

# SUMMARISED CORPORATE GOVERNANCE REPORT



Our strategy is supported by our high standards of corporate governance, which we continue to review to ensure robust controls and alignment of our businesses with global good practice.

## OUR APPROACH TO CORPORATE GOVERNANCE

Adhering to the highest standards of corporate governance is fundamental to the sustainability of ARM's business. ARM's business practices are conducted in good faith, in the interests of the Company and all its stakeholders, with due observance of the principles of good corporate governance. The unitary Board of Directors (the Board) is the foundation of ARM's corporate governance system and is accountable and responsible for ARM's performance. The Board retains effective control of the business of ARM through a clear governance structure and has established

committees to assist it in accordance with the provisions of ARM's Board Charter. The Board recognises that delegating authority does not reduce the responsibility of Directors to discharge their statutory and common law fiduciary duties. We continue to review our governance structures to ensure that they support effective decision-making, provide robust controls and are aligned to evolving local and global best practice.

## INTEGRATED REPORTING

ARM supports the implementation of integrated reporting to enhance the assessment and understanding of value creation and the sustainability of global markets through integrated thinking, greater connectivity between risks and outcomes, the promotion of accountability and increased transparency. ARM has been on a journey of integrated reporting since it published its first integrated report and continues to embed integrated thinking into its business practice. ARM continues to strive for excellence in reporting and the further integration of the International <IR> Framework principles remains a priority.

## KING IV

ARM supports the governance outcomes, principles and practices in the King IV Code on Corporate Governance as set out in the King IV Report on Corporate Governance for South Africa, 2016 (King IV) and applies all of the applicable principles of King IV, which was published on 1 November 2016 and came into effect for companies listed on the JSE Limited on 1 October 2017. ARM also uses developments and governance trends as opportunities to continuously improve and entrench corporate governance practices. With this objective, practices impacting the divisions and operations have been and are being identified, assessed and addressed through action plans and regular monitoring and reporting to the appropriate governance structures. Ongoing progress reports in this regard are presented, amongst others, to the Audit and Risk Committee and the divisional audit committees.

## APPLICABLE GOVERNING FRAMEWORKS

 See the Reporting Principles and Frameworks in the About this Report section on page 1.

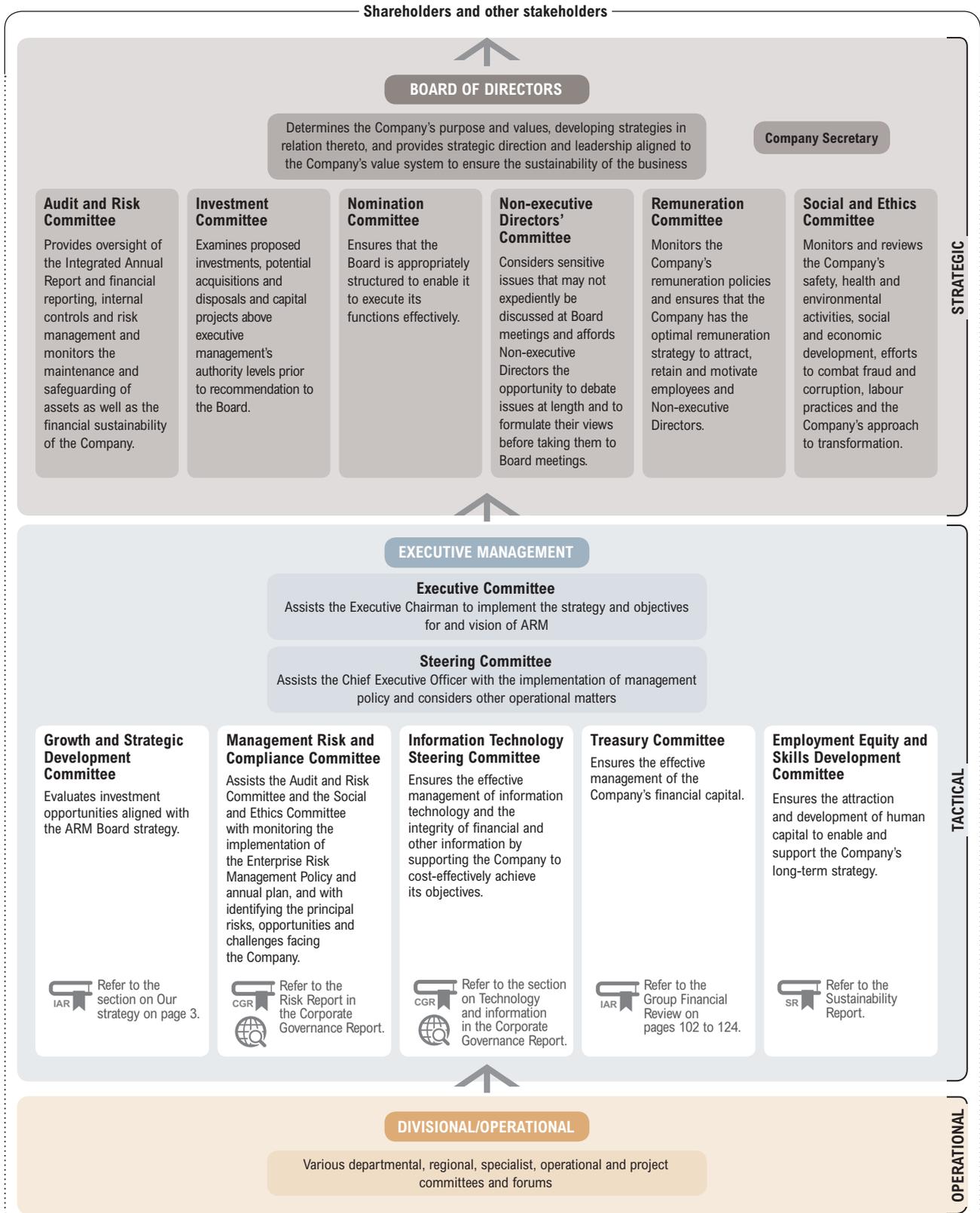
## ADDITIONAL EXTERNAL SUSTAINABILITY AND MANAGEMENT SYSTEMS, STANDARDS AND PRINCIPLES

   See the Our Approach to Sustainability section commencing on page 18 and the 2017 Sustainability Report available on ARM's website: [www.arm.co.za](http://www.arm.co.za)

## ADDITIONAL EXTERNAL FINANCIAL STANDARDS, POLICIES, REPORTING GUIDELINES AND PRINCIPLES

 See the Accounting Policies in the Notes to the Financial Statements on pages 27 to 42 of the 2017 Annual Financial Statements.

## GOVERNANCE FRAMEWORK



**Comment from Ibis ESG Assurance** "As part of our Independent Third Party Assurance processes, Ibis ESG Assurance (Pty) Ltd (Ibis ESG Assurance) conducted an assessment of ARM's application of the 16 principles contained in the version of the King IV Report on Corporate Governance for South Africa, 2016 (King IV), and found no concerns relative to ARM's assertions that all of the 16 individual King IV principles have been applied, with reasonable evidence to support each assertion."

# BOARD OF DIRECTORS



**PATRICE MOTSEPE** 55

BA (Legal), LLB, Doctorate of Commerce (Honoriis Causa) (Wits), Doctor of Management and Commerce (Honoriis Causa) (Fort Hare)

**Executive Chairman**

Appointed to the Avmin Board in 2003 as part of the Avmin/ARMgold/Harmony transaction. When the transaction was concluded in 2004, Avmin changed its name to African Rainbow Minerals (ARM) and Patrice became Executive Chairman of ARM.



**MIKE SCHMIDT** 59

Mine Managers Certificate, MDP, Pr Cert Eng

**Chief Executive Officer**

Appointed to the Board in 2011.



**MIKE ARNOLD** 60\*

BSc Eng (Mining Geology), BCompt (Hons), CA(SA)

**Financial Director**

Appointed to the Board in 2009.



**ANDRÉ WILKENS** 68

Mine Manager's Certificate of Competency, MDPA (Unisa), RMIIA, Mini-MBA (Oil and Gas Executives)

**Executive Director: Growth and Strategic Development**

Appointed to the Board in 2003.



**THANDO MKATSHANA** 48

NHD (Coal Mining), BSc Eng (Mining), MDP and MBA

**Executive Director and Chief Executive: ARM Platinum**

Appointed to the Board in 2015.



**FRANK ABBOTT** 62

BCom, CA(SA), MBL

**Independent Non-executive Director**  
Member of the Audit and Risk Committee, Investment Committee, the Non-executive Directors' Committee and the Remuneration Committee

Appointed to the Board in 2004.



**DR MANANA BAKANE-TUOANE** 69

BA (Economics and Statistics), MA (Econ), PhD (Econ)

**Independent Non-executive Director**  
Chairman of the Remuneration Committee and a member of the Audit and Risk Committee, the Nomination Committee, the Non-executive Directors' Committee and the Social and Ethics Committee

Appointed to the Board in 2004.



**TOM BOARDMAN** 67

BCom, CA(SA)

**Independent Non-executive Director**  
Chairman of the Audit and Risk Committee and a member of the Non-executive Directors' Committee and the Remuneration Committee

Appointed to the Board in 2011.



**ANTON BOTHA** 64

BCom (Marketing), BProc, BCom (Hons), SEP (Stanford)

**Independent Non-executive Director**  
Member of the Audit and Risk Committee, the Investment Committee, the Non-executive Directors' Committee and the Remuneration Committee

Appointed to the Board in 2009.

\* After eight years as Financial Director, Mr Mike Arnold will be retiring as Financial Director of ARM on 10 December 2017, having reached the Company's normal retirement age of 60 years in July 2017. Mr Arnold will remain on the ARM Board of Directors as a Non-Executive Director with effect from the date of his retirement. Ms Abigail Mukhuba, the current Chief Financial Officer of ARM, has been appointed Financial Director with effect from 11 December 2017.

**Nationalities**

- South African
- Mozambican

**Independence**

- Executive Directors (5)
- Independent Non-executive Directors (11)
- Non-executive Director (1)



**JOAQUIM  
CHISSANO** 77  
PhD

**Independent Non-executive Director**  
Member of the Nomination  
Committee and the Non-executive  
Directors' Committee  
Appointed to the Board in 2005.



**MANGISI  
GULE** 65  
BA (Hons) (Wits), P & DM  
(Wits Business School)

**Independent Non-executive Director**  
Member of the Non-executive  
Directors' Committee  
Appointed to the Board in 2004.



**ALEX  
MADITSI** 55  
BProc, LLB, H Dip Co Law, LLM

**Lead Independent Non-executive  
Director**  
Chairman of the Nomination  
Committee and of the Non-executive  
Directors' Committee, and a member  
of the Audit and Risk Committee,  
the Investment Committee,  
the Remuneration Committee and  
the Social and Ethics Committee  
Appointed to the Board in 2004.



**KOBUS  
MÖLLER** 58  
BCom (cum laude), BCompt (Hons),  
CA(SA), AMP (Harvard)

**Independent Non-executive Director**  
Member of the Investment  
Committee, the Remuneration  
Committee and the Non-executive  
Directors' Committee  
Appointed to the Board in 2017.



**DAVID  
NOKO** 60  
Dipl (Mech Eng), MDP, MBA,  
SEP (LBS)

**Independent Non-executive Director**  
Member of the Non-executive  
Directors' Committee  
Appointed to the Board in 2017.



**DR REJOICE  
SIMELANE** 65  
BA (Economics and Accounting), MA,  
PhD (Econ), LLB (UNISA)

**Independent Non-executive Director**  
Chairman of Social and Ethics  
Committee and a member of the  
Audit and Risk Committee, the  
Nomination Committee and the  
Non-executive Directors' Committee  
Appointed to the Board in 2004.



**BERNARD  
SWANEPOEL** 56  
BSc (Min Eng), BCom (Hons)

**Independent Non-executive Director**  
Chairman of the Investment  
Committee and a member of the  
Social and Ethics Committee and the  
Non-executive Directors' Committee  
Appointed to the Board in 2003.



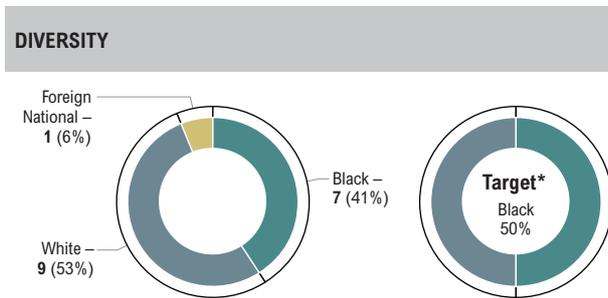
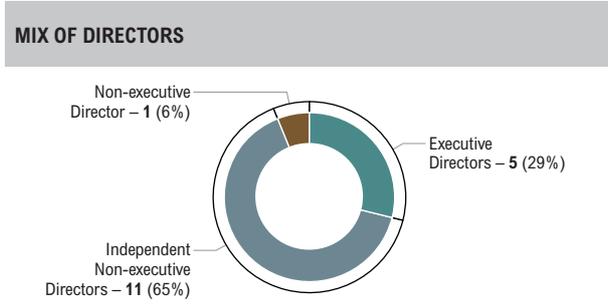
**JAN  
STEENKAMP** 63  
National Mining Diploma, EDP

**Non-executive Director**  
Member of the Non-executive  
Directors' Committee  
Appointed to the Board in 2017.

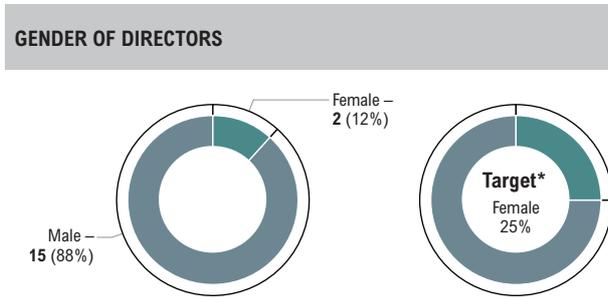
SUMMARISED CORPORATE GOVERNANCE continued

**BOARD COMPOSITION**

ARM has a unitary Board comprising 17 Directors, the majority of whom are Independent Non-executive Directors.



\* Target to be achieved by 31 December 2018 in terms of the Board-approved policy.



\* Target to be achieved by 31 December 2018 in terms of the Board-approved policy.

**DIVERSITY AND INCLUSION**

Transformation principles form a key pillar of our strategy and are integrated into our business. ARM recognises the benefits of a diverse Board and to confirm its commitment, the Board has adopted a policy for the promotion of gender and race diversity and inclusion on the Board. The aim is to ensure that by the end of the 2018 calendar year the Board is made up of at least 50% percent black Board members of which 25% is black women.

To achieve these targets, the Nomination Committee considers candidates on merit against objective criteria and with due regard to the benefits of diversity and inclusion. In F2017, following an extensive search, the Board announced that Ms. Abigail Mukhuba, the current Chief Financial Officer of ARM, had been appointed Financial Director with effect from 11 December 2017.

The Board also appointed Mr D C Noko as an Independent Non-executive Director, effect from 10 October 2017, after consideration, *inter alia*, of his experience, qualifications and availability.

In the annual performance evaluation of the Board, gender and race diversity were identified as priority areas and the

Nomination Committee will continue to focus on the achievements of these targets.

**INDEPENDENCE**

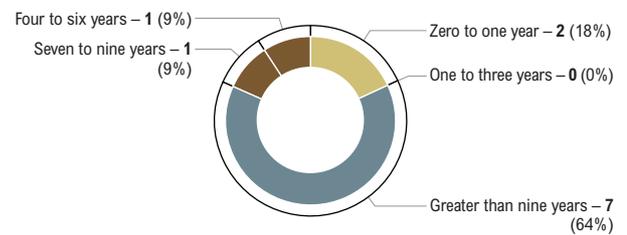
All Directors have a duty to act with independence of mind in the best interests of the Company. The Board believes that the Independent Non-executive Directors of the Company are of the appropriate calibre, diversity and number for their views to carry significant weight in the Board’s deliberations and decisions.

The Independent Non-executive Directors are highly experienced and have the skills, background and knowledge to fulfil their responsibilities.

The classification of Independent Non-executive Directors is determined by the Board on the recommendation of the Nomination Committee. In determining the independence of the Independent Non-executive Directors, character and judgement are considered together with any of their relationships or circumstances which are likely to affect, or could appear to affect, their judgement and with due regard to the criteria for determining independence as set out in King IV and the JSE Listings Requirements.

Any term in office by an Independent Non-executive Director exceeding a period of nine years is subject to a rigorous review by the Board. The independence assessment considered relationships or circumstances likely to affect, or appearing to affect, the relevant Independent Non-executive Director’s character and judgement. The Board concluded that in each circumstance the Independent Non-executive Director’s independence of character and judgement was not impaired by the length of service.

**TENURE: INDEPENDENT NON-EXECUTIVE DIRECTORS**



The independence of Mr J A Chissano, who receives consultancy fees, was considered. Given his extensive relationships with various leaders of African countries, Mr Chissano assists in the facilitation of high-level business discussions and introductions, and his specific assignments are determined by the Executive Chairman and the Chief Executive Officer. The fees paid to Mr Chissano for these services are market-related and are not, in the opinion of the Board, material. As such, the Board is satisfied that this aspect does not impair his independence.

The independence of Mr W M Gule, who also receives consultancy fees, was considered. The fees paid to Mr Gule for these services are market-related and are not, in the opinion of the Board, material. The Board is satisfied that this aspect does not impair his independence.

**EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The roles of the Executive Chairman and the Chief Executive Officer are separate and distinct. Mr P T Motsepe is the Executive Chairman of the Company and not independent. He is also a significant shareholder of the Company. ARM is satisfied that the non-independence of the Executive Chairman is properly addressed by the composition of the Board and particularly by the

appointment of the Lead Independent Non-executive Director, Mr A K Maditsi, in accordance with and as required by King IV.

 See the Shareholder Analysis on pages 114 to 115 of the 2017 Annual Financial Statements for further information.

In addition to the general requirements for the re-election of Directors set out in the Company's Memorandum of Incorporation and discussed below, the Executive Chairman and the Lead Independent Non-executive Director are required to be elected by the Board annually. Messrs Motsepe and Maditsi were re-elected as Executive Chairman and Lead Independent Non-executive Director, respectively, for a period of one year commencing on 1 January 2017. The Chief Executive Officer is appointed by the Board.

## BOARD CHARTER

The Board Charter was most recently amended by the Board in August 2017, to ensure alignment with King IV. The Board Charter provides guidelines to Directors in respect of, *inter alia*, the Board's responsibilities, authority, composition, meetings and the need for performance evaluations.

 The roles and responsibilities of the Board as set out in the Board Charter are included in the full Corporate Governance Report available on the Company's website: [www.arm.co.za](http://www.arm.co.za)

The Board Charter also provides for a clear division of responsibilities to ensure a balance of power and authority so that no one Director has unfettered powers of decision-making.

## ELECTION, RE-ELECTION INDUCTION, SUCCESSION AND ASSESSMENT

### Election and re-election

The Memorandum of Incorporation requires that one-third of those elected Non-executive Directors who have served in office longest since their last election, retire by rotation at each Annual General Meeting. Being eligible, these Non-executive Directors may seek re-election should they so wish.

 The Directors' brief *curricula vitae* are available on pages 76 to 77. Detailed *curricula vitae* are included in the Notice of Annual General Meeting on pages 132 to 133

Messrs J A Chissano and Z B Swanepoel and Dr R V Simelane are required to retire by rotation. They have made themselves available for re-election at the Annual General Meeting to be held on Friday, 1 December 2017.

Directors appointed by the Board between Annual General Meetings hold office only until the next Annual General Meeting and are eligible for election (but are not included in determining the number of Directors who are to retire by rotation). Mr J P Möller was appointed as an Independent Non-executive Director with effect from 1 January 2017. On 10 October 2017, Messrs D C Noko and J C Steenkamp were appointed as an Independent Non-executive Director and a Non-executive Director, respectively. As Messrs Noko, Möller and Steenkamp were appointed between Annual General Meetings, these Directors are required and available to stand for election at the Annual General Meeting to be held on Friday, 1 December 2017.

 Also see the Notice of Annual General Meeting on page 127 for detail about the election of the Audit and Risk Committee Members

## Induction and continuing education

All newly-appointed Directors receive a comprehensive information pack, including the Memorandum of Incorporation, the Board Charter, Terms of Reference of the Committees of the Board, Board policies and other documents relating to the Company; key legislation and regulations; as well as corporate governance, financial and reporting documents, including minutes and documents of an administrative nature.

Directors are encouraged to attend courses providing information and training relating to their duties, responsibilities, powers and potential liabilities. Regulatory and legislative updates are provided regularly. The Company holds an annual budget planning workshop and a strategy Bosberaad with senior management and the Board to, *inter alia*, inform Directors about the Company's business.

## Succession

The Nomination Committee, together with the Executive Chairman, deal with succession planning for Non-executive Directors and monitor the succession planning for Executive Directors. In F2017, the Nomination Committee considered the succession of the Financial Director. Following eight years in the role, Mr Mike Arnold will be retiring as Financial Director of ARM on 10 December 2017 after having reached the Company's normal retirement age of 60 years in July 2017. Mr Arnold will remain on the ARM Board of Directors as a Non-Executive Director with effect from the date of his retirement. Ms Abigail Mukhuba, the current Chief Financial Officer of ARM, has been appointed Financial Director with effect from 11 December 2017.

The Company has a succession plan for Executive Directors and senior management, which provides for the key management of the Company. The Company continuously strives to improve its talent pool through a comprehensive and focused plan for the management of human capital, including career development and recruitment. The Company adopts an integrated approach to succession planning. As a result, the Board is satisfied that the ongoing efforts to strengthen leadership provide short- and long-term management depth.

## Assessment

The Board is committed to transparency in assessing the performance of the Board, its Committees and individual Directors as well as the governance processes that support Board activities. The effectiveness of the Board and its Committees is assessed annually. Independent external advisors assisted the Nomination Committee with the evaluation of the Board, its Committees, the Executive Chairman and the Company Secretary.

The Board is of the view that the involvement of independent external advisors assists to ensure a rigorous and impartial evaluation process.

 Matters considered in the assessments are set out in the full Corporate Governance Report available on the Company's website, [www.arm.co.za](http://www.arm.co.za)

In addition to finding that the Board functioned well, the assessment identified the value of separating the annual budget and strategy meetings and the importance of a continued focus on the diversity of the Board. The findings of the F2017 assessment were considered by the Board in 2017 and a copy of the findings were provided to the external auditor.

 Performance assessments of all the Executive Directors, including the Executive Chairman and the Chief Executive Officer, are undertaken annually and form the basis of their remuneration as discussed in Part II of the Summarised Remuneration Report starting on page 85

# BOARD AND COMMITTEES

The Board has established committees to assist with fulfilling its responsibilities in accordance with the provisions of the Company's Board Charter. Nonetheless, the Board acknowledges that the delegation of authority to its Committees does not detract from the Board's responsibility to discharge its fiduciary duties to the Company.

The Committees have Terms of Reference, which are reviewed annually by the Board. They set out the Committees' roles and responsibilities, functions, scope of authority and composition. In 2017, the Board approved amendments to all of the Committees' Terms of Reference.

Additional detail about the Board and its committees can be found in the Corporate Governance Report available on the Company's website: [www.arm.co.za](http://www.arm.co.za)

**3**

**INVESTMENT**  
 Z B Swanepoel (Chairman)  
 F Abbott  
 A D Botha  
 A K Maditsi  
 J P Möller\*\*\*

The Investment Committee's purpose is to consider substantial investments proposed by management, including mining projects, acquisitions and disposals of assets, and to make such recommendations to the Board as it considers appropriate. The Committee also reviews the results attained on completion of each project.

## BOARD

The Board meets at least four times a year to consider the business and strategy of the Company. The Board reviews reports of the Chief Executive Officer, the Financial Director, divisional chief executives and other senior executives, chairmen of the Committees and independent advisors. During the financial year ended 30 June 2017, four Board meetings were held. The quorum for Board meetings is the majority of the Directors.

Members of the Board and senior executives of the Company consider the budget and review the Company's three-year financial plan. During the strategy sessions, the Company's future strategy is considered in detail. The Company's annual budget workshop was held in August 2017 as part of the ninth annual Bosberaad (strategy meeting) for Directors and senior management.

**3**

**NOMINATION**  
 A K Maditsi (Chairman)  
 Dr M M M Bakane-Tuoane  
 J A Chissano  
 Dr R V Simelane

The Nomination Committee is responsible, *inter alia*, for establishing formal and transparent procedures for the appointment of Directors; recommending to the Board suitable candidates for appointment as members of its Committees and the Chairmen of such Committees; ensuring compliance with those provisions of the MOI governing the rotation of Directors and making recommendations to the Board with regard to the eligibility of retiring Directors of the Company for re-election.

The Nomination Committee is also responsible for the evaluation of the Board and its Committees and for developing a formal induction programme for new Directors of the Company, overseeing access by Directors to external continuing professional development programmes.

**4**

- P T Motsepe (Executive Chairman)
- M P Schmidt
- F Abbott
- M Arnold
- Dr M M M Bakane-Tuoane
- T A Boardman
- A D Botha
- J A Chissano
- W M Gule
- A K Maditsi
- H L Mkatshana
- J P Möller\*
- D C Noko\*\*\*
- Dr R V Simelane
- J C Steenkamp\*\*\*
- Z B Swanepoel
- A J Wilkens

### COMMITTEES



**Members**

**Meetings per year**

**See the meeting attendance summary on page 82 of the Summarised Corporate Governance Report.**

The primary objective of the Audit and Risk Committee, which is constituted in terms of section 94 of the Companies Act, to assist the Board in discharging its duties relating to the safeguarding of ARM's assets; the operation of adequate systems, internal controls and control processes; and the preparation of accurate financial reports and statements in compliance with all applicable legal requirements, corporate governance and accounting standards, as well as enhancing the reliability, integrity, objectivity and fair presentation of the affairs of the Company. It also oversees financial and other risks in conjunction with the Social and Ethics Committee.

The detailed Report of the Audit and Risk Committee is available on pages 2 to 4 of the 2017 Annual Financial Statements.

- 7**
- AUDIT AND RISK**  
 T A Boardman (Chairman)  
 F Abbott  
 Dr M M M Bakane-Tuoane  
 A D Botha  
 A K Maditsi  
 Dr R V Simelane

The Non-executive Directors' Committee meets formally without management and provides a forum for the Non-executive Directors of the Company to consider and discuss issues of importance to ARM, including the promotion of increased investor confidence, stimulating business growth, reducing fraudulent practices through effective business leadership, fostering sustainable long-term growth in both the social and economic arenas and cultivating and promoting an ethical corporate culture within ARM.

- 4**
- A K Maditsi (Chairman)  
 Dr M M M Bakane-Tuoane  
 F Abbott  
 T A Boardman  
 A D Botha  
 J A Chissano  
 W M Gule  
 J P Möller\*  
 D C Noko\*\*\*  
 Dr R V Simelane  
 J C Steenkamp\*\*\*  
 Z B Swanepoel

The Summarised Remuneration Report is available on pages 85 to 99.

The Remuneration Report is available in the Corporate Governance Report on ARM's website: [www.arm.co.za](http://www.arm.co.za)

- 3**
- REMUNERATION**  
 Dr M M M Bakane-Tuoane (Chairman)  
 F Abbott  
 T A Boardman  
 A D Botha  
 A K Maditsi  
 J P Möller\*\*

The purpose of the Social and Ethics Committee, which is constituted in terms of Regulation 43 (5)(c) of the Companies Regulations promulgated in terms of the Companies Act, is to monitor and report on the manner and extent to which ARM protects, enhances and invests in the economy, society and the natural environment in which ARM operates in order to ensure that its business practices are sustainable.

Additional information is available in the Report of the Social and Ethics Committee on pages 100 to 101 and in the 2017 Sustainability Report available on ARM's website: [www.arm.co.za](http://www.arm.co.za)

- 4**
- SOCIAL AND ETHICS**  
 Dr R V Simelane (Chairman)  
 Dr M M M Bakane-Tuoane  
 A K Maditsi  
 Z B Swanepoel\*\*

\* With effect from 1 January 2017.  
 \*\* With effect from 29 August 2017.  
 \*\*\* With effect from 10 October 2017.

## SUMMARISED CORPORATE GOVERNANCE continued

**F2017 BOARD AND COMMITTEE MEETING ATTENDANCE SUMMARY**

	BOARD	AUDIT AND RISK COMMITTEE	INVESTMENT COMMITTEE	NOMINATION COMMITTEE	NON-EXECUTIVE DIRECTORS' COMMITTEE	SOCIAL AND ETHICS COMMITTEE	REMUNERATION COMMITTEE
<b>Number of meetings in F2017<sup>1</sup></b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>3</b>
P T Motsepe (Executive Chairman)	4	–	–	3 <sup>^</sup>	–	–	–
M P Schmidt (Chief Executive Officer)	4	7 <sup>^</sup>	1 <sup>^</sup>	3 <sup>^</sup>	–	3 <sup>^</sup>	3 <sup>^</sup>
F Abbott	4	6 <sup>+</sup>	2	–	4	–	3
M Arnold	4	7 <sup>^</sup>	2 <sup>^</sup>	3 <sup>^</sup>	–	–	3 <sup>^</sup>
M M M Bakane-Tuoane, Dr	4	7	–	3	4	4	3
T A Boardman	4	7	–	–	4	–	3
A D Botha	4	6 <sup>+</sup>	2	–	4	–	3
J A Chissano	3 <sup>+</sup>	–	–	1 <sup>+</sup>	3 <sup>+</sup>	–	–
W M Gule	4	–	–	–	4	–	–
A K Maditsi	4	7	2	3	4	4	3
H L Mkatshana	4	7 <sup>^</sup>	2 <sup>^</sup>	–	–	4 <sup>^</sup>	–
J P Möller*	2*	–	–	–	2*	–	–
R V Simelane, Dr	4	7	–	3	4	4	–
Z B Swanepoel**	4	–	2	–	4	–	–
A J Wilkens	4	6 <sup>^</sup>	2 <sup>^</sup>	3 <sup>^</sup>	–	–	3 <sup>^</sup>

<sup>^</sup> Attended as an invitee.

<sup>+</sup> Absent with leave of the Board or Committee, as the case may be.

\* Mr J P Möller was appointed to the Board on 1 January 2017.

\*\* Messrs J P Möller and Z B Swanepoel were appointed to these committees on 29 August 2017, after the reporting period.

<sup>1</sup> Messrs D C Noko and J C Steenkamp were appointed to the Board after the reporting period on 10 October 2017.

## THE AUDIT AND RISK COMMITTEE AND FINANCIAL REPORTING PROCEDURES

The Audit and Risk Committee has oversight of the Company's financial reporting process on behalf of the Board. The Committee meets with the internal and external auditors on a regular basis to discuss the results of their examinations, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting. The Committee also discusses the overall scope and plans for the respective audits of the Company's internal and external auditors. The internal and external auditors are invited to attend Committee meetings.

The principles for the use of external auditors for non-audit services are set out in the formal policy on non-audit services. The Financial Director is authorised to engage the external auditors for non-audit services for which the fee would not exceed R200 000. Matters for which the fee will exceed R200 000 must be pre-approved by the Committee. The policy also prescribes permitted non-audit services.

In assessing the appropriateness of financial reporting procedures, the Committee reviews the Financial Director's qualifications and experience. Following the 2017 review, the Committee is satisfied that the Financial Director has experienced finance executives

reporting to him, that the finance function is adequately resourced and that he has the necessary experience and expertise to discharge his responsibilities.

 For additional information on the Audit and Risk Committee refer to the Corporate Governance Report on the Company's website [www.arm.co.za](http://www.arm.co.za)

## AD HOC BOARD COMMITTEES

The Board has the right to appoint and authorise special *ad hoc* Board Committees, comprising the appropriate Board members, to perform specific tasks as required.

## MANAGEMENT COMMITTEES

The Company has various Management Committees comprising Executive Directors and senior executives who are considered essential to the functioning of the Company and ensuring the appropriate control and provision of information to the Board.

  See page 75 for a summary of how these Committees support the business. Additional information can be found in the Corporate Governance Report on the Company's website [www.arm.co.za](http://www.arm.co.za)

## Executive Committee

The Executive Committee met nine times in F2017. The Committee is chaired by the Executive Chairman. Standard items on the agenda include strategic matters, reports from the Chief Executive Officer, the Financial Director, the divisional chief executives and other senior executives.

## Management Risk and Compliance Committee

The Management Risk and Compliance Committee, a management sub-committee of the Audit and Risk Committee, assists the Audit and Risk Committee in discharging its duties relating to risk matters by implementing, coordinating and monitoring a risk management plan, policy and processes to ensure that broader strategic and significant business risks are identified and quantified with attendant controls and management assurance. The Committee also reports to the Social and Ethics Committee on matters related to the sustainability of the business. The Committee's Terms of Reference are reviewed annually and were most recently amended by the Audit and Risk Committee in F2017.

 Additional information regarding the risk management programme can be found in the Risk Report in the Corporate Governance Report available on the Company's website [www.arm.co.za](http://www.arm.co.za)

## Steering Committee

The Steering Committee which is chaired by the Chief Executive Officer, implements management policy and considers other operational matters.

## Growth and Strategic Development Committee

The Growth and Strategic Development Committee evaluates growth opportunities. The Committee, which is chaired by the Executive Director: Growth and Strategic Development, meets fortnightly, or more often if required.

## Employment Equity and Skills Development Committee

The Employment Equity and Skills Development Committee considers employment equity, transformation and skills development strategies throughout the Company.

## Treasury Committee

The Treasury Committee meets monthly and, if required, more frequently, under the chairmanship of the Financial Director. The Treasury Committee reviews operational cash flows, currency and interest rate exposures as well as funding issues within the Company.

## Tax Forum

The Tax Forum meets quarterly under the chairmanship of the ARM Finance Senior Executive: Corporate.

## Information Technology Steering Committee

The Information Technology Steering Committee implements the governance framework and strategy adopted by the Board, and develops information technology policies and procedures.

## COMPANY SECRETARY

All Directors have access to the services and advice of the Company Secretary, Ms A N D'Oyley (BCom, LLB, LLM). The Company Secretary is not a Director of the Company and she maintains an arm's-length relationship with the Board.

The Company Secretary supports the Board as a whole, and Directors individually, by providing guidance as to how to fulfil their responsibilities as Directors in the best interests of the Company. The Company Secretary also oversees the induction of new Directors, as well as the ongoing training of Directors. She maintains her knowledge of developments in corporate governance best practice and regulation.

The Board remains satisfied with the competency and experience of the Company Secretary.

## ADVICE AND INFORMATION

No restriction is placed on a Director's access to Company information, records, documents and property. Non-executive Directors have access to management and regular interaction is encouraged. All Directors are entitled to seek independent professional advice concerning the affairs of the Company at the Company's expense.

## TECHNOLOGY AND INFORMATION GOVERNANCE

The Board affirms its responsibility for the governance of technology and information. The governance model reflects both business and information technology requirements, focusing on strategic alignment, the value delivery, risk management (including information security, resilience and legislative and health and safety compliance), resource management and performance management. The governance of technology is conducted in accordance with international standards, such as those embodied in the Information Systems Control Association's IT Governance Institute and CoBiT (Control Objectives for Information Technology) frameworks. These are reviewed from time to time to take into account organisational changes, international developments in the field, and changing risk profiles. The focus in F2017 was cybersecurity.

 Additional information about technology and information governance can be found in the Corporate Governance Report available on the Company's website, [www.arm.co.za](http://www.arm.co.za)

## ENTERPRISE RISK MANAGEMENT

### Risk management philosophy

ARM's risk management philosophy commits us to integrating, embedding, cost-effectively implementing and continually reviewing our systems of internal control and Enterprise Risk Management at all levels within the Company.

ARM's overriding policy and philosophy is that management of risk is the responsibility of management at every level in ARM. It forms an integral part of the process of managing resources and opportunities within our risk appetite in order to provide reasonable assurance regarding the achievement of the Company's objectives.

 For additional information about enterprise risk management, see the section on Our principle risks, opportunities and challenges on page 15

## SUMMARISED CORPORATE GOVERNANCE continued

**Internal control and internal audit**

The Board, with the assistance of the Audit and Risk Committee, the Management Risk and Compliance Committee and the outsourced internal auditors, review the Company's risk profile annually. In terms of the risk-based internal audit programme approved annually by the Audit and Risk Committee, the internal auditors perform a number of reviews to assess the adequacy and effectiveness of systems of internal control and risk management. The results of these reviews, together with updates on the corrective action taken by management to improve control systems, are reported to the Audit and Risk Committee and the Board.

**Combined Assurance**

In order to enhance the integration and alignment of management assurance, we developed our Combined Assurance Model, which provides further input into establishing a control environment that is appropriately related to ARM's risk appetite.



The Risk Report is available in the Corporate Governance Report available on the Company's website: [www.arm.co.za](http://www.arm.co.za)

**ETHICS**

Through its Code of Conduct (the Code), the Company is committed to high moral, ethical and legal standards in dealing with all of its stakeholders. All Directors and employees are required to maintain high ethical standards so 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 the Company. The Code was previously known as the Code of Ethics. The Code was most recently updated in F2017 for King IV. An updated Code of Conduct online training programme has been rolled out at the corporate office.



The Code of Conduct is available on ARM's website: [www.arm.co.za](http://www.arm.co.za)

**Whistleblower facility**

Through its whistleblower policy and procedure, an independent service provider operates ARM's whistleblowers' facility to enable employees and other stakeholders to report, confidentially and anonymously, any unethical or risky behaviour. Information about the facility is included in the Code and contact information is posted in each of the Company's offices. Initiatives to heighten awareness of the whistleblower facility are implemented on an ongoing basis. Formal procedures in place result in each whistleblowing report being investigated and policy and procedures revised, where applicable, with feedback reports being provided to the operators of the ARM whistleblower facility. No material non-compliance incidents were reported during the year under review.

**Comment from Sustainability Assurance Provider:**

"As part of the scope of work to provide Independent Third Party Assurance over ARM's sustainability reporting, Ibis ESG Assurance (Pty) Ltd conducted an assessment of ARM's ethics policies and procedures, in line with King IV recommendations. Based on our review, including observations and interviews during visits to selected sites, it appears that ARM employs a comprehensive set of policies (e.g. the Code of Conduct), procedures, systems and controls to meet reasonable expectations for the monitoring and management of ethical compliance throughout its operations."

**Conflict of interest**

The Code includes a policy prohibiting the acceptance of any gift which may be construed as an attempt to influence an employee, regardless of value. The acceptance of any gift is subject to the approval of a member of the executive.

**Disclosure**

The Code includes a policy regarding communications which encourages complete, accurate and timely communications with the public. The Chief Executive Officer, the Financial Director, the Chief Financial Officer, the Head of Investor Relations and the Company Secretary oversee compliance with the disclosure requirements contained, *inter alia*, in the JSE Listings Requirements.

**LEGAL COMPLIANCE**

The Company has a Legal Compliance Policy, which was updated in July 2017. Internal and external legal compliance and operational audits are regularly conducted at all operations, and any instances of non-compliance with regulatory requirements are reported to management for corrective action.

**DEALINGS IN SECURITIES AND INSIDER TRADING POLICY**

The Company has a Dealings in Securities and Insider Trading Policy. ARM enforces closed periods in compliance with legislation and regulations. During these times, Directors, officers and designated persons are precluded from dealing in ARM securities. All Directors and employees were provided with relevant extracts from applicable legislation and the Company's procedures in this regard. Directors and employees are reminded of their obligations in terms of insider trading and the penalties for contravening the regulations.



Dealings in Securities and Insider Trading policy is available on ARM's website: [www.arm.co.za](http://www.arm.co.za)

**INVESTOR RELATIONS AND COMMUNICATION WITH STAKEHOLDERS**

ARM is committed to transparent, comprehensive and objective communication with its stakeholders. The Company maintains a website, which provides information regarding the Company's operations, financial performance and other information.

Shareholders are encouraged to attend the Annual General Meeting and to use it as an opportunity to engage with the Board and senior management.

The Company's stakeholder communication policy is included in the Code.

ARM's investor relations department is responsible for communication with institutional shareholders, the investment community and the media. The Company has developed a comprehensive investor relations programme to communicate with domestic and international institutional shareholders, fund managers and investment analysts. Engagements include participation by ARM senior executives in one-on-one meetings with institutional investors locally and internationally, through investor roadshows and conferences.



Additional information regarding our engagement with key stakeholders is available on pages 22 to 25 and in the 2017 Sustainability Report available on the Company's website: [www.arm.co.za](http://www.arm.co.za)