



**SUSTAINABILITY
REPORT
2016**



We do it better

CONTENTS



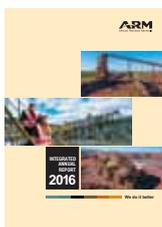
Iron ore loading facility at Khumani Mine

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OUR SUITE OF REPORTS

and additional material are available at www.arm.co.za

Integrated Annual Report



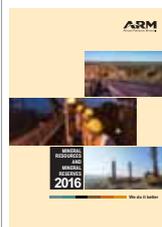
Company Annual Financial Statements



Sustainability Report



Mineral Resources and Mineral Reserves Report



King III Checklist



REFERENCES

 Integrated Annual Report 2016
IAR

 Sustainability Report 2016
SR

 www.arm.co.za

All monetary values in this report are given in South African Rands unless otherwise stated. Rounding of figures may result in computational discrepancies on management and operational review tabulations.

ABOUT THIS REPORT

This report provides detailed information about sustainable development performance at African Rainbow Minerals Limited (ARM or the Company) over the 12-month period from 1 July 2015 to 30 June 2016 (F2016).

The context, policies, practices and performance discussed in this Sustainability Report complement the information provided in the ARM 2016 Integrated Annual Report. It provides information regarding environmental, social and governance practices generally required by our stakeholders, including existing and prospective stakeholders, investment analysts and investors.

REPORTING GUIDELINES

ARM's approach to sustainable development is guided by a wide range of legislation, industry initiatives, guidelines and frameworks, as described on pages 31 to 35. The GRI G4 Guidelines, the GRI Mining and Metals Sector Disclosures and the member requirements of the International Council on Mining and Metals (ICMM) shaped the information disclosed in this report and how it is presented. This information is presented in accordance with the GRI G4's 'Core' option disclosure requirements.

INDEPENDENT ASSURANCE

This report has been assured by IBIS Environmental Social Governance Consulting South Africa (Pty) Ltd (IBIS Consulting), an independent third party. Assurance was performed according to the AccountAbility AA1000AS guidelines (assurance Type II, moderate) and included a combination of content-based and indicator-based assurance. Certain sustainability information was also assured, as described in the full Independent Assurance Statement presented on pages 136 to 138 of this report.

Content-based assurance tests assertions in the report for plausibility (the likelihood of being true) and/or supportability (whether there is evidence to support them) to assess the report's completeness in terms of GRI reporting requirements. Indicator-based assurance reviews data reported for selected sustainability indicators for accuracy, completeness, consistency and reliability. Data verification was performed at three operations: Nkomati Mine, Khumani Mine and Cato Ridge Works. The assurance engagement reviewed the reporting process and assessed the report against AccountAbility's guiding principles of inclusivity, materiality and responsiveness.

REPORT BOUNDARY, BASIS FOR INCLUSION AND RESTATEMENTS

The report covers ARM's activities for the 12-month period to 30 June 2016, although information regarding the Mining Charter Scorecard reports and TB infection and cure rates is disclosed for the calendar year ending 31 December 2015, in line with the legislation regulating these disclosures.

Only information for those operations over which we have direct joint management control is included, namely the operations that form part of the ARM Ferrous, ARM Platinum and ARM Copper divisions. The report does not include those operations, joint ventures and investments that we do not manage directly (ARM Coal, the Sakura Ferroalloys Project and Harmony Gold), as well as projects that are in exploration, development or feasibility phases. This approach is consistent with the reporting boundary in the prior period.

Sustainability information is disclosed on a 100% basis (as if ARM owned 100% of all operations), except for carbon emissions and where stated otherwise. Carbon emissions are disclosed on an attributable basis (in the proportion of ARM's shareholding in the operation), which aligns with our reporting of emissions data in our CDP submission. During F2016, an agreement was reached to incorporate additional mineral rights into Two Rivers Mine that will increase ARM's shareholding in the mine to 54% from 51%. More information regarding this transaction is available in the note on page 77 of the 2016 Integrated Annual Report.

The occupational health and safety statistics use an average of 21 541 as the total workforce, being those employees and contractors eligible for induction and/or medical surveillance and contributing to the safety statistics. The figure reported as total labour of 23 128 in the Human Resources Development section and the Integrated Annual Report is the year-end headcount recorded at 30 June 2016.

Consistent with last year's report, Scope 3 emissions are not disclosed due to the considerable expansion in disclosure categories. These are, however, available in the ARM CDP Report, which is publicly available at www.cdp.net.

Minor restatements of F2015 electricity and diesel consumption, and carbon emissions have been made due to refinements during external assurance of the CDP Report.

OUR PERFORMANCE IN F2016

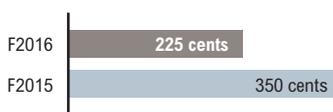
Headline earnings



Headline earnings per share



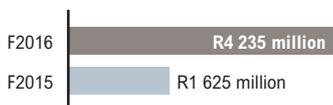
Dividends per share



Segmental capital expenditure (attributable basis)



Net debt (including partner loans)



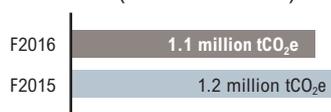
LTIFR per 200 000 man-hours



Corporate Social Responsibility expenditure (100% basis)



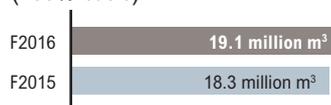
Carbon footprint: Scope 1 and 2 emissions (attributable basis)



Electricity consumption (100% basis)



Water abstracted (100% basis)



OTHER SALIENT FEATURES

- > The iron ore, manganese ore, Modikwa, Nkomati, Lubambe and PCB operations all achieved decreases in unit production costs while Two Rivers Mine achieved a below-inflation increase in unit production costs.
- > Record sales volumes of 17 million tonnes were achieved in iron ore and the manganese ore, platinum, nickel and PCB operations increased sales volumes.
- > As part of the Lubambe Mine review, all options are being considered to maximise value for ARM.
- > ARM and Impala Platinum Holdings Limited (Implats) reached an agreement to increase ARM's shareholding in Two Rivers Mine from 51% to 54%. Completion of the agreement is awaiting a Section 11 consent to transfer ownership of mining assets from ARM to Two Rivers.
- > The disposal of ARM's 50% effective interest in Dwarsrivier Mine was completed in July 2016.
- > Restructuring of the ARM Broad-Based Economic Empowerment Trust was completed on 22 April 2016 resulting in a more permanent and sustainable funding solution for the Trust.

OUR SUSTAINABILITY PERFORMANCE YEAR-ON-YEAR

Performance indicator	F2016**	F2015**	F2014**	F2013**	F2012
ECONOMIC AND RELATED CORE BASELINE INDICATORS					
Sales (Rm)	19 072	19 824	23 785	19 800	17 530
Taxation (Rm)	478	860	1 893	1 145	1 633
Headline earnings (Rm)	1 051	1 744	4 108	3 737	3 451
EBITDA (Rm)	3 964	4 994	8 459	7 227	6 531
Purchased materials and services (Rm)	10 891	10 808	11 093	9 100	8 329
Wealth created (Rm)	6 276	7 217	11 797	8 318	9 421
Number of environmental administrative penalties/fines	0	0	3	1	0
EMPLOYEE INDICATORS (100% basis) AS AT 30 JUNE 2016					
Total number of ARM employees, contractors and expatriates*	23 128	27 276	27 236	26 751	28 716
– Full-time employees	13 793	15 080	15 250	14 653	12 888
– Contractors	9 319	12 141	11 953	12 064	15 796
– Expatriates	16	55	33	34	32
New jobs created (direct employment only)	0	0	335	1 358	877
Employee turnover (excluding contractors) (%)	15.0	11.5	1.6	1.7	1.9
Investment in employee training and development					
– Total expenditure (Rm)	184	232	196	180	137
– % of payroll	6.9	8.3	8.7	10.1	9.2
Employment equity [†] (% representation of previously disadvantaged groups among permanent employees)					
– Top management	38	38	38	50	50
– Senior management	49	44	40	42	48
– Professionally qualified	57	54	51	49	44
– Technically qualified	68	67	65	64	66
Lost Time Injury Frequency Rate (LTIFR) [•] (200 000 man-hours)	0.32	0.35	0.37	0.48	0.40
Reportable/serious accidents	60	78	66	79	75
Number of lost man days due to industrial action	3 024	0	172 221	0	102 600
ENVIRONMENTAL INDICATORS (100% basis)					
Total water withdrawn (m ³) (municipal, surface and ground water)	19 066 300	18 334 106	19 408 464	20 551 374	17 991 948
Energy usage					
– Electricity (MWh)	1 820 802	2 102 451	2 144 894	2 045 499	2 866 033
– Diesel (000 litres)	91 974	99 812	92 013	108 788	96 360
EMISSIONS (ATTRIBUTABLE[†])					
Carbon emissions (equivalent tonnes CO ₂)					
– Scope 1 and 2	1 077 746	1 246 131	1 228 656	1 244 181	1 810 205
– Scope 1	226 972	322 034	307 332	327 757	480 420
– Scope 2	850 774	924 097	921 325	916 424	1 329 785
Direct emissions: Cato Ridge Works [#]					
– CO ₂ e emissions – direct (tonnes)	292 120	431 708	476 327	237 392	276 117
– NO _x (tonnes)	405	601	838	637	715
– SO _x (tonnes)	316	386	605	506	658
Particulate matter (tonnes)	216	237	182	122	192
CORPORATE SOCIAL RESPONSIBILITY (100% basis)					
Total community upliftment and Corporate Social Responsibility (Rm)	105.9	169.3	282.5	168.5	126.3
– CSI (Rm)	18.0	54.0	134.6	62.0	36.3
– LED (Rm)	80.5	103.6	141.9	99.6	84.9
– ARM BBEE Trust (Rm) (Projects)	7.4	11.7	5.9	6.8	5.1

* Total number of ARM employees, contractors and expatriates as at 30 June 2016, including Lubambe Mine total labour.

** Financial data is based on segmental reporting.

Non-financial data is based on 100% (vs attributable to equity) unless otherwise stated, e.g. emissions data.

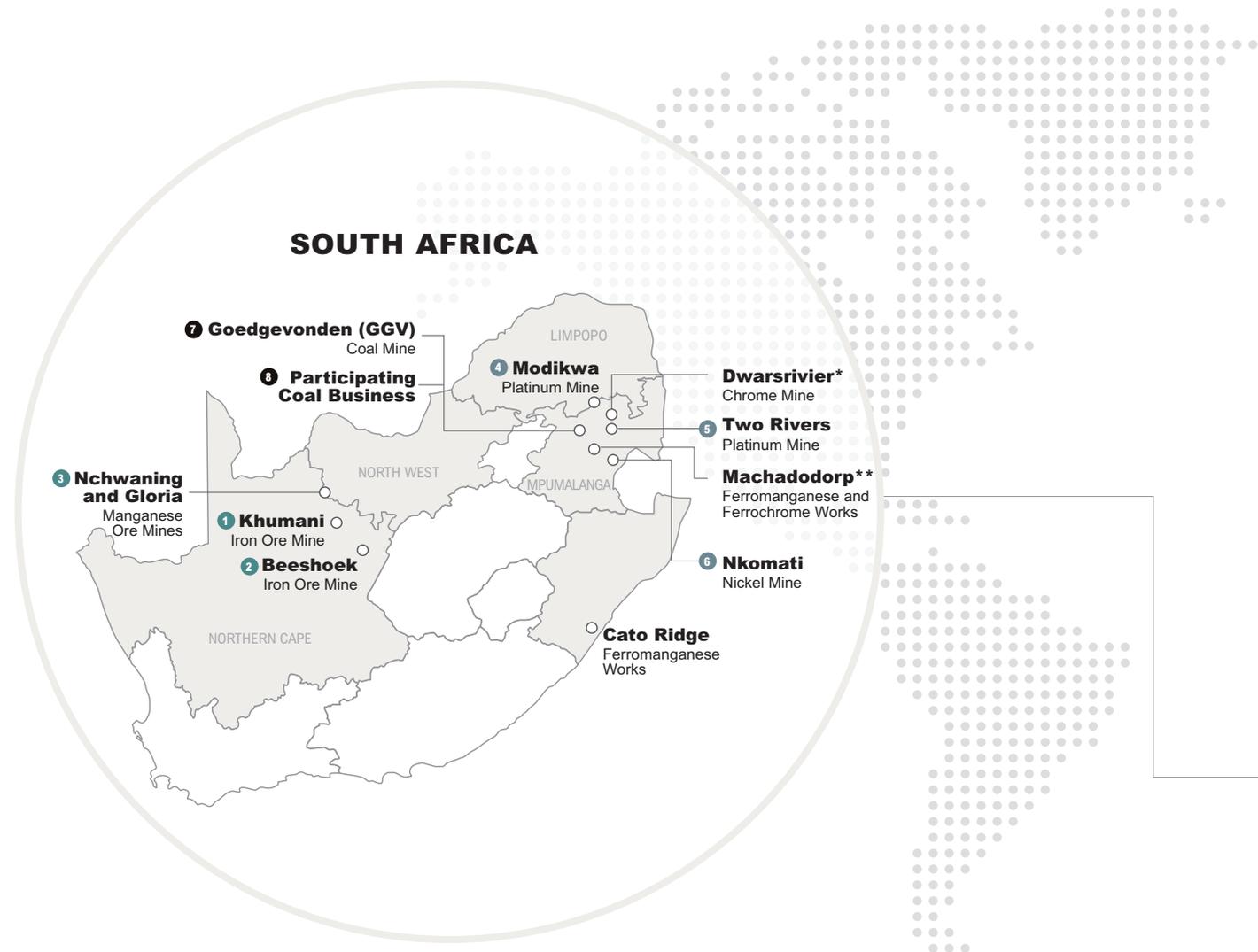
[†] The Employment Equity Report was submitted to the Department of Labour and complies with Section 21 of the Act.

• LTIFR: injury rates are measured per 200 000 man-hours, in line with general South African practice and include both ARM employees and contractor incidents.

[#] Values attributable to shareholding percentages.

[#] Direct emissions as a result of smelting operations at Cato Ridge Works only. No smelting operations were conducted at Machadodorp Works during F2016.

WHERE WE OPERATE



	Products	Mine/operation type	Production volumes F2016 (100% basis)
1 Khumani Mine	Iron ore	Open pit	13.6 Mt iron ore
2 Beeshoek Mine	Iron ore	Open pit	3.1 Mt iron ore
3 Nchwaning and Gloria Mines	Manganese ore	Underground mechanised	2.9 Mt manganese ore
4 Modikwa Mine	6E PGM metals	Underground	293 604 6E PGM oz
5 Two Rivers Mine	6E PGM metals	Underground mechanised	400 722 6E PGM oz
6 Nkomati Mine	Nickel, PGMs, chrome, copper, cobalt	Open pit	21.6 kt nickel, 158 koz PGM, 273 kt chrome, 10 kt copper, 1.1 kt cobalt
7 Goedgevonden (GGV) Mine	Thermal coal	Open pit	6.5 Mt saleable thermal coal
8 Participating Coal Business (PCB) operations	Thermal coal	Open pit and underground mechanised	14.6 Mt saleable thermal coal
9 Lubambe Mine	Copper	Underground mechanised	21.0 kt copper
10 Sakura Ferroalloys Project	Ferromanganese	Smelter	50 kt ferromanganese

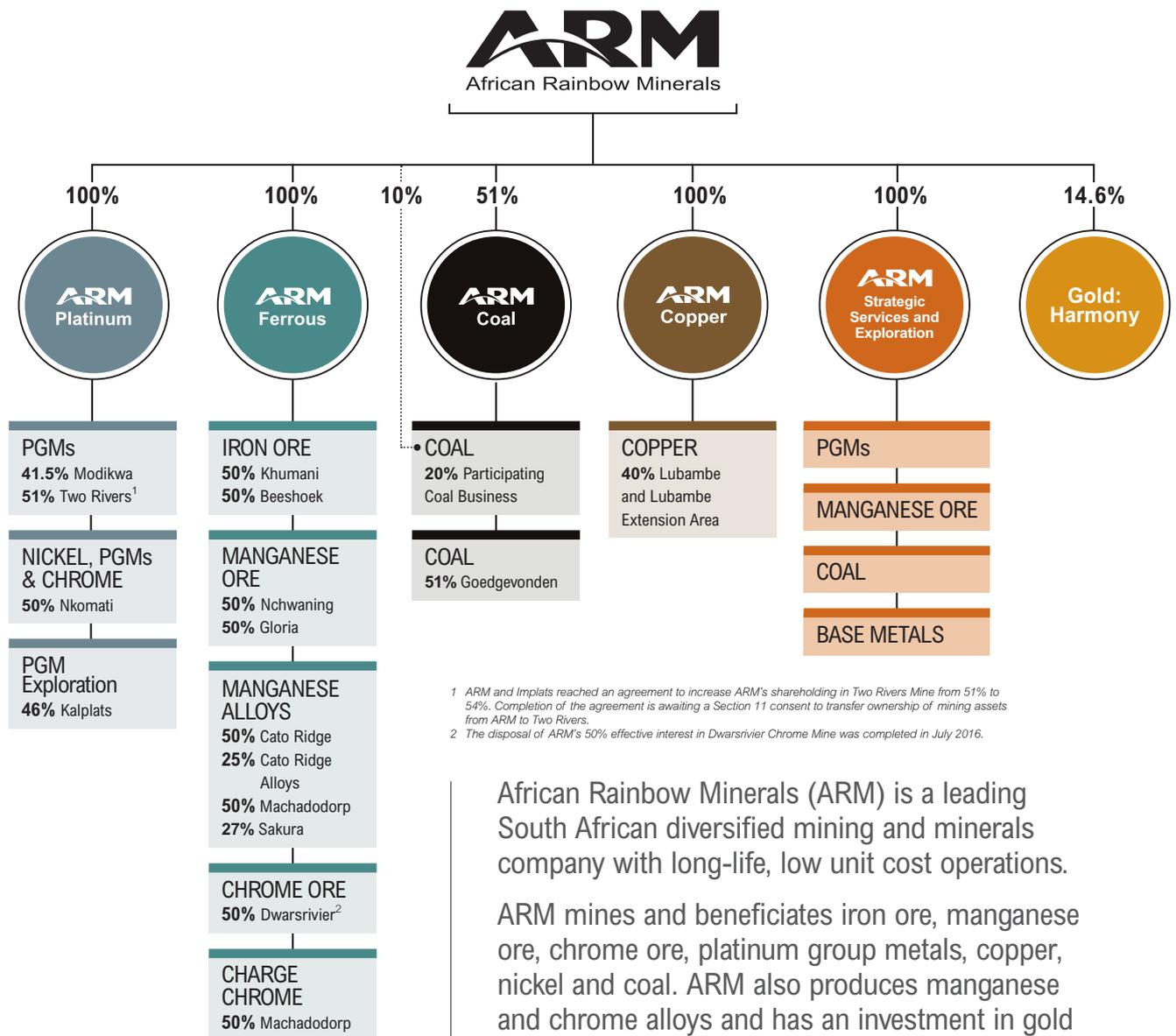
* The disposal of ARM's 50% effective interest in Dwarsrivier Mine was completed after year-end in July 2016.

** Machadodorp Works is currently recovering ferrochrome from the historical slag dump through the metal recovery plant.



Position on global cost curve (F2016)	Approximate life of mine	Total labour as at 30 June 2016 (including contractors)	F2016 LTIFR per 200 000 man-hours
45 th percentile	23 years	4 483 employees	0.17
55 th percentile	12 years	1 053 employees	0.07
37 th percentile	More than 30 years	3 722 employees	0.35
77 th percentile	More than 30 years	4 646 employees	0.64
20 th percentile	More than 30 years	3 370 employees	0.41
40 th percentile	12 years	1 735 employees	0.09
24 th percentile	24 years	Not reported by ARM	Not reported by ARM
30 th percentile	23 years	Not reported by ARM	Not reported by ARM
90 th percentile	22 years	1 671 employees	0.21
25 th percentile (at steady state)		Not reported by ARM	Not reported by ARM

OUR STRUCTURE



African Rainbow Minerals (ARM) is a leading South African diversified mining and minerals company with long-life, low unit cost operations.

ARM mines and beneficiates iron ore, manganese ore, chrome ore, platinum group metals, copper, nickel and coal. ARM also produces manganese and chrome alloys and has an investment in gold through its shareholding in Harmony.

OUR VALUES

Our “we do it better” management style is supported by values which guide the way we conduct business.

PROVIDE A SAFE AND HEALTHY WORK ENVIRONMENT FOR ALL OUR EMPLOYEES

and remain an employer of choice by continually investing in our people.

MAINTAIN A NON-DISCRIMINATORY WORKPLACE

based on fairness and employment equity, fair labour practices and freedom of association which empowers our employees to contribute to the best of their ability, offers them rewarding career opportunities and in so doing support transformation in the South African mining industry.

OUR

STRATEGY

ARM’s strategy focuses on quality growth in our existing portfolio of commodities, operational efficiencies, acquisitions and partnerships and exploration. The ARM Board provides strategic direction and leadership, monitors implementation of business and strategic plans and approves the capital funding for these plans.



AIM FOR OPERATIONAL EXCELLENCE through continuous improvement and by employing a leading practice sustainable development framework to achieve our environmental and health performance targets and ensure a safe, injury-free workplace.

IMPROVE THE LIVES OF THOSE LIVING IN COMMUNITIES WHERE WE OPERATE by creating jobs, investing in projects that directly benefit them, providing skills training to community members that equip them for employment and supporting enterprise development in our host communities.

MAINTAIN THE HIGHEST STANDARD of corporate governance.

WORK RESPONSIBLY to achieve the balance between the economic, social and environmental aspects of our business, all of which are essential to the sustainability of our company.

“We do it better”

OUR STRATEGIC OBJECTIVES

AND HOW WE HAVE PERFORMED AGAINST THEM

ALL OPERATIONS
TO BE BELOW THE
50TH PERCENTILE

OPERATIONAL EFFICIENCIES

ARM's target is that all its operations should be below the 50th percentile of each commodity's cost curve.

ARM strives to achieve this while:

- > Continually improving productivity and maintaining a safe, healthy and appropriately skilled workforce;
- > Building strong partnerships with communities and other stakeholders;
- > Practising environmental stewardship;
- > Ensuring regulatory compliance; and
- > Continually improving and innovating in mining and processing.

PERFORMANCE IN F2016

- > Unit production cost increases at all operations were well below inflation, with the exception of the GGK Mine and the manganese alloy operations which were affected by a decline in production volumes.
- > The high-cost underground mine at Nkomati Mine was placed on care and maintenance.
- > ARM achieved its lowest ever Lost Time Injury Frequency Rate (LTIFR) of 0.32 per 200 000 man-hours and there were no fatalities at any of the ARM operations.
- > Shifts lost due to safety stoppages decreased from 96 in F2015 to 77.
- > All operations remain positioned below the 50th percentile of their global cost curves, except for the Lubambe, Modikwa, Beeshoek and Cato Ridge operations.

LOOKING FORWARD

- > Improve cost efficiencies through the restructuring of Modikwa Mine.
- > Ramp up production at the Beeshoek Mine Village Pit which will improve unit costs.
- > Evaluate options for Lubambe Mine to maximize value for ARM and its shareholders.
- > Target zero fatalities and further improve our LTIFR.

REFER TO ALL MATERIAL MATTERS



Pages 14 to 18 of this report.



CONTINUING TO ASSESS
ACQUISITIONS AND JOINT
VENTURE OPPORTUNITIES

ACQUISITIONS AND PARTNERSHIPS

Our partnership model allows for transfer of knowledge and skills, and the sharing of financial responsibility. ARM has partnered with leading mining companies and continues to assess quality merger and acquisition opportunities.

PERFORMANCE IN F2016

- > ARM and Implats reached an agreement to increase ARM's shareholding in Two Rivers Mine from 51% to 54%. Completion of the agreement is awaiting a Section 11 consent to transfer ownership of mining assets from ARM to Two Rivers.
- > The first sale of alloy from the Sakura Ferroalloys Project, which is a joint venture partnership between Assmang, Sumitomo and China Steel Corporation, took place in June 2016. Commissioning of the second furnace commenced in September 2016.

LOOKING FORWARD

- > The current commodity environment presents opportunities for consolidation and ARM continues to assess value accretive acquisitions and joint venture partnerships.

REFER TO MATERIAL MATTER

- DELIVERING FINANCIAL RETURNS TO SHAREHOLDERS, INVESTORS AND OTHER PROVIDERS OF CAPITAL



Page 16 of this report.



REFERENCE TO MATERIAL MATTERS

 CONTINUOUSLY IMPROVING OPERATIONAL PERFORMANCE	 DELIVERING FINANCIAL RETURNS TO SHAREHOLDERS, INVESTORS AND OTHER PROVIDERS OF CAPITAL	 ENSURING A SAFE, HEALTHY AND APPROPRIATELY SKILLED WORKFORCE	 MAINTAINING OUR SOCIAL LICENCE TO OPERATE	 ENSURING RESPONSIBLE STEWARDSHIP OF OUR NATURAL RESOURCES
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QUALITY GROWTH IN ARM'S PORTFOLIO OF COMMODITIES

ARM continues to focus on quality growth and investing in the Company's future.

PERFORMANCE IN F2016

- > The iron ore operations achieved record sales volumes of 17 million tonnes.
- > Two Rivers Mine achieved record production volumes of 400 722 6E PGM ounces.
- > The Black Rock Project is 68% complete and is progressing on schedule and on budget. The project will enable the mine to increase production volumes from 3.0 million tonnes up to 4.6 million tonnes per annum, subject to market demand and logistics capacity. It will also optimise resource exploitation and improve efficiencies in mining, sorting and processing.
- > The first ore at the Beeshoek Mine Village Pit was extracted successfully in April 2016 and conforms to the quality specifications derived in the geological drilling work. The Village Pit extends the life of mine for Beeshoek from two years to 12 years at a sustainable production rate of 3 million tonnes per annum.

LOOKING FORWARD

- > The Black Rock Project is continuing. Increases in manganese ore production volumes will be subject to market demand and logistics capacity. The project will also benefit unit production costs at the mine.
- > The ramp up of the Sakura Ferroalloys Project to full production of 169 000 tonnes per annum will be assessed subject to market conditions.

REFER TO MATERIAL MATTERS

- CONTINUOUSLY IMPROVING OPERATIONAL PERFORMANCE
- DELIVERING FINANCIAL RETURNS TO SHAREHOLDERS, INVESTORS AND OTHER PROVIDERS OF CAPITAL



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EXPLORATION

ARM actively pursues new mineral opportunities based on the commodities within ARM's current portfolio focusing on PGMs and base metals (especially copper and nickel sulphides) as well as high-quality manganese and coal opportunities.

PERFORMANCE IN F2016

- > Exploration expenditure has been curtailed consistent with challenging commodity markets.

LOOKING FORWARD

- > ARM is conscious of the need to ensure continued growth beyond the existing ore bodies. A number of opportunities are being assessed in a rigorous process which involves subject matter experts from the Strategic Services and Exploration Division reviewing these against ARM's growth principles.

REFER TO MATERIAL MATTERS

- CONTINUOUSLY IMPROVING OPERATIONAL PERFORMANCE
- DELIVERING FINANCIAL RETURNS TO SHAREHOLDERS, INVESTORS AND OTHER PROVIDERS OF CAPITAL



page 16 of this report.



OUR BUSINESS MODEL

AND HOW WE CREATE VALUE

INPUTS

FINANCIAL CAPITAL

Financial capital refers to our assets (including cash balances), cash flow from operations and funding from shareholders and other providers of capital. Allocation of these financial resources to the other capitals allows ARM to create sustainable value for our shareholders and other stakeholders.

See the Financial Director's Report on pages 22 to 31 of the 2016 Integrated Annual Report for further information on Financial Capital.



HUMAN CAPITAL

Our people are crucial to achieving our strategic objectives and creating value for all stakeholders. We aim to maintain a safe, healthy and non-discriminatory work environment for all our employees and ensure that our operations are adequately resourced with skilled, engaged and motivated employees.

See pages 57 to 89 of this report for further information on Human Capital.



SOCIAL AND RELATIONSHIP CAPITAL

Relationships with all our stakeholders are key to the sustainability of our business. In particular, the relationships we have with our employees, host communities, regional and national governments, and regulators allow us our social licence to operate. We continue to engage and partner with these and other stakeholders consistent with our strategy.

See pages 90 to 111 of this report for further information on our Social and Relationship Capital.



NATURAL CAPITAL

The mineral resources and reserves in our portfolio represent the largest part of our natural capital. Natural resources, including water, electricity and fuel are then required to extract and process the minerals that we mine.

See pages 112 to 127 of this report for further information on our Natural Capital.



INTELLECTUAL CAPITAL

Access to and investment in innovation and technology allow ARM to continuously improve our production processes. Mining is a technology intensive industry. The knowledge, experience and expertise that we have among our subject matter experts is key in differentiating ARM. Our intellectual capital also includes information technology systems, risk management processes, research and development, the Strategic Services and Exploration division, as well as our brand and reputation.

See pages 128 to 130 of this report for further information on our Intellectual Capital.



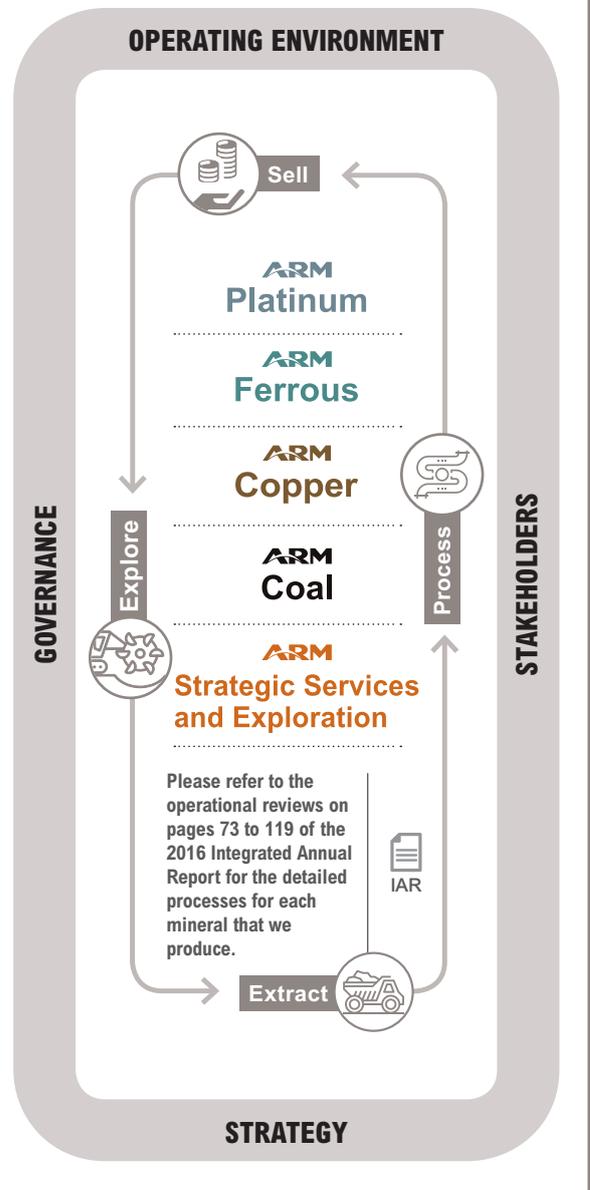
MANUFACTURED CAPITAL

Our operations rely on above and below ground infrastructure and specialised equipment to extract and process the minerals that we mine. Efficient use of this infrastructure and equipment is crucial to cost effective extraction and processing of our minerals.

See pages 132 to 133 of this report for further information on our Manufactured Capital.



BUSINESS PROCESS



OUTCOMES

FINANCIAL CAPITAL

- > R761 million paid as dividends to shareholders (F2015: R1 302 million)
- > R406 million paid to finance providers (F2015: R279 million)
- > R901 million paid as taxes and royalties

HUMAN CAPITAL

- > No fatalities in F2016
- > LTIFR of 0.32 per 200 000 man-hours, the lowest in ARM's history
- > R3 793 million paid to employees as salaries, wages and fringe benefits (F2015: R3 563 million)
- > 6.9% of payroll invested on employee training (F2015: 8.3% of payroll)
- > Reskilling and redeployment of employees to production roles
- > ARM was certified as a Top Employer by the Top Employers Institute
- > 15% decrease in number of employees, including contractors to 23 128 (F2015: 27 276 employees)

SOCIAL AND RELATIONSHIP CAPITAL

- > R106 million in our host communities through our CSI, LED and SLP programmes (F2015: R169 million)
- > The F2016 preferential procurement exceeded Mining Charter targets

NATURAL CAPITAL

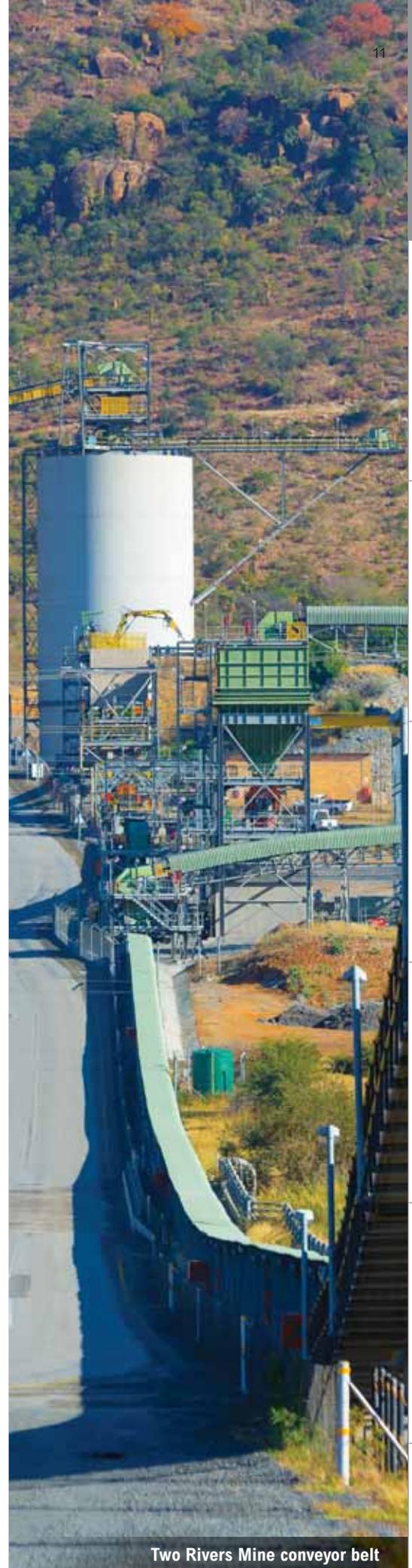
- > 13.5% reduction in carbon emissions (F2016: 1.1 million tCO₂e)
- > Water abstracted increased by 4.1% to 19.1 million m³ (F2015: 18.3 million m³)
- > Increase in mineral resources and reserves
- > Concurrent rehabilitation of land continued
- > Responsible waste disposal

INTELLECTUAL CAPITAL

- > Investment into Research and Development

MANUFACTURED CAPITAL

- > R2 352 million invested as capital expenditure (on a segmental basis) at the operations (F2015: R3 326 million)



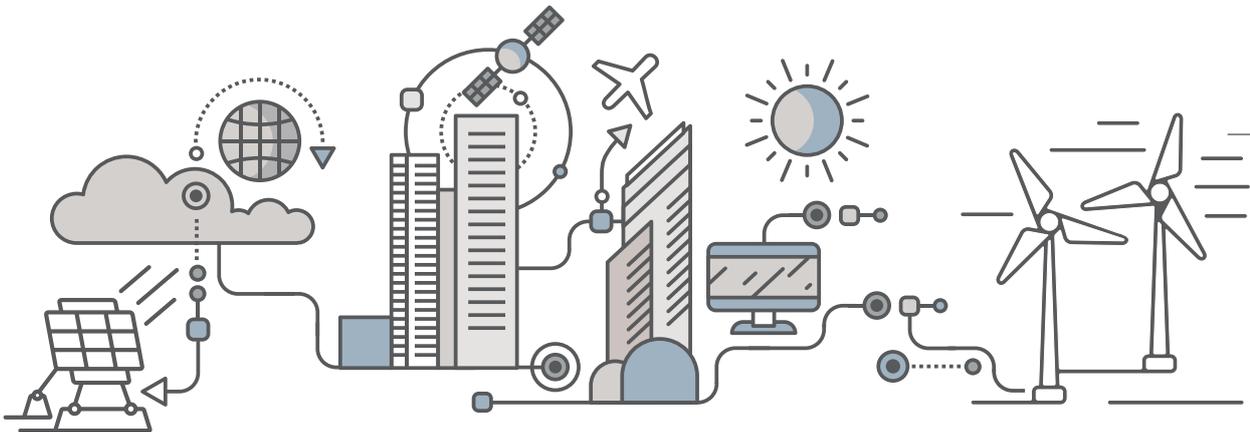
Two Rivers Mine conveyor belt

HOW OUR PRODUCTS CONTRIBUTE TO SOCIETY

Minerals and metals are essential components of many of the hallmarks of modern civilisation, such as high-rise buildings, smartphones, computers, cars, appliances, wind turbines, solar panels, aircraft and spaceships. Metals have specific characteristics that make them uniquely suited to these applications, including their strength, durability and the relative ease with which they can be shaped. Their ability to conduct heat and electricity inspired their use in cooling and heating systems, power transmission and electric motors.

Metals have the potential to be indefinitely recyclable without losing their essential properties and performance. Recycling reduces waste generation, uses less energy and water, and produces fewer greenhouse gas emissions than producing metals from newly mined ore.

In the decades ahead, population growth, rising industrialisation, increasing economic development and new technological innovations are likely to drive increasing demand for minerals and metals. Metals such as steel and copper will also continue to play important roles in the advanced technologies that are emerging to create a more environmentally and socially responsible future. Increasing societal awareness of climate change is putting pressure on supply chains to manage energy and water consumption while reducing waste through recycling.



COAL AND THE NEED FOR CONTINUOUS ELECTRICITY SUPPLY

Thermal coal is used in power generation. While coal-driven power stations create large amounts of carbon emissions and renewable energy is seen as the way of the future, coal remains a significant contributor to global electricity production due to its relative abundance, low cost and broad availability. It is likely to remain an important source of energy until alternative technologies can meet the needs of developing economies in sufficient quantities and competitive prices.



IRON ORE, MANGANESE, NICKEL AND COPPER

ARM produces iron ore, manganese and nickel which are used to make steel, the backbone of modern society. While steel has been produced for thousands of years, most of the steel used in modern applications has been formulated in the last decade and is stronger, lighter and produced more efficiently than ever before. Its ease of recycling makes it a more environmentally responsible option over the full life cycle than alternative structural compounds that cannot be recycled efficiently or that end up in landfill.

Demand for higher quality ore is increasing, particularly in Asia. When processed, these ores result in lower greenhouse gas and local air pollutant emissions. ARM's iron ore mines produce a range of products that offer clients greater blending options to allow for optimised production and reduced emissions. Lumpy ore, for example, reduces Scope 1 emissions associated with the sintering process.

In addition to being an alloy in stainless steel, manganese is used in the production of certain types of lithium-ion batteries. This technology has the potential to enable reductions in various applications by supporting decentralised electricity generation using renewable energy (where storage is required) and electromobility.

Copper is used extensively in construction and plumbing applications, and in several low-carbon technology and energy efficiency applications. For example, copper is an important component in motor efficiency, transformer efficiency, cable efficiency, solar thermal technologies, wind power and Information and Communication Technologies. The European Copper Institute estimates that by 2050, copper can reduce the European Union's carbon emissions by 25% – more than 1,100 million tonnes per year.

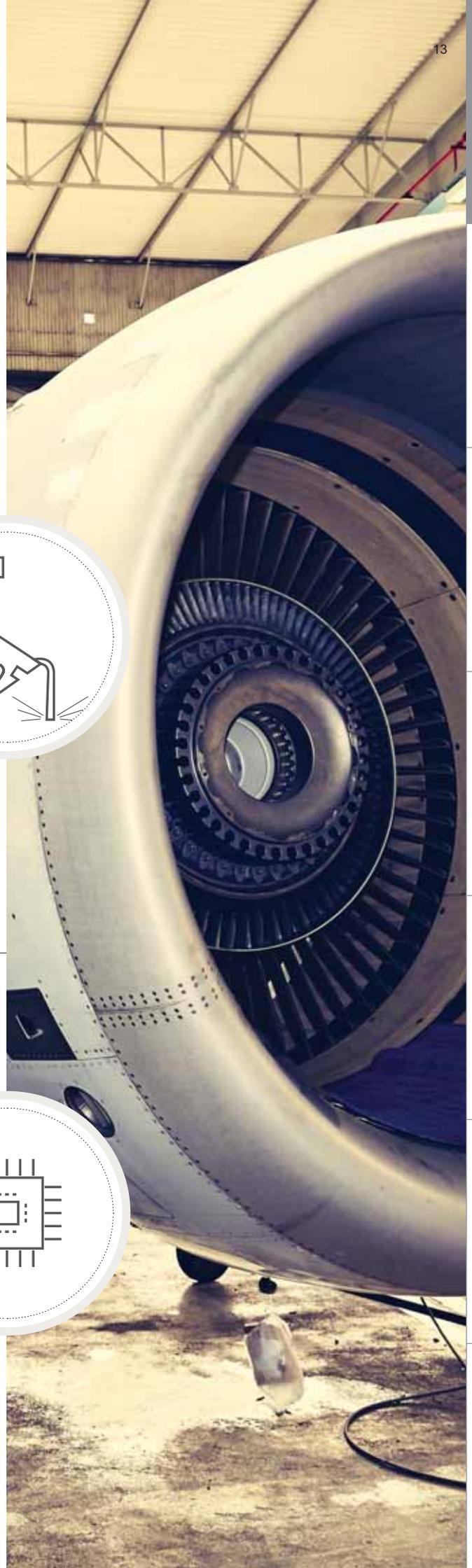
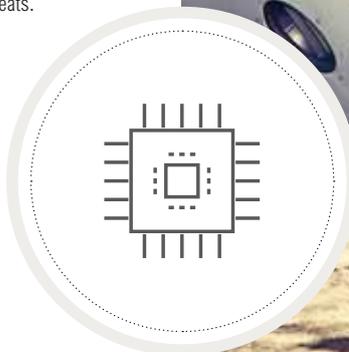


PGMs AND A GREENER FUTURE

Platinum Group Metals (PGMs) include platinum, palladium, rhodium, ruthenium and iridium. PGMs are used widely, from electronics and electro-chemical processes to dental and medical applications, including their use in artificial pacemakers to stabilise patients' heartbeats.

PGMs also play a critical role in reducing environmentally harmful emissions through their presence in catalytic converters. This technology can convert over 90% of hydrocarbons, carbon monoxide and oxides of nitrogen in motor vehicle exhaust fumes into less harmful carbon dioxide, nitrogen and water vapour. Their use assists automotive companies to meet the increasingly stringent global emissions targets being led by Europe and North America.

Hydrogen fuel cells offer a potential solution for future clean energy needs. Fuel cells are electrochemical cells that use platinum to generate energy from hydrogen and oxygen, with water being the only emission from the process. Several major car manufacturers have already released fuel cell vehicles for sale in developed markets and fuel cell technology offers a clean, efficient and scalable alternative to conventional combustion engines and stationary power systems.





OUR MOST MATERIAL MATTERS

Ore loading in the Nkomati Mine open pit

OUR MOST MATERIAL MATTERS

Material matters are defined as those risks, opportunities and other factors most likely to have an impact on our ability to create long-term sustainable value. These matters are continually monitored and evaluated to ensure that our strategy and day-to-day actions address each of them to achieve our strategic goals.

We identify our most material matters through our risk management processes, continuous review of internal performance and the external environment, and our formal and informal engagements with stakeholders. We also consider good practice guidelines, internal performance monitoring and reviews, media monitoring, peer reporting, regulatory trends and the information shared in industry associations.

We analyse and prioritise our most material matters according to the significance of their potential impact on the Company and our key stakeholders, and they are built into our strategy, governance frameworks, risk management system and operational management processes. The significance of each matter determines the information we report to stakeholders in our Integrated Annual Report, this Sustainability Report and through other channels.

Our performance in addressing or mitigating these challenges, and expanding the opportunities they may provide, is measured with key performance indicators (KPIs) relevant to each material matter. These are regularly reported to the Executive Committee, Board sub-committees and the ARM Board, and closely monitored through our risk management and integrated assurance processes.

This Sustainability Report categorises ARM's non-financial risks, opportunities and challenges according to the six capitals as defined in the International <IR> Framework. These include: Social and Relationship Capital, Human Capital, Natural Capital, Manufactured Capital and Intellectual Capital. In practice each of these issues impacts the others and all of them critically affect our ability to generate a sustainable financial return over the long term.

Our approach to sustainability and material matters considers guidance from a range of frameworks, reporting guidelines, industry associations and good practice guidelines that include:

- > The Johannesburg Stock Exchange (JSE) FTSE/JSE Responsible Investment Index;
- > The GRI;

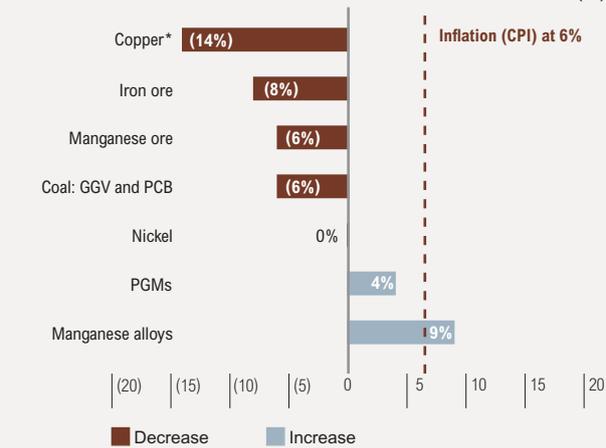
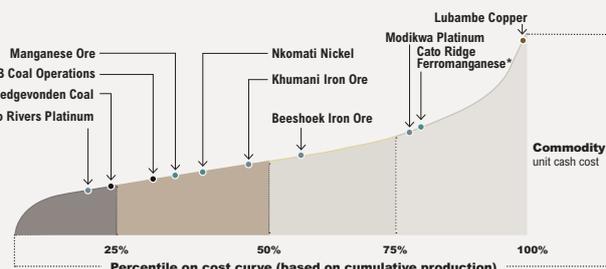
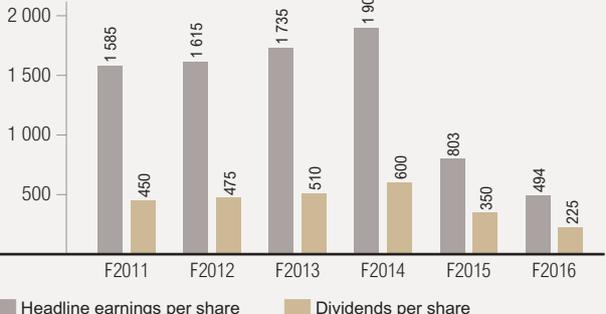
- > The ICMM Sustainable Development Framework;
- > The United Nations Sustainable Development Goals;
- > South Africa's National Development Plan;
- > The Chamber of Mines;
- > The United Nations Declaration of Human Rights;
- > The United Nations Global Compact (UNGC);
- > The International Labour Organisation (ILO) Declaration Principles;
- > The King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III);
- > The CDP and CDP Water; and
- > The International Integrated Reporting Council (IIRC) Integrated Reporting Framework.

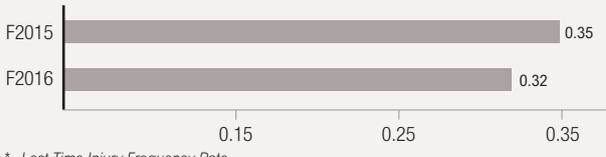
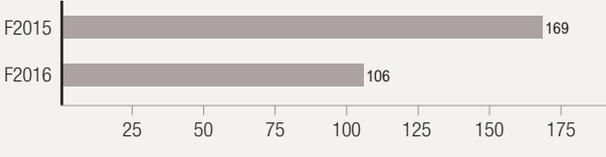
OUR MOST MATERIAL MATTERS, RISKS AND OPPORTUNITIES

ARM's most material matters are detailed in the table that follows, along with the KPIs we use to measure our performance and the strategy pillar to which they relate. Addressing these matters is necessary to avoid interruptions to business continuity that could affect ARM's ability to create value. Impacts could include inadequate financial returns affecting the Company's ability to reinvest in future growth opportunities, regulatory stoppages due to compliance failures, reputational damage, interruptions to operations from extreme weather conditions, labour or social unrest.

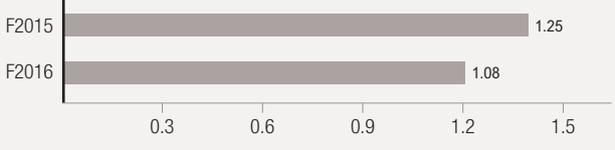
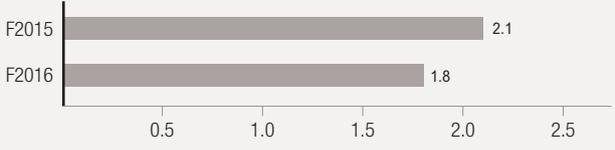
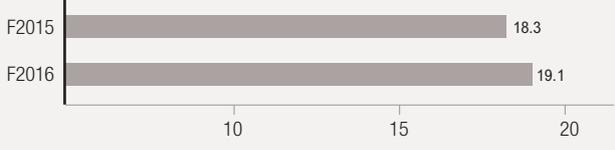
The material matters were reassessed and reaffirmed at the annual risk workshop in May 2016, which included a consideration of both financial and non-financial risks to the Company. The risks associated with these material matters are managed through our Enterprise Risk Management process as described in the Risk Report on pages 174 to 184 of the 2016 Integrated Annual Report.

OUR MOST MATERIAL MATTERS continued

MATERIAL MATTER	KPIs	STRATEGY PILLAR																					
 CONTINUOUSLY IMPROVE OPERATIONAL PERFORMANCE																							
<p>OPPORTUNITIES AND CHALLENGES</p> <ul style="list-style-type: none"> > Operational efficiencies > Labour and equipment productivity > Technological advancements > Efficient use of natural resources, including water and electricity > Regulatory and legal compliance > Project implementation > Effective governance 	<p>KPI 1: UNIT COST PERFORMANCE</p> <p>F2016 VERSUS F2015 ON-MINE UNIT PRODUCTION COSTS PER TONNE (%)</p>  <table border="1"> <caption>F2016 VERSUS F2015 ON-MINE UNIT PRODUCTION COSTS PER TONNE (%)</caption> <thead> <tr> <th>Commodity</th> <th>Change (%)</th> </tr> </thead> <tbody> <tr> <td>Copper*</td> <td>(14%)</td> </tr> <tr> <td>Iron ore</td> <td>(8%)</td> </tr> <tr> <td>Manganese ore</td> <td>(6%)</td> </tr> <tr> <td>Coal: GGV and PCB</td> <td>(6%)</td> </tr> <tr> <td>Nickel</td> <td>0%</td> </tr> <tr> <td>PGMs</td> <td>4%</td> </tr> <tr> <td>Manganese alloys</td> <td>19%</td> </tr> </tbody> </table> <p>* The change in copper unit costs refers to C1 cash costs on a US Dollar per pound basis.</p> <p>KPI 2: POSITION OF OPERATION ON GLOBAL UNIT COST CURVE</p>  <p>* At Cato Ridge Ferromanganese Works only three of the six furnaces are operating.</p>	Commodity	Change (%)	Copper*	(14%)	Iron ore	(8%)	Manganese ore	(6%)	Coal: GGV and PCB	(6%)	Nickel	0%	PGMs	4%	Manganese alloys	19%	<ul style="list-style-type: none"> > Operational efficiencies > World class management team > Partner of choice 					
Commodity	Change (%)																						
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 DELIVERING FINANCIAL RETURNS TO SHAREHOLDERS, INVESTORS AND OTHER PROVIDERS OF CAPITAL																							
<p>OPPORTUNITIES AND CHALLENGES</p> <ul style="list-style-type: none"> > Commodity price and exchange rate fluctuations > Continued cost escalation > Long-term business strategy > Capital allocation > Access to infrastructure and logistics > Resource nationalism, political and fiscal risks 	<p>KPI 1: HEADLINE EARNINGS AND DIVIDENDS PER SHARE (cents)</p>  <table border="1"> <caption>HEADLINE EARNINGS AND DIVIDENDS PER SHARE (cents)</caption> <thead> <tr> <th>Year</th> <th>Headline earnings per share</th> <th>Dividends per share</th> </tr> </thead> <tbody> <tr> <td>F2011</td> <td>1 585</td> <td>460</td> </tr> <tr> <td>F2012</td> <td>1 615</td> <td>475</td> </tr> <tr> <td>F2013</td> <td>1 735</td> <td>510</td> </tr> <tr> <td>F2014</td> <td>1 900</td> <td>600</td> </tr> <tr> <td>F2015</td> <td>803</td> <td>350</td> </tr> <tr> <td>F2016</td> <td>494</td> <td>225</td> </tr> </tbody> </table>	Year	Headline earnings per share	Dividends per share	F2011	1 585	460	F2012	1 615	475	F2013	1 735	510	F2014	1 900	600	F2015	803	350	F2016	494	225	<ul style="list-style-type: none"> > Operational efficiencies > Profit focused > Entrepreneurial management > World class management team
Year	Headline earnings per share	Dividends per share																					
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MATERIAL MATTER	KPIs	STRATEGY PILLAR
 ENSURING A SAFE, HEALTHY AND APPROPRIATELY SKILLED WORKFORCE		
<p>OPPORTUNITIES AND CHALLENGES</p> <ul style="list-style-type: none"> > Commitment to zero harm > Attracting and retaining key skills > Investing in the development and skills of our workforce > Ensuring effective transformation > Maintaining good relationships with our employees and organised labour 	<p>KPI 1: NUMBER OF FATALITIES</p> <ul style="list-style-type: none"> > There were no fatalities during the year and the LTIFR improved to 0.32 per 200 000 man-hours, ARM's best ever. <p>KPI 2: LTIFR* PER 200 000 MAN HOURS</p>  <p>* Lost Time Injury Frequency Rate.</p> <p>KPI 3: TRAINING SPEND (R million) (100% basis)</p>  <ul style="list-style-type: none"> > ARM invested R184 million in skills development, which equates to 6.9% of payroll. Training spend was impacted by staff reductions as well as the limiting and exclusion of certain mandatory training costs from payroll spend in terms of the new dti Codes. <p>KPI 4: TRANSFORMATION</p> <ul style="list-style-type: none"> > Representation of Historically Disadvantaged South Africans (HDSA) in management increased to 53% and women comprised 11% of ARM's total workforce in F2016. > ARM again achieved Top Employer certification. 	<ul style="list-style-type: none"> > Employer of choice > Operational efficiencies
 MAINTAINING OUR SOCIAL LICENCE TO OPERATE		
<p>OPPORTUNITIES AND CHALLENGES</p> <ul style="list-style-type: none"> > Stakeholder engagement and relationships > Transformation and the Mining Charter > Corporate Social Responsibility > Socio-political instability > Ethical business conduct > Upholding human rights 	<p>KPI 1: INVESTMENT IN CORPORATE SOCIAL RESPONSIBILITY (CSR) (R million) (100% basis)</p>  <ul style="list-style-type: none"> > ARM invested R106 million in CSR initiatives. <p>KPI 2: TRANSFORMATION</p> <ul style="list-style-type: none"> > HDSA representation at senior management, professionally qualified and technically qualified levels all improved. <p>KPI 3: CONVERSION OF MINING LICENCES</p> <ul style="list-style-type: none"> > All operations have had their conversions from Old Order Mining Licences to New Order Mining Rights approved and executed. 	<ul style="list-style-type: none"> > Partnering with communities, workers and other stakeholders > Operational efficiencies

OUR MOST MATERIAL MATTERS continued

MATERIAL MATTER	KPIs	STRATEGY PILLAR																		
 ENSURING RESPONSIBLE STEWARDSHIP OF OUR NATURAL RESOURCES																				
<p>OPPORTUNITIES AND CHALLENGES</p> <ul style="list-style-type: none"> > Climate change > Energy > Water > Waste > Biodiversity > Closure and rehabilitation 	<p>KPI 1: SCOPE 1 AND 2 CARBON FOOTPRINT (mtCO₂e) (attributable basis)</p>  <table border="1"> <tr> <th>Year</th> <th>Carbon Footprint (mtCO₂e)</th> </tr> <tr> <td>F2015</td> <td>1.25</td> </tr> <tr> <td>F2016</td> <td>1.08</td> </tr> </table> <p>KPI 2: ELECTRICITY CONSUMPTION (GWh) (100% basis)</p>  <table border="1"> <tr> <th>Year</th> <th>Electricity Consumption (GWh)</th> </tr> <tr> <td>F2015</td> <td>2.1</td> </tr> <tr> <td>F2016</td> <td>1.8</td> </tr> </table> <p>> Scope 1 and 2 carbon emissions and electricity consumption declined due to reduced production at the smelters.</p> <p>KPI 3: WATER ABSTRACTED (million m³) (100% basis)</p>  <table border="1"> <tr> <th>Year</th> <th>Water Abstracted (million m³)</th> </tr> <tr> <td>F2015</td> <td>18.3</td> </tr> <tr> <td>F2016</td> <td>19.1</td> </tr> </table> <p>> Water abstraction increased 4% due to increased production at Two Rivers and Khumani mines.</p>	Year	Carbon Footprint (mtCO ₂ e)	F2015	1.25	F2016	1.08	Year	Electricity Consumption (GWh)	F2015	2.1	F2016	1.8	Year	Water Abstracted (million m ³)	F2015	18.3	F2016	19.1	<ul style="list-style-type: none"> > Operational efficiencies > Partner of choice > Employer of choice
Year	Carbon Footprint (mtCO ₂ e)																			
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Two Rivers Mine crushing plant and conveyor to concentrator

“ALL OPERATIONS THAT ARE UNDER OUR CONTROL, WITH EXCEPTION OF THE MANGANESE ALLOYS, IMPLEMENTED COST-CUTTING INITIATIVES THAT YIELDED EXCELLENT RESULTS. CAPITAL EXPENDITURE WAS REDUCED AND LOSS MAKING OPERATIONS ARE BEING RESTRUCTURED.

ARM DECLARED AND PAID A TENTH ANNUAL CONSECUTIVE DIVIDEND.”

PATRICE MOTSEPE
EXECUTIVE CHAIRMAN



EXECUTIVE CHAIRMAN'S REPORT

RESPONDING PROACTIVELY TO A CHALLENGING ENVIRONMENT

Headwinds faced by the global mining industry persisted in the financial year under review as commodity prices declined further. US Dollar prices for all of the commodities that ARM produces were lower than the previous financial year. The 27% weakening of the Rand against the US Dollar partially offset the decline in US Dollar prices.

ARM's F2016 headline earnings decreased by 40% to R1 051 million (F2015: R1 744 million). Despite the decline in headline earnings, ARM paid its tenth consecutive annual dividend. The F2016 dividend was 225 cents per share compared to 350 cents per share in F2015.

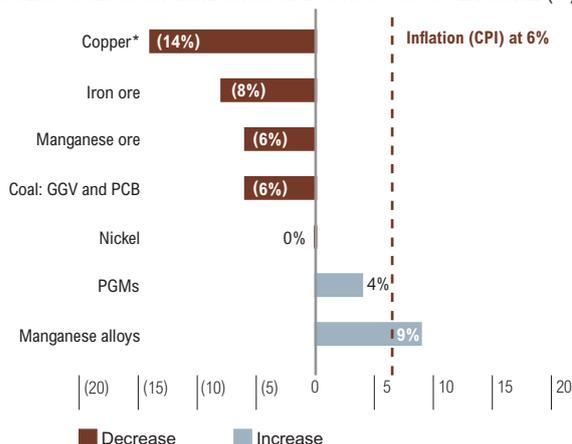
The ongoing challenges posed by the low commodity price environment have prompted an intense focus across the mining industry on cutting costs and increasing labour productivity to ensure the viability and sustainability of the mining operations as well as to save jobs.

I am pleased with the proactive manner in which our management has responded to this challenging environment focussing on those factors that are within management's control. These include improving operational efficiencies and reducing unit costs, while maintaining a safe and healthy work environment for all our employees.

Management has also, where appropriate, prudently deferred or reduced capital expenditure. Headline losses were recorded for the financial year under review at the Lubambe, ARM Coal, Modikwa and Nkomati mines and management has implemented a number of interventions to restructure these operations.

IMPROVING OPERATIONAL EFFICIENCIES AND REDUCING UNIT PRODUCTION COSTS

F2016 VERSUS F2015 ON-MINE UNIT PRODUCTION COSTS PER TONNE (%)



* The change in copper unit costs refers to C1 cash costs on a US Dollar per pound basis.

All the operations that are under our control, with exception of the manganese alloys, implemented cost-cutting initiatives that have yielded excellent results. The iron ore, manganese ore, Modikwa, Nkomati, Lubambe and PCB operations achieved decreases in unit production costs, while Two Rivers Mine achieved unit production cost increases well below inflation.

Further details on the Company's operational and financial performance are provided in the Chief Executive Officer's Report on pages 18 to 21 and in the Financial Director's Report on pages 22 to 31 of the 2016 Integrated Annual Report.

MAINTAINING A SAFE AND HEALTHY WORK ENVIRONMENT

We improved operational efficiencies and reduced unit production costs while achieving our best ever safety record. There were no fatalities in the year under review and our operations achieved the lowest Lost Time Injury Frequency Rate (LTIFR) in ARM's history at 0.32 per 200 000 man-hours (F2015: 0.35 per 200 000 man-hours). Lost Time Injuries (LTIs) were also reduced from 103 in F2015 to 86 in F2016.

Total shifts lost due to Section 54 safety stoppages decreased from 96 in F2015 to 77 in F2016. This improvement is attributable to increased discipline across the operations and close cooperation with the Department of Mineral Resources in improving our safety standards. We remain committed to continue reducing the Section 54 stoppages.

The safety and health of our employees is of paramount importance and we consistently review the effective safety and health controls that we have implemented to support safety in the workplace, manage occupational health and hygiene and demonstrate good labour practices.

IMPROVING OUR PORTFOLIO

The current commodity environment presents opportunities to further enhance our portfolio through value-accretive acquisitions and partnerships.

In the year under review we concluded an agreement with Impala Platinum Holdings to increase our shareholding in Two Rivers Mine from 51% to 54%. Two Rivers is the lowest cost underground PGM mine in the world and has a life of mine in excess of 30 years.

We continued to invest in the modernisation of our manganese ore operations through the R6.0 billion Black Rock Project. In addition to improving mining, processing and sorting efficiencies, this project will enable the manganese ore operations to increase production from 3.0 million tonnes to 4.6 million tonnes subject to market conditions and logistic capacity.

The Sakura Ferroalloys Project in Malaysia which was built at a total cost of US\$328 million, delivered its first sale of alloys in June 2016. The project, once ramped up, will produce 169 000 tonnes of ferromanganese per annum.

EXECUTIVE CHAIRMAN'S REPORT continued



Two Rivers Mine chrome recovery plant

We also concluded the sale of our 50% effective interest in Dwarsrivier Mine to our partners, Assore, in July 2016 and received R450 million as the purchase consideration. The production cost at Dwarsrivier Mine was significantly above the 50th percentile and was not in line with the unit cost requirements of our portfolio of assets.

PARTNERING AND INVESTING IN OUR EMPLOYEES

Our employees are crucial to our ability to deliver on our strategic goals and building a globally competitive mining company. Maintaining open and honest relationships with our employees and the trade union organisations that represent them remains a key focus area.

One of our key focus areas is ensuring that our workforce is motivated and appropriately trained and skilled. We address our skills development requirements through internal skills development programmes which include training courses, learnerships, internal and external bursaries and study assistance. In the year under review, we invested approximately R183 million in the training and development of our employees, which represents 6.9% of payroll. This exceeds the current Mining Charter target of 5%.

ARM also introduced various initiatives to develop and secure future skills. These include a graduate development programme as well as maths and science educational programmes in the communities in which we operate. The latter serves both to increase knowledge of these subjects, which are integral to everyday life, as well as to reduce South Africa's learning deficit.

We are proud of the diversity of our workforce and believe that it greatly benefits and enriches our Company. It is encouraging to note that our employment equity at the professionally qualified level increased from 54% to 57% and from 44% to 47% at the senior management level. We are committed to continue making progress in this regard and in building an inclusive and representative workforce.

BENEFITING OUR STAKEHOLDERS

We are committed to developing the host communities in which we operate through, *inter alia*, Corporate Social Investment (CSI) initiatives, Local Economic Development (LED) and Social and Labour Plan (SLP) projects. These aim to build capacity in communities and prioritise women, the youth, people living with disabilities, HIV and Aids projects, and assisting those who are historically disadvantaged. During F2016, R106 million was invested through our CSI, LED and SLP projects.

In addition, we contribute to the broader upliftment and development of the communities in South Africa through the ARM Broad-Based Economic Empowerment Trust (ARM BBEE Trust), which has distributed R120 million since inception to a wide range of poor and historically disadvantaged beneficiaries. The ARM BBEE Trust works in close collaboration with local communities, traditional leaders and other stakeholders to ensure that the local communities play a central role in identifying and benefiting from the development and upliftment projects that we implement.

During the financial year the ARM BBEE Trust was restructured to achieve a more permanent and sustainable funding solution for the Trust. The Financial Director's report deals in detail with the sustainable funding solution that we implemented.

ENSURING ENVIRONMENTAL WELL-BEING

We are committed to exceeding compliance requirements and ensuring that we apply global good practice in our environmental stewardship.

ARM is a member of the International Council on Mining and Metals (ICMM). ICMM's sustainable development framework continues to guide our environmental management and improvement initiatives.

Environmental management systems have been put in place at all operations to identify environmental impacts and to assist in

the implementation of environmental plans and performance monitoring. Our principal focus areas include responsible water management, the efficient use of energy to reduce our carbon footprint, biodiversity and rehabilitation of the land on which we operate our mines.

THE ROLE OF MINING IN SOUTH AFRICA

The mining industry has historically been the backbone of the South African economy and continues to contribute to the economic growth and sustainable development of the country as well as to the upliftment and improvement in the living conditions of all our people.

The communities around mines, which are often in remote and sparsely populated areas, benefit from the creation of direct and indirect jobs and through increased opportunities created by preferential procurement, supplier development and enterprise development initiatives.

The South African mining industry remains an important hub both in the global mining context and for the country's economy. I am confident that the government, the private sector and all stakeholders are committed to ensuring that the legislative, regulatory, tax and the overall governing dispensation of the mining sector continues to be globally competitive.

The decrease in the prices of the commodities that we produce has had a profound impact on the South African economy. The weaker Rand against the US Dollar, reduced tax revenues and job losses have compounded existing low levels of business and consumer confidence.

We are committed to working with government, labour, the communities neighbouring our mines and other stakeholders to ensure that the South African mining industry remains an attractive global investment destination and that all stakeholders benefit from the mining industry.

LOOKING AHEAD

ARM's operations have responded well to the current low commodity price environment, specifically in the areas of cost containment and prudent planning of capital expenditure.

ARM remains focussed on positioning its operations below the 50th percentile of each commodity's global unit cost curve, restructuring loss making operations and investing prudently in our businesses.

Mining companies globally have responded to the prevailing market supply/demand dynamics by reviewing and in many instances reducing supply of commodities. These supply-side responses appear to have resulted in the apparent bottoming of US Dollar commodity prices. We are positive about the recovery in commodity prices in the medium to long term and believe that all steps taken now to improve productivity and unit costs will position ARM well into the future.

APPRECIATION

I wish to extend my gratitude to all our shareholders for their continued support and to all our stakeholders. Continued engagement and building good relationships with our host communities, worker organisations, national and international governments, suppliers and joint venture partners remain a top priority as we pursue the creation of shared values and benefits.

What we have achieved this year would not have been possible without the commitment and contributions of our world class management team and staff. Mike Schmidt continues to provide excellent leadership as our CEO. I also wish to express my sincere gratitude to my fellow board members for their invaluable guidance and advice.

We remain confident about the future of ARM and its strategic positioning to weather the current challenging commodity prices and to continue creating value for our shareholders and other stakeholders into the future.

Patrice Motsepe

Executive Chairman

12 October 2016

“THE ARM OPERATIONS
DELIVERED **STRONG
OPERATIONAL
RESULTS** AGAINST
A BACKDROP
OF CHALLENGING
COMMODITY MARKETS.”

MIKE SCHMIDT
CHIEF EXECUTIVE OFFICER



CHIEF EXECUTIVE OFFICER'S REPORT

The challenges facing the global mining industry arising from an oversupply in most commodities and macroeconomic factors largely beyond its control continued during the past year. Lower US Dollar commodity prices were only partially offset by the weakening of the Rand against the US Dollar and significantly affected ARM's financial results. Proactive management achieved unit production cost reductions at most operations, delivering strong operational results and an excellent safety performance.

In responding to the challenging operating environment, we adhered to our "We do it better" management style which is under-pinned by our values. These include:

- > Providing a safe and healthy work environment;
- > Maintaining a non-discriminatory workplace;
- > Aiming for operational excellence;
- > Improving the lives of communities in which we operate;
- > Maintaining the highest levels of corporate governance; and
- > Working responsibly with all stakeholders to balance the economic, social and environmental aspects of our business:

These values explicitly acknowledge that social responsibility, good corporate governance and environmental stewardship are essential aspects of generating economic value for shareholders and social benefit for stakeholders. While short-term financial concerns are important, particularly in the current challenging environment, taking a broader view to include non-financial aspects ensures ARM's long-term sustainability.

OPERATIONAL PERFORMANCE

The mines in the ARM Ferrous division collectively delivered positive headline earnings. Development of the Village Pit at Beeshoek Mine is progressing well, as is the modernisation project at Black Rock Mine.

In the ARM Platinum division, Two Rivers Mine contributed positively to headline earnings while Modikwa and Nkomati mines reported headline losses. The ARM Copper headline loss increased mainly due to lower US Dollar copper prices and a weaker Rand. We are restructuring our loss-making operations to minimise losses and where an operation cannot become profitable in the next two to three years all options will be considered to maximise value for ARM and its shareholders.

Our focus remains on maintaining a competitive cost position for each of our operations and all divisions are incentivised to improve operational efficiencies on an ongoing basis in order to mitigate above-inflation cost increases.

Challenging market conditions in the manganese alloy market continued to negatively impact the smelters. Production volumes at Cato Ridge Works were intentionally reduced in response to market conditions with only three of the six furnaces currently operating. In collaboration with our partner in the ARM Ferrous division, Assore, we are in the process of evaluating all options for the future of Machadodorp Works.

FINANCIAL PERFORMANCE

Consistent with the current difficult commodity price environment, wealth created for ARM's stakeholders decreased by 13% to R6.3 billion (F2015: R7.2 billion). Cash generated from operations was R1.2 billion (F2015: R2.5 billion). Employees received R3.8 billion of value created as remuneration, the State received R901 million as taxes and R761 million was distributed to providers of capital as dividends.

In line with ARM's focus on prudently reducing or deferring capital expenditure, capital allocations decreased to R2.4 billion (F2015: R3.3 billion). We continue to review capital expenditure to reduce or defer capital costs where possible while remaining mindful of the need to support asset values in the long term.

ARM's financial position remains robust, with cash and cash equivalents at year-end amounting to R1.3 billion (F2015: R2.3 billion), with a further attributable R2.4 billion (F2015: R2.5 billion) held at ARM Ferrous (50% of Assmang).

HUMAN CAPITAL

The human capital embodied by ARM's employees represents a critical asset of the Company. Ensuring the Group's ability to continue to attract, develop and retain the skills required to execute our strategy is a critical area of focus.

Our commitment to maintaining a safe and healthy work environment for all our employees remains unconditional. In addition to achieving the Group's best ever LTIFR, the operations delivered the following commendable safety achievements:

CHIEF EXECUTIVE OFFICER'S REPORT continued

- > ARM Ferrous achieved its lowest ever LTIFR of 0.22 per 200 000 man-hours;
- > Nkomati Mine completed five million fatality-free shifts;
- > Black Rock Mine completed four million fatality-free shifts;
- > Beeshoek, Dwarsrivier, Lubambe and Two Rivers mines each completed three million fatality-free shifts;
- > Modikwa Mine and Cato Ridge Works each completed two million fatality-free shifts; and
- > Beeshoek Mine completed 14 000 fatality-free production shifts over a period of 13 years.

In response to the current economic challenges facing the mining industry and to preserve the majority of jobs, voluntary separation packages were offered and Section 189a processes initiated at Nkomati, Black Rock, Khumani and Modikwa mines and at Cato Ridge Works. Full-time employees consequently decreased by 8.5 % at year-end.

ARM continued to invest in developing workforce skills, allocating R183 million to skills development during the year with a particular focus on Historically Disadvantaged South Africans and women.

SOCIAL LICENCE TO OPERATE

Retaining our social licence to operate requires us to demonstrate our commitment to responsible and ethical business practices and constructive relationships with stakeholders, particularly our host communities and government. ARM's community initiatives

focus on infrastructure development, health and education, which are agreed with stakeholders in finalising and reviewing our Social and Labour Plans.

We create jobs for community members and support growth in the local economy through our preferential procurement, enterprise development and supplier development initiatives. Skills development in local communities is fostered through Adult Education and Training (AET) courses, bursaries, educational initiatives and youth skills development programmes. Community health is supported through health infrastructure development, awareness and testing drives and improved access to treatment for HIV & Aids, TB and Sexually Transmitted Infections in the communities around our Northern Cape operations.

Respect for the human rights of employees, community members and others affected by ARM's operations is an important consideration and our sustainable approach to doing business aligns with the ten principles of the United Nations Global Compact and the Sustainable Development Goals.

ARM supports the principle of transformation as defined in the Mining Charter and the dti Codes of Good Practice. Our mines reported improved scores in most elements of the Mining Charter scorecard.

While ARM's dti B-BBEE score decreased this year, the Company fell from Level 4 to Level 8 due to the increased requirements and sub-minimum requirements introduced in the Revised Codes.



We continue to run roadshows, workshops and other initiatives to ensure alignment with the Revised Codes and improve ARM's B-BBEE score.

ENVIRONMENTAL STEWARDSHIP

ARM's approach to responsibly managing its impact on the environment follows from our values, respect for natural resources and our pursuit of zero harm. Our practices are informed by legislation, collaboration with regulators and stakeholders and good practice guidelines such as those produced by the International Council on Mining and Metals (ICMM), of which ARM is a member. Our strategic focus on improving operational efficiency supports increased energy efficiency, reduced water use and minimises waste generated at site level.

Climate change is recognised as a key risk and we remain cognisant of the broad range of likely impacts that could affect our operations.

Ensuring adequate water supply for our mines in the Northern Cape remains a focus area. In F2016, Khumani Mine implemented a number of initiatives to address this concern in conjunction with the Sedibeng Water Board and no production was lost due to a shortfall in water supply.

The Company's estimated Scope 1 and 2 attributable carbon footprint decreased to 1.08 million tCO₂e in F2016 while total water abstracted increased by 4% to 19.1 million m³.

OUTLOOK

With the short- to medium-term macro-economic outlook remaining uncertain, we will continue to live our values as we assess ways to improve operations, manage unit costs and sustain quality production. We remain committed to steering the Company into the future as a more efficient and resilient business, to the benefit of all our stakeholders.

In these demanding times, it is the hard work and commitment of our employees that forms the foundation of the Company's strength, endurance and long-term success. For this, I would like to thank each and every employee for their contribution. I extend heartfelt thanks to our stakeholders and partners for their continued support during the year. And finally, I would like to convey my sincere appreciation to our Executive Chairman and the Board for their guidance and support in the past year.

Mike Schmidt
Chief Executive Officer

12 October 2016



Two Rivers Mine

OUR KEY STAKEHOLDERS

Stakeholder engagement is a critical input into how we conduct our business. Stakeholders' legitimate concerns and expectations not only provide a broader context but also serve to refine our strategy and shape the long-term direction of the Group.

We define stakeholders as any individual or group that has a material interest in or is affected by ARM.

Engagements with stakeholders occur through both formal and informal interactions, and at corporate, divisional or operational level as appropriate to the stakeholder. Key stakeholder concerns are identified and appropriately addressed, with clear communication of our response and progress.

ARM's approach to stakeholder engagement is discussed in more detail in the Social and Relationship Capital section starting on page 91 of this report.

This section lists ARM's key stakeholders, their main concerns, how we address these and the channels through which we engage with particular stakeholder groups.

SHAREHOLDERS, POTENTIAL SHAREHOLDERS, ANALYSTS AND OTHER INVESTORS

Issues raised: Growth, unit cost reductions, resource nationalism, labour relations, skills attraction, retention and development, transformation, dividends, share price performance, Mineral Rights conversions and mining licences

- > ARM communicates with its stakeholders in a transparent, comprehensive and objective manner.
- > ARM's Investor Relations Department communicates with institutional shareholders, the investment community and the media.
- > ARM holds discussions with JV partners and management to raise awareness of the concerns and expectations of analysts and fund managers.
- > Regular meetings, promoting open communication and transparency.
- > Summaries of the decisions taken at shareholders' meetings are disclosed on the Company's website following the meetings.

How we engage

- > Annual General Meeting.
- > A comprehensive investor relations programme to communicate with domestic and international shareholders, fund managers and investment analysts.
- > One-on-one meetings with institutional investors in South Africa and internationally.
- > Roadshows after interim and provisional results.
- > Conferences.
- > ARM's website provides updates on the Company's operations, financial performance and other information.

BANKERS, INSURERS AND FUNDERS

Issues raised: Liquidity, solvency, funding and insurance management

- > ARM manages its financial position responsibly to ensure that it continues to meet its financial needs.
- > A comprehensive insurance programme is in place.

How we engage

- > Ongoing maintenance of relationships through meetings and general discussions with bankers and insurance managers.

JOINT VENTURE PARTNERS

Issues raised: Sustainable development, financial performance, equitable treatment

- > ARM's strategy is to position itself as a partner of choice. ARM holds itself to the highest ethical and governance standards in dealings with all stakeholders, including joint venture partners.

How we engage

- > Ongoing management interaction during the ordinary course of business.
- > Monthly executive management meetings.

EMPLOYEES AND ORGANISED LABOUR

Issues raised: Remuneration, training, health and safety, transformation

- > ARM's Human Resources strategies aim to make ARM an employer of choice, including maintaining good relationships with unions.
- > ARM is committed to fair treatment and remuneration of its employees.
- > Skills development is a key focus area. Career-planning programmes assist employees to develop to their full potential.
- > ARM concludes recognition agreements with one or more unions where the required representation levels are reached.

How we engage

- > Annual performance reviews.
- > Annual internal results presentation.
- > Regular internal roadshows.
- > Annual employee surveys.
- > Company intranet and website.
- > Monthly shop steward meetings.
- > Other meetings with unions as required.

COMMUNITIES, CIVIL SOCIETY, NON-GOVERNMENTAL ORGANISATIONS

Issues raised: Community needs, including socio-economic development, infrastructure development and employment, status of social projects, operational changes and expansions, environmental issues affecting communities

- > ARM engages with communities at specialised discussions/meetings to understand their specific concerns.
> Attendance registers and minutes of these meetings are kept.
> Community open days support information sharing and relationship building.
> ARM's BBEE Trust invests in the upliftment of rural communities throughout South Africa by partnering with traditional and other community leaders.
> Changes or expansions to our current operations require engagement with interested and affected parties through stakeholder consultation processes as prescribed by the Regulations of the National Environmental Management Act (NEMA) and other relevant legislation.

How we engage

- > Social investment forums discuss investment in communities surrounding the operations.
> Monthly/quarterly meetings are held to discuss Local Economic Development (LED) and Corporate Social Investment (CSI) projects.
> Future Forums.
> Specialised discussions/meetings.
> The ARM BBEE Trust.

GOVERNMENT

Issues raised: Social investment, health and safety, environmental management, transformation, compliance with the dti CoGP and Mining Charter, regular progress reports and updates

- > ARM engages local and provincial government with respect to LED projects, licences and compliance with the relevant safety and environmental legislation. ARM also engages with national government on matters of policy-making as required.
> Regular reports are submitted by the operations on socio-economic development (SED) projects.
> Annual Mining Charter Scorecard reports are submitted to the Department of Mineral Resources (DMR) by each mine.

How we engage

- > Engagements at the appropriate level as required.
> Representation on various industry bodies which engage with government.
> Continuous liaison, depending on the purpose of the engagement.

INDUSTRY ASSOCIATIONS

These include the Chamber of Mines, the International Council on Mining and Metals, Ferro Alloy Producers' Association, Association of Mine Managers of South Africa, Association of Resident Engineers, Business Unity of South Africa, Water User Associations and the Energy Intensive Users Group.

Issues raised: Sustainable development, labour issues, financial sustainability, implementation of best practice, industry-specific issues

- > ARM is represented in various executive and other roles within industry associations to engage and give input on various industry issues and communicate with industry and government stakeholders.

How we engage

- > Regular scheduled association meetings.

CUSTOMERS

Issues raised: Product quality, timing of product delivery

- > Processes are in place to ensure consistency of product quality.
> ARM contracts with logistics and freight service providers, including Transnet.

How we engage

- > Continual interactions in the ordinary course of business.
> Annual contractual negotiations.
> Regular service level agreement renewals.

SUPPLIERS AND LOCAL BUSINESS

Issues raised: Local Economic Development, industry issues, fair payment terms, fair treatment, valid BEE certification, ethics, sustainability issues

- > ARM supports local enterprise development through its CSR initiatives.
> ARM's payment terms are in line with industry standards.
> ARM operates on an ethical basis and does not tolerate unfair discrimination.
> ARM requires valid BEE certificates to support transformation in its supply chain.

How we engage

- > Continual interactions in the ordinary course of business.
> Annual contractual negotiations.
> Regular service level agreement renewals.
> Scheduled meetings with local business.

MEDIA

Issues raised: Topical issues as they arise

- > The Investor Relations Department communicates with the investment community and the media, and facilitates access to information and management where possible.

How we engage

- > One-on-one interviews.
> Press releases.
> SENS announcements.
> Media contact function on the Company website.
> Publications on the ARM website.



OUR APPROACH TO SUSTAINABILITY

Nkomati Mine aerial view

OUR APPROACH TO SUSTAINABILITY

ARM's approach to sustainable development arises out of our business strategy and the "We do it better" management style that guides our day-to-day actions. Our business strategy relies heavily on ensuring operational efficiencies, with the goal that all operations are to perform below the 50th percentile of the global cost curve.

We recognise that globally competitive operational performance depends on ensuring that all aspects of sustainability are addressed. While financial returns are a primary concern, shareholders and investors are increasingly taking a holistic view to assessing performance that includes social, environmental and governance concerns.

Operational efficiencies rely on the strength of human capital embodied by a healthy, engaged, diverse and suitably skilled workforce. Building strong relationships with key stakeholder groups, including employees, unions, communities and regulators, strengthens the Company's strategic position and supports long-term value creation.

Stoppages due to poor safety practices, labour unrest, regulatory non-compliance or community disruptions halt production and upset safety routines and safety rhythm. The efficiency with which our operations use energy and water is inextricably linked to operational efficiency drives, as is the management of waste produced as a result of these processes.

ARM's values explicitly reflect the broader concepts of sustainability and our commitment to zero harm – to our employees, to our host communities and to the environment. This ensures that ARM retains its social licence to operate and can continue to create value for all its stakeholders over the long term.

Our business is built on the principles of responsible investment, broad social benefit and good corporate governance. We believe that taking a responsible, sustainable approach to mining and beneficiation not only helps to minimise potentially negative impacts, but also makes a positive contribution to the country and its development. Demonstrating a positive approach is especially important for mining companies in the current socio-political environment in South Africa.

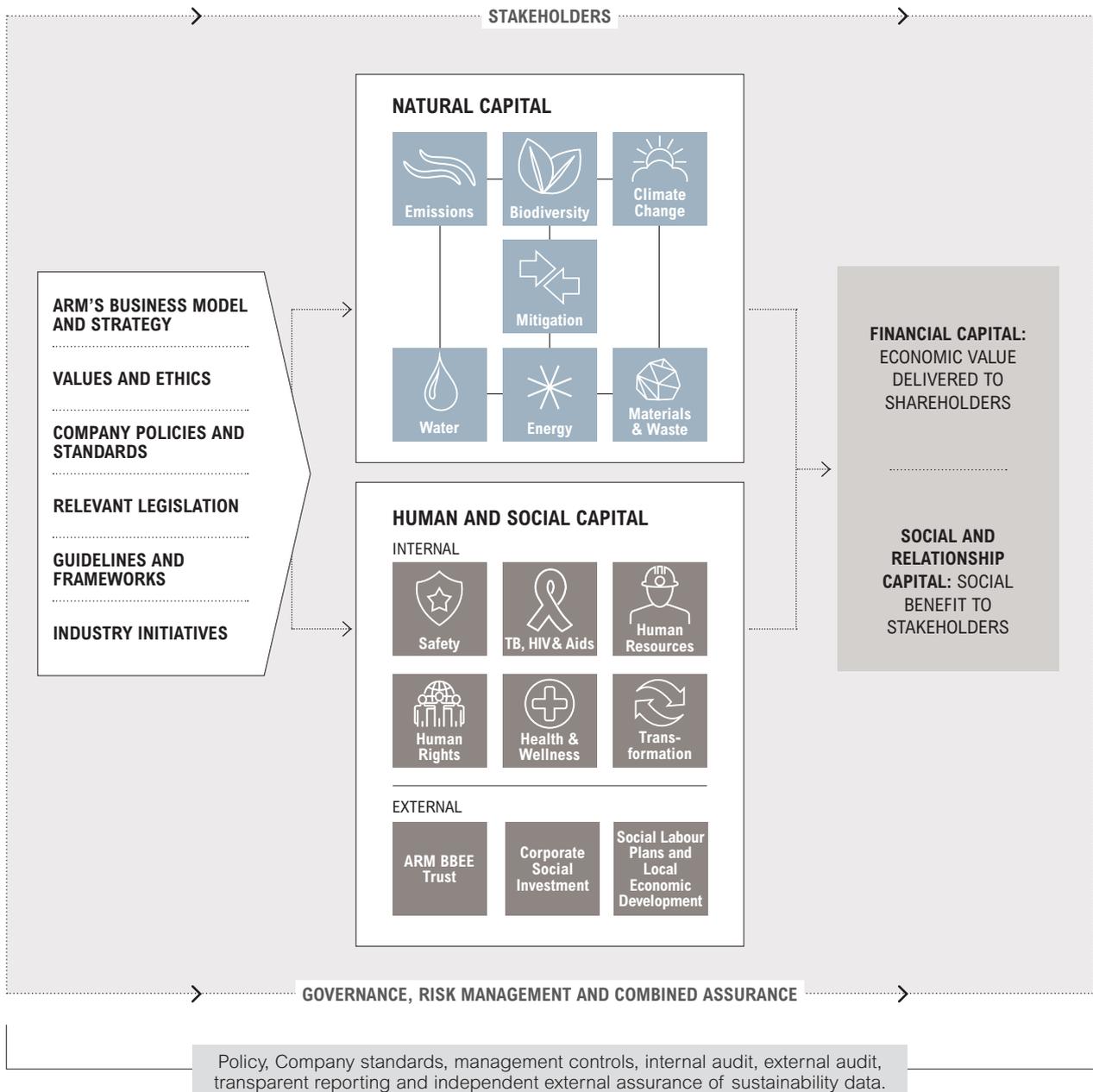
A robust mining industry can be a key contributor to economic growth and sustainable development through the long-term absorption of skilled and unskilled labour, its contribution to the fiscus through corporate taxes and mining royalties, and through its investment in regional infrastructure and community development. The communities around mines, which are often in remote and sparsely populated areas, benefit from the creation of direct and indirect jobs and through increased opportunities created by preferential procurement, supplier development and enterprise development initiatives. In a supportive regulatory regime, mine projects attract substantial foreign direct investment and local investment, and also generate significant foreign earnings.

OUR APPROACH TO SUSTAINABILITY continued

ARM'S SUSTAINABLE DEVELOPMENT MODEL

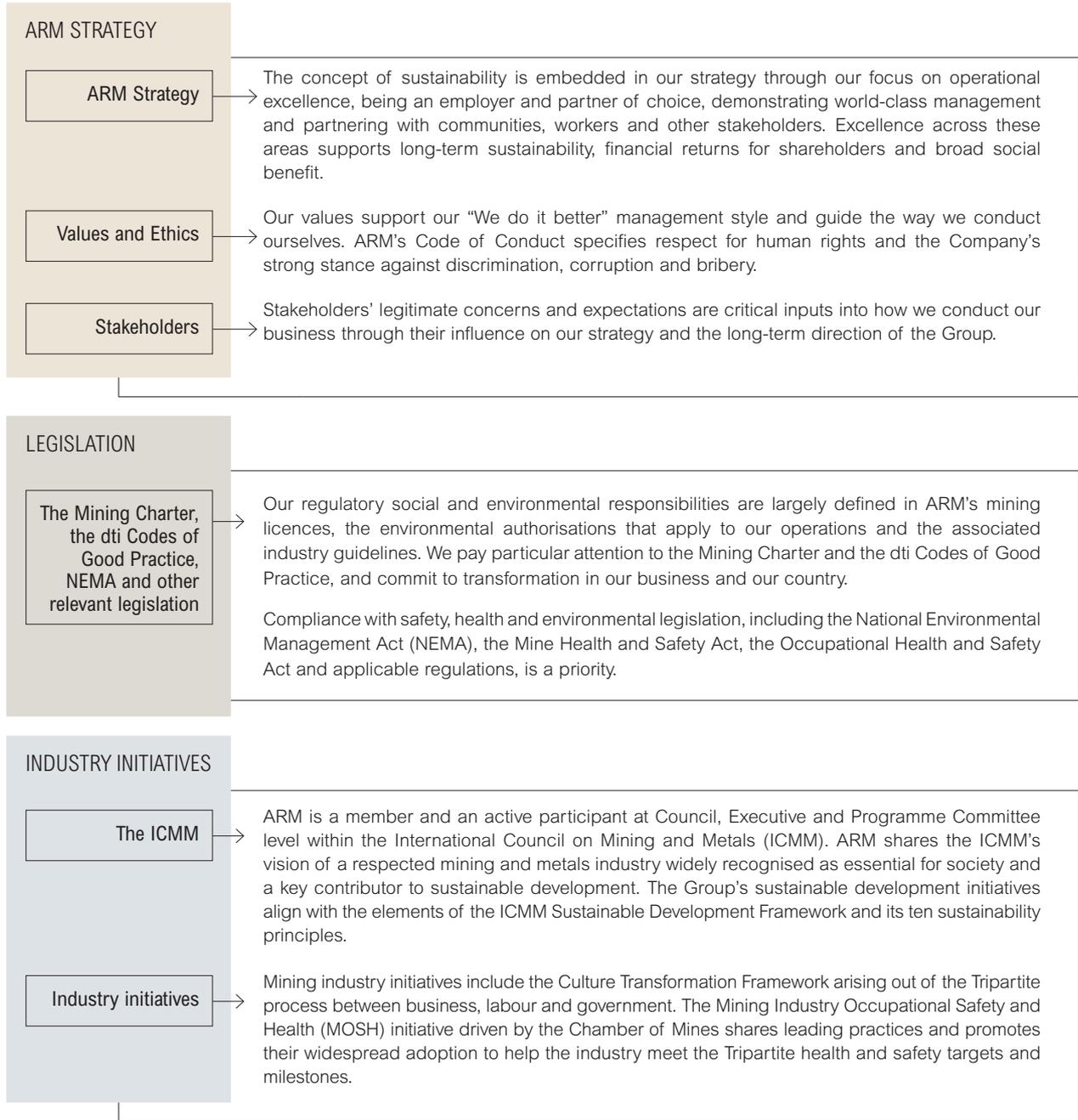
ARM's sustainable development model was developed from the ARM strategy to help us integrate sustainability into our business. It is a graphic representation reflecting the interrelatedness of economic, environmental and social considerations in generating economic value for shareholders and broad social benefit for all stakeholders.

Our business operates within an enabling framework of good corporate governance and risk management that is supported by our Combined Assurance Model. This framework helps to improve the integrity of the management, monitoring and reporting of our sustainable development data. It also supports continual improvement in our sustainability reporting and the deeper integration of sustainability into our risk management system and operational processes by identifying areas for improvement.



INPUTS INTO OUR APPROACH TO SUSTAINABLE DEVELOPMENT

A range of inputs inform our approach to sustainable development, including Company policies, procedures and standards, the relevant interests of our stakeholders and our commitment to the corporate governance principles of King III. We continually review and refine our approach to align with relevant developments in legislation and regulations, industry good practice, reporting requirements and other guidelines. The most significant of these inputs are described below.



OUR APPROACH TO SUSTAINABILITY continued

GUIDELINES AND FRAMEWORKS	
King III	The long-term benefits of good corporate governance support not only the sustainability of individual businesses, but also the sustainable development of broader society. ARM aligns its governance principles with the recommendations of the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III).
The EITI	The Extractive Industries Transparency Initiative (EITI) is a global standard promoting transparency and the management of revenues from natural resources. As a member of the ICMM, ARM subscribes to the EITI.
The FTSE/JSE Responsible Investment Index	The FTSE/JSE Responsible Investment Index (formerly the JSE Socially Responsible Investment Index) promotes good corporate citizenship and sustainable development by benchmarking companies' environmental, social and governance disclosures across 14 themes. ARM was included in the FTSE/JSE Responsible Investment Top 30 Index during F2016.
The GRI	ARM's 2016 Sustainability Report was prepared in accordance with the GRI G4 guidelines (CORE), including the Mining and Metals Sector Disclosures. The Sustainability Report has been externally assured.
CDP and CDP Water	The Carbon Disclosure Project (CDP) is an international not-for-profit organisation that works with market forces to motivate companies to disclose their impacts on the environment and natural resources and take action to reduce them. ARM submitted a CDP Report for the seventh time in 2016 and a CDP Water Report for the first time.
South Africa's National Development Plan 2030	The National Development Plan is an economic policy framework that aims to eliminate poverty and reduce inequality by 2030. The positive contribution responsible mining and beneficiation can make to sustainable development aligns with many of the focus areas highlighted in the NDP.
The UN Sustainable Development Goals	The 17 UN Sustainable Development Goals (SDGs) set a global aspiration to end poverty, fight inequality and injustice, and tackle climate change by 2030.

Constituent of the
FTSE/JSE Responsible
Investment Index



THE INTERNATIONAL COUNCIL ON MINING AND METALS (ICMM)

Arising out of the Mining, Minerals and Sustainable Development Project in 2001, the ICMM brings together 23 mining and metals companies and 34 regional and commodities associations. The ICMM's goal is to improve the social and environmental performance of the mining and metals industry through a collaborative approach that supports positive engagement with host communities, builds trust in the mining and metals industry and catalyses social and economic development.

The ICMM's strategic strategy and action plan: 2016–2018 has three priority areas:

- > environmental stewardship, with a current focus on water;
- > the role of mining and metals in society, including investor engagement; and
- > human wellbeing through a focus on health and safety, and strengthening operational capacity to engage with communities.

ARM has been a member of the ICMM since 2009 and is an active participant at Council, Executive and Programme Committee level. Our sustainable development initiatives align with the ICMM's position statements, the Sustainable Development Framework and its ten sustainable development principles of the ICMM.

As a member of the ICMM, ARM also subscribes to the Extractive Industries Transparency Initiative (EITI). The EITI is a global standard to promote the open and accountable management of natural resources to address the key governance issues facing the oil, gas and mining sectors.

Refer to the table on page 139 of this report for a summary of how we implement the ten ICMM Sustainable Development principles.



THE MINING CHARTER

The Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter) was developed through a consultative process between government, labour and mining companies in 2002. Its purpose is to achieve

the goals of the Mineral and Petroleum Resources Development Act (MPRDA), which was enacted to facilitate meaningful participation of Historically Disadvantaged South Africans (HDSAs) in the mining and minerals industry.

The Mining Charter sets transformation goals for the mining industry across various categories. Achieving these goals is an important consideration in retaining the Company's legal licence to operate in terms of its mining licence, as well as strengthening its social licence to operate. The goals cover a range of elements, including HDSA ownership, employment equity, preferential procurement and enterprise development, housing and living conditions, human resource development and mine community development.

A draft of the Revised Mining Charter was released in April 2016 and the Minister of Mineral Resources is engaging with the mining industry, organised labour and other affected parties to reach a mutually acceptable final agreement. ARM continues to monitor developments in this regard so that appropriate measures can be put in place to achieve the targets set in the Revised Charter once this is implemented.

Refer to the Transformation section on pages 92 to 103 of this report for more details on ARM's progress against the targets set in the 2010 Mining Charter.



THE UNITED NATIONS (UN) GLOBAL COMPACT

The South African Companies Act requires the Company's Social and Ethics Committee to monitor its activities against the ten principles of the UN Global Compact (UNGC). The UNGC is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with principles in the areas of human rights, labour, environment and anti-corruption. ARM recognises the importance of the ten principles of the UNGC and is committed to upholding them as they apply to its business.

Refer to the table on page 142 of this report for more information on the ten UNGC principles and how ARM addresses them.



THE dti CODES OF GOOD PRACTICE

The Broad-Based Black Economic Empowerment (B-BBEE) Act, No. 53 of 2003 was enacted to advance economic transformation and enhance the economic participation of black people in the South African economy. The Minister of Trade and Industry issued Codes of Good Practice (CoGP) in February 2007 as an implementation framework for B-BBEE policy and legislation. These were revised in 2013, setting more stringent targets for reporting entities, which came into effect from May 2015.

Targets are set across five elements that support economic transformation and the CoGP apply to all government entities and therefore to all companies that do business with these entities. Performance against the CoGP is an important consideration for many stakeholders, including analysts, investors, customers and government, and demonstrating ARM's commitment to transformation strengthens our social licence to operate.

Refer to the Transformation section on pages 92 to 103 of this report for a discussion of ARM's performance against the Revised dti CoGP.

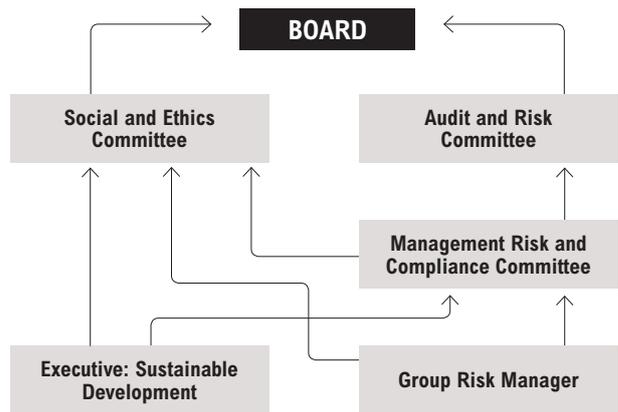


HOW WE MANAGE SUSTAINABILITY IN OUR BUSINESS

The ARM Board is ultimately accountable for sustainable development in the Company, although specific aspects of this responsibility have been delegated to the Social and Ethics Committee and the Audit and Risk Committee. The overarching strategic approach to sustainable development is set at corporate level, along with sustainable development policies and standards. Each operation adapts its approach for the sustainability matters that are most material to their specific circumstances.

Sustainability progress is monitored and reported through both operational and corporate sustainability governance structures.

The Executive: Sustainable Development operates with oversight from the Social and Ethics Committee and reports to the CEO of ARM. She is responsible for reviewing sustainability policies, strategies and targets and ensuring these align with the Board's commitment to zero tolerance to harm. Along with the Chief Executives of each division, the Executive: Sustainable Development carries responsibility for the implementation of sustainable development policies and procedures.



Aspects of non-financial sustainability are also considered as part of the Company's risk management processes and sustainability aspects are included in the operational and Group risk registers. The Executive: Sustainable Development provides input to the Management Risk and Compliance Committee, a sub-committee of the Audit and Risk Committee, on matters related to sustainable development as a standard agenda item.

The most significant issues that affect ARM's ability to create long-term sustainable value and the process we follow to identify these are discussed in the most material matters section on pages 14 to 18 of this report.

These are grouped into five categories – operational, financial, human capital, social licence to operate and environmental stewardship. However, we recognise that matters in each of these categories can have an impact across other categories and ultimately all have a financial impact.

ARM's sustainability performance is measured against various KPIs and benchmarks which are regularly reviewed at operational and corporate level meetings. The Executive: Sustainable Development works closely with the Group Risk Manager to

OUR APPROACH TO SUSTAINABILITY continued

ensure sustainable development considerations are appropriately integrated into ARM's processes and that progress is accurately reported to the Board.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee is responsible for monitoring effective management of sustainable development. It is a sub-committee of the ARM Board and meets at least quarterly. The Committee's activities include reviewing policies, ensuring their implementation and monitoring the Company's Local Economic Development initiatives.

Refer to the Report of the Social and Ethics Committee on pages 50 and 51 of this report for more information on the Committee's purpose, functions and activities during F2016.



SUSTAINABILITY AND RISK MANAGEMENT

The Management Risk and Compliance Committee implements, coordinates and monitors the Company's Enterprise Risk Management (ERM) process, guided by Internal Control and the Enterprise Risk Management Policy in terms of the annual Risk Management Plan. It assists the Audit and Risk Committee with oversight of risk management in the Company, reviewing the major strategic, tactical and operational risks facing the Company, which include sustainability risks.

ARM's ERM process identifies risks, challenges and opportunities, ensures efficient and effective controls, benchmarks control performance, and monitors and encourages improvement in control strategies.

Operational risk registers and risk and control dashboards are reviewed and updated every quarter by operational management including Safety, Health, Environmental and Quality (SHEQ) managers, with input from operational production and engineering functions. Regular meetings are held to review performance against guidelines at both operational and corporate level. These reviews form an important part of the combined assurance process and provide operations with a tool to manage and mitigate associated risks to an acceptable level.

The Group Risk Manager and Executive: Sustainable Development attend Social and Ethics Committee meetings and are members of the Management Risk and Compliance Committee and Steering Committee. They also attend Board meetings to respond to any risk and sustainability related matters raised by the Board.

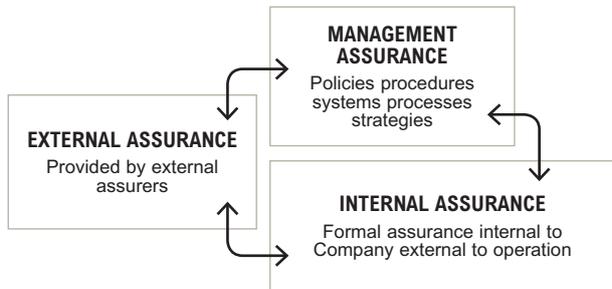
Refer to page 167 and pages 174 to 184 of the Corporate Governance Report in the 2016 Integrated Annual Report for more information on the composition and activities of the Management Risk and Compliance Committee. The Report of the Social and Ethics Committee is available on pages 50 and 51 of this report.



COMBINED ASSURANCE

ARM's Combined Assurance Model enhances the integration and alignment of management assurance and provides clarity to its 'three lines of defence', defining what constitutes management assurance relative to these three lines of defence.

COMBINED ASSURANCE MODEL



ARM continues to refine its integrated combined management assurance approach and reporting to ensure that the approach is practical, cost-efficient and is effectively integrated with ARM's ERM and management assurance processes.

A Combined Assurance Report identifies potential gaps and duplication in assurance, strengthening the control environment. The inter-relationship between ARM's ERM processes, internal audit initiatives, external audit activities and various management assurance interventions by specialists and subject matter experts further reinforces a comprehensive risk-based and robust assurance process and reporting.

The Combined Assurance Model is discussed in detail in the Risk Report on pages 174 to 184 of the 2016 Integrated Annual Report.



IBIS ESG Consulting South Africa (Pty) Ltd was contracted to provide high-level independent third party assurance over the content of the 2016 Sustainability Report.

Refer to pages 136 to 138 of this report for the full Assurance Statement, including comments on data collection in ARM.





Kuruman bulk water project sponsored by Khumani Mine



CORPORATE

GOVERNANCE SUMMARY

Nkomati Mine

CORPORATE GOVERNANCE SUMMARY

Our strategy is supported by our high standards of corporate governance, which we continue to review to ensure robust controls and alignment of our businesses with global good practice.

Adhering to the highest standards of corporate governance is fundamental to the sustainability of ARM's business. ARM's business practices are conducted in good faith, in the interests of the Company and all its stakeholders, with due observance of the principles of good corporate governance. The unitary Board of Directors (the Board) is the foundation of ARM's corporate governance system and is accountable and responsible for ARM's performance. The Board retains effective control of the business of ARM through a clear governance structure and has established Committees to assist it in accordance with the provisions of ARM's Board Charter. The Board recognises that delegating authority does not reduce the responsibility of Directors to discharge their statutory and common law fiduciary duties. We continue to review our governance structures to ensure that they support effective decision-making, provide robust controls and are aligned to evolving local and global best practice.

The full Corporate Governance Report is available on pages 156 to 205 of the 2016 Integrated Annual Report available on the ARM website www.arm.co.za.



APPLICABLE GOVERNING FRAMEWORKS

The Company complies with the JSE Listings Requirements, applicable statutes, regulatory requirements and other authoritative directives regulating its conduct. The principal applicable frameworks include:

JSE LISTINGS REQUIREMENTS

ARM is a public company listed on the JSE Limited (JSE) and is subject to the JSE Listings Requirements.

www.jse.co.za |

INTERNATIONAL <IR> FRAMEWORK

The International Integrated Reporting Framework came into effect in December 2013.

www.theiirc.org |

KING III

The King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III).

www.iodsa.co.za |

MINING CHARTER

ARM is committed to the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter), revised in September 2010.

www.dmr.gov.za |

COMPANIES ACT

The Companies Act 71 of 2008, as amended, by the Companies Amendment Act 3 of 2011 (the Companies Act), and the Regulations promulgated thereunder (the Companies Regulations) came into effect on 1 May 2011.

www.acts.co.za |

Refer to the accounting policies in the notes to the financial statements on pages 227 to 240 of the 2016 Integrated Annual Report available on the ARM website www.arm.co.za for additional external financial standards, policies, reporting guidelines and principles.



ARM supports the implementation of integrated reporting to enhance the assessment and understanding of value creation and the sustainability of global markets through integrated thinking, greater connectivity between risks and outcomes, the promotion of accountability and increased transparency.

ARM has been on a journey of integrated reporting since it published its first integrated report in 2010 and continues to embed integrated thinking into its business practice. ARM continues to strive for excellence in reporting and the further integration of the International <IR> Framework principles remains a priority.

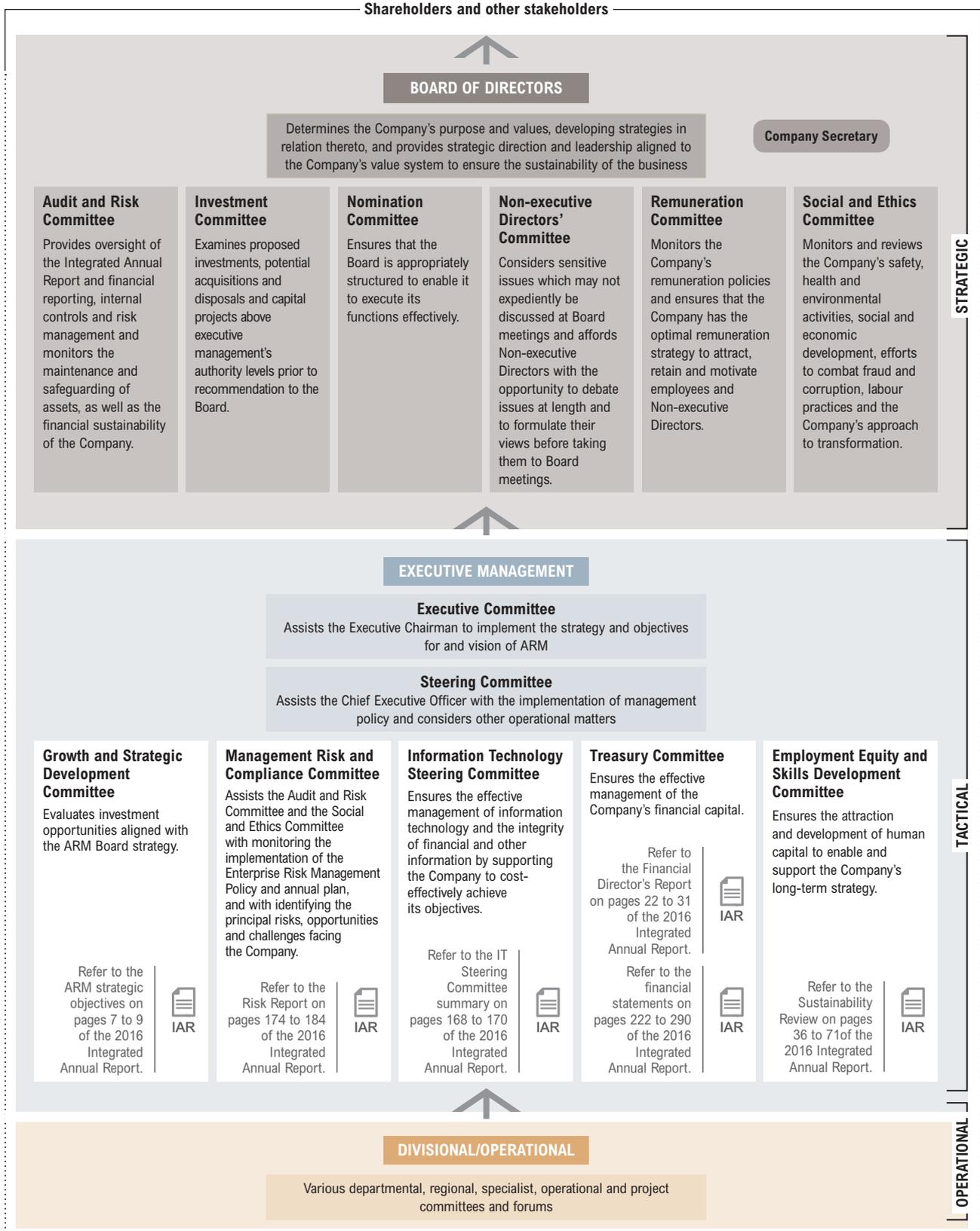
KING III COMPLIANCE

ARM supports the principles and practices set out in King III. ARM has taken steps to ensure that it applies the principles set out in King III. The Company conducts gap analyses on an ongoing basis to assess its compliance level in respect of King III and to identify areas that require improvement. ARM also uses developments and governance trends as opportunities to review its governance structures. With this objective, provisions impacting the divisions and operations have been and are being identified, assessed and addressed. Gaps, if any, are addressed through action plans and regular monitoring and reporting to the appropriate governance structures. Ongoing progress reports in this regard are presented to the Audit and Risk Committee and the divisional audit committees.

It is expected that the King IV Report, which responds to global and local corporate governance and regulatory developments, will be issued on 1 November 2016.

CORPORATE GOVERNANCE SUMMARY continued

GOVERNANCE FRAMEWORK



Comment from IBIS Consulting: "As part of our Independent Third Party Assurance processes, IBIS Consulting conducted an assessment of ARM's compliance with the 75 principles contained within the 3rd version of the King Report on Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III), and found no concerns relative to ARM's assertions that all of the 75 individual King III principles have been deemed 'Apply' with reasonable evidence to support each assertion, including progress over prior year performance."

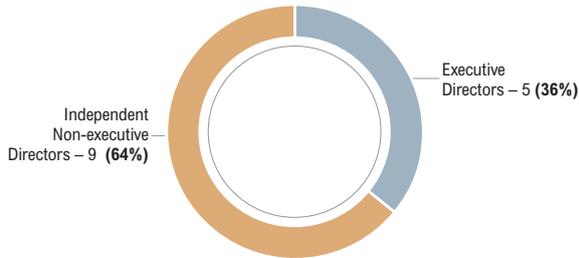
ARM's complete King III checklist is available on the ARM website www.arm.co.za.
 IBIS Consulting's comprehensive Assurance Statement may be found on pages 136 to 138 of this report.



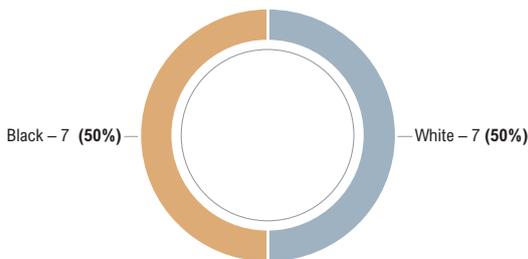
BOARD COMPOSITION

ARM has a unitary Board comprising 14 Directors, the majority of whom are Independent Non-executive Directors.

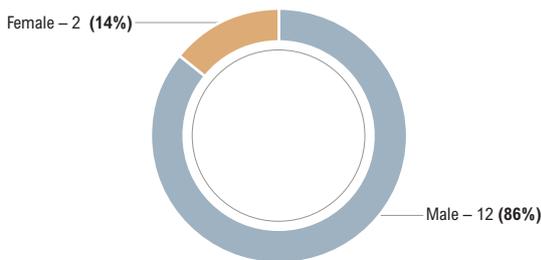
MIX OF DIRECTORS



DIVERSITY



GENDER OF DIRECTORS



INDEPENDENCE

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

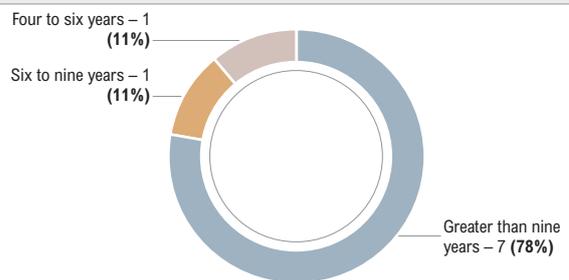
The Independent Non-executive Directors are highly experienced and have the skills, background and knowledge to fulfil their responsibilities.

The classification of Independent Non-executive Directors is determined by the Board on the recommendation of the Nomination Committee in accordance with the guidelines set out in King III. 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 and with due

regard to the criteria for determining independence as set out in King III and the JSE Listings Requirements.

Any term in office exceeding a period of nine years by an Independent Non-executive Director is subject to a rigorous review by the Board. The independence assessment considered relationships or circumstances likely to affect, or appearing to affect, the relevant Independent Non-executive Director's character and judgement. The Board concluded that in each circumstance the Independent Non-executive Director's independence of character and judgement was not impaired by the length of service.

LENGTH OF TENURE: INDEPENDENT NON-EXECUTIVE DIRECTORS



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

In accordance with the independence requirements of the JSE Listings Requirements, none of the Independent Non-executive Directors participate in any share incentive scheme of the Company.

EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Executive Chairman and the Chief Executive Officer are separate and distinct. Contrary to the independence requirements of King III, Mr P T Motsepe is the Executive Chairman of the Company and a director of African Rainbow Minerals & Exploration Investments (Pty) Ltd (ARMI) and Botho-Botho Commercial Enterprises (Pty) Ltd (BBCE). As at 30 June 2016, Mr Motsepe, ARMI and BBCE held 40.80% of the Company's issued share capital. The shares of ARMI and BBCE are all held indirectly by trusts, all of which, with the exception of The Motsepe Foundation, hold those shares for the benefit of Mr Motsepe and his immediate family. The Motsepe Foundation applies the benefits emanating from its indirect shareholding in ARM for philanthropic purposes. ARM is satisfied that the non-independence of the Executive Chairman is properly addressed by the composition of the Board and particularly by the appointment of the Lead Independent Non-executive Director in accordance with and as required by King III.

In addition to the general requirements for the re-election of Directors set out in the Company's Memorandum of Incorporation (the MOI) and discussed below, the Executive Chairman is required to be elected by the Board annually. Mr Motsepe was re-elected as Executive Chairman for a period of one year commencing on 1 January 2016. The Chief Executive Officer is appointed by the Board.

CORPORATE GOVERNANCE SUMMARY continued

BOARD CHARTER

The Board Charter was most recently amended by the Board in June 2016 to ensure compliance with King III and the Companies Act. The Board Charter provides guidelines to Directors in respect of, *inter alia*, the Board's responsibilities, authority, composition, meetings and the need for performance evaluations.

The roles and responsibilities of the Board as set out in the Board Charter are available in the full Corporate Governance Report in the 2016 Integrated Annual Report available on the ARM website www.arm.co.za.



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ELECTION, INDUCTION, SUCCESSION AND ASSESSMENT

ELECTION AND RE-ELECTION

The Memorandum of Incorporation requires that one-third of elected Non-executive Directors, who have been in office longest since their last election, retire by rotation at each Annual General Meeting. Being eligible, these Non-executive Directors may seek re-election should they so wish.

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.

The Nomination Committee evaluates nominees and, taking into account their past performance and their contribution made to the Company, recommends such nominees to the Board for recommendation to shareholders for election and re-election at Annual General Meetings of shareholders, as the case may be.

The Directors' *curricula vitae* are available on pages 200 to 203 of the 2016 Integrated Annual Report available on the ARM website www.arm.co.za.



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INDUCTION AND CONTINUING EDUCATION

All newly-appointed Directors receive a comprehensive information pack, including the Memorandum of Incorporation, the Board Charter, Terms of Reference 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 information and training relating to their duties, responsibilities, powers and potential liabilities. Regulatory and legislative updates are provided regularly. The Company holds an annual budget planning workshop and a strategy Bosberaad with senior management and the Board to, *inter alia*, inform Directors about the Company's business. Given the dynamics of the current market, updates on the current market were held in F2016. Regular education sessions are held with Directors and in F2016 these included updates on the amendments to the B-BBEE Codes and the Company's sponsors provided an update on amendments to the JSE Listings Requirements.

While site visits for Non-executive Directors are typically conducted, no site visits were held in F2016 due to operational considerations.

SUCCESSION

The Company has a succession plan for Executive Directors and senior management, which provides for the key management of the Company. The Company continuously strives to improve its talent pool through a comprehensive and focused plan for the management of human capital, including career development and recruitment. The Company adopts an integrated approach to succession planning. For example, the Social and Ethics Committee regularly reviews reports on leadership and employment equity programmes, and reports on developments in these areas to the Board. The Remuneration Committee monitors the 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.

The Nomination Committee, together with the Executive Chairman, deals with the succession planning for the Non-executive Directors and monitors the succession planning for Executive Directors.

ASSESSMENT

The Board is committed to transparency in assessing the performance of the Board, its Committees and individual Directors, as well as the governance processes that support Board activities. The effectiveness of the Board and its Committees is assessed annually. Independent external advisors assisted the Nomination Committee with the evaluation of the Board, its Committees, the Executive Chairman and the Company Secretary.

The Board is of the view that the involvement of independent external advisors assists to ensure a rigorous and impartial evaluation process.

In the assessment process consideration is also given to the Board's diversity, size and demographics. The findings of the F2016 assessment were considered by the Board in 2016 and copies of the findings were provided to the external auditor in terms of King III.

Performance assessments of all of the Executive Directors, including the Executive Chairman and the Chief Executive Officer are undertaken annually and form the basis of their remuneration as discussed in Part 1 of the Remuneration Report starting on page 185 of the 2016 Integrated Annual Report available on the ARM website www.arm.co.za.



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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 2016, five Board meetings were held. The quorum for Board meetings is the majority of the Directors.

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.

	Board	Audit and Risk Committee	Investment Committee	Nomination Committee	Non-executive Directors' Committee	Social and Ethics Committee	Remuneration Committee
Number of meetings per year	5	7	1	3	4	4	3
P T Motsepe (Executive Chairman)	5	–	–	3 [^]	–	–	–
M P Schmidt (Chief Executive Officer)	5	6 [^]	1 [^]	3 [^]	–	4 [^]	3 [^]
F Abbott	4 ⁺	3 [*]	1	–	3 ⁺	–	3
M Arnold	5	7 [^]	1 [^]	3 [^]	–	–	3 [^]
M M M Bakane-Tuoane, Dr	5	7	–	3	4	4	3
T A Boardman	5	7	–	–	4	–	3
A D Botha	5	7	1	–	4	–	3
J A Chissano	4 ⁺	–	–	1 ⁺	3 ⁺	–	–
W M Gule	5	–	–	–	4	–	–
A K Maditsi	5	7	1	3	4	4	3
H L Mkatshana	5	7 [^]	1 [^]	–	–	4 [^]	–
R V Simelane, Dr	5	7	–	3	4	4	–
Z B Swanepoel	5	7	1	–	3 ⁺	–	–
A J Wilkens	5	4 [^]	–	2 [^]	–	1 [^]	3 [^]

[^] Attended as an invitee.

⁺ Absent with leave of the Board Committee, as the case may be.

^{*} Mr F Abbott was appointed to the Audit and Risk Committee by the shareholders of the Company on 4 December 2015.

COMPANY SECRETARY

All Directors have access to the services and advice of the Company Secretary, Ms A N D'Oyley. 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 by providing guidance as to how to fulfil their responsibilities as Directors 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.

The Board appointed the Company Secretary in accordance with the requirements of the Companies Act. The JSE Listings Requirements provide that boards must consider and satisfy themselves annually regarding the competence, qualifications and experience of the company secretary. Therefore, in September 2016, upon the recommendation of the Nomination Committee, the Board considered details regarding the Company Secretary's competence, qualifications and experience, the salient details of which are set out below as required by the JSE Listings Requirements:

Competence	Qualifications	Experience
Competence evaluation by the Nomination Committee and by the Board	BCom, LLB and LLM	<ul style="list-style-type: none"> ➤ Ten years' experience as a Barrister and Solicitor ➤ Three years' experience as a General Counsel at a listed company ➤ Eleven years' experience as a Company Secretary

The Board also confirmed that the Company Secretary is not a Director of the Company and maintains an arm's-length relationship with the Board.

BOARD COMMITTEES

The Board has established Committees to assist it with fulfilling its responsibilities in accordance with the provisions of the Company's Board Charter. Nonetheless, the Board acknowledges that the delegation of authority to its Committees does not detract from the Board's responsibility to discharge its fiduciary duties to the Company.

CORPORATE GOVERNANCE SUMMARY continued

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.

In F2016, the Terms of Reference were reviewed by the Committees and, in some instances, minor housekeeping amendments to the Terms of Reference were approved by the Board.

The membership of the Board Committees currently consists solely of Independent Non-executive Directors. Each Committee is chaired by an Independent Non-executive Director.

The Committee Chairmen attend Annual General Meetings of shareholders to answer any questions.

The Board has established the following permanent Committees: Audit and Risk Committee, Investment Committee, Nomination Committee, Non-executive Directors' Committee, Remuneration Committee and Social and Ethics Committee.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is constituted as a statutory committee of the Board in terms of Section 94 of the Companies Act and its composition complies with the provisions of that section.

The Report of the Audit and Risk Committee is available on pages 208 to 210 of the 2016 Integrated Annual Report available on the ARM website www.arm.co.za.



The Audit and Risk Committee comprises six Independent Non-executive Directors, each of whom has extensive relevant experience. In accordance with the guidelines in King III, the Audit and Risk Committee Chairman is an Independent Non-executive Director and the Chief Executive Officer attends Audit and Risk Committee meetings at the Committee's request. The Financial Director is also an invitee at each meeting. Minor amendments to the Audit and Risk Committee Terms of Reference were made by the Board in F2016.

Based on the Terms of Reference, a comprehensive agenda framework work plan is prepared to ensure that all tasks assigned to the Audit and Risk Committee are considered at least once a year.

The Audit and Risk Committee performs its review function over all of ARM's operations. To assist the Audit and Risk Committee with its reviews, all operational joint ventures have audit committees. The chairmen of the audit committees of the subsidiaries and joint ventures report to the Audit and Risk Committee, highlighting areas of concern and remedial actions taken by management. In addition, the minutes of audit committee meetings, as well as internal and external audit reports of all operations are submitted to the Audit and Risk Committee.

The primary objective of the Audit and Risk Committee is to assist the Board in discharging its duties relating to the safeguarding of ARM's 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 Social and Ethics Committee. In fulfilling its oversight responsibilities, the Audit and Risk Committee reviews and discusses the audited financial statements with management and the external and internal auditors of the Company.

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. The Audit and Risk Committee reviews the Financial Director's qualifications and experience annually and, following the 2016 review, is satisfied that the Financial Director has experienced finance executives reporting to him, that the finance function is adequately resourced and that Mr Arnold has the necessary experience and expertise to discharge his responsibilities.

The Management Risk and Compliance Committee reports to the Audit and Risk Committee and its report is included on page 167 and pages 174 to 184 of the Corporate Governance Report in the 2016 Integrated Annual Report available on the ARM website www.arm.co.za.



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

The Audit and Risk Committee acts as a forum for communication between the Board, management and the external and internal auditors.

INVESTMENT COMMITTEE

The Investment Committee comprises four Independent Non-executive Directors.

The Investment Committee's purpose is to consider substantial investments proposed by management, including mining 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.

The Terms of Reference of the Investment Committee were reviewed without amendment in F2016.

NOMINATION COMMITTEE

The Nomination Committee comprises four Independent Non-executive Directors.

The Nomination Committee is responsible, *inter alia*, for establishing formal and transparent procedures for the appointment of Directors; recommending to the Board suitable candidates for appointment as members of its Committees and the Chairmen of such Committees; ensuring compliance with those provisions of the Memorandum of Incorporation governing the rotation of Directors and making recommendations to the Board with regard to the eligibility of retiring Directors of the Company for re-election.

The Nomination Committee is also responsible for developing a formal induction programme for new Directors of the Company, overseeing access by Directors to external continuing professional development programmes for Directors so as to ensure that new Directors are developed through mentorship and training programmes; and ensuring that Directors receive regular briefings on changes in risks, laws and the environment in which ARM operates.

The Nomination Committee assists the Executive Chairman to lead the overall performance evaluation, at least once a year, of the Chief Executive Officer and the other Directors in respect of their roles as Directors, as well as evaluations of the Board as a whole and its Committees. The Nomination Committee assists the Lead Independent Non-executive Director to lead the annual performance evaluation of the Executive Chairman, with the assistance of the Company Secretary.

The Nomination Committee reviews, from time to time, the structure, composition and size of the Board and makes recommendations to the Board regarding any changes that are considered necessary to enhance the effectiveness of the Board, including recommendations on the general composition of the Board and the balance between Executive and Non-executive Directors appointed to the Board. The Nomination Committee deals with succession planning for the Executive Chairman, the Chief Executive Officer and other Directors.

The Terms of Reference of the Nomination Committee were reviewed in 2016 and minor amendments were made by the Board.

In line with JSE Listings Requirements, the Nomination Committee is chaired by the Lead Independent Non-executive Director. The Executive Chairman attends Nomination Committee meetings as an invitee.

NON-EXECUTIVE DIRECTORS' COMMITTEE

The Non-executive Directors' Committee comprises all of the Non-executive Directors and meets formally on a quarterly basis without management. The meetings are chaired by the Lead Independent Non-executive Director.

Terms of Reference of the Non-executive Directors' Committee were approved by the Board in F2011 and reviewed without amendment in F2016. The Committee provides a forum for the Non-executive Directors of the Company to consider and discuss issues of importance to ARM, including the promotion of increased investor confidence, stimulating business growth, reducing fraudulent practices through effective business leadership, fostering sustainable long-term growth in both the social and economic arenas and cultivating and promoting an ethical corporate culture within ARM.

REMUNERATION COMMITTEE

In accordance with King III, the Remuneration Committee consists entirely of Independent Non-executive Directors. The Board considers the composition of the Remuneration Committee to be an appropriate blend of knowledge, skills and experience, and is confident that the Remuneration Committee's members have

a strong blend of expertise and experience in the financial, business and human capital fields.

The purpose of the Remuneration Committee is to assist the Board with its responsibility for setting the Company's remuneration policies to ensure that these policies are aligned with ARM's business strategy and create value for ARM over the long term. The Remuneration Committee also assists the Board in promoting a culture that supports enterprise and innovation with appropriate short-term and long-term performance-related rewards that are fair and achievable. The Remuneration Committee considers and recommends remuneration policies for senior executives.

It is also the responsibility of the Remuneration Committee to ensure alignment with the remuneration guidelines of King III. After reviewing the remuneration strategy and policy, as well as the implementation thereof, the Remuneration Committee is satisfied that the Company is indeed so aligned.

SOCIAL AND ETHICS COMMITTEE

The purpose of the Social and Ethics Committee is to monitor and report on the manner and extent to which ARM protects, enhances and invests in the economy, society and the natural environment in which ARM operates in order to ensure that its business practices are sustainable. The Social and Ethics Committee also reviews and considers the efficacy of ARM's systems to promote Local Economic Development opportunities to enable Historically Disadvantaged South Africans to develop economically while meeting the requirements of Mineral Rights conversions and other requirements detailed in the Mineral and Petroleum Resources Development Act 28 of 2002, as amended, and other applicable legislation.

The Social and Ethics Committee is responsible for:

- > Monitoring activities having regard to relevant legislation and other legal requirements and codes of best practice;
- > Drawing relevant matters to the attention of the Board; and
- > Reporting to the shareholders of the Company at Annual General Meetings.

In particular, the Social and Ethics Committee is responsible for monitoring:

- > Social and economic development;
- > Good corporate citizenship;
- > Environmental management, occupational health and wellness and employee safety;
- > Consumer relationships, as applicable; and
- > Labour and employment.

The Social and Ethics Committee's Terms of Reference provide that the Committee must have a minimum of three members, the majority of whom must be Independent Non-executive Directors.

Currently, the Social and Ethics Committee comprises three Non-executive Directors, all of whom are independent. Invitees include the Chief Executive Officer of the Company, the divisional Chief Executives, the Executive: Business Development, the Executive: Sustainable Development, the Group Executive: Human Resources, the Group Executive: Compliance and Stakeholder Relations and the Group Risk Manager.

CORPORATE GOVERNANCE SUMMARY continued

OTHER COMMITTEES**AD HOC BOARD COMMITTEES**

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

MANAGEMENT COMMITTEES

The Company has various Management Committees comprising Executive Directors and senior executives who are considered essential to the functioning of the Company and ensuring the appropriate control and provision of information to the Board.

Executive Committee	The Executive Committee is chaired by the Executive Chairman. Standard items on the agenda include strategic matters, reports from the Chief Executive Officer, the Financial Director, the divisional Chief Executives and other senior executives.
Management Risk and Compliance Committee*	The Management Risk and Compliance Committee, a management sub-committee of the Audit and Risk Committee, assists the Audit and Risk Committee in discharging its duties relating to risk matters.
Steering Committee	The Steering Committee implements management policy and considers other operational matters.
Growth and Strategic Development Committee	The Growth and Strategic Development Committee evaluates growth opportunities.
Employment Equity and Skills Development Committee	The Employment Equity and Skills Development Committee considers employment equity, transformation and skills development strategies throughout the Company.
Treasury Committee	The Treasury Committee reviews operational cash flows, currency and interest rate exposures as well as funding issues within the Company.
Information Technology Steering Committee	The Information Technology (IT) Steering Committee implements the IT Governance Framework, the IT strategy adopted by the Board and develops IT policies and procedures.

* Before F2016, the name and scope of the committee was the Management Risk Committee.

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 ethical standards so 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 Conduct (the Code), which was previously known as the Code of Ethics. The Code was amended in F2011 to reflect the Company's obligations under King III and the Companies Act, and most recently updated in F2016. A Code of Conduct online training programme has been rolled out at the ARM Corporate Office, the ARM Platinum operations and the ARM Ferrous operations.

The Code of Conduct is available on the ARM website 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 whistleblowers' facility is included in the Code of Conduct (the Code) and contact information is posted in each of the Company's offices. Initiatives to heighten awareness of the whistleblowers' facility are implemented on an ongoing basis. 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.

Comment from Sustainability Assurance Provider:

"As part of the scope of work to provide Independent Third Party Assurance over ARM's sustainability reporting, IBIS Consulting conducted an assessment of ARM's ethics policies and procedures, in line with King III recommendations. Based on our review, including observations and interviews during visits to selected sites, it appears that ARM employs a comprehensive set of policies (e.g. the Code of Conduct), procedures, systems and controls to meet reasonable expectations for the monitoring and management of ethical compliance throughout its operations."

IBIS Consulting's comprehensive Assurance Statement is available on pages 136 to 138 of this report.



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 and Risk Committee, the Management Risk and Compliance Committee and the internal auditors (outsourced to KPMG Services (Pty) Ltd), review the Company's risk profile annually. In terms of the risk-based internal audit programme approved annually by the Audit and Risk 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 and Risk Committee and the Board.

GOING CONCERN

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

RISK MANAGEMENT PROGRAMME

The ARM Board tasks the Audit and Risk Committee with the oversight of risk management. In terms of the Board Charter, the Management Risk and Compliance Committee has been established as a sub-committee of the Audit and Risk Committee to assist it with the management of and reporting on risk management processes and procedures. The Audit and Risk Committee Chairman reports to the ARM Board.

ARM's risk management philosophy is committed to developing, embedding, cost-effectively implementing and continually reviewing systems of internal control and Enterprise Risk Management (ERM) at all levels within the Company.

ARM's Board of Directors has committed ARM to a process of risk management and to sound and effective systems of internal control.

These are aligned with the principles of King III and comply with the Companies Act and all relevant codes and regulations. The objective of these systems and processes is the management and minimising of short-, medium- and long-term risk at all of ARM's operations.

ARM's annual Risk Management Plan is approved by the Audit and Risk Committee, on behalf of the Board, executed by management in collaboration with ARM Risk Management and monitored by the Management Risk and Compliance Committee, the Audit and Risk Committee and Social and Ethics Committee on a quarterly basis. This Plan ensures the implementation within the Company of the ERM process.

CORPORATE GOVERNANCE SUMMARY continued

The Group Risk Manager reports quarterly to the Management Risk and Compliance Committee, the Audit and Risk Committee and Social and Ethics Committee, as well as reporting quarterly to divisional and joint venture operational committees, divisional audit committees, and divisional social and ethics/sustainable development committees, with the exception of the ARM Coal audit committee.

The Risk Management Plan, approved annually by the Audit and Risk Committee, provides emphasis for ARM's ERM initiatives for that financial year and ensures implementation of the Internal Control and Enterprise Risk Management Policy.

The Plan's initiatives and emphases are determined through an integrated combined assurance review. This review encompasses risk and assurance processes; discussions with internal audit, external audit and independent assurance providers; and is guided by any business imperatives and changes in governance and compliance requirements.

Risk management initiatives and emphases are incorporated into the annual Risk Management Plan and reported on within the structured reporting areas of the:



Further information on ARM's risk management policies and procedures is available in the Risk Report on pages 174 to 184 of the 2016 Integrated Annual Report available on the ARM website www.arm.co.za.



LEGAL COMPLIANCE

The Company has a legal and regulatory compliance policy. Internal and external legal compliance and operational audits are regularly conducted at all operations and any instances of non-compliance with regulatory requirements are reported to management for corrective action.

In addition, ARM Corporate initiates external biennial audits of Safety, Health and Environmental (SHE) performance at those operations over which ARM has joint management control. The most recent external SHE audits commenced in June 2016 and are expected to be completed by the end of November 2016.

At the end of 2014, Two Rivers Platinum received a notification of intent to issue a pre-directive in terms of Section 53 of the National Water Act from the DWS for unlawful water use pertaining to the construction of a lapa with associated ablution facilities on the wall of the Inyoni Dam. A comprehensive geohydrological investigation and risk assessment report was presented to the DWS in April 2015 and the matter is still under consideration.

In the case of the Khumani Housing Development Company Proprietary Limited, a subsidiary of Assmang Proprietary Limited, its appeal against the administrative fine in terms of section 24G of the National Environmental Management Act, which was lodged in the 2014 financial year, remains unresolved.

HUMAN RIGHTS

ARM does not tolerate any form of discrimination and this is clearly stated in the Code and policies. Although ARM's policies do not necessarily use the term human rights, it is implied and articulated in the Code, our Grievance Procedure Policy, Protected Disclosure Policy and our Sexual Harassment Policy.

ARM complies with South Africa's human rights legislation, including the Constitution and the Bill of Rights, which safeguard the basic human rights of employees in South Africa. Human rights considerations are integrated into business policies and management systems to ensure that these are appropriately managed and addressed.

The Code and the Company's policies require all employees and stakeholders to be treated with dignity and in a manner that is culturally appropriate, irrespective of gender, background or race. The Human Resources Performance Management System and Safety, Health, Environment and Quality systems monitor compliance and performance.

ARM conducts human rights assessments aligned with the United Nations Protect, Respect and Remedy Framework. Grievance mechanisms are in place should an employee feel that their human rights have been violated. Grievance channels include reporting the matter to supervisors or managers, the Human Resources Department or anonymously to the whistleblowers' line.

Security personnel, including contractors, undergo human rights training and refresher training every second week. Operational community relations strategies uphold and promote human rights and respect cultural considerations and heritage.

ARM does not use forced, compulsory or child labour and expects its suppliers and contractors to take a similarly ethical approach to respecting human rights. We value the benefits of our richly diverse workforce, respect the culture and heritage of the communities around our operations and support cultural initiatives in these communities.

Fair and competitive remuneration is an ongoing discussion point and all non-management employees are afforded freedom of association. Our human capital policies aim to promote equality and eliminate unfair discrimination on the basis of race, ethnicity, colour, gender, sexual orientation, nationality, place of origin, citizenship, creed, political persuasion, age, marital or family status or disability. ARM employees must report any cases of actual or suspected harassment or discrimination in accordance with the procedures laid out in the Code.

BRIBERY AND CORRUPTION

ARM's zero-tolerance stance on bribery and corruption is clearly described in our codes and policies, including the Code and the policies and procedures relating to giving and receiving of gifts, sponsorship, entertainment, hospitality and favours.

The Company's Code of Conduct training programme contains an introduction letter from ARM's Chief Executive Officer that communicates top management's commitment to ARM's anti-corruption policies.

ARM's anti-fraud, bribery and corruption (ABC) prevention strategy is being refined. An external fraud maturity assessment was conducted and the results reported to the Audit and Risk Committee. Existing policies are being streamlined to align with the recommendations from the assessment and to ensure effective implementation of the ABC prevention strategy.

DEALINGS IN SECURITIES AND INSIDER TRADING POLICY

ARM enforces closed periods in compliance with legislation and regulations. During these times, Directors, officers and designated persons are precluded from dealing in ARM securities. All Directors and employees were provided with relevant extracts from applicable legislation 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. No amendments to the policy were made in F2016.

The complete policy governing dealings in Company securities and insider trading is available on the ARM website 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 donations budget approved by the Board.

INVESTOR RELATIONS AND COMMUNICATION WITH STAKEHOLDERS

ARM is committed to transparent, comprehensive and objective communication with its stakeholders. The Company maintains a website, which provides information regarding the Company's operations, financial performance and other information. Further to the commitment to transparent stakeholder communication, the Company has an Executive: Business Development, an Executive: ARM Platinum Corporate Affairs, a Group Executive: Compliance and Stakeholder Relations and an Executive Legal: Compliance and Stakeholder Relations.

Shareholders are encouraged to attend the Annual General Meeting and to use it as an opportunity to engage with the Board and senior management. Summaries of the results of decisions taken at shareholders' meetings are disclosed on the Stock Exchange News Service (SENS) and the Company's website following the meetings.

The Company's stakeholder communication policy is included in the Code.

ARM's Investor Relations Department is responsible for communication with institutional investors, the investment community and the media. The Company has developed a comprehensive investor relations programme to communicate with domestic and international institutional investors, fund managers and investment analysts. Engagements include participation by ARM senior executives in one-on-one meetings with institutional investors locally and internationally, through investor roadshows and conferences.

Additional information regarding our engagement with key stakeholders is available on pages 28 to 29 and page 91 of this report.



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REPORT OF THE SOCIAL AND ETHICS COMMITTEE

This report is provided by the Social and Ethics Committee (the Committee) in terms of Regulation 43(5)(c) of the Companies Regulations promulgated in terms of the Companies Act 71 of 2008, as amended (the Companies Act).

COMPOSITION AND TERMS OF REFERENCE

This statutory Committee was established on 23 August 2011. It was previously called the Sustainable Development Committee. With effect from 1 May 2012, the Committee's Terms of Reference were amended by the Board of Directors (the Board) to elaborate on the Committee's role and responsibilities in terms of the Companies Act. Pursuant to the 2016 annual review, minor amendments were made to the Committee's Terms of Reference. The Committee monitors and oversees those functions set out in the Companies Act, as well as assumes responsibility for those matters assigned to it by the Board.

Information on the composition of the Social and Ethics Committee, its Terms of Reference and its procedures are set out in the Corporate Governance Report on pages 166 and 167 of the 2016 Integrated Annual Report.



IAR

At the Annual General Meeting, the Committee Chairman will report to shareholders on the Company's performance with respect to relevant legislation and codes of good practice, social and economic development, labour, and safety, health and the environment.

PURPOSE AND FUNCTIONS

LEGISLATION AND CODES OF GOOD PRACTICE

The Committee is responsible for monitoring the Company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of good practice in the areas set out in the Companies Act. In respect of legal and regulatory requirements, during the year under review, the Committee, *inter alia*:

- > discharged those regulatory obligations of a social and ethics committee as prescribed by Regulation 43(5) of the Companies Regulations;
- > monitored complaints received via ARM's whistleblowers' hotline, including complaints or concerns regarding sustainable development matters;
- > considered reports provided by management regarding compliance with legal and regulatory requirements in terms of the Company's Legal and Regulatory Compliance Policy;
- > received reports regarding the ongoing Competition Act compliance online training programme and annual compliance certification, as well as the Competition Act Compliance Workshop for the Steering Committee;
- > participated in training provided by independent parties in respect of the amendments to the B-BBEE Codes of Good Practice;
- > received reports regarding compliance with the National Environmental Management Act, the National Water Act and other safety, health and environmental legislation;
- > monitored risk areas affecting the sustainability of the business, together with the Audit and Risk Committee, and received a

report about the findings of the annual Corporate Risk Workshop;

- > monitored compliance with the Mining Charter and the Department of Trade and Industry targets, as well as the Company's status in respect of standards of best practice, including International Council on Mining and Metals Guidelines and membership requirements; and
- > received training on the proposed amendments to the Mining Charter.

The Company is committed to high moral, ethical and legal standards in dealing with all of its stakeholders. All the 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 ARM. These principles are set out in ARM's Code of Conduct. The Committee received and considered reports regarding the Code of Conduct online training programme.

The Company reviewed its initiatives to counteract risks of fraud, bribery and corruption. As more fully described on page 171 of the Corporate Governance Report in the 2016 Integrated Annual Report, the Company has a whistleblowers' policy and the Committee received reports regarding the results of investigations of calls made to the independent whistleblowers' hotline facility.



IAR

SOCIAL AND ECONOMIC DEVELOPMENT

ARM seeks to make a significant contribution towards addressing challenges confronting South Africa, including poverty alleviation, job creation, education, welfare and healthcare. The Committee monitored and reviewed the implementation of policies regarding adding value to and giving to the communities in which ARM operates, including:

- > Corporate Social Responsibility;
- > Local Economic Development, including infrastructure, enterprise development, and community development projects committed to under the Social and Labour Plans; and
- > the ARM Broad-Based Economic Empowerment Trust projects.

The Committee specifically focused on commitments in the priority areas identified by the Committee, i.e. (i) health, (ii) education, (iii) sporting events, (iv) community capacity building, (v) arts and culture, (vi) job creation, and (vii) infrastructure.

HUMAN CAPITAL

ARM is committed to fair labour practices and freedom of association. The Company's policies are aimed at eliminating unfair discrimination and promoting equality in line with, *inter alia*, the South African Constitution, the Labour Relations Act, the Employment Equity Act and the Broad-Based Black Economic Empowerment Act, and all other applicable legislation and the industry charter that governs employment relationships taking cognisance of the Universal Declaration on Human Rights, United Nations Global Compact, the Fundamental Human Rights Conventions of the International Labour Organisation and the International Labour Organisation Protocol on decent work and working conditions.

The Committee monitored and reviewed the implementation of labour policies, including:

- > attraction, retention and development of skills to support the Company's growth plan;
- > transformation;
- > employment equity;
- > employee turnover;
- > learnerships and bursaries; and
- > educational training and development of its employees; and literacy.

SAFETY, HEALTH AND ENVIRONMENT

ARM is committed to providing its employees with a safe and healthy work environment. The Committee monitored and reviewed the implementation of safety, health and wellness policies, including:

- > safety performance;
- > occupational health and wellness; and
- > tuberculosis and HIV & Aids.

The most significant environmental issues confronting ARM are climate change and the management of natural resources.

The Committee monitored and reviewed the management of, among others:

- > environmental management;
- > tailings storage facilities;
- > water management;
- > land use management (rehabilitation and biodiversity management);
- > climate change effects; and
- > the status of ARM's participation in the Carbon Disclosure Project and the Water Disclosure Project.

ASSURANCE

In terms of the Committee's Terms of Reference and King III, the Committee (on behalf of the Audit and Risk Committee), had oversight of the Company's appointment of an independent external sustainability assurance provider to provide assurance in respect of material elements of the 2016 Sustainability Report and of the sustainability section of the 2016 Integrated Annual Report, and reported to ARM's Audit and Risk Committee that the appointment was made.

Based on the foregoing, we are of the opinion that the Social and Ethics Committee has executed its duties and responsibilities during the financial year in accordance with the Companies Regulations and its Terms of Reference.

On behalf of the Social and Ethics Committee.

Dr Rejoice V Simelane

Chairman of the Social and Ethics Committee

12 October 2016



FINANCIAL
CAPITAL

Nkomati Mine open pit

FINANCIAL CAPITAL

ARM's ability to access capital for future expansion and retain its current shareholders, investors and other providers of capital depends on its ability to generate financial returns for these stakeholders over the long term.

In deciding how to respond to the challenges facing our industry and operations, ARM adheres to our "We do it better" management style, which is underpinned by our values. This strategic approach balances the need to generate financial capital with the need to be responsible stewards of the environmental and social aspects of our business. In this way, ARM can build a sustainable business that meets the expectations of providers of capital while creating broad social benefit for its wider stakeholders.

ARM's 2016 Integrated Annual Report focuses on the activities and outputs of the Group that affect financial capital, while this Sustainability Report discusses the other five capitals as defined in our business model on pages 10 and 11.

Our integrated approach to doing business implicitly recognises the interrelatedness of the six capitals and their ultimate impact on the ability to build a resilient and sustainable business over the long term. This interrelatedness is particularly evident in the direct financial effect of non-financial sustainability impacts, such as labour disruptions, community unrest, safety stoppages and environmental regulatory enforcement actions.

ARM's primary financial capital consists of operational cash flows, net of tax, together with cash and cash equivalent balances and external funding sources. This capital is used to maintain existing operations, expand new and existing operations, fund working capital and to make new investments. The Board balances these uses of financial capital against its commitment that ARM as a globally competitive company returns capital to shareholders as dividends. The long-term financial sustainability of the business requires responsible management of financial capital so that the funding of the Company is not unduly stressed to ensure a sound financial basis for its continued operation and future plans.

Our performance in F2016

PRICES FOR ALL THE COMMODITIES THAT ARM PRODUCES FELL FURTHER FROM LAST YEAR'S ALREADY DEPRESSED LEVELS AND THE 27% WEAKENING OF THE RAND AGAINST THE US DOLLAR WAS NOT SUFFICIENT TO OFFSET THE DECLINE IN LOCAL CURRENCY TERMS. ARM'S OPERATIONS RESPONDED PROACTIVELY BY FOCUSING ON COST CONTAINMENT, PRUDENT PLANNING OF CAPITAL EXPENDITURE AND RESTRUCTURING OF UNECONOMIC OPERATIONS.

- > HEADLINE EARNINGS PER SHARE OF 494 CENTS (DECREASED 38%)
- > HEADLINE EARNINGS REDUCED 40% TO R1 051 MILLION
- > CASH GENERATED FROM OPERATIONS DECREASED 51% TO R1.2 BILLION (F2015: R2.5 BILLION)
- > R3 794 MILLION PAID TO EMPLOYEES INCREASED 6% (F2015: R3 565 MILLION)
- > R901 MILLION PAID TO THE STATE AS TAXES REDUCED 32% (F2015: R1 317 MILLION)
- > R10 891 MILLION PAID TO PROVIDERS OF PRODUCTS AND SERVICES INCREASED 1% (F2015: R10 808 MILLION)

Sales of R19.1 billion in F2016 represented a decrease of 4% from R19.8 billion in F2015 and wealth created for ARM's stakeholders was R6.3 billion (F2015: R7.2 billion), a decrease of 13% consistent with the currently challenging commodity price environment. Average Group gross profit margin decreased to 7% from 15% in F2015. ARM declared a tenth annual consecutive dividend of 225 cents per share for the financial year ending 30 June 2016, representing R491 million in value for shareholders. Dividends paid out during F2016 that were declared on F2015 earnings totalled R761 million.

FINANCIAL CAPITAL continued

WEALTH CREATED IN F2016: R6.3 BILLION**DISTRIBUTED AS FOLLOWS:****VALUE ADDED STATEMENT**

	F2016*	F2015*	F2014*	F2013^	F2012	F2011	F2010	F2009
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Sales	19 072	19 824	23 785	19 800	17 530	14 893	11 022	10 094
Net cost of products and services	(10 891)	(10 808)	(11 093)	(9 100)	(8 329)	(6 357)	(5 604)	(4 201)
Value added by operations	8 181	9 016	12 692	10 700	9 201	8 536	5 418	5 893
Income from associate	(210)	(186)	(374)	(14)	11	(135)	(51)	147
Income from joint venture	(9)	51	11	3	–	–	–	–
Special items	(2 054)	(2 074)	(876)	(2 639)	(70)	(11)	97	514
Income from investments	368	410	344	268	279	216	209	414
	6 276	7 217	11 797	8 318	9 421	8 606	5 673	6 968
Applied as follows to:								
Employees as salaries, wages and fringe benefits	3 794	3 565	3 330	2 922	2 179	1 856	1 491	1 399
The state as taxes	901	1 317	2 796	1 696	2 125	1 855	1 029	1 727
– income tax	478	860	1 893	1 145	1 633	1 693	1 009	1 727
– royalty tax	423	457	903	551	492	162	20	–
Providers of capital	975	1 550	1 643	1 394	1 324	836	725	1 034
Equity – Dividend	761	1 302	1 102	1 021	959	426	371	847
Non-controlling interest	(192)	(31)	255	148	133	194	162	(198)
Outside – Finance cost	406	279	286	225	232	216	192	385
Total value distributed	5 670	6 432	7 769	6 012	5 628	4 547	3 245	4 160
Re-invested in the Group	606	785	4 028	2 306	3 793	4 059	2 428	2 808
Amortisation	1 932	1 983	1 841	1 693	1 315	1 118	987	787
Reserves retained	(1 326)	(1 198)	2 187	613	2 478	2 941	1 441	2 021
	6 276	7 217	11 797	8 318	9 421	8 606	5 673	6 968
Market capitalisation (R billion)	20.0	18.0	40.5	32.2	35.7	40.2	34.3	27.5

* Based on segmental reporting – refer to note 2 to the annual financial statements.

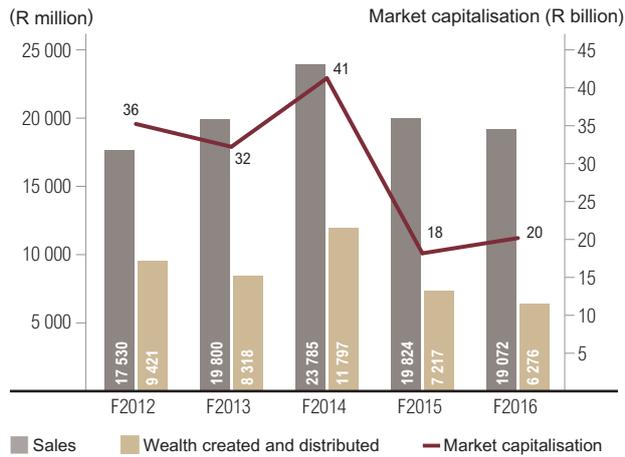
^ This is restated after adoption of IFRS 11.

More information on ARM's financial position, performance and other key financial metrics is discussed in detail in the Financial Director's Report on pages 22 to 31 of the 2016 Integrated Annual Report available on the ARM website www.arm.co.za.



Sales declined marginally from F2015 after the recent peak in F2014 as commodity market conditions remained challenging. ARM's market capitalisation, which has followed the trend of wealth created and distributed over the past five years, increased 11% to 30 June 2016. Full-time employees decreased 8.5% as four operations offered voluntary separation packages and Section 189a processes to manage operational costs and sustainability, and thereby preserve jobs for the majority of employees.

SALES, WEALTH DISTRIBUTED AND MARKET CAPITALISATION



COST EFFICIENCIES

ARM has a strategic focus on operational efficiencies with the goal of ensuring that all of our operations are globally cost competitive. Divisions are encouraged and incentivised to continually strive to improve operational efficiencies to mitigate above-inflation cost increases.

Managing cost increases has been challenging due to a number of factors, including those discussed in the section that follows. Despite these challenges, unit production cost increases at all operations were well below inflation, with the exception of the smelters, where reduced production volumes decreased efficiencies and increased unit production costs.

Rising costs, particularly energy costs, and increased imports of cheap steel into South Africa from China are concerns for the future viability of the South African ferrochrome smelting industry. Three major South African customers scaled down or closed operations during the year, cancelling or reducing supply agreements with Assmang. Production at Beeshoek Mine was revised downwards in response, which also had a negative impact on unit costs.

Rising energy and water costs

Mining and beneficiation are energy-intensive undertakings. Electricity is required to power the crushers and mills that process ore, ventilation fans, pumps for dewatering and the motors that drive conveyor belts and elevator cages. In F2016, ARM operations used 92 million litres of diesel in mining, loading, hauling and logistics, as well as emergency power generation. Energy is a significant expense for our operations and above-inflation energy cost increases affect our cost competitiveness and operational profitability.

The processing of metals requires significant amounts of energy as an input and despite activity at the smelters being significantly curtailed, Cato Ridge Works used 26% of the Group's total electricity consumption in F2016. ARM's Sakura smelter in Sarawak, Malaysia secured a 15-year green power supply contract from hydro-electric power and features other energy-efficiency assets, which represent a key strategic advantage to manage cost pressures and contribute positively to efforts to reduce greenhouse gas emissions.

In addition to the direct cost of water, the indirect cost of securing a reliable supply of water, particularly for our operations in the water-stressed Northern Cape, is evident in the significant investments required for water distribution infrastructure and the identification of alternative sources of water.

Carbon tax and other proposed environmental regulations

A number of proposed environmental regulations currently under discussion have potential financial and reputational implications, particularly for high-impact and energy-intensive industries such as mining and beneficiation. These include the Carbon Tax Bill, the Greenhouse Gas Reporting Regulations, the National Climate Change Response Policy in South Africa, the Desired Emission Reduction Outcomes (DERO), the Peak, Plateau and Decline Trajectory, the government's Mix of Measures, company level carbon budgets and the revised financial provisions for rehabilitation and closure.

These regulations add to the compliance burden for our operations in South Africa and may affect the selling price of commodities in regulated regions. The carbon tax in particular will add costs to an industry under stress from slow global growth and experiencing intense margin pressure. We estimate that the carbon tax would add an additional R1.8 million to R15 million to our cost base, based on F2015 carbon emissions.

ARM supports initiatives that drive a global transition to a lower carbon economy and result in a more resilient society that is more competitive in the long term. However, the final policy needs to adequately manage the short-term and long-term developmental impacts of the planned carbon tax.

Labour costs and efficiency

South Africa's weak economic growth, rising costs, high unemployment and numerous socio-economic challenges have disproportionately affected those with the fewest financial and social resources. The severe financial pressure and increased politicisation of social issues in the lead up to local elections in August 2016 saw an increase in community unrest and labour demands in certain industries.

ARM values the strong relationship it has with its employees and their representatives in organised labour, which was evident in the generally positive engagements around the voluntary severance programme and Section 189a processes. Labour costs make up a significant proportion of total production costs and achieving our cost and production efficiency targets is only possible where labour productivity keeps pace with or exceeds wage increases.

FINANCIAL CAPITAL continued

Resource nationalism, political and fiscal risks

Changes in mining legislation, regulations, taxes or royalties can increase direct financial costs and compliance costs. A decrease in the financial value available for distribution reduces the financial capital available to benefit other stakeholders, including providers of capital, communities and employees. An uncertain mining regulatory framework reduces the attractiveness of the South African mining industry for global investors, decreases capital investment and undermines the global competitiveness of the local industry.

Infrastructure access and capacity

Our operations depend on a reliable supply of key inputs, including water and electricity, and our products are transported to our smelters and customers using the country's road, rail and port infrastructure. Planned expansions need to take into account the ability to extend access to essential infrastructure. The poor condition of bulk infrastructure in some host communities impacts the physical living conditions for our employees, their families and other community members.

Security of energy supply

While electricity supply has largely stabilised at our South African operations, Cato Ridge Works lost production to load shedding early in the year. Pumping and production at Lubambe Mine has been affected by electricity supply interruptions due to the impact of the ongoing drought in Zambia on the country's hydro-electric power generation. The reliability of off-mine electrical infrastructure continues to be a concern and is a top ten risk at Two Rivers and Dwarsrivier mines.

Water supply

Access to water is a key risk for those operations with a negative water balance. Water quality is an important consideration for certain processing activities and our operations require access to sufficient potable water for drinking and WASH services. ARM works closely with local municipalities to support continued access to reliable water infrastructure for the benefit of local communities and for our operations.

Rail and port logistics

ARM's Ferrous division depends on the Sishen Saldanha Iron Ore Export Channel (SIOEC) to export iron ore. The SIOEC is a single channel rail and port facility, and capacity constraints on the facility limit our ability to increase exports. Production cutbacks at other ferrous mines have led to improved Transnet throughput and iron ore exports reached record levels. However, there were several serious derailments during the year and the reliability of the tippers at the port of Saldanha remains a concern.

Manganese ore exports from Black Rock Mine depend on available capacity from the interim manganese export capacity

allocation (MECA2) process. Agreement has been reached with Transnet regarding manganese ore export capacity as per Black Rock Mine's mine plan and all manganese ore export volumes are now transported by rail, either to Saldanha or Port Elizabeth. Significant savings were achieved through the elimination of road haulage for manganese ore, as well as the switch from the port in Durban to the current more cost-efficient options. Synchronisation of the ramp up of Black Rock Mine with the longer-term MECA3 process is ongoing.

Transnet has received approval to expand the manganese ore export channel through the new terminal at the Port of Coega (Ngqura) to 16 million tonnes, which is planned to be operational by the first quarter of 2019.

PROJECT IMPLEMENTATION

ARM's ability to build financial capital is impacted by the robustness and accuracy of initial mining project evaluations, as well as by the subsequent effectiveness and efficiency of mining operations. There are several major projects underway in the Group, including the development of the Village Pit at Beeshoek Mine, the Black Rock Mine expansion project, the Sakura Smelter in Malaysia, the Khumani Mine optimisation project and the restructuring of shafts at Modikwa Mine. Our experience in effectively implementing major projects supports our strategic focus on efficiency and creates a competitive advantage by opening new geographic markets, extending life of mine, increasing efficiencies, modernising operations and improving their flexibility.

Details of progress on these and other projects are available in the operational reports in the 2016 Integrated Annual Report available on the ARM website www.arm.co.za.



MARKET CONDITIONS

The price of the commodities produced by ARM's operations are outside our control, yet it has a profound impact on the Company's revenues, earnings and cash flows. Prices are driven by short- and long-term inequalities in global demand/supply relationships.

While commodities are mostly priced in US Dollars, our operations are exposed to costs in Rands, so our earnings are impacted by movements in exchange rates.

ARM holds a portfolio of assets producing a diversified range of products that generate more stable returns than those of single product producers. We continuously monitor commodity markets in close collaboration with our joint venture partners to ensure our planning and mitigation processes manage these risks as far as possible. The range of commodities ARM produces provides an element of hedging against Rand/US Dollar exchange rate fluctuations, but we do not engage in currency hedging, other than for the purchase of long lead capital equipment and project funding.



HUMAN CAPITAL

Note that sustainability information is only reported for those operations over which ARM has direct or joint management control: ARM Ferrous, ARM Platinum and ARM Copper. This reporting suite therefore does not report on sustainable development as it relates to ARM Coal, Harmony Gold and the Sakura Ferroalloys Project.

Drill operator at Modikwa Mine

HUMAN CAPITAL

ARM's human capital is integral to its mining and beneficiation processes to transform the natural capital of mineral and ore reserves into financial capital for the benefit of all stakeholders.

The South African mining industry faces a number of challenges in securing and managing the human capital available to it.

These include implementing effective controls to support safety in challenging working conditions, managing occupational health and hygiene, demonstrating good labour practices and respect for human rights, and navigating a traditionally charged labour environment. The current low commodity prices challenge mining companies to do more with less, raising productivity while cutting labour costs. The Chamber of Mines reports that the South African mining industry lost nearly 60 000 jobs between 2012 and 2015, with the multiplier effect on jobs in other sectors affecting triple that number.

ARM maintains a non-discriminatory workplace based on fairness and employment equity, fair labour practice and freedom of association, in which employees can contribute to the best of their ability and are empowered to develop rewarding careers. We respect the rights of our employees and ensure open and effective dialogue with employees, organised labour and all stakeholders.

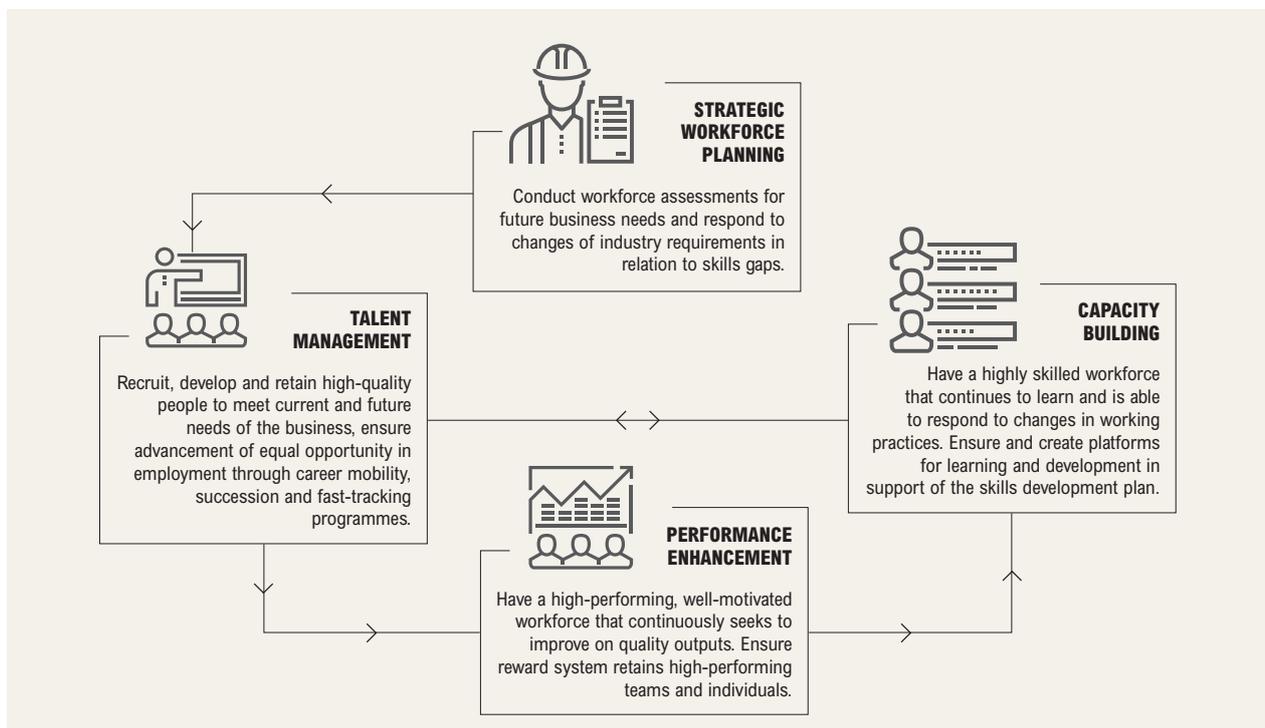
Our operations attract a reasonable number of workers from labour sending areas and surrounding communities.

Our human capital strategy supports ARM's strategy by:

- > attracting and retaining key skills to continuously improve the human capital in the Company;
- > ensuring employee development through training and career path initiatives;
- > maximising our employee value proposition;
- > fostering an entrepreneurial culture and leadership among employees;
- > ensuring HR practices are benchmarked against national and international best practices;
- > entrenching the Company's position as an employer of choice;
- > ensuring compliance with relevant labour legislation and managing potential risks;
- > promoting a strong and mature relationship with unions and all key stakeholders; and
- > achieving the group's transformation goals and facilitating sustainable transformation, growth and development of the mining industry, in line with the vision of the Mining Charter.

HUMAN RESOURCES MANAGEMENT

The HR strategic pillars ensure ARM's HR practices are benchmarked against best practices, foster an entrepreneurial culture and leadership among employees, and position ARM as an employer of choice. The various HR initiatives in place ensure compliance with relevant labour legislation, manage potential risks and promote a strong and mature relationship with unions.



The Group Executive: Human Resources (HR) is the senior executive responsible for the delivery of the four human resources strategic pillars. Progress on transformation in the workforce, skills attraction and development are managed and monitored by the Employment Equity and Skills Development Committee at an executive level and is reported to the Social and Ethics Committee. The HR function is represented at operational, divisional and corporate level.

The functions headed by the Group Executive: HR and the Group Executive: Compliance and Stakeholder Relations are integrated to identify synergies and ensure that ARM positively impacts the lives of people in our communities through delivery on Social and Labour Plans and community projects. Engagement at this level includes representing ARM at both local and international conferences on the rights of people and children ensuring that we make a positive impact as a corporate citizen.

ARM is committed to ensuring that the human rights of our employees and visitors are protected. We ensure that all security staff at our operations are trained to avoid conflict situations and to be respectful in their engagement. This principle guides all our human interactions as respect is fundamental to our business culture.

ARM participates in and contributes to the Global Child Forum. Our Group Executive: Compliance and Stakeholder Relations was one of the panelists in 2015, where issues surrounding the global child in a mining community were discussed and debated. As an organisation we value children's rights and continue to link our Corporate Social Responsibility and human capital initiatives and efforts to better the livelihood of employees and their children. We understand that today's child is the future business leader and that we cannot afford to look past their development needs in order to harness and unleash this element of human potential.

REGULATIONS AND GUIDING FRAMEWORKS

ARM's core values direct its approach to managing its human capital. Important frameworks and regulations that guide our approach to human capital include, *inter alia*:

- > The ICMM Sustainable Development Framework;
- > The Mineral and Petroleum Resources Development Act;
- > The Mining Charter;
- > The Department of Trade and Industry Revised Codes of Good Practice (dti CoGP);
- > The Labour Relations Act;
- > The Employment Equity Act;
- > The Basic Conditions of Employment Act; and
- > The Skills Development Act.

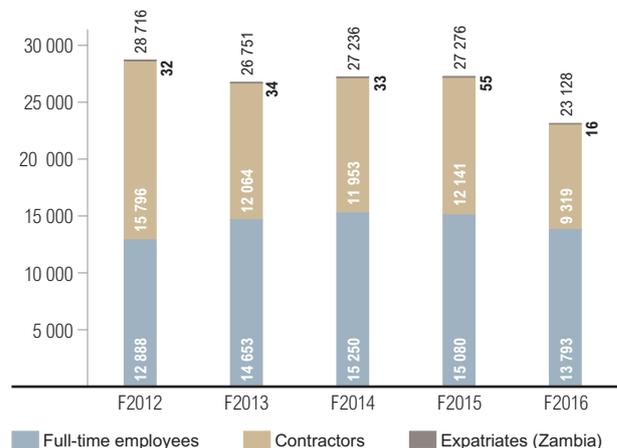
Human capital policies, procedures and practices are reviewed annually and updated in line with changes in legislation, as and when required for compliance and alignment purposes. Quarterly compliance roadshows are held at all operations through the office of the Group Executive: Compliance and Stakeholder Relations and Group Executive: Human Resources, to monitor and evaluate the operations' performance and implementation.

ARM's diversity management policy ensures that we keep our organisation relevant to our environment and commit to creating opportunities and employment for all people regardless of their race, religion, gender, age, sexual orientation, nationality or disability. We further ensure that we have fair labour practices that provide opportunity for people from disadvantaged backgrounds, providing training, employment and upskilling within our local communities.

A strategic HR dashboard application integrating all four pillars of the HR strategy is being implemented to ensure alignment to our human capital strategy, including transformational goals. This dashboard also aims to implement the four pillars through the diversity management software.

The ongoing challenges posed by the low commodity price environment have forced an intense focus across the mining industry on cutting costs and increasing labour productivity. This led to a number of voluntary separation packages being offered and Section 189a processes initiated at Nkomati, Black Rock, Khumani and Modikwa mines, and Cato Ridge Works. Full-time employees consequently decreased 8.5% to 13 793. Similarly, contractors were reduced by 23.2% to 9 319 through cost-efficiency initiatives such as in-sourcing of services where possible and not renewing contracts where appropriate.

TOTAL LABOUR AS AT 30 JUNE 2016



Note: these headcount figures cover only the South African operations and exclude Lubambe Copper Mine in Zambia.

HUMAN CAPITAL continued

HUMAN RESOURCES MANAGEMENT HIGHLIGHTS AND CHALLENGES

Performance against the ARM Corporate Employment Equity (EE) plan is continuously monitored and formally evaluated on a quarterly basis to facilitate discussions and promote focused decision-making. The EE strategy promotes a diversity business case in relation to racial demographics, gender and people living with disabilities.

Representation of Historically Disadvantaged South Africans (HDSA) increased at senior management level (from 44% to 49%), the professionally qualified level (54% to 57%) and the technically qualified level (67% to 68%). These increases reflect a positive outlook in relation to future succession planning as the feeder to senior and top management. Overall, EE in management increased to 53% (F2015: 51%).

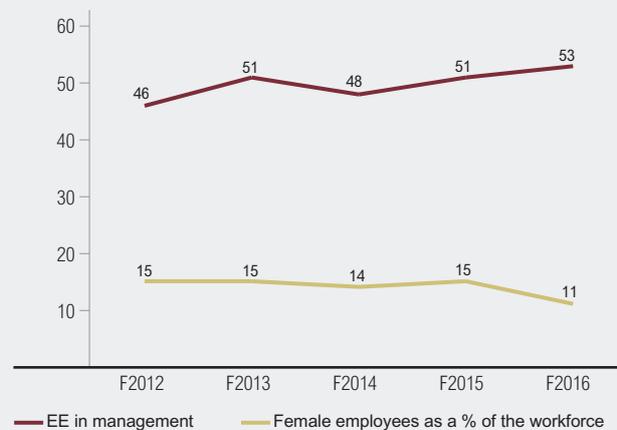
The representation of female employees or women in core mining positions, as well as women with critical and scarce skills was negatively affected by the Section 189a process and was reduced to 11% (F2015: 15%). This still exceeds the Mining Charter target of 10%.

Securing suitable housing around our remote operations was identified as a challenge previously and has led to our housing strategy, which promotes home ownership.

Encouraging women to start their career in mining remains a challenge.

Through ARM's diversity programme, the number of people living with disabilities has increased to 78 people, 25 of which are women. ARM continues to investigate practical ways of increasing the number of people living with disabilities employed at its operations.

REPRESENTATION (%)



LABOUR RELATIONS

ARM values organised labour as one of its key stakeholders and we continue to have open communication in support of our human relations goals. We respect our employees' rights to bargain collectively and ensure engagement on labour-related matters. We strive to promote a strong and mature relationship with employee representatives, including unions.

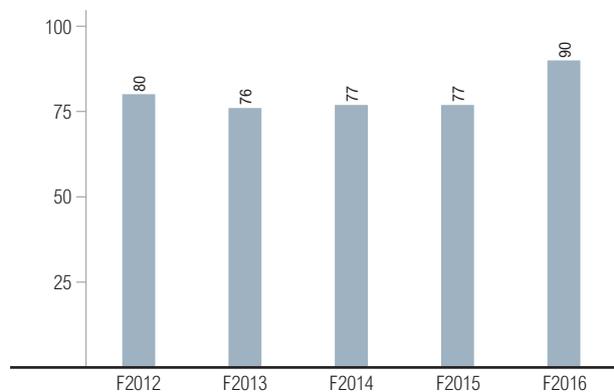
Operational human resources managers are primarily responsible for union negotiations or employee relations/workforce consultation. Wages and conditions of employment are negotiated at operational level in accordance with Group guidelines and policies. The Company engages with unions through consultative forums and other structures as required.

ARM has various recognition agreements with five major unions across its operations, *i.e.* the National Union of Mineworkers (NUM), the National Union of Metal Workers of South Africa (NUMSA), the United Association of South Africa (UASA), Solidarity and the Association of Mineworkers and Construction Union (AMCU). These agreements vary from operation to operation in respect of negotiated thresholds.

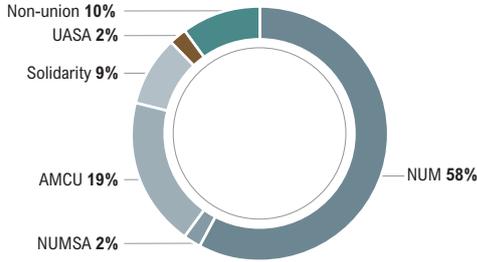
Union representation in the workforce increased to 90% (F2015: 77%) and 10% of the workforce does not affiliate to any of the five unions. There is a substantial shift in union representation percentages across the Group.

There was a legal strike at Nkomati Mine during the year, and unprotected strikes at Modikwa and Lubambe mines. Approximately 3 024 man days were lost to industrial action during the year (F2015: Nil).

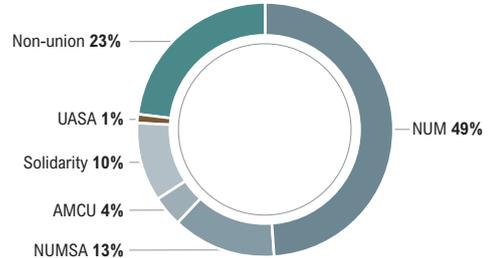
UNION REPRESENTATION IN THE WORKFORCE (%)



TRADE UNION REPRESENTATION F2016
(% of workforce)



TRADE UNION REPRESENTATION F2015
(% of workforce)



ATTRACTION, RETENTION AND DEVELOPMENT OF SKILLS

Mining and beneficiation require specific technical skills, many of which are in high demand in the global mining industry. These include geologists, scientists, engineers, financial specialists, managers, artisans and skilled operators. ARM's skills needs are addressed through internal skills development programmes. This process is managed through our workforce planning initiatives, which identify future skills needs and flag potential gaps.

ARM aims to retain talent by ensuring that its Employee Value Proposition (EVP) remains compelling and through its creative, innovative and entrepreneurial culture. The EVP includes career development opportunities, competitive remuneration, study assistance and performance management. ARM commits to ensuring that we meet and exceed the national minimum wage and have confirmed through industry benchmarks that we will exceed industry-related minimum wages. These benchmarking exercises ensure that ARM is truly meeting the employer of choice strategy.

The ARM talent management system was launched in the first quarter of F2016 and integrates the database of future (workforce planning) and current employees (talent management) with all attributes required for planning and reporting purposes. Together with the talent portal and the employment equity system, the talent management system ensures alignment between talent, succession plans and career development plans to monitor and track talent across the Company.

ARM participates in the Global Top Employer Certification Programme, which involves independent verification of an organisation's HR environment. Areas assessed include HR strategy, policy implementation, monitoring and communication of employee conditions and development. Our participation helps us by ranking our employee standards against international benchmarks. ARM was among 78 South African companies that were awarded Top Employer certification in 2016.



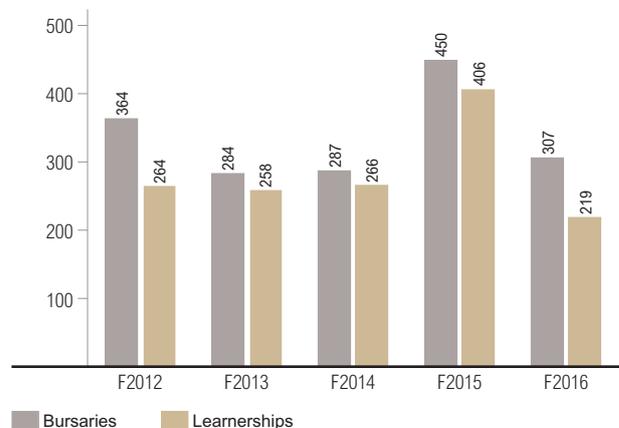
The results from participation in the Top Employer Programme highlighted the opportunity to develop talent management further to proactively manage potential skills gaps. Highlighted areas were used to update the talent management framework and the revised succession plan.

Despite an increase in turnover due to the Section 189a processes in place across various operations, job offers and redeployment opportunities still resulted in 97.7% of job offers made by ARM being accepted (F2015: 96.7%). We monitor this statistic as an indication of ARM's status as an employer of choice.

There were 219 learnerships focusing on skills development across various disciplines applicable to mining in F2016 (F2015: 406). Of these learnerships, 96% are HDSAs and 27% are HDSA women.

Bursaries are offered to promising students in relevant fields of study. Wherever possible, we give preference to deserving candidates from our local communities when granting bursaries to assist ARM in developing a local talent pipeline. There were 307 students on bursaries in F2016, 85% of whom are HDSA students (F2015: 83%). ARM also partnered with the Department of Mineral Resources on Girl Learner Bursary Scheme initiatives.

BURSARIES AND LEARNERSHIPS



HUMAN CAPITAL continued

ARM remains committed to a structured approach to developing a skills pipeline. The fall in learnerships and bursaries is attributable to fewer applicants meeting the selection criteria during the current year.

The group's Young Talent strategy and Rising Stars Programme aim to celebrate, reward and connect young talent within the Company. The goals of the programme are to increase the human capital value proposition and enable young talent to network with executives. 21 ARM employees were nominated to participate in the Rising Stars Programme. Candidates who made it through the second round of assessments were interviewed by ARM executives and presented various projects for review. The top five Rising Stars then represented ARM at the national Rising Stars event where four candidates made it to the semi-finals and Cornelius Ollewagen from Black Rock Mine made it to the top five in the Mining and Minerals category.

Following the workplace disability management feasibility study conducted in F2015, operations were encouraged to implement operation-specific plans to address areas of improvement, such as diversity training and reasonable accommodation for people living with disabilities. There is an increased awareness of sourcing, attracting, developing and retaining talented people living with disabilities across our operations; as a result we have 15 learners in this category.

EMPLOYEE TURNOVER* (%)



* Excludes contractors.

Employee turnover increased to 15.0% (F2015: 11.5%) due to the voluntary severance packages and Section 189a processes that took place at various operations during the year. The metric measures the number of permanent employees who leave our organisation during the year, including resignations, dismissals, retirements and those that left voluntarily.

Employees affected by the Section 189a process were redeployed to available positions, where these existed. Our operations continue to engage with organised labour and industry-relevant structures such as The Chamber of Mines and Department of Minerals Resources, to find ways to avoid any further job losses and to try to implement job saving initiatives.

HUMAN RESOURCES DEVELOPMENT

ARM's human resources strategy incorporates capacity building as one of its pillars. This pillar aims to build capacity in the Company to increase human capital development and intellectual capital, which supports continuous improvement in productivity and safety performance. Operations are responsible for planning and budgeting training and development, and report annual training and workplace skills development plans to the Mining Qualifications Authority (MQA) and the Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA).

Group training spend, learnerships, Adult Education and Training (AET) and bursaries are also reported to the MQA centrally. Human capital development is an important consideration in all our transformational scorecard requirements.

Employees receive performance and development reviews at least twice a year and feedback from these reviews informs our training development expenditure and skills focus.

ARM's skills development initiatives focus mainly on the development of core and critical skills for the business in support of the Skills Development Act, with an emphasis on supporting the development of HDSAs. Technical skills training is delivered through MQA-accredited training centres at each operation.

All ARM mining operations have full SETA accreditation with either the MQA or MERSETA. During the year, the Group's ongoing investment in capacity building and upskilling was recognised through the receipt of R48.8 million in MQA rebates and grants.

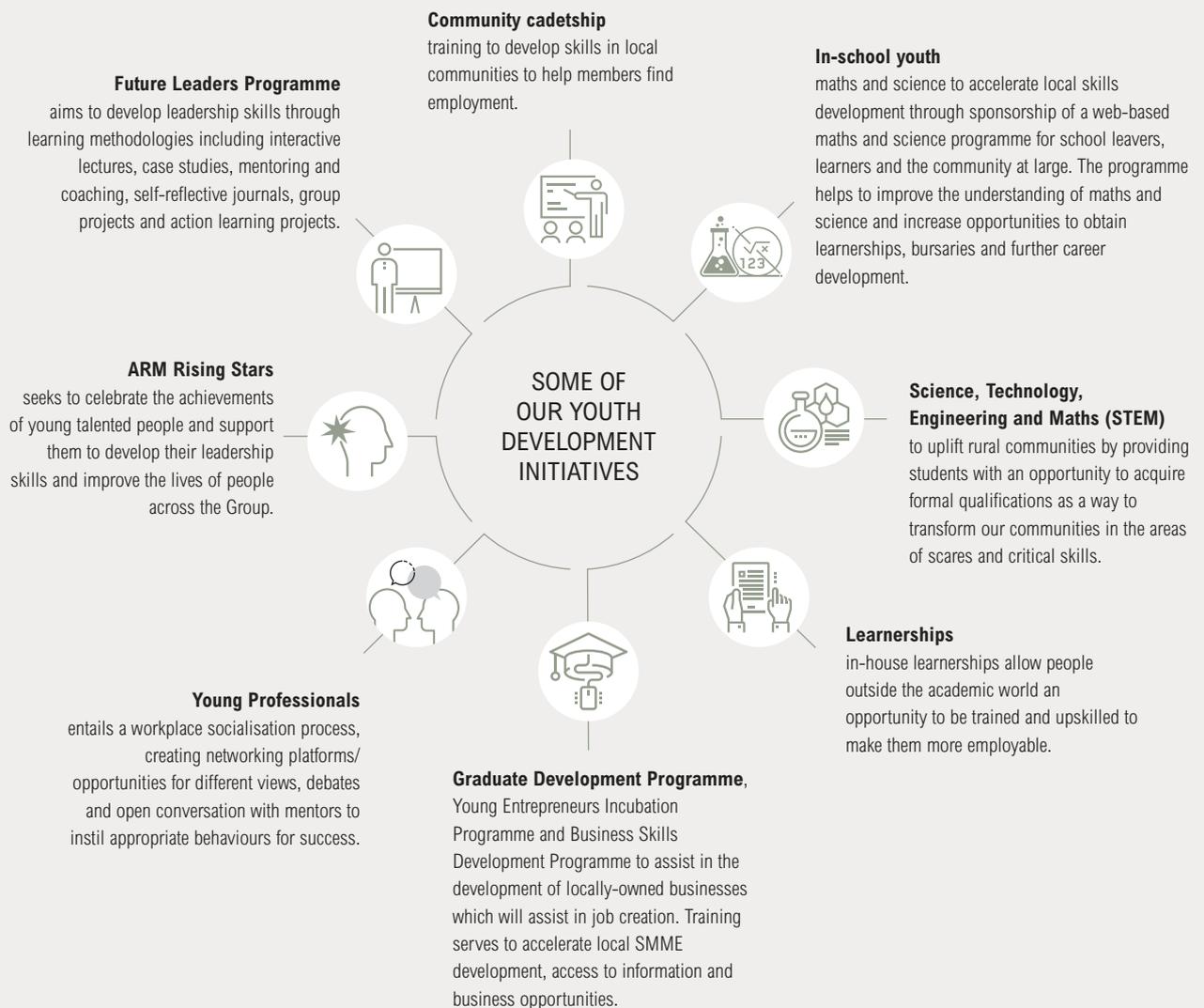
Annual HRD audits are conducted across operations to measure compliance and good practice. Internal HRD capacity is built through cross-auditing, sharing and pockets of excellence.

A roadmap has been developed which sets HR standards across the Group.

BUILDING FUTURE INDUSTRY SKILLS

ARM is involved in a number of initiatives that aim to increase the pool of future industry skills and works closely with stakeholders, including tertiary educational institutions, the MQA and MERSETA on various programmes, including work experience placements and national vocational work.

ARM also supports the development of industry-relevant skills through its participation in the Minerals Education Trust Fund (METF), which seeks to attract, retain and develop teaching staff in tertiary education. The Fund supported 243 lecturers in 2016 at nine institutions across the disciplines of mining, metallurgy/chemical engineering and geology. These interventions aim to assist in the retention of appropriately skilled and motivated lecturing staff and to position academia as a competitive alternative career choice. There were more than 7 000 undergraduate students enrolled in 2015 at METF-funded departments, with 80% of these being HDSA students and 37% female. ARM contributed R1.3 million to the METF in F2016. These initiatives also aim to ensure meaningful transformation through inclusion of previously disadvantaged and minority groups.



HUMAN CAPITAL continued

ARM's investment in skills development in F2016 decreased to R183 million (F2015: R232 million), which represents 6.9% of total payroll, exceeding the current Mining Charter target of 5%. This represents a training spend of R8 568 per person working at ARM, including contractors (F2015: R9 114). Training spend was impacted by staff reductions, as well as the limiting and exclusion of certain mandatory training costs from payroll spend in terms of the Revised dti Codes. In addition, the total payroll cost was inflated by the cost of voluntary separation packages and the Section 189a process, further reducing training spend as a percentage of payroll.

TRAINING SPEND AS A PERCENTAGE OF PAYROLL (%)



The tailored ARM Supervisory Development Programme aligns with the South African Qualifications Authority (SAQA) standards. There were 52 candidates on this programme in F2016, of which 83% are HDSA candidates and 25% women.



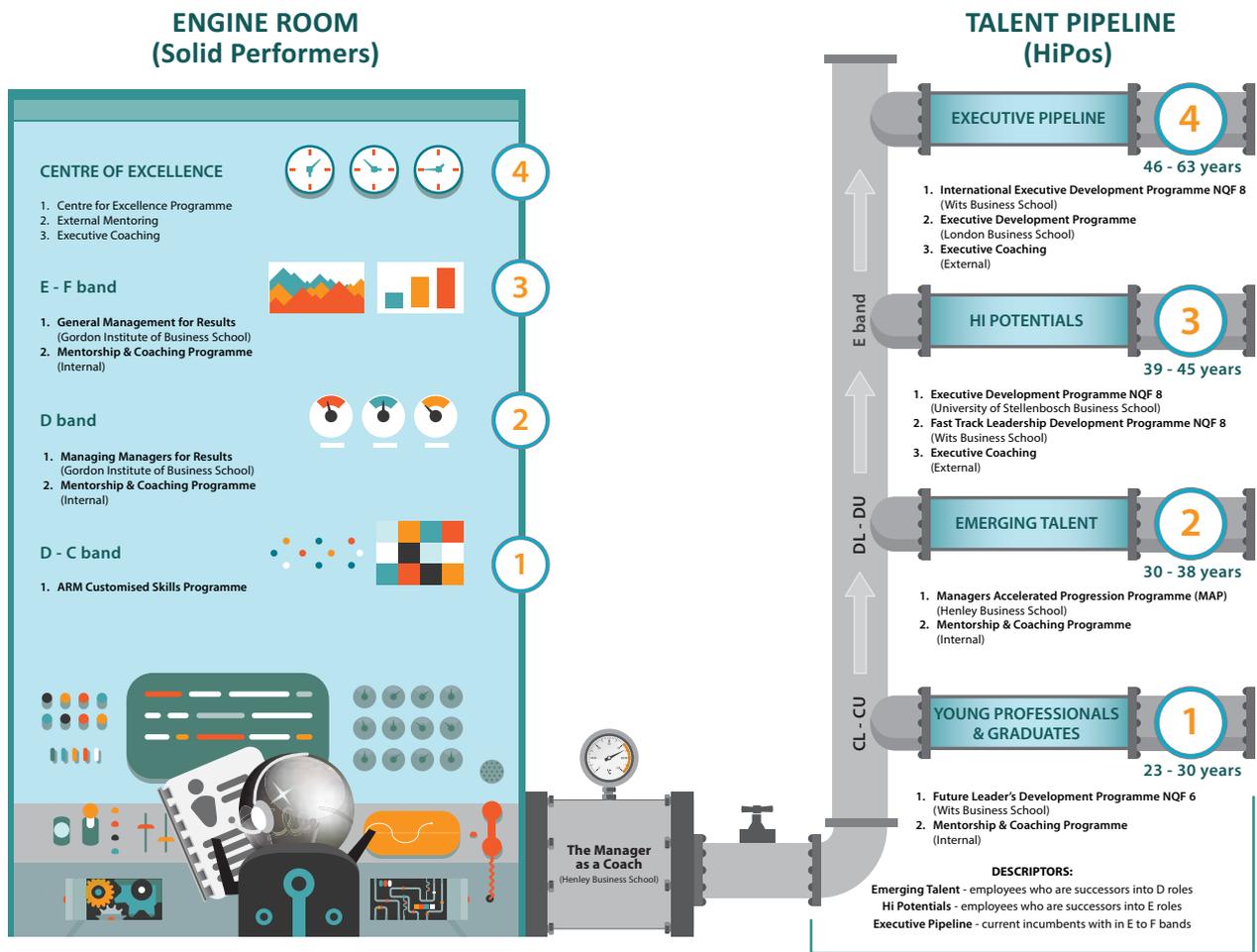
Water quality laboratory at Emakhazeni local water works supported by Nkomati Mine

GROWING FUTURE LEADERS

The first intake of 35 candidates graduated from ARM's Future Leaders Development Programme, in partnership with Wits Business School and the MQA, commenced in May 2016. Candidates were selected from the talent pool within the age category of 25 to 38 years, of which 60% were women. The programme includes study blocks, as well as business optimisation projects on real-world challenges facing various operations in the Group.

ARM's Graduate Development Programme targets unemployed youth who have completed degrees or diplomas in the scarce skills disciplines as identified in the MQA Sector Skills Plan. Graduates are exposed to different operations in the Group to broaden their experience.

The diagram below depicts ARM's Talent Management strategy, within the context of leadership development, which supports solid performers and high-performers to ensure that each individual is given specific attention based on individual attributes.

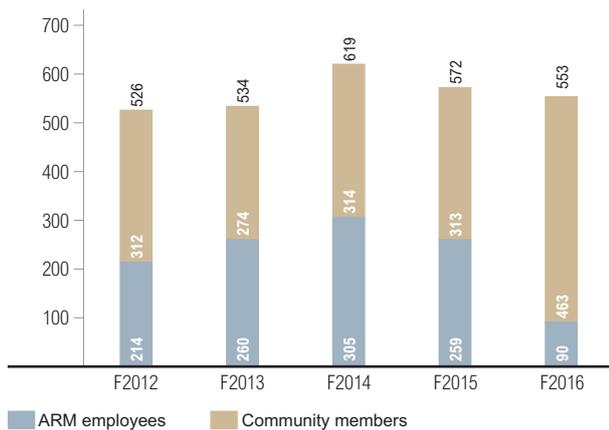


HUMAN CAPITAL continued

LITERACY

Adult Education and Training (AET) programmes at the operations support the development of basic skills through nationally aligned AET courses. These initiatives are offered at the training centres and are extended to community members around our operations to improve career prospects and future employability. 553 students attended AET courses during F2016, including 463 community members.

AET PARTICIPATION (number of students)



Functional literacy in the Company decreased to 92% (F2015: 94%) due to the decline in workforce numbers, as well as a review of training priorities at training centres.

EMPLOYMENT EQUITY

ARM's human capital strategy aligns with ARM's commitment to transformation by prioritising the development of Historically Disadvantaged South Africans (HDSAs) to senior levels in the workforce. Employment equity (EE) progress is monitored and reported against the Mining Charter, the Department of Labour and the Department of Trade and Industry (dti) Codes of Good Practice (CoGP).

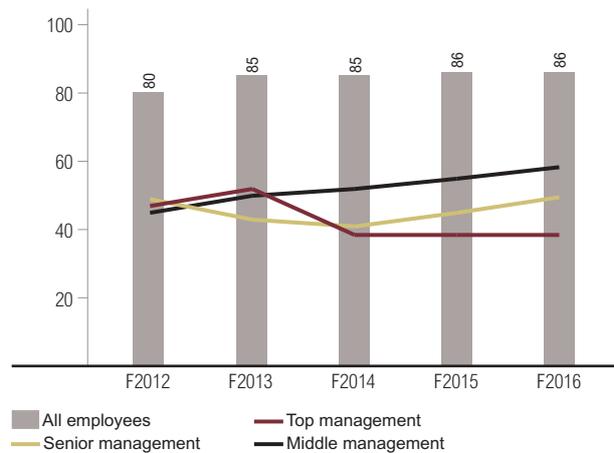
The Group Executive: Human Resources is the legally appointed Employment Equity Senior Manager in terms of the Employment Equity Act (No. 55 of 1998) Section 24, for the Group. The Employment Equity Committee reviews recruitment processes, follows up on deviations in EE performance and monitors the technical skills required to meet our transformation objectives.

EE considerations are built into succession plans and the talent management framework to ensure that our leadership pipeline

improves our transformation performance over time. Monitoring and evaluation of EE is reported quarterly to facilitate discussions, promote focused decision-making and encourage diversity business cases in relation to racial demographics, gender and people living with disabilities.

Our operations implement talent pool identification and management, and career path programmes that identify and support the rapid development of HDSA employees into management, in line with the requirements of the Mining Charter.

HDSA REPRESENTATION (%)



HDSA representation in top management remained constant at 37.5% for F2016 (F2015: 37.5%).

Junior management, professionally qualified employees and senior management HDSA representation continued their improvement in F2016. Our EE strategy prioritises HDSA development at senior management and professionally qualified levels, which increased to 48.6% and 57.4% respectively in F2016. The improvement of HDSA representation in the junior management category to 68.5% highlights the expanding pool of potential future leaders of the Company.

Women in mining within management increased across middle and junior management, reflecting internal succession planning within these occupational categories. The overall percentage of women across the Group was affected by the Section 189a processes and resignations. Overall, women percentage declined to 11% from (F2015: 15%). Our women in core mining, critical and scarce skills increased to 11% (F2015: 10%).

Mining Charter Employment Equity scores	HDSA (%)				Women in Mining (%)			
	F2016	F2015	F2014	Mining Charter Target	F2016	F2015	F2014	Mining Charter Target
Top management	37.5%	37.5%	37.5%	40%	13.5%	13.0%	6.3%	10%
Senior management	48.6%	44.1%	40.0%	40%	10.5%	11.0%	12.1%	10%
Middle management	57.4%	54.4%	50.9%	40%	8.7%	8.0%	7.6%	10%
Junior management	68.5%	67.1%	65.0%	40%	6.2%	6.0%	6.3%	10%

HOUSING

ARM's housing strategy aims to promote ownership of affordable housing to employees at our operations to ensure that every employee has decent accommodation in line with the Mining Charter, the Housing and Living Conditions Standards for the Minerals Industry and other municipal and spatial planning legislation. Some operations have compiled housing strategies that identify and prioritise sustainable towns of choice in support of the life of mine.

The majority of employees live in communities surrounding our operations. Local community infrastructure development programmes through Social and Labour Plans (SLPs) and Local Economic Development (LED) projects therefore support improved living conditions of employees and the communities.

Since 2009, ARM has completed the following housing initiatives:

- > Converted all hostels into single accommodation, family units or alternative uses;
- > Constructed 1 503 houses/home ownership units in the municipal areas of Kathu, Kuruman and Postmasburg; of which 1 123 units have been sold to employees and 350 units are available to purchase or rent by employees; and
- > In addition to the 1 503 houses constructed, a further 548 fully serviced residential stands are available for future construction of houses for employees in the towns of Kathu, Kuruman and Postmasburg.

HUMAN CAPITAL FOCUS FOR F2017

1 OUR AIM FOR THE COMING YEAR IS TO ENSURE THAT THE FOUR PILLARS ARE INTEGRATED TO THE TRANSFORMATIONAL GOALS AND ALIGNED TO THE SOUTH AFRICAN BOARD OF PEOPLE PRACTICES.



Electrification project supported by Khumani Mine

SAFETY AND OCCUPATIONAL HEALTH

Mining and beneficiation involve a range of potentially hazardous activities in a complex operating environment. These include working underground, in open pits and in ore beneficiation plants performing associated activities, which include drilling, blasting, operating heavy machinery, moving ore and rock, materials handling, maintaining equipment and smelting of metal at the smelters.

Ensuring our employees' health, hygiene and safety are critical to ARM's long-term sustainability. Our commitment to the safety and health of all our employees through our goal of zero harm lies at the heart of our values and culture.

We work jointly with regulators, our employees and labour representatives to identify and understand risks and to put in place appropriate controls and procedures to support the safety and wellbeing of our workforce.

The most significant safety concerns we face include operational risks such as falls of ground, working at heights, fatigue and moving machinery. Occupational health concerns include issues such as noise, HIV & Aids (often associated with TB), chronic diseases and employee wellness.

HOW WE MANAGE SAFETY AND OCCUPATIONAL HEALTH

The ARM Board and executive management team are ultimately responsible for ensuring that appropriate resources are available to implement the systems required to enable the Company's commitment to zero harm. The Social and Ethics Committee monitors and reviews safety and health in the Company. Divisional Safety, Health, Environmental and Quality (SHEQ) managers set operational safety policies and strategies, and monitor safety performance. Performance is reviewed at quarterly SHEQ meetings.

Our wellness programme covers safety, occupational hygiene and health, TB, HIV & Aids and chronic disease management. The programme integrates information from a wide range of sources to ensure a holistic and informed approach to recruitment, wellness management, and ill health and incapacity management. These sources include information from the SHEQ departments, employee wellness forums, medical staff and Human Resources function.

ARM's operational safety and health policies and management systems align with OHSAS 18001, the international health and safety management system. Two Rivers Mine was certified in terms of OHSAS 18001 during F2016, and Black Rock Mine's certification under the standard was postponed to November 2016 due to the total safety system being revised. At year-end, all operations except for Modikwa, Black Rock and Lubambe mines are certified in terms of OHSAS 18001.

External legal compliance audits are conducted annually at all operations to ensure compliance with legislation and Company policies and standards. These audits include safety, health and employee wellness. Every second year, as a directive from the Board, each operation is audited by external legal and process experts to ensure that policies, procedures and systems are

appropriate and adequately mitigate risks. These audits were started during F2016 and will be finalised by October 2016. Where necessary, solutions to address findings from the audits will be implemented in the year ahead.

Induction training provided to all employees and contractors when they start employment includes health and safety training. All employees and contractors undergo medical fitness surveillance prior to commencing work and regularly thereafter, based on the occupational risks they are exposed to. Health and safety refresher courses and job-specific training is provided on an ongoing basis.

REGULATIONS, GUIDING FRAMEWORKS AND INDUSTRY INITIATIVES

Health and safety at our mining operations is regulated by the Mine Health and Safety Act (MHSA) and enforced by the Department of Mineral Resources (DMR). Our smelters are governed by the Occupational Health and Safety Act (OHSA) and its regulations, which are enforced by the Department of Labour (DoL). The Mining Charter sets targets for health and safety through the implementation of the biennial Tripartite Summit Health and Safety Milestones as convened by the Mine Health and Safety Council (MHSC).

A range of industry forums and initiatives address health and safety concerns at an industry level. Participating in these initiatives and working with our peers helps us to improve our health and safety performance by benchmarking against our peers and adopting good practice from industry as appropriate. These initiatives include:

- > **The Mining Industry Occupational Safety and Health (MOSH) initiative driven by the Chamber of Mines (COM):** The MOSH programmes facilitate the adoption of good practice across the mining industry and aim to help meet the Tripartite Health and Safety Targets and Milestones. The Executive: Sustainable Development and the Group Occupational Health and Wellness Superintendent participate in the MOSH Task Force of the COM and the Occupational Health and Safety Policy Committee of the COM.
- > **The Culture Transformation Framework (CTF):** The goals of the CTF are to eliminate discrimination and to create a safe, healthy and productive mining industry in South Africa, with risks controlled at source. It arose from a tripartite process between government, labour and industry and aims to foster collaboration between these stakeholders. ARM's culture, systems and programmes are aligned with the goals of the CTF.
- > **The International Council on Mining and Metals (ICMM):** Membership of the ICMM and active participation in its structures provide ARM with a network for learning from peers and implementing good practice.
- > **The Tripartite Health and Safety Targets:** One of the outcomes of the Mine Health and Safety Summit in 2003 was a set of ten-year goals agreed between government, employers and employees (the Tripartite parties). During 2014, the Mine Health and Safety Council, mandated through the Mine Health

and Safety Act, arranged a summit to review the occupational health and safety milestones set in 2003. In support of zero harm and aligned with the National Strategic Plan of South Africa, commitments and action plans were developed to focus on occupational health and safety; TB, HIV & Aids; and culture transformation through the setting of revised targets for 2024.

- Benchmarking our safety performance against the metrics reported by our peers.

The occupational health and safety statistics use an average of 21 541 employees and contractors for the “total workforce”, being those eligible for induction and/or medical surveillance and contributing to the safety statistics. This figure differs from the total labour figure of 23 128 reported by the Human Resources Department, which is the figure recorded as at 30 June 2016 and includes the South African Ferrous and Platinum operations, as well as Lubambe Mine in Zambia.

SAFETY

ARM is committed to strive for zero harm to our employees and our operations are all joint ventures with other reputable mining houses who share this commitment. Our safety management systems, controls and training are based on comprehensive risk assessment processes. We constantly refine our operational safety systems and controls, and our employees and contractors receive safety training on an ongoing basis. Leading and lagging safety indicators are included in the calculation of performance incentives for senior operational, divisional and corporate staff.

Safety performance directly affects productivity, efficiency and financial capital as is evident in the value lost to production stoppages. We estimate that the shifts lost to Section 54 Notices reduced revenue by R503 million, based on average daily sales for the South African mining operations.

HOW WE MANAGE SAFETY

Safety is the responsibility of every individual employee in the Company. The divisional Chief Executives and appointed managers are tasked with ensuring the safety and health of all our employees and that our contractors are appropriately managed. As regulated by the MHSA and OHSA, contractors are treated as employees, receive the same training as employees and are included in all our safety reporting.

High level safety policies and strategies are set by the Group and tailored to fit each operation at implementation stage, to address the specific challenges identified through operational risk assessments. Safety is entrenched in our working practices through training and re-training of the workforce, as well as through safety and health awareness campaigns that reinforce ARM's zero harm philosophy. Internal safety competitions between our operations raise awareness and create constructive internal benchmarking between operations. Safety performance is also benchmarked against industry peers.

Regular inspections are conducted by SHEQ personnel, along with planned task observations and regular review of operating

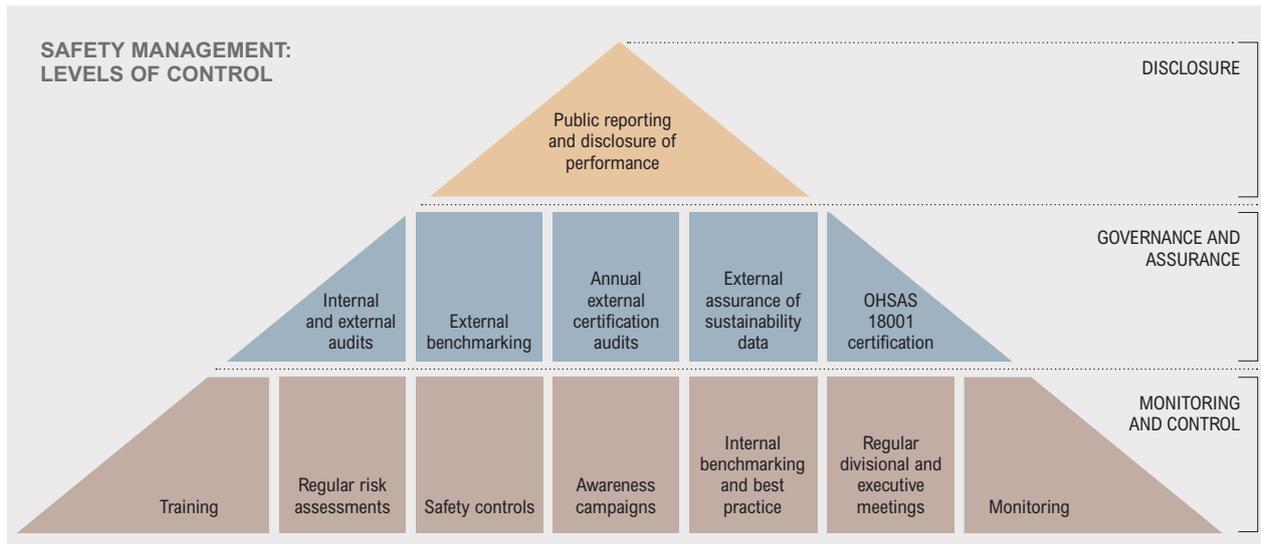


Monitoring operations at Beeshoek Mine

HUMAN CAPITAL continued

procedures to monitor compliance to safety procedures. Line supervisors are responsible for compliance to safety standards and systems and senior management regularly visits the workplace to observe and coach the workforce as part of each operation's visible felt leadership programme.

Annual internal and external audits of operating procedures and safety practices are conducted to monitor compliance and identify areas for improvement. These are supplemented by external legal compliance audits, certification audits (OHSAS 18001) and external Safety, Health and Environment (SHE) audits facilitated every second year by the ARM Corporate Office.



SAFETY HIGHLIGHTS AND CHALLENGES

Zero fatalities.

The LTIFR for the ARM Platinum division, the ARM Ferrous division and ARM Group all improved on last year.

The LTIFR for ARM was 0.32, the lowest in the Company's history.

The ARM Ferrous division also achieved its lowest ever LTIFR at 0.22.

Beeshoek Mine also completed 14 000 fatality-free production shifts on 22 December 2015, an achievement over 13 years.

Two Rivers Mine achieved OHSAS 18001 certification.

Nkomati Mine won four awards at the Mine Safe 2016 Conference:

- > First prize for environmental performance;
- > Second prize for year-on-year safety improvement (Total Injury Frequency Rate);
- > Third prize for "best in class" in terms of Total Injury Frequency Rate improvement; and
- > The mine's mining contractor, Moolmans, won second prize in the contractors' category for year-on-year safety improvement.

Excellent safety milestones achieved:

- > Nkomati Mine: 5 million fatality-free shifts;
- > Black Rock Mine: 4 million fatality-free shifts;
- > Lubambe, Two Rivers, Beeshoek and Dwarsrivier mines: 3 million fatality-free shifts each; and
- > Modikwa Mine and Cato Ridge Works each completed 2 million fatality-free shifts.

An internal review of emergency preparedness was completed and the findings will be incorporated into a standard of good practice for the Group.

Ensuring continued focus on safety remains a high priority.

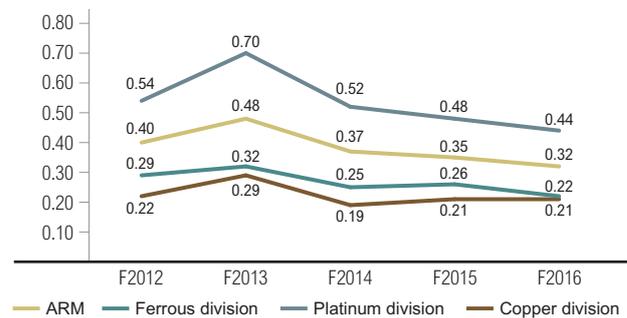
SAFETY FOCUS FOR F2016

1

ZERO HARM TO
OUR EMPLOYEES.

The Lost Time Injury Frequency Rate (LTIFR) is our primary lagging indicator used for monitoring safety performance. LTIFR for the ARM Group improved to 0.32 in F2016 (F2015: 0.35), the best performance reported to date. The ARM Ferrous division's LTIFR improved to 0.22 from 0.26 in F2015, also the division's best performance to date. The ARM Platinum division's LTIFR improved to 0.44 (F2015: 0.48) and the Copper division stayed at 0.21.

LOST TIME INJURY FREQUENCY RATE (LTIFR)



In the context of the noteworthy safety milestones achieved during the year, our focus has to remain strong on continued safety excellence and zero harm.

Operation	Total fatality-free shifts worked as at end June 2016 (million)	Date of last fatality
Beeshoek Mine	3.2	March 2003
Black Rock Mine	4.7	April 2009
Dwarsrivier Mine	3.4	January 2009
Khumani Mine	0.8	April 2015
Cato Ridge Works	2.0	February 2008
Machadodorp Works	1.0	February 2011
Lubambe Mine	3.3	July 2010
Modikwa Mine	2.7	June 2014
Two Rivers Mine	3.2	January 2012
Nkomati Mine	5.2	September 2008

HUMAN CAPITAL continued

SAFETY FOCUS FOR F2016

2 REDUCE STOPPAGES DUE TO SECTION 54 AND SECTION 55 NOTICES*

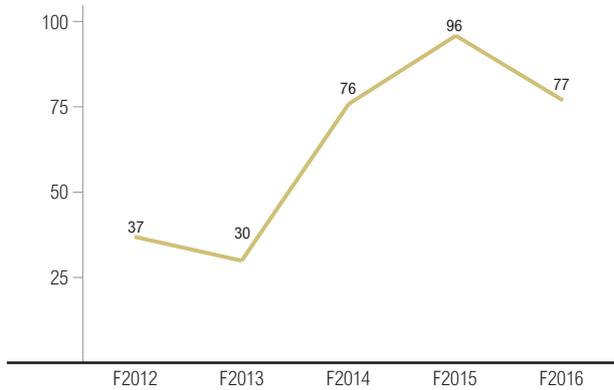
While the total number of Section 54 Notices issued to operations increased to 33 in F2016 (F2015: 29), total shifts lost to stoppages from Section 54 Notices decreased to 77 from 96 in F2015.

Further information can be found on page 75 of this report.



* Notices issued in terms of Section 54 and Section 55 of the Mine Health and Safety Act (only applicable to South African mining operations).

SHIFTS LOST TO SECTION 54 NOTICES



3 CONTINUED FOCUS AND MONITORING OF EXISTING LEADING PRACTICES. ACTIVE PARTICIPATION IN NEW INITIATIVES AND LEADING PRACTICES.

ARM participates in a range of local and international industry initiatives. Examples of these initiatives are discussed in the introduction to this section on page 68 of this report.

SAFETY PERFORMANCE

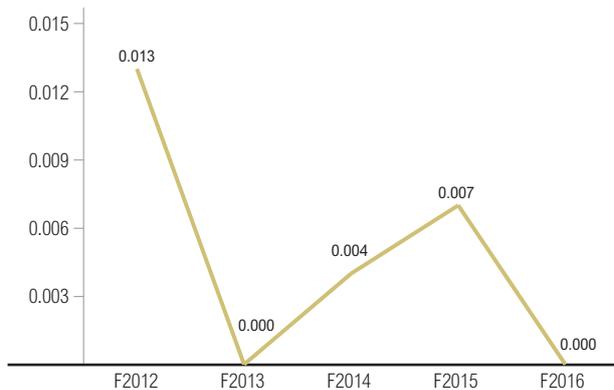
There were no fatalities at ARM's operations during F2016. Our safety performance statistics are measured per 200 000 hours worked – the estimated number of hours that 100 employees work in a year.

Beeshoek Mine received an award from the DMR for achieving 14 000 fatality-free production shifts, an accomplishment over a period of 13 years.

For further details on safety achievements, refer to pages 70 to 71 of this report.



FATALITY FREQUENCY RATE

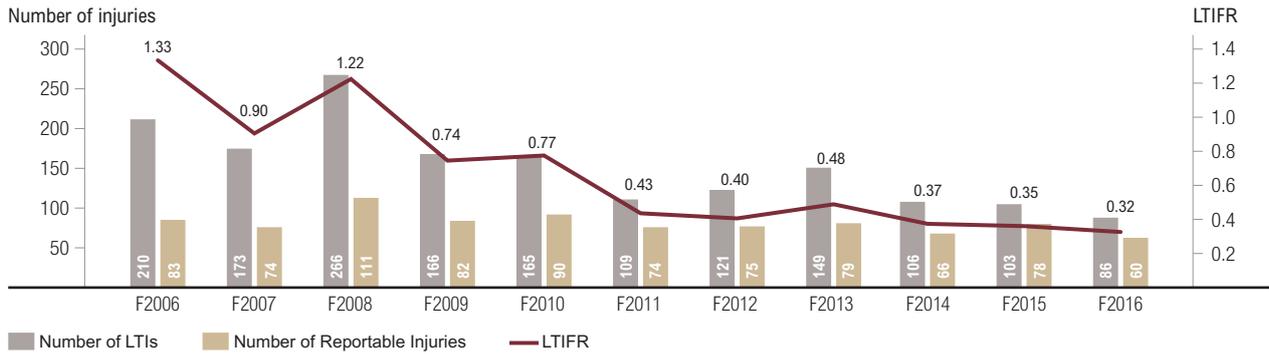


LOST TIME INJURIES

We track Lost Time Injuries (LTIs) and Reportable Injuries (RIs) as lagging indicators of our safety performance. LTIs are work-related injuries that result in a worker being unable to perform their normal duty or similar work on the calendar day following the day of the injury. RIs are injuries that are classified as reportable to the DMR in terms of the MHS Act (for our mining operations) or the Department of Labour in terms of the OHS Act (for our non-mining operations).

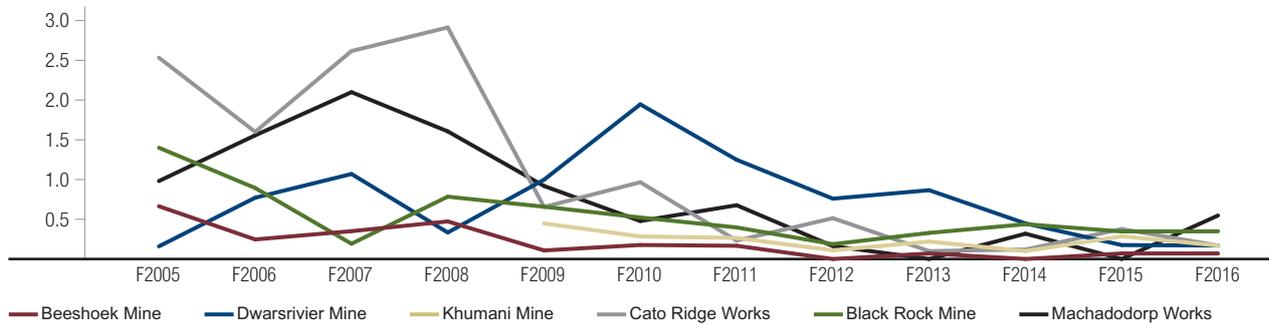
These metrics are expressed in the Lost Time Injury Frequency Rate (LTIFR) and Reportable Injury Frequency Rate (RIFR) per 200 000 man-hours.

LOST TIME AND REPORTABLE INJURY STATISTICS



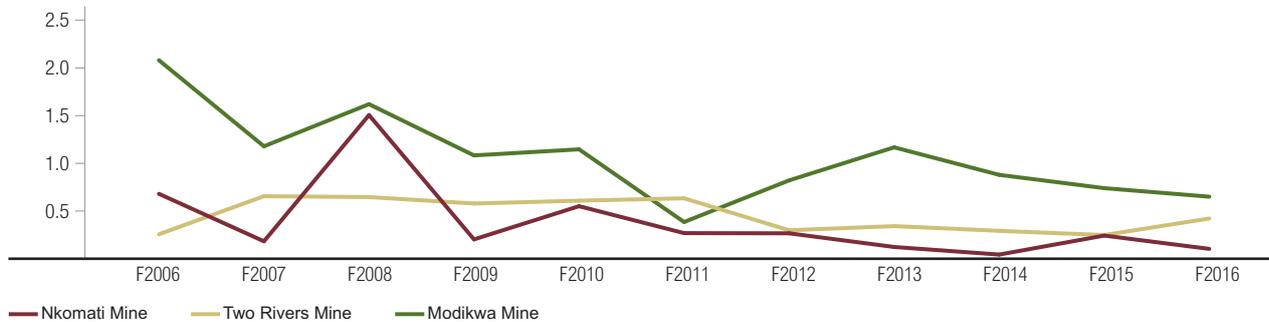
There were 86 LTIs in F2016 (F2015: 103) and total Reportable Injuries decreased to 60 (F2015: 78). The ARM Group's LTIFR improved to 0.32 (F2015: 0.35).

ARM FERROUS OPERATIONS (LTIFR)



The ARM Ferrous division's LTIFR improved to a record of 0.22 (F2015: 0.26) with all operations except for Machadodorp Works either showing an improvement in LTIFR or staying at the same rate as last year. Machadodorp Works recorded a single LTI in F2016 (F2015: 0), but this resulted in an LTIFR of 0.55 as there were only 240 workers at the operation during the year.

ARM PLATINUM OPERATIONS (LTIFR)



The ARM Platinum division showed a slight improvement in LTIFR to 0.44 (F2015: 0.48), with improvements at Modikwa and Nkomati mines offsetting a regression in safety performance at Two Rivers Mine.

Lubambe Mine's LTIFR stayed the same as the previous year at 0.21.

HUMAN CAPITAL continued

LOST TIME AND REPORTABLE INJURY STATISTICS

	F2016				F2015			
	Ferrous	Platinum	Copper	ARM	Ferrous	Platinum	Copper	ARM
Lost Time Injuries	25	56	5	86	32	65	6	103
LTIFR ¹	0.22	0.44	0.21	0.32	0.26	0.48	0.21	0.35
Reportable Injuries	21	36	3	60	27	46	5	78
RIFR ²	0.18	0.28	0.13	0.23	0.19	0.34	0.17	0.27
FFR ³	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.01

1 LTIFR: Lost Time Injury Frequency Rate.

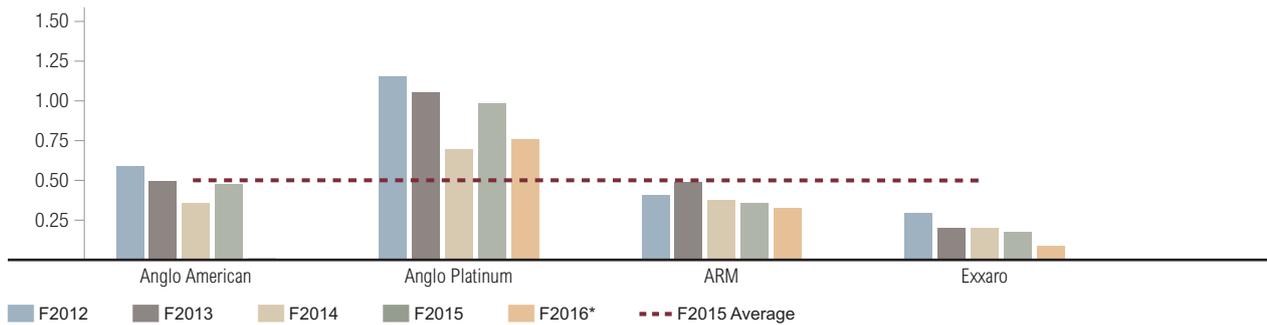
2 RIFR: Reportable Injury Frequency Rate.

3 FFR: Fatality Frequency Rate.

EXTERNAL BENCHMARKING

We benchmark our LTIFR against peers both locally and internationally to provide context for our safety performance. LTIFRs are not exactly comparable across mining companies due to the different risks inherent in various mining and extraction processes, equipment and levels of complexity, but we believe the comparison has value. ARM's LTIFR compares favourably to the latest LTIFRs disclosed by the diversified mining companies shown in the graph below.

LTIFR INDUSTRY BENCHMARK



* F2016 figures show interim LTIFRs for peers.



Black Rock Mine

SAFETY STOPPAGES

Where an Inspector of Mines from the DMR encounters a potentially dangerous occurrence, practice or condition, they may issue a Section 54 Notice under the MHSA. A Section 54 Notice requires immediate remedy and may include stopping operations. A Section 55 Notice may be issued to rectify what an Inspector believes to be an instance of regulatory non-compliance, usually giving a time period in which it must be rectified and not resulting in a stoppage.

Similar provisions in the OHSA, which regulates our smelting operations, can result in a Compliance Notice (for non-compliance) or a Prohibition Notice.

There were no Prohibition Notices served on our smelters during F2016.

The total number of Section 54 Notices at ARM operations in F2016 increased to 33 (F2015: 29), although total shifts lost to stoppages from Section 54 Notices decreased to 77 from 96 in F2015.

It is encouraging to note that the Section 54 Notices which were issued often pertained only to a specific section and did not affect the entire mine. This improvement is attributable to continuous improvement in discipline at operations and close cooperation with the DMR. There were three Section 55 Notices (F2015: three), not resulting in any stoppages.

Modikwa Mine received the most Section 54 Notices issued (16) and shifts lost (35). It is the only conventional stope/mining operation in the Group and therefore has a higher inherent risk in its operations. However, both Section 54 Notices issued and shifts lost improved markedly on F2015 and the mine's LTIFR improved to 0.64 from 0.73. The Modikwa safety improvement strategy implemented last year is delivering results due to improved discipline and compliance.

Further detail of safety statistics, including Section 54 and Section 55 Notices by operation is available in the Sustainability Data Tables on the ARM website www.arm.co.za.



	F2016			F2015		
	Ferrous	Platinum	ARM	Ferrous	Platinum	ARM
Section 54 Notices	6	27	33	6	23	29
Shifts lost to Section 54 Notices	11	66	77	23	73	96
Section 55 Notices	1	2	3	2	1	3

SAFETY FOCUS FOR F2017

- 1 ZERO HARM TO OUR EMPLOYEES.
- 2 REDUCE STOPPAGES DUE TO SECTION 54 AND SECTION 55 NOTICES.
- 3 CONTINUED FOCUS ON MONITORING AND IMPLEMENTATION OF EXISTING LEADING PRACTICES. ACTIVE PARTICIPATION IN NEW INITIATIVES AND LEADING PRACTICES.
- 4 CONTINUED ALIGNMENT WITH THE 2014 OCCUPATIONAL SAFETY MILESTONES.

HUMAN CAPITAL continued

A RE YENG KA MOKA



The “A Re Yeng Ka Moka” Programme – “Let’s join hands together” – was introduced in October 2015 as a culture shift programme at Modikwa Mine to address safety discipline, improve safety compliance and increase productivity.



The programme provides personal development, improves employees’ knowledge of the business and awakens their awareness of their value as individuals, in their family, in their team and at Modikwa Mine. The ultimate goal of the programme is to help teams work together with zero harm to increase production performance from the current 9 metre face advance to a 16 metre face advance per stoping crew.

At the end of the training, each team that attends the course plants a tree, symbolising the potential of the individual employees and the team collectively to grow and bear fruit. The course concludes with a certification ceremony attended by heads of department, union representatives, family members and community leaders.

At the end of June 2016, 70 teams had been through the training programme. Average production for the teams

that have completed the training has increased. Modikwa Mine’s Lost Time Injury Frequency Rate (LTIFR) improved from 0.73 in F2015 to 0.64 in F2016.

Other benefits of the course include:

- > Increased supervisor confidence and belief.
- > Improved strike rate as both crews and supervision understand their responsibilities.
- > Fewer employees booking off sick.
- > Improved communication between supervisors and crew members.

Ultimately, the programme aims to unite all stakeholders (employees, management, trade unions and our communities) to join hands and embark on a journey to make Modikwa Mine a safer, more productive and sustainable mine.

SAFETY DEFINITIONS	
Employees	ARM considers contractors as employees from a health and safety point of view and statistics include contractor hours worked, as well as injuries sustained, in line with legislation and industry standards.
Lost Time Injuries (LTIs)	Any work-related injury that results in a worker being unable to perform their normal duty or similar work on the calendar day following the day of the injury is reported as a Lost Time Injury (LTI). If a suitably qualified medical professional advises that the injured person is unable to perform their normal duties or similar work on the next calendar day after the injury, regardless of the injured person's next rostered shift, a Lost Time Injury is deemed to have occurred.
Restricted Work Injuries (RWIs)	An RWI is defined as a work-related injury which results in the worker being able to work, but unable to perform one or more of their routine functions for a full working day, from the day after the injury occurred as certified by advice from a suitably qualified healthcare provider. Although RWIs are reported separately in some industry forums in which ARM participates, all RWIs are classified as LTIs and included in our reporting of LTIs.
Reportable accident (Mine Health and Safety Act)	For the mining operations to which the Mine Health and Safety Act applies; in terms of Chapter 23, reportable accidents refer to any accident that results in: <ul style="list-style-type: none"> a) the death of an employee; b) an injury to any employee, likely to be fatal; c) unconsciousness, incapacitation from heatstroke or heat exhaustion, oxygen deficiency, the inhalation of fumes or poisonous gas, or electric shock or electric burn accidents of or by any employee and which is not reportable in terms of paragraph (d); d) an injury which either incapacitates the injured employee for performing that employee's normal or similar occupation for a period totalling 14 days or more, or which causes the injured employee to suffer the loss of a joint, or part of a joint, or sustain a permanent disability; e) an injury, other than injuries referred to in paragraph (d), which incapacitates the injured employee from performing that employee's normal or similar occupation on the next calendar day.
Reportable accident (Occupational Health and Safety Act)	For the smelters to which the Occupational Health and Safety Act 85 of 1993 applies, reportable accidents are defined in Sections 24 and 25 of the Act, as follows: Each incident occurring at work or arising out of or in connection with the activities of persons at work, or in connection with the use of plant or machinery, in which, or in consequence of which: <ul style="list-style-type: none"> a) any person dies, becomes unconscious, suffers the loss of a limb or part of a limb or is otherwise injured or becomes ill to such a degree that he/she is likely either to die or to suffer a permanent physical defect or likely to be unable for a period of at least 14 days either to work or to continue with the activity for which he/she was employed or is usually employed; b) a major incident occurred; or c) the health or safety of any person was endangered and where: <ul style="list-style-type: none"> i. a dangerous substance was spilled; ii. the uncontrolled release of any substance under pressure took place; iii. machinery or any part thereof fractured or failed resulting in flying, falling or uncontrolled moving objects; or iv. machinery ran out of control.
Section 54 of the Mine Health and Safety Act	Provides for an Inspector of Mines, who has reason to believe that any occurrence, practice or condition at a mine endangers or may endanger the health or safety of any person at the mine, to give any instruction necessary to protect the health or safety of persons at the mine, including an instruction that operations at the mine or a part of the mine be halted.
Section 55 of the Mine Health and Safety Act	Allows for an Inspector of Mines, who has reason to believe that an employer has failed to comply with any provision of the Mine Health and Safety Act, to instruct that employer in writing to take any steps that the Inspector considers necessary to comply with the provision.

Please note: Reportable Injuries are also reflected as Lost Time Injuries where appropriate.

HUMAN CAPITAL continued

OCCUPATIONAL HEALTH AND WELLNESS

Supporting the health and wellness of our workforce is a value which contributes to our status as a Top Employer, and it also strengthens our human capital by building a healthy and motivated workforce that enables ARM in meeting its strategic goals.

Hearing conservation is a primary focus of our occupational health and wellness programme. TB, HIV & Aids are significant concerns for the mining industry and the country as a whole. ARM's approach to managing and treating these diseases is discussed in a separate section that follows.

Illnesses most commonly diagnosed in our workforce (including chronic and primary health-related conditions) are hypertension, upper respiratory tract infection (URTI) and back/muscular/skeletal ache.

Where hazardous substances are present, exposure is managed through occupational hygiene and personal monitoring, awareness campaigns, personal protective equipment and formalised safe operating procedures to limit exposure. Hazardous substances in our operations include manganese, chromium, and coal, tar, pitch and volatiles (CTPV) in our smelting operations. Asbestos has been detected in the ore body at Nkomati Mine.

Lubambe Mine is located in the Zambian Copper Belt where malaria is endemic and poses a significant health risk.

The occupational health and wellness statistics reported in this section, apart from malaria, exclude Lubambe Mine's statistics. Occupational health and wellness at Lubambe (including TB, HIV & Aids), are managed according to the relevant Zambian legislation, which does not include access to the statistics reported under South African legislation.

HOW WE MANAGE OCCUPATIONAL HEALTH AND WELLNESS

Our approach to occupational health and wellness integrates occupational hygiene monitoring with comprehensive risk-based occupational medical surveillance programmes. At the South African operations this is managed as part of the SHEQ process.

ARM's occupational hygiene and health surveillance and management programmes aim to identify and address the specific health risks relevant to each workplace and occupation, aligned with guidance from regulators and applicable legislation. These programmes align with SANS 16001 (the South African National Standard on disease and wellness management). Khumani and Beeshoek mines are SANS 16001:2013 certified and Black Rock Mine is in the process of becoming certified.

Operational Wellness Committees meet regularly to promote engagement between employers, employees and unions in a partnership approach to managing wellness. Regular awareness campaigns and wellness days, which include health assessments, aim to keep our employees informed about their health status, as well as taking responsibility to manage their own health and wellness. Awareness campaigns during the year were run in conjunction with healthcare providers and medical aids, and in

several instances included the local Departments of Health and involved surrounding communities.

Site clinics at the operations in the Ferrous and Platinum divisions offer occupational and primary healthcare services to employees and contractors, while Lubambe Mine constructed the community clinic and donated it to local government. Qualified occupational health personnel conduct medical surveillance, including biological monitoring. A total of 30 489 medical tests were conducted during F2016. Every employee receives occupational health and hygiene training as part of their induction training and this is supplemented by ongoing training from Wellness Officers and Peer Educators.

Chronic disease registers are maintained and chronic conditions such as hypertension, diabetes mellitus and epilepsy are closely monitored, particularly where employees work in high-risk areas.

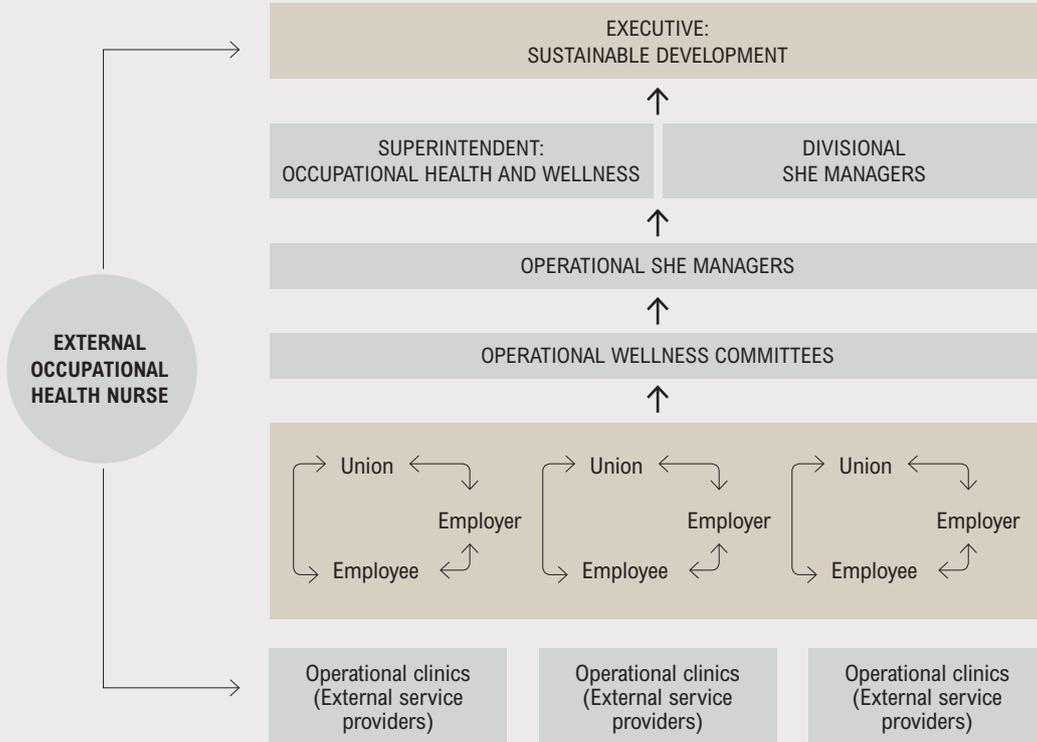
Reporting of occupational health and wellness is aligned with the requirements of the DMR, Department of Labour and Mine Health and Safety Council (MHSC) and include the DMR requirements regarding reporting of all accidents, occupational diseases and life-threatening situations (Section 11 incidents) and shifts in the Percentage Loss of Hearing (PLH) greater than 5%.

Audits of operational occupational health facilities at the Ferrous and Platinum divisions are conducted every year to assess compliance with ARM's internal standards and the SANS 16001 standard.

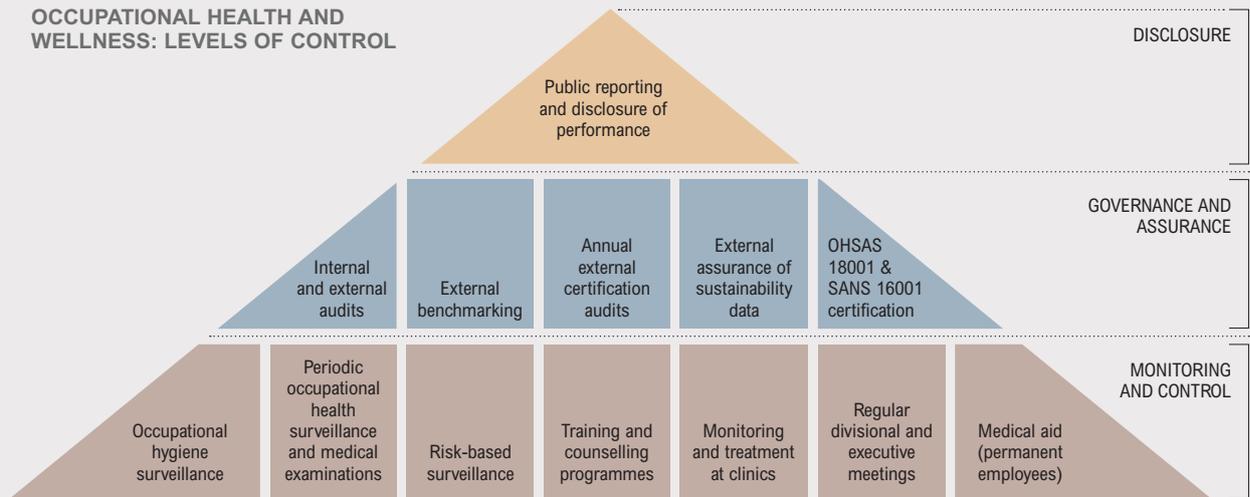
Internal and external audits are conducted at the Ferrous and Platinum divisions' occupational health facilities to monitor compliance with legislation and Group policies, and to benchmark the occupational health and wellness programmes across the Company. These include:

- > Reviews by an external occupational health expert every quarter;
- > Annual internal audits against ARM's internal standards and SANS 16001;
- > External SHE audits every second year as part of our combined assurance and governance model; and
- > Khumani and Beeshoek mines are certified in terms of the South African National Standard (SANS 16001:2013) on their disease and wellness management programme. During F2016, a gap analysis audit in terms of SANS 16001 was performed at Black Rock Mine in preparation for certification in F2017.

ARM is part of the Occupational Lung Disease Working Group, an industry organisation that aims to support the Compensation Commissioner to unlock capacity to examine occupational lung diseases and assist with compensation claims. The Group is also investigating the feasibility of establishing a legacy fund to pay additional compensation to eligible past employees. ARM is also participating through the Group in the tripartite process of integrating the two main industry compensation systems under the Occupational Diseases in Mines and Works Act and the Compensation for Occupational Injuries and Diseases Act.



OCCUPATIONAL HEALTH AND WELLNESS: LEVELS OF CONTROL



HUMAN CAPITAL continued

OCCUPATIONAL HEALTH AND WELLNESS FOCUS FOR F2016

1 IMPLEMENT MANDATORY RISK-BASED FATIGUE MANAGEMENT CODES OF PRACTICE (COPs) AT ALL OPERATIONS, AS REQUIRED BY THE DMR.

Risk-based Fatigue Management COPs were implemented at all operations. In addition, operational codes of practice are being updated and implemented to align with the new mandatory codes gazetted relating to occupational hygiene and medical surveillance, management of medical incapacity due to ill health and injury, and fitness to perform work on a mine.

2 ENSURE REGULAR UPDATES TO NOISE LEVEL INVENTORIES FOR ALL MACHINERY AT MINING OPERATIONS TO ENSURE THAT NOISE LEVELS ARE BELOW 107 dB*.

Machinery at ARM's mining operations emit sound levels below the DMR's specified 107 dB(A) maximum. Ongoing programmes are in place to improve compliance with the use of Personal Protective Equipment (PPE) and the MOSH Leading Practices on Noise.

* 107 dB was the milestone agreed during the 2014 Tripartite process. Industry to achieve full implementation of the milestones by 2024.

3 REVIEW AND STANDARDISE EMERGENCY PREPAREDNESS PROCEDURES AT OPERATIONS.

Emergency preparedness procedures were reviewed across the South African operations and learnings from these reviews were combined into a good practice guideline which was implemented. In addition, ARM is represented at the Occupational Health and Safety Policy Committee and Health Policy Committee of the South African Chamber of Mines that are reviewing draft regulations such as Emergency Response to Emergencies in Mines under the DMR and Emergency Services Regulations under the DoH.

HIGHLIGHTS AND CHALLENGES

Black Rock Mine revised its Memorandum of Understanding with the Northern Cape Department of Health to include provision of primary healthcare services to the Black Rock community.

Two Rivers Mine has signed a Memorandum of Understanding with the Limpopo Department of Health to include primary healthcare services to both employees and contractor employees. The implementation process is still ongoing.

Attracting and retaining qualified occupational medical staff at remote operations remains an ongoing challenge.

Baseline health risk assessments for Beeshoek, Khumani and Black Rock mines were performed, reviewed and standardised.

NOISE-INDUCED HEARING LOSS (NIHL)

Our approach to managing NIHL aims to achieve the following milestones set at the Mine Health and Safety Council 2014 Occupational Health and Safety Summit:

- > By December 2024, the total operational or process noise emitted by any equipment must not exceed a milestone sound pressure level of 107 db(A). (The milestone sound pressure levels will be verified by initiatives under the Centre of Excellence and Mine Occupational Safety and Health (MOSH), and reviewed in 2016); and
- > By January 2018, no employee's Standard Threshold Shift (STS) will exceed 25 dB from the baseline when averaged at 2 000, 3 000 and 4 000 Hertz in one or both ears. The software to monitor this has been implemented at all our mining operations and progress will be reported to the DMR by the end of October 2016.

The Mining Industry Occupational Safety and Health (MOSH) Leading Practice on Noise has been adopted by all ARM mines which have not implemented personalised hearing protection devices.

MONITORING NIHL

Percentage Loss of Hearing (PLH) Shifts measure loss of hearing compared to the baseline hearing tests conducted on all new employees and contractors, and those transferring between work environments. Deterioration from the baseline identified in periodic testing results in counselling, training by clinic personnel and follow-up monitoring of the individual's exposure to noise both within and outside the workplace. Where possible, employees with NIHL are redeployed to workplaces with low noise levels and monitored on an individual basis.

A range of factors other than excessive noise can lead to hearing loss, including age, illness and personal care. Where hearing loss suggests NIHL, an employee with a PLH shift of greater than 10% is referred to an Audiologist and Ear, Nose and Throat Specialist for diagnostic audiograms to establish the cause of the hearing loss. Where these confirm NIHL due to exposure in the workplace, a claim for compensation is submitted to either Rand Mutual Assurance (for employees employed at our mines) or the Compensation Commissioner (for employees at our two smelters).

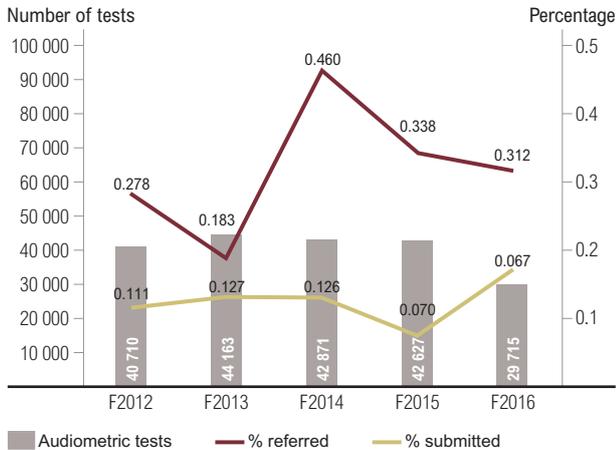
PLH shifts of 5% or more must be reported to the DMR and investigated in terms of Section 11.5 of the Mine Health and Safety Act (MHSA).



Maintenance work at Nkomati Mine

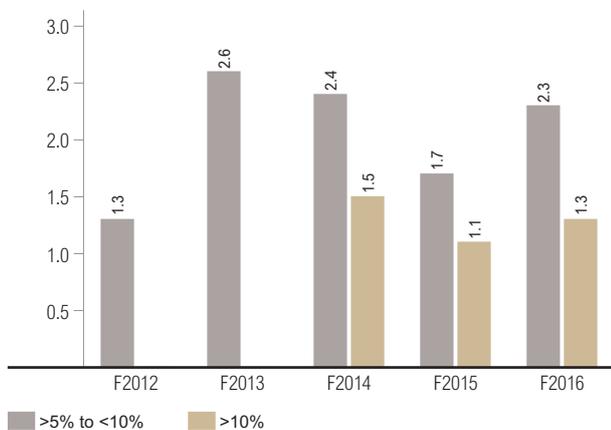
HUMAN CAPITAL continued

AUDIOMETRIC TESTS (% referred for specialist opinion and submitted for compensation)



In F2016, 29 715 audiometric tests were conducted in the Ferrous and Platinum divisions (F2015: 42 627). The continued focus on hearing conservation at operations has resulted in a further reduction in referral cases from 144 in F2015 to 93 in F2016. Twenty of these 93 cases (15 from Modikwa, three from Beeshoek and one each from Nkomati and Khumani mines) were submitted for compensation in F2016 (F2015: 30) and of the 20 submitted, 15 cases resulted in compensation to employees for NIHL (F2015:12).

SHIFTS IN PERCENTAGE LOSS OF HEARING (%)



The percentage of employees tested showing PLH shifts of between 5% and 10% increased to 2.3% (F2015: 1.7%) and those showing PLH >10% rose slightly to 1.3% (F2015: 1.1%).

REDUCING NOISE EMISSIONS

ARM has a buy-quiet policy that applies stringent noise emission standards for new equipment purchased. Noise emission levels of equipment in the workplace are monitored and measured and engineering controls reduce noise emissions above the DMR threshold of 107 dB(A).

Employees are trained in the use of hearing protection devices and this is supported in high noise areas by hearing safety awareness campaigns.

DUST AND HAZARDOUS SUBSTANCES

DUST SUPPRESSION

Prolonged exposure to high levels of dust can cause respiratory complications. Pulmonary tuberculosis (TB) is an opportunistic infection often associated with HIV, and TB infection rates are approximately three times greater in people exposed to silica.

There is minimal risk of exposure to silica at ARM's operations due to the geological characteristics of the ore bodies of our base metals and platinum mines. Silica levels are monitored and remain below the threshold. Dust suppression nevertheless remains an important occupational hygiene consideration given the link between dust, TB and HIV infection.

Airborne dust levels are managed through the use of water sprays and surfactants, and by using extractor fans where appropriate to minimise employees' exposure to dust in the workplace.

Lung function tests are conducted on all employees as part of the mandatory medical surveillance programme and cases in which respiratory function decreases beyond a set limit are reported to the DMR. Where the condition is determined to have resulted from occupational exposure to dust, cases are submitted for compensation. There was a case of occupational respiratory disease during F2016 (F2015: two) when an employee at Beeshoek Mine was diagnosed with mixed dust pneumoconiosis in December 2015. While there is no known risk of pneumoconiosis at the operation, the matter was comprehensively investigated and the pneumoconiosis was found to originate from his previous employment. The case was reported to the DMR and submitted to the Medical Bureau for Occupational Diseases.

HAZARDOUS SUBSTANCES

Where hazardous substances are present, exposure is managed through occupational hygiene and personal monitoring, awareness campaigns, personal protective equipment and formalised safe operating procedures to limit exposure. We take a precautionary approach and as far as practical, limit exposure to hazardous substances and have control measures in place to prevent exposure to dust and fumes. Baseline lung capacity tests are conducted before employees and contractors start working in high-risk areas as part of the mandatory medical surveillance programme.

Manganese is processed at Cato Ridge Works and Machadodorp Works. A medical surveillance and biological monitoring programme developed by leading occupational health specialists, is in place at these operations. Corporate standards for medical surveillance of employees exposed to manganese have been implemented at Machadodorp Works, Cato Ridge Works and Black Rock Mine.

The findings of the inquiry convened by the Department of Labour into the alleged cases of manganism at the Cato Ridge Works, which inquiry was completed during 2008 and which matter has been reported on in previous reporting periods, have still not been made available to the Company. Thus, the final outcome in this matter is still awaited. ARM remains committed to fulfilling all its obligations in regard to preventing exposure, as prescribed in the Occupational Health and Safety Act and the Hazardous Chemical Substances Regulations.

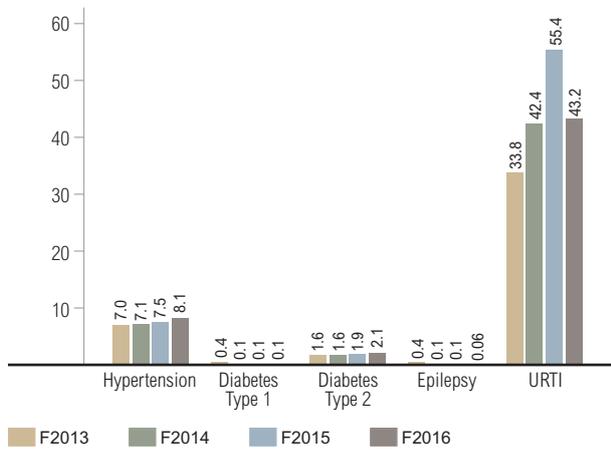
Asbestos fibres are present in the ore body at Nkomati Mine. Exposure to asbestos is monitored through medical surveillance programmes and reported to all relevant authorities, including the DMR.

PRIMARY HEALTH

CHRONIC AND/OR LIFESTYLE DISEASES

Chronic disease monitoring forms part of the total health risk and wellness management programmes at the operations and employees and contractors access primary healthcare services at the clinics. Chronic disease registers are maintained and chronic diseases are closely monitored, particularly where employees work in high-risk areas. If chronic conditions are not well managed, employees' access to risk areas is restricted until the condition is satisfactorily controlled.

CHRONIC DISEASES
(% of the workforce affected)



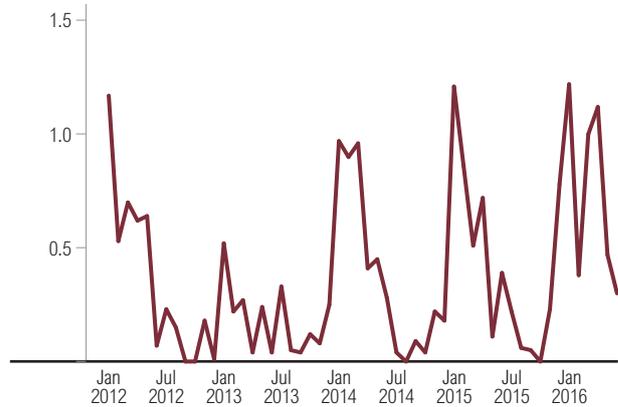
Hypertension affects 8% of our employees and Type 1 and Type 2 Diabetes Mellitus together affect just over 2%. Upper respiratory tract infections (URTI) are frequent, especially in the colder months of the year and 9 297 cases were diagnosed and treated during F2016, including repeat cases (F2015: 13 001). Diagnosis of URTIs is based on a medical screening questionnaire rather than on a full diagnostic process and the relatively high number of cases reflects mostly primary health conditions, as well as an increase in access to primary healthcare.

MALARIA

Malaria prevalence rates in the Zambian Copper Belt where Lubambe Mine is located, are over 25%. Prevalence at Lubambe Mine averages less than 1% of the workforce, but increases to around 20 cases of malaria per month during the rainy season in the first quarter of the calendar year.

The mine has an ongoing malaria prevention programme, which includes awareness activities, residual indoor spraying of houses in nearby villages and buildings on site, treatment of stagnant water ponds surrounding the mine, regular safety talks and awareness campaigns regarding malaria prevention. These efforts are challenged by a suspected increase in resistance of mosquitos to the chemicals used in spraying.

MALARIA PREVALENCE AT LUBAMBE MINE
(% of employees)



OCCUPATIONAL HEALTH AND WELLNESS FOCUS FOR F2017

1 CONTINUED FOCUS ON REACHING THE 2014 OCCUPATIONAL HEALTH AND SAFETY MILESTONES, WHICH INCLUDE ELIMINATION OF OCCUPATIONAL LUNG DISEASE AND NOISE-INDUCED HEARING LOSS.

2 CONTINUED RISK-BASED MONITORING AND TREATMENT OF CHRONIC CONDITIONS.

HUMAN CAPITAL continued

TB, HIV & AIDS

Pulmonary tuberculosis (TB), HIV & Aids have a significant impact on those infected, their families and the communities in which they live, and both diseases represent a serious challenge to the health and wellbeing of many South Africans.

TB is an opportunistic infection and the compromised immune system associated with HIV infection greatly increases the risk of contracting the disease. The socio-economic factors often associated with the mining industry, including migrant labour and crowded living conditions are also linked to an increased risk of TB and HIV infection.

Anti-retroviral treatment (ART) and TB medication are effective in managing these diseases and early identification greatly improves outcomes. Managing TB, HIV & Aids is an important goal of our occupational health and wellness programme.

HIV prevalence varies in the districts in which our operations are located, with prevalence rates ranging from 14% in the Siyanda district in the Northern Cape to 40.8% in the Gert Sibande district in Mpumalanga. Prevalence rates at our operations are, however, estimated to be significantly lower than the district and provincial prevalence.

Exposure to silica dust increases the risk of developing TB; however, the dust at our base metals and platinum mines contains very low levels of silica. Dust suppression and watering down are nevertheless important basic controls.

Occupational health and wellness at Lubambe (including TB, HIV & Aids) are managed according to the relevant Zambian legislation and held by the Zambian authorities. The statistics reported in this section therefore exclude Lubambe Mine.

HOW WE MANAGE TB, HIV & AIDS

ARM's occupational health and wellness programme aligns with the National Strategic Plan (NSP) of 2012 – 2016 and the requirements of the Mining Charter, focusing on integrated management of TB, HIV & Aids and Sexually Transmitted Infections (STIs). The programme focuses on providing support to infected employees, while limiting the spread of TB, HIV & Aids both in our workforce and in labour sending areas.

Our HIV & Aids policy formalises ARM's commitment to addressing the challenges posed by the disease and entrenches employees' rights to confidentiality and non-discrimination. Employees are encouraged to know their status and to take responsibility for managing their wellness. Our mining operations report to the DMR annually on the progress and implementation of our HIV, STI and TB programmes.

The primary healthcare services offered by the clinics at our operations include on-site counselling and testing for TB and HIV. Our approach to managing occupational health and wellness is discussed on pages 78 and 79 of this report.



SR



Clinical testing station

ARM's TB management programme includes workplace investigations and compulsory TB screening for those in contact with TB infected employees at the workplace. These interventions are reported according to a standard TB reporting tool and align with the updated requirements of the DMR, the Department of Health and the National Strategic Plan 2012 – 2016. They also apply the broader requirements for monitoring TB, multi-drug resistant TB (MDR TB) and extensively drug resistant TB (XDR TB).

TB, HIV & Aids management at our operations is driven by our values and aligns with a broad range of regulations, organisations and guidelines, including:

- > The Mine Health and Safety Act;
- > The Occupational Health and Safety Act;
- > The National Strategic Plan (NSP) of 2012 – 2016;
- > The Mining Charter;
- > The Department of Labour Requirements;
- > The HIV/Aids National Guidelines;
- > The DMR TB Guidance Note;
- > The National TB Control Centre;
- > The South African Business Coalition on Health and Aids (SABCOHA); and
- > The ICMM Principles of Sustainable Development.

ARM takes a Counselling and Voluntary Testing (CVT) approach to managing HIV, in which all employees who visit the site clinics are offered HIV counselling, while testing remains voluntary. CVT is offered to employees at initial, periodical and exit medicals, and upon request of employees.

TB, HIV & AIDS HIGHLIGHTS AND CHALLENGES

A slight improvement of the overall HIV & Aids internal compliance score at operations to 84.3% from 83% in F2015, exceeding our target of 80%.

A change of the occupational healthcare service provider at Two Rivers and Dwarsrivier mines impacted the ability of the clinics on these mines to dispense TB, HIV and STI medication supplied by the Department of Health (DoH). Presentations were made to the Limpopo DoH and services will be re-established before year-end.

The revised monitoring tool presented by the Mines Health and Safety Council for accurate reporting of TB-related statistics was implemented by the South African mining operations.

ARM'S INTEGRATED WELLNESS MANAGEMENT STANDARD

Our Integrated Wellness Management Standard standardises our approach across Group operations and supports the implementation of comprehensive programmes to manage TB, HIV & Aids, STIs and chronic diseases. Operational programmes are supervised by trained occupational health and wellness coordinators. The wellness coordinators at Two Rivers, Dwarsrivier, Khumani, Beeshoek and Black Rock mines have completed South African National Standard (SANS) 16001, HIV & Aids Management implementation training.

Induction training for all employees and contractors includes awareness and education about TB, HIV & Aids and STIs and this is supported by various awareness campaigns conducted throughout the year. These include wellness days with voluntary testing and the observation of World Aids Day on 1 December. Peer Educators are active at the operations and receive training and provide formal feedback to the Wellness Committees.

There are wellness centres at seven of our operations where employees can receive treatment and counselling and Nkomati Mine has a full-time Primary Health Care (PHC) nurse to provide daily PHC services. All permanent employees belong to medical aid schemes that provide disease management programme benefits, including HIV & Aids treatment.

Khumani, Beeshoek and Black Rock mines partner with the Department of Health in the Northern Cape to improve access to treatment for HIV, TB and STIs and Beeshoek Mine's wellness centre has been approved to dispense HIV & Aids, STI and TB treatment. Various operations are involved in HIV & Aids-related community outreach and awareness programmes.

Certain community initiatives pose challenges in ensuring the optimal functioning of local Aids councils, supporting local Wellness Committees to continue working with medical aid schemes and encouraging trained Peer Educators to remain active.

The labour reductions at some operations has affected the effectiveness of the Wellness Committees and Peer Educators and focus will be placed on getting those back to full effectiveness going forward.

HUMAN CAPITAL continued

TB, HIV & AIDS FOCUS FOR F2016

1 CONTINUE PASSIVE TB SCREENING AND OFFERING HIV COUNSELLING AND VOLUNTARY TESTING TO ALL EMPLOYEES VISITING OUR CLINICS.

The number of employees and contractors counselled for HIV & Aids remained steady at 26 207 (F2015: 26 153) despite the average workforce decreasing by 7%. 9 235 employees and contractors were tested (F2015: 8 331).

2 REINFORCE OUR TB-RELATED COMMUNITY OUTREACH PROJECTS TO FOCUS ON EARLY DETECTION AND TREATMENT OF TB FOR COMMUNITIES AROUND OUR OPERATIONS.

ARM's TB, HIV & Aids programme includes various awareness and testing campaigns in communities around the mines and operations. We also engage with local Aids councils to ensure that community projects address the most pressing wellness and health needs.

COMMUNITY TB, HIV & AIDS INITIATIVES

ARM's operations are involved in various community awareness and outreach initiatives to address TB, HIV & Aids among employees and in communities.

Ongoing projects supported include:

BLACK ROCK MINE

Tshela Bophelo community wellness centre in Maruping Village (JTG district). The mine also supports and assists local community home-based care groups to render quality services to the village and the surrounding areas.

DWARSRIVIER MINE

Ngwaabe community home-based care group in the Sekhukhune district: Construction of the home-based care centre has been completed.

TWO RIVERS MINE

Masha Gosebo community home-based care group in Kalkfontein to provide home care to 46 patients in the village. The operation provides monthly stipends and training to the home-based care group.

NKOMATI MINE

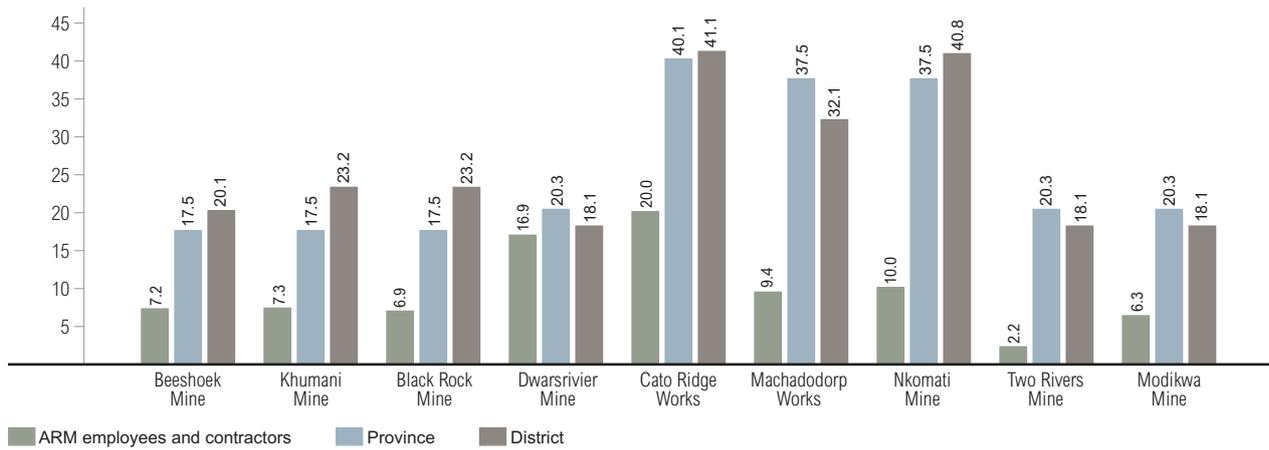
Emngwenya community home-based care group in Waterval Boven to provide home care services and to identify and support orphans and vulnerable children in the local communities.

HIV & AIDS

PREVALENCE

The average estimated HIV prevalence for the Group is 7.5% (F2015: 8.5%). The graph below represents estimated operational prevalence along with the district and province prevalence. Prevalence rates at our operations are lower than district prevalence in all regions.

HIV PREVALENCE (%)



MANAGING AND MONITORING OUR HIV & AIDS PROGRAMME

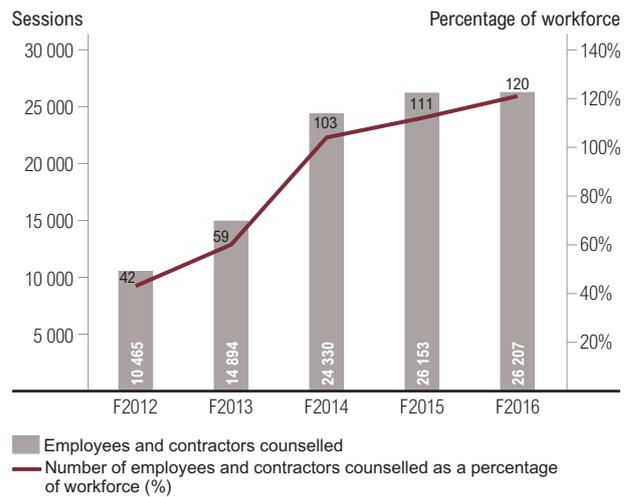
ARM's HIV management programme standardises HIV & Aids management programmes across the operations. Regular audits identify areas for improvement, measure year-on-year progress and benchmark performance between operations. The average audit score increased slightly to 84% in F2016 (F2015: 83%), exceeding our target of 80%.

HIV MANAGEMENT PROGRAMME: INTERNAL AUDIT SCORE (%)



There were 26 207 HIV & Aids counselling contacts with employees and contractors during 2016 (F2015: 26 153), while the average workforce decreased by 8%. Total CVT contacts exceeds the total workforce because CVT is performed every time an employee visits the clinic, which includes repeat visits for regular check-ups.

HIV AND AIDS COUNSELLING SESSIONS



HUMAN CAPITAL continued

TB, HIV & Aids	F2016			F2015		
	Ferrous	Platinum	ARM	Ferrous	Platinum	ARM
Employees and contractors:						
– Counselling	9 860	16 347	26 207	10 184	15 969	26 153
– Tested	1 662	7 573	9 235	2 454	5 877	8 331
– On disease management programmes	2 010	815	2 825	983	NR*	NR*
– Receiving Anti-Retrovirals (ARVs)	1 940	1 644	3 584	1 203	NR*	NR*

* NR refers to figures not reported. There was a change in the medical aid schemes at Modikwa Mine in F2015, which resulted in health statistics not being fully reported during F2015. The reporting system has since been fully aligned.

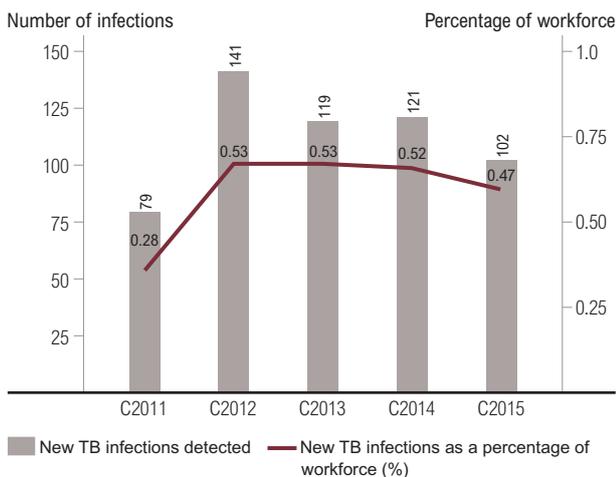
PULMONARY TUBERCULOSIS (TB)

Passive TB screening is conducted during all visits to our occupational health clinics through the Department of Health's (DoH) cough questionnaire. Employees with TB are monitored according to the Group's TB management protocol and reporting standard. Where new cases of TB are detected, these are followed up with screenings of all contacts at the workplace and local community clinics are informed to conduct contact screenings in the community, as required by the DMR and the NSP.

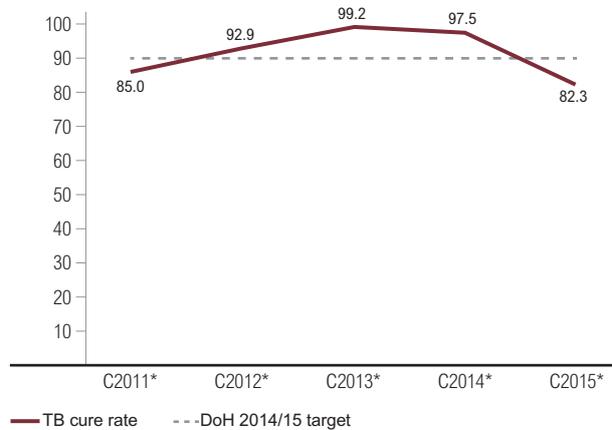
TB information is collected and reported to the Department of Health on a calendar year and is therefore reported in this section for the 12 months ending 31 December 2015 (C2015).

In C2015, 45 243 TB screening tests were performed on employees and contractors (C2014: 102 656) and 102 new cases were detected (C2014: 121). Eighty four of these cases were cured, which equates to an 82.3% cure rate, which is below the Department of Health's 2014/2015 target of 90%. Many of the new TB cases identified at our operations did not finish their treatment regime at ARM sites, but transferred to other treatment facilities. Since these cases were no longer recorded on our systems, the reported cure rate dropped.

NEW TB INFECTIONS DETECTED AND AS A % OF WORKFORCE



TB CURE RATE (%)



* Calendar year.

Five cases of multi-drug resistant (MDR) TB were detected during the year (C2014: six). Each of these cases had health investigations performed in terms of Section 11(2) of the Mine Health and Safety Act and the results were submitted to the DMR. The patients were admitted to special MDR hospitals for further management as required by the Department of Health.

During F2016, Beeshoek Mine, in partnership with the Northern Cape Department of Health organised a TB screening campaign at ZF Mgcawu district in the Postmasburg area, at which close to one thousand people were screened and some put on treatment.

Pulmonary TB	Jan to Dec 2015			Jan to Dec 2014		
	Ferrous	Platinum	ARM	Ferrous	Platinum	ARM
Employees and contractors:						
– Screened	23 957	21 286	45 243	56 908	45 748	102 656
– New cases	39	63	102	41	80	121
– Cured	35	49	84	41	77	118
– MDR/XDR*	3	2	5	5	1	6

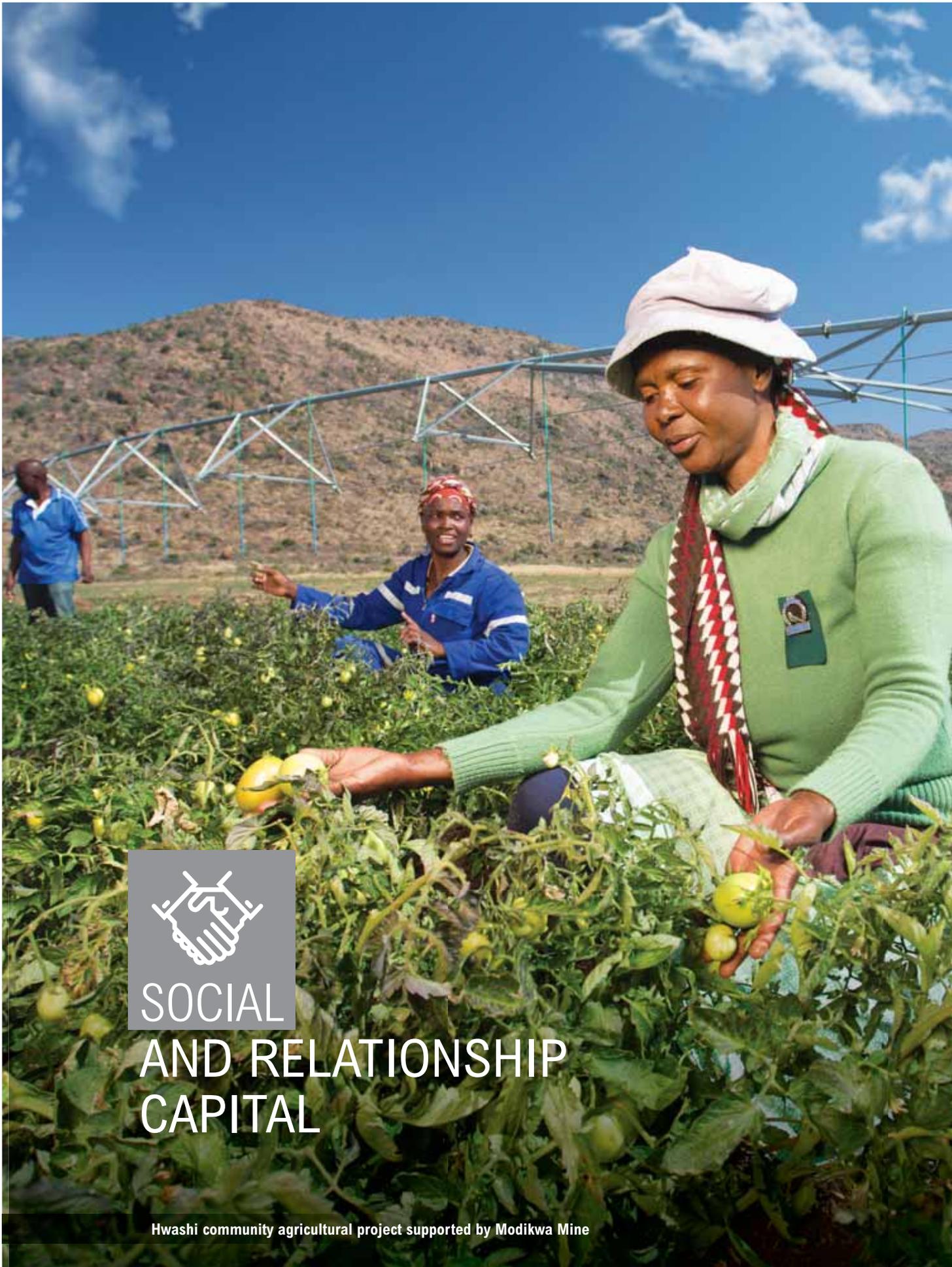
* Multi-drug resistant/Extensively drug resistant TB.

TB, HIV & AIDS FOCUS FOR F2017

1 ALIGNMENT WITH AND IMPLEMENTATION OF THE NEW NATIONAL STRATEGIC PLAN (NSP 2017 – 2021) TO ENSURE REDUCTION AND PREVENTION OF TB, HIV & AIDS INFECTIONS AND OFFERING ALL EMPLOYEES COUNSELLING AND VOLUNTARY TESTING (CVT) AND LINKING ALL ELIGIBLE EMPLOYEES TO AN ANTI-RETROVIRAL (ART) DRUG PROGRAMME.

2 CONTINUE PASSIVE TB SCREENING AND OFFERING HIV COUNSELLING AND VOLUNTARY TESTING TO ALL EMPLOYEES VISITING OUR CLINICS.

3 REINFORCE OUR TB-RELATED COMMUNITY OUTREACH PROJECTS TO FOCUS ON EARLY DETECTION AND TREATMENT OF TB FOR COMMUNITIES AROUND OUR OPERATIONS.



SOCIAL
AND RELATIONSHIP
CAPITAL

Hwashi community agricultural project supported by Modikwa Mine

SOCIAL AND RELATIONSHIP CAPITAL

Building social and relationship capital is inextricably linked to the trust built through demonstrating ethical values such as responsibility, accountability and fairness.

Careless or irresponsible actions erode trust with critical stakeholders such as government and communities, as well as with broader society. Trust and transparency are particularly important for companies in the extractive industry, which are seen as high impact because these attributes are key elements of an organisation's social licence to operate.

ARM and its employees are guided by the Company's values, governance structures and ethical leadership to act with integrity and respect for the societal context in which we operate. We are committed to respectful two-way engagement with stakeholders, investing to improve the living conditions in communities and contributing to the transformation of the South African mining industry.

ARM's values include a commitment to working responsibly, engaging respectfully with stakeholders and improving the living conditions of the communities in which we operate.

Our most material social and relationship matters

- > STAKEHOLDER ENGAGEMENT;
- > TRANSFORMATION; AND
- > CORPORATE SOCIAL RESPONSIBILITY.

STAKEHOLDER ENGAGEMENT

From exploration to the end of the life of mine can span several generations of community members and employees. Establishing a respectful and trusting relationship with stakeholders is essential to ensure continued access to resources, labour from local communities and to retain our licence to operate.

Stakeholder engagement reflects in ARM's risk register as one of the top risks facing the Company in recognition of the significant financial impact of disruptions to operations from community unrest, regulatory stoppages and strikes.

Stakeholder engagement is a critical input into how we conduct our business, arising from our commitment to the principle of stakeholder inclusivity. Stakeholders' legitimate concerns and expectations not only provide a broader context but also serve to refine our strategy and shape the long-term direction of the Group. We define stakeholders as any individual or group that has a material interest in or is affected by ARM.

HOW WE MANAGE STAKEHOLDER ENGAGEMENT

Engagements with stakeholders occur through both formal and informal interactions, and at corporate, divisional or operational level as appropriate to the stakeholder. Key stakeholder concerns are identified and appropriately addressed, with clear communication of our response and progress.

The Company's Code of Conduct contains a stakeholder communication policy that includes measurable outcomes for all engagements. Engagement reports and minutes are kept at operations to ensure learnings are documented and shared effectively, and stakeholder and community engagement is part of the agenda of operational, divisional and Board meetings.

Senior executives responsible for stakeholder engagement include the Executive: Business Development, the Executive: Corporate Affairs, the Head of Investor Relations, the Executive: Compliance and Stakeholder Relations and divisional senior management.

ARM's approach to stakeholder engagement takes guidance from various sources, including:

- > The ICMM Sustainable Development Framework;
- > King III;
- > The National Environmental Management Act (NEMA);
- > The Minerals and Petroleum Resources Development Act (MPRDA); and
- > Other relevant legislation.

ARM participates in the mining industry engagements with the Faith Community that led to the first Day of Courageous Conversations under the auspices of the Archbishop of Cape Town, the Most Reverend Reverend Dr Thabo Makgoba. These engagements seek to promote honest and transparent conversations between the main stakeholders in the mining industry to find solutions to South Africa's societal challenges.

Each mine conducts formal stakeholder engagement activities at least twice a year. An external review of Black Rock Mine's stakeholder engagement process was conducted during the year and the recommendations are being considered for implementation.

Regular engagements with interested and affected parties are held at all operations to address issues of social and environmental importance, including concerns regarding access to water, dust

SOCIAL AND RELATIONSHIP CAPITAL continued

mitigation, blasting and employment opportunities. These engagements with local communities and other interested parties promote transparency regarding our activities, mitigate concerns where relevant and identify how and where to invest in communities, including water infrastructure. Environmental engagements include the Gladdespruit Forum, which Nkomati Mine leads, that convenes the most important water users in the region, such as forestry, farmers (including recreational trout farming), communities, the mine and the Inkomati-Usuthu Catchment Management Agency (IUCMA).

Any complaints arising from these engagements are reported in quarterly sustainability reports, which are reviewed as a standing agenda item at operational, divisional and Board-level Social and Ethics Committees. Employees, communities, suppliers and other stakeholders can also report any concerns or complaints through the anonymous whistleblowers' hotline.

Community unrest around various of the Group's mining operations was a challenge during the year, relating mainly to service delivery protests, but also to increased local procurement, local jobs and opportunities for youth. The socio-economic environment around the Steelpoort/Burgersfort community, close to Two Rivers and Nkomati mines, remains sensitive. The CEOs of mining companies operating in the area formed a working group to address the volatile situation, working with the Chamber of Mines.

Community service delivery protests prevented ore transport vehicles from leaving Nkomati Mine, Two Rivers Mine lost four days of production and Dwarsrivier Mine lost three days to community unrest. A community march was held at Modikwa Mine, but did not impact production.

Nkomati Mine secured the necessary authorisation from the South African Heritage Resources Agency and successfully relocated 23 graves during April 2016 under supervision of professional archaeologists, selected family members and health inspectors from Gert Sibande District Municipality.

TRANSFORMATION

Transformation has been identified as a significant risk which has to be managed appropriately. We are committed to non-discrimination and acknowledge that transformation is a critical challenge for South Africa and South African business. We support the principle of transformation and view performance against the categories of the Broad-Based Socio-Economic Charter of the Department of Trade and Industry (dti) and the Mining Charter as an effective way to redress historical inequality, facilitate broader social development and to give all South Africans a stake in the country's mineral wealth.

We aim for continuous improvement in transformation that goes beyond the requirements of the transformation guidelines and regulations that apply to our operations. ARM's strategy and business processes incorporate the concept of transformation and implement it in the way we engage and develop our workforce, how we direct our procurement spend and the way the value we create is distributed. Our socio-economic development initiatives aim to uplift lives, create opportunities for local youth, and address squalid living conditions and unemployment in the communities around our operations.

Demonstrating our commitment to transformation has a direct impact on the Company's ability to increase the value of our financial capital over time. Failure to transform our workforce and contribute to development in our local communities increases the risk of labour and social unrest that could lead to production disruptions. Not achieving the transformation goals in the Mining Charter and Revised dti Codes of Good Practice (CoGP) could result in the loss of the Company's mining licences, as well as reputational damage and erosion of social and relationship capital built up with government, our customers and suppliers.

HOW WE MANAGE TRANSFORMATION

Transformation in the Company is measured against the Broad-Based Socio-Economic Charter of the dti and the Mining Charter. ARM's approach to transformation is monitored and reviewed by the Social and Ethics Committee while the Employment Equity and Skills Development Committee is responsible for transformation in the workforce. Commitments made in our Social and Labour Plans are achieved through transformation action plans.

Compliance with the requirements of the Mining Charter and the Revised dti CoGP are managed as part of the relevant business function to which they most closely relate. Preferential procurement, for example, is managed as a central concern of the procurement function, while transformation in human capital terms, such as employment equity and skills development, is managed as part of the human resources strategy. The commitments in our Social and Labour Plans are implemented through transformation action plans.

The various employment equity requirements of the Revised dti CoGP, the Mining Charter and the Employment Equity Act are tracked and coordinated through the Human Resources Department systems to enable operations to track their performance against regulations and put in place plans to address areas for improvement.

ARM is part of the government-led Mining Operation Phakisa initiative that was announced by President Zuma in his State of the Nation Address in 2015. The initiative aims to galvanise growth, transformation, investment and employment creation along the entire mining value chain, in relevant input sectors and in mining-related communities.

REGULATIONS, GUIDING FRAMEWORKS AND INDUSTRY INITIATIVES

Transformation at ARM draws on guidelines and regulations, including:

- > The ICMM Sustainable Development Framework;
- > The Mining Charter;
- > The Labour Relations Act;
- > The Department of Trade and Industry Revised Codes of Good Practice;
- > The Mineral and Petroleum Resources Development Act; and
- > The Employment Equity Act.

Note: The dti CoGP and Mining Charter do not apply to ARM's non-South African operations and Lubambe Mine is therefore not included in this section.

TRANSFORMATION HIGHLIGHTS AND CHALLENGES

All of our mining operations exceeded the Mining Charter preferential procurement targets of 40% capital, 50% consumables and 70% services procurement.

Achieving employment equity targets in the professionally qualified employees and senior management categories remains a challenge. The human resources strategy supports improvements in employment equity at senior levels through a combination of succession planning, graduate development and by ensuring that open positions are offered to equity candidates whenever possible.

The Draft Mining Charter Review has been released, but has not yet been gazetted, so the existing (2014) targets remain applicable until formally revised by the DMR.

The targets set by the Revised dti B-BBEE CoGP introduced in May 2015 are considerably more stringent and ARM's performance declined from Level 4 to Level 8 under the Revised CoGP. We continue to investigate a range of initiatives to improve our performance, over a reasonable period. However, significant improvement in the short term will be a challenge in some elements.

Ensuring that suppliers have valid and current B-BBEE certificates is an ongoing focus in maintaining our preferential procurement score under the dti CoGP.

TRANSFORMATION FOCUS FOR F2016

1 COMPLIANCE IN TERMS OF DMR COMMITMENTS AS OUTLINED IN THE MINING CHARTER.

ARM's mining operations submitted Mining Charter reports (on performance against the Mining Charter targets for the period 1 January – 31 December 2015) to the DMR in April 2016 and all of our mines reported improved scores in most elements of the Mining Charter scorecard.

All of our mines exceeded the Mining Charter preferential procurement targets of 40% capital, 50% consumables and 70% services.

2 ALIGNING COMPLIANCE EFFORTS WITH THE NEW dti CODES.

While ARM's dti B-BBEE score decreased slightly to 68.82% in F2015 (F2014: 73.19%), the requirements of the Revised dti CoGP led to the Company falling from Level 4 in F2014 to Level 7. This was further discounted to Level 8 due to the sub-minimum scores not being met for enterprise development and supplier development under the Revised CoGP.

SOCIAL AND RELATIONSHIP CAPITAL continued

PERFORMANCE AGAINST THE MINING CHARTER SCORECARD AND dti CoGP

Mining licences are issued in terms of the MPRDA, which binds holders of these licences to the transformation requirements of the Mining Charter. These requirements apply to ARM's seven South African mines, while our smelters at Cato Ridge and Machadodorp, as well as the overall Group performance, are measured against the Revised dti CoGP.

A revised Mining Charter was released in draft in April 2016 and is currently the subject of consultation between the mining industry and the DMR. The revised categories and targets in the current draft are more onerous than the current targets and will have a significant impact on ARM's transformation performance. Until the Revised Mining Charter is gazetted, the targets set in the current Mining Charter, which relate to the year ending 31 December 2014, remain in place. ARM operations continue to use the 2014 targets to measure transformation performance.

Revisions to the dti CoGP came into effect in May 2015, which raised the targets within each category and added further requirements, sub-minimum scores, various exclusions and

capping provisions that have significantly affected the level of most companies reporting against the Revised CoGP.

The Revised dti CoGP contain a trumping provision that gives them precedence over other BEE regulations, including the current and Revised Mining Charters. The dti issued an exemption notice in October 2015 exempting the DMR from applying the dti scorecard until 26 October 2016.

A series of roadshows are planned for F2017 to support operations in preparation for the dti CoGP scorecard audits, inform them of the requirements of the Revised Mining Charter once gazetted and to implement the required initiatives to improve transformation performance under both the dti CoGP and the Mining Charter.

The current Mining Charter takes a broader approach to transformation to include aspects of sustainable development that are not measured in the dti CoGP. The table below compares the two transformation guidelines currently in effect and the section that follows discusses transformation in terms of these guidelines.

	 MINING CHARTER Year to December 2015	 dti CoGP Year to June 2016
Application	Applies to all holders of mining licences in terms of the MPRDA	Applies to all government entities and therefore to all companies that do business with these entities. ARM sells coal to Eskom and buys services from Transnet
Relevance	Mining industry only	Generic across all industries
Current reporting period	Calendar year (to 31 December 2015)	Financial year (to 30 June 2016)
Entities covered	Seven ARM mines in South Africa only	Cato Ridge Works, Machadodorp Works, ARM Group
Nature	Black Economic Empowerment (BEE)	Broad-Based Black Economic Empowerment (B-BBEE)
External verification	Third party verification of procurement data by DECTI	BEE Verification Agency CC

OVERALL PERFORMANCE

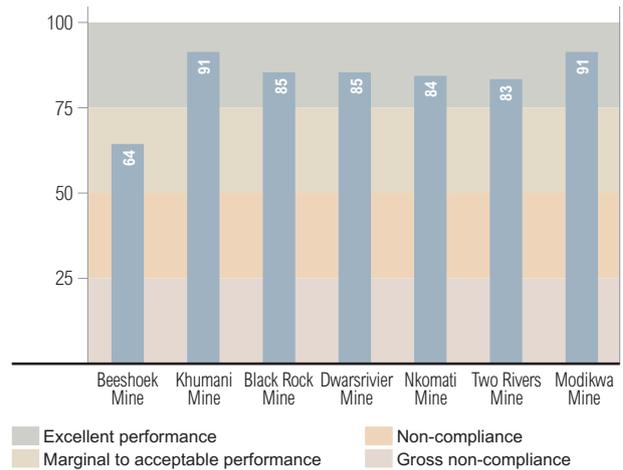


MINING CHARTER
Year to December 2015

ARM's seven mining operations in South Africa submitted Mining Charter reports for the 2015 calendar year in April 2016. While all of our mines reported improved scores in most elements of the Mining Charter scorecard, the DMR's web-based tool which automatically scores each submission in terms of overall performance percentage was not available at the time of submission. We can therefore, unfortunately not report an overall performance percentage or individual category scores as in the previous year.

We are confident that the action plans that we have put in place subsequent to the previous scoring, have yielded positive results, both in specific elements and overall performance against Mining Charter targets.

MINING CHARTER PERFORMANCE (1 January – 31 December 2014)
(%)



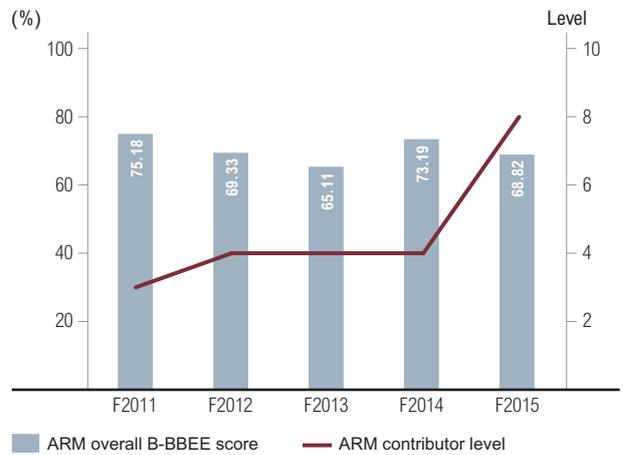
dti CoGP
Year to June 2016

ARM has historically reported its B-BBEE score for the year ahead. In F2015, the score was still under review at the date of publication of the F2015 Sustainability Report and was therefore not published. The F2015 BEE certificate covered the year to 18 October 2016, and therefore was in force at the end of the current financial year on 30 June 2016. The sections below therefore address the F2015 score as the latest available at publication.

While ARM's dti B-BBEE score decreased slightly to 68.82% in F2015 (F2014: 73.19%), the requirements of the Revised dti CoGP led to the Company falling from Level 4 in F2014 to Level 7. This was further discounted to Level 8 due to the sub-minimum scores not being met for enterprise development and supplier development under the Revised CoGP.

A B-BBEE scorecard audit and assessment was performed by the external verification agent. Roadshows at the operations presented the audit result feedback and the interventions necessary to align with the Revised CoGP and improve the overall level achieved. Workshops were held with operations to assess progress made in addressing non-compliant areas of the scorecard.

OVERALL dti B-BBEE SCORE



SOCIAL AND RELATIONSHIP CAPITAL continued

OWNERSHIP

One of the aims of the Mining Charter is to increase economic participation of Historically Disadvantaged South Africans (HDSAs) in the mining and minerals industry and it consequently sets a 2014 target of 26% ownership of mining companies.

ARM has an effective 53.89% HDSA ownership base, which comprises of African Rainbow Minerals & Exploration Investments (40.35%), Ubuntu-Botho Commercial Enterprises (0.38%) and the ARM Broad-Based Economic Empowerment (BBEE) Trust (13.16%). The Mining Charter uses the flow through principle, which attributes the HDSA ownership of a holding company to a subsidiary in proportion to the percentage held by the holding company.

MINING CHARTER
Year to December 2015

ARM's ownership structures achieve meaningful economic participation by HDSAs in all operations. These structures have clearly identifiable beneficiaries, full shareholding voting rights and full participation in cash flow from investments (dividends). All operations exceed the 2014 ownership target of 26%.

OWNERSHIP – MINING CHARTER
(%)



dti CoGP
Year to June 2016

ARM's overall ownership structure resulted in a score of 22.14 out of a possible 25 for F2015 under the Revised CoGP compared to 17.98 out of 20 in F2014 under the original CoGP.

OWNERSHIP – dti
(%)



HOUSING AND LIVING CONDITIONS



MINING CHARTER Year to December 2015

Mining companies are required to improve housing standards and living conditions for mineworkers by the Mining Charter, which set targets for December 2014 as follows:

- > converting or upgrading hostels into family units; and/or
- > attaining an occupancy rate of one person per room; or
- > facilitating home ownership options for all mine employees in consultation with organised labour.

The Group's housing strategy and policy aims to ensure that every employee has decent accommodation in line with the Mining Charter, the Housing and Living Conditions Standards for the Minerals Industry and the relevant municipal and spatial planning legislation. All operations have met the 2014 housing and living conditions targets and our housing initiatives are discussed in the Human Capital section on page 67 of this report.

PREFERENTIAL PROCUREMENT AND ENTERPRISE DEVELOPMENT

By supporting economic growth among HDSAs and in local communities, ARM's preferential procurement and enterprise development programmes increase job creation, widen the scope of market access for South African capital goods and services and increase economic activity in the areas around our operations. Ongoing support of HDSA-owned businesses allows them to formalise and become part of industry supply chains, and ultimately expands the industry supplier base.

PREFERENTIAL PROCUREMENT

Preferential procurement targets relating to capital goods, consumables and services are set in the Mining Charter. ARM's operational procurement information consists mainly of stores procurement data and excludes procurement through service level agreements such as reagent and ore supply contracts. The information is independently consolidated and verified by an external rating agency against the Mining Charter categories. If service level agreements were included in the preferential procurement calculations our scores would likely decrease.

The Revised dti CoGP combined the preferential procurement and enterprise development indicators from the original CoGP, and added supplier development to introduce a new category – enterprise and supplier development.

Procurement at ARM's South African operations was R16 billion in F2016 (F2015: R18 billion). In addition, capital and operating expenditures at Lubambe Mine in Zambia in F2016 were R75 million and R800 million respectively.

Black Rock, Khumani and Nkomati mines together account for 67% of total F2016 Group procurement.

Maintaining and improving procurement performance will require business units to identify opportunities for qualifying small enterprises, exempted micro enterprises, black women-owned suppliers.

Various initiatives are in place to support improvements in procurement performance, including:

- > Encouraging benchmarking and sharing of best practices between ARM operations.

- > ARM's standard contracts have been amended to include specific BEE/B-BBEE compliance requirements and supplier contract renewal is conditional upon the annual renewal of B-BBEE certificates.
- > Appraising existing suppliers/contractors of the importance of having a valid B-BBEE certificate and the impact it has on ARM and its operations.
- > Focusing on the top ten non-compliant suppliers per operation and where feasible, replacing non-compliant suppliers.
- > Prioritising suppliers with HDSA shareholdings of >25% +1 vote.
- > During the past year, preferential procurement matters were raised at all of the ARM quarterly supplier reviews.

ARM's Procurement Department is working closely with divisional Chief Executives to support improved preferential procurement and the KPIs of the CEO and divisional Chief Executives include procurement performance.

The increased focus on enterprise development and supplier development in the Revised CoGP will require operations to adjust current procurement practices and policies, which will make a significant contribution towards the 40% target for procuring from black-owned suppliers.

All operations continue to identify promising enterprise development candidates with good corporate governance in the local communities around them to grow the potential BEE supplier base.

Note: The procurement information discussed in this section is reported on a 100% basis and excludes procurement data for those operations where this function is managed by our joint venture partner:

- > Modikwa Mine – procurement is managed by Anglo Platinum.
- > ARM Coal/GGV – procurement is managed by Xstrata Coal.
- > The Vale/ARM partnership in Lubambe Mine is also excluded as this data needs to meet current Zambian legislative requirements.

Further information on enterprise and supplier development initiatives is available on page 108 of this report.

PREFERENTIAL PROCUREMENT AND ENTERPRISE DEVELOPMENT continued



dti CoGP
Year to June 2016

Under the Revised CoGP, preferential procurement includes the enterprise and supplier development categories. The Revised CoGP raised the preferential procurement target from 70% to 80%. ARM's preferential procurement score was impacted by the changes to the CoGP, as was the B-BBEE status of our suppliers, which also feeds through into our score. ARM's B-BBEE procurement in F2016 represented 98% of total measured procurement spend (F2015: 96%).

ENTERPRISE DEVELOPMENT

Enterprise and supplier development are essential aspects of addressing poverty through supporting long-term economic growth for small businesses and communities. ARM's mining operations supported more than a hundred SMMEs offering services, including cleaning and maintenance, construction and civils, waste management, transport and training. Support provided includes early payment terms, ongoing mentoring and coaching, business registration and training, legal documentation and business management.

ARM's enterprise development initiatives are managed through Local Economic Development (LED) and Small to Medium Enterprise (SME) projects included in the Corporate Social Responsibility (CSR) function. Further information is provided regarding these initiatives in the Corporate Social Responsibility section of this report.



MINING CHARTER
Year to December 2015

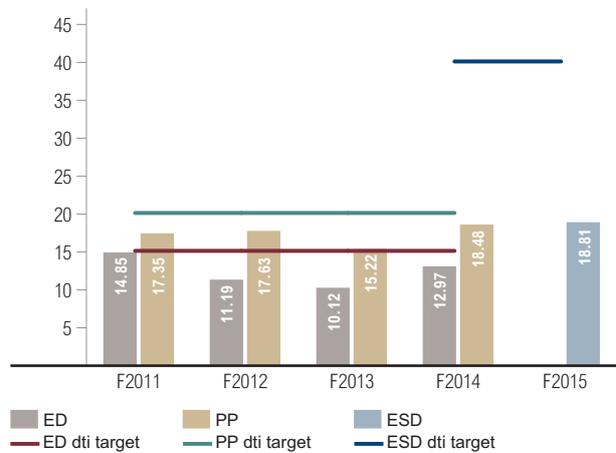
Enterprise development under the Mining Charter includes a requirement that a levy of 0.5% of procurement from multinational suppliers of capital goods is withheld and allocated to a social fund to contribute to social development initiatives. Dwarsrivier and Modikwa mines are engaging with the DMR to clarify requirements, establishing separate social fund structures to administer this funding and engaging with multinational suppliers on how to implement the requirements. Beeshoek, Black Rock, Khumani, Two Rivers and Nkomati mines are collecting levies from multinational suppliers of capital goods.



dti CoGP
Year to June 2016

The Revised dti CoGP introduced the enterprise and supplier development (ESD) category for the first time in 2015, which combines preferential procurement, enterprise development and supplier development. ARM scored 18.81 out of a possible 40 points in F2015. The chart shows ARM's performance for F2015 and provides ARM's historic performance against the preferential procurement and enterprise development categories under the original CoGP for context.

ENTERPRISE AND SUPPLIER DEVELOPMENT – dti



SOCIAL AND RELATIONSHIP CAPITAL continued

EMPLOYMENT EQUITY

The employment equity (EE) categories of the Mining Charter and dti CoGP aim to increase the representation of HDSAs in management. The Mining Charter targets 40% HDSA representation in the core and critical skills employee categories up to executive level by 2014. The dti CoGP focus on HDSA representation at executive and management levels, as well as representation of black employees living with disabilities.

Note that when ARM calculates EE representation, we limit recognition of white women to 5.62% (the current approximate representation in the national demographic) according to our interpretation of the intention of the Mining Charter.

Our approach to EE and performance for F2016 is discussed in detail on page 66 of this report.

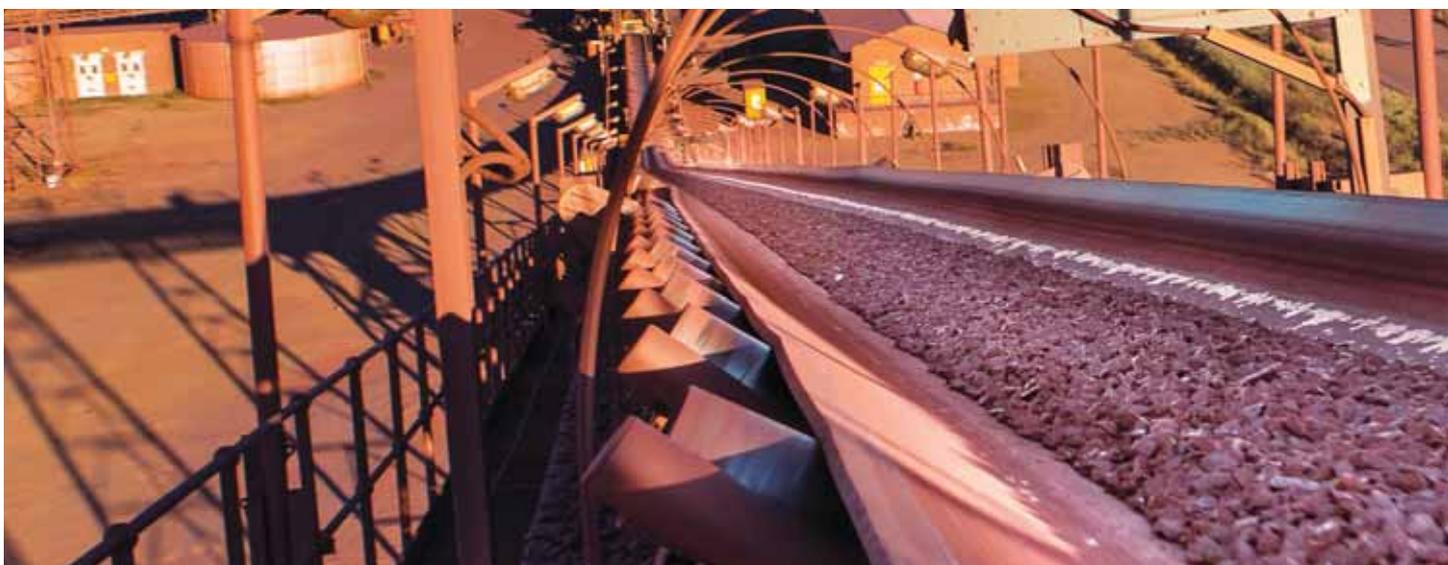
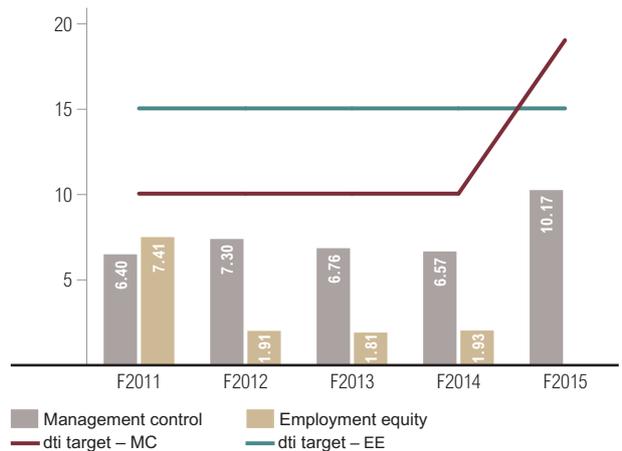
 **MINING CHARTER**
Year to December 2015

All ARM mines achieved the Mining Charter target of 40% HDSA at senior management, middle management, junior management and core skills. While Two Rivers and Modikwa mines achieved the 40% target at top management level, this remained a challenge for the other mines.

 **dti CoGP**
Year to June 2016

The Revised CoGP consolidated the management control and employment equity categories into a single management control category from 2015. ARM scored 10.17 out of a total of 20 under the Revised CoGP. The chart on the right also shows the earlier categories for context.

MANAGEMENT CONTROL



HUMAN RESOURCE DEVELOPMENT

The Mining Charter drives the continued development of HDSA employees through investment in essential skills development activities, setting a target of 5% of payroll, as well as rewarding support for South African-based research and development initiatives. Skills development under the Revised dti CoGP doubles the targeted investment in HDSA skills development to 6% of net profit after tax. Other criteria include weightings for skills development of HDSA employees living with disability; HDSA learnerships, apprenticeships and internships; training for unemployed HDSAs and HDSAs absorbed after learnerships.

Training initiatives offered across ARM's operations include learnerships, artisan training, apprenticeships, AET training, other external training initiatives, bursaries and scholarships, school support, post-matric programmes, a graduate development initiative and training centre costs. The Human Capital section on pages 58 to 67 of this report provides further detail on our approach to human capital and skills development.



MINING CHARTER Year to December 2015

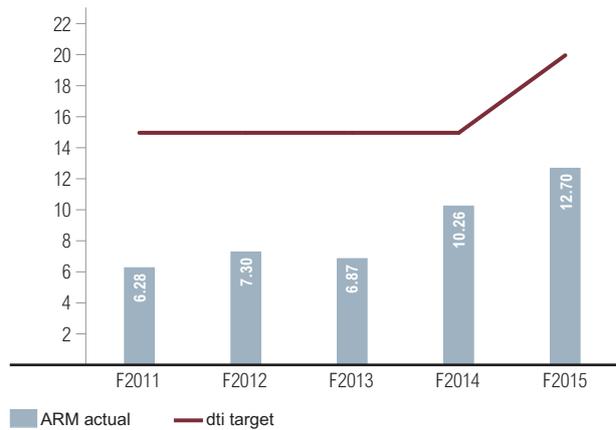
All of ARM's mines achieved or exceeded the 2014 target of 5% of payroll in C2015. In aggregate, across all seven mines, 5.91% of payroll was invested in human resources development.



dti CoGP Year to June 2016

ARM's skills development score under the Revised CoGP increased to 12.7 out of 20 in F2015 (F2014: 10.26 out of 15). The Company's relatively low skills development score is attributable to mandatory training such as general induction not counting towards the score, as well as the low absorption of unemployed s18.2 learnerships, apprentices and interns trained by ARM once their training is completed. We aim to ensure that more of these candidates are absorbed into ARM operations or placed at other mines where spaces are not available at Group operations.

SKILLS DEVELOPMENT SCORE – dti



Conveyor belt at Khumani Mine

SOCIAL AND RELATIONSHIP CAPITAL continued

MINE COMMUNITY DEVELOPMENT

The Mining Charter and dti CoGP support community development through investments in community infrastructure, skills and capacity building initiatives in the communities where mining takes place and in labour sending areas. The Mining Charter and dti CoGP both require an investment of 1% of net profit after tax.

Projects in ARM operations' Social and Labour Plans (SLPs) focus on enterprise development, community development and infrastructural development in line with the MPRDA. Projects are identified, approved and implemented in collaboration with the community and align with the communities' Integrated Development Plans (IDPs) as required by the Mining Charter.

Quarterly meetings with municipalities assess project progress and solicit community expectations and concerns. Several operations participate in IDP representative forums.

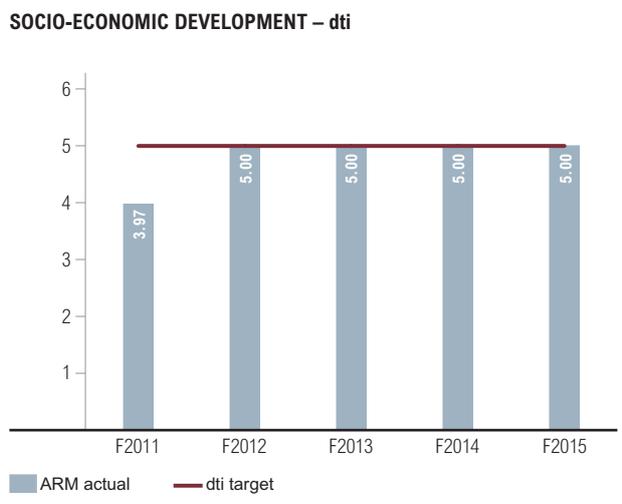
A number of community development initiatives take place in addition to the SLP community development projects, including the activities of Cato Ridge Works and Machadodorp Works, as well as a number of Corporate Social Investment initiatives. These are discussed in the Corporate Social Responsibility section of this report.

 **MINING CHARTER**
Year to December 2015

All seven of ARM's South African mines invested more than 1% in community development projects and in aggregate spent 3% of net profit after tax on mining community development initiatives.

 **dti CoGP**
Year to June 2016

The Group achieved a score of 5 out of 5 for socio-economic development against the Revised CoGP.



SUSTAINABLE DEVELOPMENT AND GROWTH



MINING CHARTER Year to December 2015

The Mining Charter’s 2014 sustainable development and growth targets included elements that aim to drive improvements in environmental management compliance, health and safety performance and research and development capacity and skills. From 2015, mines were no longer required to report on their environmental management compliance and research and development performance in the Mining Charter templates.

Five of the Group’s seven mines met all of the requirements of the remaining health and safety aspects. Black Rock Mine did not achieve the target of 8% for training safety representatives due to the Section 189a process implemented at the mine. Dwarsrivier Mine did not achieve the full score for an investigation into a specific research finding from the Mine Health and Safety Council and for implementing the Culture Transformation Framework. Both mines have put in place the necessary remedial actions to improve performance in these areas.

ARM’s approach to environmental management and health and safety are discussed in the Natural Capital and Human Capital sections of this report, respectively.

BENEFICIATION

Mining companies are required by Section 26 of the MPRDA and the Mineral Beneficiation Strategy to facilitate local beneficiation in support of the State’s developmental priority by enhancing industrialisation through local beneficiation of mineral commodities. The Chamber of Mines is engaging with the DMR on behalf of its members to better understand the reporting requirements in light of the Mineral Beneficiation Strategy.

TRANSFORMATION FOCUS FOR F2017

1 ALIGNING OUR COMPLIANCE EFFORTS WITH THE REQUIREMENTS OF THE REVISED MINING CHARTER WHEN FINALISED AND GAZETTED.

2 CONTINUE ALIGNING OUR COMPLIANCE EFFORTS WITH THE NEW dti CoGP THROUGH ALREADY ESTABLISHED ACTION PLANS.

3 EDUCATING RELEVANT STAFF AND DEVELOPING INTERNAL PROCESSES TO MONITOR AND REPORT IN TERMS OF THE TARGETS OF THE REVISED MINING CHARTER SCORECARD.

SOCIAL AND RELATIONSHIP CAPITAL continued

CORPORATE SOCIAL RESPONSIBILITY

ARM's values define our commitment to improving the lives of the host communities where we operate. This is achieved through creating jobs, developing skills that help community members to find employment and support enterprise development, and by investing in Corporate Social Investment (CSI) and Local Economic Development (LED) projects. Our projects focus on building capacity in communities and prioritise women, HIV & Aids projects, the advancement of people living with disabilities, youth and the socially destitute.

ARM's operations are active in some of the poorest and most remote parts of South Africa. Our investments in infrastructure and social projects provide important socio-economic development in these areas and support the ongoing sustainability of local communities. The beneficiaries of these projects include our employees, most of whom live in these communities, but also our current and future suppliers, partners and customers.

HOW WE MANAGE CORPORATE SOCIAL RESPONSIBILITY (CSR)

ARM's Social and Ethics Committee monitors the implementation of the Group's CSR strategy. Corporate CSR executives coordinate the various initiatives centrally and report to the divisional Chief Executives.

Projects at the operations support local communities as part of the commitment to LED undertaken as part of ARM's Social and Labour Plans (SLPs). SLPs are established and regularly revised in close consultation with communities, local government and the Integrated Development Plans. There are also Corporate Social Investment (CSI) initiatives run by the operations to address the particular needs of their host communities.

At the corporate level, CSR initiatives include ARM's Chairman's Fund, the Educational Trust and the ARM BBEE Trust (upliftment Trusts).

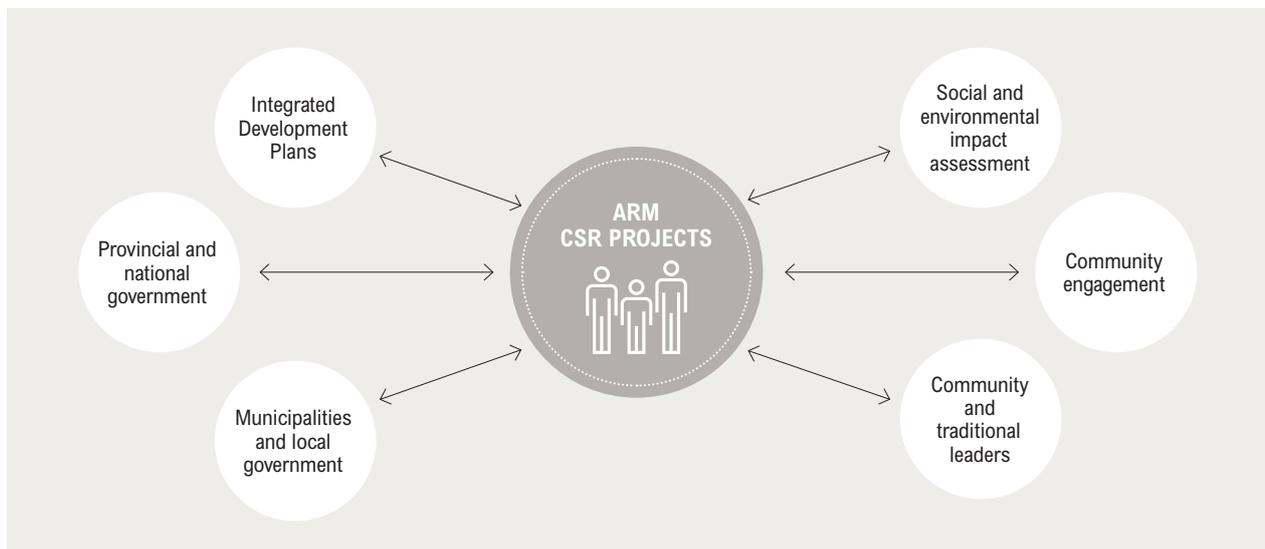
In addition to demonstrating our commitment to our values, our approach to CSR is informed by the ICMM principles and aligns with the requirements of the Mining Charter, the MPRDA and the dti CoGP.

All new projects and changes/expansion to our operations include identification and mitigation of socio-economic impact as part of the Environmental Impact Assessment (EIA) process. EIAs include engagements with interested and affected parties to communicate concerns, issues or conflicts arising from our activities.

Government and non-governmental organisations are important stakeholders in community development initiatives and ARM actively engages with these stakeholders as and when appropriate. This enables partnerships to be developed and strategies aligned to ensure effective design and implementation of community health, education, local business development and infrastructure development programmes. Each project is carefully assessed before adoption to ensure that it aligns with our CSR strategy, addresses community needs, and is meaningful and sustainable. Projects are monitored on an ongoing basis to ensure that they continue to deliver value for the community and other stakeholders.

Employees are encouraged to volunteer their time or make donations to make a difference through initiatives such as Mandela Day and the Motsepe Foundation Christmas Drive, which delivers toys and necessities to orphanages and childcare facilities across the country.

During F2016, internal audit conducted a review of returns on social investment for the LED and CSI programmes at operations and workshops were held to discuss the findings.



CORPORATE SOCIAL RESPONSIBILITY FOCUS FOR F2016

1 EDUCATION, WITH A PARTICULAR FOCUS ON TECHNICAL SUBJECTS AND BURSARIES FOR ENGINEERS.

Spending on education in F2016 represented 38% of total CSI spend (F2015: 22%) at R6.9 million (F2015: R12 million). Adding in bursaries and community development training, which are included in LED spending, the total investment in education for the year was R13.6 million.

2 SUPPLIER DEVELOPMENT AND ALIGNING WITH ARM'S SUSTAINABLE DEVELOPMENT TARGETS.

Various initiatives supported supplier development through the provision of financial and non-financial support during the year. Skills development and contractor development initiatives at our operations aim to improve skills and provide access opportunities in the supply chain. All operations have plans in place to provide opportunities for black-owned and black female-owned suppliers, including ring-fencing opportunities for suppliers that meet these requirements. More information about enterprise and supplier development initiatives at our operations is available on page 108 of this report.

3 IMPROVEMENT PROJECTS.

In addition to the projects implemented under the operations' SLPs, various other Local Economic Development initiatives support improved economic empowerment.

CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS AND CHALLENGES

The main challenges our CSR initiatives face are finding projects that create sustainable jobs and effectively alleviate poverty, quantifying the positive social impact that arise from these projects, and finding the right skills to implement them. Other challenges include:

- > Successfully coordinating the many parties involved in implementation of community projects and getting all stakeholders to agree, which often delays implementation;
- > Identifying the right community representatives and ensuring that they actively engage the community they represent;
- > Ensuring that completed projects are sustainable; and
- > Creating achievable plans and strategies on supplier development initiatives.

Community unrest negatively impacted on delivery (and hence expenditure) of some projects.

Political pressure on which projects to invest in, influenced by community unrest relating to service delivery.

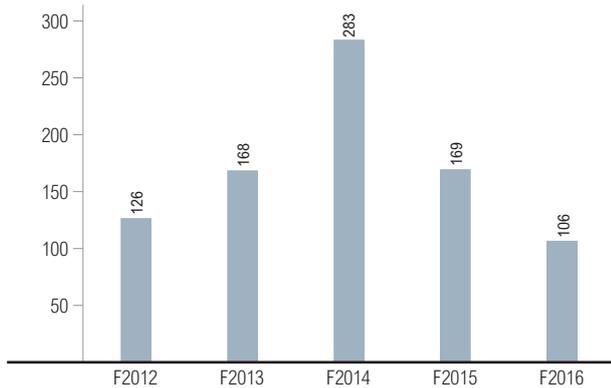
A highlight for the year was the restructuring of the ARM BBEE Trust to achieve a more permanent and sustainable funding solution for the Trust.

SOCIAL AND RELATIONSHIP CAPITAL continued

CSR INITIATIVES

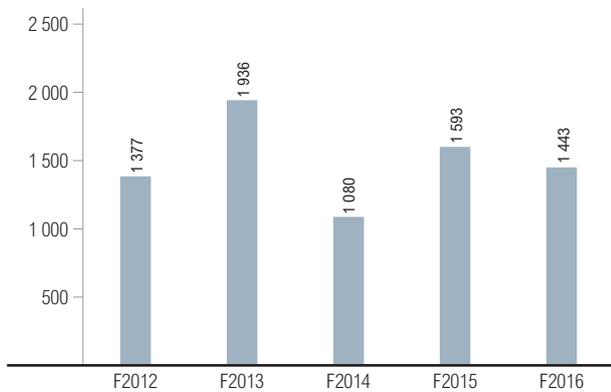
ARM invested R106 million in CSR in F2016, on a 100% basis (F2015: R169 million). This represents a decline of 37% on the spending in the prior year as a result of a reduction in budgets due to operational constraints and the impact of community unrest on project implementation.

CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE (R million)

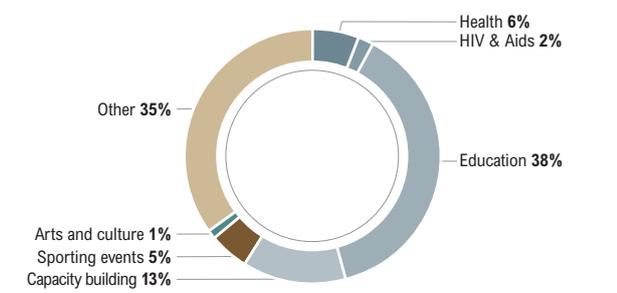


ARM's CSR initiatives created 1 443 jobs in F2016 (F2015: 1 593). 1 226 jobs were created through LED projects (F2015: 1 315) and 217 through CSI projects (F2015: 278).

JOBS CREATED THROUGH CSI AND LED PROJECTS



CSI EXPENDITURE PER PRIORITY AREA FOR F2016 (%)

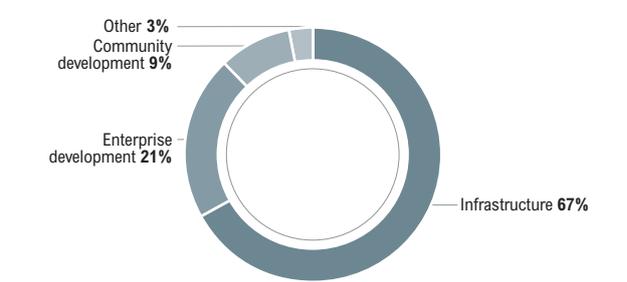


Education comprised 38% of total CSI spend of R18 million in F2016 (F2015: R54 million) and expenditure in the "Other" category represented 35%. This includes:

- > Waste water treatment at Beeshoek;
- > Two vehicles purchased for traditional leadership offices;
- > Nelson Mandela Day initiatives;
- > Agriculture, environment and donations at Lubambe Mine; and
- > Non-SLP entrepreneur capacity building.

Other priority areas include capacity building (13%), health (6%) and sporting events (5%).

LED EXPENDITURE PER PRIORITY AREA FOR F2016 (%)



LED expenditure decreased 22% to R81 million in F2016 (F2015: R104 million). Three quarters of LED spending was committed to infrastructure, 21% to enterprise development and 9% to community development initiatives.

	F2016 Expenditure (R million)	F2015 Expenditure (R million)
CSI		
Health	1.1	3.1
HIV & Aids	0.3	1.1
Education	6.9	12.1
Capacity building	2.3	7.7
Sporting events	0.9	1.7
Arts and culture	0.2	1.2
Other	6.4	27.0
Total CSI	18.0	54.0
LED		
Infrastructure	53.7	44.0
Enterprise development	17.2	23.3
Community	7.5	27.6
Other	2.2	8.8
Total LED	80.5	103.6
BBEE Trust projects	7.4	11.7
Total CSR investment	105.9	169.3

CSR	F2016					F2015				
	Ferrous	Platinum	Copper	Corporate	ARM	Ferrous	Platinum	Copper	Corporate	ARM
CSI	9	5	1	3	18	28	11	2	13	54
LED	64	17	0	0	81	79	25	0	0	104
The ARM BBEE Trust	N/A	N/A	N/A	7	7	N/A	N/A	N/A	12	12
Total CSR expenditure	73	22	1	10	106	107	36	2	25	169



Administration block constructed at Ngwanangwato Secondary School by Two Rivers Mine

SOCIAL AND RELATIONSHIP CAPITAL continued

ENTERPRISE AND SUPPLIER DEVELOPMENT

Many mining communities have high levels of youth unemployment which is particularly challenging to address due to the discrepancy between the skills and knowledge of school leavers and those required to enter employment or entrepreneurship. Businesses committed to playing a role in the sustainability and growth of the country's economy can help to narrow these gaps through a coordinated effort aimed at developing and supporting the local entrepreneurs.

ARM's operations have a range of initiatives focused on job creation through the development of small, medium and micro enterprises (SMMEs) in their areas of operation. These initiatives aim to foster entrepreneurship and build sustainable businesses in mining communities, thereby supporting socio-economic transformation in these communities and the country.

During F2016, **Beeshoek Mine** supported six enterprises and **Black Rock Mine** facilitated the ongoing training of 30 youths and women.

Khumani Mine completed construction of a training centre for SMMEs and aspiring SMMEs focusing on brickmaking and furniture making with the aim of having visual incubation through extension services, online tools and off-site advisory services beyond training. The mine also provided financial and non-financial support to Mshex Waste Collection and Recycling, a local enterprise operating in Deben and Kathu. The project has six permanent and ten temporary employees. Support included business management enhancement, help with licensing of site and linking with other potential partners, and helped the company grow turnover by more than 50%.

Two Rivers Mine has a fully-fledged incubation programme that set itself a goal of incubating at least 30 local businesses during F2016. Companies supported during the year include:

- > **Damara-Masha Waste Management**, a 100% youth, black-owned local company operating in Ngwaabe village in Steelpoort. The company was initially partnered with an established waste management company for a year to build capacity. At the end of this period, Two Rivers Mine facilitated the registration of the company through the CIPC and Damara-Masha was offered a three-year contract for the supply of general

waste management services to the mine. The incubation programme included business management training and facilitated training workshops with the provincial SARS. In less than a year, the company was able to create 24 permanent jobs.

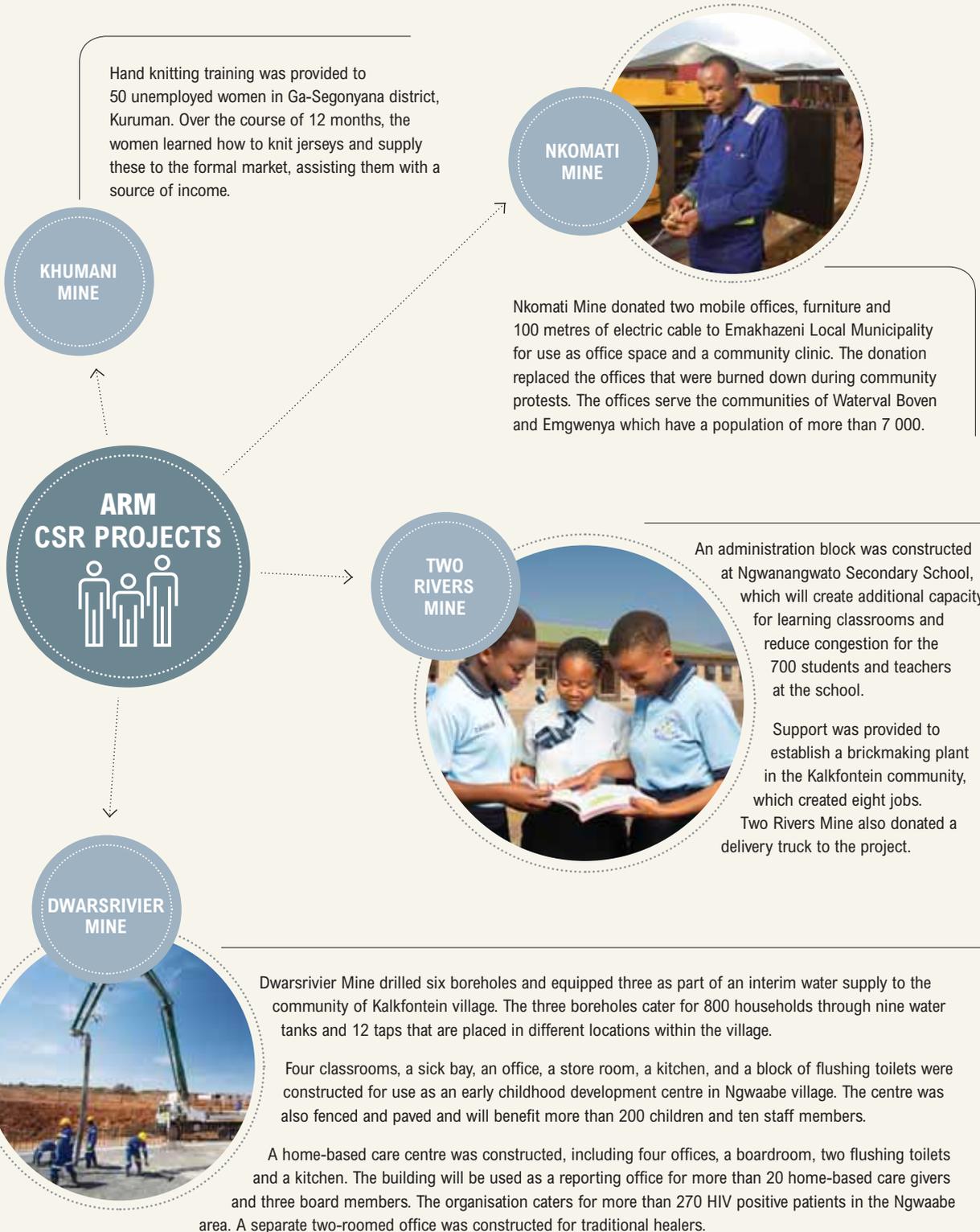
- > **Galaka Construction and Projects** is a 100% black-owned emerging construction company from Richmond in Steelpoort that employs 15 permanent employees. It specialises in road maintenance and repairs. At the start of the incubation programme, Galaka was partnered with a well-established entity from Rustenburg to build capacity in the organisation. After a year, they were able to manufacture their own material for pothole repairs and have since diversified their service offering to include tombstone manufacturing.

Modikwa Mine supports Khulong Ya Hwashi, a joint venture that provides services to mines in the area, including engineering works, bucket repair and maintenance, and pump repair. Modikwa Mine supported Khulong Ya Hwashi with the construction of a world-class warehouse.

Modikwa Mine also supports Photoma Security, a 100% locally owned security company from the Maandagshoek Village that employs more than 125 people. 96% of the security officers on the mine are from the seven local villages and these are hired through Photoma.

Nkomati Mine supported Advent Oil, a 100% black women-owned company, to establish itself as a fuel and lubricant supplier to the mine. Support included inviting the company to tender for the contract, reduced guarantee requirements and a shortened payment cycle to support the supplier's cash flow.

CSR projects supported in F2016



SOCIAL AND RELATIONSHIP CAPITAL continued

THE ARM BBEE TRUST

The ARM Broad-Based Economic Empowerment Trust (BBEE Trust) supports provincial Rural Upliftment Trusts across South Africa through welfare, community development and anti-poverty initiatives with an emphasis on education. The Trusts and individual unit holders own a 10% equity interest in ARM and they and their projects are funded through the dividends that ARM declares to shareholders.

ARM supports the ARM BBEE Trust with resources to build capacity for administering and project managing the many small projects involved. The Trust distributed R7 million to beneficiaries in F2016 (F2015: R12 million).

R million	F2016 Rm	F2015 Rm	F2014 Rm	F2013 Rm	F2012 Rm
Dividends paid	*	6.5	10	26	10
Development projects	7	12	6	7	5

* Dividends will be disclosed during November 2016.

In April 2016, the ARM BBEE Trust was restructured to achieve a more permanent and sustainable funding solution. Details of this transaction are discussed in Note 37 to the annual financial statements on page 273 of the 2016 Integrated Annual Report.



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HIGHLIGHTS OF THE ARM BBEE TRUST PROJECTS

Province	District and name of product	Project description and beneficiaries	Funding (Rands)
KwaZulu-Natal	UGU Ugu garden project	Garden project at Ugu Community Gardens, equipment, seeds and consumables supplied. 20 female small-scale local farmers and 11 males benefit from this project.	124 000
	Inanda Ubuhlebesizwe Secondary School	Construction and furniture provision of four classrooms. The project benefits 326 students.	553 500
	Kwasibusele Esikhoto Primary school	Renovation of entire school, including floors, roof, burglar proofing, new doors and painting. The project benefited 17 teachers and 430 learners.	554 000
Eastern Cape	Qinqana Primary School	Building three new classrooms and renovating five classrooms, benefiting 217 pupils.	423 120
	Thembani Primary School	Construction of three new classrooms and furniture provision. The project benefits 370 pupils.	984 000
	Bedford village	Installing new ovens in this bakery.	65 116
Limpopo	Phokwane village, Sekhukhune Wheelchair donation	Donation of two motorised wheelchairs and five wheelchairs at Phokwane village. The project benefited five elderly community members and two disabled children.	77 660
	Sekate Secondary School	School renovation, refurbishment and provision of 200 items of school furniture (combination tables). Benefiting 789 students.	766 678
	Vhembe Risongoneta Day Care Centre	Provision of school furniture, beds, play area and fencing. Benefiting 28 disabled children.	126 558

HIGHLIGHTS OF THE ARM BBEE TRUST PROJECTS continued

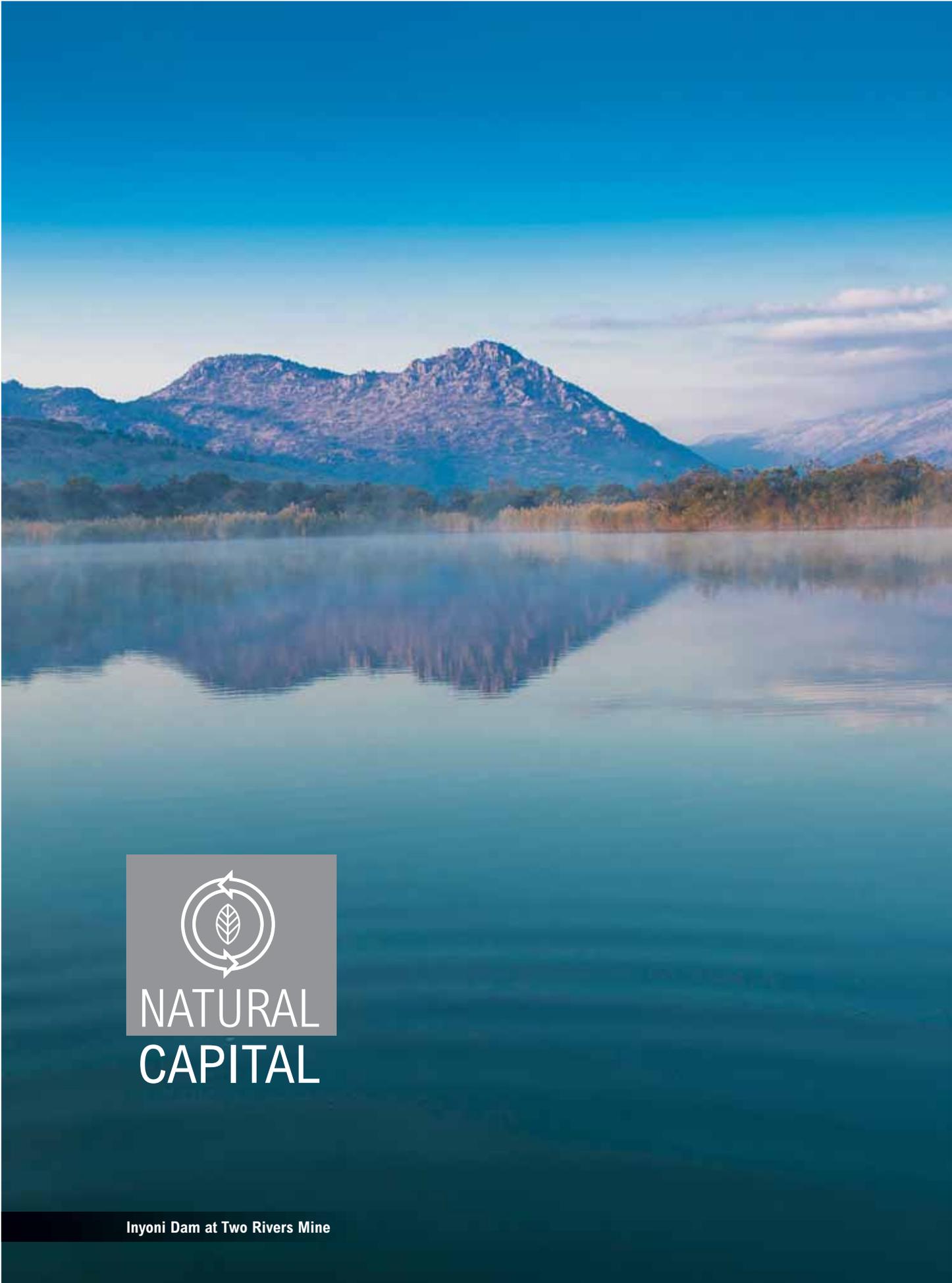
Province	District and name of product	Project description and beneficiaries	Funding (Rands)
North West/ Free State	Supingstad Supingstad Bakery	Ongoing provision of bakery supplies and consumables aiding a population of 2 500.	778 498
	Harrismith Morena Tsohisi Primary School	Building of three fully functional classrooms and provision of furniture. The project has 70 pupils as beneficiaries.	500 000
Mpumalanga Northern Cape	Hazyview/Bushbuckridge Boreholes	Provision of boreholes at three schools – Musengeni, Langa and Zigode. Two more boreholes in Chabengaza village and a church in Mathibela village. The boreholes are spread throughout five villages benefiting over 5 000 households.	361 361
	Mamethlake Mabothe Secondary School	Construction of an ablution block. The project benefits 600 students.	200 000
	Piet Retief Nymaboze Pre-school	Construction of two phases of a pre-school benefiting 197 children from four adjacent villages.	175 000

CORPORATE SOCIAL RESPONSIBILITY FOCUS FOR F2017

1 CONTINUE ENTERPRISE DEVELOPMENT IN PARTNERSHIP WITH GOVERNMENT, DEVELOPMENT AGENCIES AND COMMUNITIES.

2 SUPPLIER DEVELOPMENT INITIATIVES TO INCORPORATE SMMEs INTO PREFERENTIAL PROCUREMENT PROGRAMMES.

3 PROJECTS THAT FOCUS ON COMMUNITY HEALTH AND WELLNESS IN PARTNERSHIP WITH THE DEPARTMENT OF HEALTH.



NATURAL
CAPITAL

Inyoni Dam at Two Rivers Mine

NATURAL CAPITAL

ARM's approach to environmental sustainability is shaped by our commitment to the principles of responsible mining, zero harm and organisational sustainability.

Our environmental management programme aims to minimise our impact on the natural environment around us and reduce our consumption of scarce natural resources. We believe that our commitment to responsible mining and beneficiation helps us to achieve our strategic goals and also establishes a sustainable competitive advantage.

Mining and beneficiation of metals and minerals converts natural capital into financial capital. Failure to do this in an environmentally and socially responsible way would erode social and relationship capital in the form of trust with local communities and broader society. ARM operates in a highly regulated industry and is dependent on the intellectual capital represented by the mining licences that underpin our activities. Responsible and ethical behaviour are essential components of the trust relationship we value with our stakeholders, including regulators.

Our most material environmental matters are:

- > CLIMATE CHANGE;
- > RESOURCE MANAGEMENT, PARTICULARLY ENERGY USE AND WATER AVAILABILITY;
- > LAND MANAGEMENT, INCLUDING BIODIVERSITY CONSERVATION, REHABILITATION AND CLOSURE PLANNING;
- > ENVIRONMENTAL COMPLIANCE – ENSURING THAT OUR OPERATIONS REMAIN LEGALLY COMPLIANT WITH NEW AND CHANGING LEGISLATION;
- > MANAGING AND MINIMISING OUR WASTE STREAMS; AND
- > IMPLEMENTATION OF THE NEW REGULATIONS ON FINANCIAL PROVISION FOR REHABILITATION – ENSURING THAT WE COMPLY AND PUT APPROPRIATE FUNDING MECHANISMS IN PLACE TO PROVIDE ADEQUATELY FOR CONCURRENT REHABILITATION, AS WELL AS REHABILITATION AT MINE CLOSURE AND POST-CLOSURE STAGES.

We take a precautionary approach in all processes and this includes the planning, licensing, construction, closure and rehabilitation stages of our operations and projects.

The link between environmental capital, financial capital and social and relationship capital is evident in the direct financial cost of production stoppages from interruptions in electricity and water supply, the rising cost of electricity, and pending environmental instruments such as the proposed carbon tax.

Climate change is recognised in our Enterprise Risk Management process as one of our most material issues, that can have

potential impacts on our ability to achieve our strategy through its effect on energy prices, access to natural resources, weather-related production disruptions and related impacts on our value chain.

Our processes are dependent on a reliable and sufficient supply of energy. Interruptions to energy supply affect production efficiencies and can impact the safety of our workforce. The increasing cost of energy affects our ability to build financial capital and adds socio-economic stress on the communities around us.

Water issues remain a key challenge for our operations. Water scarcity poses a potential constraint on current production and future expansion, and water availability is a core concern for local communities. At Lubambe and Nkomati mines, efficient mining is affected by an excess of water, while availability of water to our operations in the arid Northern Cape remains a focus area. The reliability of current water and electricity infrastructure and the long lead time in rolling out new infrastructure is a risk for current operations and future expansion plans.

The potential reputational and financial implications of non-compliance with the rapidly evolving environmental regulatory framework are significant as are the direct and indirect costs of ensuring compliance. Proposed developments that are likely to have a significant impact on our business include the Carbon Tax Bill, the Greenhouse Gas Reporting Regulations, the National Climate Change Response Policy in South Africa, the Desired Emission Reduction Outcomes (DERO), the Peak, Plateau and Decline Trajectory, the government's Mix of Measures, company level carbon budgets and the revised financial provisions for rehabilitation and closure. ARM supports the government's drive towards becoming a low carbon economy and continues to engage with industry bodies and policymakers to ensure that mechanisms achieve this goal while still supporting local industry resilience and competitiveness internationally.

HOW WE MANAGE NATURAL CAPITAL

The Board holds ultimate responsibility for sustainable development and delegates the monitoring of this area to the Social and Ethics Committee. The Executive: Sustainable Development operates with oversight from the Social and Ethics Committee and reports to the Management Risk and Compliance Committee on matters and activities related to climate change and carbon emissions. Climate change is also on the agenda of the Audit and Risk Committee and is monitored through the Enterprise Risk Management system.

Environmental Impact Assessments (EIAs) are conducted and Environmental Management Programmes (EMPs) put in place for all new projects and/or changes within operations. Corporate

NATURAL CAPITAL continued

standards are in place for environmental areas, including environmental monitoring, rehabilitation, waste management, biodiversity and the reporting of environmental incidents, and these standards are regularly reviewed and updated. The operational environmental policies and strategies are adapted to address the specific environmental challenges and opportunities inherent in the area in which they are located.

SHEQ managers at divisional and operational level execute Group environmental strategy, ensuring that operational environmental policies and strategies address the specific environmental challenges and opportunities the operation faces.



Employees and contractors receive environmental training at initial induction training, through regular refresher courses and job-specific training.

ENVIRONMENTAL MANAGEMENT SYSTEMS

ARM's environmental management systems align with ISO 14001, which focuses specifically on continual improvement in terms of environmental management. The environmental management systems at all operations apart from Lubambe and Two Rivers mines are certified in terms of the standard. These systems are used to identify potential environmental impacts and guide the implementation of our environmental plans and performance monitoring to mitigate or reduce environmental impact.

The environmental management systems are regularly assured, including through:

- > Operational external legal compliance audits, which include environmental management;
- > Annual external certification in terms of compliance to the ISO 14001 Standard for those operations certified under the Standard;
- > Independent compliance audits at operations relating to the conditions of Environmental Management Programmes (EMPs) and Water Use Licences (WULs) that are submitted to the DMR and the Department of Water and Sanitation (DWS) as required;

- > External legal and process audits every second year that ensure environmental policies, procedures and systems adequately mitigate risks; and
- > External assurance of certain sustainability indicators and policies as part of our sustainability and CDP (Carbon Disclosure Project) reporting process.

ARM is represented and actively participates at several industry organisations such as the Chamber of Mines Environmental Policy Committee, the Ferro Alloy Producers' Association and the ICMM. Our relationship with Assore offers exposure to valuable initiatives such as Life Cycle Assessment and Life Cycle Inventory studies, waste management initiatives and energy efficiency initiatives of the International Manganese Institute and the International Chrome Development Institute.

REGULATIONS, GUIDING FRAMEWORKS AND INDUSTRY INITIATIVES

ARM's approach to managing our environmental impacts is founded on our values, our commitment to a precautionary approach and the ICMM Sustainable Development Framework. Mining and beneficiation are regulated by a broad range of regulations governing environmental compliance in South Africa, including:

- > The National Environmental Management Act (NEMA);
- > The Environmental Conservation Act;
- > The National Heritage Resources Act;
- > The National Water Act;
- > The National Environmental Management: Air Quality Act;
- > The National Environmental Management: Waste Act;
- > The Mineral and Petroleum Resources Development Act; and
- > The Biodiversity Act.

The Department of Environmental Affairs (DEA) published draft regulations on Pollution Prevention Plans in January 2016. Entities conducting production processes listed under the National Environmental Management: Air Quality Act that involve direct emission of greenhouse gases (GHG) in excess of 0.1 megatons CO₂e annually must compile and submit a pollution prevention plan to the DEA. The plan describes mitigation interventions to reduce GHG emissions over the next five years and projected emissions reductions that will be achieved during this period. These requirements will be addressed as part of ARM's ongoing carbon emissions monitoring and management programme.

Environmental management at ARM is also influenced by the CDP (formerly the Carbon Disclosure Project) and the Environment, Social and Governance (ESG) Framework which is core to the FTSE/JSE Responsible Investment Index.

NATURAL CAPITAL HIGHLIGHTS AND CHALLENGES

Achieving meaningful reductions in energy use and carbon emissions is challenging in an economic climate where capital expenditure is constrained. Proposed regulatory environmental initiatives, including the carbon tax, are likely to add further pressure on the industry.

We submitted our 2015 CDP Report during the year, achieving a 98% disclosure score and a B performance score. This was our seventh consecutive report under the project and we also submitted a CDP Water Report for the first time this year.

There is an increasing expectation for supply chain transparency and this is particularly evident in the activities of certain NGOs and the guidance in international reporting standards. Expanding environmental monitoring and reporting to include the supply chain is costly and time-consuming.

Modikwa Mine was successfully certified in terms of the international environmental management system, ISO 14001.

NATURAL CAPITAL FOCUS FOR F2016

1 CONTINUE TO IMPLEMENT CARBON EMISSION REDUCTION INITIATIVES AND MONITOR OUR PERFORMANCE AGAINST OUR EMISSION TARGETS.

The Group's F2016 estimated Scope 1 and 2 attributable carbon emissions decreased by 13.5% due to decreased production at the smelters, particularly Cato Ridge Works. Full details of the Group's carbon footprint are discussed in the section that follows.

2 IMPROVING THE CARBON INTENSITY OF OUR PRODUCTION BY IDENTIFYING AND IMPLEMENTING APPROPRIATE EMISSION REDUCTION INITIATIVES.

Scope 1 and 2 emissions per full-time employee (FTE) decreased to 158.2 tonnes CO₂e (F2015: 167.0 tonnes CO₂e/FTE).

Emission reduction initiatives implemented during the year are discussed in the section that follows.

3 ENGAGING PROACTIVELY IN THE PROCESS OF IMPLEMENTING VARIOUS POLICY MEASURES AND ENVIRONMENTAL INSTRUMENTS SUCH AS DEROS, CARBON BUDGETS, AND CARBON TAX.

We continue to engage with government on various aspects of the proposed measures that could have a material impact on our operations. Engagements include meetings with government officials, attendance at stakeholder engagement events and direct comments on documents. While the proposed measures remain in draft, we are investing in our reporting systems to ensure that we can report according to the requirements once the regulations have been passed.

NATURAL CAPITAL continued

CLIMATE CHANGE

ARM recognises climate change as one of the principal risks, uncertainties and opportunities in the Group risk register and is a key input into our sustainable business strategy. Our approach to addressing the challenges climate change presents incorporates the ICMM's principles for climate change policy design.

Climate change risks and opportunities influence our business strategy, through concerns, including the impacts of increased energy and compliance costs, changes to water quality and availability and the physical impacts of extreme weather. Opportunities identified include our ability to provide relatively cleaner products to more discerning customers. Climate change has reinforced our long-term strategy to grow and diversify.

Carbon emissions and carbon tax played a role in the strategic decision to build the Sakura smelter in Sarawak, Malaysia. The investment prioritises access to a 15-year green hydroelectricity contract, a key strategic advantage to manage cost pressures into the future and to contribute positively to climate change mitigation. The smelting facility also leverages off new cleaner technologies and a greater level of automation resulting in a smaller vehicle fleet that would otherwise contribute to increased diesel consumption and carbon emissions. We are developing new breakthrough technology to produce ferromanganese and pig iron through direct reduction, replacing electrical energy with coal fines as fuel and substantially reducing the CO₂e emissions per tonne of alloy.

The most significant medium- to long-term impacts of climate change risks and opportunities on ARM's operations include:

- > Increased regulation feeding through into increased energy costs in geographies that rely on fossil fuels.

- > Carbon tax, which will be implemented in South Africa from January 2017, will significantly increase costs, both from the direct tax and through pass-throughs from electricity producers. ARM supports an approach to carbon taxation that manages the short-term and long-term developmental impacts, such as the balance between international competitiveness and the other objectives of the tax. The final policy should consider partial ring-fencing and other options to support targeted mitigation actions, and needs to align with other mechanisms such as the Desired Emission Reduction Outcomes (DEROs), government's Mix of Measures and the company-level carbon budgets that will become legislated from 2021. ARM continues to engage with government on various aspects of the proposed carbon tax, energy pricing and emissions and energy reporting whose impact could be material to the Group.
- > Water availability is a particular concern for operations in water-stressed regions such as the Northern Cape.
- > Extreme weather, including storms could cause shutdowns and lost production. ARM's products travel long distances by rail and road to reach our customers and get ore to our smelters and this could be disrupted by floods and storms. During F2016, nickel and chrome concentrate sales were negatively affected by poor weather conditions that caused delays in shipments from Maputo Port.
- > Changes in the weather, such as droughts, flooding and higher temperatures, and altered distribution of diseases such as malaria could reduce food security, have negative health implications, increase costs and destroy assets, affecting both our operations, our workforce and the communities around us.
- > Reputational damage from failure to demonstrate responsible environmental stewardship impacting ARM's relationships with customers, investors, business partners, regulators and broader society.



Black Rock Mine

ARM recognises the opportunities inherent in many of these impacts. Demonstrating a more environmentally and socially responsible approach to resource extraction and beneficiation, for example, or providing more environmentally friendly products, could create a competitive advantage. Companies could also benefit from financial energy and climate change incentives, including tax incentives, research and development incentives and government grants.

THE NATIONAL CLIMATE CHANGE RESPONSE POLICY

While the details of the Department of Environmental Affairs' (DEA) National Climate Change Response Policy are still being finalised, the requirements for mandatory reporting and the establishment of Desired Emission Reduction Outcomes (DEROs) apply to our South African operations. Carbon budgets have been allocated under the policy and efforts are targeted at complying with these. ARM continues to engage with regulators through the Chamber of Mines, Business Unity South Africa (BUSA) and the National Business Initiative (NBI) in order to understand the potential impacts of the policy on business activities and to prepare for the potential impacts.

CARBON EMISSIONS

Annual greenhouse gas (GHG) emissions are calculated to estimate the carbon footprint of ARM's business activities. These calculations are based on the Greenhouse Gas Protocol – Corporate Standard (GHG Protocol), published by the World Resources Institute and World Business Council for Sustainable Development in March 2004. The data collection process complies with the data quality requirements set out in ISO 14044, as well as the GRI G4 guidelines and is verified externally on an annual basis.

ARM's carbon footprint is disclosed on an attributable basis, which weights operational carbon footprints according to our shareholding in the joint venture operations.

The largest contributor to ARM's carbon footprint is the consumption of electricity produced by coal-fired power stations. Other contributors include diesel used in mining operations and materials movement, and carbon-based reductants in the smelters, such as coke and coal.

Greenhouse gas (GHG) emissions are measured and reported to the Carbon Disclosure Project (CDP) in terms of Scope 1, Scope 2 and Scope 3 emissions, as defined in the table below.

Category	Classification
Scope 1	Direct GHG emissions from sources owned or controlled by the Company
Scope 2	Indirect GHG emissions related to purchased energy
Scope 3	All indirect emissions not included in Scope 2 that occur in the upstream and downstream value chain

Cato Ridge Works is the largest single contributor to the Group's Scope 1 and 2 emissions due to the energy intensive nature of the beneficiation process. In F2016, Cato Ridge Works accounted for 31% of total attributable Group Scope 1 and 2 emissions. Other significant contributors include Khumani Mine (13.6%) and Nkomati Mine (19.8%).

Emissions data is reported internally every quarter, discussed at the individual operational sustainability meetings and assessed according to potential exposure, probability and consequence for the business. Opportunities to reduce GHG emissions are based on site-specific assessments of what is possible and these are built into longer term bottom-up targets. Cost reduction projects at operations emphasise the importance of reducing emissions and energy consumption. Capital allowances are allocated at operations for energy efficiency projects and emission reduction activities are included in internal KPIs and scorecards for teams and divisions. Key performance indicators in employee bonus calculations include climate change emissions reduction initiatives for appropriate positions and production teams at the smelters to incentivise increased production efficiencies, which reduce energy consumption and emissions. Energy targets are set at operations and engineers are incentivised on energy efficiency per tonne of ore milled, time of energy use and the use of alternative energy sources.

ARM's climate change strategy has been rolled out across operations through carbon strategy workshops to raise awareness about emission reduction programmes.

REDUCING OUR CARBON EMISSIONS

Since indirect emissions related to purchased energy (Scope 2 emissions) comprise 79% of our estimated carbon footprint, Group projects to reduce GHG emissions mainly centre on energy efficiency initiatives. Other contributors to Scope 2 emissions include diesel used in mining operations and materials movement, and carbon-based reductants in the smelters, such as coke and coal.

The energy-intensive nature of the smelting process means that Cato Ridge Works is the biggest contributor to the Company's carbon footprint at 31% of the total.

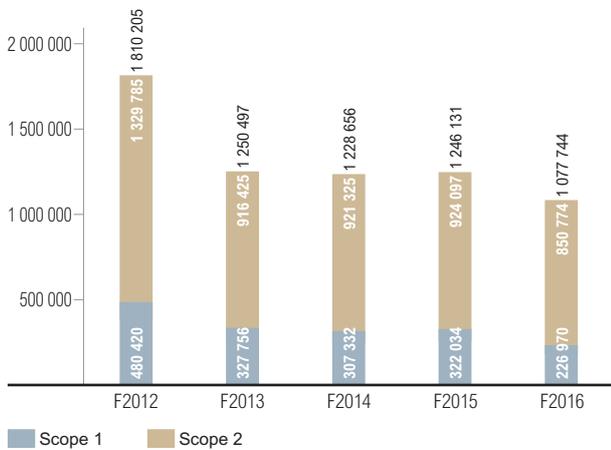
ARM's energy and climate change strategy aims to identify and develop long-term achievable emission reduction activities through initiatives such as alternative energy projects, investigating new technology and diversification into less energy-intensive products.

The Company currently does not set quantitative emission reduction targets. Achievable targets will be established based on feasible reduction opportunities and aligned with the mitigation targets set by the DERO process once this is finalised.

All ARM operations are registered on the National Atmospheric Emissions Information System (NAEIS) as required by the National Environmental Management: Air Quality Act and submit annual online atmospheric emission reports that include dust and GHGs.

NATURAL CAPITAL continued

CARBON FOOTPRINT (Scope 1 and 2 – attributable basis) (tCO₂e)

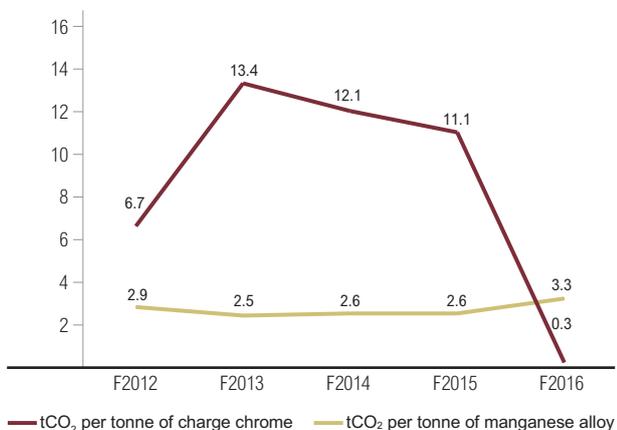


The Group's F2016 estimated carbon footprint (Scope 1 and 2 attributable emissions) decreased 13.5% to 1.08 mtCO₂e (F2015: 1.25 mtCO₂e). Scope 2 emissions contributed 79% to the total Scope 1 and 2 carbon emissions compared to 74% in F2015. Activity at the energy intensive smelters at Machadodorp Works and Cato Ridge Works was reduced from F2013, which led to a drop in total electricity consumption and carbon emissions.

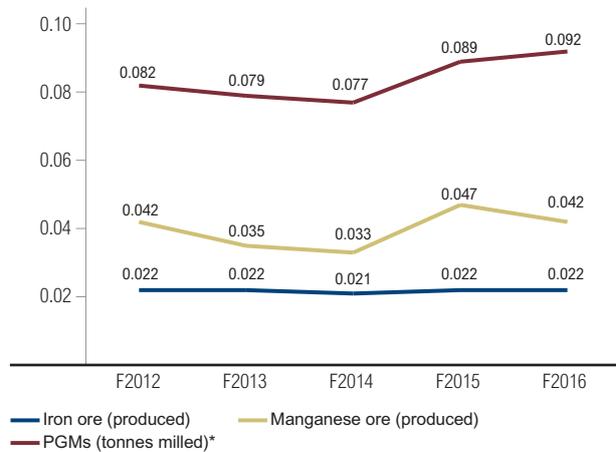
ARM's F2015 electricity consumption and emission figures were reviewed and externally verified for inclusion in ARM's 2016 CDP Report, which was submitted in June 2016.

ARM continues to consider Scope 3 activities, upstream and downstream of our operations. We measure and report on all material categories (10 of the 15 Scope 3 categories). This process enables us to assess and mitigate greenhouse gas related risks in our value chain. Our most material source of emissions is associated with our investments and we work closely with our joint venture partners to ensure risks are mitigated. Further detailed information is available in ARM's CDP Report which is available at www.cdp.net.

SCOPE 1 AND 2 CARBON EMISSIONS PER TONNE PRODUCED – SMELTERS (tCO₂e)



SCOPE 1 AND 2 CARBON EMISSIONS PER TONNE PRODUCED (tCO₂e)



* Two Rivers and Modikwa mines only.

We assess our progress in reducing carbon emissions through efficiency ratios against full-time employees and tonne produced or processed to adjust for changes in production activity year-to-year. The F2015 Scope 1 and 2 carbon emissions per tonne of manganese alloy produced increased to 3.3 tCO₂e/tonne (F2015: 2.6 tCO₂e/tonne) as production at Cato Ridge Works decreased, affecting efficiencies. Scope 1 and 2 carbon emissions per tonne of charge chrome produced decreased to 0.4 tCO₂e/tonne (F2015: 11.1 tCO₂e/tonne).

Scope 1 and 2 carbon emissions per tonne of iron produced remained at 0.022 tCO₂e/tonne (F2015: 0.022 tCO₂e/tonne) and per tonne of manganese ore produced decreased to 0.042 tCO₂e/tonne (F2015: 0.047 tCO₂e/tonne).

Carbon emissions per tonne milled at our two primary platinum mines, Modikwa and Two Rivers, increased to 0.092 tCO₂e/tonne (F2015: 0.089 tCO₂e/tonne).

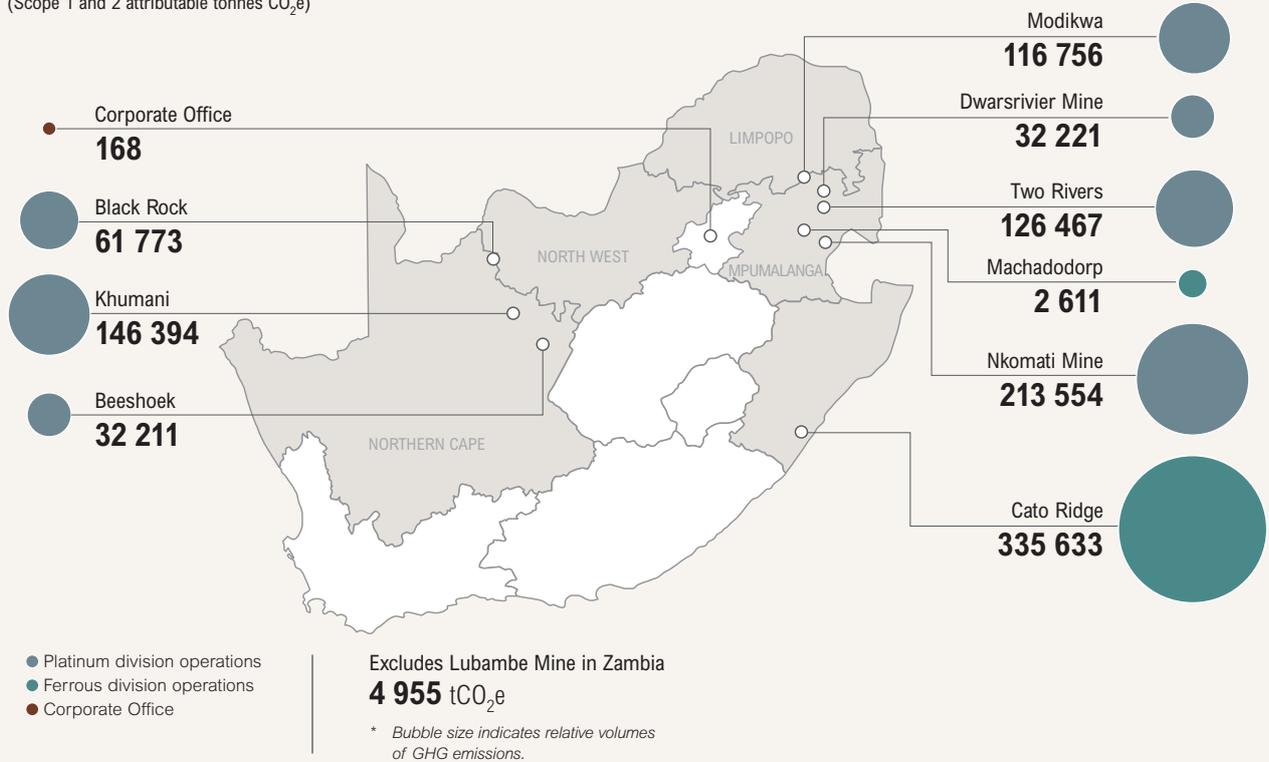
Scope 1 and 2 emissions per full-time employee (FTE) increased to 158.2 tonnes CO₂e (F2015: 167.0 tCO₂e). Scope 1 and 2 emissions per man-hour decreased to 41 kg CO₂e (F2015: 43 kg CO₂e).

The diagram on the next page depicts F2016 Scope 1 and Scope 2 emissions on an attributable basis for each operation, with the size of the bubble indicating the relative emissions and the numbers showing actual emissions in equivalent tonnes of CO₂ (tCO₂e).

ENERGY

A consistent supply of electricity is a critical requirement for efficient mining and beneficiation. At the mines, electricity powers the crushers and mills that process ore, ventilation fans, pumps for dewatering and the motors that drive conveyor belts and elevator cages. Metal processing requires significant amounts of energy and the Cato Ridge smelter in the Ferrous division accounts for nearly one-third of the Group's total electricity consumption. The most significant impact electricity supply interruptions have on our operations are on workplace safety, production efficiencies and diesel consumption with resulting emissions when generators are used to supply electricity to critical functions such as ventilation.

F2016: RELATIVE CARBON EMISSIONS PER OPERATION
(Scope 1 and 2 attributable tonnes CO₂e)



Load shedding in July 2015 affected production at Cato Ridge Works. Lubambe Mine also lost production to electricity supply disruptions as the Zambian government requested mines to decrease their power consumption due to the effects of the drought on the country's hydroelectric power supply. Electricity supply agreements to meet Lubambe Mine's energy needs came at a significantly higher cost that negatively impacted profitability.

Increases to the cost of electricity in the form of increasing tariffs and the potential for pass through of carbon tax to consumers by Eskom will affect our ability to keep South African operations cost competitive on a global basis.

The condition of off-mine electrical infrastructure is a concern and is listed as a top 10 risk at Two Rivers and Dwarsrivier mines. These operations, together with other mines in the area, receive electricity from the Uchoba sub-station, where the current load is running at 50% above capacity and which has no spare transformer installed. Indications from Eskom are that this situation will not be resolved within five years. Installation of new transmission lines can have a lead time of up to eight years, which has implications for planned mine expansions. Khumani Mine production was impacted during the year by a breakdown of an electrical substation.

ARM's energy efficiency initiatives are linked to our focus on improving operational efficiencies in line with our strategic focus on cost competitiveness. Improving energy efficiency reduces energy costs and the likely cost of carbon taxes. Managing energy consumption also reduces GHG emissions as electricity for our South African operations is generated mainly from fossil fuels and is included in Scope 2 emissions.

Cato Ridge Works engages with Eskom to ease pressure on the national grid by switching off furnaces when required and Black Rock Mine's diesel generators are synchronised to the electricity grid.

Until F2013, the two smelters consumed more than 60% of the Group's electricity, but reduced production and the placement of furnaces on care and maintenance at Machadodorp Works decreased the smelters' consumption to 27% of the Group total in F2016. The Ferrous division, which includes the smelters, consumed 57% of Group electricity consumption in F2016 and the Platinum division 42%.

The emissions conversion factor for calculating emissions from electricity produced by coal-fired power stations, in kWh is 940 gCO₂e/kWh. The published conversion factor for Zambian electricity generation is 3 gCO₂/kWh due to the high contribution of hydro-electricity to their national electricity grid, hence the relatively low Scope 2 emissions generated by Lubambe Mine.

ENERGY EFFICIENCY INITIATIVES

ARM Ferrous, trading as Assmang (Pty) Ltd (a joint venture with Assore Limited), is part of the Energy Intensive Users' Association and has an Energy Efficiency Charter in place which includes targets for energy efficient practices. Energy reduction plans for the Platinum division were established in F2015.

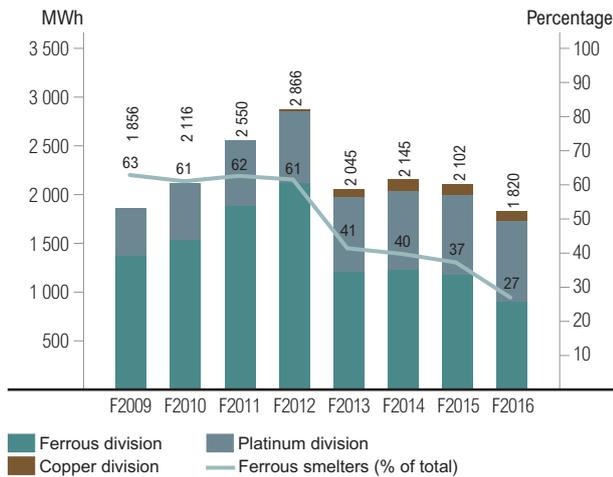
NATURAL CAPITAL continued

Carbon strategy workshops at the operations aim to raise awareness about emission reduction programmes. Capital allowances are set at operations for energy efficiency projects and emission reduction activities are included on internal KPIs and scorecards for teams and individuals where appropriate.

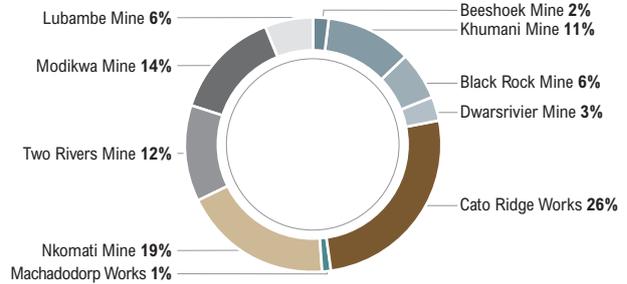
Energy saving and carbon emission reduction initiatives implemented by operations during F2016 include:

- > Black Rock Mine implemented a range of energy efficiency initiatives, including replacing ventilation fans with more efficient alternatives, replacing inefficient air conditioning systems and implementing an energy efficient lighting programme.
- > Nkomati Mine implemented a range of energy efficient lighting replacements and focused on turning off unnecessary ventilation fans.
- > Two Rivers Mine introduced a range of behaviour change awareness and maintenance programmes.
- > Modikwa Mine implemented a number of energy efficiency projects related to compressed air use (an air leak repairing programme, installing line controls/isolation valves), ventilation fans (turning fans off when not needed, repairing leaks, installing guide vanes), haulage fans (switching off fans when not needed, removing unnecessary fans, installing energy efficient fans), plant mills and implemented an energy efficient lighting replacement programme.
- > Lubambe Mine implemented a range of energy efficiency measures, including controlled switching of major loads (not running major power consumers at the same time) and removing unnecessary ventilation fans.
- > Nkomati made a capital allocation to improve metering for increased energy monitoring and targeting.

ELECTRICITY CONSUMPTION (100% basis) (MWh)



ELECTRICITY CONSUMPTION BY OPERATIONS FOR F2016 (%)



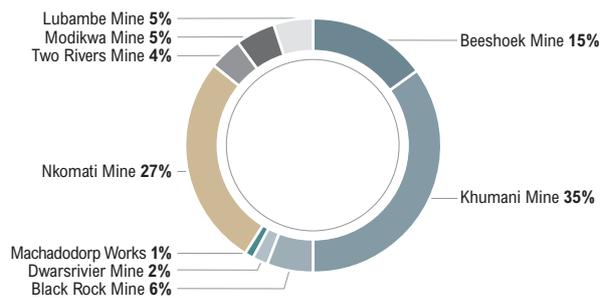
Total electricity consumed by the Group in F2016 was 1 820 802 MWh (reported on a 100% basis), a 13.4% decrease on F2015 (2 102 451 MWh). The Ferrous division's electricity consumption decreased by 24% to 887 382 MWh (F2015: 1 164 218 MWh) and the Platinum division's electricity consumption increased by 1% to 829 484 MWh (F2015: 824 432 MWh).

FUEL CONSUMPTION

Diesel is consumed in various machines and vehicles used for mining, loading, hauling and logistics, and is reported under Scope 1 emissions.

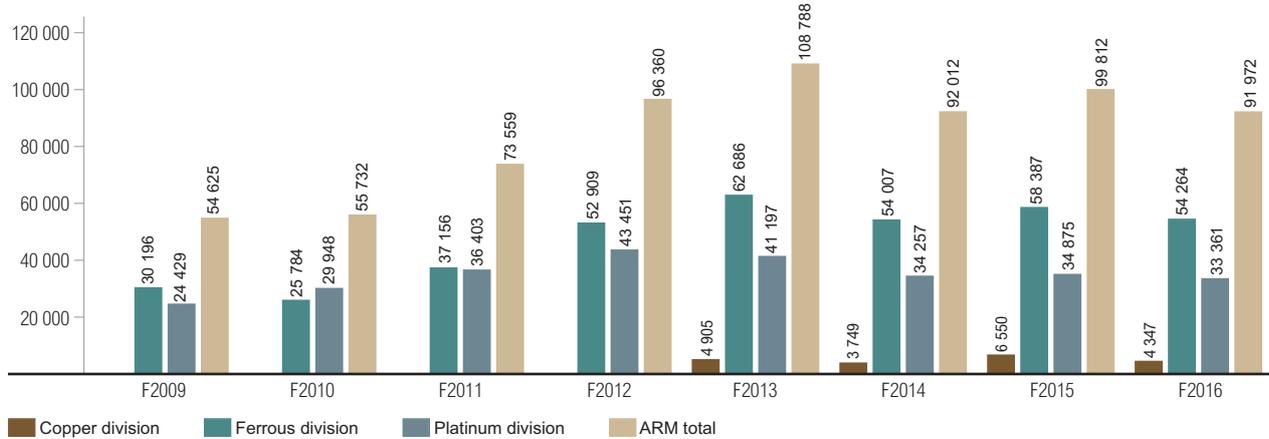
Khumani and Nkomati mines consume the most diesel in the Group and accounted for 35% and 27% of total diesel consumption respectively. Both are large open pit mines in expansion phases and transporting of run-of-mine material requires hauling over several kilometres.

DIESEL CONSUMPTION BY OPERATION FOR F2016 (%)



Total Group diesel consumption decreased by 8% to 92.0 million litres in F2016 (F2015: 99.8 million litres) due to reduced activity arising from weak economic conditions and low commodity prices.

DIESEL CONSUMPTION BY DIVISION (100% basis)
(000 litres)



WATER MANAGEMENT

Water is used in our operations for milling, beneficiation, cooling and for dust suppression during blasting, on haul roads and at ore transfer points. Our employees need adequate potable water for drinking and WASH services. Water is not only a critical resource for ARM but also for other industries, communities and the environment. Water stewardship, based on an understanding of the catchments in which we operate and through engaging with other water users to find solutions that work for all stakeholders, is fundamental to achieving our strategic objectives.

Water is considered as part of the five-year business plan at each operation. Annual strategic sessions with the ARM Board include a consideration of material issues such as water in both the regional and commodity context. Strategic and long-term considerations include the availability and use of appropriate technology to address water requirements or manage impacts. ARM increasingly recognises the value of water and resultant efficiencies achieved are therefore aligned with our strategic objectives relating to operational efficiencies. Where water is material, relevant KPIs have been introduced at operational level.

Water availability, consumption and pollution are recognised as key risks for the Company. Changing patterns of water availability linked to climate change can seriously impact the way we execute our strategy. The quality and availability of water is a significant consideration affecting our ability to continue and expand our mining and smelting operations sustainably. Where appropriate and increasingly, ARM considers further cleaning of process water through technologies such as reverse osmosis and is investigating wetland formation, which is particularly relevant for mine closure plans and objectives.

ARM engages in various water forum, including the Northern Cape Water Forum and the Olifants River Water Resources

Development Project that impacts on the Eastern Limb operations around issues relating to sustainability and most notably the supply of water to our operations. These engagements consider climate change and the potential influence a changing climate and potential regulation could have on the supply and cost of these resources. Our Eastern Limb operations also participate in the Lebalelo Water Users Association and Joint Water Forum, both engagements with the Department of Water and Sanitation focus on the sustainable water supply in the region.

The main water-related risks faced by operations in the Northern Cape and Limpopo are limited water resources, deteriorating water quality and declining infrastructure. The Vaal/Gamagara/Sedibeng water supply to the Central Cape is a strategic concern to both Khumani Mine (regarding current supply limitations) and to Black Rock Mine (at the end of the supply line and in regard to the ongoing expansion).

Nkomati Mine in Mpumalanga faces challenges from an excess of water, and must de-water the area around the open pit mine to keep it safe. Nkomati's priority is therefore to minimise abstraction from other sources by recycling water and using underground water from the de-watering process. Modikwa Mine pumps in excess of five megalitres of water out of the mining area every day. Water intersection from a flooded mine in the Democratic Republic of Congo has slowed access development at Lubambe Mine. This challenge is compounded by ongoing electricity supply interruptions that disrupt pumping of water out of the affected areas.

ARM's investments in local water infrastructure aim to address community concerns regarding the supply of sufficient potable water and increase community resilience. These concerns will become more pressing as climate change affects water availability and demand continues to grow.

NATURAL CAPITAL continued

WORKING WITH WATER AT KHUMANI MINE



Khumani Mine's location in the arid Northern Cape brings with it water supply and distribution challenges. The ongoing drought and increased consumption by new small mines in the region, have negatively affected water supply from the Vaal/Gamagara Water system, significantly reducing pumping rates and threatening to affect mines and communities in the area. In water-stressed regions mines effectively compete with farmers, communities and other stakeholders, and sustainable solutions that address the water needs of all stakeholders need to be found.

Khumani Mine was designed with water availability as a material consideration and water-conserving initiatives include the use of a tailings paste disposal facility rather than a tailings dam, which recovers up to 85% of the water, ensuring maximum recycling and minimum evaporation losses.

Assmang's strategy to address these water challenges started with a project to debottleneck the Beeshoek Phase 2 pump station. This R10 million project was directed by a steering committee comprising representatives of the Sedibeng Water Board, Kumba's Kolomela Mine and Assmang. This project was completed during the year under review.

The main source of water into the Vaal/Gamagara Water system is currently the dewatering activities of Kolomela and Sishen mines, although Kolomela has stopped mining in certain areas, reducing the amount of water going into the pipeline. Sedibeng Water Board has had discussions with the Department of Water and Sanitation to allow Kolomela to dewater without mining to supply the Vaal/Gamagara system.

With the work on the pump station nearing completion, the volumes pumped into the Vaal/Gamagara pipeline have increased substantially, but the integrity of the aging pipeline is being monitored as a number of leaks have been experienced. Assmang is engaging with the Trans Caledon Tunnel Authority through regional meetings with other mines and stakeholders to discuss funding mechanisms for the refurbishment of the Vaal/Gamagara pipeline to enhance the stability of water supply.

The second phase of Khumani Mine's water strategy involved identifying potential borehole targets on mine property that could sustainably deliver supplementary water, as well as additional water storage facilities.

Khumani Mine has also funded upgrades to the Olifantshoek bulk water infrastructure.

Due to the significant progress made with the water pumping at Beeshoek pump station, the mine has to date not lost production due to water supply interruptions, but the water situation continues to be closely monitored.

MANAGING WATER USE

ARM abstracts water from a range of sources according to the terms of our integrated water use licence at each operation. These sources include rivers, boreholes and municipal sources. Ongoing engagement with interested parties and other relevant stakeholders ensures the sustainability of water resources and that all operations have the necessary controls in place to ensure that the quality of water around them is not negatively affected.

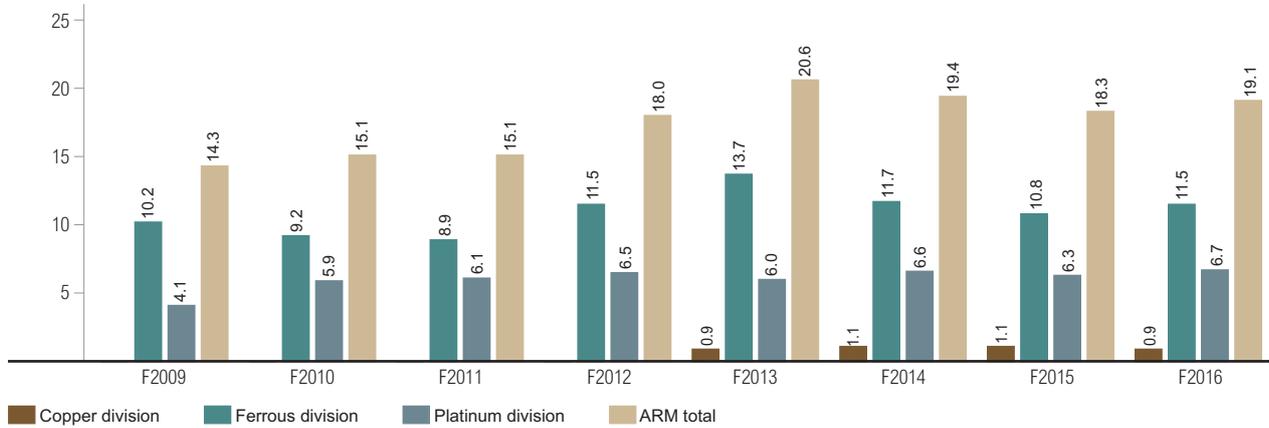
Operations have water balances in place to manage and optimise water use, and run closed circuit water systems as far as possible to maximise recycling and minimise discharge into the environment. Dirty and clean water is separated and operations implement a

hierarchy of water use to ensure that “dirty” or process water is recycled for re-use before clean water is abstracted from the natural environment.

We monitor water quality to assess our impact on the receiving environment, to immediately warn us when mitigation action is required and to measure compliance with licence conditions. Monitoring is performed at aquifer level, through ground water and surface water sampling, and biomonitoring of riverine environments.

We regularly monitor ground water and surface water levels and quality, and perform biomonitoring of aquatic/riverine environments as appropriate and as stipulated in our operations’ Water Use Licence (WUL) conditions.

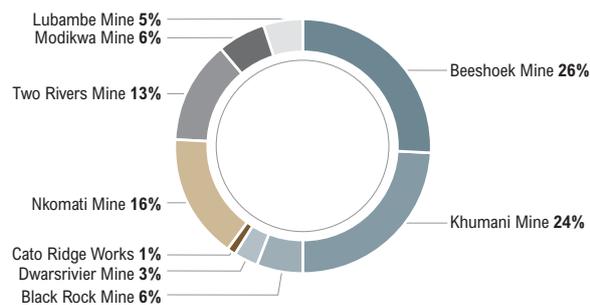
**WATER ABSTRACTION BY DIVISION (100% basis)
(m³ million)**



ARM operations abstracted a total of 19.1 million m³ in F2016 (F2015: 18.3 million m³). Beeshoek Mine accounts for 26% of the total abstracted, and Khumani Mine and Nkomati Mine account for 24% and 16% respectively. Most of the water Beeshoek Mine abstracts is supplied to local communities and the mine’s employee village.

Water abstracted at the Ferrous division increased 6.3% to 11.5 million m³ (F2015: 10.8 million m³) and increased 5.9% in the Platinum division to 6.7 million m³ (F2015: 6.3 million m³).

**WATER ABSTRACTION BY OPERATION FOR F2016
(%)**



Incidents where process/polluted water (below the quality specified for discharge as specified in the Water Use Licences of the operations), occurred at two operations during F2016.

There was a discharge of 1 750 m³ at Dwarsrivier Mine as a result of excessive water in the storm water system that necessitated emergency release. The water was discharged into the veld with potential impact on the Klein Dwarsrivier. Water samples were taken and a full investigation conducted and reported to the DWS.

Seventy thousand cubic metres of process water were discharged into the veld from emergency releases at Machadodorp Works with a potential impact on the Leeuwspruit. With the plant being on care and maintenance, water consumption at the operation has been significantly reduced, which resulted in a rapid build-up of water into the storm water dam during periods of heavy rainfall. The incidents were reported to the Inkomati-Usuthu Catchment Management Agency (IUCMA), the DWS and the Department of Environmental Affairs (DEA), which followed up with a site investigation.

AIR EMISSIONS

ARM’s smelter at Cato Ridge produces direct emissions, including carbon dioxide, nitrous oxide, sulphurous oxide and particulate emissions. An approved Air Emission Licence is in place, issued in terms of the National Environmental Management Air Quality Act which stipulates emission limits.

Air cleaning equipment availability is monitored and the operations regularly report to local and provincial authorities as required by their licence conditions. Both operations comply with the more stringent air quality standards that came into effect in 2015.

NATURAL CAPITAL continued

ENVIRONMENTAL COMPLIANCE

ARM operations monitor environmental compliance on an ongoing basis, including the status of Environmental Management Programme Reports (EMPR), Water Use Licence (WUL) applications and Environmental Impact Assessments (EIAs).

In addition to internal operational compliance monitoring, corporate staff audit and monitor compliance. External environmental compliance audits are conducted biennially as part of the ARM directors' instruction to monitor compliance in areas of safety, occupational health and environmental management.

Compliance is discussed in more detail in the Corporate Governance summary on page 48 of this report.



LAND USE MANAGEMENT: REHABILITATION

ARM considers the impact of our operations on local landscapes at each stage from initial exploration to construction, operation and eventual decommissioning and closure. Operations rehabilitate concurrently with ongoing mining activities wherever possible.

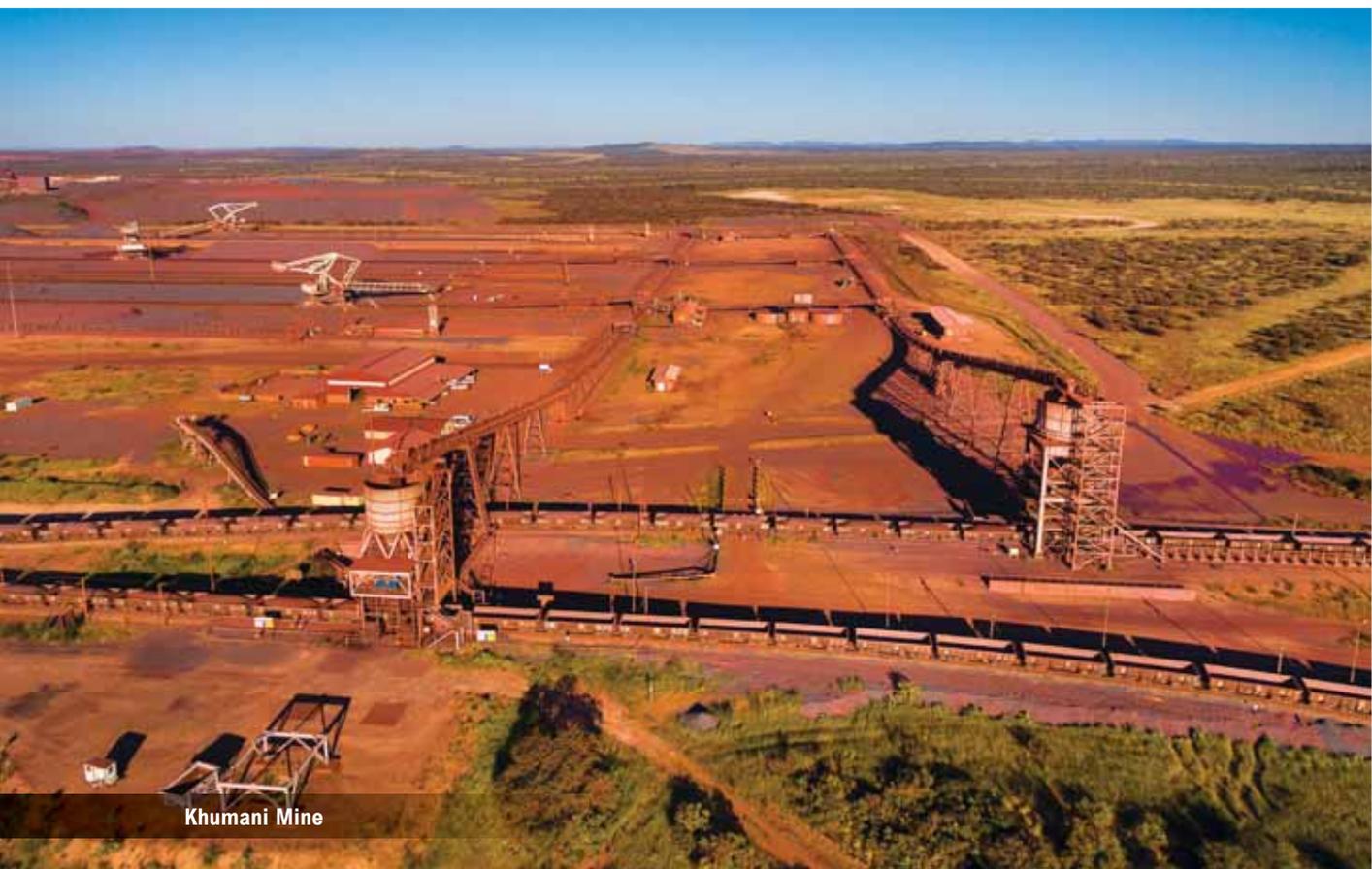
The cost of rehabilitation and closure is assessed annually by independent specialists in alignment with the requirements of relevant legislation, EMPR closure commitments and applicable good practice. Financial provision is then made in each operation's Conservation Trust Fund as required.

The final regulations in terms of the National Environmental Management Act pertaining to financial provision for rehabilitation and closure for prospecting, exploration, mining or production operations were published in January 2016. These regulations have significant financial implications for the mining industry and the Chamber of Mines is engaging with the DMR around this impact and the industry's concerns. The regulations require mines to provide for ongoing expenses after mine closure and effectively freeze the existing provisions for rehabilitation and closure, requiring further provisions to be made from operating expenses.

At the end of June 2016, the total estimated closure cost across the Ferrous and Platinum divisions on a 100% basis (as if ARM owned 100% of the joint ventures) was R1.05 billion. This estimated cost represents the investment required to close the mines and restore the sites to an agreed land end use or state as per the conditions in the environmental management programmes.

The total balance of the operational Trust Funds at the end of the financial year was R334 million and guaranteed facilities are in place for an additional R676 million, representing a total closure cost provision of R1.01 billion.

The shortfalls at individual operations represent a relatively small value compared to the assets at the operations and the annual cash flows they generate. Closure costs tend to be highest in the early stages of a mine or during expansion phases when most of the disturbance occurs.



Khumani Mine

SCHEDULE OF FINANCIAL PROVISION FOR CLOSURE AND REHABILITATION

Mine	Estimated closure cost as at 30 June 2016 (Rands)	2016 Trust Fund contribution (Rands)	Estimated Trust Fund balance as at 30 June 2016 (Rands)	Guarantees (Rands)	Total provision, including guarantees (Rands)	Anticipated shortfall excluding guarantees (Rands)	Anticipated shortfall including guarantees (Rands)
Beeshoek	128 322 464	5 108 395	75 434 955	51 358 589	126 793 544	52 887 509	1 528 920
Khumani	307 227 711	4 836 060	71 354 469	254 565 851	325 920 320	235 873 242	(18 692 609)
Gloria*	39 257 044	1 300 570	19 189 477	76 133 455	95 322 932	20 067 567	(56 065 888)
Nchwaning*	62 153 646	909 096	13 413 404	–	13 413 404	48 740 242	48 740 242
Black Rock*	129 598 397	2 128 044	31 398 581	81 928 511	113 327 092	98 199 816	16 271 305
Dwarsrivier	89 289 072	666 639	9 836 040	39 363 399	49 199 439	79 453 032	40 089 633
Two Rivers	63 124 000	2 562 412	18 537 857	42 472 942	61 010 799	44 586 143	2 113 201
Nkomati	119 495 378	–	70 538 815	3 940 000	74 478 815	48 956 563	45 016 563
Modikwa	106 897 836	–	24 314 992	126 416 622	150 731 614	82 582 844	(43 833 778)
Total	1 045 365 548	17 511 216	334 018 590	676 179 369	1 010 197 959	711 346 958	35 167 589

* Part of Black Rock Mine.

WASTE MANAGEMENT

ARM's focus on operational efficiencies includes reducing the amount of waste produced. Waste material is recycled wherever possible, including paper, oil and scrap metal.

We manage our activities to ensure compliance with the relevant waste legislation and to minimise our impact on the natural environment and surrounding communities.

Waste inventories are in place at all operations. These describe the source, volume, and type of waste generated by each process at the operation, as well as the disposal method. All operations are registered on the National Waste Inventory Reporting (SAWIS) system and report the volume and type of waste generated and disposed on a monthly basis.

Domestic waste is disposed of in licensed municipal landfill sites. Hazardous waste such as used oil is recycled through specialist service providers while other hazardous waste such as oil contaminated material and used filters is sent to registered waste-disposal facilities and safe disposal certificates are obtained.

The smelters have always included slag in their waste inventories. Mine residue, including tailings, has historically been excluded from waste inventories but is now included under the new regulations in terms of the National Environmental Management: Waste Act. The mining operations are in the process of updating their waste inventories to include mine residue.

WASTE CONTROLS

There were no significant hydrocarbon spills during the year. Minor hydrocarbon spills were reported by Black Rock (52 litres of fuel), Dwarsrivier (120 litres of oil) and Two Rivers mines (73 litres of oil and 114 litres of fuel). Affected areas were rehabilitated and the contaminated soil was disposed at licensed hazardous waste landfill sites.

The Waste Act was recently amended relating to the remediation of contaminated land. Contaminated land surveys were completed for Machadodorp and Cato Ridge Works in F2015 and the other

operations will conduct surveys as appropriate. The outcomes from the completed studies have been included in the assessment of closure and rehabilitation costs and reflect in the financial provision towards closure and rehabilitation.

SLAG

Slag is generated as the main industrial waste product from processing at our smelters. The slag volume and footprint of disposed slag is minimised through management plans at each smelter that prioritise recycling and recovery of residual metal. Slag is disposed of at designated, licensed slag disposal sites within the boundaries of the smelters that are fully lined to prevent soil and water pollution. Internal and external environmental monitoring programmes include water management and drainage control around slag disposal areas.

Changes to the regulation of slag dumps applicable to the Sakura project in Malaysia halted construction of slag containment areas until the revised additional approvals could be obtained, delaying the project by four weeks.

Slag produced by our smelters reduced to 93 953 tonnes from 152 800 in F2015, consistent with reduced production.

WASTE ROCK AND TAILINGS

Waste rock and tailings are by-products of mining and beneficiation activities. Waste rock is non-ore bearing rock removed in the mining process and is disposed of on waste rock dumps or used to backfill open pit workings to rehabilitate and minimise aesthetic impact. Ongoing monitoring of surface water runoff and ground water alerts operations to any negative impact from waste rock disposal.

Tailings generally consist of finely milled waste material suspended in water and are disposed in tailings dams. These dams are lined appropriately to prevent pollution of ground water, ground water around tailings disposal facilities is closely monitored and ground water modelling predicts the potential impact of tailings disposal on aquifers.

NATURAL CAPITAL continued

The National Environmental Management: Waste Act classifies tailings as hazardous waste and imposes more stringent liner requirements on new stockpiles and tailings facilities which increases the cost of waste management significantly.

An internal multi-disciplinary team conducted a review of the management systems of the operations' tailings storage facilities in terms of the requirements of the Mine Health and Safety Act Guideline for Mandatory Code of Practice on Mine Residue Deposits and relevant environmental regulations (including the National Water Act, Government Notice 704 and the National Environmental Management: Waste Act). ARM also participated in the ICMM's review of members' management practices relating to tailings storage facilities. The ICMM will publish a good practice guideline in this regard by November 2016.

ARM's mines produced 13.7 million tonnes of tailings in F2016 (F2015: 16.8 million tonnes) and 65.7 million tonnes of waste rock was mined during F2016, a 13% decrease on F2015.

Waste produced	F2016	F2015
Slag (tonnes)	93 953	152 800
Waste rock (million tonnes)	65.7	75.3
Tailings (million tonnes)	13.7	16.8
Domestic waste (tonnes)	12.3	14.0
Hazardous waste (used oil) (t)	1 212 394	1 219 835
Hazardous waste (other) (tonnes)	12.0	NR*

NR* – Not reported.

BIODIVERSITY

Mining has a direct impact on the physical environment and both mining and beneficiation can affect the biomes in their vicinity. Ensuring that the processes and controls are in place to safeguard the biodiversity in the biomes in which we operate is an important aspect of ARM's sustainability model. Two Rivers Mine, Dwarsrivier Mine, Machadodorp Works and Cato Ridge Works are located in close proximity to sensitive areas.

Biodiversity Action Plans (BAPs) are in place at all operations that were drafted as part of the EIA process and operations are at different stages of implementing their biodiversity management programmes. The BAPs include commitments to conserve protected areas such as wetlands, zones of endemism, archaeological and heritage sites, protected and endangered species (as per the IUCN).

Investigations during the feasibility or exploration phase of projects include baseline biodiversity and landscape function studies to identify the potential impacts of any proposed activities that could be a risk to biodiversity and landscape functions. These risks inform environmental risk assessments performed for new operations and for major changes to existing operations. External audits are conducted every second year to monitor compliance with the relevant corporate standards, supported by annual legal compliance audits as part of the environmental management systems.

If required, access is provided to sites for scientific research purposes and ARM often works in concert with government and/or academic institutions to promote biodiversity protection, including relocations of protected species and removal of alien vegetation.

EIA and/or EMP processes include land use planning that involves engagements with community forums, local municipalities and other affected stakeholders.

Awareness training is provided to employees, contractors and communities regarding sensitive and endangered species around our operations.

Two Rivers Mine conducted an additional four seasons Baseline Biodiversity Assessment survey in July 15 and are now extending the assessment to the proposed site of a new tailings dam as instructed by the regional authorities. Nkomati Mine has a full-time team that continuously manages alien invasive plant species within the mine boundaries.

NATURAL CAPITAL FOCUS FOR F2017

1 CONTINUE TO IMPLEMENT CARBON EMISSION REDUCTION INITIATIVES AND MONITOR OUR PERFORMANCE AGAINST OUR EMISSION TARGETS.

2 IMPROVING THE CARBON INTENSITY OF OUR PRODUCTION BY IDENTIFYING AND IMPLEMENTING APPROPRIATE EMISSION REDUCTION INITIATIVES.

3 ENGAGING PROACTIVELY IN THE PROCESS OF IMPLEMENTING VARIOUS POLICY MEASURES AND ENVIRONMENTAL INSTRUMENTS, INCLUDING CARBON BUDGETS AND CARBON TAX.



Two Rivers Mine



INTELLECTUAL
CAPITAL

Concentrator plant at Two Rivers Mine

INTELLECTUAL CAPITAL

ARM's intellectual capital resides in the experience and expertise developed through training initiatives and the collective learning of employees through successful execution of projects, sharing best practices and developing innovative solutions across our businesses.

The Group benefits from the intellectual capital residing in the Strategic Services and Exploration division, which is applied to identify new mineral opportunities, partner with operations to support the successful execution of major capital projects and provide technical support. ARM's New Order Mining Rights over the mines we operate represent a key intellectual asset without which the Group cannot operate. Other forms of intellectual capital invested in the Group include the skills and experience built up in management and the workforce, and the increased efficiencies arising from our Information Management initiatives.

The Strategic Services and Exploration division supports Group operations through:

- > Information Technology, which manages, provides and develops business intelligence systems, provides hardware and software applications, and assures continuous improvement, compliance and IT security.
- > Technical Support comprises an experienced, multi-disciplinary team that provides technical services to all existing operations and new business opportunities. Members of the Technical Support team participate on various industry forums and are involved in numerous research and development initiatives.
- > Strategic Support comprises administration, maintenance, logistics, housing and applied legal matters.
- > The Projects team partners with the divisions to project manage major capital investments. The team manages the design, construction and commissioning of major projects to the required specifications, timing and budgets, and assures that new operations are provided with the required skills and services. The current major projects in progress are the Black Rock Project, the development of the Village Pit at Beeshoek Mine and the Sakura Ferroalloys Project.
- > Exploration and New Business includes Mineral Resources Management and Hyperion Strategic Finance. Mineral Resources Management undertakes resource database management, advanced modelling of resources pertaining to the operations, as well as resources estimation and classification. Mineral Resources Management is also the competent person for the resources and reserves declaration in the 2016 Integrated Annual Report.

- > Hyperion Strategic Finance undertakes Life of Mine evaluations of the existing ARM operations culminating in an ARM Enterprise valuation. The unit undertakes financial modelling and economic evaluations of expansions and/or organic growth projects, potential divestments and new investment opportunities.

Research and development initiatives currently underway include new smelting technology, evaluating and understanding the fundamentals of direct reduction of manganese ore and the use of self-reducing agglomerates.

INFORMATION MANAGEMENT

ARM's Information Management initiatives provide user-specific information to support ARM's strategic objectives, improve efficiencies, and enhance its safe mining strategy. This is achieved through the implementation and continuous improvement of appropriate, standardised, proven and integrated information technology and software applications.

The Group Enterprise Resource Planning (ERP) system integrates finance, procurement, inventory, safety and people management in line with ARM's drive to enhance efficiency.

MINING RIGHTS STATUS

Full details of each operation's Mining Rights can be found in the 2016 Mineral Resources and Reserves Report on the ARM website www.arm.co.za.



ARM PLATINUM

Nkomati Mine was granted Mining Rights 146 MRC and 147 MRC respectively on 6 June 2012 over the area and for the minerals, as previously held under its Old Order Mining Licences.

Two Rivers was granted Mining Right LP 178 MRC on 20 March 2013 over the area and for the minerals, as previously held under its Old Order Mining Licence. The areas (portions of the farms Kalkfontein, Tweefontein and Buffelshoek) and associated minerals under the prospecting right purchased from Impala Platinum have been incorporated into the Mining Right of Two Rivers and registration took place in April 2015.

INTELLECTUAL CAPITAL continued

Modikwa was granted Mining Right LP 129 MRC on 13 November 2013 over the area and for the minerals, as previously held under its Old Order Mining Licence.

ARM acquired Tamboti Platinum (Pty) Ltd, the holder of a Mining Right over a property adjacent to Two Rivers Mine during F2015. The Mining Right was executed on 14 July 2014 and registered on 14 August 2014.

In September 2006, ARM Platinum was granted a prospecting right (PR 492 of 2006) over the Kalplats Project area covering portions of the farms Groot Gewaagd 270, Gemsbok Pan 309, Koodoos Rand 321 and Papiessvlakte 323 (approximately 3 810 hectares). The prospecting right was renewed until 26 July 2012 when it lapsed. ARM Platinum has applied for a Retention Permit of the Kalplats Project area. In April 2007, a new order prospecting right (no. 1056) (approximately 62 985 hectares) was granted to ARM Platinum over the Extended Project area which covers an additional 20 kilometres of strike to the north and 18 kilometres to the south of the Kalplats Project area.

ARM FERROUS

The Beeshoek Mine converted Mining Rights were executed on 16 March 2012 and registered on 29 May 2013.

The Black Rock Mine converted Mining Rights were executed on 13 July 2011 and registered on 22 September 2015.

The Khumani Mine converted Mining Right was executed on 25 January 2007 and registered on 5 March 2007.

The Dwarsrivier Mine converted Mining Right was executed on 15 May 2013 and registered on 2 June 2015.

ARM COAL

ARM Coal's mining rights are held under Glencore Operations South Africa. All mining rights have been granted, executed and registered in the mining titles office.





Underground operations at Black Rock Mine



MANUFACTURED CAPITAL

Two Rivers Mine concentrator

MANUFACTURED CAPITAL

ARM relies on manufactured capital in the form of the machinery we use to extract and process the metals we mine, the furnaces we use to process ore, the facilities from which we run our business and the vehicles used to transport our output.

It is important that assets and infrastructure are used as efficiently as possible to realise the benefits of mineral resources as cost effectively as possible.

Investments in manufactured capital at our operations sustain and enhance the quality of infrastructure and equipment to improve the efficiency of our operations, extend the life of mine and improve our ability to create financial capital. Improved operational efficiencies from these investments can also help to minimise the Group's impact on natural capital and improve productivity.

The majority of Group capital expenditure was committed to the Black Rock Project, which aims to modernise the manganese ore operations, reduce operating costs, increase flexibility and raise production. Other manufactured capital investments at Black Rock included underground mining equipment, water storage dams, ongoing replacement of mining equipment and various risk mitigating projects.

Beeshoek Mine implemented vehicle proximity detection equipment and invested in maintaining existing equipment. Dwarsrivier Mine equipped the North Shaft underground development and installed new equipment in the beneficiation plant. Khumani Mine purchased replacement mining equipment and established alternative water resources on the mine.

Modikwa Mine invested in restructuring the South 1 and South 2 shafts to enable operational synergies and cost savings and the continuation of the capital project at South 2 Phase 1 to improve mining flexibility. Two Rivers Mine's capital was spent on fleet replacement and refurbishment, the deepening of the Main and North declines and the associated electrical and mechanical infrastructure.

Nkomati Mine installed a new cleaner bank for the main mineralised zone plant, an anchored pile wall and a slope stability radar system.

The restructuring process at Cato Ridge Works was completed at the end of March 2016, reducing production of refined alloys to three of the six original furnaces. Proprietary technology has been developed and patented for the direct reduction of manganese ore.

The Sakura furnace complex in Eastern Malaysia has progressed well with the first furnace handed over to operations in April 2016 and the first sale of alloy taking place in June 2016. The construction of the second furnace has been completed and handed over to operations who are preparing to hot commission during September 2016. Production from this unit is expected in September 2016.

Ongoing investment in our manufactured capital through capital expenditure is critical to ensure the Group's continued growth. ARM's attributable segmental capital expenditure for F2016 was R2 352 billion (F2015: R3 326 million).

THE ROLE OF OUR PRODUCTS IN MANUFACTURING

The commodities ARM produces are essential in a wide range of applications. Steel, which is made from iron, manganese, nickel and chrome, is a critical component in the manufactured capital available to other businesses, specifically through construction, infrastructure and manufacturing applications. Copper is used extensively in plumbing, building and construction, industrial machinery, consumer and general products.

Auto catalysts rely on platinum and palladium to reduce greenhouse gas emissions from motor vehicles and platinum is an essential component of fuel cells, which show great potential as alternative energy sources.

The benefits and uses of these commodities are discussed in more detail on pages 12 to 13 of this report.



SR

MANUFACTURED CAPITAL continued

PRODUCT STEWARDSHIP

ARM's core activities are exploration, mining and processing, and our major products are ore and alloys used in the manufacture of metals and alloy metals. We acknowledge our responsibility for the future impacts our products may have on the environment and the people who use them, and we encourage responsible use, re-use, recycling and disposal of our products to minimise these impacts.

The sale and marketing of our products is done through agreements with our respective joint venture partners and ARM does not directly conduct these activities. Our customers are industrial companies with whom we engage contractually. The concentrates produced by the ARM Platinum division are toll-treated according to specific toll-treatment contracts.

The most material concerns regarding the immediate downstream use of our products and how we address these are discussed in the table below:

PRODUCT STEWARDSHIP CONCERNS	HOW WE ADDRESS THESE
Product quality	<ul style="list-style-type: none"> > Quality management is supported by ISO 9001 management systems which are in place at most operations. > Customer complaints are addressed comprehensively at operational level.
Health and safety of the people handling products during transportation and secondary manufacturing processes	<ul style="list-style-type: none"> > None of our products are considered hazardous to the environment, as confirmed by the test work detailed in the technical dossiers submitted for REACH registration of these products. > Safety Data Sheets (discussed below) have been developed for all our products. > Participation in industry forums, such as the ICMM and the Chamber of Mines, and membership in the ICMM's Product Stewardship Programme Committee, enables ARM to keep informed of insights and developments relating to the properties of metals and minerals and their life-cycle effects on human health and the environment.
Potential environmental impacts associated with transportation and spillage into the natural environment	

Safety Data Sheets provide regulators, users and other stakeholders with information regarding our products and operations to ensure downstream users have the necessary health and safety and environmental information. These data sheets have been prepared according to the requirements of the Globally Harmonised System (GHS) of hazard classification and incorporate information from ongoing research sponsored by both the Group and industry associations.

Ore & Metal, the marketing company for our joint venture partner Assore, plays an active role in several industry associations that promote the use and sustainability of commodities the ARM Ferrous division produces, including:

- > The International Manganese Institute (IMnI) – An Ore & Metal representative currently serves on the International Occupational Health, Environment & Sustainability Committee of the IMnI. Ore & Metal also chairs IMnI's Regulatory Affairs Committee, which monitors manganese-related national and international legislation and lobbies on regulatory issues of importance to the sector.
- > The International Chrome Development Association (ICDA) – Ore & Metal are also represented on the South African Committee of the ICDA, which facilitates the sharing of learning experiences between peer companies, particularly with regard to safety and occupational health performance.

- > The Ferro Alloy Producers' Association (FAPA) – In South Africa, Assmang continues to hold the deputy chairmanship of FAPA and representatives from both smelting operations participate in FAPA's Environmental, Technical and Logistics Committee.

Representation in these organisations fosters cooperation between peer companies to address issues of common concern.

Ore & Metal monitors and proactively responds to changes in national and international legislation that could influence the mining, beneficiation, sale or transportation of its products. This includes the progressive modification over recent years of the International Maritime Organisation's codes that could potentially change the categorisation of Assmang's products, resulting in more stringent requirements for management and monitoring during shipment.

Ore & Metal also continues to track the implementation of "REACH type" initiatives in key markets such as China, Japan, South Korea, India and Brazil, which may require registration of its products.



Iron ore on conveyor to stockpiles at Khumani Mine

SUPPLEMENTARY INFORMATION

INDEPENDENT ASSURANCE STATEMENT

To the management and stakeholders of African Rainbow Minerals Limited (“ARM”)

INTRODUCTION

ARM is a member of the International Council on Mining & Metals (“ICMM”) and is therefore committed to obtaining assurance over specified assertions related to its Sustainability Report in accordance with the ICMM’s Sustainable Development (SD) Framework: Assurance Procedure.

IBIS Environmental Social Governance Consulting South Africa (Pty) Ltd (“IBIS Consulting”) was engaged to provide moderate assurance on selected subject matters included in ARM’s Sustainability Report for the year ended 30 June 2016 (“the Report”).

IBIS Consulting is an independent and licensed provider of sustainability assurance services. The assurance team was led by Petrus Gildenhuys with support from Simon Clarke. Petrus is a Lead Certified Sustainability Assurance Practitioner (LCSAP) with 18 years’ experience in sustainability performance measurement involving both advisory and assurance work. Simon Clarke is a sustainability practitioner with 14 years of experience in climate change, sustainability advisory and assurance work. More details are available at www.ibisconsulting.com.

ASSURANCE STANDARD APPLIED

This assurance engagement was performed in accordance with the ICMM SD Framework: Assurance Procedure and the AA1000AS (2008) standard Type II moderate level requirements.

RESPECTIVE RESPONSIBILITIES AND IBIS CONSULTING’S INDEPENDENCE

ARM was responsible for preparing the Report and for the collection and presentation of sustainability information within the Report. ARM was also responsible for maintaining adequate records and internal controls that were designed to support the reporting process during the reporting period.

IBIS Consulting’s responsibility was to the management of ARM alone and in accordance with the scope of work and terms of reference agreed with ARM.

IBIS Consulting applies a stringent independence policy and confirms its impartiality to ARM in delivering the assurance engagement. This assurance engagement is the first sustainability assurance engagement conducted for ARM by IBIS Consulting.

SUBJECT MATTERS IN THE ASSURANCE SCOPE

- > **ICMM Subject Matter 1:** ARM’s alignment with the 10 ICMM Sustainable Development (“SD”) Principles and associated mandatory requirements set out in the six ICMM Position Statements (page 139)
- > **ICMM Subject Matter 2:** ARM’s approach to identify, prioritize and respond to its material SD risks and opportunities based on the AA1000 Accountability Principles Standard (2008) (“AA1000APS (2008)”), which include the Principles of Inclusivity, Materiality and Responsiveness
- > **ICMM Subject Matter 3:** The existence and status of ARM’s implementation of systems and approaches used to manage its identified material SD risks and opportunities
- > **ICMM Subject Matter 4:** The following selected indicators relating to its material SD risks and opportunities:
 - Fatal Injury Frequency Rate (FIFR) (page 72)
 - Lost Time Injury Frequency Rate (LTIFR) (page 71)
 - Reportable Injury Frequency Rate (TRIFR) (page 74)
 - Electricity consumption in MWh (page 120)
 - Diesel fuel consumed (page 120)
 - Total volume of water abstracted for mining, processing and community supply from all sources (pages 123)
 - Volumes of water discharged from sites (page 123)
 - Site-level achievement of Socio-economic Development objectives as per Social & Labour Plans at the Nkomati and Khumani operations
 - Amount of CSI and LED spend (page 106)
- > **ICMM Subject Matter 5:** ARM’s application of the GRI G4 in accordance “core” reporting requirements (inside front cover)
- > **King III alignment:** ARM’s compliance with the 75 principles contained within the 3rd version of the King Report on Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III) available at www.arm.co.za.

ASSESSMENT CRITERIA

- > **ICMM Subject Matter 1:** ICMM’s 10 SD principles’ mandatory Requirements and the six ICMM Position Statements
- > **ICMM Subject Matter 2:** AA1000APS (2008) Principles of Inclusiveness, Materiality and Responsiveness criteria
- > **ICMM Subject Matter 3:** The Company’s description of systems and approaches used to manage its material SD risks and opportunities and the implementation of these systems and approaches

- > **ICMM Subject Matter 4:** Accuracy, validity and completeness of reported information
- > **ICMM Subject Matter 5:** GRI G4 Guidelines, GRI Mining and Metals Sector Disclosure guidelines
- > **King III:** King Report on Governance for South Africa 2009 and the King Code of Governance Principles

ENGAGEMENT LIMITATIONS

The evidence gathering procedures for moderate assurance are more restricted than for high assurance and therefore less assurance is obtained with moderate assurance than for high assurance as per AA1000AS (2008).

The scope of work did not extend to any subject matters other than specified in this Assurance Statement.

IBIS Consulting experienced no limitations to the agreed extent of work required for the engagement.

ASSURANCE PROCEDURES PERFORMED

Our moderate assurance procedures included:

- > Interviews with relevant functional managers at head office and operations mentioned below to understand and test the processes in place for maintaining information in relation with the subject matters in the assurance scope
- > Site visits to ARM Head Office, Nkomati, Khumani and Cato Ridge operations involving testing, on a sample basis, the measurement, collection, aggregation and reporting processes in place
- > Inspection and corroboration of evidence in support of satisfying the assurance criteria at ARM's head office and the operations as mentioned above
- > Reporting the assurance observations to management as they arose to provide an opportunity for corrective action prior to completion of the assurance process
- > Assessing the presentation of information relevant to the scope of work in the Report for consistency with the assurance observations

ASSURANCE CONCLUSION

IBIS Consulting planned and performed the work to obtain all the information and explanations believed necessary to provide a basis for the assurance conclusion for a moderate assurance level in accordance with AA1000AS (2008).

In our opinion, based on the work undertaken for moderate assurance as described, we conclude that the subject matters in the scope of this assurance engagement have been prepared in accordance with the defined criteria and are free from material misstatement.

KEY OBSERVATIONS AND RECOMMENDATIONS FOR IMPROVEMENT

Based on the work set out above, and without affecting the assurance conclusion, the key observations and recommendations for improvement are as follows:

IN RELATION TO ICMM SUBJECT MATTER 1

Group level policies, management standards and procedures observed adequately demonstrate ARM's corporate commitment to the ICMM SD principles and the position statements.

IN RELATION TO ICMM SUBJECT MATTER 2

Inclusivity: ARM's Code of Conduct provides for dealing with stakeholder communication and relations. Documented evidence assessed at site level pointed to a high level of inclusive stakeholder engagement and collective decision-making performed, the results of which were reported regularly to the Social and Ethics Committee and the Board. However, a corporate stakeholder engagement strategy and pilot guidelines are still work in progress. It is recommended that this process be continued to support the corporate strategy. Closer alignment with the AA1000SES (Stakeholder Engagement Standard) is recommended to execute a more structured and consistent approach with stakeholder engagement across the group.

Materiality: In our view, ARM has applied due process in mapping and disclosing its material stakeholder issues in a transparent and balanced manner. A materiality determination process was followed and integrated with the internal risk management process. Material issues for the reporting period have been revised, considered at Board level and are reflected in the reported sustainability themes and strategic objectives of the business.

Responsiveness: ARM's responses to stakeholder issues observed across different stakeholder groups, at both corporate and operational levels, indicate a high level of maturity and accountability to issues raised. A sample of responses to stakeholders observed were found to be directly related to the stakeholder concerns and were conducted in a timely, fair and appropriate manner without prejudice to any one stakeholder group. An area for improvement identified is the unavailability of a

SUPPLEMENTARY INFORMATION continued

link or reference for inviting public grievance communication or fraud reporting on ARM's website from outside of the organisation.

IN RELATION TO ICMM SUBJECT MATTER 3

The process observed to identify the group's material risks and opportunities is mature and ARM's reporting demonstrates the year-on-year shift in issues compared to the previous year. The systems and approaches to manage the identified material issues are reported as "DMA" (disclosure on management approach) relevant to the material aspect reporting in accordance with the GRI G4 guidelines.

IN RELATION TO ICMM SUBJECT MATTER 4

It was observed that comprehensive systems are in place to provide source-data for the selected KPIs assessed. A corporate-level data reporting procedure aimed to ensure the consistent interpretation of definitions across the group, and to provide guidance on key internal controls required for reliable data reporting throughout the year, is still in the process of development. It is recommended that this procedure be finalised and implemented prior to the next reporting cycle.

IN RELATION TO ICMM SUBJECT MATTER 5

A review of the Report against the GRI G4 indicated that ARM effectively reports in accordance with the GRI G4 – "core" disclosure requirements.

IN RELATION TO ARM'S ALIGNMENT WITH KING III

Evidence observed during interviews with the Company Secretary as well as inspections of Board pack documents and other meeting minutes, demonstrated a high level of compliance with King III.

A comprehensive management report detailing specific findings and recommendations for continued sustainability reporting improvement has been submitted to ARM management for consideration.



Petrus Gildenhuys

Director, IBIS ESG Assurance
IBIS Environmental Social Governance South Africa (Pty) Ltd



AA1000

Licensed Assurance Provider
000-156

Johannesburg, 28 October 2016

The Assurance Statement provides no assurance on the maintenance and integrity of sustainability information on the website, including controls used to maintain this. These matters are the responsibility of ARM.

THE ICMM SUSTAINABLE DEVELOPMENT PRINCIPLES

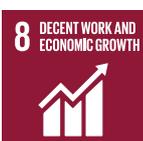
ARM is a member of the International Council of Mining and Metals (ICMM) and an active participant at Council, Executive and Programme Committee level.

Our sustainable development initiatives align with the ICMM position statements, the elements of the ICMM Sustainable Development Framework and the ten principles of the ICMM. The table below references where further detail on how we implement the principles can be found in this report.

ICMM Sustainable Development Principles	Section
1. Implement and maintain ethical business practices and sound systems of corporate governance.	<ul style="list-style-type: none"> > Report of the Social and Ethics Committee (pages 50 – 51) > Corporate Governance summary (pages 38 – 49) and the full Corporate Governance Report (pages 156 – 173) in the Integrated Annual Report > Comment from the Sustainability Assurance Provider (page 47)
2. Integrate sustainable development considerations within the corporate decision-making process.	<ul style="list-style-type: none"> > Our most material matters (pages 14 – 18) > Executive Chairman's report (pages 20 – 23) > Chief Executive Officer's report (pages 24 – 27) > How we manage sustainability in our business (pages 35 – 36) > Report of the Social and Ethics Committee (pages 50 – 51)
3. Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.	<ul style="list-style-type: none"> > United Nations Global Compact (page 142) > Corporate Governance summary (pages 38 – 49)
4. Implement risk management strategies based on valid data and sound science.	<ul style="list-style-type: none"> > Our most material matters (pages 14 – 18) > Sustainability and Risk Management (page 36) > Corporate Governance summary (pages 38 – 49) > The full Corporate Governance Report and the Risk Report (pages 156 – 184) of the 2016 Integrated Annual Report
5. Seek continual improvement of our health and safety performance.	<ul style="list-style-type: none"> > Executive Chairman's report (pages 20 – 23) > How we manage safety and occupational health (pages 68 – 69) > Safety (pages 69 – 77) > Occupational health and wellness (pages 78 – 83) > TB, HIV & Aids (pages 84 – 89)
6. Seek continual improvement of our environmental performance.	<ul style="list-style-type: none"> > Natural Capital (pages 112 – 127)
7. Contribute to conservation of biodiversity and integrated approaches to land use planning.	<ul style="list-style-type: none"> > Natural Capital (pages 112 – 127) > Biodiversity tables available on the ARM website www.arm.co.za
8. Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.	<ul style="list-style-type: none"> > Product stewardship (page 134)
9. Contribute to the social, economic and institutional development of the communities in which we operate.	<ul style="list-style-type: none"> > Transformation (pages 92 – 103) > Corporate Social Responsibility (pages 104 – 111)
10. Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.	<ul style="list-style-type: none"> > Stakeholder engagement (page 91) > Our key stakeholders (pages 28 – 29)

SUPPLEMENTARY INFORMATION continued

THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

SDG	How ARM makes a difference	Reference
	<p>Payment of taxes and royalties; direct employment; sourcing goods and services locally; enterprise development, building capacity in communities and investing in Corporate Social Investment (CSI) and Local Economic Development (LED).</p>	<p>Financial Capital (page 54) Human Capital (pages 57 – 67) Social and Relationship Capital (pages 92 – 105) Corporate Social Responsibility (pages 104 – 111)</p>
	<p>In traditionally agricultural areas, the impact of mining on water, land and biodiversity resources can be a concern to farmers and local communities and can become a potential source of social conflict. ARM manages its impacts on natural resources through a precautionary approach to environmental stewardship, consultative land management, including biodiversity conservation and rehabilitation and closure planning.</p>	<p>Natural Capital (pages 112 – 127)</p>
	<p>Our employees' health, hygiene and safety are critical to ARM's long-term sustainability. Our wellness programme integrates safety, occupational hygiene and health, TB, HIV & Aids and chronic disease management. Our three operations in the Northern Cape have Memorandums of Understanding with the Department of Health to provide primary health-care services to the communities.</p>	<p>Occupational health and wellness (pages 78 – 89) Corporate Social Responsibility (pages 104 – 111)</p>
	<p>ARM contributes to quality education by working with local government to increase local capacity and through technical, vocational and educational training programmes for the current and future workforce. We also invest in infrastructure to build/upgrade or furnish schools through the CSI and LED projects, as well as the ARM BBEE Trust. Investments in education through our CSI programme strengthens relationships with our communities.</p>	<p>Human Capital (page 63) Corporate Social Responsibility (pages 104 – 111)</p>
	<p>ARM promotes gender equality. We actively recognise women's rights to property and resources, include women as stakeholders in consultation processes, and build inclusive access to jobs and economic opportunities. ARM's CSI and LED projects focus on building capacity in local communities and prioritise women.</p>	<p>Human Capital (pages 65 – 66) Corporate Social Responsibility (pages 104 – 111)</p>
	<p>Water is a critical resource for our mining and metals operations. It is essential for production, as well as the health and wellbeing of employees and the surrounding communities at every stage in a mine's life cycle. It is therefore essential to consider availability and quality of water in our project planning, operational and closure considerations and to consult with regulators and communities to ensure responsible stewardship and sharing of this essential natural resource.</p>	<p>Natural Capital (pages 112 – 127)</p>
	<p>As a major energy user, we reduce carbon emissions through accelerating energy efficiency measures and investigating renewable technologies where appropriate.</p> <p>The metals ARM produces are used in clean energy solutions.</p>	<p>Natural Capital (pages 112 – 127) How our products contribute to society (pages 12 and 13)</p>
	<p>Direct and indirect employment, enterprise and supplier development, and local procurement create large economic multipliers. For growth to be fully inclusive, we require government to effectively manage revenues from mining and encourage linkages to the broader economy.</p>	<p>Financial Capital (page 54) Human Capital (pages 57 – 67) Social and Relationship Capital (pages 92 – 105) Transformation (pages 92 – 103) Corporate Social Responsibility (pages 104 – 111)</p>

SDG

How ARM makes a difference

Reference

	<p>Mining requires significant infrastructure investments in order to develop, operate and mine products in remote areas. We make significant investments in infrastructure.</p> <p>ARM conducts research and development to identify innovative applications in mining technology.</p>
	<p>We embrace an inclusive approach to community consultation and participation in decision-making.</p>
	<p>The products of our mining and smelting operations such as steel and copper play a vital role in construction of cities.</p>
	<p>While mining produces the materials essential for modern society and contained in the products we use every day, it also generates large quantities of waste. We manage our waste and look for recycling opportunities such as donating the modern pallets our equipment is packed in for delivery at Lubambe Mine to a local community furniture manufacturing project.</p>
	<p>We address climate change by reducing our carbon footprint and by engaging in dialogue with stakeholders to enhance adaptive capacities and integrate climate change measures into policies and strategies. We report publicly our carbon emissions in this Sustainability Report and in our annual CDP Report.</p>
	<p>We work closely with our partners to ensure safe and responsible shipping with minimal risk to marine ecology.</p>
	<p>As a manager of large areas of land, we play an important role in biodiversity and conservation management.</p>
	<p>We respect human rights, providing access to information, supporting representative decision-making, working to avoid company-community conflict and carefully manage our security approaches to ensure they decrease rather than increase the likelihood of conflict. We commit to transparency across the scope of our activities that impact society, from transparency of mineral revenues and payments to transparency in commitments made to local communities.</p>
	<p>We believe in partnering on SDG-related challenges at the local, national and global levels and in collaborative approaches to sustainable development with all our stakeholders.</p>

<p>Corporate Social Responsibility (pages 104 – 111) Intellectual Capital (page 129)</p>
<p>Our key stakeholders (pages 28 – 29) Corporate Social Responsibility (pages 104 – 111)</p>
<p>How our products contribute to society (pages 12 – 13)</p>
<p>How our products contribute to society (pages 12 – 13) Natural Capital (pages 112 – 127)</p>
<p>Natural Capital (pages 112 – 127) www.cdp.net</p>
<p>Product stewardship (page 134)</p>
<p>Natural Capital (pages 112 – 127)</p>
<p>Our key stakeholders (pages 28 – 29) Corporate Governance summary (page 48 and 49) Inputs into our approach to sustainable development (page 34)</p>
<p>Our key stakeholders (pages 28 – 29) Our approach to sustainability (pages 31 – 36) Social and Relationship Capital (page 91)</p>

SUPPLEMENTARY INFORMATION continued

THE UNITED NATIONS GLOBAL COMPACT (UNGC)

ARM is committed to upholding the ten principles of the UNGC. The table below references where further detail is provided on how we implement these principles.

United Nations Global Compact Principles		Section
HUMAN RIGHTS		
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	<ul style="list-style-type: none"> > Corporate Governance summary (pages 38 – 49) > How we manage sustainability in our business (pages 35 – 36)
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	<ul style="list-style-type: none"> > Corporate Governance summary (pages 38 – 49)
LABOUR		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<ul style="list-style-type: none"> > Human Capital (pages 57 – 61) > Report of the Social and Ethics Committee (pages 50 – 51)
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	<ul style="list-style-type: none"> > Corporate Governance summary (page 49)
Principle 5	Businesses should uphold the effective abolition of child labour.	<ul style="list-style-type: none"> > Corporate Governance summary (page 49)
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	<ul style="list-style-type: none"> > Corporate Governance summary (page 48) > Report of the Social and Ethics Committee (page 50)
ENVIRONMENT		
Principle 7	Businesses should support a precautionary approach to environmental challenges.	<ul style="list-style-type: none"> > Natural Capital (pages 112 – 127)
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	<ul style="list-style-type: none"> > Natural Capital (pages 112 – 127)
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> > How our products contribute to society (pages 12 – 13) > Manufactured Capital (page 133)
ANTI-CORRUPTION		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> > Corporate Governance summary (page 49)

GRI CONTENT INDEX

This Sustainability Report has been prepared and presented in accordance with the Global Reporting Initiative's (GRI) G4 Guidelines "CORE" application level and its Mining and Metals Sector Disclosures. The table below lists the Standard and Specific Standard Disclosures and references where more information on these and the Disclosures on Management Approaches (DMAs) can be found in the report.

REPORTING PRINCIPLES FOR DEFINING REPORT CONTENT

- > Materiality – Our most material matters inform our strategy, governance structures, risk management, operational management and reporting. More detail is available on pages 14 to 18.
- > Stakeholder inclusiveness – Our engagements with our key stakeholders provide the context for the way we do business and shape our strategy. Our approach to stakeholder engagement is described on page 91 and an overview of our key stakeholders is shown on pages 28 and 29.
- > Sustainability context – The sustainability context is described at the start of each section of this Sustainability Report, which are grouped according to the six capitals described in the IIRC <IR> Framework.
- > Completeness – We believe that this report covers all matters material to ARM during F2016 in appropriate detail.

GENERAL STANDARD DISCLOSURES

Standard disclosure	Description	Reference
STRATEGY AND ANALYSIS		
G4-1	Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	Executive Chairman's report (pages 20 – 23)
G4-2	Provide a description of key impacts, risks, and opportunities.	Our most material matters (pages 14 – 18) Risk report (IAR) (pages 174 – 184)
ORGANISATIONAL PROFILE		
G4-3	Report the name of the organisation.	About this report (page 1)
G4-4	Report the primary brands, products, and services.	Our structure (page 6) Our business model (pages 10 – 11) How our products contribute to society (pages 12 – 13)
G4-5	Report the location of the organisation's headquarters.	Contact details (IBC)
G4-6	Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Where we operate (pages 4 – 5)
G4-7	Report the nature of ownership and legal form.	Corporate Governance summary (page 39) Contact details (IBC) Directors' report (IAR) (page 212)
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Where we operate (pages 4 – 5) How our products contribute to society (pages 12 – 13) Manufactured Capital (page 133)
G4-9	Report the scale of the organisation.	Our sustainability performance year-on-year (page 3) Throughout IAR
G4-10	Total workforce by employment type, employment contract, and region.	Human resources management (page 59) 11% of our workforce is female Most employees are full-time or contractors More information on ARM's workforce breakdown is available in the Sustainability Data Tables on the ARM website www.arm.co.za No significant seasonal variation in employment numbers

SUPPLEMENTARY INFORMATION continued

Standard disclosure	Description	Reference
ORGANISATIONAL PROFILE CONTINUED		
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	Labour relations (page 60)
G4-12	Describe the organisation's supply chain.	Preferential procurement and enterprise development (pages 97 – 99) Manufactured Capital (page 133)
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	About this report (page 1) There were no significant changes during the reporting period in ARM's size, structure, ownership or supply chain Where we operate (pages 4 – 5)
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	Natural Capital (pages 113 – 114)
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	Our most material matters (page 15) Inputs into our approach to sustainable development (pages 33 – 35) UN Global Compact (page 142)
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations.	Executive Chairman's report (pages 20 – 23) Chief Executive Officer's report (pages 24 – 27) Inputs into our approach to sustainable development (pages 33 – 35) Our key stakeholders (pages 28 – 29)
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	List all entities included in the organisation's consolidated financial statements or equivalent documents. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	About this report (page 1) All ARM's operations are Joint Ventures (JVs). We report only on those JVs over which we have joint management control. All sustainability data is reported on a 100% basis, except for carbon emissions and where stated otherwise.
G4-18	Explain the process for defining the report content and the Aspect Boundaries. Explain how the organisation has implemented the Reporting Principles for Defining Report Content.	Our most material matters (page 15) How we manage sustainability in our business (pages 35 – 37) About this report (page 1) The introduction to this table.
G4-19	List all the material Aspects identified in the process for defining report content.	Our most material matters (pages 14 – 18)
G4-20	For each material Aspect, report the Aspect Boundary within the organisation.	About this report (page 1) The introduction to each section of this report discloses if certain entities are not included in the reporting in that section and the reason for their exclusion.
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation.	ARM operates mainly in South Africa, but also in Zambia and Malaysia, and each of these aspects are material in these geographies, although to different degrees.
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	About this report (page 1) We continue to improve our systems for measuring and monitoring our performance to ensure comprehensive and reliable data. Minor restatements of F2015 electricity and diesel consumption, and carbon emissions were made due to refinements during external assurance of the CDP Report. The restatements reflect more accurate data, and do not cause material changes to interpretation of our environmental performance as stated in previous periods.
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	About this report (page 1) There were no significant changes in the scope, boundary or measurement methods applied.

Standard disclosure	Description	Reference
STAKEHOLDER ENGAGEMENT		
G4-24	Provide a list of stakeholder groups engaged by the organisation.	Our key stakeholders (pages 28 – 29)
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Our key stakeholders (pages 28 – 29) Stakeholder engagement (page 91)
G4-26	Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	Our key stakeholders (pages 28 – 29) Stakeholder engagement (page 91) Engagements with stakeholders happen as part of normal business operations and there were no engagements undertaken specifically as part of the preparation of this report.
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	Our key stakeholders (pages 28 – 29)
REPORT PROFILE		
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	About this report (page 1)
G4-29	Date of most recent previous report.	The previous report was released in October 2015 and covered the 12-month period ending 30 June 2015.
G4-30	Reporting cycle.	Annual
G4-31	Provide the contact point for questions regarding the report or its contents.	Contact details (IBC)
	Report the 'in accordance' option the organisation has chosen.	Core About this report (page 1)
	Report the GRI Content Index for the chosen option.	This table
G4-32	Report the reference to the External Assurance Report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the Guidelines.	Independent Assurance Statement (pages 136 – 138)
G4-33	Report the organisation's policy and current practice with regard to seeking external assurance for the report.	About this report (page 1) How we manage sustainability in our business (page 36) Independent Assurance Statement (pages 136 – 138)
GOVERNANCE		
G4-34	Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Corporate Governance summary (pages 38 – 49) Report of the Social and Ethics Committee (pages 50 – 51) Corporate Governance (IAR) (pages 156 – 173)
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	Corporate Governance summary (pages 38 – 49) How we manage sustainability in our business (pages 35 – 36) Corporate Governance (IAR) (pages 156 – 173)
G4-36	Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	How we manage sustainability in our business (page 35)

SUPPLEMENTARY INFORMATION continued

Standard disclosure	Description	Reference
GOVERNANCE CONTINUED		
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	Our key stakeholders (pages 28 – 29) Stakeholder engagement (page 91)
G4-38	Report the composition of the highest governance body and its committees.	Corporate Governance summary (pages 38 – 49) Corporate Governance (IAR) (pages 156 – 173)
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement).	Corporate Governance summary (pages 38 – 49) Corporate Governance (IAR) (pages 156 – 173)
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	Corporate Governance summary (pages 38 – 49) Corporate Governance (IAR) (pages 156 – 173)
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	Corporate Governance summary (pages 38 – 49) Corporate Governance (IAR) (pages 156 – 173)
G4-43	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Corporate Governance summary (pages 38 – 49) Corporate Governance (IAR) (pages 156 – 173)
	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	Corporate Governance summary (pages 38 – 49) Corporate Governance (IAR) (pages 156 – 173)
G4-44	Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice.	Corporate Governance (IAR) (pages 156 – 173)
G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	How we manage sustainability in our business (pages 35 – 36) Corporate Governance summary (page 47) Report of the Social and Ethics Committee (page 50) Corporate Governance (IAR) (page 156)
	Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	Our most material matters (page 15) Our key stakeholders (page 28) Stakeholder engagement (page 91)
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics.	How we manage sustainability in our business (pages 35 – 36) Risk report (IAR) (page 174)
G4-47	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	How we manage sustainability in our business (pages 35 – 36) Report of the Social and Ethics Committee (page 50)

Standard disclosure	Description	Reference
GOVERNANCE CONTINUED		
G4-48	Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material Aspects are covered.	Social and Ethics Committee
G4-49	Report the process for communicating critical concerns to the highest governance body.	Corporate Governance (IAR) (page 156)
G4-51	Report the remuneration policies for the highest governance body and senior executives.	Remuneration report (IAR) (page 185)
	Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	Remuneration report (IAR) (page 185) The risk portion (incentive bonus) of senior and executive management is measured on Company performance in terms of profit and cost. Individual performances are measured in terms of specific key performance indicators (including social, safety and environmental indicators).
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organisation.	Remuneration report (IAR) (page 185)
G4-53	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	Remuneration report (IAR) (page 185)
ETHICS AND INTEGRITY		
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Our values (pages 6 – 7) Corporate Governance summary (page 47) Report of the Social and Ethics Committee (page 50) Corporate Governance (IAR) (page 156)
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Corporate Governance summary (page 47) Corporate Governance (IAR) (page 156)

SPECIFIC STANDARD DISCLOSURES

Specific standard disclosure	Description	Reference
ECONOMIC		
ASPECT: ECONOMIC PERFORMANCE		
G4-DMA	Generic Disclosures on Management Approach.	Our most material matters (pages 14 – 18) Financial Capital (pages 53 – 56)
G4-EC1	Direct economic value generated and distributed.	Financial Capital (pages 53 – 56) Value added statement (page 54)
	MMSD: Report countries of operation that are either candidate to or compliant with the Extractive Industries Transparency Initiative (EITI).	Zambia is compliant with the EITI. South Africa and Malaysia are not candidate to or compliant with the EITI. There were no land use payments made during F2016.

SUPPLEMENTARY INFORMATION continued

Specific standard disclosure	Description	Reference
ECONOMIC CONTINUED		
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	Natural Capital (page 116)
G4-EC3	Coverage of the organisation's defined benefit plan obligations.	Note 43 to the Financial Statements (IAR) (page 284)
G4-EC4	Financial assistance received from government.	ARM did not receive financial assistance from government during F2016 in any of its countries of operation.
ASPECT: INDIRECT ECONOMIC IMPACTS		
G4-DMA	Generic Disclosures on Management Approach.	Corporate Social Responsibility (pages 104 – 111)
G4-EC7	Development and impact of infrastructure investments and services supported.	Corporate Social Responsibility (pages 104 – 111) Corporate Social Responsibility initiatives are delivered through Corporate Social Investment projects and Local Economic Development projects. ARM tracks the capital invested as well as the number of jobs created through the projects.
ASPECT: PROCUREMENT PRACTICES		
G4-DMA	Generic Disclosures on Management Approach.	Transformation (pages 92 – 103)
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	Transformation (pages 92 – 103) ARM's preferential procurement and enterprise initiatives benefit Historically Disadvantaged South Africans in line with the applicable legislation. Where possible, ARM includes suppliers and businesses from the communities around our operations in these programmes.
ENVIRONMENTAL		
ASPECT: ENERGY		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital (pages 113 – 114 and 119 – 120)
G4-EN3	Energy consumption within the organisation.	<p>Fuels consumed in our operations include diesel, petrol, aviation fuel, paraffin, acetylene, natural gas and LPG. Diesel is the most used fuel and accounts for 99.5% of carbon emissions from fuel use. Diesel use in F2016 totalled 92.0 million litres, which equates to 3.4 million gigajoules (F2015: 3.6 million GJ).</p> <p>There are currently no fuels from renewable resources used at ARM.</p> <p>Total electricity consumption in F2016 of 1.8 million megawatt hours equates to 6.6 million gigajoules (F2015: 7.6 million GJ).</p>
		<p>No electricity or others forms of energy were sold during F2016.</p> <p>Total energy consumed (including electricity and diesel) in F2016 was 9.9 million gigajoules (F2015: 11.2 million GJ).</p> <p>Fuel and electricity consumption is collected directly from supplier notes and by monitoring electricity meters and metering on fuel tanks. Diesel is converted to GJ using the conversion factor supplied in the GRI G3.1 indicator protocol set.</p>

Specific standard disclosure	Description	Reference
ENVIRONMENTAL CONTINUED		
ASPECT: WATER		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital (pages 113 – 114 and 121)
G4-EN8	Total water withdrawal by source.	Natural Capital (page 123) Surface water: 4.2 million m ³ Ground water: 5.7 million m ³ Municipal water: 8.9 million m ³ Total water abstracted: 19.1 million m ³ Water abstraction is measured directly in litres through flow meters installed in the water system.
ASPECT: BIODIVERSITY		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital (pages 113 – 114 and 126)
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Natural Capital (pages 113 – 114 and 126) Online biodiversity table available on the ARM website www.arm.co.za
	MMSD: Include impacts identified as a consequence of any resettlement and closure activities reported under indicators MM9 and MM10 respectively.	Natural Capital (pages 113 – 114 and 126) Online biodiversity table available on the ARM website www.arm.co.za
G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Online biodiversity table available on the ARM website www.arm.co.za
ASPECT: EMISSIONS		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital (pages 113 – 114, 117 – 118 and 123)
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	Natural Capital (pages 117 – 118) The ARM CDP Report available at www.cdp.net provides additional information regarding base years, standards, methodologies, assumptions, sources of emission factors and global warming potential rates used. While the 2016 CDP Report reflects emissions data for F2015, the additional information remains relevant year-to-year.
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	Natural Capital (pages 117 – 118) The ARM CDP Report available at www.cdp.net provides additional information regarding base years, standards, methodologies, assumptions, sources of emission factors and global warming potential rates used. While the 2016 CDP Report reflects emissions data for F2015, the additional information remains relevant year-to-year.
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	About this report (page 1) Natural Capital (pages 117 – 118) The ARM CDP Report available at www.cdp.net provides additional information regarding base years, standards, methodologies, assumptions, sources of emission factors and global warming potential rates used. While the 2016 CDP Report reflects emissions data for F2015, the additional information remains relevant year-to-year.
G4-EN18	Greenhouse gas (GHG) emissions intensity.	Natural Capital (page 118)
G4-EN20	Emissions of ozone-depleting substances (ODS).	We do not have ozone-depleting substances at our operations, no Persistent Organic Pollutants (POPs) and no volatile organics.

SUPPLEMENTARY INFORMATION continued

Specific standard disclosure	Description	Reference
ENVIRONMENTAL CONTINUED		
G4-EN21	NO _x , SO _x , and other significant air emissions.	Our sustainability performance year-on-year (page 3) We do not have ozone-depleting substances at our operations, no Persistent Organic Pollutants (POPs) and no volatile organics.
	MMSD: Include emissions from both major mobile sources and on-site stationary sources.	The two smelters are the significant sources of air emissions and are stationary sources.
ASPECT: EFFLUENTS AND WASTE		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital (pages 113 – 114 and 126)
G4-EN22	Total water discharge by quality and destination.	Natural Capital (page 123)
G4-EN23	Total weight of waste by type and disposal method.	Natural Capital (page 126)
G4-EN24	Total number and volume of significant spills.	Natural Capital (page 125)
	MMSD: Include spillage of tailings, slimes or other significant process materials.	There were no spillages of tailings or slimes. Minor hydrocarbon spillages are disclosed on page 125. Water discharges are described on page 123.
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	ARM does not transport, import or export any waste categorised as hazardous under the terms of the Basel Convention.
ASPECT: COMPLIANCE		
G4-DMA	Generic Disclosures on Management Approach.	Natural Capital (pages 113 – 114 and 124)
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Legal compliance (page 48)
SOCIAL		
LABOUR PRACTICES AND DECENT WORK		
ASPECT: EMPLOYMENT		
G4-DMA	Generic Disclosures on Management Approach.	Human Capital (pages 58 – 59)
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	Human Capital (page 62) More information on new employee hires and turnover is available in the Sustainability Data Tables available on the ARM website www.arm.co.za
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	Occupational health and wellness (pages 78 – 83) TB, HIV & Aids (pages 84 – 89) Benefits we offer to full-time employees include standard benefits such as pension fund, medical aid and group life insurance. In addition, the Company offers study assistance and bursaries for employees and their children. The Company sponsors year-end events, team building interventions, community sports and fun days and wellness days. Employees also have access to comprehensive employee assistance programmes.

Specific standard disclosure	Description	Reference
SOCIAL CONTINUED		
LABOUR PRACTICES AND DECENT WORK CONTINUED		
ASPECT: LABOUR/MANAGEMENT RELATIONS		
G4-DMA	Generic Disclosures on Management Approach.	Human Capital (pages 58 – 59)
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	The minimum notice period regarding operational changes is specified in collective agreements, and varies between one month and three months, on average.
ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
G4-DMA	Generic Disclosures on Management Approach.	Human Capital: Safety and occupational health (pages 68 – 69 and 78 – 79)
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	Human Capital: Occupational health and wellness (pages 78 – 79) Health and safety agreements are concluded at every operation and are agreements between employees (including organised labour) and the employer.
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	Safety (pages 71 – 77) Occupational health and wellness (pages 81 – 83) TB, HIV & Aids (pages 86 – 89) ARM tracks fatalities, Lost Time Injuries, Reportable Injuries and various occupational and other disease rates that are material to our operations. These are not disclosed by gender. More information on absenteeism, injuries and lost days is available in the Sustainability Data Tables available on the ARM website www.arm.co.za
	MMSD: Provide a description of each accident resulting in a fatality and actions taken following the accident.	There were no fatalities at ARM operations in F2016.
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	Occupational health and wellness (pages 81 – 83)
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	Operational management consults regularly with trade unions on a range of issues, including wages, conditions of employment, health and safety, training and development, community care and TB, HIV & Aids Representation is recorded in minutes of these meetings and records kept at the operations. Percentage representation is not centrally recorded.
ASPECT: TRAINING AND EDUCATION		
G4-DMA	Generic Disclosures on Management Approach.	Human Capital: Human resources management (pages 58 – 59 and 62 – 64)
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	We measure the effectiveness and investment in learning, retraining and development activities by monitoring measures such as training spend as a percentage of total payroll, rather than hours of training. Our training is linked to the MQA for national recognition of learning, which prescribes the minimum hours required per specific training intervention. Average training hours per employee were 46.4 in F2016. More information on training hours is available in the Sustainability Data Tables available on the ARM website www.arm.co.za

SUPPLEMENTARY INFORMATION continued

Specific standard disclosure	Description	Reference
SOCIAL CONTINUED		
LABOUR PRACTICES AND DECENT WORK CONTINUED		
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Human Capital: Human resources management (pages 62 – 64)
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	All full-time employees receive various levels of regular performance and career development reviews as part of the ARM remuneration and incentive system.
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		
G4-DMA	Generic Disclosures on Management Approach.	Human Capital: Human resources management (pages 58 – 59 and 66) Transformation (pages 92 and 100) Corporate Governance summary (page 41)
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Corporate Governance summary (page 41) Human Capital: Human resources management (pages 58 – 59) Transformation (page 100) More information on the workforce breakdown is available in the Sustainability Data Tables available on the ARM website www.arm.co.za
HUMAN RIGHTS		
ASPECT: NON-DISCRIMINATION		
G4-DMA	Generic Disclosures on Management Approach.	Corporate Governance summary: Human rights (pages 48 – 49) Human Capital (page 59) Transformation (page 92)
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	No material non-compliance incidents relating to discrimination were reported during F2016.
ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
G4-DMA	Generic Disclosures on Management Approach.	Corporate Governance summary: Human rights (pages 48 – 49) Human Capital (page 58)
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	No operations or suppliers have been identified in which employee rights to exercise freedom of association or collective bargaining may be violated or at significant risk. We respect our employees' rights to collective bargaining.
ASPECT: CHILD LABOUR		
G4-DMA	Generic Disclosures on Management Approach.	Corporate Governance summary: Human rights (pages 48 – 49)
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	We do not use child labour. We conduct risk assessments/screening in terms of human rights practices in respect of prospective transactions, contracting parties and business partners and have not detected such significant risk.

Specific standard disclosure	Description	Reference
SOCIAL CONTINUED		
HUMAN RIGHTS CONTINUED		
ASPECT: FORCED OR COMPULSORY LABOUR		
G4-DMA	Generic Disclosures on Management Approach.	Corporate Governance summary: Human rights (pages 48 – 49)
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	ARM's operations do not pose such risk. Our policies are compatible with international human rights standards and with the South African Constitution. Through the implementation of our supplier engagement plan we review the practices of suppliers and contractors and have not detected significant risk.
ASPECT: INDIGENOUS RIGHTS		
G4-DMA	Generic Disclosures on Management Approach.	Corporate Governance summary: Human rights (pages 48 – 49)
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	There have been no recorded incidents of human rights violations of indigenous peoples. ARM believes that its operations do not pose such risk, but should any such violations occur, there are mechanisms in place for their detection, reporting and resolution.
SOCIETY		
ASPECT: LOCAL COMMUNITIES		
G4-DMA	Generic Disclosures on Management Approach.	Corporate Social Responsibility (page 104)
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	Corporate Social Responsibility (pages 104 – 111)
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	ARM's operations comply with the environmental and social legal requirements and as such do not have significant actual or potential negative impacts on local communities.
ASPECT: ANTI-CORRUPTION		
G4-DMA	Generic Disclosures on Management Approach.	Corporate Governance summary (page 49)
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	Analysing for risk of corruption is inherent to the risk management process which is applied to all our operations and on corporate level. Process level risk assessment in relation to Human Resources includes potential corruption risks, risk assessments relating to external supply and services include corruption risk and the internal and external auditors cover corruption risk.
G4-SO4	Communication and training on anti-corruption policies and procedures.	Existing employees have been trained in the Code of Conduct which is available to employees on the intranet. All new employees receive training in the Code of Conduct. Online training on the Code of Conduct has been carried out at the ARM Corporate Office, the ARM Platinum and the ARM Ferrous operations.
G4-SO5	Confirmed incidents of corruption and actions taken.	Page 171 of the Corporate Governance Report of the 2016 Integrated Annual Report. There were no confirmed incidents of corruption reported in F2016.

SUPPLEMENTARY INFORMATION continued

Specific standard disclosure	Description	Reference
SOCIAL CONTINUED		
SOCIETY CONTINUED		
ASPECT: COMPLIANCE		
G4-DMA	Generic Disclosures on Management Approach.	Corporate Governance summary (pages 38 – 49) Report of the Social and Ethics Committee (pages 50 – 51) Natural Capital (pages 113 – 114)
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	There were no significant fines or non-monetary sanctions for non-compliance with laws and regulations in F2016.
	MMSD: Report a summary of judgements made against the organisation in the areas related to health and safety and labour laws.	No judgements were made against ARM in terms of health and safety, and labour laws in F2016.
MINING AND METALS SECTOR DISCLOSURES (MMSD)		
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	Natural Capital (pages 124 – 126) Online biodiversity table available on the ARM website www.arm.co.za
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.	Natural Capital (page 126) Online biodiversity table available on the ARM website www.arm.co.za
MM3	Total amounts of overburden, rock, tailings, and sludges presenting potential hazards.	Natural Capital (pages 125 – 126) ARM does not collect data centrally on this parameter. This is managed regularly and inspected by qualified engineers and if a risk is identified, it is included in the risk register of the operation.
MM4	Number of strikes and lockouts exceeding one week's duration, by country.	Human Capital: Human resources management (page 60)
MM5	Total number of operations taking place in or adjacent to indigenous peoples' territories, and number and percentage of operations or sites where there are formal agreements with indigenous peoples' communities.	Dwarsrivier Mine, Two Rivers Platinum Mine, Nkomati Mine, Modikwa Mine and Lubambe Mine.
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples.	No disputes have been raised relating to land use or customary rights specifically.
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and their outcomes.	No grievances have been raised regarding land use, customary rights of local communities and indigenous peoples.
MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.	No ASM at or adjacent to ARM's operations.
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.	No resettlements took place in F2016.
MM10	Number and percentage of operations with closure plans.	All operations have closure plans in accordance with Environmental Management Programme Reports (EMPRs) (in the case of the mines) and as part of Environmental Impact Assessments (EIAs), as well as Water Use Licences (all operations). All operations have estimated closure costs and made provision towards closure and rehabilitation.

GLOSSARY

AA1000APS	Accountability Principles Standard 2008
AET	Adult Education and Training
Aids	Acquired Immune Deficiency Syndrome
AMCU	Association of Mineworkers and Construction Union
ARM	African Rainbow Minerals Limited
ARMI	African Rainbow Minerals & Exploration Investments
ART	Anti-Retroviral Treatment
ASM	Artisanal and Small-scale Mining
BAP	Biodiversity Action Plan
BEE	Black Economic Empowerment
B-BBEE	Broad-Based Black Economic Empowerment
BBCE	Botho-Botho Commercial Enterprises
BUSA	Business Unity South Africa
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CIPC	Companies and Intellectual Property Commission
CoGP	Codes of Good Practice
COM	Chamber of Mines
CSI	Corporate Social Investment
CTF	Culture Transformation Framework
CTPV	Coat Tar Pitch Volatiles
CVT	Counselling and Voluntary Testing
dB	Decibels
DERO	Desired Emission Reduction Outcomes
DMR	Department of Mineral Resources
DoH	Department of Health
DoL	Department of Labour
dti	Department of Trade and Industry
DWS	Department of Water and Sanitation (previously DWA: Department of Water Affairs)
EBITDA	Earnings before interest, tax, depreciation and amortisation
ED	Enterprise Development
EE	Employment Equity
EEA	Employment Equity Act
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transport Initiative
EMP	Environmental Management Plan

SUPPLEMENTARY INFORMATION continued

EMPR	Environmental Management Programme Report
ERP	Enterprise Resource Planning
ESD	Enterprise and Supplier Development
ESG	Environmental, Social and Governance
ERM	Enterprise Risk Management
EVP	Employee Value Proposition
FAPA	Ferro Alloys Producers' Association
FFR	Fatality Frequency Rate
FFS	Fatality Free Shifts
FIFR	Fatal Injury Frequency Rate
FTE	Full-Time Employees
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HDSAs	Historically Disadvantaged South Africans
HIV	Human Immunodeficiency Virus
HR	Human Resources
HRD	Human Resources Development
IAR	Integrated Annual Report
ICDA	International Chrome Development Association
ICMM	International Council on Mining and Metals
IDP	Integrated Development Plan/Industrial Development Programme
IIRC	International Integrated Reporting Council
ILO	International Labour Organisation
IMnI	International Manganese Institute
IUCN	International Union for Conservation of Nature
IWUL	Integrated Water Use Licence
JSE	JSE Limited
JV	Joint Venture
King III	King Report on Governance for South Africa 2009 and the King Code of Governance Principles
KPI	Key Performance Indicator
LCSAP	Lead Certified Sustainability Assurance Practitioner
LED	Local Economic Development
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate

MDR TB	Multi-Drug Resistant Tuberculosis
MECA	Manganese Export Capacity Allocation
MERSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
METF	Minerals Education Trust Fund
MHSA	Mine Health and Safety Act
MHSC	Mine Health and Safety Council
MMSD	(GRI) Mining and Metals Sector Disclosures
MOI	Memorandum of Incorporation
MOSH	Mining Industry Occupational Safety and Health
MPRDA	The Mineral and Petroleum Resources Development Act
MQA	Mining Qualifications Authority
NAEIS	National Atmospheric Emissions Information System
NBI	National Business Initiative
NEMA	National Environmental Management Act
NGO	Non-Governmental Organisation
NIHL	Noise-Induced Hearing Loss
NQF	National Qualifications Framework
NSP	National Strategic Plan (for South Africa)
NUM	National Union of Mineworkers
NUMSA	National Union of Metalworkers of South Africa
PCB	Participating Coal Business
PGMs	Platinum Group Metals
PHC	Primary Health Care
PLH	Percentage Loss of Hearing
POP	Persistent Organic Pollutants
PPE	Personal Protective Equipment
PR	Prospecting Rights
ODS	Ozone-Depleting Substances
OHS	Occupational Health and Safety
OHSA	Occupational Health and Safety Act
RIFR	Reportable Injury Frequency Rate
RIs	Reportable Injuries
RWI	Restricted Work Injury
SABCOHA	South African Business Coalition on HIV & Aids
SAQA	South African Qualifications Authority

SUPPLEMENTARY INFORMATION continued

SANS	South African National Standard
SAWIS	South African Waste Information Centre
SD	Sustainable Development
SDG	Sustainable Development Goals
SED	Socio-Economic Development
SETA	Sector Education and Training Authority
SHE	Safety, Health and Environment
SHEQ	Safety, Health, Environment and Quality
SIOEC	Sishen-Saldanha Iron Ore Export Channel
SLP	Social and Labour Plan
SME	Small and Medium Enterprise
SMME	Small, Medium and Micro Enterprise
STI	Sexually Transmitted Infections
TB	Pulmonary Tuberculosis
TRIFR	Total Recordable Injury Frequency Rate
UASA	United Association of South Africa
UNGC	UN Global Compact
URTI	Upper Respiratory Tract Infections
WUL	Water Use Licence
XDR TB	Extensively Drug Resistant TB

STAKEHOLDER FEEDBACK FORM

ARM F2016 SUSTAINABILITY REPORT

FEEDBACK FORM

Your opinion matters. Please share your views with us.

Which stakeholder group do you belong to? (You may tick more than one)

- Employee Shareholder Investor Customer Analyst
 Supplier Community NGO Other

Does the report address issues of greatest interest to you?

- Comprehensively Partially Not at all

Please identify any additional matters that you think should be reported on:

What was your overall impression of the report in terms of:

	Excellent	Good	Fair	Poor
1. Content and scope	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Design and layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Do you have any additional comments on the report – or on ARM's performance in general?

Your name, email address and/or other contact details

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