



KING IV™
APPLICATION
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2018

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APPLICATION OF KING IV™

African Rainbow Minerals Limited (ARM or the Company) supports the governance outcomes, principles and practices in the King IV Code on Corporate Governance™ as set out in the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™) and applies all of the applicable principles of King IV™, which was published on 1 November 2016 and came into effect for companies listed on the JSE Limited on 1 October 2017.

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

Comment from IBIS ESG Assurance

“As part of our Independent Third Party Assurance processes, IBIS ESG Assurance (Pty) Ltd (IBIS ESG Assurance) conducted an assessment of ARM’s application of the 16 relevant principles contained in the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™), and found no concerns relative to ARM’s assertions that all of the 16 individual King IV™ principles have been applied, with reasonable evidence to support each assertion.”

IBIS ESG Assurance’s comprehensive assurance statement may be found in ARM’s 2018 Sustainability Report available on ARM’s website: www.arm.co.za



GOVERNANCE OUTCOME: ETHICAL LEADERSHIP

Leadership, ethics and corporate citizenship

Principle 1	Leadership
<p>The Board¹ should lead ethically and effectively</p>	<p>The Board of Directors of the Company (the Board) exercises effective leadership. The Board confirms its commitment to the highest standards of corporate governance, and the Board 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 is applicable to Directors, employees, contractors, suppliers and joint venture partners. The Board and its committees monitor compliance with the Code of Conduct and the Directors individually and collectively cultivate and exhibit 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 ethics of the Board and the Directors are regularly monitored and are considered in the annual Board evaluation process.</p> <p>The Board sets the strategic direction adopted by the Company’s operations to support a sustainable business taking into account inter alia the Company’s short- and long-term impact on the economy, society, environment and its stakeholders, the best interest of the Company and risks and opportunities. The Chief Executive Officer is responsible for the implementation and execution of the approved strategy, policy and plan; however, the Board oversees and monitors the implementation and execution by management and remains accountable for the responsibility to achieve strategic objectives and other positive outcomes, including the Company’s performance, even where delegated.</p>

¹ The governing body of the Company is the Board of Directors.

APPLICATION OF KING IV™ continued

GOVERNANCE OUTCOME: ETHICAL LEADERSHIP continued

Leadership, ethics and corporate citizenship	
Principle 2	Organisational ethics
The Board should govern the ethics of the Company in a way that supports the establishment of an ethical culture	<p>The Board establishes an ethical culture. It ensures that the Company applies the governance principles contained in King IV and where required continues to further entrench and strengthen recommended practices through the Group’s governance structures, systems, processes and procedures.</p> <p>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 specifies respect for human rights, ethical business conduct and allows no tolerance for discrimination, corruption or bribery.</p> <p>Management has been delegated the responsibility for the implementation of the Code of Conduct. The Board, with the assistance of the Social and Ethics Committee and the Audit and Risk Committee, exercises ongoing oversight of the management of ethics, monitoring the Company’s activities with regards to ethics and ensuring that our conduct supports our values.</p> <p>The Code of Conduct guides interactions with all stakeholders and addresses the key ethical risks of the Company. Our programmes include a whistleblower facility, operated by an independent service provider, which enables employees and other stakeholders to report confidentially and anonymously any unethical or risky behaviour and contributes to our strong ethical foundation.</p> <p>The Code of Conduct is published on the website and incorporated by reference in supplier and employee contracts. An overview of the governance and management of ethics is also disclosed in the Corporate Governance Report and the Sustainability Report.</p>
Principle 3	Responsible corporate citizenship
The Board should ensure that the Company is and is seen to be a responsible corporate citizen	<p>Through the Code of Conduct, the Board is responsible for ensuring that the Company protects, enhances and contributes to the wellbeing of the economy, society and the natural environment.</p> <p>Sustainability is an integral part of ARM’s business strategy through our values-driven focus on operational efficiencies, commitment to world-class management and our goal to be a partner of choice in the mining industry. We believe that a responsible, sustainable approach to our business minimises potentially negative impacts and increases the positive contribution the industry makes to communities and the country.</p> <p>The Board, with the support of the Social and Ethics Committee, oversees and monitors how the operations and activities of the Company affect our status as a responsible corporate citizen. As summarised in the Integrated Annual Report this is achieved through <i>inter alia</i> the Board Charter and the Code of Conduct, which set the policy framework, and through specific operational and corporate office structures more fully described in the Risk Report included in the Corporate Governance Report, and in the Sustainability Report. This framework has been established to ensure human and financial resources are employed effectively, and beneficially impact communities.</p>

APPLICATION OF KING IV™ continued

GOVERNANCE OUTCOME: GOOD PERFORMANCE

Strategy, performance and reporting	
Principle 4	Strategy and performance
<p>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</p>	<p>The Board, as a whole and through its Committees, approves and monitors the implementation of the strategy and business plan of the Company, sets objectives and priorities of the business, reviews key risks, challenges and opportunities, and evaluates performance against the background of economic, environmental and social issues relevant to the Company and national and economic conditions. The Company's material matters, including those relating to sustainability, are set out in the Integrated Annual Report. Globally competitive performance depends not only on optimising operational metrics, but also on ensuring that environmental and social issues are addressed appropriately. Driving excellence across all of these areas supports operational efficiency, long-term sustainability, financial return for shareholders and broad social benefit.</p> <p>Additional detail about the Company's performance against its strategic objectives may be found in the Integrated Annual Report and more information about the Company's sustainable development may be found in the Sustainability Report.</p>
Principle 5	Reporting
<p>The Board should ensure that reports issued by the Company enable stakeholders to make informed assessments of the Company's performance, and its short, medium and long-term prospects</p>	<p>The Integrated Annual Report, together with the supplementary reports, provides a comprehensive review of the sustainability of the Company, including the Group's financial, economic, social and environmental performance on matters material to the Company's strategy and the 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 Integrated Reporting Council's (IIRC) <IR> Framework, the Global Reporting Initiative (GRI) and the CDP Climate Change and CDP Water.</p> <p>The Board, through the Audit and Risk Committee and other Board Committees, ensures that 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 audited by the external auditor. The Social and Ethics Committee oversees the sustainability reporting process, which is independently assured by a sustainability assurer and the Remuneration Committee monitors remuneration reporting, which is reviewed by the Company's remuneration consultants.</p> <p>The Code of Conduct includes the Company's communication policy to ensure that timely, relevant and accurate information is provided to stakeholders. The Company ensures that the annual reports, including the Annual Financial Statements, the Integrated Annual Report, Sustainability Report and other information to relevant stakeholders are published on the Company's website, and other media as is appropriate.</p>

APPLICATION OF KING IV™ continued

GOVERNING STRUCTURES AND DELEGATION

Principle 6	Primary role and responsibilities of the Board
<p>The Board should serve as the focal point and custodian of corporate governance in the Company</p>	<p>The Board ensures that the Company applies the governance principles contained in King IV™ and where required continues to further entrench and strengthen recommended practices through the Group's governance structures, systems, processes and procedures.</p> <p>The Board has an approved Charter, which it reviews annually. The Board Charter sets out its governance responsibilities.</p> <p>The Board, as well as any Director or Committee, may obtain independent, external professional advice at the Company's expense concerning matters within the scope of their duties and the Directors may request documentation from and set up meetings with management as and when required.</p> <p>An appropriate governance framework and the necessary policies and processes are in place to ensure entities in the Group adhere to Group requirements and minimum governance standards. The Company's governance framework and corporate governance practices are disclosed in the Integrated Annual Report, the Corporate Governance Report and the Sustainability Report.</p>
Principle 7	Composition of the Board
<p>The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</p>	<p><i>Composition</i></p> <p>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, a rigorous review of the independence and performance of Independent Non-executive Directors serving more than nine years is undertaken by the Board, upon the recommendation of the Nomination Committee.</p> <p>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 role.</p> <p>The Board has adopted a policy on the promotion of gender and race diversity and inclusion at the Board level, and reports in the Integrated Annual Report on how it has made progress towards the targets established in the policy. The process of identifying suitable candidates to be proposed for appointment involves taking into consideration diversity and inclusion. Directors are appointed in terms of the Company's Memorandum of Incorporation.</p> <p>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 workshop and the Bosberaad (strategy) meeting with senior management. Ongoing training includes workshops presented by external advisors and additional training is facilitated as required. Site visits to the operations are held from time to time and Directors receive regular briefings on legal and other developments, including changes in the business and the business environment.</p> <p><i>Executive Chairman</i></p> <p>The Company has an Executive Chairman and therefore, 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 the Lead Independent Non-executive Director, who leads, <i>inter alia</i>, in the absence of the Executive Chairman or when the Executive Chairman has a conflict of interests. The Executive Chairman and the Lead Independent Non-executive Director are required to be elected by the Board annually.</p>

APPLICATION OF KING IV™ continued

GOVERNING STRUCTURES AND DELEGATION continued

Principle 8	Committees of the Board
<p>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</p>	<p>As set out in the Board Charter, the Board has six standing Committees that assist it in discharging its duties and responsibilities. The Committees are as follows: the Audit and Risk Committee, the Investment Committee, the Nomination Committee, the Non-executive Directors' Committee, the Remuneration Committee and the Social and Ethics Committee. These Committees operate in accordance with written Terms of Reference approved by the Board, which are reviewed annually. The Committees are appropriately constituted and members are appointed by the Board, with the exception of 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 with regard to their composition, taking into account factors such as diversity and skills and the need to create a balanced distribution of power.</p> <p>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.</p> <p>The Board considers the allocation of roles and associated responsibilities and the composition of membership across Committees holistically.</p> <p>A delegation by the Board of its responsibilities to a Committee will not by or of itself constitute a discharge of the Board's accountability.</p> <p>The Board applies its collective mind to the information, opinions, recommendations, reports and statements presented by the chairman of a Committee.</p>
Principle 9	Evaluations of the performance of the Board
<p>The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness</p>	<p>The effectiveness and performance of the Board as a whole and the individual Board Committees is evaluated annually. The Executive Chairman of the Board, through the Nomination Committee and assisted by the Company Secretary, leads the evaluation process. The Lead Independent Non-executive Director leads the process to evaluate the performance of the Executive Chairman. An external service provider assisted with the Board and Board Committee evaluations in respect of the Board's performance in F2018. The Board is satisfied that the evaluation process is improving the Board's performance and effectiveness. (Refer to the Integrated Annual Report and the Corporate Governance Report.)</p>

APPLICATION OF KING IV™ continued

GOVERNING STRUCTURES AND DELEGATION continued

Principle 10	Appointment and delegation to management
<p>The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities</p>	<p>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 which contributes to the effective exercise of responsibilities.</p> <p><i>Chief Executive Officer</i></p> <p>The Chief Executive Officer was appointed by the Board, on the recommendation of the Nomination Committee. The role and responsibilities of the Chief Executive Officer are set out in the Board Charter.</p> <p>The Board, with the assistance of the Nomination Committee, is responsible for ensuring that succession plans are in place for the Chief Executive Officer and other Senior Executives.</p> <p>The Board approves and regularly reviews the delegation of authority framework in terms of which matters are delegated to the Chief Executive Officer. The Chief Executive Officer is accountable to the Board for the successful implementation of our strategy and the overall management and performance of the Group, consistent with our values. The Chief Executive Officer is supported by a competent, multi-skilled team, which helps him execute his responsibilities.</p> <p>The Chief Executive Officer is not a member of the 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.</p> <p>The Chief Executive Officer does not hold any external board appointments.</p> <p><i>The Company Secretary</i></p> <p>The Company Secretary is appointed by the Board in accordance with the Companies Act and the JSE Listings Requirements and her performance is evaluated annually during the independent assessment of Board effectiveness. The Board is satisfied that the Company Secretary is properly qualified and experienced to competently carry out the duties and responsibilities of Company Secretary.</p> <p>(Refer to the Integrated Report or the Corporate Governance Report for additional information.)</p>

GOVERNANCE FUNCTIONAL AREAS

Principle 11	Risk governance
<p>The Board should govern risk in a way that supports the Company in setting and achieving its strategic objectives</p>	<p>In terms of the Board Charter, the Board is responsible for the governance of risk. The Board sets the Company's risk appetite and risk tolerance levels which provide the basis for achieving our strategic objectives referred to in the 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 in terms of the Enterprise Risk Management Plan approved annually by the Audit and Risk Committee and the Enterprise Risk Management Policy approved by the Board. In terms of the Audit and Risk Committee 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 the management of the Plan rests with the Group Risk Manager. (Refer to the Risk Report in the Corporate Governance Report.)</p>
Principle 12	Technology and information governance
<p>The Board should govern technology and information in a way that supports the Company in setting and achieving its strategic objectives</p>	<p>In terms of the Board Charter and the Audit and Risk Committee Terms of Reference, the Audit and Risk Committee assists the Board with technology and information governance. The governance framework, including processes, procedures and structures to achieve the Company's strategic objectives, was adopted by the Board which delegates implementation to management. Technology and information governance was strengthened with a Technology and Information Committee that reports to the Audit and Risk Committee. Following a gap analysis in 2018, areas were identified where the application of King IV™ requires enhancement and a plan has been developed to address the gaps. (Refer to the Technology and Information Governance Report in the Corporate Governance Report.)</p>

APPLICATION OF KING IV™ continued

GOVERNANCE FUNCTIONAL AREAS continued

Principle 13	Compliance governance
The Board should govern 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	<p>The Code of Conduct, approved by the Board, sets out the requirement for legal compliance and provides for the Company to develop and implement a policy. The Company has a Legal Compliance Policy and, with the assistance of the internal audit function, 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 and to the Social and Ethics Committee. The Group Executive: Legal, who is the Company's Chief Compliance Officer, attends Management Risk and Compliance Committee, Audit and Risk Committee, Social and Ethics Committee and Board meetings. Following a gap analysis in 2018, areas were identified where the application of King IV™ requires enhancement and a plan to link compliance management and risk management has been developed to address the gaps. (Refer to the Sustainability Report and the Risk Report in the Corporate Governance Report.)</p>
Principle 14	Remuneration governance
The Board should ensure that the Company remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term	<p>The Company applies a remuneration strategy that ensures a balance in attracting, motivating and retaining human capital through competitive remuneration practices, while creating shareholder value. We have done so by formulating a Remuneration Policy designed to give effect to the remuneration strategy, support the business objectives within the larger operating environment and offer a balanced remuneration mix in line with our values and goals.</p> <p>(The Remuneration Policy and the Implementation Report are included in the Summarised Remuneration Report included in the Integrated Annual Report and in the Remuneration Report included in the Corporate Governance Report.)</p>
Principle 15	Assurance
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	<p><i>Combined assurance</i></p> <p>The Board has delegated to the Audit and Risk Committee oversight of, among others, the effectiveness of the Company's assurance services, with particular focus on combined assurance, including external audit, internal audit and the finance function as well as the integrity of the Integrated Annual Report and the Annual Financial Statements and, to the extent delegated by the Board, other external reports issued by the Company. The Audit and Risk Committee also considers annually, and satisfies itself of, the appropriateness of the expertise and experience of the Financial Director and the finance function. (Refer to the Risk Report, including the section on Combined Assurance, in the Corporate Governance Report.)</p> <p><i>Assurance of external reports</i></p> <p>With the assistance of independent assurers, such as the external auditor and the internal auditor, the Audit and Risk Committee and other Board Committees review and evaluate the Integrated Annual Report and the Annual Financial Statements, prior to recommendation to the Board for approval. The Integrated Annual Report and complementary reports provide a consolidated review of the sustainability of the Company including the Group's financial, economic, social and environmental performance on matters material to the Company's strategy and the key stakeholders. Sustainability reporting and disclosure are independently assured and structured review processes to ensure the integrity of sustainability reporting have been established. (Refer to, for example, the Independent Auditor's report in the Annual Financial Statements and the Sustainability Assurer's Assurance Statement in the Sustainability Report.)</p> <p><i>Internal audit</i></p> <p>The Audit and Risk Committee has been delegated the responsibility 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 an Internal Audit Charter which requires, inter alia, the performance of risk-based internal audits in terms of an internal audit plan approved by the Audit and Risk Committee. The internal auditor submits formal reports to the Audit and Risk Committee quarterly. The Directors' Report in the Annual Financial Statements includes 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 the Company's systems of internal financial controls.</p> <p>(Also refer to the Risk Report in the Corporate Governance Report.)</p>

APPLICATION OF KING IV™ continued

GOVERNANCE OUTCOME: LEGITIMACY

Stakeholder relationships	
Principle 16	Stakeholders
<p>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 Company over time</p>	<p>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 into how we conduct our business. Stakeholder interactions provide a broader context, inform our most material matters, help us to refine our strategy and shape the long-term direction of the Company. The Company engages its stakeholders on multiple levels and this allows the Company to manage material matters effectively and timeously and reduces the likelihood of reputational risks. “Stakeholder relationships” are a standing Board agenda item.</p> <p>The Company identifies stakeholders through a variety of formal and informal channels at the corporate, divisional and operational levels as appropriate to the stakeholder, and uses many forums to facilitate effective stakeholder engagement and to ensure that material matters have been identified, prioritised and appropriately addressed. at the corporate, divisional and operational level as appropriate to the stakeholder.</p> <p>The Company’s stakeholder communication policy, included in the ARM Code of Conduct, ensures that timely, relevant and accurate information is provided to stakeholders.</p> <p>The Company acts in accordance with the requirements of the Companies Act and the JSE Listings Requirements regarding the equitable treatment of shareholders of the Company. Directors are mindful of their fiduciary duties and their duty to act in accordance with applicable legislation. Records of Directors’ financial, economic and other interests are kept and updated on an on-going basis. 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.</p> <p>In its deliberations, decisions and actions, the Board is sensitive to the legitimate interests and expectations of the Company’s stakeholders.</p> <p>Formal dispute resolution policies are in place and dispute resolution provisions are included in contracts. Where disputes occur, the main objective is to resolve disputes as effectively, efficiently and expeditiously as possible.</p> <p>(A comprehensive framework of our stakeholder relationships and engagements is included in the Integrated Annual Report and the Sustainability Report.)</p>
Principle 17	Responsibilities of institutional investors
<p>The governing body of an institutional investor organisation should ensure that responsible investment is practices by the Company to promote the good governance and the creation of value by the companies which it serves</p>	<p>Principle 17 is not applicable as the Company is not an institutional investor organisation.</p>



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