# Sustainable development report

Northam Platinum Limited is currently the fifth largest producer of PGMs in the world.The company's current operation, the Northam platinum mine in Limpopo Province employs more than 9 000 people in this poor region of the country, where little formal, large-scale economic activity exists. The scope of Northam's economic, social and environmental footprint is set to grow in the future as it plans to mine the Booysendal project, which is located in another relatively isolated and impoverished region in Mpumalanga Province. The Booysendal project currently employs 23 people (one employee and 22 contractors) and could employ around a few thousand people at steady-state.

Northam's Sustainable Development Report is available on the company's website at www.northam.co.za. This report has been developed in accordance with the Global Reporting Initiative's G3 guidelines, and certain key parameters have been assured by independent auditors PWC. Northam has, in line with GRI requirements, declared a C+ level of reporting for the current financial year and intends to incrementally improve its reporting next year.

## Economic performance

Owing to its location, the labour intensive nature of its operations and the high value of its product, Northam's economic impact is significant in its region of operation.

# Value added statement

For the year ended 30 June 2008

| | Note | 2008 % | 2008 R000 | 2007 % | 2007 R000 |
|---|---|---|---|---|---|
| Sales revenue | 17 | | **3 886 137** | | 3 739 805 |
| Less: Purchase of goods and services in order to operate mine and produce refined metal | 18 | | **(724 246)** | | (995 546) |
| Value added by operations | | **97.5** | 3 161 891 | **96.9** | 2 744 259 |
| Add: Investment income | 20 | **3.0** | 97 507 | **2.9** | 83 643 |
| Sundry Income | 21 | **0.1** | 1 824 | **0.2** | 5 303 |
| Less: Booysendal costs | 22 | **(0.6)** | (17 969) | – | – |
| Total value added | | **100.0** | 3 243 253 | **100.0** | 2 833 205 |
| **Value distributed** | | | | | |
| Employees | 18 | **19.6** | 630 432 | **18.6** | 526 950 |
| Salaries and wages | | **19.5** | 628 183 | **17.9** | 509 280 |
| Contributions to retirement benefit funds | | **1.7** | 53 564 | **1.7** | 47 693 |
| Contributions to health-care funds | | **1.1** | 34 970 | **1.3** | 36 107 |
| Pay-as-you-earn deducted | | **(2.7)** | (86 285) | **(2.3)** | (66 130) |
| Government | | **29.8** | 966 180 | **30.1** | 851 135 |
| Mining and non-mining tax | 23 | **18.9** | 612 138 | **20.4** | 579 014 |
| Deferred tax | 23 | **0.4** | 11 892 | **0.7** | 18 531 |
| State's share of profits | 23 | **3.8** | 124 629 | **2.00** | 55 726 |
| Secondary tax on companies | 23 | **3.6** | 117 381 | **4.3** | 121 291 |
| | | **26.7** | 866 040 | **27.4** | 774 562 |
| Royalties | | **0.4** | 13 855 | **0.4** | 10 443 |
| Pay-as-you-earn deducted from employees | | **2.7** | 86 285 | **2.3** | 66 130 |
| Providers of capital | | | | | |
| Dividends | | **31.1** | 1 010 068 | **34.2** | 970 332 |
| Broader community | | | | | |
| Corporate social investment | | **0.2** | 5 269 | **0.1** | 3 236 |
| **Total value distributed** | | **80.5** | 2 611 949 | **83.0** | 2 351 653 |
| Retained by company | | **19.5** | 631 304 | **17.0** | 481 552 |
| Depreciation | 19 | **4.6** | 149 325 | **4.5** | 129 040 |
| Decommissioning provision to meet statutory obligations | 18 | – | (764) | **(0.1)** | (3 400) |
| Retained income | | **14.9** | 482 743 | **12.6** | 355 912 |
| | | **100.0** | 3 243 253 | **100.0** | 2 833 205 |

## Black economic empowerment

The transactions entered into in the 2007 and 2008 financial years between Northam and Mvela Resources and Mvela Resources and Afripalm, have ensured that the company's BEE credentials in terms of equity compliance are more than met. Northam's BEE equity interest is in the region of 62%.

In a significant move to include employees, and to actively take empowerment into the workplace, the group instituted an Employee Empowerment Trust Fund (EETF) in 2008. The fund was established following extensive consultation with all unions and aims to enable lower level employees to benefit from the company's operating performance and financial results. (More senior employees already have access to a share incentive scheme).

Northam has committed that 4% of after-tax profits, less retentions, will be used to fund the trust on an annual basis and the trusts will make disbursements to employees every five years, starting in 2013. The structure of the fund specifically protects employees' earnings from market volatility, while at the same time providing a meaningful way in which company performance can be used as an incentive and reward for operational performance.

Northam has a policy in place to actively support emerging entrepreneurs and to provide preferential access to vendors who are historically disadvantaged South Africans (HDSAs). Systems are in place to identify and nurture HDSA suppliers and to monitor expenditure from them. In F2008, Northam estimates that its expenditure with HDSA suppliers represented 36.10% of the total. This is an increase from the level of 14.1% reported in F2007.

## Safety, health and HIV/AIDS

The management of safety and health remains a priority at Northam, with policies and systems in place that are compliant with the Mine Health and Safety Act (MHSA). While specialists have been appointed by the mine to give guidance to, and set targets for the safety and health programme, these issues are the responsibility of mine management and line supervisors. Employees too are encouraged to play an active role in all safety and health related issues.

Regrettably, four employees lost their lives at Northam Platinum during the year: two of these were as a result of fall of ground accidents, one was a result of a mudrush and one mine-related medical condition. The board and management extend their sincere condolences to the families and colleagues of those who died.

While the actual number of safety-related incidents declined year on year, Northam's overall safety performance in terms of key indicators has remained constant, reflecting a continuing trend in the severity of incidents. This may be due in part to the increasing average depth of mining which brings with it additional risk, as well as high employee turnover. Of concern too is the apparent tolerance of some individuals who condone at risk behaviour and at risk conditions.

The mine's Fatal Injury Incidence Rate (FIIR) was 0.05 per 200 00 man hours (F2007:0.04), the Lost Time Injury Incidence Rate (LTIIR) was 2.30 per 200 000 man hours (F2007:2.31), and the RIIR was 1.01 per 200 000 man hours (F2007: 1.02).

Occupational and primary health care, and medical services are available to all employees and are provided by a medical services provider. As part of the occupational health medical surveillance programme, 10 305 examinations of employees and contractors were undertaken (2 100 entry, 1 271 exit and 6 934 annual). In addition to general health screening, the medical surveillance programme identifies (for preventative, treatment and compensation purposes) the incidence of noise induced hearing loss (NIHL), pulmonary tuberculosis (TB) (which is classified as an occupational illness in South Africa) and occupational lung disease (OLD).

The use of hydropower underground provides Northam with an advantage in respect of NIHL and dust conditions. In respect of TB, Northam runs a highly effective Directly Observed Treatment (DOT) regime, a World Health Organization-aligned programme. Even though there is no silica present in the platinum orebodies, OLD is sometimes detected in employees who have previously been employed in the gold mining industry. Owing to the high virgin rock temperature at Northam, heat tolerance testing forms an important part of the overall heat stress management programme. Testing for waterborne diseases (cholera and other bacterial illnesses) is regularly undertaken.

In F2008, there were four new cases of NIHL identified (F2007: 17), 68 new cases of TB (F2007: 144) and no new cases of silicosis (F2007: 2). In total, 9 034 heat tolerance tests were undertaken and no instances of heat stress were reported. There were 10 cases of heat-related cramps reported during the year. Biological monitoring (for lead) did not detect any exceedances on occupational exposure limits.

The HIV/AIDS pandemic continues to present a challenge in South Africa, to communities, business and the state. Actual prevalence levels amongst the workforce are unknown. Based on available information, the company estimates that the prevalence level amongst employees and their communities is around 27%, presenting a not insignificant number of infected and affected people. Northam's HIV/AIDS policy was adopted by the company in F2005 and provides for the care of employees, education programmes and confidentiality of information and non-discrimination.

At the forefront of the company's campaign is the need to inform and persuade those employees who are HIV negative to remain that way. Education and awareness programmes are combined with the mass distribution of condoms, the treatment of sexually transmitted infections and a highly successful peer education programme.

The second thrust in Northam's AIDS programme is to identify those with HIV as early as possible, to change or limit their high-risk behaviour and to get them into a treatment regimen that can prolong their

Spinach being irrigated at the Northam Life Centre community project.

health and productive lives. Northam's treatment programme comprises:

- access to and encouragement of voluntary counseling and testing (VCT); and
- a wellness programme, that includes the provision of anti-retrovirals as indicated.

In F2008, 323 employees participated in the VCT programme. Around 8% of the total workforce (698 people) currently participate in the company's wellness programme) (F2007: 527), with 46% of these (325 people) on ART (F2007: 254). This is a significant improvement on the prior year and a gratifying response to the company's education efforts.

## Corporate social investment and socio-economic development

Northam's corporate social investment (CSI) and local economic development (LED) programmes are integrated and are driven by the needs identified by the community in which it operates. In F2008, Northam spent R3.7 million on CSI/LED activities (F2007: R1.7 million).

As in the past, the primary areas of focus are: education (19%); housing (49.5%); health and welfare (0.4%) and local economic development (31%). Attention has been paid to ensure the understanding of, and integration with the plans of the local municipality and in ensuring that Northam's activities in this sphere are aligned with those of the municipality's Integrated Development Plans (IDPs). Projects supported during the year include the Koedoeskop Primary school, Naletsana Combined Schools, Thabazimbi Primary, Amandelbult FET college, Makopa Combined Farms School (five schools), Mahsili Masho Primary School, Chrome Mine Primary School, and the Northam Comprehensive School.

Some R1.63 million was spent on local economic development during the year, as per the mine's commitment of R1.60 million made in its SLP. The primary project is the Northam Life Centre, a vegetable farming project that provides 32 jobs for local community members. Assistance includes the payment of salaries, provision of seeds, storage and freezers, alien tree eradication and an HIV/AIDS counselling programme

## Environmental performance

Environmental issues are managed as an integral part of the production processes at Northam and, since so much of the environmental issues and challenges are of a technical nature, this portfolio falls under the auspices of the engineering department.

Northam is committed to operating in compliance with relevant legislation and regulation. An Environmental Management Plan (EMP) that has been submitted to and approved by the DME in conjunction with the Department of Water Affairs (DWAF) is underpinned by an environmental management system (EMS). This EMS has been developed in line with the ISO14001 standard and good progress has been made during the year towards the full implementation of this EMS. The international ISO14001 standard addresses three key components of environmental management: prevention of harm to the environment; compliance with regulations and permits; and the implementation of a process of continual improvement in environmental management. The company will seek external verification of its compliance with ISO14001 and formal accreditation in the coming financial year.

An annual external compliance audit undertaken by external consultants Golder and Associates in late 2007 indicated that the mine was largely compliant with its EMP. Areas of concern that were highlighted are being addressed by the mine.

Environmental incidents are reported as part of the overall incident reporting system. No significant environmental incidents were reported in F2008 and no fines or penalties were imposed.

Northam's primary environmental impacts relate to resource utilisation, mainly water and energy materials and, of course, the actual amount of rock mined and ore processed; emissions and discharges to water and air; and land management, rehabilitation and biodiversity. Key features of the year under review are:

- In South Africa, water is a scarce resource which may, in the future, be exacerbated by climate change. In F2008, Northam used 16.7 million cubic metres of water, a decrease on the prior year of 7.4% (F2007: 18.07 million cubic metres). In terms of water usage, this equates to about 7.2 tonnes of water per tonne of rock mined. Northam's water is sourced from the bulk utility, Magalies Water, and from fissure water that occurs naturally within the geological features on site.
- A great deal of emphasis is placed on water recycling at Northam as the mine is registered as a non-discharge entity. In F2008, the percentage of water that was recycled decreased to 86%, down from 87% in F2007, mainly as a result of high rainfall.
- Energy usage and, in particular, energy efficiency is a matter that has received significant attention at Northam, and this emphasis has increased as a result of the energy crisis that faced South African producers in late 2007 and early 2008.
- Total energy consumption from electricity purchased during the year decreased by 15.7% to 537 803MWh. (F2007: 638 324MWh). About 88% of this energy was used in mining operations and 22% in the plant.
- For the first time, in F2008, Northam undertook an exercise to determine its greenhouse gas emissions (GHGs) and the results were included as part of the company's response to the Carbon Disclosure Project. Northam's submission may be found at CProject.net. Northam's total global scope 1 activity in metric tonnes $CO_2$-e emitted was 14 755 $CO_2$-e metric tonnes; the total global scope 2 activity in metric tonnes $CO_2$-e emitted was 65 718 $CO_2$e.
- Other emissions of concern to Northam are sulphur dioxide ($SO_2$) and particulates (dust). Both of these parameters are continuously monitored. In total, 3 310 tonnes of $SO_2$ were released into the atmosphere in F2008 (F2007: 3 372). Emissions were within the limits imposed by legislation

throughout the year. The current permit allows for an average discharge of 32 tonnes per day. The progressive vegetation of the surface tailings dam is progressing, which has resulted in a decrease in dust levels.

- Northam discharges water into the Bierspruit in line with approved permits. Water was discharged to the Bierspruit from the treated sewerage effluent dam and evaporation dam during the year owing to high levels of rainfall. Water quality is regularly monitored and data on any overflows are recorded in line with permit requirements.
- Northam's current mining property covers an area of some 5 000 hectares. Of the land under management, around 40% has been disturbed by mining operations, dwellings and infrastructure.
- The tailings dam, waste rock dump and slag retreatment plant and dump occupy about 162 hectares (around 3% of the land). The tailings facilities are rehabilitated as deposition is concluded to reduce dust levels and for aesthetic reasons.
- Leased farmland covers about 276 hectares (4%) of the total area, while Northam leases some 800 hectares (11%) for conservation purposes in order to conserve the biodiversity of the region. The balance of the land (50%) remains as natural habitat.
- None of the company's activities is situated in areas protected by the World Conservation Union, heritage sites or biosphere reserves. Furthermore, no red data species are found adjacent to the mine property.
- Northam's discounted environmental liability is estimated at R56 million as at the end of F2008 (F2007: R22 million). As prescribed by law, the company has a rehabilitation trust fund in place currently valued at R22 million (F2007: R19 million). The company has also passed a notarial bond for R27.3 million over certain areas of the mine's freehold property for any future rehabilitation obligations.