Lonmin Human Capital Overview

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EVP: Human Capital & External Affairs
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Agenda

• Overview of Human Capital Function

• Key South African Mining Human Capital Challenges

• Employee Relations Landscape

• Renewal Plan Initiatives
# Human Capital & External Affairs Overview

## Human Capital
- Organisational Effectiveness – structures & role definitions
- Employee Relations
- Talent Management
- Employee Development
- Rewards and Recognition
- Human Capital Reporting & Information Systems

## External Affairs
- Community Investment Programme:
  - Education
  - Infrastructure Development
  - Health
  - Enterprise Development
  - Stakeholder Management
  - Mining Charter Reporting

## Human Settlements
- Management of Employee Accommodation
- Hostel Conversions
- Long Term Human Settlement Solutions
- Sports & Recreation
- Welfare

## Transformation Agenda
- Employee and Community Welfare
- Regulatory (monitoring and performance)
- Organisational Development
## Quick Insights

<table>
<thead>
<tr>
<th>Topic</th>
<th>Comments</th>
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</table>
| **Workforce**       | Own Employees = 27,549, Contractors & Labour Hire = 7,568  
                      Total Workforce = 35,033 |
| **Demographics**    | African = 93%, Coloured = 0.3%, Indian = 0.1%, White = 6%  
                      Males = 92%, Females = 8%  
                      Average age = 40 years  
                      RSA Citizens = 83%, Foreigners = 17% |
| **Management HDSA / EE** | HDSA = 36%  
                          EE = 49% |
| **Women**           | Overall Women (WaM) = 8.0% or 2,208  
                      Women in Mining = 4.9% or 1,234 |
| **Key Trends**      | Increased Local Recruitment  
                      Below industry LTO  
                      Community Education and HRD (bursaries)  
                      Second Phase of Artisan College |
# 2012 Mining Charter Scorecard

<table>
<thead>
<tr>
<th>Mining Charter Element</th>
<th>FY12 Actual (Sept’12)</th>
<th>FY13 Target</th>
<th>FY14 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>18%</td>
<td>18%</td>
<td>26%</td>
</tr>
<tr>
<td>HDSA in management (excl white women)</td>
<td>36%</td>
<td>38%</td>
<td>40% per level of management</td>
</tr>
<tr>
<td>HDSA in Management (incl white women)</td>
<td>49%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Women in Mining</td>
<td>5.1%</td>
<td>5.4%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Hostel conversion – no of hostels converted</td>
<td>84</td>
<td>24</td>
<td>128</td>
</tr>
<tr>
<td>Community spend (Rmillion)</td>
<td>R57.8m</td>
<td>R44m</td>
<td>R164m</td>
</tr>
<tr>
<td>Human resources development (% payroll)</td>
<td>3.6%</td>
<td>4.5%</td>
<td>5%</td>
</tr>
<tr>
<td>ABET Programme</td>
<td>942</td>
<td>823</td>
<td>3292</td>
</tr>
<tr>
<td>Learnerships</td>
<td>248</td>
<td>428</td>
<td>406</td>
</tr>
<tr>
<td>Bursaries</td>
<td>98</td>
<td>90</td>
<td>100 p.a.</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>40</td>
<td>62</td>
<td>46</td>
</tr>
<tr>
<td>Graduate Development Programme</td>
<td>27</td>
<td>36</td>
<td>31 p.a.</td>
</tr>
<tr>
<td>Portable Skills Programme (incl. community members)</td>
<td>304</td>
<td>455</td>
<td>424</td>
</tr>
<tr>
<td>BEE procurement spend - Capital</td>
<td>50%</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>BEE procurement spend - Consumables</td>
<td>54%</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>BEE procurement spend - Services</td>
<td>64%</td>
<td>60%</td>
<td>70%</td>
</tr>
</tbody>
</table>
Key South African Mining Human Capital Challenges

• Talent attraction & retention

• Skills shortages
  • Technical & management skills

• Transformation
  • 2014 Mining Charter obligations

• Employee relations
  • Changing landscape (management, unions, employee profile)
  • Industry DNA

• Community development
Employee Relations Dynamics

• Significant changes in union representation
  • New majority union in Lonmin & Platinum belt

• New recognition dispensation
  • Migrate from majoritarian to a more inclusive dispensation

• Wages
  • High, unrealistic expectations – minimum wages
  • 2013 wage negotiations season
Union Membership Levels – Last 12 Months

Lonmin Union Membership Profile - 12 Month Rolling

AMCU new majority union
Union Membership Levels – Last 24 Months
Union Membership per Bargaining Forum

AMCU
- 71% Total
- 60% Cat4-9
- 25% Officials and Unionmen
- 22% Management
- 6% Total

NUM
- 22% Total
- 22% Cat4-9
- 22% Officials and Unionmen
- 1% Management
- 1% Total

SOLIDARITY
- 24% Total
- 10% Cat4-9
- 24% Officials and Unionmen
- 4% Management
- 4% Total

UASA
- 21% Total
- 21% Cat4-9
- 22% Officials and Unionmen
- 4% Management
- 4% Total

CEPWAWU
- 6% Total
- 4% Cat4-9
- 4% Officials and Unionmen
- 1% Management
- 1% Total

NO UNION
- 66% Total
- 7% Cat4-9
- 21% Officials and Unionmen
- 10% Management
- 10% Total
Union Membership Trends

CBF1
- AMCU (71%)
- NUM (22%)
- SOLIDARITY (No Major Shifts)
- UASA (No Major Shifts)

CBF2
- 6%
- No Major Shifts
Current Union Recognition Arrangements

Collective Bargaining Forum 1
- Category 4-9 employees
- AMCU represents 71% of this Bargaining Forum
- Minimum Threshold: 35%

Collective Bargaining Forum 2
- Officials and Unionmen
- Recognised unions: NUM, Solidarity and UASA
- Minimum Threshold: 20%
Timeline

June 2011:
Unprotected strike - Karee

December 2011:
Limited org agreement

May 2012:
Addendum to the limited org agreement - Full time Karee Branch

June 2012:
RDO Demands
Drilling Allowance

Aug-Sep 2012:
Unprotected strike
Addendum to wage agreement

January 2013:
2nd Addendum to limited org agreement: WPL & EPL

AMCU gains 5000 members

AMCU increases membership to 15000

- Seeds for all-inclusive dispensation
- Recognition that we couldn’t ignore c5000 employees
AMCU Recognition

- **AMCU a new majority union**
  - 71% of category 4-9 bargaining unit
  - Limited Organisational Rights Agreement in place
  - Union structures established throughout Marikana

- **New Recognition Agreement negotiations**
  - Commenced in January 2013
  - Referred to the CCMA in April 2013
  - CCMA Arbitration in progress
CCMA Dispute Resolution Process

- Collective Agreement
- Notification (by union)
  - Negotiations – union & management
    - No Agreement
      - CCMA Referral
        - Conciliation
          - Failure to Resolve
            - Arbitration
              - Arbitration Award/Determination
NUM Derecognition

- NUM’s significant membership loss

- Derecognition process – 90 days notice
  - 28th May Labour Court Ruling
  - 16th July – prove representivity or cancellation of agreement

- NUM remains a player in Collective Bargaining Forum 2 (officials and union men bargaining unit)
2013 Wage negotiations

• Wage agreement expires 30th September

• Company level wage negotiations
  • Platinum Industry Central Bargaining Forum not agreed

• Key Challenges
  • Conclusion of Recognition Agreement and derecognition process
  • Trends of Union demands
  • Bargaining structures – CBF1 and CBF2

• First Anniversary of 1608 an important consideration
Key Industry Initiatives

• Platinum Industry Engagement Forum
  • Establish Central Platinum Bargaining structure
  • Plans in abeyance

• Framework for peace and stability
  • Minister Shabangu initiated discussions on peace and stability
  • Framework agreed and signed by Chamber of Mines, Unions (incl. AMCU, NUM, Solidarity and UASA), DMR in February 2013

• Deputy President’s Mining Industry Consultation Forum
  • President Zuma assigned Dep President Motlanthe to consult Industry stakeholders
  • All unions, including AMCU, NUM, UASA and Solidarity involved
  • Draft Framework for a Sustainable Mining Industry being considered by all the parties
Human Capital Renewal Initiatives
Employee Value Proposition

- Addresses broken windows in the “life of a Lonmin Worker”

- **Initiatives include**
  - Financial literacy
  - Sports & Recreation
  - Employee Share Ownership Plan
  - New shift configuration
Community Value Proposition

- Long-term community investment focus
- Stakeholder engagement in progress
- New 5 year SLP to be finalised end July 2013
Human Settlement Vision

We aim to:

• Understand our employees’ way of living and their needs;
• Accelerate the provision of housing opportunities in order to assist employees in this primary need;
• Promote a sense of ownership, rights and responsibilities in our employees as owners and tenants; and
• Optimise the sustainable use of our resources

This vision forms part of a larger integrated plan to enhance employee value that Lonmin can offer its employees, as a caring organisation of choice, in exchange for improved productivity / performance, reduced absenteeism, stability of operations and security.
Sustainable Human Settlement initiatives

• We have developed a sustainable integrated human settlement transformation strategy to expand our Social and Labour Plans, and to comply with the licensing requirements of the Mining Charter

• In addition to the National Development Plan, government brought about a redirection of policy through the Comprehensive Plan for the Development of Sustainable Human Settlement in 2004 (commonly known as Breaking New Ground or “BNG”)

• The policy aims to change spatial settlement patterns by building spatially, economically and socially sustainable communities close to their working environment

• Consequently, the Lonmin housing policy will become a series of sustainable integrated human settlement initiatives, of which densification will be a central theme to provide quality housing for our staff that is affordable for rent, rent to own or outright ownership within the proximity of our operations located in the Marikana and Mooi-nooi districts

• Our Strategy is developed from our current housing strategy, which has two pillars, viz. hostel conversions, provision of affordable housing (rental and ownership)
Hostel Conversions

To date, of a total of 128 blocks, 84 blocks have been converted and the remaining 44 blocks will be completed during the 2013 and 2014:

• The converted 84 blocks have generated 1660 (612 family and 1048 single) accommodation units

• The remaining 44 blocks will yield a further 1130 (200 family and 930 single) units, resulting in a total of 2790 (812 family and 1978 single) dwelling units

• Total cost = R310m
Affordability

• **Category 4 – 9 Employees**

  • There are currently 22,937 full time Lonmin employees in this category

  • Those who do not wish to live in Company provided traditional hostels may apply and receive a housing allowance of R1950 per month

  • In term of ownership, these employees would require substantial financial assistance in the form of grants and/or subsidies to afford a house of a minimum size and acceptable quality

  • In addition, due to the large amount of migrants (**85% prefer rental**), most will only be able to rent a house which will have an impact on the different house typologies that must be constructed
Land Availability and Proposed Supply
Lonmin’s Offer to the Presidential Task

In Marikana, we have:

- 860 serviced stands at Marikana extension
- Lonmin’s Karee sewerage works has the capacity to service an additional 5000 houses
- Solid waste disposal - illegal landfill site legalised and converted to transfer stations by the Rustenburg local municipality;
- A domestic waste removal programme as part of our Greater Lonmin Community initiatives