

## Abridged sustainability review

The following section covers key highlights of the Group's sustainable development review for the year.

### Introduction

To create and sustain business value we need to be able to:

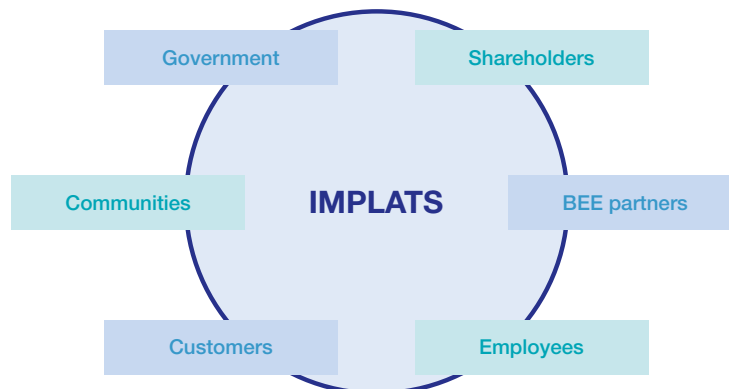
- Build positive relationships with our key stakeholders
- Understand and mitigate our business risks
- Understand our material sustainability business drivers
- Create opportunities where possible in each one of these spheres

### Engaging with stakeholders

Implats has a range of stakeholders who either have a direct interest in the organisation or are affected by its activities. Various structures are in place to facilitate dialogue with both internal and external stakeholders.

During the year under review a process was put in place to identify and to prioritise those stakeholders that are significantly impacted by our business activities and those who also have influence over the long-term viability of the Group. This process was undertaken by the Sustainable Development department with final approval and endorsement of the findings by the Executive Committee (EXCOM).

While the Group recognises that all stakeholders are important, the outcome of the review process identified key strategic relationships with the following stakeholders:



The material issues raised by these and other stakeholders during the year under review are available in the Sustainable Development Report.



To view the Sustainable Development Report, please visit our website at: [www.implats.co.za](http://www.implats.co.za)

### Approach and accountability for Sustainable Development

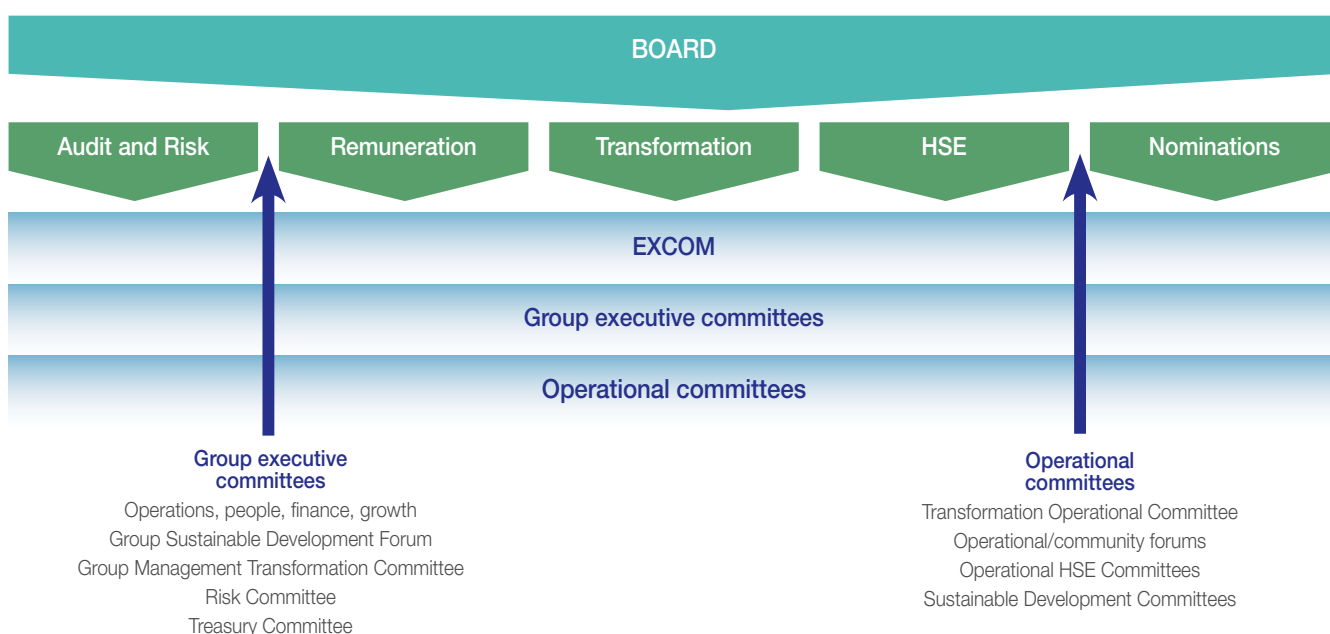
The Group has established operational committees, forums and structures that report to the EXCOM, and to the Board directly or through various Board sub-committees. These committees are tasked with implementing strategic imperatives, identifying material issues relevant to that discipline, mitigating such risks, and where relevant bringing these to the attention of the EXCOM and ultimately to the Board.

Sustainability objectives form part of the key performance indicators of management and the executives. The Sustainable Development

Forum is responsible for ensuring the implementation of strategies relating to sustainability, overseeing the overall performance of the Group's non-financial indicators and lending support to the Board's Health, Safety and Environmental (HSE) Committee, Transformation Forum and the Audit and Risk Committee through the EXCOM. The Sustainable Development Forum consists of Group executives from each discipline who provide input and review performance on a quarterly basis.

Details of the Board sub-committees are discussed under the Governance section in this report.

#### Accountability



### Our sustainability footprint

South Africa produces approximately 75% of the world's platinum, with Implats being the second largest producer in the world. The Group thus has the potential to have a significant impact on global PGM markets, which underlines the importance of ensuring the business is sustainable over the long term.

Mining is a highly complex and technical process that involves the extraction and processing of non-renewable natural resources which can impact on the environment in a number of ways. By its very nature mining presents significant and often complex sustainability challenges, which are fundamental to the long-term success of the business.

## Abridged sustainability review continued

The Group's impact and risk assessments span the entire mining value chain, from exploration to the final sale of product, taking into account all environmental, health, safety, social and financial impacts. While Implats does not control the products it produces throughout their lifecycle, it continuously ensures the safe delivery and recycling of some material from spent catalysts and other redundant industrial products.

Our impact relates to:

- **Environmental issues** – The protection of ecosystems and managing the impact on surrounding communities through proactive water, air, noise, land and waste management
- **Social issues** – That arise as a consequence of the Group's operating activities and the sourcing of labour both locally and from various provinces and countries. Despite the measures that are put in place to preserve human life, the risk of mining can negatively affect our employees, their families and the communities from which they come, through the loss or injury of a family member or bread winner

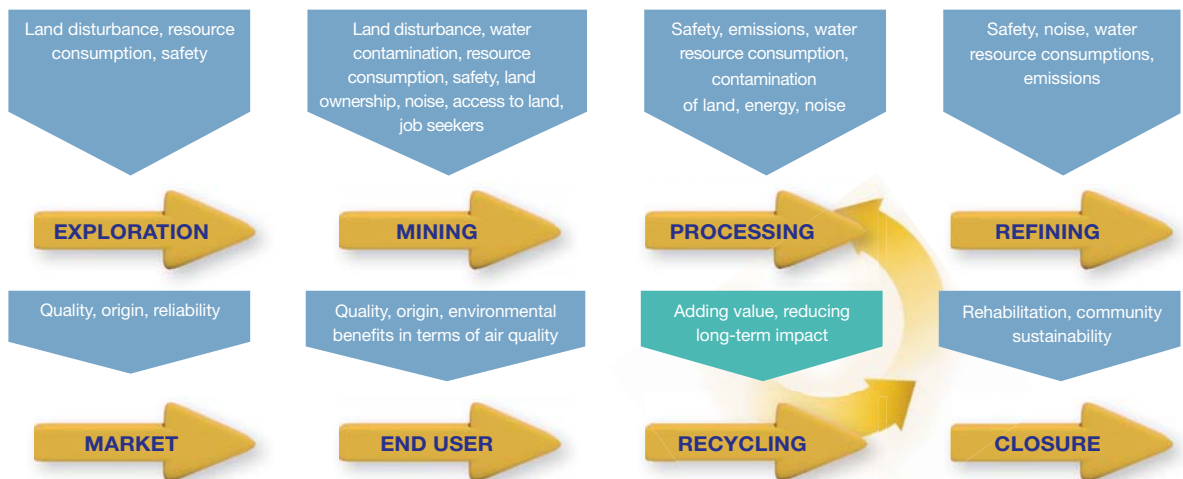
- **Economically** – Through the loss of income through mining activities on land that would otherwise be available for subsistence farming or other sources of alternate income.

The positive contributions made by the mining industry include:

- Employment and job creation
- The contribution of mining to the economic development of host communities and areas from which labour is drawn
- Social upliftment programmes and infrastructure development in the form of schools, clinics, and roads
- Working with government to ensure delivery to communities
- The use of our metals in technological advancements and emission control
- Establishment of family housing and access to finance to secure homes
- Contribution to the fiscus through the payment of taxes.

Our approach to managing these sustainability issues begins with the business strategic risk analysis.

### Sustainability footprint



*In the first stages of the PGM process, impacts centre on environmental and social aspects. Once products reach market, the issue becomes quality and eco-friendliness.*

# Strategic risks

Implats' risk management sets out to achieve an appropriate balance between reward and the risks associated with any business activity.

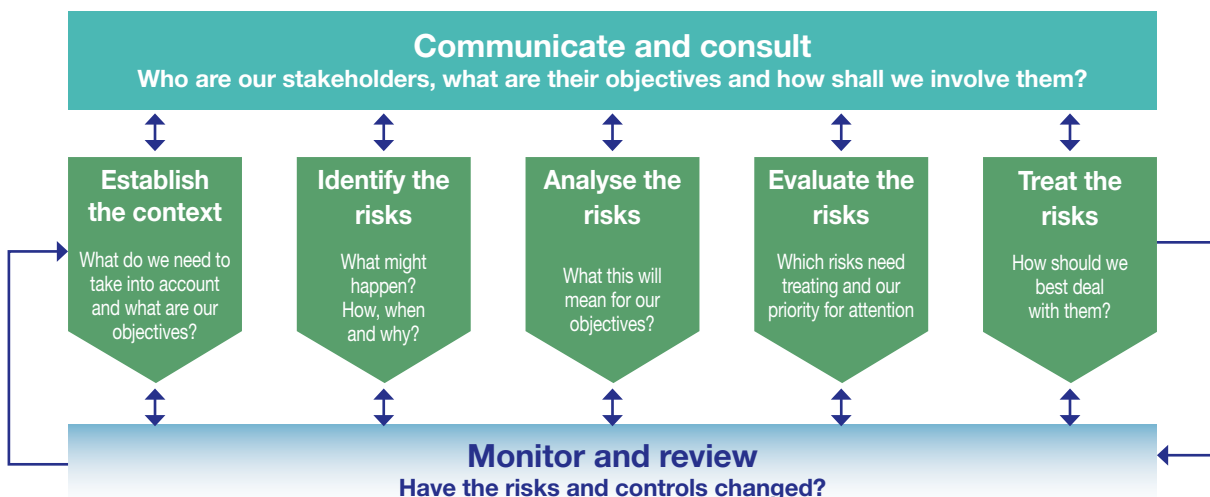
Our approach to risk management is consistent with the definition of risk, as stated by the global risk management standard, ISO 31000:2009: "effect of uncertainty on objectives". This creates a clear link with strategic objectives and therefore requires an objective-based approach. Our aim is to continue to embed a risk management approach throughout the Group's business-related activities. Success in this process will result in the following outcomes:

- The Board and senior managers can make informed decisions regarding the trade-off between risk and reward
- Strategic growth opportunities can be pursued with greater speed, robustness and confidence for the benefit of Implats and its shareholders
- All stakeholders can have greater confidence that the Group's strategic objectives will be achieved

- Business decisions can be made within the context of the Group's risk appetite and risk tolerance levels
- The Group can manage the risks associated with non-tangible assets such as employees, customers, partners, other stakeholders, intellectual and knowledge capital, brand, processes and systems, just as comprehensively as it manages physical and financial assets.

This approach encourages ownership by giving each business unit of Implats the ability to control the pace of implementation within set timeframes. The responsible individuals are held accountable for the achievement of their implementation plans. This also implies an approach that gives credit for, consolidates and builds upon what has already been achieved.

Arising from this process are a series of objective-based risk assessments (ORAs) which cover approximately the top 60 activities of the Group. Each risk identified, and its associated controls, has a clearly defined line management owner.



Source based on: ISO 31000: 2009, Risk management – Principles and Guidelines, Geneva: International Standards Organisation, 2009

## Strategic risks continued

Ongoing review ensures that the information remains relevant. Factors that may affect consequences and the likelihood of an outcome, as well as those that affect the suitability or cost of treatment options may change. Implats therefore repeats the risk management cycle regularly. All information is captured into the Group risk repository system, feeding into the Group risk profile. Risk reports are presented to the appropriate bodies and escalated as required, either to the Excom (monthly) or Audit and Risk Committee, and Board (quarterly).

### The Implats Risk Management Process

- Establishing the context includes determining key objectives, key stakeholders and their interests, and considering all external and internal factors (from cultural and perceptual to regulatory and global)

- Identifying the risk entails establishing both source and cause, and evaluating all possible consequences
- Analysing risk – what does this mean for our objectives?
- Risk evaluation encompasses determining the risk rating (by severity, exposure and frequency) using standard Implats tables, identifying controls (existing or new) and prioritising risks
- Treating risk requires considering all options to establish the most appropriate response for every risk identified (avoid, change probability of exposure and/or frequency, transfer, retain)

Issues which are regarded as material risks for the Group flow out of this process as a consequence.

The Group risk profile identifies the following key risks:

#### CLASSIFICATION OF GROUP STRATEGIC RISKS – JUNE 2011

High potential impact issues	Medium potential impact issues	Lower potential impact issues
Safety	Growth	Asset reliability
Effective people	Infrastructure	Cash preservation
Employee health	Mineral Resource management	Suppliers and logistics
Environment	Unit costs	
Country/Political – South Africa and Zimbabwe		
Project delivery		
Production		
Supply and demand (including metal prices)		
Rand/Dollar exchange rate		

**Note:** These risk issues are classified according to their potential impact on the achievement of Group strategic objectives over the five year planning period. Taken as individual risk categories, all are significant and require ongoing attention from management – the intention here is to indicate the relative ranking of each category.

## Material sustainability issues

The Group's material sustainability issues, defined as those that are imperative for the Group to create and sustain value, have been identified and summarised, as follows:

### SAFETY

Due to the nature of mining, safety remains one of our material strategic risks.

In an effort to inculcate a culture of zero harm, several initiatives were undertaken during the year. DuPont, experts in employee, contractor and process safety management assessed the Group's safety management systems and undertook a cultural and technical assessment. The findings of this process indicated that despite a strong 'team' culture and top leadership commitment to safety, there were concerns regarding:

- A lack of respect for the law, procedures and standards
- Inadequate recognition for daily hazards in a mining operation
- Ineffective behavioural-based safety audits
- Poor change management controls.

As a result of these findings the Group resolved to step up its efforts to change safety behaviour at its operations and the safety strategy has been directed at three areas:

- Closing the supervision gap by focusing on leadership training
- Changing the Group's safety culture by focusing on behaviour observation, reward and communication
- Zero tolerance for non-compliance to safety rules.

### EFFECTIVE PEOPLE

In addition to safety, two key challenges for the Group regarding its human capital are:

- Ensuring the health of all employees and promoting their overall wellbeing
- Addressing the critical skills gap within certain levels of the workforce.

The Group has embarked on a number of strategies to effectively address these issues which include:

- A thorough understanding of the business requirements
- An effective attraction and skills retention mechanism, particularly of critical skills
- Implementing initiatives to manage employee health effectively
- Providing training and development at all levels particularly at leadership and critical skills level
- Ensuring the reward and remuneration system is in line with market-related trends
- Providing career progression opportunities to our employees.

### ENVIRONMENTAL

Implats recognises the importance of managing environmental issues which affect not only the natural ecosystems but also the communities in the vicinity of our operations.

The following environmental issues have been identified as critical to the sustainability of our business:

- Ensuring compliance with current and proposed environmental legislation within a challenging regulatory framework
- Responsible management of resources and achieving and maintaining ISO 14001 compliant environmental management systems across all Group operations
- Developing and implementing a Group carbon management strategy and setting and achieving carbon emission targets
- Optimising energy usage and ensuring security of supply
- Ensuring access to water and the efficient and responsible management of this resource in a water-scarce environment
- Preventing pollution by reducing and minimising emissions into land, air and water
- Ensuring our land management and rehabilitation programme is in line with our environmental management plans and

## Material sustainability issues

international best practice, to ensure sustainable closure

- Developing an effective waste management strategy and ensuring that effective and compliant waste management systems are in place.

### POLITICAL RISK AND SOCIETY

The Group wishes to retain its legal and social licence to operate. To achieve this we need to have a clear understanding of the legal requirements mandated by the countries in which we operate. We also need to actively manage and maintain sound relationships with the communities in which we operate.

### Government policy

In South Africa the revised Mining Charter has sustainability, environmental responsibility and the empowerment of historically disadvantaged South Africans at its core. While there were no significant increases to the targets, the principles applied to compliance are more complex and will require significant work for organisations that have not integrated transformational targets and sustainability into their business practices. The Group is well positioned to meet the requirements of the revised Mining Charter by the target date of 2014, as most of these targets have already been achieved.

Our transformational scorecard is depicted as below:

### Implats Mining Charter Score

Parameter	Performance measure	Target 2014 %	Target March 2011 %	Actual as at June 2011 %
<b>Ownership</b>	Equity <sup>#</sup>	26	15	>26
<b>Housing and Living Conditions</b>	1 person per room <sup>**</sup>	100	Baseline	21
<b>Procurement and Enterprise Development</b>	Capital goods	40	5	57
	Services	70	30	59
	Consumables	50	10	48
<b>Employment Equity</b>	Board	40	20	62
	EXCOM	40	20	20
	Senior management	40	20	36
	Middle management	40	30	41
	Junior management	40	40	55
	Core skills	40	15	62
<b>Human Resources Development (HRD)</b>	HRD expenditure	5	3	6
<b>Mine Community Development</b>	Up to date implementation of approved projects <sup>***</sup>	100	100	90
<b>Beneficiation</b>	Estimated baseline <sup>*</sup>	10	Baseline	22

<sup>\*</sup> Baseline not stipulated but has been calculated internally

<sup>#</sup> Push down of RBHs and the ESOP shareholdings in Implats to Impala as agreed by the DMR in granting Impala its converted mining right: Impala 26%, Marula 27%, Afplats 26% and Two Rivers 55%

<sup>\*\*</sup> Current occupation is two persons per room

<sup>\*\*\*</sup> Internal assessment on progress made

The Indigenisation Act in Zimbabwe emphasises the need for empowerment at the Zimbabwean operations in the sphere of ownership and community development. The Group is positive that it will be able to meet these requirements based on the plans that have been put to the government of Zimbabwe.

### **Community relations**

Material issues common to most communities include employment and procurement opportunities, environmental issues, HIV and health issues and the development of local enterprises. At each operation specialists in each area engage with communities to address their concerns.

The Group actively manages its relationships with host communities. Community engagements at the various operations are conducted through formal structures, guided by documented procedures and charters. Membership of each structure includes elected community representatives, which allows for inputs from the community and the effective dissemination of information to the community from the Company.

### **ACCESS TO RESOURCES**

The Group's long-term business success is dependent on its ability to bring reserves and resources to account as such project delivery is a strategic imperative for the Group. The need to meet the production milestones for 20, 16 and 17 Shafts is crucial, as is the timely planning and development of other shafts.

Current delays in mine development continue to constrain growth in the short to medium term, and remedial action is being taken to address these shortcomings.

Future plans are also in place for the development and access of resources at the Zimbabwean operations.

### **PRODUCTION**

Maintaining the production profile is material to the Group in order to optimise the use of its infrastructure. Issues affecting production are dealt with in the operational reviews on pages 60 to 77.

### **SUPPLY AND DEMAND**

Supply and demand balances are fundamental to PGM prices. The outlook for these prices is a key factor that drives investments in future projects which is critical for the long-term sustainability of our business.

The dynamics on supply and demand is covered in detail under the market review section on pages 18 to 23.