



Social capital and licence to operate



Our strategic approach to investing in socio-economic development is premised on the belief that the long-term viability of our business is linked to the well-being of the communities in which we operate and the areas from which a significant portion of our employees emanate.

Securing the trust and endorsement of these communities and their political representatives is essential to maintaining our social licence to operate.

In our South African operations our investment strategy focuses primarily on infrastructure, health, education, community empowerment and poverty alleviation projects. The strategy aims to complement our accommodation and living conditions initiatives, through the provision of schools, clinics and other amenities. Our commitment to improving the living conditions of our employees through access to housing provides an opportunity for differentiation and competitive advantage in attracting future skills. It represents a strong business/employee linkage and serves as the cornerstone of other pillars of our broader transformation strategy. It supports skills retention, procurement from local enterprises and enterprise development in host communities through the value chain, and forms part of our broader commitment to respecting the human rights and interests of our stakeholders.

OUR ECONOMIC AND SOCIAL VALUE ADDED

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Implats' operations make a significant positive contribution to socio-economic development in both South Africa and Zimbabwe

Through our core activities, Implats' operations make a significant positive contribution to socio-economic development in both South Africa and Zimbabwe. Our social programmes and investments are identified in collaboration with community representatives and the local municipality in our areas of operation. These are further aligned with the regional Integrated Development Plan (IDP) for the South African operations, and are assessed quarterly through a third party to determine impacts and risks. Through the Human Resources Committee people investments are discussed on a monthly basis, taking into account skills development expenditure, the team mobilisation programme and other people-related initiatives. This is evaluated against team productivity, absenteeism, skills turnover and other indicators. The re-establishment of our sustainable development forum in the new year will give further

support to the management and monitoring of value creation through socio-economic investments. Discussions are held quarterly with community forums comprising community representatives, the local municipality, traditional representatives and company representatives for each discipline. Performance elements are monitored and reported quarterly to the social ethics and transformation committee of the board.

In the year under review we have continued to provide employment, skills and training, we have paid taxes and royalties to governments and dividends to our shareholders, we have purchased goods and services from local businesses, and invested in the development and improvement of infrastructure and other social services in the communities that are home to our employees.

A detailed breakdown of the economic value added throughout 2014 is provided in the following table:

Value added statement

<i>for the year ended 30 June</i>	2014 Rm	2013 Rm	2012 Rm
Revenue	29 028	29 844	27 393
Net cost of products and services	(17 091)	(14 542)	(13 463)
Value added by operations	11 937	15 302	13 930
Other net (expenditure)/income	153	(185)	1 152
Depreciation	(3 341)	(3 332)	(1 629)
Total value added	8 749	11 784	13 453
Applied as follows to:			
Employee benefits	7 609	8 276	6 521
Labour and other	7 378	8 374	6 894
Share-based payments	231	(98)	(373)
The state as direct taxes	706	1 080	1 109
Deferred tax	(562)	312	698
Royalty recipients	693	674	598
Providers of capital	666	1 008	3 731
Financing costs	432	375	248
Non-controlling interest	(137)	53	119
Dividends	371	580	3 364
Total value distributed	9 112	11 350	12 657
Reinvested in the Group	(363)	435	796
	8 749	11 785	13 453

Implats supports the principles of the Extractive Industries Transparency Initiative on the disclosure of payments to governments. In the years under review R1 548 million was paid to the South African Government as taxes and US\$78 million was paid to the Zimbabwean Government.

Taxes paid directly to government by category and country*

	South Africa** (Rm)	Zimbabwe*** (US\$m)
Profit taxes	489	16
Employee PAYE	1 001	22
Royalties taxes	58	40
Total	1 548	78

* Reporting in line with the Extractive Industries Transparency Initiative (EITI).

** Excludes Two Rivers.

*** Excludes Mimosa.

Distribution of value in 2014



* Employees lost an additional R1.9 billion in wages during the five-month strike. If included, the percentage employee wages would increase from 62% to 69% and management would decrease from 19% to 16%.

During 2014, we created significant value for our various stakeholders in the form of:

Employee wages and benefits
R7 609 million

Taxation and royalties paid to government excluding PAYE
R1 140 million

Dividends paid to shareholders
R371 million

Payment to providers of capital
R666 million

Skills and training spend in South Africa
R331 million

De-investment in the Group to sustain value creation for stakeholders
R363 million

Investments in socio-economic development initiatives in our communities – in South Africa
R71 million
and Zimbabwe
US\$6 million

Payments to suppliers and contractors – in South Africa
R7 900 million
and Zimbabwe
US\$326 million

INVESTING IN COMMUNITY DEVELOPMENT

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Our social investment aims to complement our accommodation and living conditions initiatives, through the provision of schools, clinics and other amenities

The sustainability of our mining activities depends on our ability to contribute to the well-being and prosperity of our host communities. In South Africa and Zimbabwe, the challenging social context highlights the need for sustainable community development as both a commercial and social imperative. Many of our operations are in rural areas characterised by low levels of formal economic activity, and inadequate provision of infrastructure and services.

Our management approach to social investment

Our strategic approach to investing in socio-economic development initiatives focuses primarily on infrastructure, health, education, community empowerment and poverty alleviation projects. The strategy aims to complement our accommodation and living conditions initiatives, through the provision of schools, clinics and other amenities. Our goal is to establish infrastructure that will address urgent needs in mine communities with the focus on longer-term impacts. We encourage and support the participation of our employees in community projects.

While much work has been done in advancing socio-economic transformation in our areas of operation, we recognise that there is scope to strengthen our approach and contribution. This year we have conducted evidence-based research to better understand some of the social challenges that impact the communities around our Rustenburg operations, and to further inform our social strategic interventions (see box alongside). A similar study is planned for the Marula operations in 2015.

In Zimbabwe, we are implementing a community development plan aimed at addressing community concerns and requests identified through a perception study and ongoing consultations with community leaders. The plan focuses on education, health and income-generating projects and will assist in narrowing the gap in terms of expectations relating to development needs such as clinics, agricultural activity, employment, construction of secondary and primary schools, clean water and sanitation, and food availability. It also seeks to improve neighbourliness between Zimplats and the surrounding communities. In line with government recommendations, the operations factor corporate social responsibility projects into their indigenisation implementation plans, so as to accrue credits towards compliance with the 51% indigenisation target.

Social impact assessment

Our social impact assessment (SIA), undertaken in collaboration with the Royal Bafokeng Administration (RBA), has been structured in two phases, to address two intentions. The first phase entailed a review of socio-economic trends and developments in the Royal Bafokeng Nation (RBN) villages and those communities impacted by the Rustenburg operations, over a 10-year horizon from 2001. The objective was to assess the level of impact that mining has had on these areas. The second phase is a field baseline survey, aimed at establishing a baseline of key socio-economic indicators that can be used to measure and monitor progress that is achieved through social interventions carried out by the operations in partnership with other stakeholders such as government, RBN, industry players and community stakeholders.

The two studies aim to ensure that going forward:

- ➔ Our interventions have been informed by empirical evidence on key social indicators identified in communities
- ➔ Our approach to stakeholder engagement is robust and inclusive, and our activities conducted in collaboration with key stakeholders
- ➔ Our medium and long-term social interventions are aligned with Implats' long-term strategic outlook.

The first study spanned all 29 villages of the RBN, with a focus on 15 villages and informal settlements that are directly affected by current operations. By year end the study had covered approximately 36 000 households and was nearing completion. Using census data for 2001 to 2011, the main indicators analysed were basic demographics, access to basic services, educational levels, employment and income, and future shaft closures and the opening of new ones. Preliminary findings from the survey highlighted the depth of the social challenges brought about by in-migration and the increased competition for limited resources. In turn, the findings brought into sharp focus the need for an integrated and collaborative approach to addressing social challenges that exist in communities.

Over the coming year the details of these findings will inform developments in our strategic approach to socio-economic development. This includes seeking to turn potential risks identified in current and future areas of operation, into opportunities to promote community sustainability during and after the life of mine. The baseline survey is currently being conducted by a leading research institution and will be used to further our understanding of the social challenges being faced by mining-specific households, as well as the impact of SLPs, and the migrant labour system.

Our 2014 performance and achievements for social investment

The total investment in socio-economic development projects for the South Africa operations this year amounted to R71 million, inclusive of social and labour plan (SLP) commitments. The 30% decrease on the R102 million we invested last year is mainly attributable to the strike and the declaration of *force majeure* at the Rustenburg operations. An additional R261 million was spent on improving accommodation and living conditions of our employees (see pages 76 and 77). The Zimbabwe operations' social investment decreased by 33% from US\$9 million in 2013 to US\$6 million in 2014. A detailed breakdown of our community investments is presented in the tables on pages 74 and 75.

The strike at Rustenburg this year regrettably impacted project implementation, with many of our social projects halted. This in turn limited the scope and effectiveness of the annual independent review and assessment of the socio-economic impacts of most of our investments. The external consultants visited only nine projects in South Africa (including five projects funded by the Impala Bafokeng Trust (IBT)) and five in Zimbabwe during 2014, representing only a small portion of our total social investment. This reduced our ability to comprehensively assess the number of beneficiaries from our social initiatives, and to identify project improvements and opportunities. The previous review covered 55 socio-economic development projects – broadly categorised as infrastructure, enterprise development or social development – and determined that our socio-economic development expenditure for 2013 benefited more than 100 000 people in South Africa and over 12 000 in Zimbabwe.

Following is a brief summary of the identified contribution associated with the 14 investments reviewed in 2014:

- The nine projects in South Africa benefited almost 8 500 people, while over 3 700 people benefited from the five projects in Zimbabwe. Of these, almost 5 000 were community members that benefited from new and improved infrastructure, including a hospital upgrade in Zimbabwe, and the new primary and secondary schools in Sunrise View
- The construction of the schools created 287 temporary jobs, of which 232 went to members of the local community. The completed schools are benefiting 1 372 children and have created 49 permanent jobs (teachers and support staff)
- Once again, we contributed R10 million to the IBT, which was established in 2007 by the Royal Bafokeng Nation and ourselves to augment the CSI commitments of both organisations. The five reviewed IBT projects benefited over 6 700 people and included health and education interventions. IBT-funded projects provided much needed support during the strike
- Our projects in Zimbabwe included: the refurbishment of a clinic benefiting nearly 3 500 community members; the construction of classroom blocks, boarding hostels, a library and related facilities at Marshall Hartley boarding school benefiting 97 learners and four educators; the construction of a chicken run and assisting the beneficiaries to access a market for poultry; and the launch of two community gardening projects in Ngarava and Ngezi, to supply Zimplats' catering suppliers with vegetables
- Over 99% of the beneficiaries of the 14 reviewed socio-economic development projects were black. Just over 60% of these were youth (35 years of age and under), making them the greatest pool of beneficiaries
- The research concluded that 46% of the stated project objectives were fully achieved, and 62% partially achieved. The highest scoring projects included use of funds, project design and implementation. Those projects with weaker scores included sustainability of projects and dependency risks. Overall, 87% of the 14 reviewed projects were rated good, 13% rated adequate and none were found to be poor or defective.

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This year we completed the second generation five-year Social and Labour Plans for the Rustenburg and Marula operations

A review of our progress in developing home ownership houses and promoting enterprise development is provided later in this section.

This year we completed the second generation five-year Social and Labour Plans (SLPs) for the Rustenburg and Marula operations and submitted these to the DMR during calendar year 2013. An updated five-year SLP will be submitted in October 2014. The Marula SLP was approved at a regional level and is being implemented. The DMR regional office conducted a full assessment of the first generation SLP at Rustenburg, in July 2014, and made recommendations for the new SLP. The availability of funds for SLP commitments will be constrained due to low PGM prices and while the Rustenburg operations restore production levels in 2015.

The Zimplats Mhondoro Ngezi Chegutu Zvimba Community Share Ownership Trust, established in 2011 as part of the Company's indigenisation implementation plan, has to date implemented projects valued at more than US\$3 million from the donation of US\$10 million pledged to the trust by the Company. Projects implemented in the three districts include the purchase of a grader for road construction (road construction and maintenance is a priority need identified by the community), rehabilitation of schools, construction of classroom blocks at more than 30 schools, sinking of boreholes to address access to potable water and infrastructure for income-generating projects.

South African operations socio-economic development expenditure Rm

Programme	2014	2013	2012	2011
Empowerment of community structures	20	13	17	31
Health, safety and environment	1	2	2	2
Education	21	18	15	17
Government and municipality support infrastructure	17	45	34	38
Sport development	7	10	10	11
Enterprise development	3	5	9	28
Community welfare, arts and culture	2	9	3	3
Total socio-economic development	71	102	90	130
Housing and living conditions	261	445	430	277
Total sustainable development	332	547	520	407

➔ We aim to undertake a social impact study in communities neighbouring our Marula operations and identify collaborative enterprise development initiatives

Zimbabwean operations socio-economic development expenditure US\$000

Programme	2014	2013	2012
Zimplats' socio-economic development expenditure			
Education	208	3 062	3 283
Health	91	668	873
Infrastructure	–	–	–
Government and municipality support infrastructure	–	–	–
Enterprise development	88	80	47
Sport development	94	54	35
Other	578	340	1 071
Total socio-economic development	1 059	4 204	5 309
Housing and living conditions	15	20 548	49 000
Total sustainable development	1 074	24 752	54 309
Mimosa's socio-economic development expenditure			
Empowerment of community structures	92	–	698
Health, safety and environment	2 897	3 912	16
Education	310	422	1 120
Government and municipality support infrastructure	67	–	450
Sport development	1 869	–	1 125
Enterprise development	–	–	2
Community welfare arts and culture	–	336	10
Total socio-economic development	5 236	4 670	3 421
Housing and living conditions	146	3 031	16 560
Total sustainable development	5 382	7 801	19 981

Our focus on social investment for 2014 and beyond

- ➔ Manage the challenges associated with the negative impact of the strike on social investment projects, including competing priorities and budget constraints
- ➔ Reflect on the findings of our SIA and formulate the necessary strategic responses. The field baseline survey under way will be used to complement these findings and will inform future decision-making on socio-economic development
- ➔ Undertake a social impact study in communities neighbouring our Marula operations
- ➔ Identify collaborative enterprise development initiatives that bolster economic activity in our areas of operation.

ACCOMMODATION AND LIVING CONDITIONS

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We are recognised leaders in the mining industry for our contribution towards improving the accommodation and living conditions of employees

We want all our employees to enjoy quality housing and living conditions. In South Africa, where there is a severe shortage of affordable housing and long waiting lists for units being built, this is a particular challenge. In partnership with local and provincial government, we help to alleviate this problem. Implats has invested over R2 billion since 2009 on improving the housing and living conditions of our employees.

Our strategic approach to accommodation and living conditions

We are recognised leaders in the mining industry for our contribution towards improving the accommodation and living conditions of employees. This investment is the most significant of our contributions to the well-being of our communities and employees. Through our investment in housing we aim to create viable local communities in which employees are able to reside with their families in a stable, healthy and secure environment within commuting distance of their place of work.

The housing projects we initiate extend into other community projects, including roads, lighting, water, health, sewerage and schools as we seek to collaborate with local government to eradicate the informal settlements surrounding our operations.

Last year we completed the conversion of all hostels, with one person per room and family units, thereby fulfilling the requirements of the 2014 Mining Charter. Our focus is now on

developing family houses within communities and making it possible for employees to buy their own homes in these areas. The strategy of providing quality bonded houses to employees is key to normalising the living and working environment of our employees. Houses are sold at cost to employees with Implats providing interest-free loans of up to one-third of the value of a house, effectively providing the initial deposit while reducing the risk to banks and increasing their appetite to grant bonds. Employees who opt to purchase property are paid a housing allowance that contributes to their bond repayments. For those employees who cannot access funding for home ownership, or who do not wish to purchase a home, decent mine accommodation is provided.

Our vision is to have at least 50% of employees living with their families in decent accommodation by the year 2020. In the second generation SLP document compiled for the five-year period 2014 to 2018, R1 billion has been allocated to improving housing and living conditions.

Our 2014 performance and achievements on accommodation and living conditions

We are proud to have been commended by the regional DMR in July 2014 for our progressive stance and leading example in implementing programmes aimed at improving the housing and living conditions of mineworkers. We achieved our project targets for 2014 and are on track to deliver on our objectives for 2020.

South African operations

	2007	2008	2009	2010	2011	2012	2013	2014	Total
Houses planned	–	60	771	728	81	109	373	478	3 046
Houses built	–	60	771	728	81	109	373	293	2 415
Houses sold	–	22	68	488	479	564	261	327	2 209
Hostel rooms conversion into decent single accommodation	759	1 173	1 194	1 194	538	517	–	–	5 375
Hostel conversion into family units	–	–	66	66	66	66	–	–	308

Currently 21% of our employees in South Africa make use of Company accommodation in various forms, and an additional 6% are on the Company's home ownership scheme. The balance of employees utilise private accommodation. As part of our social responsibility we have undertaken a baseline study within the communities that we operate. This will assist in identifying those employees who are not in decent accommodation and inform our housing strategy.

In our South African operations:

- ➔ A total of R261 million was expended on employee housing (2013: R445 million)
- ➔ The development of our second home ownership flagship project, the Platinum Village in Rustenburg, has progressed well. Phase 1 entails investing R210 million in building 557 units; during the strike-affected year a total of 283 houses were completed and 181 handed over to employees in the Platinum Village. The R1 billion development project has a final target of 2 420 units, to be completed over the next four years, depending on employees' appetite to purchase, and creditworthiness. Consistent with government's vision of integrated human settlements, Implats is in the process of developing a Platinum Village schools project
- ➔ While the strike period did not affect our construction activities, it had a negative impact on house sales. This was due to the lack of earnings required by banks and deterioration in employee credit rating. We are confident that once the Rustenburg operations normalise, sales will pick up
- ➔ At the Refineries the Tswelopele home ownership development comprising 108 housing units has been completed, to the value of R36 million. A total of 104 units have been sold to employees
- ➔ At our Marula operation, by year end we had built 58 of the target 122 units for employees and an additional contract to build 30 units has been awarded to a local community-based company. Project completion is on schedule for December 2014. The contract value is R72 million
- ➔ Following the completion last year of the R406 million Sunrise View home ownership development (with 1 717 units built and sold to employees) and the launch of the Sunrise View Primary School, this year Implats completed the development of the Sunrise View High School, which was opened in February 2014
- ➔ We secured additional land in Rustenburg suburb, Geelhout extension 8, for further housing development. Project plans will be developed following a performance review of existing initiatives.



ACCOMMODATION AND LIVING CONDITIONS

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We have focused on promoting home ownership by developing integrated residential suburbs and providing quality single-person and family accommodation

At our Zimbabwe operations:

- ➔ Zimplats expended US\$15 million on employee housing (2013: US\$8 million). By year end, the Company had completed the first phase of its employee home ownership scheme, with 680 core houses allocated to employees. The second phase will be undertaken in 2016. Out of the 261 company houses planned for 2014, 201 units were completed and handed over to employees and the remainder of the units will be completed in the first quarter of 2015. Construction of employee houses continues to be phased, due to financial constraints
- ➔ Ngezi commissioned the recreational facilities, including a community hall and a clubhouse, in an attempt to make the location more attractive to skilled personnel. The focus going forward is to construct company and core houses for employees.

Our accommodation and living conditions focus for 2015 and beyond

In support of the Deputy President's Framework Agreement we continue to work towards our long-term goal to have at least 50% of our workforce at the mines residing with family by 2020, we will continue to focus on:

- ➔ Promoting home ownership by developing further integrated residential suburbs, in addition to providing quality single-person and family accommodation

- ➔ Enhancing home ownership opportunities, particularly for critical skilled employees
- ➔ Finding mechanisms to further optimise accommodation cost per employee.

We have set ourselves the following commitments for our South African operations in 2015:

- ➔ Undertake phase 2 of the construction at Platinum Village, with our goal of completing 2 420 units within this development at a total cost of R1 billion depending on employees' appetite to purchase, and creditworthiness
- ➔ Commence construction of the primary school at the Platinum Village
- ➔ Finalise construction of 94 units at our Marula operation
- ➔ Exploit opportunities of securing strategically located additional land and services for further housing projects, and further expand our accommodation options and improving value and affordability as far as possible.

We will continue to partner with government to ensure that our housing projects contribute to fully functional communities with all the required amenities, and that they are constructed within a broader integrated spatial development framework. We will also partner with government and the Bafokeng Nation to provide bulk infrastructure and services to mine communities in line with our own developmental needs.

Sunrise View primary and secondary schools

In 2013 we completed our Sunrise View home ownership development project, with 1 717 houses built and sold to employees. As part of our aim to create integrated communities, we have complemented the construction of houses with the construction of the Sunrise View primary and secondary schools. The project was undertaken in partnership with the Impala Bafokeng Trust and the North West provincial government. Implats contributed 50% to the R86 million cost of constructing the two schools. The construction of the schools provided jobs for over 280 skilled and unskilled people. Of these, 232 were members of the local community.

The primary school opened in 2013 and the secondary school in 2014. Both schools opened with a limited intake with a three-year strategy to increase the enrolment to capacity. In 2014, there were 1 372 learners (974 primary school, 398 secondary school), 39 educators (24 primary, 15 secondary) and 10 support staff (7 primary, 3 secondary) who benefited from the new schools.

Implats remains committed to the Sunrise View community and to the schools that we have built. We believe that our contribution should go beyond infrastructure and include activities that provide a holistic intervention. Through the Implats-funded Impala Bafokeng Trust, new computers have been installed in Sunrise View Primary school and both the primary and high school receive mentorship and support through our School Support Programme that primarily focuses on mathematics and science.





Our enterprise development department implements a business assistance programme, to support local and black-owned businesses

Encouraging enterprise development

Our investment in developing small and medium-sized enterprises, and encouraging entrepreneurship, forms an important part of our contribution to the longer-term viability of our neighbouring communities. Our enterprise development (ED) programmes in South Africa are designed to build resilience within host communities and a more robust and competitive supply chain for the Group, with a particular focus on local and black-owned businesses. We work closely with the Royal Bafokeng Enterprise Development unit in Rustenburg, and the Marula Community structures in Burgersfort. All our initiatives are evaluated to ensure that they are fulfilling expectations.

As outlined below, in our South Africa operations this year we continued to provide some support to 20 small to medium local black businesses through two key initiatives. Regrettably, however, both of these initiatives were halted as a result of the five-month strike.

➔ **Supplier development programme:** This programme was launched in 2013 with the aim of assisting 10 local small, medium and micro enterprises (SMMEs) and black-owned businesses that were already part of the Implats supply chain, to become more competitive. The 24-month university-accredited training and mentoring programme includes business-specific training with bi-weekly on-site meetings with the owner/manager. Since its inception in January 2013, eight out of the 10 participating companies have increased their turnover, with an average turnover growth rate of more than 400%. A total of 33 jobs have been created equating to a 13% job creation rate. The programme was regrettably halted in January 2014, due to the platinum sector industrial action. R1.1 million was invested in the programme in 2014, of a total R1.8 million to date. The programme will continue in the new financial year.

➔ **Business advisory and development service:** This programme aims to help local black entrepreneurs to grow and sustain their businesses and become part of the Implats supply chain. The objective is to develop business skills that will lead to increased efficiencies, turnover and profit. Ten companies were selected in January 2013 and assisted by an external service provider over a 12-month period. The 10 businesses experienced turnover growth of 20% and employment growth of 61% (from 33 to 53). These start-ups ranged from garden service providers to construction companies. In 2014, Implats invested R1.2 million in the

initiative, or a total R2.2 million investment to date. The programme was halted during the five-month strike and will continue in the year ahead.

Our ED department implements a business assistance programme, to support local and black-owned businesses that are experiencing difficulties in meeting their contractual obligations. The department conducts a diagnostic analysis to determine intervention or development needs as required. We then assist these companies to implement corrective action, provide mentoring and practical training where required. External expertise or specialised services are sourced in when the need arises under the guidance of the ED team.

In addition our ED office within the supply chain department functions as a walk-in centre to give guidance in business registration, preparing business plans, funding and complying with regulatory and Impala procurement requirements for start-up entrepreneurs.

At our Zimbabwe operations, a local ED programme entails working with seven SMMEs within the local community in Mashonaland West province. The enterprises supply Zimplats with goods and services such as protective clothing, construction materials and ore transportation. To date, \$5 million has been expended with these enterprises and this is estimated to grow significantly over the period 2014 to 2024. The suppliers have submitted a five-year plan and Zimplats is providing guidance on how to achieve planned targets.

Promoting transformation through procurement

Supporting local and black-owned businesses through preferential procurement is an important part of our contribution to promoting transformation. Our top 10 suppliers are as outlined in our stakeholder mapping table which can be found on our website www.implats.co.za. In line with the Mining Charter, by the end of 2014 companies are required to source a percentage of capital goods (40%), consumables (50%) and services (70%) from companies that have met the required levels of black representation in their ownership structures. Performance in this regard is managed through operational procurement committees that meet fortnightly and take into account:

- ➔ Compliance to procurement procedures and commercial terms and agreements
- ➔ Transformation targets and performance
- ➔ Supplier compliance and conduct to operational agreed terms and conditions.

Our preferential procurement strategy focuses on the following:

- ➔ Continuously seeking, identifying, supporting and promoting suitable historically disadvantaged suppliers through sustainable procurement practices
- ➔ Creating opportunities for economic growth through preferential procurement from local communities
- ➔ Leveraging our existing supplier base to unlock opportunities for local employment, mentorship and investment in the greater value chain of Implats
- ➔ Nurturing an environment through the ED department for partnerships and joint ventures between our existing supplier base and local entrepreneurs
- ➔ Sustainably improving year-on-year BEE spend performance relative to the requirements of the Mining Charter and reporting in parallel on B-BBEE performance as per the DTI Codes of Good Practice.

Our performance

The strike action that ensued in Rustenburg this year had a major impact on our procurement expenditure. The economic impact on BEE expenditure was estimated at R1.7 billion lost revenue to suppliers. The immediate focus for procurement will be to support the operation to regain stability post the strike and to normalise daily operations.

Efforts to promote BEE procurement have been significant and we have seen a decreasing trend in non-compliant operating expense suppliers and an increase in black empowered suppliers, particularly in the >25% to 50% category.

Suppliers' B-BBEE certificates and systems are in place to remind suppliers 90 days in advance of their expiry dates. Annual increases are not granted when B-BBEE certificates have expired or transformation commitments have not been met. During the year we did not terminate the services of any suppliers (2013: 21). Although two companies were accused of fronting, upon investigation it was discovered that they had expired BEE certificates and were requested to obtain certification. We endeavour to prevent suppliers who are 'fronting' from being included in our supply chain.

Included in the cost of sales is total discretionary spend of R5.5 billion, of which 72% was spent with suppliers having BEE ownership of greater than 25% in the consumables category, and 72% on services (2013: R6.4 billion, 64% on consumables and 60% on services).

The total South African operations' discretionary procurement for 2014 was R7.9 billion of which 65%, or R5.1 billion, was from companies in which BEE ownership was greater than 25% (2013: R5.5 billion or 55%).

Overall there was acceptable performance in the key Mining Charter elements of capital goods, consumables and services against the 2014 targets (see table below).

Percentage HDSA/BEE procurement (>25%) of category's discretionary procurement (SA operations)

	Mining Charter target 2014			2014		2013		2012		2011		2010	
Category	(%)	R billion	%	R billion	%	R billion	%	R billion	%	R billion	%		
Capital	40	1.1	48	1.5	42	1.6	41	2.2	57	1.6	46		
Consumables	50	1.8	72	2.0	64	1.5	55	1.3	48	1.1	45		
Services	70	2.2	72	2.0	60	1.7	61	1.4	59	1.1	59		
Total operations		5.1	65	5.5	55	4.8	51	4.9	55	3.8	50		

Note:

Capital goods have been reported based on IFRS and Implats' accounting policies recognition criteria for capital expenditure. Suppliers with a valid broad-based black economic empowerment (B-BBEE) certificate at one point in the financial year under review, contributed to BEE spend. At Rustenburg operations the economic impact on BEE expenditure was estimated at R1.7 billion due to the five-month strike.

ENTERPRISE DEVELOPMENT AND PROCUREMENT



This year R2 billion was spent on procurement from local tiered HDSA/BEE suppliers

Promoting development through local procurement

Enhancing procurement opportunities in neighbouring communities is an important contribution towards creating sustainable communities, improving community relations, and advancing local economic development.

This year R2.0 billion was spent on procurement from local tiered HDSA/BEE suppliers, constituting 26% of the total group procurement spend (2013: R2.4 billion or 24%). Local suppliers are classified as tier 1, 2 or 3 based on their proximity to the operations.

Local tiered areas classified as tiers 1, 2 and 3

Category	Tier 1	Tier 2	Tier 3
Impala Rustenburg	Mine lease area (Bafokeng Village)	Rustenburg Municipality	Bojanala district
Marula Platinum	Mine lease area (four farms)	Greater Tubatse Municipality	Greater Sekhukhune district

Local (tiers 1, 2 and 3) HDSA/BEE procurement (>25%) as a percentage of total discretionary procurement

Category	2014		2013		2012		2011		2010	
	R million	%	R million	%	R million	%	R million	%	R million	%
Impala Rustenburg	1 816	30	2 197	27	1 911	25	1 557	22	1 067	17
Marula Platinum	199	26	156	22	130	21	103	13	103	13

Zimplats continued to implement its local supplier development strategy to further assist in the broader economic recovery of Zimbabwe. During the year local suppliers accounted for 66% of the Company's annual expenditure on goods and services (2013: 64%). Mechanisms are in place to encourage and continuously monitor the growth of local supplier partnerships. In accordance with the Company's transparency procedures, a cross-functional internal team reviews and approves the award of tenders. In addition, a tip-offs anonymous system, in partnership with an independent audit company, is in place so that suppliers, employees and other stakeholders can report on any incidents of corruption of any nature, including the award of tenders.

Mimosa's indigenous procurement as a percentage of total discretionary expenditure was 92%, consistent with levels in 2013.



Respect for human rights is an integral part of the Company's Code of Ethics and values

Our 2014 human rights achievements and performance

Respect for human rights is an integral part of the Company's Code of Ethics and values. Our human rights policy, which was approved in 2013, commits us to striving for full compliance with applicable legislation in the regions in which we operate, as well as to implementing the human rights principles in the United Nations Global Compact. Employees are trained on the Code of Ethics through our intranet and all new employees are trained as part of the induction process.

Following the tragic events at Marikana, we recognise the need across the mining sector to ensure better management of security-related issues. Enhancing the interface between the South African Police Service (SAPS) and our own security response is critical in avoiding any escalation of conflict. To mitigate this risk we have committed to and are implementing the Voluntary Principles on Security and Human Rights. The principles focus on three spheres of security management: risk assessment, interactions with the South African Police Service, and interactions with private security. We will be using this framework to guide and train our security contingent. To formulate appropriate security responses, early identification of the potential for violence is critical, which requires regularly updated and credible information on security threats.

All policies and procedures are supported and cover the following human rights-related aspects:

- ➔ Minimum employment age
- ➔ Disciplinary and grievance processes
- ➔ Rights to freedom of association and collective bargaining
- ➔ Prevention of forced or compulsory labour
- ➔ Equality and fair treatment of all individuals free from discrimination, irrespective of race, gender, creed or place of origin
- ➔ The need for security personnel to uphold these human rights.

We track implementation of human rights issues through monthly reports. Procedures are in place to ensure that channels are available to deal with unfair practices. No cases of discrimination were reported in the year under review.

While our agreements with contractors do not specifically contain human rights clauses, contractors are expected to abide by our Company policies, practices, standards and the constitution of the countries in which they are operating. We recognise the need to further improve our monitoring of contracted labour on human rights issues. Through stakeholder engagement processes, material community issues pertaining to human rights are addressed in community forums. No claims of human rights abuse were made against the Company in the year under review.

