



MAINTAINING OUR SOCIAL LICENCE TO OPERATE



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ARM's social and relationship capital depends on the trust built with key stakeholders through demonstrating our ethical values such as responsibility, accountability, fairness and respect for human rights. Establishing and maintaining a respectful and trusting relationship with our stakeholders is essential to ensure continued access to natural resources, financial capital, labour from local communities and to retain our licence to operate.

Mining operations are long-life assets and from exploration to final closure of a mine they can stretch over several generations of community members and employees. The reputation of a company has a direct influence on the quality of its interactions with employees, communities, regulators, shareholders, providers of financial capital and other stakeholders.

Stakeholder engagement is recognised as one of the top risks facing the Company in ARM's risk register. This reflects the potential financial impact of disruptions to operations from community unrest, regulatory stoppages and strikes. Stakeholder relationships also offer significant opportunities and the potential for greater inclusive value creation for all stakeholders. Our approach to stakeholder engagement and some of the key engagements during F2017 are discussed on pages 16 to 21 and the full stakeholder engagement table is presented on pages 20 and 21.

Our values, governance structures and ethical leadership guide our actions to conduct our business activities with integrity and respect for the societal context in which we operate. ARM's Code of Conduct stipulates the legal and ethical standards applicable to directors, management, employees, contractors, suppliers and other parties when conducting business across ARM and its joint ventures. The Code was most recently updated in July 2017.

Community relations

Regular engagements with interested and affected parties are held at all operations to address issues of social and environmental importance and each mine conducts regular formal stakeholder engagement activities. An assessment of potential socio-economic and environmental impacts and the requisite mitigating actions is performed as part of the Environmental Impact Assessment (EIA) process required prior to new projects and changes/expansions to operations. EIAs include structured engagements with interested and affected parties to communicate concerns, issues or conflicts arising from our activities. Common concerns include access to water, dust mitigation, blasting and employment opportunities.

Community concerns or disputes are reported in quarterly sustainability reports, which are discussed at operational, divisional and Board-level Social and Ethics Committees.

An independent service provider operates ARM's anonymous whistleblowers' hotline (0800 006792) which is available for employees, contractors, suppliers, communities, and other stakeholders to report unethical behaviour. Information about the whistleblowers' facility is included in the Code of Conduct, which is available in the Corporate Governance section of our website at www.arm.co.za. The hotline number is posted in each of the Company's offices and at the operations.

Each whistleblowing report is formally investigated and, if applicable, policies and procedures are revised. Feedback reports are provided to the operators of the whistleblowers' facility.

During F2017, ARM's whistleblowers' system was reviewed and accredited by the Ethics Institute of South Africa. No material non-compliance incidents were reported during the year under review.

Unrest in the communities around our operations continues to be a challenge. Most of the demonstrations relate to service delivery protests, but our operations also receive demands for increased local procurement opportunities, local jobs and opportunities for youth. The socio-economic environment around the Steelpoort/Burgersfort community, close to Two Rivers and Modikwa mines, remains sensitive. A working group has been established in the area by the CEOs of local mining companies with the Chamber of Mines to identify solutions.

Mine management meet with traditional leaders and formally recognised community structures to facilitate a broader consultative approach to addressing local community concerns and establish a long-term stakeholder engagement structure for the region. Demands from informal community structures continue to be a challenge and Two Rivers Mine lost three production days during F2017 due to community unrest.

Illegal chrome mining activity escalated around Modikwa Mine causing uncontrolled access to land and road infrastructure. The mine secured an interdict to halt the illegal mining activity after which busses transporting employees to the mine were targeted affecting startup of production after the Christmas break, during January 2017.

Community unrest at Black Rock Mine prevented employees from accessing the workplace, negatively impacting the loading of trains for export sales of manganese ore.

CORPORATE SOCIAL RESPONSIBILITY

ARM is committed to improving the lives of those living in the communities where we operate. This includes creating jobs, investing in projects that directly benefit these communities, providing skills training to community members that equip them for employment and supporting enterprise development.

Our investments in Corporate Social Investment (CSI) and Local Economic Development (LED) projects focus on building capacity in communities and prioritise women, people affected by or vulnerable due to HIV & Aids, the advancement of people living with disabilities, youth and the socially destitute.

How we manage corporate social responsibility (CSR)

LED projects are implemented at our operations as part of ARM's Social and Labour Plans (SLPs) established in terms of the Mineral and Petroleum Resources Development Act (MPRDA). SLPs are agreed and regularly revised in close consultation with communities, local government and the Integrated Development Plans. In addition, CSI initiatives are run by the operations to support projects outside the SLPs that address specific community needs. Potential projects are carefully assessed to ensure alignment with ARM's CSR strategy, to ensure that they effectively address community needs and are meaningful and sustainable.

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

CSR HIGHLIGHTS

- > R115 million invested in CSI and LED projects in F2017, creating 634 jobs
- > R8.2 million distributed by the ARM BBEE Trust to rural upliftment projects

Implementation of the Group's CSR strategy is monitored by the Social and Ethics Committee. The Group Executive: Stakeholder Engagement and Compliance is responsible for policy and strategy and guiding operations in terms of implementation of initiatives. She reports on implementation to the various divisional structures and the ARM Social and Ethics Committee.

Employees volunteer their time or make donations through initiatives such as Mandela Day and the Motsepe Foundation Christmas Drive, which delivers toys and necessities to orphanages and childcare facilities across the country.

During F2017, ARM Ferrous initiated the formation of a working committee with the other manganese producers and the Chamber of Mines to develop sustainable solutions to the various CSR challenges in the Northern Cape.

Implementation of CSR projects presents a number of challenges including finding the right projects to 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. Identifying the right community representatives is crucial as is ensuring that they continue to actively engage the community they represent. Securing agreement between all community representatives and effectively coordinating the efforts of the stakeholders involved in implementation of community projects can be difficult and community unrest can delay implementation.

CSR
FOCUS
FOR F2017

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

Engagement with government and non-governmental organisations as key stakeholders around local communities, is focused on developing partnerships and ensuring alignment of strategies. This aims to improve the regional integration of community health, education, local business development and infrastructure development programmes.



2. SUPPLIER DEVELOPMENT INITIATIVES TO INCORPORATE SMMES INTO PREFERENTIAL PROCUREMENT PROGRAMMES

Various initiatives are undertaken by our operations to support enterprise and supplier development, and to develop small, medium and micro enterprises (SMMEs) locally. Support measures include early payment terms to assist with cash flow management and provision of equipment. Skills development and contractor development initiatives aim to provide access to opportunities in the supply chain. The operations prioritise opportunities for black-owned and black female-owned suppliers, and where appropriate, ring-fence opportunities for suppliers that meet these requirements.

These initiatives aim to foster entrepreneurship, create jobs and build sustainable businesses in mining communities, thereby supporting socio-economic transformation on a community, regional and national level.

Nkomati Mine supports a local butchery through a monthly allowance, employee transport and financial management training. The mine also ring-fenced three ore transport contracts for local community companies. Black Rock Mine is supporting 15 SMMEs through a development programme with a local business incubator and contributes to a trust fund established to develop suppliers in the Northern Cape.

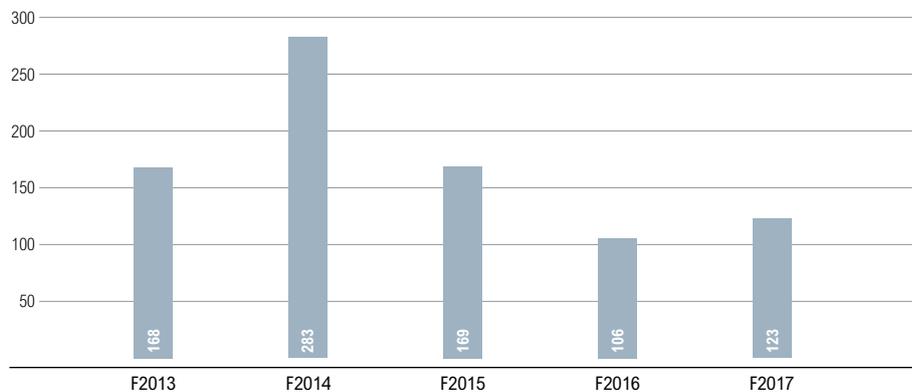
Beeshoek Mine supported 11 SMMEs from Tsantsabane through its enterprise and supplier development programme, to support entrepreneurs in the mining value chain. Enterprises included a canteen, general dealer and a car wash.

Khumani Mine delivered a B-BBEE Workshop to 35 companies and 41 beneficiaries to increase understanding of B-BBEE requirements and promote transformation. Modikwa Mine supports six SMMEs through the local business hub and the companies they support created or sustained 109 jobs.

CSR initiatives

Total CSR spend for F2017 increased 16% to R123 million, on a 100% basis (F2016: R106 million). Jobs created through CSR initiatives decreased to 634 (F2016:1 443) as several long-term projects are underway. Most jobs relating to these projects were created at the start of the project and have already been reported in prior periods.

CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE
(R million)



GRI MATERIAL TOPICS

GRI 201, 203, 413

BOUNDARY

ARM mines and operations

STAKEHOLDERS

Communities, government, non-governmental organisations

MAIN REGULATIONS AND FRAMEWORKS

- > ICMM Sustainable Development Framework
- > Mineral and Petroleum Resources Development Act
- > Mining Charter
- > Department of Trade and Industry Revised Codes of Good Practice (dti CoGP)

CORPORATE SOCIAL RESPONSIBILITY continued

CSR expenditure	F2017 (R million)	F2016 (R million)
CSI		
Health	0.9	1.1
HIV & Aids	1.0	0.3
Education	6.6	6.9
Capacity building	5.1	2.3
Sporting events	0.7	0.9
Arts and culture	0.6	0.2
Other	7.2	6.4
Total CSI	22.1	18.0
LED		
Infrastructure	75.4	53.7
Enterprise development	14.1	17.2
Community	2.9	7.5
Other	0.1	2.2
Total LED	92.5	80.5
Total CSI and LED investment	114.6	98.8
BBEE Trust projects	8.2	7.4
Total CSR investment	122.8	105.9

Spending on education projects comprised 30% of total CSI spend of R22 million in F2017 (F2016: R18 million) and expenditure on capacity building 23%.

CSI spending in the "Other" category includes:

- > A feasibility study for Gamagara local municipality funded by Khumani Mine.
- > Nkomati Mine's investment in community security services and repairs to the drainage system in the Badplaas community.
- > A contribution by Modikwa Mine to support the local community social profile and a donation to a royal funeral.

LED expenditure increased 15% to R92 million in F2017, with 82% allocated to infrastructure development and 15% to enterprise development initiatives.



**CSR
FOCUS
FOR F2017**

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

Cato Ridge Works built a health facility and donated it to the community of Ward 1 in KwaXimba. The Bhoshonono Health post is fully electrified and has five consulting rooms, a large waiting area, disability-friendly ablutions facilities and a water backup system. It offers basic health services to the community, including immunisation, baby weighing, nutritional assessments, TB and HIV screening, and centralised chronic medication distribution.

CSR expenditure	F2017					F2016				
	ARM Ferrous (R million)	ARM Platinum (R million)	ARM Copper (R million)	ARM Corporate (R million)	ARM total (R million)	ARM Ferrous (R million)	ARM Platinum (R million)	ARM Copper (R million)	ARM Corporate (R million)	ARM total (R million)
CSI	6.2	11.0	2.4	2.4	22.1	9.4	4.8	1.3	2.6	18.0
LED	63.2	29.3	0	0	92.5	63.6	16.9	0	0	80.5
The ARM BBEE Trust	N/A	N/A	N/A	8.2	8.2	N/A	N/A	N/A	7.4	7.4
Total CSR Spending	69.5	40.3	2.4	10.6	122.8	73.0	21.7	1.3	9.9	105.9

LED PROJECTS SUPPORTED IN F2017

NKOMATI MINE

Contributed to the Badplaas community security services and the repair of drainage systems.

MODIKWA MINE

The mine invested in road improvement projects in the villages of Matimatjatji, Mooihoek, Mamphahlane and Sehlaku, creating 34 temporary jobs. The mine also installed overhead lights at Hwashi and Mamphahlane villages, creating four temporary jobs.

LUBAMBE COPPER MINE

Constructed the Konkola Health Post, which serves as a clinic for the mine as well as for more than 10 083 patients from the Konkola community. A total of 320 children receive vaccination from this clinic. Lubambe also donated materials to construct storm water drainage, farm inputs to 50 farmers and two schools, and contributed to a utility vehicle that can be used by the community to take patients to hospital.

TWO RIVERS MINE

Constructed a new administration block at Maremele Primary School in Kutullo village, upgraded roads in Ngwaabe village and Sekhukhune Road, and renovated the Mashishing Community Hall. These projects created 32 jobs.



KHUMANI MINE

Constructed a second reservoir to expand water storage for the benefit of the 14 751 members of the Olifantshoek community, creating 67 part-time and 24 full-time jobs. 1.7 kilometres of internal gravel road was upgraded to a paved road in the Deben community. The mine also constructed 658 toilets at Magojaneng and Seoding Villages in Kuruman, contributed to a feasibility study for the Gamagara local municipality and donated a modified wheelchair to a child with disabilities.

BLACK ROCK MINE

Completed the refurbishment of the Nweng Community Hall in the Ga-Segonyana Local Municipality. Six temporary jobs were created during the project and the hall is used by 279 households in the community. The mine also created 20 temporary jobs through a project that resealed internal roads infrastructure used by 3 188 households in Kuruman and Wrenchville. Construction of a 2.5 kilometre tarred access road in Maruping village was funded, creating 20 temporary and local jobs and involving two companies from the mine's enterprise and supplier development programme. There are 6 233 households in Maruping that will benefit from the road, and the neighbouring villages of Vergenoeg and Batlharos will also benefit.

BEESHOEK MINE

Completed the construction of a 2 500 kl elevated steel tank to improve access to potable water for the 4 118 residents of the Postdene community. The mine also initiated an SMME incubation programme focusing on alternative building methods, decorative concrete, gemazine and paintless dent repair for 20 local SMMEs.

CORPORATE SOCIAL RESPONSIBILITY continued

The ARM BBEE Trust

The ARM Broad-Based Economic Empowerment Trust (BBEE Trust) supports Rural Upliftment Trusts in each of the provinces through welfare, community development and anti-poverty initiatives with an emphasis on education. The Trusts and individual unit holders are funded by the dividends accruing to their combined equity interest in ARM. ARM also supports the Trust with resources to build administrative and project management capacity to manage the development initiatives.

The ARM BBEE Trust distributed R8.2 million to beneficiaries for development projects in F2017 (F2016: R7 million).

	F2017 (R million)	F2016 (R million)	F2015 (R million)	F2014 (R million)	F2013 (R million)
Development projects	8.2	7	12	6	7

* Dividends will be disclosed during November 2017.

Highlights of the ARM BBEE Trust projects

Province	District and name of project	Project description and beneficiaries	Funding (Rands)
Kwa-Zulu Natal	Kosi Bay Godokhuwayo Primary School	Construction and furnishing of two classrooms. Renovation of the school hall benefitting 880 students.	424 043
	Nongoma Bhekuzulu High School	Construction of new ablution block. Equipping new computer centre directly benefitting 1 300 learners.	681 900
	Utrecht Waaihoek Primary school	Construction of two classrooms benefitting 680 learners.	310 000
Eastern Cape	Adelaide Vulindlela Primary School	Construction of two classrooms benefitting 673 learners.	610 950
	Port St. Johns Abasuki Cooperative	Needlework training centre benefitting 25 local women and the immediate community.	300 000
	Mqanduli Zanci Childcare Centre	New centre constructed benefitting 952 children.	724 600
Limpopo	Sekhukhune Hlabye Primary School	Construction of an administration block benefitting 1 227 learners and teachers.	996 000
	Sekhukhune Marishane Village, Manchi Creche	Construction of a pre-school benefitting 95 children.	450 000
	Capricorn Mafefe Disabled Organisation	Donation of sewing machines and 16 fabricated steel containers benefitting a group of 37 people living with disabilities (12 females and 25 males).	328 000
	Capricorn, School Mobile Science Kits and interactive boards	Supply and training of school mobile science kits and interactive boards for 10 high schools benefitting 997 matric students in the Seshego area.	620 000
North West/Free State	Mabeskraal Moetlo Primary School	Erection of fencing around school premises benefitting 1 342 learners.	200 000
	Mathlako (Pella) Rekopanwe Home-Based Care/Orphanage	Structural refurbishment of the home-based care and orphanage centre, benefitting 47 children and 237 elderly community members.	597 000

Province	District and name of project	Project description and beneficiaries	Funding (Rands)
Mpumalanga/ Northern Cape	Hazyview/Bushbuckridge Boreholes	Provision of boreholes at Xilongane and Authol Primary Schools, Madolofi Crèche, Sanford, Hlangalezwe, Utha Trust and Alexandria villages, benefitting over 12 000 households. In the Northern Cape, Camden Clinic was also provided with a borehole for the benefit of 9 500 community members.	493 000
	Mamethlake Mabothe Secondary School	Construction of an ablution block (6 female toilets, 3 male toilets and 2 urinals). The project has since benefited 600 students.	200 000
	Piet Retief Computer project	Provision of 33 computers to three schools, benefitting 700 matric students from three adjacent villages.	210 000
	Kwa-Mhlanga Mpumalanga Leather and Bead Factory	Structural completion of a building and installation of eight sewing machines, office furniture and start-up materials for the benefit of 10 adults and the entire community of Kwa-Mhlanga.	700 000

**FOCUS
FOR F2018**

**CORPORATE SOCIAL
RESPONSIBILITY**

- > Continue enterprise development in partnership with government, development agencies and communities.
- > Supplier development initiatives to incorporate SMMEs into preferential procurement programmes.
- > Projects that focus on community health and wellness in partnerships with the department of health.
- > Embark on a robust strategy throughout the Group for SMME participation in preferential procurement, particularly in developing black as well as women-owned suppliers.

GRI MATERIAL TOPICS

GRI 203, 204, 405, 413, 414

BOUNDARY

ARM's South African mines (Mining Charter)
ARM's South African smelters and ARM Corporate (dti CoGP)

STAKEHOLDERS

Government, communities, shareholders

MAIN REGULATIONS AND FRAMEWORKS

- > ICMM Sustainable Development Framework
- > Mining Charter
- > Labour Relations Act
- > Department of Trade and Industry Revised Codes of Good Practice
- > Mineral and Petroleum Resources Development Act
- > Employment Equity Act

TRANSFORMATION

ARM has a zero-tolerance approach to all forms of unfair discrimination. We support the principle of transformation as an effective way to redress historical inequality, facilitate broader social development and give all South Africans a stake in the country's mineral wealth. Transformation is entrenched in our values, strategy and business processes and directs how we engage and develop our workforce, focus our procurement spend and distribute the value we create.

Demonstrating this commitment to transformation is directly linked to our ability to increase financial capital as retaining our mining licences depends on meeting the goals of the Mining Charter. Poor transformation performance could also affect ARM's reputation and decrease the social and relationship capital built up with government, communities, investors, customers and suppliers.

How we manage transformation

ARM's approach to transformation is monitored and its performance reviewed by the Social and Ethics Committee. The Employment Equity and Skills Development Committee is responsible for driving transformation in the workplace. Performance is measured against the Broad-Based Socio-Economic Charter of the Department of Trade and Industry (dti) and the Mining Charter.

Transformation principles are integrated into our business processes and compliance is managed as part of the relevant business function.

TRANSFORMATION HIGHLIGHTS

- > Quarterly roadshows were conducted to guide operations on BBEE improvement initiatives and these have resulted in improvements, particularly on preferential procurement
- > The future leadership development programme has been successfully launched with WITS business school and a women-in-leadership programme with Henley business school
- > Strategic partnerships created through engagement with the Department of Labour, the Department of Mineral Resources, the Commission for Gender Equity, the Mineral Education Trust Funds, the Chamber of Mines and the Mining Qualifications Authority.

ARM participates in the government-led Mining Operation Phakisa that was announced in 2015 to galvanise growth, transformation, investment and employment creation along the mining value chain, in relevant input sectors and in mining-related communities. To date there has been limited output from this initiative.

Note: The dti CoGP and Mining Charter do not apply to ARM's non-South African operations and Lubambe Mine is therefore not included in this section.

Transformation performance against the Mining Charter scorecard



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

Mining licences are issued in terms of the Mineral and Petroleum Resources Development Act (MPRDA), which was enacted to facilitate meaningful participation of Historically Disadvantaged South Africans (HDSAs) in the mining and minerals industry. The Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter) sets transformation goals for the mining industry across various categories.

The Mining Charter applies to ARM's six South African mines and their continued ability to achieve these goals affects the Company's legal licence to operate in terms of its mining licence, as well as strengthening its social licence to operate.

The Reviewed Mining Charter (Mining Charter III) was published by the Department of Mineral Resources (DMR) on 15 June 2017 and contains revised categories and targets that will have a significant impact on the mining industry's transformation performance.

The Reviewed Mining Charter has been suspended due to a legal dispute between the Chamber of Mines, which represents the mining industry, and the DMR. ARM continues to monitor developments in this regard so that appropriate measures can be taken to achieve the targets set in the Revised Charter once it is implemented.

Until the legal dispute process is completed, the targets set in Mining Charter II, which relate to the year ending 31 December 2014, remain in place and ARM operations continue to use the 2014 targets to measure and report on their transformation performance.



2. EDUCATING RELEVANT STAFF AND DEVELOPING INTERNAL PROCESSES TO MONITOR AND REPORT IN TERMS OF THE TARGETS OF THE REVIEWED MINING CHARTER SCORECARD

The table summarises the combined performance of ARM's mines against nine categories of the Mining Charter for the 2015 and 2016 calendar years. Reporting for the 2015 calendar year includes Dwarsrivier, which was sold in July 2016.

	Mining Charter II (2014) target	Performance (calendar year)	
		2016	2015
1. Reporting		Submitted	Submitted
2. HDSA Ownership ARM has an effective 50.96% HDSA ownership base through African Rainbow Minerals & Exploration Investments (42.69%), Botho-Botho Commercial Enterprises (0.54%) and the ARM Broad-Based Economic Empowerment (BBEE) Trust (7.72%) (these percentages are calculated excluding the treasury shares held by the 100% ARM owned subsidiary, Opilac Proprietary Limited). The performance figure noted in the table is the average across ARM's six mines (seven in 2015) and uses the flow through principle, which attributes the HDSA ownership of a holding company to a subsidiary in proportion to the percentage held by the holding company.	26%	33.1%	35.0%
3. Housing and living conditions All operations achieved the 2014 housing and living conditions targets, which related to hostel conversions, occupancy rates and facilitating home ownership. ARM's housing strategy and policy aims to ensure that every employee has decent accommodation in line with the Mining Charter, the Housing and Living Conditions Standards for the Minerals Industry and the relevant municipal and spatial planning legislation. Our housing initiatives are discussed on page 57.		Achieved	Achieved
4. Preferential procurement			
– Capital	40%	79.6%	61.7%
– Services	70%	65.4%*	83.4%
– Consumables	50%	90.3%	72.4%
Enterprise development	Levy withheld from multinational suppliers allocated to social development	0.50%	**

* ARM narrowly missed the Services procurement target in C2016, but has generally exceeded the Mining Charter's target for the past eight years and exceeded the target in the first six months of the 2017 calendar year.

** Modikwa Mine is engaging with multinational suppliers of capital goods on implementing the requirements. Beeshoek, Black Rock, Khumani, Two Rivers and Nkomati mines are collecting levies from multinational suppliers of capital goods.

TRANSFORMATION continued

	Mining Charter II (2014) target	Performance (calendar year)	
		2016	2015
5. Employment equity (HDSA representation)			
– Top management	40%	47.8%	41.7%
– Senior management	40%	57.3%	56.3%
– Middle management	40%	58.1%	55.2%
– Junior management	40%	71.9%	68.7%
– Core skills	40%	86.5%	95.4%
ARM's activities to ensure a diverse and representative workforce are discussed on pages 56 and 57.			
6. Human resources development (% of payroll invested)	5%	5.23%	5.91%
ARM's skills development initiatives are discussed on pages 54 and 55.			
7. Mine community development (% of net profit after tax)	1%	4.4%†	3%
ARM's socio-economic development initiatives in local communities are discussed on pages 60 to 62.			
† Percentage excludes Modikwa Mine, which is an unincorporated joint venture and therefore does not report a standalone net profit after tax figure.			
8. Sustainable development and growth		97%	95%
Health and safety performance (discussed on pages 36 to 51)			
9. Facilitate local beneficiation		Note 1	Note 1
Note 1: The Chamber of Mines is engaging with the DMR on behalf of its members to better understand the reporting requirements in light of the Mineral Beneficiation Strategy.			

Transformation performance against the Revised Codes of Good Practice (dti CoGP)

ARM's smelters at Cato Ridge and Machadodorp, as well as the overall Group performance, are measured against the dti CoGP.

The revisions to the dti CoGP that came into effect in May 2015 raised the targets within each category and added further requirements, sub-minimum scores, various exclusions and capping provisions that significantly impacted the level of most companies reporting against the dti CoGP.

A delay in finalising the F2015 B-BBEE certificate led to the certificate being valid over the F2016 year, so the same score shows in the table below for both F2015 and F2016. The table shows ARM's performance against the categories of the dti CoGP and includes a link to the pages where the initiatives around each of the categories are discussed in this report.

ARM's B-BBEE score and level improved to 70.99 (Level 7) in F2017.

Category	Reference	Target	F2017	F2016	F2015
Ownership	p 67	25	21.54	22.14	22.14
Management control	p 56	19	10.52	10.17	10.17
Skills development	p 54	20	11.50	12.70	12.70
Enterprise and supplier development	p 61	40	22.43	18.81	18.81
Socio-economic development	p 61	5	5.00	5.00	5.00
Overall score			70.99	68.82	68.82
Contributor level			7*	8	8

* Overall score: level 6, discounted to level 7.

All ARM operations are currently under review by the Department of Labour Director General and have submitted their Employment Equity Plans. The Group Executive Compliance and Stakeholder Relations and the Group Executive Human Resources will conduct quarterly roadshows to monitor and evaluate progress in terms of Section 43 of the Employment Equity Act, 55 of 1998, as amended.



The Black Economic Empowerment Verification Certificate is available on pages 94 and 95 of this report.

**TRANSFORMATION
FOCUS FOR
F2017**

3. CONTINUE ALIGNING OUR COMPLIANCE EFFORTS WITH THE NEW DTI COGP THROUGH ALREADY ESTABLISHED ACTION PLANS

Various initiatives are being undertaken to identify ways of improving ARM's B-BBEE performance, particularly in the lowest scoring areas of enterprise and supplier development and skills development. These include refining internal processes to improve the accuracy of information and availability of evidence for verification, as well as opportunities for collaboration within the Group and with industry. A further initiative supports operations to actively track and flag suppliers' BEE certificates prior to expiry to proactively engage with suppliers to ensure their BEE status remains valid. Workshops were held to prepare operations for the independent verifications that will take place early in the new financial year.



**FOCUS
FOR F2018**

> To launch and implement the Gender Unit for all ARM operations as a sub-unit of the ARM Employment Equity Committee

TRANSFORMATION

ETHICS

ARM is committed to ensuring that it conducts its business with high moral, ethical and legal standards. ARM's Code of Conduct (the Code) applies to directors, management, employees, suppliers, contractors and joint ventures 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.

A compulsory online training programme is used across the Group to train employees on the Code. The Code was most recently amended with effect 1 July 2017 and training is in progress.

Comment from the 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.”

 Ibis ESG Assurance's comprehensive Assurance Statement is available on pages 88 and 89 of this report.

Conflicts of interest

The Code prohibits real or perceived conflicts of interest, but recognises that in certain circumstances such conflicts may arise, in which case they should be disclosed and dealt with in terms of the applicable laws. Gift registers are used at the corporate office and the operations to ensure that gifts, hospitality and favours are declared and authorised within limits. The acceptance of any gift is subject to the approval of a member of the executive.

Disclosure

There is a policy regarding communications included in the Code that encourages complete, accurate and timely communications with the public. Compliance with disclosure requirements, including those in the JSE Listings Requirements, is overseen by the Chief Executive Officer, the Financial Director, the Head of Investor Relations and the Company Secretary.

TRANSFORMATION continued

Bribery and corruption

ARM has no tolerance for any form of bribery and corruption and this stance is included in the training programme on the Code. The training is introduced by the Chief Executive Officer and communicates top management's commitment to ARM's anti-bribery and anti-corruption policies.

Bribery and corruption is explicitly addressed in ARM's codes and policies, including the policies and procedures relating to giving and receiving of gifts, sponsorship, entertainment, hospitality and favours.

ARM has an anti-fraud, bribery and corruption (ABC) prevention strategy in place that is monitored and overseen by the Audit and Risk Committee.

Dealings in securities and insider trading policy

Closed periods are applied that preclude Directors, officers and designated persons from dealing in ARM securities during these times, in compliance with the relevant legislation. All Directors and employees are provided with the 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 law and regulations.

Donations to political parties

ARM has a policy regarding donations to political parties and contributes to political parties to support South Africa's democratic processes. Donations are made to political parties in accordance with the policy and the donations budget approved by the Board.

HUMAN RIGHTS

ARM's Code of Conduct and policies clearly state the Group's strong position against any form of unfair discrimination. While ARM's policies do not directly use the term human rights, it is implied and articulated in the Code, our Grievance Procedure Policy, Protected Disclosure Policy and our Sexual Harassment Policy.

ARM's business policies and management systems include human rights considerations to ensure that these are appropriately managed and addressed. The Company's human rights practices align with South Africa's human rights legislation, including the Constitution and the Bill of Rights, which safeguard the basic human rights of employees in South Africa. ARM is further committed to the ten principles of the United Nations Global Compact (UNGC).

The Code of Conduct and human capital policies aim to promote equality and eliminate unfair discrimination on the basis of race, ethnicity, colour, gender, sexual orientation, nationality, place of origin, citizenship, creed, political persuasion, age, marital or family status or disability. The Human Resources Performance Management System and Safety, Health, Environment and Quality systems monitor compliance and performance.

We conduct human rights assessments aligned with the United Nations' Protect, Respect and Remedy Framework and grievance mechanisms are in place should an employee feel that their human rights have been violated. These include reporting the matter to supervisors or managers, the Human Resources Department or anonymously to the whistleblowers' line.

ARM does not use forced, compulsory or child labour and expects its suppliers and contractors to take a similar ethical approach to respecting human rights. Fair and competitive remuneration is an ongoing discussion point and all non-management employees are afforded freedom of association.

Human rights training is provided to all security personnel, including contractors, and refresher training is provided every second week. Operational community relations strategies uphold and promote human rights and respect cultural considerations and heritage.

