

ATTACHMENT C

ARM CSI Policy

ARM CSI POLICY PROCEDURES

- i) POLICY STRATEGIC INTENT:
- ii) PROCEDURES: Steps to be followed on implementing Policy

POLICY STRATEGIC INTENT

Corporate Social Investment is an integral part of ARM's commitment to sustainable development and a primary terrain for branding and enhancing the company's reputation as a responsible corporate citizen and valued partner amongst communities where it operates.

To achieve this goal, our policy and program are aimed at:

- Focusing on initiatives which enjoy broad-based stakeholders' support while avoiding handout tendencies which prove unsustainable;
- Ensuring that communities and beneficiaries of the programmes are actively consulted in the process of project selection, implementation and evaluation;
- Quantifying the costs and benefits of the programmes selected and evaluating them in terms of their ability to contribute to capacity building, improving the quality of life and ensuring sustainable development;(code of conduct to those involved).
- Defining the roles and responsibilities of stakeholders and projects/programme beneficiaries, with specific emphasis on financial controls and corporate governance compliance;
- Integrating and coordinating Strategic Business Units (SBU's), Business Units (BU's) and the Central ARM Trust and the Chairman's Fund initiatives in a cost-effective and efficient manner;
- Building community awareness and recognition of the role played by ARM in developing their communities through appropriate and transparent outreach initiatives
- Contributing to the socio-economic upliftment of the South African populace with particular reference to educational assistance to the poor, downtrodden and needy and

- Building open, honest and constructive relationships between the company and its host communities.

Arm shall endeavour to partner communities around its operations with other relevant stakeholders like government in implementing sustainable community development initiatives to ensure that those communities value its corporate citizenship. The guiding principles of ARM's CSI initiatives would be:

- Focused on coherent relationships between our mines and operations and surrounding communities;
- Promoting an equitable balance between ARM's interests and development imperatives;
- Visionary and broad with solid and well-planned funding programmes and agreed entry and exit points;
- Encouraging partnerships with reputable institutions capable of generating mutually beneficial profile and capacity building outcomes;
- Aligned with national imperatives and government's socio-economic framework;
- Reflect values inherent in ARM and encourage employee participation that builds unity and capacity in beneficiary communities;
- Subject to periodic audit, evaluation review by the Trust/ARM Board and
- Compliance with corporate governance principles and guidelines of the King Report.
- Apply a minimum of 1% of profits before tax to CSI initiatives, with more than half of this spent each year in communities related directly to our operations.

POLICY PROCEDURE – Steps to be followed on implementing the policy

Application form will be issued and they will be categorised into two:-

- i) Application forms for small donations
- ii) Applications forms for comprehensive funding

SCREENING OF APPLICATION

Applications will be categorised according to ARM's CSI policy Key Priority Areas as listed below:

- Health-care promotion, particularly HIV + AIDS programmes
- Education, capacity building and skills development for targeted communities and CBOs and NGOs

- Income generation and job-creation programmes/projects, with the primary focus on youth, women and people with disabilities;
- Infrastructure development including - but not limited to: schools, clinics, orphanages, etc
- The development of sport within communities and the contribution to CBO fund raising initiatives through sporting functions
- Cultural events, especially those in rural communities.
- Support for environmental issues relating to community well being in association with the SHEQ initiative.

When considering which application meets the criteria the following funding guidelines will be considered:-

- Projects funded must have a developmental approach that is intended to build capacity in communities and should eradicate dependency;
- Projects should take an affirmative approach bias, with women, the disabled, youth and the socially destitute prioritized;
- Individuals may not be funded. Funding must benefit a wider community or groups with common objectives and purpose;
- Deliverables and conditions of significant funding must be agreed with the beneficiaries
- The Chairman may use his discretion to fund any program or project which, in his opinion, advances the interests of ARM;
- Direct periodic contacts must be maintained with the project beneficiaries and the projects to assess their development impact;
- Funding at tertiary and institutional level should be geared to research and development, the transfer of skills and technology, and efficient use and conservation of the mining and minerals resources;
- The process of allocating funds and grants must be open and transparent (grant application forms to be made available to all applicants);
- Partnerships with other businesses, government and communities must be encouraged, while promoting ARM's identity for its interventions;
- Funding agreements must outline expectations and deliverables on both sides (ARM will enter into a formal agreement – standard forms to be developed) and
- Project implementation and adherence to stated objectives must be constantly monitored and evaluated (annual audit of projects will be conducted).
- Funding any ecclesiastical, charitable and/or educational institution of a public character, whether or not supported wholly or in part by grants from the public revenue.

INFORMATION TO BE CONSIDERED IN EACH APPLICATION

RESPONDING TO APPLICATION

- Application should be responded to within ten (10) working days
- Application must be filled in full all the required information.
- Those applications that CSI is not going to fund, a standardised response letter must be written to applicants stating reasons why they are not funded.
- All small donations must be given final response within ten (10) working days.
- Application that CSI intends funding – standardised Acknowledgement letter must be written to the applicants stating that their applications are being considered and final response will follow.

PROJECT EVALUATION

Final Steps to be followed before final commitment to the Project

- Site visit must be done to evaluate the project taking into cognisance the truthfulness of what is written in the application form.
- Verify the accuracy of the information which is written in the application Report on any exaggeration that was given in the form for the purposes of being considered.
- Inspect the facilities and feel the atmosphere- do the project workers seem energized, sincere, committed or apathetic.
- Convince yourself that the need exist.
- Ensure that the organisation is acceptable and will receive the support of the community.
- A good project must be sustainable and not reliant on external factors.
- Establish if the project is worthwhile and needed by the community.
- Assess if the project have broad impact from grassroots to higher echelons of society.
- Evaluate if the project does strengthen society in the long term.

RECOMMENDATIONS

Each application must be summarised on what the project is all about and be submitted to ARM CSI Board for the recommendation of approval.

If the project is approved by the Board for funding a cheque must be issued and a CSI official must go to project owners to issue the cheque and pictures must be taken for records on reporting.

MONITORING OF THE PROJECT

- It is important that intervention must be effective and the output to be measurable.
- Monitoring tool must design i.e Project. Evaluation form
- CSI official to visit the project to monitor progress.

REPORTS

CSI official must compile a report assessing on project challenges and successes.

Project beneficiaries and / owners must submit project close – out reports, so that good and successful projects can be replicated.

Mistakes are made, the unexpected happens, conditions change. In organisations that have several projects going on concurrently ,it is prudent to have periodic reality checks on current and recently completed projects and their role in the organisations future.

PROJECT AUDIT & CLOSURE

“Those who cannot remember the past are condemned to fulfil it” Santayana (1863-1956)

“We learn from experience only if the experience is preserved and studied” Whitaker (1999)

The post-project audit includes 3 major tasks:

- 1) Evaluate if the project delivered the expected benefits to all stakeholders. Was the project managed well? Was the client satisfied?
 - 2) Assess what was done wrong and what contributed to successes
 - 3) Identify changes to improve the delivery of future projects
- It is estimated that about 90% of all projects across industries/sectors are not seriously reviewed or audited.
 - 10% of projects that are seriously audited appear to be done by extremely well managed organisations which are vigorously committed to continuous improvement & organisation learning
 - A major requirement of the project audit is that the outcome must represent an independent, outside view of the project
 - Given that project audits are susceptible to internal politics, some organisations rely on outside consulting firms to conduct the audits

IT IS IMPERATIVE THE AUDIT LEADER POSSES THE FOLLOWING CHARACTERISTICS:

- ◆ no direct involvement or direct interest in the project
- ◆ respect (perceived as impartial & fair) of senior management & other project stakeholders
- ◆ willingness to listen
- ◆ independence & authority to report audit results without fear or recriminations from special interests
- ◆ perceived as having the best interests of the organisation in making organisations
- ◆ broad-based experience in the organisation or industry

PROJECT AUDIT - INFORMATION & DATA COLLECTION & ANALYSIS

The content model for a project audit presents two perspectives:

- 1) *The project from the view of the organisations* – developed by a Small group primarily not having a direct interest in the project
- 2) *The project team's evaluation view* – by a group composed primarily of team members along with persons independent of the project to ensure the evaluation is objective

THE FOLLOWING GUIDELINES SHOULD IMPROVE CHANCES FOR A SUCCESSFUL AUDIT:

- ◆ First & foremost, the philosophy must be that the project audit is not a witch hunt
- ◆ Comments about individuals or groups participating in the project are no-no's – keep to project issues, not what happened or by whom
- ◆ Audit activities should be intensely sensitive to human emotions and reactions
- ◆ The PM should be notified of the impending audit
- ◆ Accuracy of data should be verifiable or noted as subjective, judgemental, or hearsay
- ◆ Senior management should announce support for the project audit & see that the audit group has access to all information, project participants, and (in most cases) project client/customer
- ◆ The attitude toward a project audit & its aftermath depend on the modus operandi of the audit leadership & group – the objective is not to prosecute, but to learn
- ◆ The audit should be completed as quickly as is reasonable
- ◆ The audit leader should be given access to senior Management above PM

PROJECT AUDIT – REPORT OUTLINE

A very general outline common to those found in practice is as follows:

- 1) Introduction (description of the project, objectives)
- 2) Current status (on project parameters)
- 3) Future project status (auditor's conclusions on progress)
- 4) Critical management issues (issues requiring close monitoring)
- 5) Risk management (review of major risks & their impacts)
- 6) Caveats, limitations & assumptions

PROJECT REVIEW/CLOSURE

“...termination comes to every project. At times, project death is quick and clean, but more often it is a long process; and there are times when it is practically impossible to establish that death has occurred.” Meredith & Mantel (2003)

VARIETIES OF PROJECT CLOSURE/REVIEW:

- ◆ *closure by extinction* – project stopped (successful achieved its goals or it is unsuccessful)
- ◆ *closure by addition* – for in house projects, the success leads the project to become a formal part
- ◆ *closure by integration* – where the output of the project (which is successful) becomes a std. Part of the operating systems of the parent, or client
- ◆ *closure by starvation* – due to ‘slow starvation by budget decrement’

PROJECT REVIEW

The final project review/closure report:

- ◆ Good project management systems have a memory. The embodiment of this memory is the final project closure report. The final report is not another evaluation; rather, it is the history of the project. It is a chronicle of the life and times of the project, a compendium of that went right & what went wrong, of who served the project in what capacity, of what was done to create the substance of the project, of how it was managed.

THE REPORT CONTENT:

- 1) *Project performance* - comparison between what was achieved VS what project tried to achieve
- 2) *Administrative performance* – don’t treat the ‘pencil pushers’ with grudging tolerance!
- 3) *Organisational structure* – how the structure aided or impeded the progress of the project
- 4) *Project & administrative teams* – individuals & interpersonal communication & cooperation
- 5) *Techniques of project management* – outcome dependent on the skill with which the forecasting, planning, budgeting, scheduling, resource allocation, risk management, and control are handled.

African Rainbow Minerals (ARM)
ARM Funding Application Process Flow

