

SOCIAL  
AND RELATIONSHIP  
CAPITAL

Hwashi community agricultural project supported by Modikwa Mine

## SUSTAINABILITY REVIEW continued

**SOCIAL AND RELATIONSHIP CAPITAL**

Building social and relationship capital is inextricably linked to the trust built through demonstrating ethical values such as responsibility, accountability and fairness.

Careless or irresponsible actions erode trust with critical stakeholders such as government and communities, as well as with broader society. Over time, an organisation that neglects its social and relationship capital risks losing its social licence to operate.

### Our most material social and relationship matters

- > STAKEHOLDER ENGAGEMENT (DISCUSSED ON PAGES 32 TO 33)
- > TRANSFORMATION
- > CORPORATE SOCIAL RESPONSIBILITY

ARM's actions are guided by its commitment to its values. These include a commitment to working responsibly, engaging respectfully with stakeholders and improving the living conditions of the communities in which we operate.

**TRANSFORMATION**

ARM supports the principle of transformation and views performance against the categories of the Broad-Based Socio-Economic Charter of the dti and the Mining Charter as an effective way to redress historical inequality, facilitate broader social development and to give all South Africans a stake in the country's mineral wealth.

The Company's approach to transformation is monitored and reviewed by the Social and Ethics Committee while the Employment Equity and Skills Development Committee is responsible for transformation in the workforce. Commitments made in our Social and Labour Plans are achieved through transformation action plans.

**TRANSFORMATION HIGHLIGHTS AND CHALLENGES**

All of our mines exceeded the Mining Charter preferential procurement targets of 40% capital 50% consumables 70% services.

Achieving employment equity targets in the professionally qualified employees and senior management categories remains a challenge. The human resources strategy supports improvements in employment equity at senior levels through a combination of succession planning, graduate development and by ensuring that open positions are offered to equity candidates whenever possible.

The Draft Mining Charter Review has been released, but has not yet been gazetted, so the existing (2014) targets remain applicable until formally revised by the DMR.

The targets set by the Revised dti B-BBEE Codes introduced in May 2015 are considerably more stringent and ARM's performance declined from Level 4 to Level 8 under the new Codes. We continue to investigate a range of initiatives to improve our performance, over a reasonable period. However, significant improvement in the short term will be a challenge in some elements.

Ensuring that suppliers have valid and current B-BBEE certificates is an ongoing focus in maintaining our preferential procurement score under the dti Codes of Good Practice.

**TRANSFORMATION FOCUS FOR F2016**

**1 COMPLIANCE IN TERMS OF DMR COMMITMENTS AS OUTLINED IN THE MINING CHARTER.**

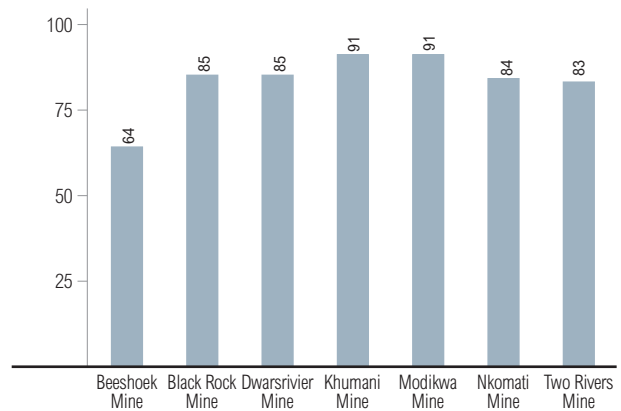
ARM's mining operations submitted Mining Charter reports (on performance against the Mining Charter targets for the period 1 January – 31 December 2015) to the DMR in April 2016.

While all of our mines reported improved scores in most elements of the Mining Charter scorecard, the DMR's web-based tool which automatically scores each submission in terms of overall performance percentage was not available at the time of submission. We can therefore, unfortunately not report an overall performance percentage as in the previous year.

We are confident that the action plans that we have put in place subsequent to the previous scoring, have yielded positive results, both in specific elements and overall performance against Mining Charter targets.

All of our mines exceeded the Mining Charter preferential procurement targets of 40% capital, 50% consumables and 70% services for the 12 months to 31 December 2015.

**MINING CHARTER PERFORMANCE (1 January – 31 December 2014)** (%)

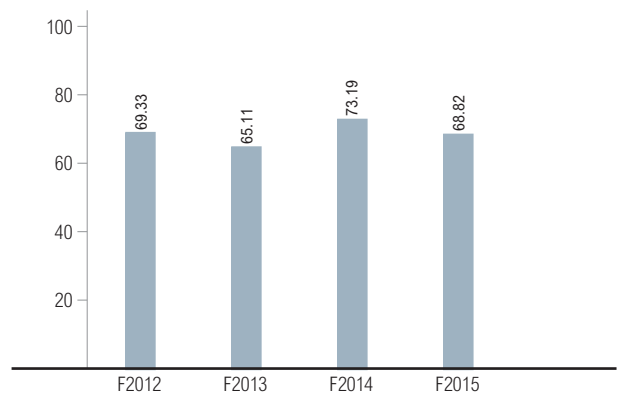


**2 ALIGNING COMPLIANCE EFFORTS WITH THE NEW dti CODES.**

While ARM's dti B-BBEE score decreased slightly to 68.82% in F2015 (F2014: 73.19%), the requirements of the Revised dti Codes led to the Company falling from Level 4 in F2014 to Level 7. This was further discounted to Level 8 due to the sub-minimum scores not being met for enterprise development and supplier development under the Revised Codes.

A B-BBEE scorecard audit and assessment was performed by the external verification agent and roadshows at the operations presented the audit result feedback and the interventions necessary to align with the Revised Codes and improve the overall level achieved. Workshops were held with operations to assess progress made in addressing non-compliant areas of the scorecard.

**OVERALL dti B-BBEE SCORE** (%)



## SUSTAINABILITY REVIEW continued

## TRANSFORMATION FOCUS FOR F2017

**1** ALIGNING OUR COMPLIANCE EFFORTS WITH THE REQUIREMENTS OF THE REVISED MINING CHARTER WHEN FINALISED AND GAZETTED.

**2** CONTINUE ALIGNING OF OUR COMPLIANCE EFFORTS WITH THE NEW dti CODES THROUGH ALREADY ESTABLISHED ACTION PLANS.

**3** EDUCATING RELEVANT STAFF AND DEVELOPING INTERNAL PROCESSES TO MONITOR AND REPORT IN TERMS OF THE TARGETS OF THE REVISED MINING CHARTER SCORECARD.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

ARM supports the development of the communities in which we operate through social investment and Local Economic Development projects. Our projects focus on building capacity in communities and prioritise women, HIV & Aids projects, the advancement of people living with disabilities, youth and the socially destitute.

ARM's Social and Ethics Committee monitors the implementation of the Group's CSR strategy. Corporate CSR executives coordinate the various initiatives centrally and report to the divisional chief executives.

Projects at the operations support local communities as part of the commitment to Local Economic Development (LED) undertaken as part of ARM's Social and Labour Plans (SLPs). SLPs are established and regularly revised in close consultation with communities, local government and the Integrated Development Plans. There are also Corporate Social Investment (CSI) initiatives run by the operations to address the particular needs of their host communities.

At the corporate level, CSR initiatives include the ARM Chairman's Fund, the ARM Community Investment Trust, the Educational Trust and the ARM BBEE Trust (upliftment Trusts).

## CSR HIGHLIGHTS AND CHALLENGES

The main challenges our CSR initiatives face are finding projects that create sustainable jobs and effectively alleviate poverty, quantifying the positive social impact that arise from these projects and finding the right skills to implement them. Other challenges include:

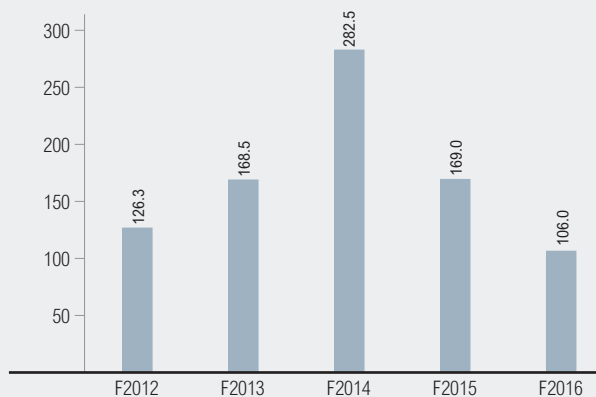
- > Successfully coordinating the many parties involved in implementation of community projects and getting all stakeholders to agree, which often delays implementation;
- > Identifying the right community representatives and ensuring that they actively engage the community they represent;
- > Ensuring that completed projects are sustainable; and
- > Creating achievable plans and strategies on supplier development initiatives.

Community unrest negatively impacted on delivery (and hence expenditure) of some CSR projects.

Political pressure on which projects to invest in, influenced by community unrest relating to service delivery.

A highlight for the year was the restructuring of the ARM BBEE Trust to achieve a more permanent and sustainable funding solution for the trust.

## CORPORATE SOCIAL RESPONSIBILITY SPEND (R million)



**CSR HIGHLIGHTS AND CHALLENGES (continued)**

ARM's investment in CSR decreased by 37.4% to R106 million (F2015: R169 million).

ARM's CSR initiatives created 1 443 jobs in F2016 (F2015: 1 593). 1 226 jobs were created through LED projects (F2015: 1 315) and 217 through CSI projects (F2015: 278).

	F2016					F2015				
	Ferrous	Platinum	Copper	Corporate	ARM	Ferrous	Platinum	Copper	Corporate	ARM
CSI	9.4	4.8	1.3	2.6	18	28	11	2	13	54
LED	63.6	17	0	0	80.5	79	25	0	0	104
ARM BBEE Trust	0	0	0	7.4	7.4	0	0	0	12	12
Total CSR Spend	73	21.7	1.3	10	106	107	35	2	25	169

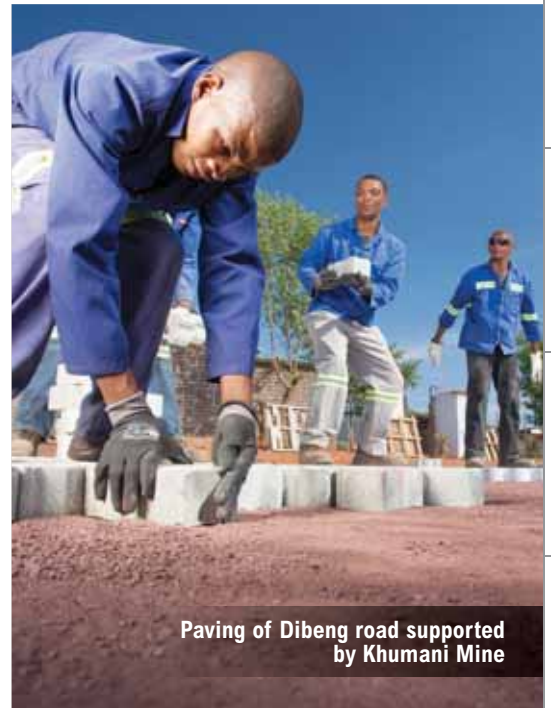
**CSR FOCUS AREAS FOR F2016**

**1** EDUCATION, WITH A PARTICULAR FOCUS ON TECHNICAL SUBJECTS AND BURSARIES FOR ENGINEERS.

**2** SUPPLIER DEVELOPMENT AND ALIGNING WITH ARM'S SUSTAINABLE DEVELOPMENT TARGETS.

**3** IMPROVEMENT PROJECTS TO ENHANCE SERVICE DELIVERY AND INFRASTRUCTURE IN HOST COMMUNITIES.

For details on CSR projects undertaken by operations during the year, refer to the ARM Sustainability Report at [www.arm.co.za](http://www.arm.co.za)



**CORPORATE SOCIAL RESPONSIBILITY FOCUS FOR F2017**

**1** CONTINUE ENTERPRISE DEVELOPMENT IN PARTNERSHIP WITH GOVERNMENT, DEVELOPMENT AGENCIES AND COMMUNITIES.

**2** SUPPLIER DEVELOPMENT INITIATIVES TO INCORPORATE SMMEs INTO PREFERENTIAL PROCUREMENT PROGRAMMES.

**3** PROJECTS THAT FOCUS ON COMMUNITY HEALTH AND WELLNESS IN PARTNERSHIP WITH THE DEPARTMENT OF HEALTH.