



MAINTAINING OUR SOCIAL LICENCE TO OPERATE



“Maintaining our social licence to operate requires us to demonstrate our commitment to responsible and ethical business practices and constructive relationships with stakeholders, particularly our host communities and government.”

– **Mike Schmidt**
Chief executive officer

Communities

Transformation

Product stewardship

REFERENCE: **2019** *F2019 focus*

COMMUNITIES

“ARM’s commitment to being a responsible corporate citizen drives our support of the development of the communities in which we operate through social investment and local economic development projects. These initiatives aim to build capacity in communities and prioritise women, HIV and Aids projects, the upliftment of people living with disabilities, youth and the socially destitute.”

– **Dr Patrice Motsepe**
Executive chairman

Partnering with communities and other stakeholders for social upliftment is a strategic priority. Investment in local communities is aimed at driving socio-economic development and improving community resilience and sustainability.

Most of ARM’s operations are located in remote areas near communities with pressing socio-economic challenges. This provides an opportunity to make a meaningful difference by investing in infrastructure and social projects that can have a significant positive impact. Delivering these initiatives strengthens our relationships with local communities and benefits employees who live there. Regular engagements improve our understanding of community needs and expectations, and promote community ownership of projects by including beneficiaries from the planning phase.

South Africa is experiencing high levels of unemployment and socio-economic challenges. Aligned with increased community unrest, the ARM Group risk register recognises loss of social licence to operate and social unrest as top ten risks.

How we manage community relationships

The Executive: Compliance and Stakeholder Relations and divisional senior management oversee stakeholder engagement at operational level. Stakeholder and community engagement are agenda items at operational, divisional and Board meetings. Community concerns or disputes are reported in quarterly sustainability reports, which are discussed at operational, divisional and Board-level Social and Ethics or Sustainable Development Committees.

Formal stakeholder engagement strategies and policies guide community engagements and are implemented according to stakeholder engagement plans that are revised regularly.

Community stakeholder groups are identified through stakeholder mapping exercises and when stakeholders contact the operations. These groups are recorded in stakeholder registers that are updated on an ongoing basis. Community stakeholders include traditional leaders, representatives elected or approved by the communities as well as groups comprising community members

Reporting context

REPORTING FRAMEWORKS

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PRINCIPAL LEGISLATION

- » The Mineral and Petroleum Resources Development Act (MPRDA)
- » The Mining Charter
- » The Department of Trade and Industry Revised Codes of Good Practice (dti CoGP)

that represent a particular interest, such as business, youth or women forums. Engagements are both formal and informal, and formal engagements are generally minuted.

Progress on projects implemented and impact in the communities are monitored according to various metrics relevant to the nature of the project and stakeholders. Indicators include the number of jobs created, households benefitted, beneficiaries supported, spending against commitments of agreed Social Labour Plans (SLPs), socio-economic benefit created, stakeholder buy-in, meaningful partnerships with local government and the percentage of the project value that directly benefits black people, black youth and black women.

Community grievances can be raised through the formal stakeholder structures in place and concerns are often addressed to municipalities and communicated to the operations by local mayors. Stakeholder groups also approach the operations directly, call or email the operation or use the ARM whistleblower hotline.

MAINTAINING OUR SOCIAL LICENCE TO OPERATE continued

Formal and informal community-related engagement structures



Where possible, operations collaborate with other industry bodies to improve coordination and increase social impact in communities. The General Manager of Modikwa and Two Rivers mines participate in a working group with other CEOs of local mining companies and the Minerals Council South Africa (MCSA) to identify solutions to the various

socio-economic challenges in the area. ARM Ferrous participates in the Northern Cape shared value working committee with other manganese producers and the MCSA to coordinate and deliver sustainable corporate social responsibility projects in the region.

Challenges related to implementation of projects in local communities include:

Ensuring that initiatives meet the different expectations of the range of stakeholders in each project.	Undermining of elected structures by self-appointed community groups and the increasing number of ad-hoc forums (business, youth, women) with different demands.
Continuity in stakeholder representatives.	Increasing community expectations, particularly at marginal operations.
Ensuring that funding provided is spent effectively and on the agreed projects.	Ensuring municipalities accept handover of completed projects timeously and continue to maintain the infrastructure.
Ensuring the sustainability of projects and timing of exit, particularly in enterprise and supplier development programmes.	Ensuring that funding is effectively deployed by understanding whether beneficiaries (local businesses, NGOs etc.) are already receiving funding or support from other sources.

Our contribution to communities

ARM supports education, skills development, entrepreneurship, social projects and infrastructure programmes in local communities to promote socio-economic upliftment, improve living conditions and build our relationships with host communities.

EMPLOYMENT

49% of total Group full-time employees and 52% in the senior management category are from communities local to the operations. Infrastructure and other projects supported by the operations are encouraged to use local labour wherever possible and in F2019 83 permanent and 537 temporary jobs were created through these projects.

HEALTHCARE INITIATIVES

2019 Continue our focus on community health and wellness initiatives in partnership with the Department of Health.

Operations support awareness, testing campaigns and outreach initiatives to address PTB, HIV & Aids among employees and in communities. The three mines in the Ferrous division partner with the Department of Health through implementation of Memorandums of Understanding (MoUs) to strengthen the implementation of provincial PTB, HIV & Aids, STIs and chronic conditions management strategies, and extend primary healthcare services to contractors and communities. Two Rivers and Modikwa mines are in the process of establishing similar MoUs in their areas of operation. Black Rock Mine also partners with the

Northern Cape DoH to provide primary healthcare services to the Black Rock community.

Operations engage with local Aids councils where possible to ensure community projects address the most pressing wellness and health needs, and support community health initiatives, including wellness centres and home-based care groups.

In F2019, ARM operations provided R1.95 million to support community health and HIV & Aids projects through the corporate social investment (CSI) programme (F2018 R2.1 million).

MAINTAINING OUR SOCIAL LICENCE TO OPERATE continued

SKILLS DEVELOPMENT

439 community members received nationally aligned Adult Education and Training (AET) through training centres at operations to support the development of basic skills to improve career prospects and future employability.

Community cadetship training increases employability of participants.

The Graduate Development Programme provides work exposure across different operations in the Group to unemployed youth who have completed degrees or diplomas in the scarce skills disciplines identified in the MQA and MERSETA Sector Skills Plan.

Learnerships allow eligible candidates from outside the academic streams to develop skills across various disciplines applicable to mining.

EDUCATION

ARM bursars included students from local communities in relevant fields of study.

ARM participates in a number of initiatives that support youth development, increase employability in local communities and develop the pool of future industry skills. These programmes include sponsoring a web-based programme for local school leavers, learners and the broader community to improve performance in maths and science and increase opportunities to obtain learnerships, bursaries and further career development. ARM also supports Science, Technology, Engineering and Maths (STEM) in rural communities to help students to acquire formal qualifications.

During F2019, ARM provided R7.5 million towards educational initiatives through the CSI programme (F2108: R6.8 million).

THE ARM BROAD-BASED ECONOMIC EMPOWERMENT TRUST (ARM TRUST)

The ARM Trust was established to drive rural development. Rural Upliftment Trusts have been established in every province and support initiatives including 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 provides resources to build administrative and project management capacity to the Trust to manage the development initiatives. During F2019, R16.4 million was provided to the projects facilitated by the Trust (F2018: R11.2 million).

PREFERENTIAL PROCUREMENT AND ENTERPRISE AND SUPPLIER DEVELOPMENT



Continue enterprise development in partnership with government, development agencies and communities.

Supplier development initiatives to incorporate SMMEs into preferential procurement programmes.

ARM supports the development of local small, medium and micro enterprises (SMMEs) through its preferential procurement and enterprise and supplier development programmes. These promote entrepreneurship, support economic growth among historically disadvantaged South Africans (HDSAs) and in local communities, create jobs, improve market access for South African capital goods and services, and increase economic activity in mining communities.

ARM's operations prioritise support for black-owned and black women-owned businesses. Where appropriate,

operations ring-fence opportunities for suppliers that meet these requirements. Initiatives include a Young Entrepreneurs Incubation Programme and a Business Skills Development Programme. Support includes training, mentoring and coaching, early payment terms to assist with cash flow management, provision of equipment and financial support to qualifying SMMEs. The goal of the enterprise and supplier development programme is to graduate sustainable businesses into the mining supply chain.

During F2019, R160 million was invested in enterprise and supplier development initiatives.

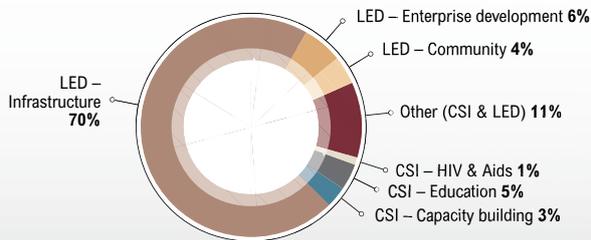
INFRASTRUCTURE DEVELOPMENT

Community infrastructure development projects are implemented as part of the Local Economic Development (LED) programmes and support regional IDPs. These projects form part of the five-year Social and Labour Plans (SLPs) the mines commit to in terms of the MPRDA. SLP projects are agreed and regularly revised in close consultation with communities, the DMRE, Department of Health, Department of Education and local government.

Progress on SLP projects is monitored on an ongoing basis and reported internally at least quarterly at Social and Ethics Committee and Sustainable Development Committee meetings at corporate, operational and divisional levels. Regular updates are provided to municipalities, communities, the DMRE and other government departments.

During F2019, R147.9 million was invested in LED infrastructure projects (F2018: R106 million), which comprises 70% of the Group's total corporate social responsibility (CSR) spend.

F2019 TOTAL CSR SPEND R175.3 million (%)



CORPORATE SOCIAL INVESTMENT (CSI)

Community needs that fall outside the SLPs are funded through the operational CSI budgets. At ARM Corporate level, CSI initiatives include the ARM Chairman's Fund and the Educational Trust.

CSI spending increased to R27.4 million (F2018: R20.5 million), with 31% invested in supporting educational initiatives and 20% in capacity building.

The HR function at Corporate Office and the HR or CSR functions at the operations encourage employee volunteering through initiatives such as Mandela Day.

CASE STUDY

Community water

Access to water is a challenge in the Northern Cape and the ARM Ferrous mines support various projects that aim to address these challenges. Khumani and Black Rock mines contributed to the construction of the new Kuruman bulk water reservoir to replace the old reservoir and help to address the bulk water storage challenges in Kuruman, which will benefit around 11 000 households. Khumani Mine implemented a project in partnership with Gamagara municipality to upgrade the waste water treatment plant that services the Dibeng area (approximately 7 800 residents).

The mine also provided R14.5 million to construct 321 water-borne toilets for 321 stands in the Olifantshoek community and upgraded and secured sewerage pump stations in Kathu and Mopoteng.

Beeshoek Mine upgraded water infrastructure at Postmasburg Hospital, which serves Tsantsabane. The project improved water availability and included the renovation of 14 ablution facilities. The mine also erected a fence around the hospital to improve security.

