

# TRANSFORMATION

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“We are committed to working with government, labour, our host communities and other stakeholders to ensure that the South African mining industry advances the interests of all stakeholders.”

We unequivocally support transformation in the South African mining industry as an effective means to redress historical inequality, facilitate broader social development and give all South Africans a stake in the country’s mineral wealth. Mining licences are contingent on transformation performance and compliance with the relevant legislation is a key focus.

## Reporting context

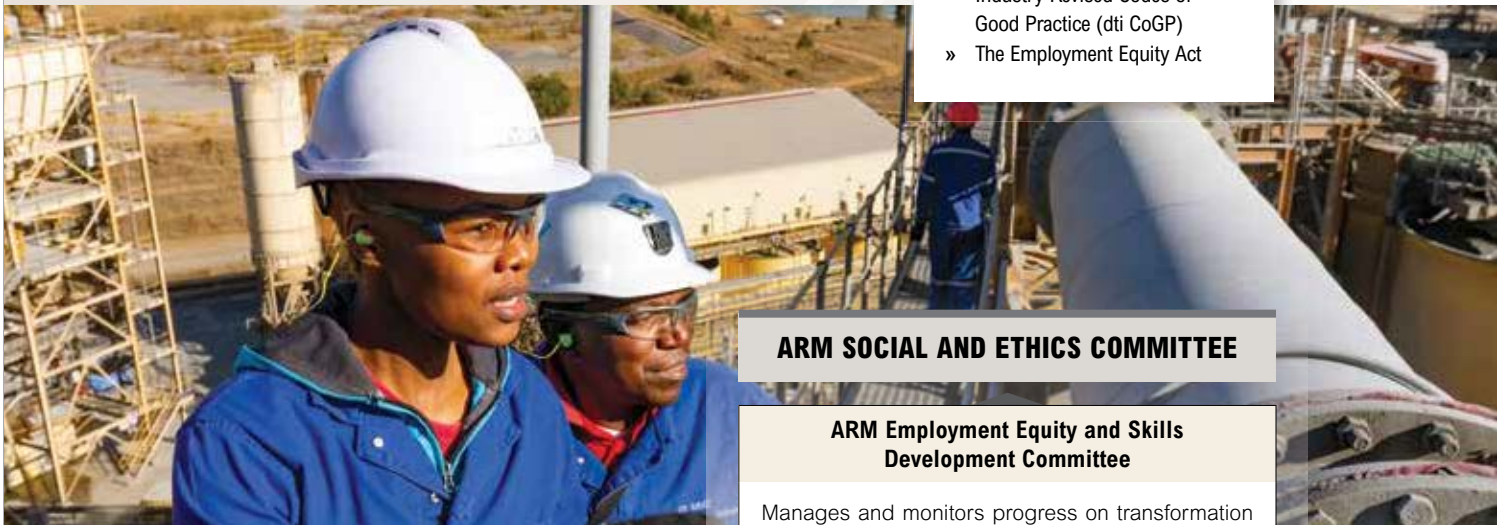
### REPORTING FRAMEWORKS

UN SDGs:



### 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)
- » The Employment Equity Act



## ARM SOCIAL AND ETHICS COMMITTEE

### ARM Employment Equity and Skills Development Committee

Manages and monitors 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.

## How we manage transformation

The ARM Social and Ethics Committee is responsible for monitoring transformation. Transformation principles are integrated into business process across the Group with specific focus in those areas most directly involved in promoting transformation such as the human resources, procurement and corporate social responsibility functions.

Transformation in the workforce is guided and monitored by the Employment Equity and Skills Development Committee, which reports to Exco. The Group Executive: Compliance and Stakeholder Relations and Compliance and the Group Executive: Human Resources conduct quarterly workshops at the operations to monitor and evaluate progress in terms of Section 43 of the

Employment Equity Act, 55 of 1998, as amended. ARM’s employment equity performance is discussed in the human resources development section of this report on pages 58 to 68.

Transformation performance against the requirements of the Mining Charter and the dti CoGP is monitored on an ongoing basis and reported to the Social and Ethics Committee every quarter.

### Preferential procurement and enterprise and supplier development

Preferential procurement initiatives offer opportunities to promote entrepreneurship and economic growth among historically disadvantaged persons (HDPs), create jobs, improve market access for South African capital goods and services, and increase economic activity in the areas around our operations. Preferential procurement and enterprise and supplier development are also significant elements of the Mining Charter and dti CoGP scorecards.

ARM's procurement department assists divisional Chief Executives to drive the process of improving preferential procurement. Our contracting process requires suppliers and service providers to supply valid and current B-BBEE certificates at the contract commencement stage. Submission of B-BBEE improvement plans is also required when proposals are submitted. Suppliers and service providers are encouraged to continuously improve their B-BEE ratings and to communicate any changes in their status.

A pre-audit was conducted in February 2019 to assess preferential procurement and enterprise and supplier development performance against the requirements of the dti CoGP. Operations prepared improvement plans to address the findings highlighted in the feedback report and training was provided on the requirements of the verification audit.

Recognition of performance depends on valid B-BBEE accreditation of suppliers by SANAS-accredited agencies or through sworn affidavits for exempt micro enterprises (EMEs) and qualifying small enterprises (QSEs). Operations actively track and flag supplier's B-BBEE certificates prior to expiry to ensure the availability of valid accreditation certificates.

All operations have compiled draft procurement plans to align to the requirements of the new Mining Charter and an action plan is being implemented to improve preferential procurement performance that, where feasible, prioritises EMEs, QSEs, black owned, black youth and black women owned suppliers.

Initiatives to improve preferential procurement include:

<p>Graduating businesses from enterprise development programmes into the supply chain.</p>	<p>Providing continuous training and support for small, medium and micro enterprises, as well as providing procurement opportunities to help the businesses grow.</p>	<p>Delivering awareness workshops with suppliers to educate them on B-BBEE requirements and ARM operations' preferential procurement policies, with a particular focus on non-compliant companies.</p>
<p>Aligning enterprise and supplier development targets to current business plans.</p>	<p>Encouraging 26% black-held businesses to partner to increase black ownership.</p>	<p>Conducting half-yearly reviews on Top 20 suppliers to ensure compliance and validity of BEE certificates.</p>

**SR** More information on enterprise and supplier development is available in the Communities section on page 36.

### Performance against the Mining Charter Scorecard

ARM's six South African mines report their transformation performance in terms of the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter) which aims to achieve the transformation goals of the Mineral and Petroleum Resources Development Act (MPRDA).

The revised Mining Charter 2018 (MC18) was gazetted in September 2018 and the implementation guidelines outlining processes, procedures, forms and templates to facilitate compliance came into effect from 1 March 2019. The Department of Mineral Resources and Energy (DMRE) acknowledged that it would not be practical for companies to prepare their 2019 Mining Charter compliance reports using MC18 and implementation will be required for reports filed in March 2020 that relate to the 2019 calendar year.

ARM continues to monitor these developments as we prepare to report against MC18. Workshops were held with operations during F2019 to update employment equity and procurement reporting and processes.

## MAINTAINING OUR SOCIAL LICENCE TO OPERATE continued

ARM's mines submitted reports to the DMRE in March 2019 regarding their performance for the 12 months to December 2018 in terms of the current reporting requirements set in Mining Charter.

	2014 target	Year to 31 December	
		2018	2017
<b>1. Reporting</b>		<b>Submitted</b>	Submitted
<b>2. HDSA ownership</b>	26%	<b>49.9%</b>	33.8%
ARM has an effective 50.41% HDP ownership base through African Rainbow Minerals & Exploration Investments (42.24%), Botho-Botho Commercial Enterprises (0.53%), the ARM Broad-Based Economic Empowerment Trust (7.60%) and Black ARM directors (0.03%). 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. In March 2019, Khumani, Beeshoek and Two Rivers mines reported ownership recognising ARM's shareholding in full as HDP ownership in line with the current legal interpretation. Black Rock, Modikwa and Nkomati mines reported using the flow through principle (as in prior years), which attributes the HDP ownership of a holding company to a subsidiary in proportion to the percentage held by the holding company. In the 2019 Mining Charter reports, to be submitted in March 2020, all of the mines will report recognising ARM's shareholding in full as HDP ownership.			
<b>3. Housing and living conditions</b>		<b>Achieved</b>	Achieved
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 67.			
<b>4. Preferential procurement (2014 Mining Charter)</b>			
– Capital	40%	<b>79.4%</b>	85.3%
– Services	70%	<b>84.0%</b>	79.2%
– Consumables	50%	<b>85.6%</b>	80.8%
Enterprise development			
– Levy withheld from multinational suppliers allocated to social development	0.50%	<b>Note 1</b>	Note 1
<i>Note 1: Modikwa Mine is collecting levies from some multinational suppliers of capital goods and continues to engage with others on implementing the requirements. Beeshoek, Black Rock and Khumani mines are collecting the required levies and contributing them to the Northern Cape Mine Managers Association Trust Fund for distribution. Two Rivers and Nkomati mines are also collecting the required levies. ** Preferential procurement performance excludes Goedgevonden.</i>			
<b>5. Employment equity (HDSA representation)</b>			
– Top management	40%	<b>52.1%</b>	56.3%
– Senior management	40%	<b>59.1%</b>	50.3%
– Middle management	40%	<b>66.0%</b>	63.8%
– Junior management	40%	<b>76.4%</b>	74.5%
– Core skills	40%	<b>88.0%</b>	88.8%
ARM's initiatives to ensure a diverse and representative workforce are discussed on page 64.			
<b>6. Human resources development</b> (% of payroll invested)			
ARM's skills development initiatives are discussed on page 61.	5%	<b>5.2%</b>	5.1%
<b>7. Mine community development</b> (% of net profit after tax)			
ARM's socio-economic development initiatives in local communities are discussed on page 33.	1%	<b>1.7%†</b>	0.8%†
<i>† Percentage excludes Modikwa Mine, which is an unincorporated joint venture and therefore does not report a standalone net profit after tax figure.</i>			
<b>8. Sustainable development and growth</b> Health and safety performance (discussed on page 50).		<b>95%</b>	87%
<b>9. Facilitate local beneficiation</b>		<b>Note 2</b>	Note 2
<i>Note 2: The Minerals Council South Africa is engaging with the DMRE on behalf of its members to better understand the reporting requirements in light of the Mineral Beneficiation Strategy.</i>			

### Performance against the Revised Codes of Good Practice (dti CoGP)

We measure ARM's overall Group transformation performance and that of the smelters at Cato Ridge and Machadodorp against the dti CoGP.

ARM is a Level 4 Contributor in terms of the dti Codes of Good Practice. At the time of publication of this report, the F2019 verification was still being finalised. The F2019 B-BBEE verification certificate will be available on our website as soon as this process is completed.

The table below provides a summary of ARM's performance against the categories of the dti CoGP from F2016 to F2018.

Category	Target	F2018	F2017	F2016
Ownership	25	21.54	21.4	22.14
Management control	15	12.86	10.52	10.17
Skills development	20	14.46	11.5	12.7
Enterprise and supplier development	40	33.43	22.43	18.81
Socio-economic development	5	5	5	5
<b>Overall score</b>		87.29	70.99	68.82
<b>Contributor level</b>		4	7*	8

\* Overall F2017 score: Level 6 discounted to Level 7.

