

# REPORT OF THE SOCIAL AND ETHICS COMMITTEE

This report is provided by the Social and Ethics Committee (the Committee) in terms of Regulation 43(5)(c) of the Companies Regulations promulgated in terms of the Companies Act 71 of 2008, as amended (the Companies Act).

## COMPOSITION AND TERMS OF REFERENCE

This statutory Committee was established on 23 August 2011. It was previously called the Sustainable Development Committee. With effect from 1 May 2012, the Committee's Terms of Reference were amended by the Board of Directors (the Board) to elaborate on the Committee's role and responsibilities in terms of the Companies Act. Pursuant to the 2016 annual review, minor amendments were made to the Committee's Terms of Reference. The Committee monitors and oversees those functions set out in the Companies Act, as well as assumes responsibility for those matters assigned to it by the Board.

**Information on the composition of the Social and Ethics Committee, its Terms of Reference and its procedures are set out more fully in the Corporate Governance Report on pages 166 and 167 of the 2016 Integrated Annual Report, of which this report forms a part.**



IAR

At the Annual General Meeting, the Committee Chairman will report to shareholders on the Company's performance with respect to relevant legislation and codes of good practice, social and economic development, labour, and safety, health and the environment.

## PURPOSE AND FUNCTIONS

### LEGISLATION AND CODES OF GOOD PRACTICE

The Committee is responsible for monitoring the Company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of good practice in the areas set out in the Companies Act. In respect of legal and regulatory requirements, during the year under review, the Committee, *inter alia*:

- > discharged those regulatory obligations of a social and ethics committee as prescribed by Regulation 43(5) of the Companies Regulations;
- > monitored complaints received via ARM's whistleblowers' hotline, including complaints or concerns regarding sustainable development matters;
- > considered reports provided by management regarding compliance with legal and regulatory requirements in terms of the Company's Legal and Regulatory Compliance Policy;
- > received reports regarding the ongoing Competition Act compliance online training programme and annual compliance certification as well as the Competition Act Compliance Workshop for the Steering Committee;
- > participated in training provided by independent parties in respect of the amendments to the B-BBEE Codes of Good Practice;
- > received reports regarding compliance with the National Environmental Management Act, the National Water Act and other safety, health and environmental legislation;
- > monitored risk areas affecting the sustainability of the business, together with the Audit and Risk Committee, and

received a report about the findings of the annual Corporate Risk Workshop.

- > monitored compliance with the Mining Charter and the Department of Trade and Industry targets as well as the Company's status in respect of standards of best practice, including International Council on Mining and Metals Guidelines and membership requirements; and
- > received training on the proposed amendments to the Mining Charter.

The Company is committed to high moral, ethical and legal standards in dealing with all of its stakeholders. All the Directors and employees are required to maintain high standards to ensure that the Company's business is conducted honestly, fairly and legally and in a reasonable manner, in good faith and in the best interests of ARM. These principles are set out in ARM's Code of Conduct. The Committee received and considered reports regarding the Code of Conduct online training programme.

The Company reviewed its initiatives to counteract risks of fraud, bribery and corruption. As more fully described on page 171 of the Corporate Governance Report, the Company has a whistleblowers' policy and the Committee received reports regarding the results of investigations of calls made to the independent whistleblowers' hotline facility.

## SOCIAL AND ECONOMIC DEVELOPMENT

ARM seeks to make a significant contribution towards addressing challenges confronting South Africa, including poverty alleviation, job creation, education, welfare and healthcare. The Committee monitored and reviewed the implementation of policies regarding adding value to and giving to the communities in which ARM operates, including:

- > Corporate Social Responsibility;
- > Local Economic Development, including infrastructure, enterprise development, and community development projects committed to under the Social and Labour Plans; and
- > the ARM Broad-Based Economic Empowerment Trust projects.

The Committee specifically focused on commitments in the priority areas identified by the Committee, *i.e.* (i) health, (ii) education, (iii) sporting events, (iv) community capacity building, (v) arts and culture, (vi) job creation, and (vii) infrastructure.

## HUMAN CAPITAL

ARM is committed to fair labour practices and freedom of association. The Company's policies are aimed at eliminating unfair discrimination and promoting equality in line with, *inter alia*, the South African Constitution, the Labour Relations Act, the Employment Equity Act and the Broad-Based Black Economic Empowerment Act, and all other applicable legislation and the industry charter that governs employment relationships taking cognisance of the Universal Declaration on Human Rights, United Nations Global Compact, the Fundamental Human Rights Conventions of the International Labour Organisation and the International Labour Organisation Protocol on decent work and working conditions.

## CORPORATE GOVERNANCE: REPORT OF THE SOCIAL AND ETHICS COMMITTEE continued

The Committee monitored and reviewed the implementation of labour policies, including:

- > attraction, retention and development of skills to support the Company's growth plan;
- > transformation;
- > employment equity;
- > employee turnover;
- > learnerships and bursaries; and
- > educational training and development of its employees; and literacy.

### SAFETY, HEALTH AND ENVIRONMENT

ARM is committed to providing its employees with a safe and healthy work environment. The Committee monitored and reviewed the implementation of safety, health and wellness policies, including:

- > safety performance;
- > occupational health and wellness; and
- > tuberculosis and HIV & Aids.

The most significant environmental issues confronting ARM are climate change and the management of natural resources.

The Committee monitored and reviewed the management of, among others:

- > environmental management;
- > tailings storage facilities;
- > water management;
- > land use management (rehabilitation and biodiversity management);

- > climate change effects; and
- > the status of ARM's participation in the Carbon Disclosure Project and the Water Disclosure Project.

Additional information is available in the Sustainability Review on pages 36 to 71 of this report and in the 2016 Sustainability Report available on ARM's corporate website: [www.arm.co.za](http://www.arm.co.za)



### ASSURANCE

In terms of the Committee's Terms of Reference and King III, the Committee (on behalf of the Audit and Risk Committee), had oversight of the Company's appointment of an independent external sustainability assurance provider to provide assurance in respect of material elements of the 2016 Sustainability Report and of the sustainability section of the 2016 Integrated Annual Report, and reported to ARM's Audit and Risk Committee that the appointment was made.

Based on the foregoing, we are of the opinion that the Social and Ethics Committee has executed its duties and responsibilities during the financial year in accordance with the Companies Regulations and its Terms of Reference.

On behalf of the Social and Ethics Committee

**Dr Rejoice V Simelane**

Chairman of the Social and Ethics Committee

12 October 2016