

HUMAN RESOURCES MANAGEMENT

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“Our employees are at the centre and at the heart of everything we do. ARM continues to strive to be an employer of choice and to create a safe and healthy work environment.”

– **Dr Patrice Motsepe**
Executive chairman

ARM’s ability to create sustainable value for our stakeholders is dependent on how successful we are at sourcing, attracting, retaining and developing the skills needed to deliver on our Group strategy. The activities of our human capital facilitate the conversion of natural capital in the form of mineral and ore reserves, into financial capital.

Labour productivity is a key aspect of achieving our production targets, in line with our strategy of low-cost production. The ARM strategy is supported by the Human Resources strategy, which aims to increase efficiency, foster an entrepreneurial culture, provide leadership development opportunities and entrench ARM as an employer of choice.

Our values drive our commitment to maintaining a non-discriminatory workplace based on equality, fair labour practices and freedom of association, in which employees can contribute to the best of their ability and are empowered to develop rewarding careers. We respect the rights of our employees and ensure open and effective dialogue with employees, organised labour and all stakeholders.



Reporting context

REPORTING FRAMEWORKS

ICMM



UN SDGs:



PRINCIPAL LEGISLATION

» Refer to the table on the facing page.

HOW WE MANAGE HUMAN CAPITAL

The Group Executive: Human Resources is the senior executive responsible for the implementation of the four Human Resources Strategic Pillars. Human capital policies, procedures and practices are regularly reviewed and updated. These align with South African labour laws and the South African Board for People Practices (SABPP) National Standards. This ensures that our human capital practices meet the stipulated legal requirements, which include conditions of employment, pay, and leave regulations, and limit excessive working hours.

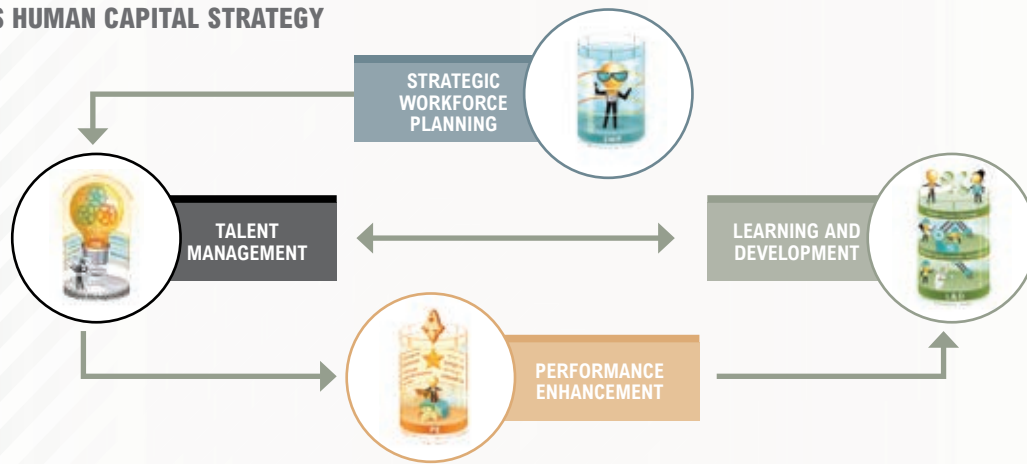
We regularly review industry benchmarks to ensure that ARM’s remuneration practices with regard to minimum wages are

aligned to national industry standards and legislative requirements. ARM conducted an internal benchmark on equal pay for work of equal value, in line with Section 6.4 of the Employment Equity Act, to ensure that non-discriminatory pay practices are in place.

ARM recognises the importance of taking steps to address the wage gap between the remuneration of executives and employees at the lower end of the pay scale and the Remuneration Committee monitors developments in this regard.

Quarterly meetings are held by the management of Human Resources, Human Resources Development and Employee Relations, to drive the implementation of the HR strategy.

ARM'S HUMAN CAPITAL STRATEGY

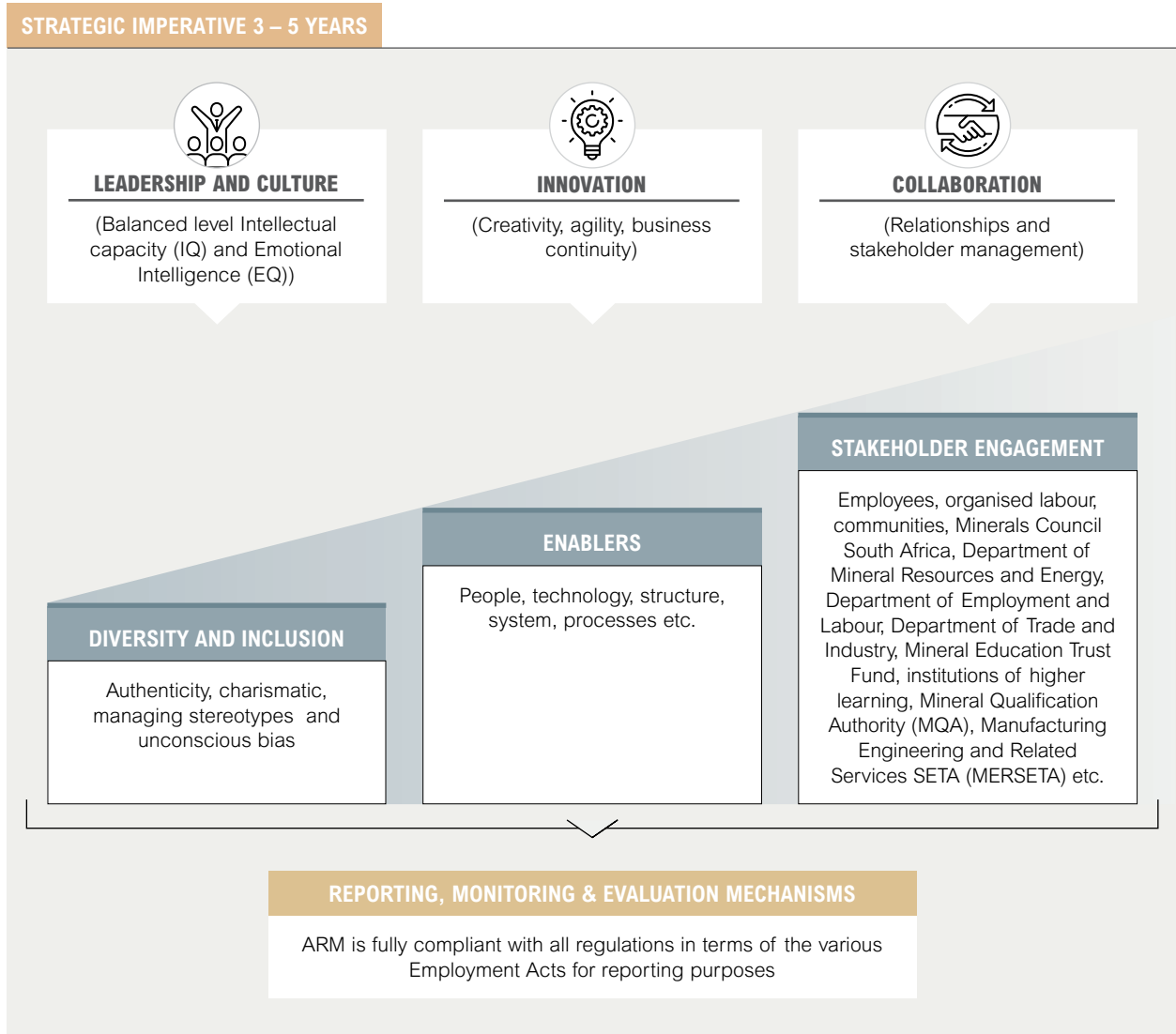


The Group Executive Human Resources is the executive accountable for HR's legal compliance. The compliance matrix below outlines the various reporting timelines.

Regulating Body	Relevant Act/Authority	Report/Submission	Frequency	Reporting Period	Submission Date
Mining Qualifications Authority	Skills Development Act 97 of 1998	MQA Workplace Skills Plan	Annually	01 Jan - 31 Dec	30 April
Mining Qualifications Authority	Skills Development Act 97 of 1998	Annual Training Report	Annually	01 Jan - 31 Dec	30 April
Sector Education and Training Authority	Skills Development Act 97 of 1998	Operational ROI - Grants and Rebates	Annually	1 April – 31 March	30 May
Department of Employment and Labour	Employment Equity Act 55 of 1998	EE Report	Annually	12 months	15 January (Electronic), 1 October (Manual)
Department of Mineral Resources and Energy	Mineral and Petroleum Resources Development Act No 28 of 2002	Mining Charter Report	Annually	01 Jan - 31 Dec	31 March
Department of Employment and Labour	Ministerial Determinations in terms of the BCEA to work continuous operations	Basic Conditions of Employment continuous operations	Annually	September to September	30 June
Department of Employment and Labour	Basic Conditions of Employment Act	Sunday Labour permission	Bi-annually	On date of approval	Bi-annually as per expiry date
Department of Mineral Resources and Energy	Mineral and Petroleum Resources Development Act No 28 of 2002	Social Labour Plan Quarterly Report	Quarterly	5 years	5 years
Department of Mineral Resources and Energy	Mineral and Petroleum Resources Development Act No 28 of 2002	Social Labour Plan Annual Report	Annually	As per 5 year expiry date	As per 5 year expiry date
Department of Mineral Resources and Energy	Mineral and Petroleum Resources Development Act No 28 of 2002	Social Labour Plan	Every 5 years	5 years	As per 5 year expiry date
Department of Home Affairs	South African Consulate General	Corporate Work Permit	Every 5 years	1 July – 30 June	01 July
Department of Trade and Industry	Department of Trade and Industry	dti Scorecard	Annually	1 July – 30 June	01 August
Commission for Gender Equality	Commission for Gender Equality	On request	On request	On request	On request

ENSURING A SAFE, HEALTHY AND APPROPRIATELY SKILLED WORKFORCE continued

In support of our legal requirements, the following drivers are key to facilitate the implementation of HR Legal Compliance.



We monitor our Human Capital performance through:

- Human capital performance indicators, which are monitored and reported on at quarterly operational, divisional, Executive Committee, Steering Committee, Management Risk Committee and Social and Ethics Committee meetings.
- Quarterly compliance roadshows led by the Group Executive: Human Resources and the Group Executive: Compliance and Stakeholder Relations to monitor and evaluate compliance, performance and implementation across operations
- Benchmarking of HR practices against international best practices, through participation and contribution to professional bodies, including the SABPP and the Global Top Employer Certification Programme.



2019 During F2019, data was migrated into the HR system to integrate the four strategic HR pillars for reporting, data analytics and data management.

The four pillars of the human resources strategy

STRATEGIC WORKFORCE PLANNING

The right people, in the right place, at the right time



The strategic workforce planning process systematically identifies and analyses workforce needs to produce a workforce plan that supports the achievement of our strategic and operational objectives. Workforce planning was mapped over a three to five-year period, which will be monitored and reported on annually. Gap analyses of current core and critical skills against future needs and forecast attrition rates identify focus areas for our talent management framework. This ensures that the required positions are filled through recruitment and by developing suitable internal candidates for these roles.

Workforce (30 June 2019)

21 417
(F2018: 21 862)

40%
Contractors
(F2018: 43%)

TALENT MANAGEMENT

Source, attract, deploy, develop, retain and optimise talent



ARM's talent management framework proactively designs and implements an integrated talent-driven organisational strategy to source, attract, deploy, develop, retain and optimise the appropriate talent requirements identified in the workforce plan to ensure a sustainable organisation. Our talent management system integrates with our talent portal and employment equity system to ensure talent, succession, career development and transformational goals are aligned. This also enables monitoring and tracking of talent across the Company to support delivery on our Employment Equity and Gender Transformation plans.

Our compelling Employee Value Proposition (EVP) creates an innovative environment and encourages an entrepreneurial culture. The EVP includes competitive remuneration, study assistance, performance management and career development opportunities.

Succession planning is an important focus of the talent management strategy to create an active talent pipeline to

meet current and future workforce needs identified in the strategic workforce planning pillar.

Attract

97%
of job offers made in
F2019 were accepted
(F2018: 97%)

ARM certified as a
Top Employer in F2019

Turnover

5.7%
employee turnover¹
(F2018: 6.9%)

LEARNING & DEVELOPMENT

Develop skills to meet current and future needs



The learning and development pillar of the HR strategy aims to provide occupationally-directed and other learning interventions that enable and enhance the knowledge, practical skills and workplace experience and behaviour of individuals and teams. Training interventions are based on current and future occupational requirements for optimal organisational performance and sustainability.

The total investment in skills development stayed relatively stable at 8% of payroll (F2018: 9%) and remained above the Mining Charter target of 5%. This represents training spend of R11 159 per worker (including contractors) compared to R10 486 in F2018.

Training and development is planned and budgeted for at an operational level and delivered through accredited training centres at each operation. While our skills development programmes prioritise the development of core and critical skills for the business in support of the Skills Development Act, a range of programmes that support the development of future industry skills as well as leadership in the workforce, have been implemented.

¹ Employee turnover is calculated as the number of permanent employees who leave our organisation during the year, including resignations, dismissals, retirements and those that left voluntarily. It excludes contractors.

ENSURING A SAFE, HEALTHY AND APPROPRIATELY SKILLED WORKFORCE continued

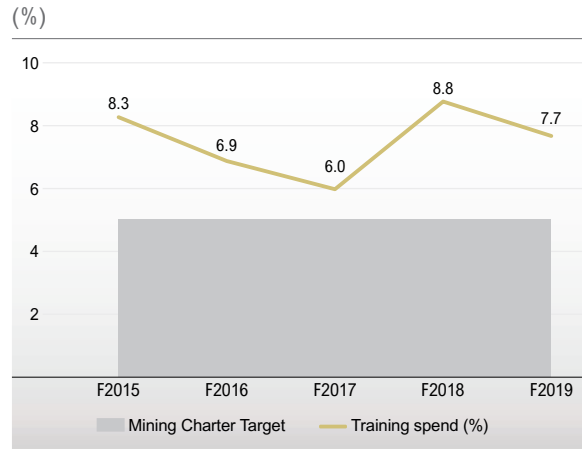
Workforce (30 June 2019)

R239
million spent on skills development in F2019
(F2018: R239 million)

6.8
training days per employee
(F2018: 6.3)

During F2019, the Leadership Development Framework was implemented for all employees across the Group, which aims to ensure all employees acquire leadership and managerial competencies. We also participated in the GradStar programme for the first time this year. The programme recognises the Top 100 students across the country based on leadership qualities and readiness for the workplace. Nineteen of ARM's bursars took part in the GradStar nomination process, of which four were successful and made it to the final stage.

TRAINING SPEND AS A PERCENTAGE OF PAYROLL



SKILLS OF THE FUTURE TALENT POOL

- » 115 bursaries in industry-relevant fields of study (F2018: 101).
- » 55 unemployed youth gaining work exposure through the ARM Graduate Development Programme (F2018: 46).
- » 299 learnerships for eligible candidates from outside academic streams (F2018: 188).
- » 142 employees and 439 community members receiving Adult Education and Training (AET) at ARM training centres (F2018: 134 employees and 243 community members).
- » Educational support for Science, Technology, Engineering and Maths (STEM) in community schools.
- » Participation in the Minerals Education Trust Fund, to support tertiary teaching staff in mining, metallurgy/chemical engineering and geology.

DEVELOP CORE AND CRITICAL SKILLS IN THE ORGANISATION

- » The training centres at each operation have full SETA accreditation with either the Mining Qualifications Authority (MQA) or the Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA).
- » In April 2019, ARM initiated a Junior Development Programme to empower delegates to acquire the knowledge, skills, attitudes and values required to operate confidently in their current and future roles. 16 delegates are in this externally facilitated program.
- » This year, ARM also introduced another Women Development Programme, which aims to develop leadership competencies, create talent pools to accelerate development and improve promotional opportunities for A to C band female employees. 17 delegates are participating in this externally facilitated programme.

DEVELOPING FUTURE LEADERS

- » 32 employees graduated from ARM's Future Leadership Development Programme, which is delivered in partnership with Wits Business School (F2018: 32).
- » 41 employees graduated from ARM's Women in Leadership Development Programme, which is run in partnership with Henley Business School (F2018: 41).
- » ARM participates in the Rising Star and GradStar Programmes, which celebrate the achievements of young talented people, connects them with other young professionals and supports them to develop their leadership skills. Four ARM bursars were nominated among the Top 500 applicants to go through to phase two of the selection phase of the GradStar programme.

ARM formed partnerships with various industry stakeholders and educational institutions to keep abreast with local and global trends in skills of the future requirements. These include:

The Minerals Education Trust Fund (METF)

Participation in the METF, which aims to attract, retain and develop teaching staff in tertiary education across the disciplines of mining, metallurgy/chemical engineering and geology.

The Educational Advisory Committee of the Minerals Council SA (EAC)

ARM participates in the EAC, at which representatives from mining companies engage to address training of employees and future skills.

Department of Trade and Industry (dti)

ARM partnered with the dti to implement the Youth Employment Service (YES) initiative, a business-led collaboration with government and labour to create work opportunities for youth.

Department of Mineral Resources and Energy (DMRE)

ARM participated in the DMRE's annual Learner Focus week, which seeks to promote mining through career guidance for learners from Gr 9 – 12, with a long-term vision of addressing the shortage of skills in the mining and minerals sector.

Department of Mineral Resources and Energy

We also took part in the DMRE's Girl Learner Bursary Programme through which ARM adopted two female learners studying towards Mining Engineering degrees at Wits University.

Institute of Higher Learning

A number of partnerships are in place with institutions of higher learning across the country supporting industry-relevant departments including mining engineering, metallurgy, chemical engineering, engineering and geology.

PERFORMANCE ENHANCEMENT

Direct, develop, support, align and improve individual and team performance



Performance and development reviews are conducted for all employees at least twice a year and feedback from these reviews guides training initiatives and skills focus, including performance improvement. The ARM Performance Enhancement Group Policy was introduced to employees in F2018 and was translated into Standard Operating Procedures (SOPs).

An in-house Performance Enhancement System was developed and piloted to employee groups at all levels. The system will go live early in F2020.

ARM's remuneration strategy aims to link and align personal reward with Company performance through short- and long-term incentives that promote a culture that supports enterprise and innovation, and are fair and achievable.



More details about ARM's Remuneration Policy are available in the Remuneration Report in the 2019 Corporate Governance Report available on our website at www.arm.co.za.



ENSURING A SAFE, HEALTHY AND APPROPRIATELY SKILLED WORKFORCE continued

Diversity and inclusion

ARM believes that an inclusive and representative workforce greatly benefits and enriches our company and our country. We are committed to creating opportunities and employment for all people regardless of race, religion, gender, age, sexual orientation, nationality or disability. The strategic workforce planning process is aligned with our transformational goals. The talent management strategy includes talent pool identification and management, which drives career path programmes to support the rapid development of historically disadvantaged South Africans (HDSAs) to senior levels in the workforce. ARM's skills development initiatives place significant emphasis on, and play a key role in, driving employment equity (EE) in the workplace.

Transformation in the workforce is overseen and monitored by the Group Executive: Human Resources and the Group Executive: Compliance and Stakeholder Relations, with the support of top leadership. ARM's Diversity Management Policy is overseen by the Employment Equity and Skills Development Committee, which reports to the ARM Social and Ethics Committee. The Group Executive: Human Resources is the legally appointed Employment Equity Senior Manager for the Group in terms of the Employment Equity Act (No. 55 of 1998) Section 24.

EE performance is measured in terms of the requirements of the Mining Charter, the Department of Employment and Labour, the Commission for Gender Equality and the Department of Trade and Industry (dti) Codes of Good Practice (CoGP).

These scorecards require EE performance to be measured against the economically active population (EAP) and against Mining Charter targets and demographics. The EAP is considered in training, recruitment and developmental interventions and ARM's legislative compliance monitoring tools aim to ensure that all transformation plans are aligned.

The Group Executive: Human Resources reports EE performance and progress in the following structures:

- » The ARM executive committee;
- » The ARM steering committee;
- » The ARM management risk and compliance committee;
- » The ARM social and ethics committee; and
- » The ARM remuneration committee.

All ARM operations under the former Department of Labour Director General Review, now the Department of Employment and Labour, have submitted their EE plans. Progress in terms of Section 43 of the Employment Equity Act, 55 of 1998, as amended, and all other scorecard transformational targets, is assessed during the quarterly HR roadshows.

During F2019, ARM operations and ARM Corporate completed an Equal Pay for Work of Equal Value analysis as required by section 6(4) of the EE Act. Fifteen employees, out of the total workforce, were found to be paid under 80% of the comparative ratio and adjustments were made to close the income differentials gaps.

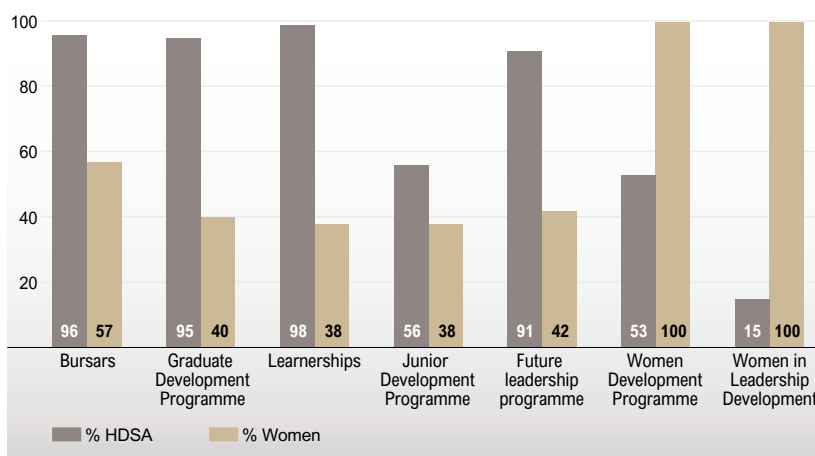
ARM SOCIAL AND ETHICS COMMITTEE

ARM Employment Equity and Skills Development Committee

Responsible for managing and monitoring progress on transformation in the workforce, skills attraction, development and retention. Reviews recruitment processes, follows up on deviations in EE performance and monitors the technical skills required to meet our transformation goals.

DIVERSITY IN SKILLS DEVELOPMENT PROGRAMMES

(%)



ARM HDSA in management

56%
in top management
(F2018: 56%)

51%
in senior management
(F2018: 51%)

66%
in middle management
(F2018: 64%)

77%
in junior management
(F2018: 75%)

2019

During F2019 transformation targets were linked to the four pillars of the HR strategy to improve reporting, monitoring and evaluation.

Diversity reflective sessions and teambuilding were implemented at the ARM Corporate Office.

ARM Corporate, Diversity and Inclusion Programme

ARM Corporate launched its Diversity and Inclusion Programme on 01 June 2018, as part of our organisational culture change initiatives. The programme aims to facilitate a continuous deep-seated and sustainable change on an individual level, as well as enabling an ARM cultural shift towards inclusivity on a team and organisational level. The launch included a diversity symbol to ensure sustainable change and to entrench conversations regarding diversity and inclusion in the organisational culture change journey.

A series of 12 diversity and inclusion workshops were facilitated from June to October 2018 that covered four conversations. The first conversation provided orientation to the programme and the second explored the core concepts of diversity, inclusion and diversity management, which aided in a deeper understanding of diversity and inclusion.

Conversation three enabled delegates to understand the psychology of diversity and explored our reference systems, ladder of inference, unconscious bias, and our 'single stories'

of people. The last conversation dealt with how the insights gained during this workshop can be applied in the workplace, creating a more inclusive ARM culture.

A diversity and inclusion report, which includes general themes that emerged from these workshops, was presented to the Employment Equity Committee and Steering Committee. The themes in this report are discussed during departmental diversity and inclusion coffee conversations. Action items to effect inclusivity, are also identified during the discussions for implementation and escalation to the Employment Equity Committee and also Steering Committee meetings.

Our diversity programme includes a focus on raising awareness regarding people with disability (PWD) and increase the representation of PWDs in the workforce wherever practical. A Disability Policy is in place at the Northern Cape operations to achieve these goals. In F2019, there were 139 PWDs working at ARM (F2018: 115), 53 of whom are women (F2018: 41). 22 of the learnerships at ARM's operations were offered to PWDs (F2018: 40).

Gender mainstreaming

2019

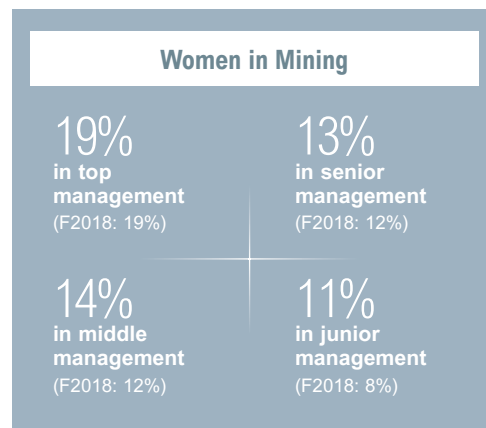
Ensure all ARM Group policies are aligned to gender mainstreaming.

Facilitate the gender mainstreaming action plan, as adopted by the Commission for Gender Equality and the ARM Group.

Gender Units to be established at all operations by the end of F2019.

Gender mainstreaming is an area of significant focus and is overseen by the ARM Corporate Gender Unit, a substructure to the Employment Equity Forum. ARM's Gender Mainstreaming Policy and Action Plan (2018 - 2020) was compiled in consultation with the Commission for Gender Equality. A gender focal person with gender competence was appointed to facilitate and drive the implementation of gender mainstreaming. An action plan for gender mainstreaming was developed with clear focus and performance measuring criteria, and execution on the plan was reported to the Social and Ethics Committee. The goal of these structures is to improve diversity and inclusion across all occupational levels.

During F2019, the Commission for Gender Equality conducted a review of gender transformation at ARM Corporate as well as Two Rivers, Khumani and Nkomati mines to assess progress against a study conducted at these sites in F2016. The focus of the F2016 study was on gender representation and participation in decision making, mainstreaming gender in organisational culture and systems and measures to create an enabling environment for gender mainstreaming. The findings showed improvement across most categories. Areas for improvement include implementing gender mainstreaming policies at all operations, establishing dedicated internal units at all operations and conducting ongoing monitoring and evaluation of gender mainstreaming. Action plans are in place to ensure that these areas are addressed.



ENSURING A SAFE, HEALTHY AND APPROPRIATELY SKILLED WORKFORCE continued

INITIATIVES TO MONITOR AND IMPROVE WOMEN IN MINING INCLUDE:

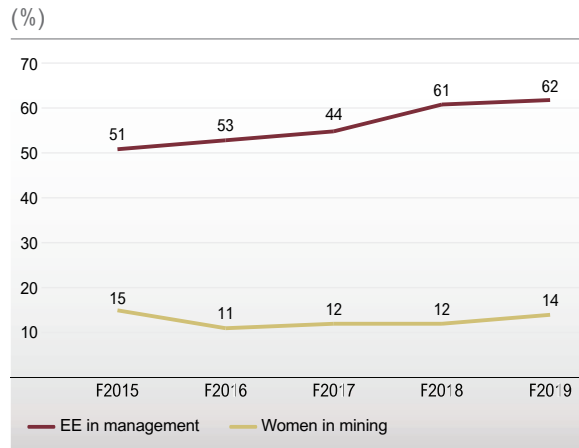
- » ARM's Women in Mining Forum.
- » Women representatives included in the Employment Equity Committees.
- » ARM participation in provincial DMRE Women in Mining structures.
- » ARM's Girl Child initiative, which provides support in maths, science and life skills to female learners in Grades 10 to 12 to expand the pool of potential women candidates for the mining industry.
- » Gender-based access control at change houses at operations.
- » Personal Protective Equipment (PPE) designed for women.
- » Awareness campaigns focussing on sexual harassment and on women and child abuse.

Employment equity performance

HDSA representation in management increased to 62% (F2018: 61%) and Women in Mining increased to 14% (F2018: 12%). 90% of ARM's workforce represents core and critical skills (F2018: 88.8%) compared to the Mining Charter target of 60%. Board diversity improved to 50% by the end of F2019, in line with our target. Female representation on the Board was 18%.

EE is monitored and reported in line with the requirements of the new Mining Charter, which measures performance against demographics as indicated by Statistics South Africa. The table below shows performance against national demographics as it covers all ARM operations across the country. Each operation tracks and monitors their performance against the provincial demographics relevant to their respective areas.

REPRESENTATION



EE performance in terms of the new Mining Charter	HDP Representation			Female Representation		
	ARM Actual	Mining Charter Target	Demographics	ARM Actual	Mining Charter Target	Demographics
Board	44%	50%	96%	17%	20%	51%
Executive management	56%	50%	96%	19%	20%	51%
Senior management	51%	60%	96%	17%	25%	51%
Middle management	66%	60%	96%	24%	25%	51%
Junior management	77%	70%	96%	17%	30%	51%
People with disabilities	1%	1.5%	N/A			
Core and critical skills	90%	60%	96%			

Labour relations

We respect the rights of our employees to bargain collectively to ensure engagement on labour-related matters and recognises organised labour as a key stakeholder of the Group. Our relationship with organised labour is cordial and we are committed to continuing to engage in a mature and constructive way.

Policies and guidelines for managing employee relations are set at Corporate level and implemented at operations, with the operational HR managers primarily responsible for union negotiations and employee relations consultative matters. Wages and conditions of employment are negotiated according to the collective agreements in place at each operation. Unions are engaged through consultative forums and other structures as required.

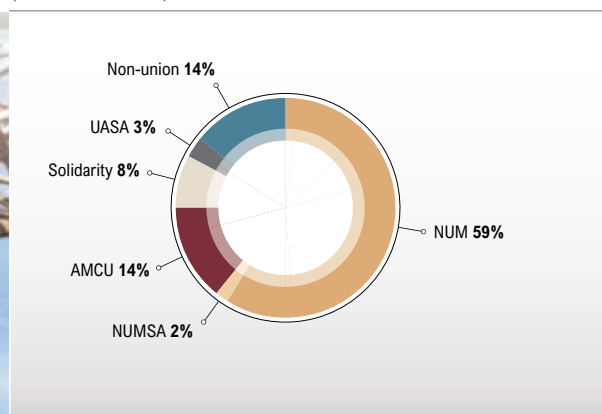
86% of the workforce is unionised and recognition agreements are in place with five unions across our operations. Thresholds for recognition vary from operation to operation. Eight man days were lost due to a strike in F2019 at Khumani Mine (F2018: 5 904 man days).

Certain of our operations have been affected by the emerging trend of non-recognised unions in the mining industry. Some of these unions demand organisational rights despite not meeting recognition agreement thresholds. These developments create an atmosphere of rivalry and can lead to industrial action that causes business interruption.

Nkomati Mine will be placed on care and maintenance from 30 September 2020 in preparation for closure. Employees of the mine are being supported with counselling, financial planning advice, outplacement services and reskilling as well as skills development.

TRADE UNION REPRESENTATION

(% of workforce)



Employee housing

ARM's housing strategy aligns with the requirements of the Mining Charter, the draft Housing and Living Conditions Standards for the Minerals Industry and other municipal and spatial planning legislation. ARM promotes ownership of affordable housing to employees at our operations so that every employee has access to decent accommodation. A shortage of suitable housing for staff can also affect the ability of our mines to attract and retain skilled staff.

The Khumani Housing Development Company facilitates home ownership to qualifying employees of the Northern Cape mines in the Ferrous division and also offers houses for rent. The Northern Cape mines established a high-level working committee comprising labour representatives and management who met several times during the year to provide input for the development of a revised housing policy. These engagements aim to identify long-term sustainable solutions that will address stipulations of the DMRE as well as the needs indicated by employees, which include overcoming the challenges around facilitating home ownership in tribal areas.

Modikwa, Two Rivers and Nkomati mines offer assistance through a home ownership allowance for qualifying employees as most of their employees live in local communities.

The infrastructure development programmes that ARM delivers in local communities through our Social and Labour Plans (SLPs) and Local Economic Development (LED) projects (discussed on pages 33 to 37) aim to improve living conditions and socio-economic development in these communities. These projects also benefit the majority of our employees who live in communities surrounding our operations.



ENSURING A SAFE, HEALTHY AND APPROPRIATELY SKILLED WORKFORCE continued

HR FOCUS 5 TO 10 YEARS



Strategic workforce planning

Business planning and budgeting

- » Ensure human capital resource planning to support operational business plans within approved budgets.
- » Align transformational targets to business requirements.



Talent management

Integration of young professionals

- » Drive talent acquisition strategy.
- » Use technology/HR Analytics and diagnostics tools to mitigate risks associated with potential talent retention for business continuity.
- » Manage the dynamics of generational gap, i.e. skills transfer, among others.



Learning and development

Changing world of work

- » Evaluate the impact of Industrial Revolution 4.0 to our business.
- » Identify skills gaps and re-skill the workforce for "skills of the future".



Performance enhancement

Enhance ARM employee value proposition

- » Maintain Employer of Choice Certification position. ARM has been certified for seven consecutive years.
- » Promote talent retention, through skills development, rewards and performance enhancement.
- » Improve employees' levels of:
 - Engagement
 - Motivation
 - Morale



Human capital 4.0

Integration of technology

- » Use artificial intelligence to drive the HR strategy.
- » Use technology/HR analytics and diagnostic tools to mitigate risks and improve processes.
- » Implement an in-house performance enhancement system.
- » Use technology/app to enhance staff engagement.