

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

We are pleased to present the 2018 Sustainability Report which outlines how ARM creates sustainable value. We are responsible for governing ARM's social and ethics performance and ensuring that we conduct business with integrity and respect for the societal and environmental contexts in which we operate. Our governance structures are designed to embed our values, allowing ARM to deliver competitive outcomes in a 'We do it better' style.



Additional information is available in the 2018 Sustainability Report available on our corporate website: www.arm.co.za.

COMPOSITION AND TERMS OF REFERENCE

The Committee's Terms of Reference were updated for King IV™ in F2018. 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 is set out more fully in the Corporate Governance Report available at: www.arm.co.za.

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, including:

- 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 requirements in terms of the Company's Legal Compliance Policy
- Received reports regarding the ongoing Competition Act, compliance online training programme and annual compliance certification
- 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 adoption of standards of good practice, in terms of its membership of the International Council on Mining and Metals and the Minerals Council South Africa
- Received training on the proposed amendments to the Mining Charter.



OPERATIONAL PERFORMANCE

Ethics and risk management

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 our Code of Conduct.

The Committee received and considered reports regarding compliance with the Code of Conduct, including the online training programme. The Company followed up on an assessment to counteract risks of fraud, bribery and corruption. The Company has a whistleblowers' policy and the Committee received reports regarding the results of investigations of calls made to the independent whistleblowers' facility.



FINANCIAL RETURNS AND SOCIAL LICENCE TO OPERATE

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
- The projects of the ARM Broad-Based Economic Empowerment (BBEE) upliftment trusts

The Committee specifically focused on commitments in the priority areas:

- Health
- Education
- Sporting events
- Community capacity-building
- Arts and culture
- Job creation
- Infrastructure



A SAFE, HEALTHY AND SKILLED WORKFORCE

Human Resources

We are committed to fair labour practices and freedom of association. Our policies are aimed at eliminating unfair discrimination and promoting equality in line with, among others, the South African Constitution, the Labour Relations Act, the Employment Equity Act and the Broad-Based Black Economic Empowerment Act. In addition, our policies are aligned with 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.

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

- o Attraction, retention and development of skills to support the Company's growth plan
- o Transformation
- o Gender mainstreaming
- o Employment equity
- o Employee turnover
- o Learnerships and bursaries
- o Educational training and development of its employees
- o Literacy.

Safety and Health

We are committed to providing our employees with a safe and healthy work environment. During the year under review the Committee monitored and reviewed the implementation of safety, health and wellness policies, including:

- o Safety performance
- o Occupational health and wellness
- o Pulmonary tuberculosis and HIV & Aids.



ENVIRONMENTAL STEWARDSHIP

The most material environmental matters considered by ARM are climate change and the responsible management of natural resources. The Committee monitored and reviewed the management of:

- o Climate change
- o Resource management, particularly energy and water use
- o Land management, including biodiversity, rehabilitation and closure planning.

Focus for F2019

- o Monitoring the improvement of safety and rollout of a critical control management system to enhance risk controls;
- o Oversight of transformation, gender mainstreaming and talent management initiatives;
- o Monitoring the continued implementation of enterprise development programmes, including supplier development initiatives; and
- o Continuing efforts to reduce carbon emissions and further improve our corporate water and climate change reporting process.

ASSURANCE

In terms of its Terms of Reference, the 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 2018 Sustainability Report and of the sustainability section of the 2018 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 the Committee's terms of reference.

Dr Rejoice V Simelane

Chairman of the Social and Ethics Committee

29 October 2018

At the Annual General Meeting, the Committee Chairman will table the 2018 Sustainability Report which is the Committee's report to shareholders on the Company's performance with respect to relevant legislation and codes of good practice, social and economic development, labour, as well as safety, health and the environment.

