakeholders. Structures have been defined to ensure efficiency and focus on the implementation of these initiatives.

The composition of the employment equity and training committee has been revisited, and will be finalised in structure and mandate by 30 September 2014. Although the current structure is compliant with the requirements of the Employment Equity Act, the implementation of key interventions and monitoring of impact and outputs of the structure was not effective.

WOMEN IN MINING

Northam's engagement and consultation with women is undertaken by the employment equity and training committee at Zondereinde and the future forum at Booyensdal, and is informed by consultation with local branch structures of the NUM.

The following major barriers and challenges have been identified by these structures:

- The suitability of protective equipment for the needs of women;
- Underground facilities for women in the workplace;
- Perceptions about women in mining

To address these challenges, Northam continues to implement the following interventions:

- Sourcing suppliers able to provide suitable protective equipment for female employees;
- Identifying and discussing women's requirements and establishing appropriate arrangements and facilities.
- Changing perceptions using training programmes for a diverse workforce.

In F2014, Northam employed a total of 537 women (F2013: 469), of whom 12% were working in the core disciplines of mining, metallurgy and engineering. Women made up 7% of the workforce at Zondereinde (F2013: 7%) and 20% at Booyseindal.

WOMEN IN MINING (%) – ZONDEREINDE

F2014	F2013	F2012	F2011	F2010
7	7	7	7	7

TRAINING AND DEVELOPMENT

Northam's training and development programme aims to ensure that employees have the support they need to improve their competence and knowledge in the workplace and to grow as individuals. This programme includes:

- Legislative training (skills, health and safety)
- Learnerships
- External specialised training

- Bursaries and study assistance
- Adult basic education and training (ABET)
- Mentorship
- Succession planning

Northam's training and development policy stipulates that emphasis be placed on the competence and competitiveness of employees as well as their personal development. The impact of training and development interventions is assessed in order to ensure that these interventions positively influence workplace behaviour.

In F2014, the company spent a total of R16.7 million on training and development at Zondereinde (F2013: R20.2 million) and R1.8 million at Booyseindal (F2013: R1.3 million). This is equivalent to 2.1% of the total wage bill (F2013: 2.1%). Of this training expenditure, 1.8% was for HDSAs (F2013: 2.1%) and 0.2% for women (F2013: 0.3%).

Given the operations' employee requirements for the medium term, no portable skills training was conducted during F2014.

Leadership development

In F2014, a total of R1.1 million was spent on leadership development. This training was offered to 205 beneficiaries. A total of 124 employees received Du Pont leadership training, which emphasises improvement of managers' safety management skills and encourages employee participation in safety.

Zondereinde

Literacy is important to Northam as it improves employees' ability to communicate effectively and clearly.

ABET is available to all employees on a part-time basis and the company is accredited to offer ABET up to General Education and Training Certificate (GETC) level or National Qualifications Framework (NQF)

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

HUMAN CAPITAL CONTINUED

Level 1. In F2014, 268 employees attended the ABET programme at Zondereinde.

Northam offers electrical, plater/boilermaker, rigging, underground mining and rock-breaking learnerships to all employees. In F2014, 16 employees participated (14 men and two women) in these learnership programmes.

Zondereinde's bursary programme offers bursaries to second-year students in the fields of mining, electrical, mechanical and metallurgical engineering. Zondereinde also offers in-service training to participating individuals during their vacations. Successful bursars are subsequently entered into a two-year graduate internship programme before they are appointed to the Northam workforce.

In F2014, eight students received support to the value of R719 875 for mining-related engineering degrees

(F2013: five students supported at a cost of R375 000).

The current bursary programme includes seven black females in line with the company's strategy to increase female participation in professional occupations. To date, a total of R559 810 was paid for tuition, accommodation and other costs.

Bursary students employed at Zondereinde during the university vacation of June/July 2014 participated in intensive induction training and mine orientation programmes. In addition, they are mentored and guided in curriculum-related and personal enrichment topics.

Sibitlo Sulman, a permanent employee at Zondereinde, was awarded a bursary to complete her BTech degree in mining engineering at the University of Johannesburg in F2014. To date, a total of R160 065 (including wages) was invested in this bursary.

ZONDEREINDE – LEARNING ASSISTANCE BREAKDOWN F2014

	Expenditure	Number of people	HDSAs	Women
ABET	R1 119 752	268	65.3%	4.4%
Learnerships	R800 116	18	77.8%	11.1%
Bursaries	R719 875	8	100.0%	100.0%
Study grants	R44 081	1	100%	100%
Study assistance refunds	—	—	—	—
External training and skills development	R5 884 889	782	56.9%	6.9%
Internal training and skills development	R12 165 242	7 234	74.1%	3.0%
Total	 R18 290 622	8 313	72.2%	3.5%

Performance reviews of junior, middle and senior management employees are conducted on a quarterly basis for all management positions. This process forms the basis of annual merit ratings for employees at middle and senior management level.

Booyseendal

A study of the literacy levels at Booyseendal has revealed that contractors have an average minimum ABET level 4 or Grade 9 qualification. ABET is, therefore, not considered necessary on mine. In F2013 Northam prioritised the facilitation of ABET classes for local community members in order to improve their access to employment opportunities in the future. An independent service provider from the local community provides these classes.

In F2014, 10 community members were enrolled into ABET and five completed the course (F2013: 16 and 15). A total of 38 employees participated in learnerships (27 men and 14 women)

in the fields of rigging, electrical, auto-electrical, fitting and turning, instrumentation and plater/boilermaker.

Bursaries are available to Booyseendal employees in surrounding communities in areas of study that support the company's social and labour plans. These bursaries place emphasis on assisting bursars from Booyseendal's surrounding communities. In F2014 five students were offered bursaries (F2013: three) to the value of R391 612 (F2013: R147 645) as they endeavoured to complete a mining-related engineering degree of their choice.

Four men and three women participated in the bursary programme.

BOOYSEENDAL – LEARNING ASSISTANCE BREAKDOWN F2014

	Expenditure	Number of people	HDSAs	Women
ABET	R154 000	10	100%	80%
Learnerships	R2 352 414	39	97%	30%
Bursaries	R204 270	4	75%	25%
Study grants	R43 675	3	100%	0%
Study assistance refunds	R21 660	2	100%	0%
External and Internal training and skills development	R543 292	92	87%	13%
Internal training and skills development	R459 838	254	83%	19%
Total	 R3 779 149	404	92%	33%

Performance reviews are conducted on a quarterly basis for all managerial positions. The performance appraisal process forms the basis of annual merit ratings for employees at middle and senior management levels – 30% of the employees in these occupational levels are male and 7.2% are female.

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

HUMAN CAPITAL CONTINUED

HUMAN RIGHTS

Employees are not provided specific training in human rights. However, employees are exposed to training in a number of areas including the company's code of ethics on a bi-annual basis.

Northam's social, ethics and human resources committee monitors support and respect for the protection of internationally proclaimed human rights, ensuring that Northam is not complicit in human

rights abuses. Systems are in place to deal with issues of discrimination and human rights breaches.

Northam's code of ethics clearly safeguards the rights of all employees to a working environment free of discrimination on the basis of race, gender, sexual orientation, religious belief, political affiliation, age or disability. Effective grievance and disciplinary procedures are supported by a sexual harassment policy. In F2014, no incidents of sexual harassment were reported.



Employees receiving training at Zondereinde

SOCIAL CAPITAL

Northam aims to play a responsible and co-operative role in the communities in which its operations are located by providing meaningful and relevant contributions to their social and economic upliftment wherever possible.

KEY FEATURES



**Intensification
of engagement**
with municipal
structures

Audits reveal certain
areas to target for
**improved
performance**

Engagement
forums at
Booyseendal
functioning well

Supplier forum established in
Thabazimbi Local Municipality

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

SOCIAL CAPITAL CONTINUED

APPROACH AND STRUCTURE

Northam seeks to mitigate any negative impacts on local communities, and maintains open and proactive communication channels with community structures and other stakeholders in order to deal with community concerns, expectations and developments. In addition, and given that its operations are situated in fairly remote areas of the country, the company recognises its responsibility to contribute to local surrounding communities, providing project and infrastructural support in pursuit of socio-economic upliftment and the provision of a social wage.

The CSI committee comprises three members of management and one representative from each of the organised employee representative bodies. It meets on a monthly basis to identify, prioritise and allocate resources to sustainable projects. Key interventions are planned with local municipalities in the areas of local recruitment and community projects.

Northam's social and labour plans are aligned with the integrated development plans (IDPs) of local municipalities to address community needs effectively. In addition to local economic development the company also supports several projects that are not necessarily in the ambit of its social and labour plans but are considered worthy causes.

Compliance with aspects of the Mining Charter relating to local economic development and related issues is the responsibility of the corporate human resources and transformation manager under the guidance of the social, ethics and human resources committee, and is overseen at board level through the SE&HR committee.

F2014 PERFORMANCE

In F2014, a total of R2.9 million was spent on CSI (F2013: R3.0 million). CSI expenditure at Zondereinde was R1.5 million during the year. The mine has been restricted in expenditure due to the delay in the final approval by the DMR of proposed projects by the local

municipality and final approval of the SLP submission. (F2013: a total of R3.0 million).

At Booyssendal, CSI expenditure amounted to R1.4 million.

Northam's community development programme focuses on contributing to the social upliftment of communities surrounding its operations and those within major labour-sending areas. The programme aims to empower these groups economically in a sustainable manner. Investment in social and local economic development this year was restricted, however, owing to delays in project approval processes in the local municipalities and other authorities.

Zondereinde

Zondereinde engages with three municipalities:

- Thabazimbi Local Municipality in Limpopo
- Moses Kotane Local Municipality in North West Province, a labour-sending municipality
- OR Tambo District Municipality in the Eastern Cape, also a labour-sending municipality

In pursuit of developing a local supplier base, a supplier forum has been established, with mining companies and municipal officials represented on the steering committee. In addition a mining forum has been established in order to improve communication and coordination between the mines and municipal representatives on large-scale projects to improve infrastructure and delivery in the area.

Guided by the Zondereinde social and labour plan and the operation's CSI committee, which is tasked with identifying development priorities in the areas surrounding the mine, Zondereinde's primary local economic development projects in F2014 included:

- continued investment in the Northam Comprehensive School in Thabazimbi, where some 280 children benefited from improved sanitation facilities at the premises and other repairs;

- extensions to the Deo Gloria Primary School, Thabazimbi, which can now accommodate an additional 90 pupils;
- a contribution to the establishment of 25 micro-enterprises in the OR Tambo municipal area of the Eastern Cape (a major labour-sending area) resulting in at least 35 individuals, the majority of whom are relatives of Zondereinde employees, benefiting from the contributions; and
- providing agricultural employment activities and small business support services through an entrepreneurial support centre as a joint initiative with TEBA Limited.

CSI priorities are focused on education, support for people living with disabilities and the elderly. Zondereinde continued to support the Thabang Children's Home which cares for orphans and other children. In addition the company invested in infrastructural support services and refuse removal for 200 residents in the Mojuteng housing project.

As part of its commitment to the Madiba Rhodes Foundation, Northam contributed R1.2 million towards bursaries for black students.

The lack of service delivery and poor follow-up and support from local municipalities remains a significant challenge, with the company having to contribute to service delivery instead of focusing on economic growth.

Booysendal

The Booysendal mine is located in a remote region of the Limpopo province where there are limited economic opportunities. Agriculture, forestry, mining and tourism are the region's primary activities. A major challenge is the low level of literacy and education in the area, which is rated among the lowest in the country.

Booysendal's local economic development and CSI activities are co-ordinated by the divisional human

resources manager, who is also responsible for oversight of community engagement in the area.

Stakeholder identification and engagement at Booysendal has been ongoing since the mine's inception, but this is complicated by the scale, proximity and needs of local communities, and by historic interests in landholdings.

Booysendal has sound working relationships with all its stakeholders and engages with them mainly through the following structures:

- Sekhukhune District Municipality
 - Executive mayor's office
 - ArcelorMittal South Africa Socio-Economic Development Managers Forum
- Greater Tubatse Local Municipality
 - LED Forum
 - Greater Tubatse Mining Forum
 - Southern Cluster Mining Community Development Committee
- Thaba Chweu Local Municipality
 - Executive mayor's office

A stakeholder engagement policy is in place and several forums have been set up in the area where Booysendal operates. The forums provide structures and channels for Booysendal to facilitate the flow of meaningful benefits to communities, help the mine to keep abreast of concerns among community members and to address any issues raised.

The forums include the following:

- The Booysendal Community Forum comprises 15 identified families, who have family graves within the footprint of the mine. The forum has a constitution, meets monthly with management representatives and strives to:
 - Promote economic growth, employment and advancing the socio-economic welfare of the identified core communities

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

SOCIAL CAPITAL CONTINUED

- Substantially and meaningfully expand social development opportunities for HDSAs and women.
- Provide for the facilitation of consultation within the spirit of the MPRDA and the Broad-Based Black Economic Empowerment Amendment Act No 53 of 2003 to promote sound relations.
- The Stakeholder Engagement Forum for all interested and affected stakeholders, including, but not limited to local municipalities, the DMR, provincial government and other community forums meets bi-monthly. This forum's constitution is in line with the group's sustainable development policy which focuses strongly on social and economic upliftment of local communities through positive engagement and contributions in support of sustainable projects and programmes.
- The Local Chiefs Forum provides an engagement platform for communities within a 50km radius of the mine, and meets quarterly.
- These meetings generally deal with matters such as local recruitment; supply chain business

opportunities and supporting local entrepreneurs; training opportunities including bursaries and learnerships and infrastructure development. Booyensdal management has contributed towards establishing a skills and supplier database in the area.

Given the lack of infrastructure in the area surrounding Booyensdal, the division contributed some R412 787 to upgrades and repairs to the R577 road, the main access from Lydenburg. This was a joint initiative in collaboration with other mines in the southern cluster. The road is used by more than 10 000 people daily from the nearby mines and on neighbouring villages and farms.

A number of local economic development projects, targeted in the social and labour plans, are still in the approval process at the DMR, resulting in project delays. This was exacerbated also by conflict within different stakeholder groupings, unsuitability of certain projects and the lack of suitable land for LED projects.



Employees receiving training at Booyensdal



BOOYSENDAL CORPORATE SOCIAL INVESTMENT AND LOCAL ECONOMIC DEVELOPMENT INITIATIVES IN F2014

Project	Objectives	Location	Spend
Mine crime combating forum	Address crime affecting mines in the Greater Tubatse municipal area	Greater Tubatse Local Municipality	R15 000
Upgrading Rooi Draai substation	To avoid load shedding in Lydenburg	Thaba Chweu Local Municipality	R17 256
Ngwaabe crime prevention campaign	Community crime awareness	Greater Tubatse Local Municipality	R10 000
Laerskool Lydenburg – English text books	Assist the school with English text books not supplied by government	Thaba Chweu Local Municipality	R20 831
R577 road maintenance	Repair and maintain the road which is in a bad state	Thaba Chweu Local Municipality	R412 787

PLANNED CORPORATE SOCIAL INVESTMENT PROJECTS

Project	Objectives	Location	Budget
Ngwaabe multipurpose centre	Provide educational and sports facilities	Ngwaabe	R800 000
Dinalane early childhood development centre	Better infrastructure and facilities for the children living around Kutullo	Kutullo	R700 000
ABET-community based initiative	Provide lifelong learning for adults	Ngwaabe	R90 000
SMME mentorship programme	Capacitate local emerging SMMEs	Booysendal	R60 000
Environmental cleaning education/ Mandela day celebration	Encourage community participation in environmental initiatives	Ngwaabe	R50 000
Sports development/Ngwaabe secondary school soccer tournament	Network of community leaders and organisations actively using sports programmes to bring people from diverse backgrounds together and thus reinforce healthy lifestyles and foster civic pride and participation – theme: healthy body, healthy mind	Greater Tubatse Local Municipality	R100 000
Scholar awareness/career guidance	Promote the mining industry through dissemination of information to attract quality candidates to mining disciplines from local schools	Ngwaabe Cluster	R50 000

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

SOCIAL CAPITAL CONTINUED

LOCAL EMPLOYMENT

In F2014 5.1% of permanent employees and 6.8% of contractors at Zondereinde were drawn from the local Thabazimbi municipal area.

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

Engagements were held with local community structures, with representation of municipal councilors wherein specific issues of sustainable small business development and establishment of local economies were considered. Follow-up sessions are scheduled during September and October 2014.

ZONDEREINDE CORPORATE SOCIAL INVESTMENT AND LOCAL ECONOMIC DEVELOPMENT

Project	Objectives	Location	Spend
Northam comprehensive primary school	Upgrading sanitation facilities and infrastructure, i.e. doors and ceilings	The town of Northam	R81 661
Deo Gloria primary school	Construction of three additional classrooms at Deo Gloria primary school	Thabazimbi	R14 677
Entrepreneurial support centre	Agricultural activities and preparation towards provision of small business support activities	OR Tambo	R199 702
OR Tambo job creation project	A joint initiative with Teba Development to create employment opportunities	OR Tambo	R405 911
Computer Services	Payment for the provision of networking services for 3 schools	Moses Kotane and Thabazimbi Municipality areas	R322 114

As a single, shallow and mechanised operation, Booyssendal is not labour-intensive, and it is unlikely that the mine will ever be able to meet the expectations and needs of everyone in the surrounding communities. Currently, 63% of MRC's employees are local while 42% of Minopex and 44% of Booyssendal's employees are drawn from local communities.

Local employment remains key in the communities surrounding Northam's operations. A major challenge faced by mines in remote and underdeveloped areas, is the community's unrealistic expectations in terms of employment opportunities and the availability of resources.

In collaboration with the local municipalities at Booyssendal, a dynamic database has been

established for the recruitment of local employees with the necessary skills and experience, particularly in the fields of engineering, trackless mining and plant operations.

Booysendal prefers to hire people from the host communities at all levels of the workforce and encourages contractors 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. Booysendal emphasises a pragmatic, gradual approach and plans to train 12 identified small, medium and micro enterprises (SMMs), who have already been assessed by SEDA in the 2012/13 financial year, during F2015.

LOCAL 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.

LOCAL COMMUNITIES

Northam enjoys a reasonably healthy and professional working relationship with all its stakeholders.

Nevertheless, as reported in the 2013 sustainable development report, land invasions by the Ba Choma community over a company-owned property adjacent to Booysendal, which is traversed by an Eskom servitude, led to delays in commissioning permanent power supply to Booysendal. The company has subsequently accepted an offer to purchase the farm

from the regional land claims commissioner's office in Mpumalanga in order to restore it to the Ba Choma community. This property is not part of the Booysendal mining right. At the time of writing, this transaction had not yet been concluded. In addition, the company was notified by the regional land commissioner's office in Limpopo that a number of land claims had been lodged over the farm Booysendal on which the mine is situated. An *in loco* inspection of the property conducted by officials from the regional land claims commissioner's office was attended by more than 20 members of local communities. Investigation and research of these claims is still in progress. Should a claim be proved over Booysendal, the mining right is unlikely to be threatened as the claim is for the surface of the land and the state has many options available to compensate the claimants.

Booysendal did not incur any significant fines or other non-monetary sanctions. Furthermore there were no cases referred for dispute resolution in F2014. Booysendal did not incur any significant fines or other non-monetary sanctions. Furthermore there were no cases referred for dispute resolution in F2014.

At Zondereinde, the company engages local municipalities as conduits towards ensuring that priority areas are targeted with key interventions. However, councillors and traditional leaders do 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.

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

NATURAL CAPITAL CONTINUED

NATURAL CAPITAL

Northam aims to optimally use and conserve the resources available to the company and seeks to mitigate any negative environmental impacts.

KEY FEATURES



Waste licence
obtained at
Zondereinde
salvage yard

Panel management
system fully
implemented at
Booyseindal

Power factor

correction equipment results
in savings of between
R1.3 million and R2.0 million

Buttonshepe Conservancy
Trust in place to at

Booyseindal

Use of
hydropowered
equipment and
backfill results in
savings of
31 506MWh
annually at
Zondereinde

APPROACH

Competition for resources such as land, water, energy and fuel is becoming progressively more robust in South Africa. In terms of environmental custodianship, Northam has identified these resources as its highest priorities with its most significant challenges being their conservation and optimal use.

The health, safety and environmental (HSE) committee is responsible at board level for overseeing environmental matters. As a matter of course, environmental management issues are reported to the operational general managers and the chief executive on a monthly basis, and on a quarterly basis to the board's HSE committee. The chief executive and general managers of Zondereinde and Booyensdal have final accountability for environmental compliance and performance.

At Zondereinde and Booyensdal, environmental issues are dealt with by a specific management team. At Zondereinde, in particular, the environmental management function and engineering services are inextricably intertwined, given the Zondereinde operation's reliance on technology, which is applied in many instances, specifically to creating environmentally safe working areas. The engineering department is responsible for overseeing this function under the guidance of the engineering manager who is supported by the environmental officer. The safety, health and environmental manager at Booyensdal heads this process and is supported by environmental staff.

At Booyensdal, the mine management team is responsible for looking after only approximately 8% of the mine's freehold area. The balance of the land (approximately 6 200 hectares) is managed by a dedicated land manager and, of this, 960ha is under the custodianship of the Buttonshope Conservancy Trust, an offset area which was created under the stewardship of former chief executive, Glyn Lewis, and

which has been set aside specifically for conservation and biodiversity purposes. (See the 2012 and 2013 sustainable development reports for details on governance and funding of this offset area – <http://www.northam.co.za/investors-and-media/publications/sustainable-development-reports>)

LEGISLATION AND COMPLIANCE

South Africa has a strict environmental legislative framework and this is governed by the following:

- Constitution of the Republic of South Africa No 108 of 1996
- Mineral and Petroleum Resources Development Act No 28 of 2002 (MPRDA)
- National Environmental Management Act No 107 of 1998 (NEMA)
- National Environmental Management: Waste Act No 59 of 2008
- National Environmental Management: Biodiversity Act No 10 of 2004
- National Heritage Resources Act No 25 of 1999
- National Environmental Management: Air Quality Act No 39 of 2004
- National Water Act No 36 of 1998

Care has been taken to uphold Northam's compliance with South Africa's environmental and mining legislative framework. The company is committed to prudent practices and usage of natural resources, in accordance with NEMA, and this is outlined in its environmental policy, which may be found at <http://www.northam.co.za/governance/policies-and-procedures>.

At Zondereinde and Booyensdal, a precautionary environmental approach has been taken – aligned with NEMA and Northam's own environmental management systems (EMS).

Management at both operations engage regularly with regulatory authorities including the DMR and

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

NATURAL CAPITAL CONTINUED

the Department of Water Affairs (DWA) and other relevant departments. New mining projects are subject to environmental impact assessments (EIAs) which involve thorough public participation and many studies to assess environmental aspects such as air, water, land, flora and fauna. These EIAs become part of the mines' approved environmental management plans or EMPs. EMPs provide guidance in monitoring, addressing and mitigating environmental impacts. Routine audits are undertaken to ensure compliance with the EIAs and EMPs. Northam has the requisite permits for Zondereinde and Booyssendal in terms of new order mining rights and integrated water use licences.

Zondereinde has recently completed a revised EMP application in line with the DMR's requirement to consolidate its original document and three amendments for the UG2 stockpile, coal-fired boilers and the slag dump. The mine is awaiting approval from the DMR.

In compliance with the amendment to the NEMA: Air Quality Act, which came into effect in 2013, Northam has submitted an application for an atmospheric emission licence for the Zondereinde operations as well as a request for exemption from the requirement to reduce sulphur dioxide (SO₂) emissions by 2020, based on affordability and the historic dispersion of SO₂ at Zondereinde which has been significantly lower than the licensed limits.

Northam is a member of the South African Waste Information System (SAWIS) developed by the DEA, and both Zondereinde and Booyssendal are registered with SAWIS. The company complies with the monitoring and management processes of hazardous waste in terms of recovery, recycling, treatment, disposal and exportation.

Northam did not receive any significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations.

In January 2014, waste water (6 234m³) from the sewage treatment plant at Zondereinde was

discharged directly into the Bierspruit, following above-average rainfall, as the evaporation dam and settling ponds were near full capacity due to fissure water being pumped and no consumption during the extended strike. Although this incident was reported to the DWA, the discharge volume was within the 1 000 000m³ provided for in section 7 of the water licences. As such no fine was issued and no administrative action was taken.

No grievances regarding environmental impacts were received during the year.

ISO14001

Northam has adopted the ISO14001 standard as the basis for its EMSs. The Zondereinde mine has been ISO14001-certified since 2011. A re-certification process conducted in February 2014, identified seven non-conformances. These were rectified and re-certification was issued on 12 May 2014 until 2017.

Procedures, aspect and impact identification are currently underway for the implementation of ISO14001 at the Zondereinde metallurgical complex with a view to completion in mid-2015. A gap analysis will then be conducted and an application for certification of the plant will be submitted as soon as identified shortcomings have been addressed.

While the ISO14001 standard is taken into account in managing environmental issues at Booyssendal, a formal ISO14001-compliant EMS is not yet in place at this operation.

F2014 PERFORMANCE

Zondereinde

Water and energy consumption continue to be the most pressing environmental management concerns at Zondereinde. Efforts to reduce consumption are assessed and implemented continuously.

Zondereinde was granted a waste licence for the salvage yard although local interested and affected parties did raise concerns about community job

creation. An external audit was conducted on 19 August 2014.

Zondereinde recorded one reportable environmental incident in the year under review but did not incur a fine.

Booysendal

During F2014, Booysendal implemented a number of projects to reduce the impact of operational activities on the environment.

In order to ensure that hydraulic and motor oil is not released into the surrounding area and water system, extra sumps are in the process of being installed into the storm water system to capture the oil and separate it from the system before the surface water run-off reaches the pollution control dams.

Biodegradable tablets, known as ECO tablets, have been introduced into the main pollution control dam. These tablets assist in maintaining water quality of the dam within the required limits of the water use licence.

Three annual audits were conducted at Booysendal during the year, these include:

- An annual performance assessment of the EMP as required by the MPRDA.
- The first ever performance assessment of the EIA as required by NEMA.
- An annual audit of the new water licence

No reportable environmental incidents were recorded at Booysendal during the year.

RESOURCE UTILISATION

As a mining company, Northam is mainly reliant on natural resources – water, energy and bulk materials. Bulk materials comprise mined and processed rock, liquid fuels, coal, grease, steel, timber, lubricating and hydraulic oils as well as diesel. Zondereinde and Booysendal take pride in utilising resources efficiently and recycling materials like plastics, steel, timber and scrap.



Water samples being taken at Booysendal



REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

NATURAL CAPITAL CONTINUED

MATERIALS USED AT ZONDEREINDE IN F2014

	Unit	F2014	F2013	F2012	F2011
Rock mined	000t	1 907	2 276	2 154	1 801
Ore milled	000t	1 724	2 116	1 934	1 591
Timber use (bulk support)	m ³	2 412	1 573	827	754
Cartridge explosives	t	2 076	2 401	2 552	2 010
Oxygen	t	1 722	1 561	2 018	2 461
Sulphuric acid	t	586	520	769	747
Sulphur dioxide	t	61	56	82	90
Grease	t	34	47	47	41
Lubricating and hydraulics oils	l	130 618	130 270	135 155	112 311
Diesel	l	LA 648 709	635 739	576 079	500 639

MATERIALS USED AT BOOYSENDAL IN F2014

	Unit	F2014	F2013
Rock mined	000t	1 233	755
Ore milled	000t	1 517	261
Emulsion explosives	t	960	284
Lubricating and hydraulics oils	l	640 192	83 314
Diesel	l	LA 1 830 066	1 745 435

MATERIALS RECYCLED AT ZONDEREINDE IN F2014

	Unit	F2014	F2013	F2012	F2011
Plastic	t	53	42	108	62
Steel	t	2 182	1 640	2 053	759
Timber	m ³	2 015	2 380	4 601	5 874
Scrap metal	m ³	0	0	1 995	2 526
Rubber	t	197	153	134	156
Industrial waste	t	1 246	1 419	1 955	2 526

MATERIALS RECYCLED AT BOOYSENDAL IN F2014

	Unit	F2014	F2013
General waste to landfill	m ³	551 571	—
Hazardous waste	m ³	204	—

WATER USE

Northam recognises the importance of optimising its water usage through reuse and recycle processes, especially as a large volume of water is used for the mining and processing of minerals. The vital role water plays is highlighted in regular water awareness campaigns.

Two primary water sources contribute to Northam's water consumption at both Zondereinde and Booyssendal, namely industrial and potable water. Northam's source of potable and industrial water is from Magalies Water at Zondereinde and the Lebelelo Water User Association at Booyssendal – Northam has contracts with both companies in this regard.

WATER USAGE (000m³)

	Zondereinde			Booyssendal	
	F2014	F2013	F2012	F2014	F2013
Potable water from external sources	2 335	2 633	2 540	513 103	429
Fissure water used	1 084	1 492	1 273	–	–
Water recycled in process	25 524	25 909	24 390	–	237
% water recycled	89	91	91	–	36

Zondereinde

Zondereinde's integrated water licence was granted in May 2012. The mine has since applied for relaxation of certain standards and requirements. In September 2013, the DWA conducted a compliance audit on Zondereinde's water use licence and the mine submitted an annual water management report to the DWA in December 2013. On 11 August 2014, Zondereinde received feedback from the DWA, requesting further assessment by a specialist.

Water is fundamentally important for Zondereinde mine, not only from an environmental and permitting perspective, but also operationally. Through a shaft-based hydropower system, the mine uses water as its primary source of energy for its direct mining operations underground. These technical innovations were pioneered at Northam and refined over time. Hydropowered equipment has the advantage of reducing the temperatures in the working areas. This technology, used in conjunction with the strategic

application of backfill helps to lower underground temperatures by reducing heat ingress from worked-out areas while also reducing the size of the area to be cooled by 65%.

Zondereinde endeavours to run a zero discharge operation and closely monitors any potential impact of its operations on surface and groundwater sources. The water bodies that could be affected by surface water discharges are the Crocodile River and the Bierspruit River.

Extensive monitoring is undertaken and a comprehensive groundwater model, developed and maintained by a third party consultant, has been in place for nine years. This consultant also monitors and advises on surface and groundwater quality control.

The only significant water discharge during the year was from the sewer plant into the Bierspruit, as described in more detail on page 122. In terms of the water use licence, 1 000 000m³ of water is allowed to be discharged annually.

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

NATURAL CAPITAL CONTINUED

Booysendal

Water allocation is also of critical importance at Booysendal. The integrated water use licence requirements guide water management processes, especially in terms of water allocation. This licence is reviewed every five years from the date of issue. Water quality at Booysendal is monitored on a continuous basis and compared with the original base line study information.

The Lebalelo pipeline is the main source of industrial and potable water at Booysendal, which could be supplemented with on-site boreholes. The mine currently holds a 20-year licence to extract water from boreholes should additional water be required. The Groot Dwaarsrivier is the only water source that could potentially be affected by the withdrawal of water from the boreholes. However, as a limited volume of water is currently being drawn from this source, there is no risk.

Nevertheless management is vigilant about the potential for any contamination risk, and closely monitors the conservation processes and water reduction practices, along with checking water levels in the pollution control dams, which could result in discharges or run-off.

The Groot Dwaarsrivier and the Der Brochen Dam are the only at-risk water bodies. Management has an emergency preparedness programme in place to address any run-off or spillages, which includes a stakeholder schedule along with emergency remediation measures. Three water evaporators have been installed at the pollution control dams to mitigate the effects of excessive rainfall during the rainy season.

Industrial water at Booysendal is maintained within a closed circuit and recycled on an ongoing basis.

Energy consumption

In South Africa, electricity is supplied by Eskom, the national electricity supplier. In recent years, Eskom's

tariffs and supply shortages have increased steadily, by 16% in 2012, 8% in 2013 and 9% in 2014. For F2014, Northam's electricity spend totalled R424.9 million (85% at Zondereinde and 15% at Booysendal).

In terms of its overall focus on efficiencies and avoidance of waste, the company's energy reduction initiatives (such as a move to using electricity at low-peak periods to reduce the strain on the national grid during high-peak periods) have been ongoing for many years.

At current capacity at Zondereinde, Eskom's supply is currently sufficient. Nevertheless, power requirements are not static, given the deepening project and the smelting of additional material from Booysendal. Zondereinde, therefore, has to concentrate on energy efficiency rather than outright quantity. To this end, a number of initiatives have been implemented, such as an underground refrigeration plant and fan clipping.

With the refrigeration plant being moved underground water is not required to be pumped to surface, which immediately provides some savings: one refrigeration machine fulfils the function of two 2MW pumps. It is estimated that R22.8 million could be saved annually.

The company's use of hydropower has also reduced its reliance on Eskom as the primary energy source. As a result, less electricity is required for production than other platinum mines on compressed air to power underground equipment. The use of hydropowered equipment and backfill has led to annual power savings of 31 506MWh.

Booysendal currently has sufficient power to continue operating, with one incoming Eskom line and transformers capable of sustaining 80MVA. The maximum demand at the moment is 29MVA.

POWER FACTOR

Power factor correction equipment is in place at both Zondereinde and Booyssendal to reflect the correct power consumption and reduce the overall electricity bill. Power factor correction was upgraded at Zondereinde to the value of R4.0 million. At Booyssendal, power factor correction equipment was installed during the construction phase.

A study conducted by DRA Mineral Projects indicates that the annual estimated saving per substation is between R1.3 million to R2.0 million.

Zondereinde recorded an overall decrease in energy consumption in F2014 – attributed to the 11-week strike as well as the furnace rebuild. The company's long-term strategy is based on energy efficiency rather than energy reduction as the mines continuously strive to replace ore reserves and require more energy for production. The energy efficiency strategy is continuously reviewed in order to optimise its effectiveness.

See also ENERGY CONSERVATION PROJECTS on page 129.

LA ELECTRICITY CONSUMPTION (MWH)

	Zondereinde			Booyssendal	
	F2014	F2013	F2012	F2014	F2013
Energy from electricity purchased by shafts	470 117	485 654	461 484	35 251	6 726
Energy from electricity purchased by plants	108 600	101 732	125 548	57 515	7 533
Total electricity purchased	578 717	587 386	593 441	92 766	14 259



The base metal removal plant at Zondereinde

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

NATURAL CAPITAL CONTINUED

Zondereinde

Apart from the measures mentioned above, no further energy saving initiatives were introduced at Zondereinde in F2014. Two independent parties reviewed the mine's energy consumption; no viable, cost-effective solutions which do not pose any safety risk to employees, was found.

In F2014, total indirect non-renewable energy consumption of electricity sourced from the national grid at Zondereinde decreased by 1.48% to  578 717MWh (F2013: 587 386MWh). This was mainly due to loss in production days as a result of the 11-week strike as well as the furnace rebuild, offset by an increase in smelting activities from processing Booyssendal's production.

Booyssendal

Given the strain on South Africa's energy utility Eskom, energy efficiency has and will continue to be a priority at Booyssendal. A panel management system which assists with the protection and annual testing of the medium voltage network, and fault analysis has been fully implemented and operational since June 2014. A monthly report on the findings is presented by the engineering department. Going forward, this system will allow Booyssendal to identify areas where electricity savings may be affected.

In F2014, total indirect non-renewable energy consumption from electricity sourced from the national grid increased by 551% to  92 766MWh (F2013: 14 256MWh) owing to the ramp-up.

A solar-aided water heating system at the mine's change house is in place to conserve energy.

Climate change and emissions

Climate change has increasingly become an area of concern for mining companies with the many regulations governing environmental management. At Northam, climate change has been assessed as a moderate risk managed primarily through the company's energy conservation initiatives. In addition, PGMs are used in the production of technologies to reduce emissions thus limiting the climate change risk.

Northam has considered the risks and opportunities relating to climate change, including the financial implications, in its sixth consecutive voluntary submission to the Carbon Disclosure Project (CDP), which may be found at www.cdp.net/en-US/Results/Pages/Company-Responses.aspx?company=13459.

Northam reports on emissions of carbon dioxide (CO₂) and SO₂, the most significant of its emissions.

In F2014,  4 807 tonnes of SO₂ were emitted by the Zondereinde operations attributed to direct emissions from the smelter. These emissions comprise SO₂ (directly from the smelting operations), CO₂ (both direct and indirect), potential discharges to water courses and dust from tailings dams.

As mentioned earlier, Northam has applied for an atmospheric emission licence at Zondereinde, which requires an amendment to be submitted by the end of November 2014. The company has also applied for exemption from the requirements for SO₂ emissions.

Zondereinde's energy efficiency programmes have reduced the mine's GHG emissions.

ENERGY CONSERVATION PROJECTS

ENERGY EFFICIENCY PROJECTS

Compact fluorescent lamps (CFLs) and geyser blankets have been distributed to village and mining staff, and geyser blankets have been fitted in 600 houses.

Street lights have been converted to energy saving alternatives.

Mast lights at the shafts and hostels have been converted to energy saving lighting.

Hostel geysers are solar-powered with large thermal storage capacity.

Geyser timers have been installed in 600 village houses to reduce energy consumption.

ENERGY SAVING PROJECTS

Electric geysers are supplemented with solar heaters. Northam has retrofitted 55 x 37kW geysers with solar-powered hot water generators. This initiative targets Scope 2 emissions and is voluntary.

Power consumption of the main ventilation fans is reduced by approximately 0.8MW for four hours per day during the working week and 24 hours over the weekend.

The volume of water to be chilled and pumped is reduced by improving the efficiency of spot coolers in the underground workings. This saves approximately 2.5MW of electricity consumption on a continuous basis.

Three 1.5MW electrode boilers have been replaced with coal-fired boilers to realise an estimated saving of 15% in carbon emissions due to the positional and thermal efficiency of the installation.

TIME OF USE

Some 3.2MW of electricity consumption has been shifted from Eskom peak to off-peak periods by automatically controlling the time when refrigeration plants are allowed to operate.

Some 5.8MW of electrical consumption has been shifted from Eskom peak to off-peak periods by automatically controlling the time when underground dewatering pumps are allowed to operate.

PROJECTS

The volume of water to be pumped to surface has been reduced by relocating additional refrigeration plants required for the deepening project from surface to underground using innovative methods for the condenser cooling circuit. Based on reduced pumping costs, the estimated saving in electricity consumption is 9.5MW.

GREENHOUSE GAS EMISSIONS (CO₂e tonnes)

	Zondereinde				Booyssendal
	F2014	F2013	F2012	F2011	F2014
Total Scope 1 emissions (direct emissions)	LA 23 451	15 509	15 401	14 432	LA 4 912
Total Scope 2 emissions (indirect emissions)	LA 596 079	605 008	611 244	619 947	LA 95 549
Total Scope 3 emissions (indirect emissions)	580	665	815	1 089	103
Total emissions	620 110	621 183	627 460	635 468	100 565

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

NATURAL CAPITAL CONTINUED

Dust management

Due to the nature of its operations, Zondereinde monitors dust fall-out and its stakeholder engagement programme is effective in dealing with any incidents and complaints logged. Since inception, Zondereinde has had no such complaints.

The tailings dam is continuously revegetated to reduce dust entrainment, and to minimise wind and water erosion.

Previously exposed areas at Booyensdal have been paved, tarred or grassed, and the few areas where dust could be produced, are monitored and dust suppression is conducted as needed.

Continuous dust fall-out monitoring at Booyensdal is conducted at potential receptor sites around the Booyensdal operation. Monitoring results indicate

that dust fall-out within these areas is well within residential dust fall-out limits.

The mine's location in a valley surrounded by mountains means that dust dispersion into the surrounding communities is limited. No community or stakeholder complaints were received regarding dust emissions during the year.

LAND MANAGEMENT AND BIODIVERSITY

Northam acknowledges that biodiversity entails careful land management, especially with mining processes that could have an adverse impact on the environment. Careful planning for new mining projects, engagement with stakeholders and the surrounding community, and compliance with legislation could also add value to the mining process and prove beneficial in land management.

REHABILITATION FUND

	Provision at 30 June 2014 (Rm)	Investments held at 30 June 2014 (Rm)	Unfunded probability at 30 June 2014 (Rm)
Booyensdal	45.9	18.4	27.5
Zondereinde	96.8	79.1	17.7
Total	142.7	97.5	45.2



Zondereinde

No animals or plants in the area are listed on the IUCN's Red List of Threatened Species nor the Red Data list.

Land management and conservation at Zondereinde is simpler than it is at Booysendal for a number of reasons, including the fact that the required policies and practices have been established and entrenched over the years.

Northam's land ownership of Zondereinde is larger than the actual mining operations, with a surface freehold of approximately 4 439 hectares.

Final rehabilitation of Zondereinde's tailings storage facility will only take place after closure. However, ongoing rehabilitation continues for dust management as well as aesthetic reasons. The total rehabilitation and closure costs for F2014 were R6.4 million.

Booyesendal

Booyesendal's host area, the Dwarsrivier Valley, is situated within the Sekhukhuneland Centre of Plant Endemism and the Roossenekal Subcentre of Endemism. The Booyesendal property encompasses

several landscape types, which are critically important for conservation action – Mpumalanga's conservation authorities actually prioritise these areas.

The Dwarsrivier Valley is unique as the landscape includes forests, small wetlands, seepages and grasslands. Certain protected mammals and species of fish have also been recognised as endemic to this habitat. Research has also indicated that the threatened SCPE is not formally protected, and that more land needs to be incorporated within reserves to protect the province's biodiversity.

In the spirit of preserving the biodiversity of the area, a creative approach was adopted to generate long-term funding to support the protection of the environment surrounding Booysendal. A key result was the Buttonshope Conservancy Trust, which funds Booysendal's conservation, offset management and expansion.

For more information see page 57 of the F2013 Sustainable Development report, or go to .

Rehabilitation and closure costs at Booysendal amounted to R2.9 million in F2014.

LAND USE (HECTARES)

	Zondereinde		Booyesendal	
	F2014	F2013	F2014	F2013
Land disturbed by mining and related activities	137	137	521	521
Land leased for farming purposes	273	273	N/A	N/A
Land protected for conservation	800	800	960	960
Total land under management (freehold)	4 439	4 439	6 773	6 773

While Zondereinde's operational footprint has been reduced, including the processing of waste rock, the unused footprint has not been rehabilitated. Several years ago, the borrow pits at the village and turn-off to the smelter plant were rehabilitated, and rubble heaps at the entrance to Setaria were levelled and covered with topsoil so that the area could be rehabilitated to a more natural state.

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

MANUFACTURED CAPITAL CONTINUED

MANUFACTURED CAPITAL

ZONDEREINDE



Ownership Wholly owned	Extent 7 625ha (strike length: 8km)	Reserves 7.8Moz
Resources 80.1Moz	Life of mine 15 years	Employees 6 638 permanent employees 2 150 contractors
F2014 CSI and LED expenditure R1.30 million	F2014 capex R351.5 million	F2014 operating profit/(loss) R115.5 million
F2014 total electricity consumption 587 717MWh	Operations Underground mining activities focus on the Merensky and UG2 reefs at an average depth of 1 750m. Hydropowered equipment is used in stoping and development. Surface infrastructure includes concentrators for Merensky and UG2, a base metals removal plant and a smelter. Marketing and sales to customers in North America, Japan and Europe is conducted in-house.	

BOOYSENDAL



Ownership Wholly owned	Extent 15 151ha (strike length: 14.5km)	Reserves 4.3Moz
Resources 103Moz	Life of mine 50+ years	Employees 212 permanent employees 1 247 contractors
F2014 CSI and LED expenditure R1.4 million	F2014 capex R539.6 million	F2014 operating profit/(loss) (R130.1 million)
F2014 total electricity consumption 92 766MWh	Operations The mechanised room and pillar underground workings are accessed via a cluster of four declines (three on reef and one in the footwall), as well as a reverse decline system. Surface metallurgical infrastructure includes a UG2 concentrator and a dense media separation plant as well as a chrome spirals plant. Concentrate is smelted at Zondereinde.	

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

MANUFACTURED CAPITAL CONTINUED

METALLURGICAL OPERATIONS

Merensky and UG2 concentrator plants



Crushing/screening circuit: In the crushing/screening circuit the ore is crushed to reduce its size before it reports into the mill.

Milling: Merensky ore feeds into a fully autogenous (FAG) mill. In the UG2 plant, the crushed product feeds into a high pressure grinding roll and then into a primary ball mill.

Flotation: The circuit includes rougher cells, scavenger cells and cleaner columns. External sparger column cells act as a cleaner and help to produce a final UG2 concentrate with significantly lower chrome content while maintaining PGM recoveries.

Smelter and furnace operations



Commissioned in 1993, the smelter has a 15MW capacity. Key processes include drying, smelting and converting the concentrate. Concentrate brought in is blended and dried concentrate is pulverized and then stored in silos. Off-gases are cleaned in an electrostatic precipitator. Concentrate and flue dust is mixed with lime and then fed through to the day bin and into the furnace where electrodes provide heat. The lighter oxides float to the top as slag and the more dense sulphides, which contain the PGMs, sink to the hearth as furnace matte.

APPROACH AND STRUCTURE

Looking beyond the prevailing operational landscape, Northam seeks to harness the inherent potential for growth of its production profile, and to optimise its current infrastructure, thereby maximising value delivered to all stakeholders.

Northam's current business relies primarily its two primary operating assets – the Zondereinde and Booyssendal PGM mines, and its own metallurgical operations, including a base metals removal plant and smelter, located on the Zondereinde lease area.

Zondereinde

Incorporating a metallurgical complex, comprising a smelter and a base-metal removal plant, Zondereinde is a deep-level conventional mining operation producing approximately 300 000oz of PGM per annum.

Zondereinde is the world's deepest platinum mine and the complex geology is characterised by potholed reef and frequent fault structures. Ore grades are relatively high at Zondereinde, as are the metallurgical recoveries from both the Merensky and UG2 ore, which is mined concurrently from the same infrastructure. The mine's resource is estimated at 80.1Moz, and the life of mine currently stands at 15 years.

To extend the life of mine, a deepening project is underway. The development of infrastructure which includes a conveyor decline, a chairlift and a material decline from 13 level to 18 level, has reached 16 level at a depth of 2 300m below surface, and has been equipped to 15 level.

Booyssendal

The Booyssendal North mine is a relatively shallow, fully mechanised UG2 mining operation, with a resource of 6.4Moz. The current life of mine is 20+ years. The total Booyssendal resource is in excess of 100Moz and with the development of additional mining modules could support mining operations for 50+ years.

The Booyssendal North mine has been developed as a room and pillar operation.

The main underground infrastructure consists of the following key elements:

- A reverse decline system consisting of two barrels. The main barrel contains the conveyor belt and chairlift for the transfer of rock and personnel. The other barrel is for the movement of mechanized equipment into and out of the mine.
- Unique to the Booyssendal design is the footwall decline placed some 24m below the reef horizon. It is typical in most room and pillar operations to have a conveyor placed on reef. At Booyssendal some buffer storage capacity was designed and constructed in order to mitigate any risk related to interruptions in power supply, particularly at peak times. The buffer storage will allow continuous operations for up to 12 hours on the reef horizon should the footwall conveyor be offline; the placement of the conveyor in the footwall allows for rock hoisting to surface during off peak periods
- There are three main on-reef declines, a central decline for the movement of mechanized equipment and two additional declines; one north and one south of the central decline, to provide access to the tips of the main ore pass system.

Processing and refining

Independent of the major South African platinum producers, Northam's metal is toll-refined in terms of a long-standing contract with Heraeus PGM concentrate is delivered on a weekly basis to the Heraeus refinery in Hanau near Frankfurt, Germany.

Since 1992, Northam's entire production of metal, has been refined in Hanau. Latterly some of Northam's material has also been treated at the Heraeus plant in Port Elizabeth in South Africa.

A registered member of the London Platinum and Palladium Market (LPPM), Heraeus has London-

REVIEWING SUSTAINABILITY IN TERMS OF THE FIVE CAPITALS

MANUFACTURED CAPITAL CONTINUED

Zurich 'Good Delivery' status for metal production. The refinery in Hanau is subject to strict European Union and materials handling protocols. Product transportation is also strictly defined by international aviation regulations.

CUSTOMER HEALTH AND SAFETY

All health and safety impacts of the final product in the various stages of production are assessed, and health and safety issues relating to the final product are addressed continuously.

Customers are assured that there are no material health and safety complications related to the final products produced and sold by Northam with the exception of nickel sulphate, which is managed as a hazardous material and accompanied by relevant safety and health documentation.

There were no incidents of non-compliance with voluntary codes concerning the health and safety of products and services in F2014.

PRODUCT AND SERVICE LABELLING

No safety, health or environmental labelling is required for pure PGMs, however, requirements exist for the base metal by-products entering Northam's marketing and sales stream. Specifically, the transportation and distribution of nickel sulphate is strictly regulated – it is transported as hazardous material and accompanied by appropriate coding and labelling along with relevant safety data sheets informing transporters, handlers and customers.

Northam, as a regulated agent, complies with South African Civil Aviation Authority regulations, which govern export of the company's products. All containers used in the exportation process – from mine to market – are accompanied by documentation validating the contents of each shipment.

No incidents of non-compliance with regulations and voluntary codes were reported in F2014 relating to product and service information and labelling.

MARKETING AND COMMUNICATIONS

Northam's marketing department maintains regular weekly contact with its domestic and international customers, and hosts customer meetings and undertakes visits to customer facilities. Customer representatives undertake reciprocal visits to Northam's mining and metallurgical operations.

Any issues relating to customer satisfaction are taken up directly with the marketing department and addressed proactively. Any problems can thus be addressed timeously and resolved satisfactorily, and customer feedback receives immediate attention.

Due to the nature of Northam's long-standing relationships, frequent face-to-face interaction with its customers and proactive redress of any issues arising, and additional customer satisfaction surveys are not required.

As the sale of Northam's products is largely conducted on a business-to-business basis for industrial applications, no definitive codes are followed for the purposes of marketing communications, promotions and sponsorships. As a result, no incidents of non-compliance with regulations or voluntary codes concerning marketing communication, advertising or promotion on sponsorship were reported during F2014.

COMPLIANCE AND CUSTOMER PRIVACY

During F2014, no fines were received in respect of non-compliance in the process of the provision and use of Northam's product.

Northam respects the privacy of its customers and, to this end, confidentiality agreements and non-disclosure undertakings are standard in its customer contracts. No complaints, substantiated or otherwise, regarding breaches of customer privacy and losses of customer data occurred during the year under review.