

SOCIAL UPLIFTMENT AND COMMUNITY DEVELOPMENT



MESSAGE FROM THE CEO

“Ultimately, our aim is to leave a sustainable socio-economic legacy for host communities once mining has ceased.”

Neal Froneman – Chief Executive Officer

APPROACH

Stakeholder engagement is key to the delivery of our community development programmes. It enables us to understand the needs and the priorities of our communities.

Our stakeholder engagement framework is aligned with King IV and those United Nations’ SDG relating to stakeholder engagement. In engaging with stakeholders and communities in particular, we also bear in mind the ICMM’s sustainability framework, which is intended to enhance mining’s contribution to society.

GOVERNANCE

Governed by the community development policy, our socio-economic development programmes and corporate social responsibility initiatives are overseen by the Community Development Steering Committee, which reports to the executive-led Sustaining our Social Licence to Operate Committee. This committee provides policy direction, oversight on regulatory compliance and monitors the impact of the company’s socio-economic development programmes. It also makes decisions on regulatory compliance concerning projects with an investment threshold exceeding R100,000. Both of these committees report to the Social and Ethics Committee and to the Safety and Health Committee. Details of local economic development projects are available on our corporate website at www.sibanyestillwater.com

Oversight of stakeholder engagement is assigned to the Social Licence to Operate Committee, as well as to the SLP forums at operations (which include unions and management).





Community engagement is an evolving, dynamic process aimed at establishing partnerships for sharing value created. In our SA region, there has been a notable increase in community activism, aggravated where government has not delivered on its infrastructure and service delivery commitments. As in the SA region, we endeavour to be a trusted partner to host communities in the US region.

The US region has a long history of environmental and social collaboration with local communities and interest groups that is rooted in the Good Neighbours Agreement (GNA), an innovative framework for protecting the natural environment while encouraging responsible economic development. The GNA legally binds Sibanye-Stillwater to certain commitments and holds it to higher standards than federal and state regulations require. These commitments include regular, transparent, and productive interaction with all affected stakeholders, primarily the three local stakeholder organisations—Northern Plains Resource Council, Stillwater Protective Association, and Cottonwood Resource Council.

In addition to the GNA, Montana's Hard Rock Mining Impact Act also binds the US region. Under this law, developers of large-scale hard-rock mines in Montana are required to prepare an impact plan that identifies the local government services and facilities necessary because of the mineral development. In the impact plan, the developer must identify and commit to pay all increased local government capital and net operating costs that will result from the development. The developer may also provide non-financial assistance to the affected local government units. The US region complied with these requirements at the time of initial developments and continues to comply with related ongoing state and local reporting requirements.

SA REGION

In 2017, engagement with communities remained challenging, particularly in the Rustenburg area, largely due to historical expectations from these communities, lack of initial clarity regarding Sibanye-Stillwater's processes and programmes and inadequate dispute resolution mechanisms.

Community protests, a result of unfulfilled promises and unrealistic expectations, were heightened by the broader, external political environment then prevailing in South Africa. The lack of trust between Sibanye-Stillwater and communities was further compounded by the Chamber of Mines' engagement, on behalf of the industry, on the redrafted Mining Charter.

Sibanye-Stillwater has taken steps to improve the effectiveness of its community engagement and to take into account the growing overlap between communities and employees as frequently employees and their families reside in host communities. Previously, community issues and concerns were addressed as they arose. Improved, more regular, structured engagement has enabled improved understanding of communities' concerns and expectations. This has enabled us to prioritise the actions required to address and resolve issues.

We aim to engage effectively with communities and a significant effort has been made to increase our understanding of community concerns, which we prioritise and manage regularly.

A review of our local economic development programmes conducted in early 2017 was aimed at, among other matters, determining whether Sibanye-Stillwater was actually improving lives by assessing the efficacy of our SLPs and related projects. The study highlighted communities' requests for transparent, honest engagement, founded on the principles of free, prior and informed consent (FPIC). This entails communicating with communities so that they are sufficiently informed in good time, and given the opportunity to approve or reject potential projects. This is increasingly becoming best practice in the extractive sector globally and is now being used as the basis for our community engagement.

In the process we have identified four priorities in support of our social closure strategy (refer to Social impact management plans below), namely, opportunities for local procurement and enterprise development, skills development, education, community safety and health.

During 2017, there were operational disruptions in the Free State and in Merafong, Gauteng, around procurement and employment issues. We continued to engage with local structures to ensure visibility of our programmes and processes so as to manage expectations. Furthermore, procurement information sessions were facilitated to enable Sibanye-Stillwater to share its enterprise and supplier development strategy with local businesses. The Community Engagement Forum was used to engage and update local business on various issues such as recruitment, bursaries and community learnerships and local economic development projects.

SOCIAL UPLIFTMENT AND COMMUNITY DEVELOPMENT CONTINUED

There were challenges with local communities relating to perceptions towards Sibanye-Stillwater's approach to illegal mining and its decision to place the Cooke operations on care and maintenance. Community concerns related to the adverse socio-economic impacts of retrenchment at the Cooke operations and of illegal mining. There was resistance to the local provision of housing for protection service personnel employed to combat illegal mining as they had not been recruited locally, especially given the recent retrenchments. In order to address this we continued to engage with concerned stakeholders to provide clarity on the operating challenges that led to the decision to suspend mining operations at Cooke.

ILLEGAL MINING – ITS IMPACT ON COMMUNITIES

In addition to the negative impact on value that illegal mining has on our business, this also affects communities. Illegal mining has social, environmental and health impacts. It compromises the communities – from a health and safety perspective, environmentally and ethically. Illegal miners blasting out tunnels in residential areas, is hazardous and damages houses. There are allegedly human rights abuses, and increased violence and criminalisation. Both communities and employees are compromised, through collusion and coercion. See www.sibanyestillwater.com for additional information on illegal mining and its consequences.

SOCIAL AND LABOUR PLANS

Of the SA gold operations, currently, only Beatrix has an approved SLP for the third cycle, from 2017 to 2021. The SLPs for the other gold operations have been submitted and we await final approval. Certain SLP projects are a continuation and extension of projects from previous SLPs. We are also addressing the backlog of projects from the SLPs for 2012 to 2016.

The current SLP for the Rustenburg operation, which runs from 2016 to 2020, has been submitted and approval is pending. At Kroondal, certain projects committed to, are almost complete. These are an early childhood development centre and a community brick-making plant. Some backlogs in the Kroondal area have been identified and will run these projects concurrently with the Rustenburg SLP.

For the Rustenburg operation, SLP project implementation has begun. Two obstetric and maternity ambulances were delivered to the provincial Department of Health and scholar patrols equipment was provided to 10 schools in the Rustenburg area. Regarding infrastructure projects, scoping and ordering procedures are underway.

In spite of operational restructuring and the Cooke operations being placed on care and maintenance, we will continue to support host communities. As the Cooke and Kloof operations have the same host communities in the Rand West City Local Municipality, they will continue to benefit from Kloof's SLP local economic development programme.



SIBANYE COMMUNITY DEVELOPMENT TRUST

A new community trust, aims to enhancing the impact of socio-economic projects on communities by augmenting and optimising our community development programmes. The trust will enable us to facilitate regional development programmes in collaboration with other stakeholders by optimising our SLP projects and other value-adding development initiatives. It will promote the use of local suppliers to unlock, create and share value in the communities.

The trust is being set up by Sibanye-Stillwater, which will be the principal funder. Suppliers and other corporates will also contribute to funding. The trust, to be implemented in 2018, will have six trustees, all of whom will be employees of Sibanye-Stillwater.

CONTRIBUTING TO ALTERNATIVE ECONOMIC ACTIVITIES

Sibanye-Stillwater is committed to developing host communities and those in labour-sending areas. Our particular focus is to leverage land-holdings to create jobs, promote black economic empowerment and facilitate comprehensive local socio-economic development.

We have reviewed the impact and sustainability of the various projects implemented to date, and acknowledge the difficulties encountered, from which we have learnt. Among our successes is the "You reap what you sow" agricultural project, a co-operative that has functioned independently since February 2017, secured various markets and has repositioned itself in the market. The co-operative mentors and supports other agricultural co-operatives and offers practical experience. Market days are held where the farmers sell their produce. This project, which is nearing completion with funding for the first extended closeout plan having been paid in December 2017, has helped to establish beneficial relationships with the community and sustainable livelihoods.

Our Aredirisaneng agricultural co-operative was less successful. The land initially allocated to this project is infested with weeds, which will take around 18 months to eradicate. The project is being reassessed for turnaround and the cooperative will be incorporated into our outgrower model for phase 2.

Sibanye-Stillwater's vision is to improve the welfare of local communities by aiding the establishment of an agricultural and associated agricultural input and processing cluster, as a sustainable alternative economic activity to mining.

The project is being viewed holistically and proposals are being sought that ensure both high value, financially profitable agriculture production, as well as increased food security and opportunities for youth. The portfolio of projects that will be considered include school gardens, household gardens, small and larger-scale farms and out-growers. The aim is to make agriculture a vital part of the community and to engender a "culture of the land" in the area.

Sibanye-Stillwater is acutely aware of the need to establish appropriate institutions to co-ordinate, support and sustain the process to develop and agri-industrial cluster. One such institution would have capacity to prepare land for agricultural development as well as to invest in the selected agricultural enterprises.

Sibanye-Stillwater is collaborating with a government task team convened under the auspices of the Mining Phakisa, made up of, inter alia, the Presidency (Department of Planning Monitoring and Evaluation), National Treasury, Department of Trade and Industry, Department of Agriculture Forestry and Fisheries, the Public Investment Corporation, relevant provincial departments and local authorities, and agricultural experts to advise on and facilitate agricultural skills development and the establishment of this cluster. While Sibanye-Stillwater will facilitate this project and provide the land and water on a negotiated basis, the project will be stakeholder-driven. Sibanye-Stillwater has identified 15,000 hectares of land within the West Rand District Municipality which could be made available for this project. The Public Investment Corporation, together with the Land Bank, Industrial Development Corporation and the Development Bank of South Africa are collaborating around how a specialised funding structure can be established to support the project.

AGRICULTURAL ALLIANCE PROJECT

In 2013, Sibanye-Stillwater and Gold Fields entered into a collaborative partnership to implement community-based projects within Rand West City Municipality. The initial phase, completed in 2015, was limited in geographical area. The intention had been to expand into the rest of the region in subsequent phases of implementation with a clear focus on job creation. The inaugural pilot project, an agricultural project, would have seen community members benefit from capacity building and being empowered.

This project was an opportunity for a public-private partnership to unlock value and co-operate at regulatory level. Given that the first phase of the project involved establishing a fully representative community engagement platform, it enabled communication that promoted understanding of community needs, expectations and socio-economic dynamics. In addition, local co-operatives were set up to provide various services to the community.

SOCIAL UPLIFTMENT AND COMMUNITY DEVELOPMENT CONTINUED

Phase 2 of the alliance project was intended to sustain local co-operatives and agricultural activities in particular.

The success of this project depends on community co-operation and buy-in. New agricultural ventures have been proposed with government, through Mining Phakisa, included in project planning and implementation. The Department of Agriculture will provide advice and mentoring support. Approval of the new project is being awaited. Other stakeholders involved in this project are the Land Bank and Presidency office through Mining Phakisa and the PIC.

SOCIAL IMPACT MANAGEMENT PLANS

It is very important that social impact management plans be developed for all Sibanye-Stillwater operations. These plans should be concurrent with and integrated into the SLPs. Following the Section 189 process at the Cooke operations, work began on development of a social impact management plan. These plans, to be used as guidelines for each operation, involve managing and mitigating the effects of mine closures on

communities. They will take into account likely social impacts of closure such as unemployment, limited job mobility owing to a lack of skills diversity among retrenched employees, a decline in economic activity, despair, alcohol and substance abuse, depression and suicide, among others.

To mitigate these impacts, these plans will focus on sustainable socio-economic and local economic development. They will promote employment in alternative industries, alternative skills training, psychological counselling and continued healthcare for those on chronic medication. In developing these plans, we will engage with other stakeholders concerned such as the departments of Labour and Mineral Resources, municipalities and other mining houses.

The Cooke social impact management plan provides details of training and procurement initiatives undertaken to assist retrenched employees to find alternative employment. Similar plans are to be drawn up for our other operations, the first of which will be that for Kroondal.

Socio-economic development expenditure – South Africa (R million)

	2017			2016			2015	2014	2013
	Total SA region	Gold	PGM	Group	Gold	PGM	Gold	Gold	Gold
Local economic development	24	13	11	59	47	12	27	24	17
Training	532	340	193	393	321	72	384	353	316
Infrastructure	586	425	161	181	181	0	197	649	699
Health	3	3	0	4	4	0	6	5	5
Enterprise development	1	0.5	0.5	0	0	0	0	3	2
Education	3	3	0	4	4	0	62	10	1
Sport, conservation and environment	0	0	0	0.4	0.4	0	1	10	9
Donations	10	8	2	15	12	3	14	1	1
Total	1,159	792	367	656	569	87	691	1,055	1,050



US REGION

Community engagement in this region is conducted largely under the auspices of the Good Neighbour Agreement (GNA). This agreement is unique within the mining industry and provides an innovative framework for protecting the natural environment while encouraging responsible economic development. Parties to the GNA are the US operations and three local stakeholder organisations. This agreement provides a forum for communities to communicate on how they are affected by mining operations and for the mines to communicate on planned operational changes and how these may or may not affect communities. This agreement relates to the operations' impact on the environment and employee concerns as well as the impact on the local economy.

The US region sponsors community and employee dependant scholarship programmes. In May 2017 (Spring Semester), the Community Scholarship Programme funded 19 individual high school seniors at a cost of US\$19,000 and for the Fall Semester 2017, 71 recipients were sponsored at a cost of US\$35,500. In addition, 16 employee dependent high school seniors were awarded a US\$1,000 scholarship each in May 2017.

Major community concerns in the US region are sustainable employment, responsible economic development, which includes environmental protection, and traffic management. Initial community concerns following the acquisition by the then Sibanye of the US operations, centred mainly around what, if any, changes would be made. They were assured that it was "business as usual" and no significant changes to the operations or operational strategy/management were being proposed.

Community interaction includes participation in various community groups, fund-raising events, environmental organisations, annual community celebrations, local governmental meetings, and local donations. These community groups and events include Fishtail Family Fun Days, Boulder River Watershed Association, Billings Clinic Foundation, Stillwater Protective Association, Red Lodge Fun Run, Stillwater County Commissioners, Boys & Girls Club, Sweet Grass County Chamber of Commerce, and many others.

The main philanthropic/social activities and related expenditure was as follows:

Community projects	(31%)	US\$60,050
Youth activities	(27%)	US\$53,125
Education	(19%)	US\$37,760
Emergency services	(15%)	US\$28,750
Cultural	(8%)	US\$15,100
Total		US\$194,785*

* For the period May – December 2017

The Stillwater and East boulder mines have similar community issues, although different communities are affected by their operations. These communities are Stillwater: Nye, Fishtail, Absarokee, Columbus; East Boulder: Big Timber, Livingston and Reedpoint. These operations make a significant contribution to their local communities. Sibanye-Stillwater provides in excess of 50% of the taxable incomes for Stillwater County, Sweet Grass County, and the Town of Columbus – total tax payments in 2017 were US\$16.6 million. The employment base would be significantly impacted, as would local suppliers such as gas stations, grocery stores and department stores. In payroll alone, Sibanye-Stillwater infuses more than US\$100 million annually into the South-Central Montana economy.

PROCUREMENT AND ENTERPRISE DEVELOPMENT – PERFORMANCE 2017

In 2017, a rigorous programme was implemented to consolidate the supply chains and procurement for all managed Sibanye-Stillwater operations, gold and PGM, in the SA region so as to optimise and rationalise procurement and to ensure that we achieve and benefit from economies of scale. This programme involved:

- consolidating and standardising contracts
- improving the effectiveness of transaction processes
- avoiding and reducing costs

Project 180, which involved converting all supply-chain contracts to the SAP system and a key aspect of this programme, was implemented in the South Africa region to enhance and align systems to support the supply chain and improve efficiencies. In addition, a strategic commodity team and an engineering and processing team have been created to assist in optimising contracts so as to reduce costs. The overall aim is to improve efficiencies within the supply chain.



SOCIAL UPLIFTMENT AND COMMUNITY DEVELOPMENT CONTINUED



OWNER MAINTENANCE OF EQUIPMENT AND MACHINES IN SA REGION

Sibanye-Stillwater owns a large number of Sandvik and Atlas Copco equipment and machinery. Currently a full-time employee team maintains the Sandvik fleet. The Atlas Copco fleet has not yet moved to owner maintenance and is being maintained still by Atlas Copco under contract. "Owner maintenance" refers to the maintenance of machinery by Sibanye-Stillwater rather than the original equipment manufacturer (OEM).

The following underground equipment is on the owner-maintenance programme:

- Low-profile LHDs
- Low-profile drill rigs and
- Low-profile bolters

It is estimated that potential savings will amount to R400 million over a four-year period, following the move to owner-maintenance of the Sandvik fleet. This fleet was transferred to the owner maintenance programme on 1 August 2017 and by the end of December 2017, total savings of R87.7 million had been realised. This included savings of R61.8 million on capital expenditure and R25.8 million on operational expenditure.

The objective of this programme is to:

- Extend/prolong the operating lives of machines and so, reduce capital replacement costs, the main driver of this programme
- Reduce/limit machinery maintenance costs
- Improve efficiencies and ensure sustained cost savings.

This initiative was undertaken in partnership with the operations and supports efforts to ensure that safety, cost controls, grade and volume targets are met. This is achieved through proper maintenance, resulting in good availability of machines that are fit for purpose and safe to operate, thereby enabling delivery on production targets. This owner maintenance initiative brings the maintenance and production teams together to achieve a common goal.

Procurement also has a role to play in promoting transformation through socio-economic development and enterprise development. Localised procurement is being closely monitored in order to address ongoing community concerns that they are not being granted procurement contracts.

In engaging with communities, Sibanye-Stillwater has come to understand the desperate need for enterprise development and procurement opportunities on the part of communities. A team has been appointed specifically to address community legacy procurement issues, to assist and mentor suppliers and to facilitate understanding of the procurement process.

Enterprise development centres (EDC) are in the pipeline to be set up and remain a continued key focus area for 2018. In Theunisseun we have a room at the Masilonyana Municipality and we are using Virginia property office as a temporary EDC. We are also in the process of finalising an EDC in the middle of Rustenburg. The next region of focus will be in the Witwatersrand to support the Driefontein, Kloof and Cooke mines.

PROCUREMENT 2017

Procurement on goods, services and capital totalled R22.2 billion in 2017 in the SA region and R2.45 billion (US\$184.3 million) in the US region.

In the SA region, R10.6 billion (2016: R7.6 billion) of our discretionary procurement was with BEE entities in South Africa – R5.7 billion (2016: R4.9 billion) of which was spent by the gold operations and R4.9 billion (2016: R2.7 billion) by the SA PGM* operations. This was equivalent to 79% (2016: 77%) of total discretionary procurement spend in the region.

** Kroondal is in a joint venture with Anglo American Platinum and covers 50% of the costs, R1.272 billion for 2017*

In the US region, approximately R851 million (US\$63.9 million) was spent on the procurement of goods and services within the state of Montana, equivalent to 34.65% of total procurement in the US region.



SA region: Discretionary BEE procurement¹ in 2017

	Capital goods target: 40%	Consumables target: 50%	Services target: 70%
Gold operations			
Beatrix	72%	82%	65%
Cooke 4	69%	54%	83%
Cooke 1, 2 and 3	72%	58%	66%
Driefontein	74%	78%	77%
Kloof	86%	83%	72%
PGM operations			
Kroondal	87%	91%	86%
Rustenburg	75%	71%	79%
Total SA region	81%	78%	77%

¹ The Mining Charter's procurement targets apply to procurement that "excludes non-discretionary procurement expenditure", i.e. expenditure that cannot be influenced by a mining company, such as procurement from the public sector and state enterprises. The procurement targets thus apply to discretionary expenditure over which Sibanye-Stillwater has influence

GOVERNANCE

Supply chain governance is critical, and especially so in relation to contracts with community members. Good governance methodology protects both Sibanye-Stillwater and the community. A tender committee meets monthly – weekly if necessary – depending on the value of a contract to be agreed. The DMR conducts annual audit reviews to monitor performance on BEE procurement targets.

Internally, procurement and the supply chain function reports to the Social Sustainable Licence to Operate Committee and is subject to internal and external audits of specific indicators and controls.

The supply chain function in the US region reports administratively to the Head of Finance, US region, and is subject to internal control as designed and documented by the US region in its critical process documentation for the purchasing and payables cycle.

 FUTURE FOCUS
Roll out of the enterprise development policy, in the SA region:

Sibanye-Stillwater believes in the significant role of the SMME sector in our economy, and are committed to supporting, developing and making business opportunities available to transformed companies.

Sibanye-Stillwater is committed to the improvement of the quality of life in our communities and supporting sustainable development initiatives in partnership with government, business, civil society and the communities concerned.

The purpose of this policy is to ensure that:

- A robust, consistent and transparent approach is applied to enterprise and supplier development (ESD)
- Sibanye-Stillwater's commercial risk associated with ESD is actively managed
- New and compliant suppliers are identified and developed
- Existing SMMEs are developed to enable them to become registered suppliers
- Existing suppliers who do not comply with Sibanye-Stillwater's enterprise development policy and EDC requirements are assisted with compliance

In all enterprise development transactions, meeting Sibanye-Stillwater's requirements in terms of pricing, quality and risk of the goods, works or services concerned, is non-negotiable.

All transactions are subject to Sibanye-Stillwater's Delegation of Authority Policy and must comply with all relevant legislation.

Roll out of Phakamani in the SA region:

Phakamani is an external organisation that was engaged on a trial basis in two areas for five months during 2017 to provide financial and other assistance to emerging SMMEs which are contracted to provide products or services to Sibanye-Stillwater. Phakamani provides and administers low-interest working capital and term loans to the SMMEs, as well as business and technical support, to increase the probability of success for these new SMMEs and ensure their sustainability.

The trial was a success, with 17 of our suppliers receiving financial assistance in 2017. Sibanye-Stillwater is to roll out the Phakamani programme across the entire SA region in 2018, making the service available to all community suppliers and SMMEs.