



King IV application register

2022



Application of King IV

African Rainbow Minerals Limited (ARM or the company) supports the governance outcomes, principles and practices in the King IV Code as set out in the King IV Report on Corporate Governance for South Africa, 2016^{TM1} (King IV), published on 1 November 2016 and effective for companies listed on the JSE Limited from 1 October 2017. ARM applies all the relevant principles of King IV.

Below we summarise the King IV principles implemented and our progress on achieving the practices and, ultimately, governance outcomes envisaged. Enhancements where required will be made over time, in line with our objective to continuously improve and entrench the highest standards of corporate governance.

Comment from sustainability assurance provider

“As part of our independent third-party assurance processes, IBIS ESG Consulting Africa (Pty) Ltd (IBIS ESG Consulting) conducted an assessment of ARM’s application of the 16 relevant principles contained in King IV, and found no concerns relative to ARM’s assertions that all 16 individual King IV principles have been applied, with reasonable evidence to support each assertion.”

IBIS ESG Consulting’s comprehensive assurance report is in ARM’s 2022 ESG report on our website: www.arm.co.za.



Governance outcome: Ethical leadership

Leadership, ethics and corporate citizenship

Principle 1	Leadership
<p>The board² should lead ethically and effectively</p>	<p>ARM’s board of directors exercises effective leadership. The board confirms its commitment to the highest standards of corporate governance; its charter and the code of conduct adopted by the board set the ethical foundation for how the company operates.</p> <p>The code of conduct is designed to ensure the effective management of ethics and applies to directors, employees, contractors, suppliers and joint-venture partners. The board and its committees monitor compliance with this code, and monitor the directors individually and collectively in terms of cultivating and exhibiting integrity, competence, accountability, fairness and transparency in their leadership. They act ethically in discharging their responsibility to provide strategic direction and control of the company as provided for in the board charter and the company’s memorandum of incorporation. The board regularly monitors its own ethics and those of directors, which feeds into the annual board-evaluation process.</p> <p>The board sets the strategic direction adopted by the company’s operations to support a sustainable business, and considers, inter alia, the company’s short- and long-term impact on the economy, society, environment and its stakeholders, the best interests of the company as well as risks and opportunities. The chief executive officer is responsible for executing the approved strategy, policy and plan; however, the board monitors execution by management and remains accountable for achieving strategic objectives and other positive outcomes, including the company’s performance, even where delegated to others.</p>

¹ Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all its rights are reserved.

² The governing body of the company is the board of directors.

For further reading:



Information available on our website



2022 environmental, social and governance (ESG) report



2022 integrated annual report



2022 annual financial statements

Governance outcome: Ethical leadership continued

Leadership, ethics and corporate citizenship continued

Principle 2

Organisational ethics

The board should govern the ethics of the company in a way that supports the establishment of an ethical culture

The board establishes an ethical culture. It ensures that the company applies the governance principles in King IV and, where required, continues to entrench and strengthen recommended practices through the group's governance structures, systems and processes.

The board determines ARM's values, which include the broader concepts of sustainability and our commitment to zero harm – to our employees, our host communities and the environment. Through the audit and risk committee, the board approves the company's code of conduct, which integrates the principles of human rights, specifies ethical business conduct and allows no tolerance for discrimination, corruption or bribery. The code of conduct includes extensive anti-bribery and anti-corruption provisions as well as provisions on conflicts of interest.

Management has been delegated responsibility for implementing the code of conduct. The board, assisted by the social and ethics committee and audit and risk committee, exercises ongoing oversight of the management of ethics, monitoring the company's activities in terms of ethics and ensuring our conduct supports our values.

The code of conduct guides interactions with all stakeholders and sets the framework to address the company's key ethical risks. Our policies and programmes, including a whistleblower facility operated by an independent service provider, enable employees and other stakeholders to report confidentially and anonymously allegations of any unethical or risky behaviour and contribute to our strong ethical foundation.

The code of conduct is incorporated by reference in employee contracts. An overview of governance appears in the ESG report.

ESG

Principle 3

Responsible corporate citizenship

The board should ensure that the company is and is seen to be a responsible corporate citizen

Through the code of conduct, the board is responsible for ensuring the company protects, enhances and contributes to the wellbeing of the economy, society and the natural environment.

Sustainability is an integral part of ARM's business strategy through our values-driven focus on operational excellence and operating our assets safely, responsibly and efficiently. We believe that a responsible, sustainable approach to our business minimises potentially negative impacts and increases the industry's positive contribution to communities and the country.

The board, with the support of the social and ethics committee, oversees and monitors how ARM's operations and activities affect its status as a responsible corporate citizen. As summarised in the integrated annual report, this is achieved through, inter alia, the board charter and code of conduct, which set the policy framework, and through specific operational and corporate office structures. These structures are more fully described in the risk section of the ESG report. This framework has been established to ensure human and financial resources are employed effectively, and benefit communities.

IAR ESG

Application of King IV continued

Governance outcome: Good performance

Strategy, performance and reporting

Principle 4

Strategy and performance

The board should appreciate that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process

The board, as a whole and through its committees, approves and monitors implementation of ARM's strategy and business plan, sets objectives and priorities for the business, reviews key risks and opportunities, and evaluates performance against the background of economic, environmental and social issues relevant to the company as well as national and economic conditions. The company's material matters, including those relating to sustainability, are discussed throughout the integrated annual report. Globally, competitive performance depends on optimising operational metrics, and on ensuring that environmental and social issues are addressed appropriately. Driving excellence across all these areas supports operational efficiency, long-term sustainability, financial returns for shareholders and broad social benefit.

Additional detail about the company's performance against its strategic objectives appears in the integrated annual report. More information on the company's approach to sustainable development is in the ESG report.

IAR ESG

Principle 5

Reporting

The board should ensure that reports issued by the company enable stakeholders to make informed assessments of its performance, and its short-, medium- and long-term prospects

The integrated annual report and supplementary reports provide a comprehensive review of ARM's sustainability, including the group's financial, economic, social, environmental and governance performance on matters material to its strategy and key stakeholders. Structured review processes to ensure the integrity of sustainability reporting have been established. Reporting is prepared in line with recognised guidelines that ensure compliance with legal requirements and relevance to stakeholders, including International Financial Reporting Standards (IFRS), King IV, the International Sustainability Standards Board (ISSB), GRI Standards and the sustainable development framework of the International Council on Mining and Metals (ICMM).

The board, through the audit and risk committee and other board committees, ensures the necessary controls are in place to verify and safeguard the integrity of the annual reports and any other disclosures. The audit and risk committee oversees the integrated reporting process and reviews the annual financial statements, which are externally audited. The social and ethics committee oversees the ESG reporting process, elements of which are independently assured, and the remuneration committee monitors remuneration reporting, which is reviewed by the company's remuneration consultants.

The code of conduct includes ARM's communication policy to ensure that timely, relevant and accurate information is provided to stakeholders. The company ensures that annual reports, including the annual financial statements, integrated annual report, ESG report and other information relevant to stakeholders are published on its website, and other media as appropriate.

IAR ESG

Governance outcome: Effective control

Governing structures and delegation

Principle 6

Primary role and responsibilities of the board

The board should serve as the focal point and custodian of corporate governance in the company

The board ensures that the company applies the governance principles of King IV and, where required, continues to entrench and strengthen recommended practices through the group's governance structures, systems and processes.

The board has an approved charter, which it reviews annually. This sets out its governance responsibilities.

The board, and any director or committee, may obtain independent, external professional advice at the company's expense on matters within the scope of their duties. Directors may request documentation from and meet with management as required.

An appropriate governance framework and the necessary policies and processes are in place to ensure entities in ARM adhere to group requirements and minimum governance standards. The company's governance framework and corporate governance practices are disclosed in the integrated annual report and ESG report.



Principle 7

Composition of the board

The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities

Composition

The independence of each director is categorised as defined in the Listings Requirements of the JSE Limited, taking into consideration King IV and other requirements outlined in the board charter. The board comprises a majority of independent non-executive directors. Annually, the board rigorously reviews the independence and performance of independent non-executive directors serving more than nine years, on the recommendation of the nomination committee.

To ensure a formal and transparent appointment process, any new appointment of a director is considered by the board as a whole, on the recommendation of the nomination committee. The selection process involves considering the existing balance of knowledge, skills and experience on the board and a continual process of assessing the needs of the company and the board's effectiveness and ability for it to discharge its governance role and responsibilities objectively and effectively. Board members confirm their availability to perform their roles.

The nomination committee regularly considers the board composition, applying a broad definition of diversity. This includes considering the balance of skills, experience, independence, field of knowledge and knowledge of ARM as well as aspects of diversity, including gender, race, culture, the ages of directors, and other factors relevant to the board's effectiveness.

The board has adopted a policy on promoting diversity and inclusion at board level, and discloses in the integrated annual report its progress towards targets in the policy. The process of identifying suitable candidates to be proposed for appointment considers diversity and inclusion. Directors are appointed in terms of the company's memorandum of incorporation.

Application of King IV continued

Governance outcome: Effective control continued

Governing structures and delegation continued

Principle 7

The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities

Composition of the board continued

A formal induction programme is available for new directors, including background material on the company's business and board matters, guidance on directors' duties and responsibilities, and meetings with senior executives. All directors are invited to the annual budget meeting. The board and budget meetings have a strategic focus. Ongoing training includes workshops presented by management and external advisors and additional training is facilitated as required. Site visits to operations take place periodically and directors receive regular briefings on legal and other developments, including changes in the business and business environment.

Executive chairman

As ARM has an executive chairman, a lead independent non-executive director has been appointed, as recommended by King IV. In terms of the board charter, the roles of the executive chairman and chief executive officer are separate and clearly defined. The board charter also documents the role and responsibilities of the executive chairman and lead independent non-executive director, who leads, inter alia, in the absence of the executive chairman or when the executive chairman has a conflict of interest. The executive chairman and lead independent non-executive director are required to be elected by the board annually.

Principle 8

The board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties

Committees of the board

As set out in the board charter, the board has six standing committees to assist in discharging its duties and responsibilities: audit and risk; investment and technical; nomination; non-executive directors'; remuneration; and social and ethics. These committees operate under written terms of reference approved by the board, which are reviewed annually. The committees are appropriately constituted and members are appointed by the board, except for the audit and risk committee, whose members are nominated by the board and elected by shareholders of the company. The nomination committee reviews the composition of board committees and makes recommendations to the board on their composition, considering factors such as diversity and skills as well as the need to create a balanced distribution of power.

External advisors, executive directors and members of executive and senior management attend committee meetings by invitation. Any non-executive director may also attend meetings by invitation. The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the group.

The board considers the allocation of roles and associated responsibilities and the composition of membership across committees holistically.

Any delegation by the board of its responsibilities to a committee will not constitute a discharge of its accountability.

The board applies its collective mind to the information, opinions, recommendations, reports and statements presented by the committee chairmen.

Governance outcome: Effective control continued

Governing structures and delegation continued

Principle 9

Evaluations of the performance of the board

The board should ensure the evaluation of its own performance and that of its committees, its chair and individual members, support continued improvement in its performance and effectiveness

The effectiveness and performance of the board as a whole and the individual board committees are evaluated annually. The executive chairman of the board, through the nomination committee and assisted by the group company secretary and governance officer, leads the evaluation process. The lead independent non-executive director leads the process to evaluate the performance of the executive chairman. In 2022, an external service provider assisted with the board and committee evaluations on performance. The board is satisfied that the evaluation process is improving its performance and effectiveness.

Refer to the integrated annual report and ESG report.

IAR ESG

Principle 10

Appointment and delegation to management

The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities

While retaining overall accountability and subject to matters reserved to itself, the board has delegated authority to the chief executive officer, other executive directors and senior executives to run the day-to-day affairs of the company, subject to a delegation-of-authority framework that contributes to the effective exercise of responsibilities.

Chief executive officer

The chief executive officer was appointed by the board, on recommendation of the nomination committee. His role and responsibilities are set out in the board charter.

The board, assisted by the nomination committee, is responsible for ensuring succession plans are in place for the chief executive officer and other senior executives.

The board approves and regularly reviews the delegation-of-authority framework in terms of which matters are delegated to the chief executive officer. He is accountable to the board for the successful implementation of our strategy and overall management and performance of the group, consistent with our values. He is supported by a competent, multi-skilled team in executing his responsibilities.

The chief executive officer is not a member of board committees but attends any meeting or part thereof by invitation to contribute pertinent insights and information. The board evaluates the performance of the chief executive officer annually against agreed performance measures and targets.

The chief executive officer does not hold any external board appointments.

Group company secretary and governance officer

The group company secretary and governance officer is appointed by the board in line with the Companies Act and JSE Listings Requirements. Her performance is evaluated annually during the independent assessment of board effectiveness. The board is satisfied that she is properly qualified and experienced to competently carry out the duties and responsibilities of a company secretary.

Refer to the integrated annual report or ESG report for additional information.

IAR ESG

Application of King IV continued

Governance outcome: Effective control continued

Governance functional areas

Principle 11

Risk governance

The board should govern risk in a way that supports the company in setting and achieving its strategic objectives

In terms of its charter, the board is responsible for the governance of risk. It sets the company's risk appetite and tolerance levels, which provide the basis for achieving the strategic objectives detailed in our integrated annual report. The audit and risk committee assists the board with the governance of risk and monitors risk management. It is supported by the management risk and compliance committee, which reports quarterly to the audit and risk committee on the enterprise risk management plan (approved annually by the audit and risk committee) and the enterprise risk management policy (approved by the board). As per the audit and risk committee's terms of reference, management designs, implements and monitors the plan and is accountable for embedding the risk management process in the business. Day-to-day responsibility for managing the plan rests with the executive: risk and sustainability.

Refer to the risk section in the ESG report.

ESG

Principle 12

Technology and information governance

The board should govern technology and information in a way that supports the company in setting and achieving its strategic objectives

As per the board charter and audit and risk committee's terms of reference, this committee assists the board with technology and information governance. The governance framework, including procedures and structures to achieve the company's strategic objectives, was adopted by the board, which delegates implementation to management. The technology and information committee reports via the management risk and compliance committee and, directly, to the audit and risk committee. The board approved an amendment to the information technology strategy in F2022. Following gap analyses in prior years, areas were identified where the application of King IV required enhancement and ARM is implementing the plan to address these gaps.

Refer to the technology and information governance section in the ESG report.

ESG

Governance outcome: Effective control continued

Governance functional areas continued

Principle 13

Compliance governance

The board should govern in compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the company being ethical and a good corporate citizen

The code of conduct, approved by the board, sets out the requirement for legal compliance. The company has a legal compliance policy and compliance management framework and has identified the legal universe applicable to ARM. Implementation of the policy is monitored by the management risk and compliance committee, which reports to the audit and risk committee as well as the social and ethics committee. The company's compliance executive attends meetings of the management risk and compliance committee, technology and information committee, audit and risk committee, social and ethics committee, executive committee and board.

Refer to the ESG report.

ESG

Principle 14

Remuneration governance

The board should ensure that the company remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

The company's remuneration strategy ensures a balance in attracting, motivating and retaining human capital through competitive remuneration practices, while creating shareholder value. The remuneration committee considers the pay gap. Our remuneration policy was designed to give effect to the remuneration strategy, support business objectives in the broader operating environment and offer a balanced remuneration mix in line with our values and goals.

Refer to the section on managing performance through remuneration in the integrated annual report, and the remuneration report in the ESG report.

IAR

ESG

Application of King IV continued

Governance outcome: Effective control continued

Governance functional areas continued

Principle 15

The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the company's external reports

Assurance

Combined assurance

The board has delegated to the audit and risk committee oversight of the effectiveness of the company's assurance services, with particular focus on combined assurance. This includes external audit, internal audit and the finance function as well as the integrity of the integrated annual report and annual financial statements and, to the extent delegated by the board, other external reports issued by the company.

The combined assurance model incorporates and optimises all assurance activities and functions so that, taken as a whole, these enable an effective control environment, support the integrity of information used for decision-making by management, the board and its committees, and support the integrity of ARM's external reports.

The audit and risk committee also annually considers and satisfies itself on the appropriateness of the expertise and experience of the finance director and the finance function.

Refer to the risk section, including disclosure on combined assurance, in the ESG report.

ESG

Assurance of external reports

With the assistance of independent assurers, such as the external auditor, the audit and risk committee reviews and evaluates the annual financial statements prior to recommending them to the board for approval. Various other assurers assist the audit and risk committee and other board committees in reviewing the integrated annual report and supplementary reports. The integrated annual report and supplementary reports provide a consolidated review of ARM's sustainability, including its financial, economic, social and environmental performance on matters material to its strategy and key stakeholders. Sustainability reporting and disclosure are independently assured and review processes are structured to ensure the integrity of sustainability reporting are in place.

Refer to the independent auditor's report in the annual financial statements and assurer's report in the ESG report.

ESG

AFS

Internal audit

The audit and risk committee is responsible for overseeing that assurance services are performed in terms of the internal audit charter. The company has an outsourced internal audit function and its role and responsibilities are set out in a charter that requires, inter alia, performing risk-based internal audits against an internal audit plan approved by the audit and risk committee. The internal auditor submits formal reports to this committee quarterly. The annual financial statements include the audit and risk committee's confirmation of having received the internal auditor's written assessment of the effectiveness of the company's governance, risk management and control processes, including the effectiveness of its systems of internal financial controls.

Refer to the risk section in the ESG report and the audit and risk committee report in the annual financial statements.

ESG

AFS

Governance outcome: Legitimacy

Stakeholder relationships

Principle 16

In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time

Stakeholders

ARM recognises the benefits of strong long-term relationships with its stakeholders. We consider the legitimate and reasonable interests and expectations of our stakeholders as important inputs to how we conduct our business. Stakeholder interactions provide a broader context, inform our most material matters, help us refine our strategy and shape ARM's long-term direction. The company engages its stakeholders on multiple levels and this allows it to manage material matters effectively and timeously, and reduces the likelihood of reputational risks. Stakeholder relationships are a standing board agenda item.

The company identifies stakeholders through formal and informal channels at the corporate, divisional and operational levels as appropriate to the stakeholder. ARM uses many forums to facilitate effective stakeholder engagement and ensures material matters have been identified, prioritised and appropriately addressed.

The company's stakeholder communication policy, included in the ARM code of conduct, ensures that timely, relevant and accurate information is provided to stakeholders.

The company complies with the Companies Act and JSE Listings Requirements on the equitable treatment of shareholders. Directors are mindful of their fiduciary responsibilities and their duty to act in accordance with applicable legislation. Records of directors' financial, economic and other interests are kept and continually updated. The board as a whole acts as a steward of the company and each director acts with independence of mind in the best interests of the company and its stakeholders. In its deliberations, decisions and actions, the board is sensitive to the legitimate interests and expectations of the company's stakeholders.

Formal dispute-resolution policies are in place and dispute-resolution provisions are included in contracts. Where disputes occur, the main objective is to resolve these as effectively and expeditiously as possible.

A comprehensive framework of our stakeholder relationships and engagements appears in the integrated annual report and the ESG report.

IAR

ESG

Principle 17

The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the company to promote the good governance and the creation of value by the companies which it serves

Responsibilities of institutional investors

Principle 17 is not applicable as the company is not an institutional investor organisation.



We do it better

www.arm.co.za

