

MATERIAL ISSUES CONTINUED



MATERIAL ISSUE 3:

ESTABLISHING AND MAINTAINING CONSTRUCTIVE COMMUNICATION CHANNELS WITH OUR EMPLOYEES AND THEIR REPRESENTATIVE BODIES

We understand the importance of establishing and maintaining constructive communication channels with our employees and their representative bodies, both for our employees' sake and that of the sustainability of our business. We do this through stakeholder engagement and sound employee relations based on direct channels of two-way communication.

Northam encourages open communication and employees are encouraged to raise issues of concern and interest via the formal and informal structures in place, including through human resources structures, line management and union structures. Relations with employees and organised labour are governed by recognition agreements and conditions of employment by legislation.

HUMAN RESOURCE STRUCTURES

A senior manager, tasked with overseeing the operation's human resources function, is in place at each operation and reports to a general manager. The general managers and chief executive are ultimately responsible for the management of human capital while the SE&HR committee assumes board level oversight of the management of human capital.

The SE&HR committee is also responsible for ensuring that employees are equitably and fairly rewarded in alignment with company standards and industry peers. The committee complies with the Companies Act in terms of its social and ethical obligations. It is also responsible for governance of employment contracts and the remuneration packages of senior management, ratifying their appointments, setting mandates, approving short term incentive schemes and bonuses, and overseeing shares in line with the Northam SIP.

Mine-based human resources departments are responsible for the implementation and achievement of human resource priorities, including all aspects of the Mining Charter:

- Training and development
- Mentorship and talent management
- Recruitment and retention
- Succession planning
- Career plans
- Employment equity programmes
- Labour relations
- Human resource development
- Stakeholder and compliance management

The chief executive and executive: human resources are tasked with overall responsibility for employment equity and are, therefore, responsible for providing strategic direction and priorities in respect of equity and transformation.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

All employees, contractors and suppliers have the right to freedom of association and to act out this freedom within the bounds of the law, collective agreements and the rights of others. Employees and their elected representatives must shoulder the duties and responsibilities that pertain to this right.

Wages and other conditions of service are negotiated on an annual basis, or less frequently, as determined by the wage agreement in place. At Northam operations, unions registered with the DoL, which represent at least 15% in any particular bargaining unit, receive organisational rights including:

- Access to the workplace, allowing qualifying unions to recruit members and host meetings on mine property outside of working hours
- Access to payroll deduction facilities
- The opportunity to elect employee representatives for internal disciplinary processes
- Paid leave for representatives to allow them to carry out union-related duties

When a registered union reaches a representative threshold of 33.3% within a bargaining unit, it acquires the right to bargain for that particular unit. The company aims to engage in good faith to reach agreement on matters such as wages, conditions of service and other matters of mutual interest.

At Zondereinde, employees are divided into three bargaining units. Category 2 to 8 comprises operator level employees, Category 9 miners and artisans, and Category 10 officials. A total of 85% of the workforce in these bargaining units is covered by collective bargaining agreements. AMCU disputed their 13% representation via the CCMA and upon hearing the matter, the CCMA ordered that AMCU participate in a verification process to determine its ultimate representation at Zondereinde.

At Booyensdal, Murray & Roberts Cementation Proprietary Limited (MRC) is currently unionised and holds regular structured meetings with NUM and AMCU while Minopex holds employee forum meetings from time to time. A total of 32.8% of the workforce is covered by collective bargaining agreements.

RECOGNISED UNION REPRESENTATION AT ZONDEREINDE F2015 (PERMANENT EMPLOYEES)

	Category 2 to 8		Category 9		Category 10		Total	
Complement	5 504		374		371		6 448	
NUM	4 736	86.0%	147	39%	133	36%	5 016	78%
Solidarity	16	0.3%	66	18%	105	28%	187	3%
UASA	22	0.4%	93	25%	67	18%	182	3%
Total	4 774	86.7%	306	82%	305	82%	5 385	84%

RECOGNISED UNION REPRESENTATION AT BOOYSENDAL F2015 (PERMANENT EMPLOYEES)

	Category 2 to 8		Category 9		Category 10		Total	
Complement	59		8		83		150	
NUM	25	42%	0	0%	0	0%	25	17%
Total	25	42%	0	0%	0	0%	25	17%

At Zondereinde, Northam has formal structures in place to facilitate consultation with organised labour including:

- **An employee equity and training committee**, which is consulted on issues relating to employment equity and human resource development, to review the company's employment equity, recruitment, and training and development policies, to ensure equity and transparency within these procedures.
- **A six-a-side committee**, comprising management and organised labour, tasked with the smooth progress of the hostel de-intensification programme.
- **A corporate social investment (CSI) committee**, which oversees all initiatives relating to mine community and rural development, including review and approval of all applications regarding CSI, local economic development (LED) and socio-economic development.
- **A joint health and safety structure**, which is a statutory component of the Mine Health and Safety Act No 29 of 1996, with organised labour participating in this process to ensure that the company adheres to safe operating practices.

WAGE AND CONDITIONS OF SERVICE NEGOTIATIONS

Northam management actively and continually seeks to build constructive and progressive relationships, and to avoid unnecessary work stoppages, which would inevitably have a negative impact on the company's performance and the welfare of employees. The company has an established protocol and communication strategy in place to deal with industrial action, which includes maintaining open channels of communication with unions, employees, shareholders and investors, labour relations experts, mediators and facilitators, security services and the media.

The company also acts in compliance with the Labour Relations Act No 66 of 1995 and may use established processes, inclusive

of legal relief when necessary, to bring any form of strike action to a swift resolution. The company is committed to engage and negotiate with any union that achieves the necessary representation levels.

PERFORMANCE IN F2015

The last two years have been challenging for the industry in the area of labour relations. Management's approach has been to increase and intensify the engagement process with unions and to deal swiftly with any issues arising.

There was a ^{LA}one-week unprotected work stoppage at Zondereinde at the beginning of the calendar year, when Northam's urgent application for an interdict was granted by the Labour Court. The two-year wage agreement which was reached on 21 January 2014 after the 11-week strike at Zondereinde remained in place until June 2015 when F2016 negotiations began at this operation. Post financial year end, a three-year wage settlement was reached which provides certainty and stability at this operation for a sustained period.

At Booysendal, mining and plant contractors signed two-year agreements in July 2013 and no major labour difficulties are expected on the eastern limb. Nevertheless, civil unrest (frequently the result of heightened expectations among communities in the area) took place post the year end in July this year. Employees were unable to travel to work safely, and this resulted in three days of production losses at Booysendal as a result of road blockages and threatening behaviour.

The current leadership model is being reviewed to determine what aspects can be adjusted to accommodate the changing labour climate, with an emphasis on succession and communication.

MATERIAL ISSUES CONTINUED

HUMAN RIGHTS AND CODE OF ETHICS

Northam upholds the basic labour rights of the Fundamental Rights Convention of the ILO, through the implementation of fair employment practices. Our policies and practices comply with South Africa's employment equity requirements. All employees are treated fairly, irrespective of origin, race or gender.

Northam's SE&HR committee monitors support and respect for the protection of internationally proclaimed human rights, ensuring that Northam is not complicit in human rights abuses. Systems are in place to deal with issues of discrimination and human rights breaches.

Northam's code of ethics clearly safeguards the rights of all employees to a working environment free of discrimination on

the basis of race, gender, sexual orientation, religious belief, political affiliation, age or disability. Effective grievance and disciplinary procedures are supported by a sexual harassment policy. In F2015, no incidents of sexual harassment were reported.

All Northam employees are expected to adhere to our code of ethics. Supervisors and managers are required to take all reasonable steps to ensure that the people for whom they are responsible are aware of and uphold the guidelines set out in the code. These steps include consistent demonstration of exemplary behaviour, activities to foster a culture in which employees understand their responsibilities and feel comfortable to raise concerns without fear of retaliation or victimisation, ensuring mandatory policies, standards and procedures are accessible and understood, and responding promptly to legitimate concerns.

