

# CORPORATE GOVERNANCE REPORT

The ARM Board of Directors (the Board) confirms its commitment to the highest standards of corporate governance. Corporate governance encompasses the concept of sound business practice, which is inextricably linked to the management systems, structures and policies of the Company.

ARM, a public company, is listed on the JSE Limited (JSE). The Company complies with the JSE Listings Requirements, applicable statutes, regulatory requirements and other authoritative directives regulating its conduct, as well as the principles set out in the King Report on Corporate Governance for South Africa 2002 (King II) with the exceptions noted in this report. The King Report on Corporate Governance in South Africa 2009 (King III), published in final form on 1 September 2009, will be effective from 1 March 2010.

All Directors and employees are required to maintain high standards of integrity and ethical behaviour to ensure that the Company's business practices are conducted in a reasonable manner, in good faith and in the interests of the Company and all its stakeholders.

The Board is the foundation of ARM's corporate governance systems and is accountable and responsible for the Company's performance. The Board retains effective control through a clear governance structure and has established committees to assist it, recognising that delegating authority does not reduce the responsibility of Directors to discharge their duties.

To ensure consistent standards of governance and internal controls, the Company's subsidiaries and joint ventures have established boards and committees, as the case may be. The Chief Executives of each division regularly report to the Board regarding the activities of the divisions and joint ventures.

## Board composition

ARM has a unitary Board comprising 16 Directors, of whom seven are Independent Non-executives, two are Non-executive Directors and seven are Executive Directors. *Curricula vitae* for the Board members are provided on pages 132 to 133.

The Directors of the Company at the date of this report are as follows:

Director	Executive (E) Non-executive (N) Independent (I)
P T Motsepe (Executive Chairman)	E
A J Wilkens (Chief Executive Officer)	E
F Abbott*	N
M Arnold**	E
Dr M M M Bakane-Tuoane	I
A D Botha***	I
J A Chissano	I
W M Gule	E
M W King	I
A K Maditsi	I
K S Mashalane	E
J R McAlpine	I
L A Shiels	E
Dr R V Simelane	I
J C Steenkamp	E
Z B Swanepoel	N

### Changes during 2008/9:

\* Former Financial Director; became a Non-executive Director on 1 August 2009.

\*\* Appointed Financial Director on 1 August 2009.

\*\*\* Appointed on 1 August 2009.

The Board believes that the Independent Non-executive Directors appointed are of the appropriate calibre, diversity and number for their views to carry significant weight in the Board's deliberations and decisions.

The Independent and Non-executive Directors are highly experienced and have the skills, background and knowledge to fulfil their responsibilities.

The classification of Independent and Non-executive Directors is determined by the Board in accordance with the guidelines set out in King II. In determining the independence of the Independent Non-executive Directors, character and judgement are considered together with any of their relationships or circumstances which are likely to affect, or could appear to affect, their judgement.

Non-executive Directors are not considered independent if they were executives of the Company or a subsidiary within the preceding three financial years.

### Executive Chairman and Chief Executive Officer

The roles of Executive Chairman and Chief Executive Officer are separate and distinct. ARM's Executive Chairman, Mr Patrice Motsepe, contrary to the recommendations of King II, is an executive representing the Company's largest shareholder, which held 41.38% of the Company's share capital at 30 June 2009. ARM is satisfied that the Chairman having an executive role is adequately addressed by the composition of the Board and the appointment of a lead Independent Non-executive Director, Dr Manana Bakane-Tuoane. In addition to the general requirements for the re-election of Directors set out in ARM's Articles of Association (the Articles), and discussed below, the Chairman is required to be elected by the Board annually. Mr Motsepe was re-elected as Executive Chairman for the period of one year commencing 1 January 2009. The Chief Executive Officer is appointed by the Board.

### Board Charter

The Board Charter, which was amended in May 2009, provides guidelines to Directors in respect of, *inter alia*, the Board's responsibilities, authority, composition, meetings and the need for self-assessment.

The roles and responsibilities set out in the Board Charter are as follows:

- ▶ Providing strategic direction and leadership which conforms with ARM's value system, by assessing and authorising budgets, plans and strategies submitted by senior management.
- ▶ Adopting and implementing strategic plans, including mergers, acquisitions and disposals and the capital funding of such plans.
- ▶ Determining, implementing and monitoring policy, procedures,

practices and systems to ensure the integrity of risk management and internal controls to protect ARM's assets and reputation.

- ▶ Identifying and monitoring key performance indicators of the business and the systems used to determine that performance.
- ▶ Ensuring compliance with codes of best business practice, corporate governance regulations and all relevant laws.
- ▶ Communication with shareholders and relevant stakeholders (both internal and external), promptly and openly.
- ▶ Defining levels of materiality, thereby reserving certain powers for itself and delegating other matters to management.
- ▶ Monitoring operational performance including financial and non-financial aspects relevant to ARM.
- ▶ Ensuring that the technology and systems employed are adequate and efficient.
- ▶ Maintaining full and effective control and monitoring the implementation by management of Board plans and strategies.
- ▶ Establishing a communication policy, in addition to its statutory and regulatory reporting requirements, which contains accepted principles of good reporting including being open, transparent, honest, understandable, clear and consistent in its messages to the media.
- ▶ Establishing policies for the selection of new Directors and Director orientation programmes.
- ▶ Ensuring that a succession plan for the Executive Directors and senior management is implemented.
- ▶ Ensuring that annual financial statements are prepared and presented to a duly convened Annual General Meeting of shareholders.

### Election, induction, succession and assessment

#### Election

The Articles call for one-third of elected Directors, who have been in office longest since their last election, to retire by rotation at each Annual General Meeting. Being eligible, these Directors may seek re-election should they so wish.

The table below sets out the Directors who, being eligible, make themselves available for election or re-election at the Annual General Meeting to be held in November 2009.

### Directors: election and re-election – November 2009


	Election	Re-election
<b>Executive Directors</b>		
P T Motsepe (Executive Chairman)		√
A J Wilkens (Chief Executive Officer)		√
M Arnold*	√	
<b>Non-executive Directors</b>		
A D Botha*	√	
J A Chissano		√
J R McAlpine		√
Dr R V Simelane		√

\* Appointed to the Board on 1 August 2009.

Messrs Motsepe, Wilkens, Chissano and McAlpine and Dr Simelane are required to retire by rotation and make themselves available for re-election. The re-election of all of the above-mentioned Directors is supported by the Board.

Directors appointed by the Board between Annual General Meetings, either to fill a casual vacancy or as an addition to the existing Board, hold office only until the next Annual General Meeting and are eligible for election (but are not included in determining the number of Directors who are to retire by rotation). When appointing Directors upon the recommendation of the Nomination Committee, the Board considers, *inter alia*, whether the candidates have the necessary skills and experience.

Messrs Arnold and Botha, who were appointed on 1 August 2009, have made themselves available for election. The election of Messrs Arnold and Botha is supported by the Board.

 The Directors' *curricula vitae* may be found on pages 132 to 133.

### Induction and continuing education

All newly appointed Directors receive a comprehensive induction pack, including the Articles, the Board Charter, terms of reference and charters of the committees of the Board, Board policies and other documents relating to the Company; key legislation and regulations; as well as corporate governance, financial and reporting documents, including minutes and documents of an administrative nature.

Directors are encouraged to attend courses providing education and training relating to their duties, responsibilities, powers and potential liabilities. The Company holds an annual budget planning workshop with senior management to inform the Directors about the Company's business. Site visits are also conducted.

### Succession

The Company has a succession plan for Executive Directors and senior management to provide for the sustainability of the business. ARM continuously strives to improve its talent pool through a comprehensive and focused plan of management and career development and recruitment. The Company adopts an integrated approach to succession planning. For example, the Sustainable Development Committee regularly reviews reports on leadership and employment equity programmes, and reports on developments in these areas to the Board. The Remuneration Committee has developed a remuneration framework, which includes incentives to attract and retain management. As a result, the Board is satisfied that the ongoing efforts to strengthen leadership provide short- and long-term management depth.

In 2008, an *ad hoc* committee, consisting of Drs Bakane-Tuoane and Simelane and Mr King, was formed to consider a successor to replace Mr Wilkens, the Chief Executive Officer, who would have been due to retire in November 2008. At the conclusion of the review, Mr Wilkens was invited to delay his retirement for a period of three years and a plan to find a suitable successor is being implemented.

### Assessment

The Board is committed to transparency in assessing the performance of the Board and individual Directors, as well as the governance processes that support Board activities. The effectiveness of the Board and its committees is assessed regularly and, commencing in 2008, on an annual basis. The most recent assessment was conducted with the assistance of independent external advisors in October/ November 2008 and a further assessment will be performed by independent external advisors in F2010.

Independent external advisors are engaged to assist in the assessment processes as necessary, and the Board is of the

view that the involvement of an independent company assists to ensure a rigorous and impartial evaluation process.

Matters considered in the 2008 assessment focused on the effectiveness of the Board, including:

- ▶ Board performance against strategy;
- ▶ Board values;
- ▶ Board and management evaluation; and
- ▶ Composition of the Board and each committee.

In the evaluation process consideration was given to the question as to whether or not the Board's diversity, size and demographics make it effective.

The findings of the 2008 assessment were considered by the Board in 2009 and certain recommendations have been implemented, such as the designation of a lead independent Non-executive Director who chairs meetings of the Non-executive Directors.

In the 2008 Board assessment, full evaluations of individual Directors were completed, with the exception of evaluations of the Executive Chairman and the Chief Executive Officer. Separate Board evaluations of these executives will be conducted by an independent external advisor in 2009; however, performance assessments of the Executive Chairman and the Chief Executive Officer are completed annually and

form the basis of their remuneration, as discussed in the Remuneration report starting on page 126.

## Board Meetings

The Board meets at least four times a year to consider the business and strategy of the Company. The Board reviews reports of the Chief Executive Officer, the Financial Director, divisional chief executives and other senior executives, chairmen of the committees and independent advisors. During the financial year ended 30 June 2009, four Board meetings were held. A meeting attendance schedule is set out below. The quorum for Board meetings is the majority of Directors.

The Company holds an annual budget planning workshop in July. Members of the Board and senior executives of the Company consider the budget and determine the Company strategy, for implementation by the Board. In August 2009, the Board held its inaugural annual Bosberaad for Directors and management, to examine the strategy in detail.

Agendas for Board meetings are prepared by the Company Secretary in consultation with the Chief Executive Officer and the Financial Director. Information provided to the Board is compiled from external sources, such as independent third-party reports, and internally from minutes and plans as well as reports relating to, for example, safety, health, sustainable development, risk, financial, governance and legal matters likely to affect ARM. Meeting materials are delivered to every Director prior to each meeting.

### Board of Directors: Meetings\*

	Aug-08	Nov-08	Feb-09	May-09
P T Motsepe (Executive Chairman)	√	√	√	√
A J Wilkens (Chief Executive Officer)	√	√	√	√
F Abbott**	√	√	√	√
Dr MMM Bakane-Tuoane	√	√	√	a
J A Chissano	√	√	√	√
W M Gule	a	√	√	√
M W King	√	√	√	√
A K Maditsi	√	√	a	√
K S Mashalane	√	√	√	√
R P Menell***	√	√	n/a	n/a
J R McAlpine	√	√	√	√
L A Shiels	√	√	√	√
Dr R V Simelane	√	√	√	√
M V Sisulu****	√	a	√	a
J C Steenkamp	√	√	√	√
Z B Swanepoel	√	√	√	√

a = apologies

\* Messrs Arnold and Botha were appointed on 1 August 2009, subsequent to the year-end.

\*\* Mr Abbott is the former Financial Director; he became a Non-executive Director on 1 August 2009.

\*\*\* Retired on 28 November 2008.

\*\*\*\* Resigned on 7 August 2009.

## Advice and Information

No restriction is placed on a Director's access to Company information, records, documents and property. Non-executive Directors have access to management and regular interaction is encouraged. All Directors are entitled to seek independent professional advice concerning the affairs of the Company at its expense.

## Company Secretary

All Directors have access to the services and advice of the Company Secretary, Ms Alyson N D'Oyley, who was appointed on 10 July 2009. Mrs Patricia F Smit was Company Secretary until her retirement on 9 February 2009. Mrs Marilyn F Taylor was acting Company Secretary following Mrs Smit's retirement until Ms D'Oyley's appointment. The Board appoints the Company Secretary in accordance with the requirements of the Companies Act.

The Company Secretary is responsible for developing and maintaining the procedures and processes required for the proper administration of Board proceedings, and supports the Board as a whole and Directors individually with guidance as to how to fulfil their responsibilities in the best interests of the Company. The Company Secretary also guides and advises the Board, and is a resource within the Company, on *inter alia* governance and ethics matters and changes in legislation. To achieve these objectives, independent advisory services are retained by the Company Secretary at the request of the Board or its committees. The Company Secretary oversees the induction of new Directors, as well as the ongoing training of Directors.

## Board Committees

The Board has established committees to assist it with fulfilling its responsibilities. Nonetheless, the Board acknowledges that the granting of authority to its committees does not detract from the Board's responsibility to discharge its duties to the Company's shareholders.

The committees have Terms of Reference, which are reviewed annually. They set out the committees' roles and responsibilities, functions, scope of authority and composition. The annual review takes into account amendments to applicable legislation and developments in international best practices. Committees report to the Board at each Board meeting and make recommendations in accordance with their Terms of Reference.

The membership of the Board committees consists solely of Non-executive Directors with one exception: contrary to King II, ARM's Executive Chairman is currently a member of the Nomination Committee and prior to August 2009, the Nomination Committee Chairman. Each committee is chaired by an Independent Non-executive Director. Attendance schedules for committee meetings held in F2009 are included in each committee report.

The Board has established the following permanent committees: Audit Committee, Investment Committee, Nomination Committee, Remuneration Committee, and Sustainable Development Committee.

### Audit Committee

#### Members:

M W King (Chairman)  
 Dr M M M Bakane-Tuoane  
 A K Maditsi  
 J R McAlpine  
 Dr R V Simelane

The Audit Committee comprises five Independent Non-executive Directors, each of whom has extensive financial experience. In accordance with the guidelines in King II, the Chief Executive Officer attends Audit Committee meetings at the Committee's request. The Financial Director is also an invitee at each meeting.

The Audit Committee Terms of Reference was revised in 2008 to meet the requirements of the Corporate Laws Amendment Act. Based on the Terms of Reference, a comprehensive framework is prepared to ensure that all tasks assigned to the Committee are considered at least once a year. Scheduling of the Audit Committee's non-routine work is therefore necessary and tasks have been assigned to the Audit Committee, the external and internal auditors, and management.

The Audit Committee performs its review function over all ARM operations. To assist the Committee with its reviews, all operational subsidiaries and joint ventures have audit committees, with the exception of the new Vale/ARM joint venture, which intends to establish an audit committee in November 2009. The chairmen of the audit committees of the subsidiaries and joint ventures report into the Audit Committee, highlighting areas of concern and remedial actions taken by management. In addition, the minutes of Committee meetings as well as internal and external audit reports of all operations are submitted to the Audit Committee.

The primary objective of the Audit Committee is to assist the Board in discharging its duties relating to the safeguarding of assets; the operation of adequate systems, internal controls and control processes; and the preparation of accurate financial reports and statements in compliance with all applicable legal requirements, corporate governance and accounting standards; as well as enhancing the reliability, integrity, objectivity and fair presentation of the affairs of the Company. It also oversees financial and other risks in conjunction with the Sustainable Development Committee. In fulfilling its oversight responsibilities, the Audit Committee reviews and discusses the audited financial statements with management and the external and internal auditors.

**Audit Committee: Meetings**

	Aug-08	Sep-08	Feb-09	Mar-09	May-09
M W King (Chairman)	√	√	√	√	√
Dr M M M Bakane-Tuoane	√	√	√	√	a
A K Maditsi	√	√	√	√	√
J R McAlpine	√	√	√	√	√
Dr R V Simelane	√	√	√	√	√

a = apologies

The Audit Committee has oversight of the Company's financial reporting process on behalf of the Board. Management has primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control of such reporting.

The Audit Committee, after due consideration, is of the view that the independent registered audit firm, which is responsible for expressing an opinion on the conformity of the audited financial statements with International Financial Reporting Standards (IFRS), is independent from management and the Company. The Audit Committee has recommended the re-appointment of Ernst & Young Incorporated (E&Y). At the Annual General Meeting, shareholders will be requested to re-appoint E&Y as external auditors of the Company and to confirm the appointment of Mr Michiel C Herbst as the designated individual auditor. E&Y and Mr Herbst are registered with the JSE in accordance with the JSE Listings Requirements.

The Audit Committee meets with the internal and external auditors on a regular basis to discuss the results of their examinations, their evaluation of the Company's internal control and the overall quality of the Company's financial reporting. The Committee also discusses the overall scope and plans for the respective audits of the Company's internal and external auditors. A formal policy on non-audit services was adopted on 20 August 2009.

In accordance with the JSE Listings Requirements, the Company has a Financial Director, Mr Michael (Mike) Arnold, who was appointed to the Board with effect from 1 August 2009 to replace Mr Frank Abbott who has retired as Financial Director, but remains a Non-executive Director of the Company. The Audit Committee is satisfied that the Financial Director and finance function are adequately resourced and that Mr Arnold has the necessary experience to discharge his responsibilities.

The Management Risk Committee reports to the Audit Committee and its report is included on page 122 of the Corporate Governance report.

During the year under review, the Audit Committee's performance and effectiveness were evaluated with the assistance of an independent external advisor. As a result of that evaluation, the Board is satisfied that the Audit Committee has complied with its Terms of Reference.

The Audit Committee acts as a forum for communication between the Board, management and the external and internal auditors. It is required to meet at least three times a year. Five meetings were held during the 2009 financial year.

**Investment Committee****Members:**

Z B Swanepoel (appointed Committee Chairman in August 2009)  
A K Maditsi (retired as Committee Chairman in August 2009)  
A D Botha (appointed to the Committee in August 2009)  
M W King

The Investment Committee's purpose is to consider investments proposed by management, including projects, acquisitions and disposals of assets, and to make such recommendations to the Board as it considers appropriate. The Investment Committee also reviews the results attained on completion of each project.

During the year under review, the Investment Committee's performance and effectiveness were evaluated with the assistance of an independent external advisor. As a result of that evaluation, the Board determined that the Investment Committee's performance would be enhanced by the appointment of an additional committee member, which the Board implemented in August 2009.

The Investment Committee meets when considered necessary. Four meetings were held during the 2009 financial year.

## Investment Committee: Meetings

	Aug-08	Oct-08	Nov-08	May-09
A K Maditsi (Chairman)*	√	√	√	√
M W King	√	√	√	√
R P Menell**	√	n/a	n/a	n/a
Z B Swanepoel***	√	√	a	√

a = apologies

\* Retired as Committee Chairman in August 2009.

\*\* Retired on 28 November 2008.

\*\*\* Appointed as Committee Chairman in August 2009.

## Nomination Committee

### Members:

A K Maditsi (appointed as Committee Chairman in August 2009)

P T Motsepe (retired as Committee Chairman in August 2009)

Dr R V Simelane

The Nomination Committee reviews the structure, composition and size of the Board and recommends appointments to the Board and its committees. The Terms of Reference provide for the Committee to monitor succession planning for the Chairman and the Chief Executive Officer as well as the overall personnel needs of ARM's business.

The Nomination Committee is responsible for developing the criteria used to select Directors. The Nomination Committee is also responsible for designing the orientation programme for newly appointed Directors on their role and responsibilities.

Meetings are convened as and when necessary. Although no Nomination Committee meetings were held during the 2009 financial year, the nominations of Messrs Arnold and Botha on 1 August 2009 and the committee chairmanship and membership nominations made in August 2009 were considered by Nomination Committee members and approved by round-robin resolutions for recommendation to the Board.

During the year under review, the Nomination Committee's performance and effectiveness were evaluated, with the assistance of an independent external advisor. As a result of that evaluation, the Board determined that the Nomination Committee's performance would be enhanced by appointing an Independent Non-executive Director as the Nomination Committee Chairman, which the Board implemented in August 2009.

## Remuneration Committee

### Members:

Dr M M M Bakane-Tuoane (Chairman)

A D Botha (appointed to the Committee in August 2009)

J R McAlpine

Z B Swanepoel

The Remuneration Committee's purpose is, *inter alia*, to determine specific remuneration packages for each of the Executive Directors within the remuneration framework approved by the Board and to determine any criteria necessary to measure the performance of Executive Directors in performing their roles and discharging their responsibilities. The Remuneration Committee also considers and recommends to the Board the fees to be paid to Non-executive Directors. The fees proposed, as confirmed by the Board, are submitted to shareholders at the Annual General Meeting for approval prior to implementation.

During the year under review, the Remuneration Committee's performance and effectiveness were evaluated, with the assistance of an independent external adviser. As a result of that evaluation, the Board determined that the Remuneration Committee's performance would be enhanced by the appointment of an additional committee member, and therefore the Board appointed another Independent Non-executive Director to the Remuneration Committee in August 2009.

Three meetings were held during the 2009 financial year.



The Remuneration report may be found on pages 126 to 129.

## Remuneration Committee: Meetings

	Jul-08	Aug-08	Nov-08
Dr M M M Bakane-Tuoane (Chairman)	√	√	√
J R McAlpine	√	√	√
Z B Swanepoel	√	√	√

**Sustainable Development Committee: Meetings**

	Aug-08	Nov-08	Feb-09	May-09
Dr R V Simelane (Chairman)	√	√	√	√
Dr M M M Bakane-Tuoane	√	√	√	a
M V Sisulu*	a	a	a	a
Z B Swanepoel	√	√	a	√

a = *apologies*

\* *Resigned on 7 August 2009.*

**Sustainable Development Committee****Members:**

Dr R V Simelane (Chairman)  
Dr M M M Bakane-Tuoane  
Z B Swanepoel

The Sustainable Development Committee's objectives, which are set out in its Terms of Reference, revised in May 2008, are to achieve and maintain world-class performance standards in safety, health (occupational), the environment, HIV & AIDS and social investment, as well as to enable historically disadvantaged South Africans (HDSAs) to enter the mining industry as prescribed by the Minerals and Petroleum Resources Development Act and to ensure compliance with the Scorecard issued by Government. The attainment of these objectives requires the Sustainable Development Committee to advise the Board on policy issues, the efficacy of ARM's management systems for its sustainable development programmes and progress towards set goals and compliance with statutory, regulatory and charter requirements.

The Sustainable Development Committee Terms of Reference provide that the committee must have four members. Currently, the committee has three members and the appointment of an additional committee member is under consideration by the Board.

Four meetings were held during the 2009 financial year.



The Sustainable Development report may be found on page 88 of the Annual Report.

**Meetings of Non-executive Directors**

Following Board meetings, the Non-executive Directors meet without management. Issues of importance to the Company are considered. The meetings are chaired by the lead Independent Non-executive Director, Dr MMM Bakane-Tuoane.

**Ad Hoc Committees**

The Board has the right to appoint and authorise special *ad hoc* committees, comprising the appropriate Board members, to perform specific tasks as required.

**Management committees****Management Risk Committee****Members:**

A J Wilkens (Chairman)  
M Arnold  
C Blakey-Milner  
N Botes-Schoeman  
J M Bräsler  
W M Gule  
K S Mashalane  
M P Schmidt  
D V Simelane  
J C Steenkamp

The Management Risk Committee, a management sub-committee of the Audit Committee, assists the Audit Committee in discharging its duties relating to risk matters by implementing, co-ordinating and monitoring a risk management programme to ensure that broader strategic and significant business risks are identified and quantified with attendant controls and management assurance.

The Management Risk Committee is chaired by the Chief Executive Officer and its membership includes the Financial Director, the chief executives of the operations, the Leader: Risk Manager and the Group Manager: Safety, Health and Environment. The chair of the Management Risk Committee and the Leader: Risk Manager attend Audit Committee meetings and report on the activities of the sub-committee. The Chief Executive Officer and the Chairman of the Audit Committee report on risk matters to the Board. The Leader: Risk Management attends Board meetings to respond to any matters raised by the Directors. The Management Risk Committee met four times in the 2009 financial year.

A table of ARM's principal risks and uncertainties is set out on pages 24 to 25 of the Annual Report, and additional information on ARM's risk management programme is provided below.

### Steering Committee

The Steering Committee is charged with implementation of approved corporate strategy and other operational matters. The Steering Committee is chaired by the Chief Executive Officer and its membership includes Executive Directors and senior management. It meets quarterly, or more often as circumstances warrant. The Steering Committee members are listed on page 134.

### Treasury Committee

The Treasury Committee meets monthly, and if required more frequently, under the chairmanship of the Financial Director. The committee membership includes the ARM Finance Executive: Operations and the ARM Finance Executive: Corporate. Representatives of Andisa Treasury Solutions (Proprietary) Limited (Andisa), to whom the treasury function is outsourced, attend meetings by invitation. The Treasury Committee reviews operational cash flows, currency and interest rate exposures as well as funding issues within the Company. While not performing an executive or decisive role in the deliberations, Andisa implements decisions taken when required. Advice is also sought from other advisors on an ongoing basis.

### Ethics

The Company is committed to high moral, ethical and legal standards in dealing with all of its stakeholders. All Directors and employees are required to maintain high standards to ensure that the Company's business is conducted honestly, fairly and legally and in a reasonable manner, in good faith and in the best interests of the Company. These principles are set out in ARM's Code of Ethics (the Code), which was amended in 2008.

The Code may be found on ARM's corporate website  
[www.arm.co.za](http://www.arm.co.za)

### Whistleblowers' facility

An independent service provider operates ARM's whistleblowers' facility to enable employees and other stakeholders to report confidentially and anonymously any unethical or risky behaviour. Information about the facility is included in the Code and contact information is posted in each Company office. In April 2008, the Company implemented an initiative to heighten awareness of the whistleblowers' facility. Formal procedures in place result in each whistleblowing report being investigated, and policy and procedures revised where applicable with feedback reports being provided to the operators of the ARM whistleblowers' facility. No material non-compliance incidents were reported during the year under review.

### Conflicts of Interest

The Code includes a policy prohibiting the acceptance of any gift which may be construed as an attempt to influence an employee, regardless of value. The acceptance of any gift is subject to the approval of a member of the executive.

### Disclosure

The Code includes a policy regarding communications, which encourages complete, accurate and timely communications with the public.

The Chief Executive Officer, the Financial Director, the Head of Investor Relations and the Company Secretary oversee compliance with the disclosure requirements contained, *inter alia*, in the JSE Listings Requirements.

### Internal Control and Internal Audit

The Board, with the assistance of the Audit Committee, the Management Risk Committee and the internal auditors (outsourced to KPMG Services (Proprietary) Limited), reviews the Company's risk profile annually. In terms of the risk-based internal audit programme approved annually by the Audit Committee, the internal auditors perform a number of reviews to assess the adequacy and effectiveness of systems of internal control and risk management. The results of these reviews, together with updates on the corrective action taken by management to improve control systems, are reported to the Audit Committee and the Board.

### Going concern

On the recommendation of the Audit Committee, the Board annually considers the going concern basis in the preparation of the year-end financial statements.

### Risk Management Programme

ARM has a well-developed and effective risk management process which has been in place for a number of years.

A firm commitment to risk management is an imperative at all levels within ARM. The Company is cognisant that integrating risk management philosophy and practice into the culture of an organisation is an ongoing challenge which, to be effective, must be a continuous, dynamic and developing process.

The Board tasks the Audit Committee with oversight for risk management. In view of the importance of this function, the Audit Committee has established a management sub-committee, the Management Risk Committee (MRC), to assist it to manage and report on risk management processes and procedures. The MRC is chaired by the Chief Executive Officer.

ARM's integrated approach to risk management includes an Enterprise Risk Management (ERM) process and Balanced Scorecard approach. This integrated approach not only helps to ensure appropriate corporate governance compliance, but also provides a practical and effective tool for the management of risk within ARM.

The risk management process encompasses four main functions, which are overseen and reported on by the MRC. These are explained below.

### Risk register

*Ensures that a robust system of identifying, quantifying, monitoring, managing and reporting risks and opportunities is applied consistently throughout the Company.*

The ERM Framework and the Internal Control Policy govern the ERM process and, *inter alia*, ensure that the external consultants, to whom the internal audit function is outsourced, assist in the facilitation of the following activities at least annually:

- ▶ Identifying and recording risks and opportunities;
- ▶ Establishing the likelihood of them occurring;
- ▶ Ensuring the appropriate controls are in place;
- ▶ Assessing the effectiveness of controls;
- ▶ Taking appropriate action to reduce the likelihood of loss; and
- ▶ Taking appropriate action to mitigate against the possible extent of loss.

The internal auditors also periodically review the ERM Framework and Policy to ensure these remain current. The internal auditors use the risk registers to ensure the annual Audit Plan covers the high-risk areas identified. The risk register is regularly updated throughout the Company.

### Physical risk management

*Ensures physical risk grading, risk improvement and other risk controls are appropriate, and maintain and enhance performance against agreed international risk standards.*

While operational management remains accountable for risk management, external consultants assist with identifying risk, rating and benchmarking risk performance, and providing recommendations to improve risk preparedness and to address any potential loss-producing events. This is done by measuring the performance of each operation against ARM's Balanced Scorecard. The Balanced Scorecard measures the quality of risk management at individual operations, expressed in rating percentages, and provides a risk profile for each operation.

ARM's objective is that all its operations achieve an 80% overall performance rating against the international risk management standards contained in the Balanced Scorecard. The majority of ARM's operations are rated in the top quartile of worldwide operations rated by International Mining Industry Underwriters (IMI), which indicates that this target has been largely achieved.

### Risk financing and insurance

*Ensures ARM's risk financing and insurance programmes are comprehensive and adequately protect the Company against catastrophic risk.*

Continuing improvement in ARM's risk profile as a result of focused risk control initiatives ensure that cost-effective risk financing and insurance programmes are in place to avoid or reduce adverse effects on financial results and Company performance.

### Monitoring new developments

*Ensures that the risks arising from new developments in ARM's operating environment are considered on an ongoing basis.*

ARM's risk management department constantly monitors risk issues that stem from new developments, such as non-compliance with changes in corporate governance requirements or codes of practice, to ensure that risk management within ARM remains relevant.

### Legal compliance

Internal and external audits are regularly conducted at all operations and any instances of non-compliance with regulatory requirements are reported to management for corrective action. The Company did not receive any fines nor has it been prosecuted for any anti-competitive practices or non-compliance with any governance or legislative obligations.

### Mining Charter

ARM is committed to the spirit of the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (Mining Charter), which is to bring about "a globally competitive mining industry that draws on the human and financial resources of all South Africa's people and offers real benefits to all South Africans". The Mining Charter was developed through a consultative process between Government and the mining industry, and was ratified in October 2002. Measures for assessing the contribution of mining companies to the socio-economic goals of the Mining Charter were developed. These include the mining scorecard and focus on nine key elements: human resources development; employment equity; migrant labour; mine community and rural development; housing and living conditions; procurement; ownership and joint ventures; beneficiation and reporting.

A table setting out the progress ARM has made against the requirements of the Mining Charter is provided in the Sustainable Development report on pages 100 to 104.

## Dealings in securities and insider trading policy

ARM enforces closed periods prior to the publication of interim and provisional financial results, in December and June, respectively. During these times, Directors, officers and designated persons are precluded from dealing in ARM securities. All Directors and employees are provided with relevant extracts from the Security Services Act, and the Company's procedures in this regard. Directors and employees are reminded of their obligations in terms of insider trading and the penalties for contravening the regulations. The policy was reviewed and updated in the 2008 financial year.

*The complete policy governing dealing in Company securities and insider trading may be found on ARM's corporate website*  
[www.arm.co.za](http://www.arm.co.za)



## Donations to political parties

ARM supports South Africa's democratic processes and makes contributions to political parties. A policy relating to making donations to political parties has been adopted by the Company. In the year under review, donations were made to political parties in accordance with the policy and the budget approved by the Board.

## Investor relations and communication with stakeholders

ARM is committed to transparent, comprehensive and objective communications with its stakeholders. The Company maintains a website, which provides information regarding the Company's operations, financial performance and other information.

Shareholders are encouraged to attend the Annual General Meeting and to use this opportunity to engage with the Board and senior management. Summaries of the results of decisions taken at shareholders' meetings are disclosed on the Company's website following the meetings.

ARM's investor relations department is responsible for communication with institutional shareholders, the investment community and the media. The Company has developed a comprehensive investor relations programme to communicate with domestic and international institutional shareholders, fund managers and investment analysts. Engagements include participation by ARM senior executives in one-on-one meetings with institutional investors in South Africa, the United Kingdom, North America and Europe, as well as investor roadshows and conferences.

## Annual General Meeting

The Notice of the Annual General Meeting may be found on pages 216 and 217.

## Sponsor

Deutsche Securities (SA) (Proprietary) Limited is the Company's sponsor, in compliance with the JSE Listings Requirements.