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SOCIAL CAPITAL

RELEVANT MATERIAL ISSUES

- Conducting active stakeholder engagement to minimise any adverse impact on our stakeholder relations
- Maintaining our legislative and regulatory compliance, focusing on the MPRDA and the Mining Charter

RELEVANT IDENTIFIED RISKS

- Industrial and/or community action

Key stakeholders in our business include the communities within which we operate, as well as shareholders, suppliers, customers and government, among others.

Open, honest and respectful engagement is essential to our earning and preserving our social licence to operate – as well as our legal right to do so. These in turn are essential to the sustainability of our business. We recognise our responsibility to share the value we create at our mining operations, thus contributing to the socio-economic upliftment of our communities. We take cognisance of our need to maintain our legislative and regulatory compliance and we strive to meet or exceed Mining Charter targets.

Adult education and training at Zondereinde ►



SOCIAL CAPITAL

STAKEHOLDER ENGAGEMENT

We define our stakeholders as those individuals, groups and entities directly affected, both positively and negatively, by our business activities

External stakeholder engagement is the responsibility of Northam's chief executive and chief financial officer, while internal stakeholder engagement is undertaken by the general managers at each operating mine, together with the executive officer HR.

Major impacts in the area of stakeholder relations are felt at operational level. For this reason, operational management

is empowered to deal with concerns raised by stakeholders. Management is committed to reacting timeously to stakeholder concerns, and engages both formally and informally. External stakeholder concerns may be escalated to the chief financial and chief executive officers.

The group conducts a sustained programme of communication directed at its stakeholders, including shareholders and their advisors, employees, unions, communities, government and regulators and non-governmental organisations (NGOs).

Northam is a member of the Chamber of Mines and actively participates in the Chamber's industry initiatives.

Engaging with our stakeholders

Shareholders, providers of capital, research analysts, fund managers, media

Northam provides information on operating, financial and other performance in a timely manner, using clear and plain English.

Channels of communication include:

- regulatory channels such as the JSE's Stock Exchange News Service (SENS)
- website postings
- electronic communiques to a database of registered stakeholders including the investment community and media
- regular briefings to apprise the investment community of company developments and performance
- formal one-on-one meetings with significant shareholders

Shareholders are encouraged to participate in the AGM of the company and to raise issues of concern or interest directly. The notice of meeting is a regulated issue and shareholders are notified accordingly.

Employees and unions

Relations with employees and organised labour are governed by recognition agreements and conditions of employment by legislation.

Northam supports the rights of all employees to freedom of association and acts in accordance with the South African Constitution, prescribed legislation, industry compacts and recognition agreements with unions.

The company encourages open communication and employees are encouraged to raise issues of concern and interest via the formal and informal structures in place, including through the human resources department, line management and union structures.

Communities

Northam engages on a formal and regular basis with local authorities, including the Moses Kotane and Thabazimbi municipalities in respect of Zondereinde, and the Greater Tubatse and Thaba Chweu municipalities in respect of Booyseindal. Community forums are in place to address community concerns, such as local employment, training, and development and procurement.

Community development is undertaken according to the commitments made in our SLPs. In line with the requirements of the SLP, Northam ensures that its community development policies and practices are aligned with those of the local municipalities' integrated development plans (IDPs) as far as is reasonably possible.

Customers

Northam has long-standing relationships with its customer base. The group's marketing department maintains regular weekly contact with its domestic and international customers, and hosts customer meetings and visits customer facilities. Customer representatives, in turn, visit Northam's mining and metallurgical operations.

Any issues relating to customer satisfaction are taken up directly with the marketing department.

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Stakeholder engagement summary

Key stakeholders	Topics and concerns	Communication channels
Shareholders and investors	Operating and financial performance	Announcements on SENS
	Share price performance and dividends	Website
	Interim, preliminary and annual results presentations	One-on-one investor meetings
	Issues related to the sustainability of the group:	Investor site visits
	• risk mitigation	Roadshows
	• legislation	AGMs and special shareholder meetings
	• safety	Annual integrated reports
	• labour relations	CDP climate change submissions
		CDP water submissions
Employees	Wage negotiations	Group policies
	Job security	Collective bargaining practices
	Training and development	Team briefings
	Health and safety	Two-way manager-employee communication
	Group performance	Let's Talk campaigns:
		• recruitment
		• HIV/AIDS
		• education
		• performance
Customers	Continued availability of supply	Announcements on SENS
	Quality of supply	Group reports
	Impact of any industrial action on supply	Website
		Formal presentations
		Roadshows
		Site visits
		CDP climate change submissions
		CDP water submissions
Suppliers and contracting companies	Sustainability of the group	Announcements on SENS
	Financial performance	Group practices and policies
	Employment practices	Preferential procurement policies
	Local procurement practices	Open days
	Preferential procurement practices	Dialogue
	Quality control	
	Impact of any industrial action on suppliers	

Key stakeholders	Topics and concerns	Communication channels
Media	Operating and financial performance Corporate activity Environmental issues Community-related topics Impact of any industrial action on the group, employees, the industry and the South African economy	Announcements on SENS Website Online presentations Media site visits Group reports and results Interviews
Communities and NGOs	Local economic development Corporate social investment Job opportunities and employment Skills development Health related issues Environmental impact Impact of any industrial action on local business	Community forums Stakeholder forums Industry partnerships Community engagement programmes Wellness campaigns Dialogue
Government and regulatory authorities	Labour relations Licence to operate Employment Education and training Environmental impact and rehabilitation BBE empowerment and ownership Compliance with legislation	Formal processes Participation in industry associations Social and labour plans Dialogue Group reports Site visits South African Revenue Services; Department of Mineral Resources



Open, honest and respectful engagement is essential to our earning our social licence to operate

SOCIAL CAPITAL CONTINUED

SOCIAL AND LABOUR PLANS

The MPRDA of 2002 requires the submission and approval of SLPs as a prerequisite for the granting of mining or production rights. SLPs require the development and implementation of comprehensive human resources development programmes, a mine community development plan, housing and living conditions plan, employment equity plan and processes to save jobs and manage downscaling and/or closure.

Northam believes that these programmes are aimed at promoting employment and the advancement of the socio-economic welfare of all South Africans while helping ensure economic growth. In particular, we acknowledge the important role of the Mining Charter, provision for which was made in section 100(2)(a) of the MPRDA, as an instrument of transformation in the industry with the help of set targets.

By our adherence to the MPRDA and Mining Charter, we share the value we create at our mining operations with stakeholders, as we strive to meet or exceed set targets.

MINE COMMUNITY DEVELOPMENT

APPROACH AND STRUCTURE

Northam recognises its responsibility to contribute to local communities and to major labour-sending areas, providing project and infrastructural support in pursuit of sustainable socio-economic upliftment. We maintain open and proactive communication channels with community structures and other stakeholders in order to deal with community concerns, expectations and developments. The company seeks to mitigate any negative impacts on local communities.

In compliance with the requirements of the MPRDA and the Mining Charter, Northam's operations focus on contributing to mine, community and rural development. The company, therefore, pays significant attention to the establishment of local economic development (LED) projects identified in SLPs.

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

Compliance with aspects of the Mining Charter relating to LED and related issues is the responsibility of the executive officer HR under the guidance of the SE&HR committee. The committee updates the board on a quarterly basis on compliance with the Mining Charter.

Our 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.

A community and rural development strategy is applied in identifying and implementing community projects. The strategy includes stakeholder mapping, an analysis of expectations and immediate risks, as well as protocol for constructive engagement with government and related stakeholders to ensure a co-ordinated approach to community development.

COMMUNITY DEVELOPMENT PERFORMANCE IN FY2016

In FY2016, a total of R3.5 million was spent on CSI and LED. Expenditure at Zondereinde was R2.5 million during the year. At Booysendal, expenditure amounted to R1.0 million.

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

The identification of suitable LED projects and CSI activities in the areas surrounding the mine is guided by the Zondereinde SLP and the operation's CSI committee.

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

Zondereinde corporate social investment and local economic development initiatives in FY2016

Project	Objectives	Location	Spend (R'000)
Agricultural project	Farming	Thabazimbi	1 053
Education	Computer services	Thabazimbi	98
Education	Bursaries	Johannesburg	586
Feeding project	Supply lunch packs to schools	Thabazimbi	92
Donation	Donation to schools	Thabazimbi	458
Mojuteng housing project	Municipal services	Northam	240

BOOYSENDAL

Booyseendal 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 further major challenge is the low level of literacy and education in the area, which is rated among the lowest in South Africa.

Booyseendal's LED and CSI activities are coordinated by the divisional human resources manager, who is also responsible for oversight of community engagement in the area.

Stakeholder identification and engagement at Booyseendal 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. Booyseendal has sound working relationships with its stakeholders and engages with them mainly through the following structures:

- Sekhukhune District Municipality (SDM)
 - Executive mayor's office
 - 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

Several forums have been set up in the area where Booyseendal operates. These provide channels for Booyseendal 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.

Forums in the Booyseendal area

Forum	Structure and composition	Role
Booyseendal Community	Comprises 15 families who traditionally lived within the mine footprint Meets monthly with management representatives	• Promotes economic growth, employment and advance socio-economic welfare of identified core communities • Expands social development opportunities for HDSAs and women • Facilitates consultation within the spirit of the MPRDA and the Broad-Based Black Economic Empowerment Amendment Act No 53 of 2003
Stakeholder Engagement	For all interested and affected stakeholders, including local municipalities, DMR, provincial government and other community forums Meets bi-monthly	Focuses on social and economic upliftment of local communities through positive engagement and contributions in support of sustainable projects and programmes
Local Traditional Leaders	For communities within a 50km radius of the mine Meets quarterly	Focuses on: • local recruitment • supply chain business opportunities and supporting local entrepreneurs • training opportunities including bursaries and learnerships • infrastructure development

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Booyesendal corporate social investment and local economic development initiatives in FY2016

Project	Objectives	Location	Spend (R'000)
Community soccer tournament	Sports awareness for local communities	Thaba Chweu Municipality	27
State of the municipality address	Executive mayor's district address	Sekhukhune District Municipality (SDM)	54
SDM executive mayor marathon	To encourage communities to participate in sport activities for health purposes	Greater Tubatse Municipality	20
Career exhibition	Career guidance for local Mashishing grade 9s	Thaba Chweu Municipality	32
Bring a girl child to work	Career guidance for grade 9 girls from Ngwaabe Secondary	Greater Tubatse Municipality	8
R577 road maintenance	To repair and maintain the road	Thaba Chweu Municipality	860
Lydenburg Mashishing Business Chamber (LMBC)	To develop local business in the Lydenburg Mashishing area	Thaba Chweu Municipality	8
Kgoshi Mampuru	Tombstone unveiling	Greater Tubatse Municipality	7

LOCAL COMMUNITY RELATIONSHIPS

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

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

As discussed on page 54, civil unrest took place in the form of protests by communities in the Steelpoort Valley in July, October and December 2015. Such protests are frequently the result of heightened expectations among local communities. The protests meant Booyesendal employees were unable to travel to work safely. Northam is currently engaged with other companies in the area and initiatives led by local government leaders to deal with service delivery protests. Booyesendal participates in a task team established by the DMR, which has as its aim the resolution of community grievances.

LOCAL EMPLOYMENT, LED AND PREFERENTIAL PROCUREMENT

Major challenges faced by mines in remote and underdeveloped areas are employment opportunities and the availability of resources. Northam works closely with municipal officials to manage community expectations and has assisted in identifying economic targets which could be developed by way of small and medium enterprises (SMEs) or small, medium and micro enterprises (SMMEs) in collaboration with local entrepreneurs.

ZONDEREINDE

In FY2016, 20% of permanent employees came from the Limpopo province, and 17% originated from the North West province.

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

- Environment and waste management
- Agriculture
- Construction

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

BOOYSENDAL

As a mechanised operation, Booyesendal is not labour-intensive, and it is unlikely that the mine will ever be able to meet the employment expectations and needs of everyone in the surrounding communities. As at the end of June 2016 an average of 60% of the total workforce of Booyesendal mine came from the local community.

Booyesendal is committed to hiring people from our host communities at all levels of the workforce and encourages contracting companies to do the same in support of local development.

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

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

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

The key economic areas to be developed in the Booyssendal area as articulated in the Greater Tubatse and Sekhukhune District Municipalities IDPs are:

- Water and sanitation
- Electricity
- Roads
- Education, especially mathematics and science
- Income generation and job-creation projects, with the primary focus on women and people with disabilities

In compliance with the Mining Charter, Northam is committed to giving preference to local businesses in the communities surrounding its operations. Northam's procurement policy accordingly gives local BEE companies preferred supplier status. Northam accords preferred-supplier status to HDSA suppliers subject to commercial competitiveness. Northam spent R3.5 billion in FY2016 (FY2015: R3.4 billion) on procurement, of which 81.7% or R2.8 billion was allocated to BEE suppliers.

NORTHAM PLATINUM LIMITED

Consolidated report on HDSA expenditure

	Capital	Services and contracting companies	Consumables	Total	
HDSA spend as % of total discretionary spend	63.32%	89.06%	67.50%	76.14%	
	R'000	R'000	R'000	R'000	% spend
HDSA owned*	198 349	787 120	133 700	1 119 169	32.17
HDSA empowered**	380 187	612 485	537 020	1 529 692	43.97
HDSA influenced***	–	–	–	–	0.00
HDSA spend	578 536	1 399 605	670 720	2 648 861	76.14
Exempt micro enterprise	3 022	13	4 534	7 569	0.22
Multinational enterprises	132 329	21 095	32 818	186 242	5.35
Measured HDSA spend	713 887	1 420 713	708 072	2 842 672	81.72
Without HDSA	194 798	144 090	263 622	602 510	17.32
Black influenced	4 901	6 777	21 888	33 566	0.97
Total discretionary spend	913 586	1 571 580	993 582	3 478 748	100.00
Non-discretionary spend					
Electricity				611 695	
Water				26 609	
Total spend				4 117 052	

* >50% BEE equity

** >25% – <50% BEE equity

*** >5% – <25% BEE equity

BEE TRUSTS

Northam management is working on operationalising the two community trusts that are part of the Zambezi Platinum consortium.