

Sustainable Development Report 2009



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A glossary of measurements, terms and acronyms used in this report can be found on [www.arm.co.za](http://www.arm.co.za)

## ARM's approach to sustainable development

ARM aims to create long-term value for all stakeholders – shareholders and the investment community; joint venture partners; providers of capital; customers; employees; suppliers; communities; trade unions; government; and business partners – by discovering, developing and benefiting natural resources.

Balancing the economic, social and environmental aspects of the business within a transparent, ethical corporate governance framework underpins ARM's approach to sustainable development, which is focused on the six pillars represented below. ARM believes these pillars are fundamental to its sustainability as a company and that of the industry.



The mining industry is a high impact industry, not just in terms of the environment, but also because mines have a limited lifespan and this has social implications. ARM recognises that the nature of its operations brings with it a particular responsibility not only to practice responsible environmental management but also to promote capacity building; enhance employment opportunities, skills development and housing provision; and to drive transformation so that all South Africans have a stake in and access to the country's abundant mineral resources.

Sustainable development presents both opportunities and challenges. The following pages describe how ARM is leveraging opportunities to improve overall operational performance, and developing solutions to various challenges inherent in each of the six pillars.



## ARM joins the ICMM

The ARM sustainable development strategy was strengthened this year when the Company was approached to join the International Council on Mining and Metals (ICMM). The ICMM provides an international platform for industry and other key stakeholders to share challenges and develop solutions based on science and the principles of sustainable development.

The ICMM's vision is that of a respected mining and metals industry which is widely recognised as essential for society, and as a key contributor to sustainable development. ARM's membership of the ICMM was ratified after the close of the financial year.

### Becoming a member of the ICMM commits ARM to:

- ▶ Refrain from exploring or mining in World Heritage Sites formally declared by UNESCO;
- ▶ Follow the principles of the Extractive Industries Transparency Initiative (EITI); and publicly declare all payments (such as royalties and taxes) made to government in those countries that have formally adopted EITI;
- ▶ Adhere to the positions set out in the ICMM position statements with regard to:
  - transparency of mineral revenues
  - mercury risk management
  - mining and indigenous peoples issues
  - climate change
  - mineral resources and economic development
  - mining and protected areas;
- ▶ Implement ICMM's Sustainable Development Framework in terms of:
  - the ten principles
  - public reporting
  - independent assurance.

ICMM corporate members commit to implement and measure their performance against ten sustainable development principles.

## The ten ICMM Sustainable Development Principles



- 1 Implement and maintain ethical business practices and sound systems of corporate governance.
- 2 Integrate sustainable development considerations within the corporate decision-making process.
- 3 Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.
- 4 Implement risk management strategies based on valid data and sound science.
- 5 Seek continual improvement of our health and safety performance.
- 6 Seek continual improvement of our environmental performance.
- 7 Contribute to conservation of biodiversity and integrated approaches to land use planning.
- 8 Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.
- 9 Contribute to the social, economic and institutional development of the communities in which we operate.
- 10 Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.

### African Rainbow Minerals joins the International Council on Mining and Metals – 7 September 2009



- ▶ African Rainbow Minerals (ARM) has reaffirmed its commitment to responsible business practices by joining ICMM. By becoming a member, ARM has committed to comply with ICMM's Sustainable Development Framework and position statements.
- ▶ ICMM President Tony Hodge said, "ARM is a welcome addition to our membership. The Council's decision to accept its application reflects ARM's long-term commitment to sustainability in mining."
- ▶ ARM CEO Andre Wilkens said, "Sustainable development is more than a policy for ARM, it supports the business principles that drive short- and long-term strategic targets. ARM's 'we do it better' management philosophy applies as much to the non-financial aspects of its business as it does to the operational and financial aspects. Having established ARM as a partner of choice for mining in Africa, ICMM membership enhances our position as a world class diversified mining company."

## Maintaining sound sustainable governance

### Assessing SHE performance

External audits of the safety, health and environmental (SHE) performance of all ARM operations were undertaken in the first quarter of F2009 by a team comprising two health and safety legal specialists, two environmental legal and management specialists, an occupational medical specialist and an occupational nurse.

The purpose of the audits was to determine the current status of legal compliance, to compile SHE risk profiles of each operation and to identify opportunities for improvement. Action plans to address the outstanding findings and gaps identified during the audits were compiled by each operation and presented at a Group SHE forum held in April 2009. A corporate action plan has been developed in response.

ARM recognises that there is a direct link between strong and accountable governance and a company's ability to manage risk and ensure optimal performance.

The Sustainable Development Committee (incorporating the Empowerment Committee), a formal Board committee, comprises three Non-executive Directors. The Committee assists the Board by reviewing and overseeing safety, health, environmental, HIV & AIDS, employment equity, black economic empowerment and community development policies, monitoring and evaluation, implementation of such policies and recommending corrective action where necessary. The Committee ensures that ARM is, and remains, a committed socially responsible corporate citizen. Its primary task is to supplement, support, advise and guide management's efforts in respect of sustainable development.

In 2009, the Sustainable Development Committee met four times. ARM's CEO, the Chief Executives of all operations, the Group Manager: Safety, Health and Environment, the Executive: Technical Support, the Executive: Human Resources, the Corporate Social Investment Manager and the Group Risk Manager are invited to attend all Sustainable Development Committee meetings.

In terms of ARM's decentralised management approach, all ARM operations and joint ventures are required to develop and maintain their own business-specific sustainable development policies, strategies and programmes to meet their unique circumstances, as well as to give effect to ARM's commitment to sustainable development. While these policies have been developed in accordance with the operations' specific requirements, they are required to remain consistent with the principles of the Company's policies. ARM views sustainable development as an integral part

of its operations and the issues that are reported on are managed as such.

ARM's sustainable development policy is underpinned by the Company's Code of Ethics which reinforces the principles of integrity, transparency and accountability. A whistleblowing facility allows employees to report breaches of the Code of Ethics to Whistle Blowers, an independent third party, in full confidentiality. Reports logged with Whistle Blowers, are referred to an executive in ARM who decides whether to instigate an independent investigation or refer it to the operation to which it applies. The general manager at the operation, can either appoint an independent party to investigate on his/her behalf, or investigate internally. Feedback is then given to the ARM executive who initiated the process, who in turn reports to the various Audit Committees.

During the first quarter of 2009 a process was initiated in terms of which ARM Corporate Office gives feedback to Whistle Blowers on the outcome of investigations so that they can in turn give the initial caller feedback if required.

## Adding value to the economy

F2009 Key features – at a glance	
▶	R1 399 million paid to employees
▶	R1 727 million paid to the state as taxes
▶	R4 201 million paid to providers of products and services
▶	R10 094 million in sales
▶	R2 808 million reinvested

### Overview

South Africa is the world's largest producer of alumino-silicates, chrome, ferrochrome, gold, platinum group metals, vanadium and vermiculite. The country is also a major supplier of aluminium (world ranking – 9), antimony (7), coal (5), ferromanganese (4), ferrosilicon (6), iron ore (7), manganese ore (2), nickel (9), phosphate rock (10), silicon (8), titanium minerals (2), uranium (11) and zirconium (2)\*. In 2008, mining represented 35% of the market capitalisation of the JSE and accounted for 50% of South Africa's rail capacity.\* In addition, the mining industry is South Africa's biggest employer, with around 460 000 employees directly involved in mining and another 400 000 employed by the suppliers of goods and services to the industry.

\* Source: Chamber of Mines ([www.bullion.org.za](http://www.bullion.org.za)).

## Group value-added statement

Group		
	2009 Rm	2008 Rm
Sales	10 094	12 590
Net cost of products and services	4 201	4 318
Value added by operations	5 893	8 272
Income from associates	147	461
Exceptional items	514	162
Income from investments	414	168
	6 968	9 063
<b>Applied as follows to:</b>		
Employees as salaries, wages and fringe benefits	1 399	1 053
The state as taxes	1 727	2 084
Providers of capital	1 034	1 213
Equity – dividend	847	315
Minority interest	(198)	460
Outside – finance cost	385	438
Total value distributed	4 160	4 350
Re-invested in the Group	2 808	4 713
Amortisation	787	541
Reserves retained	2 021	4 172
	6 968	9 063

## Contribution and approach

ARM owns ferrous and base metals, platinum and coal operations and holds a significant interest in the gold mining sector through its shareholding in Harmony, while ARM's subsidiary TEAL houses the Company's African exploration portfolio. Earlier in 2009, shareholders approved a deal in terms of which ARM plans to buy the shares in TEAL Exploration & Mining that it does not already own, delist the company from the TSX and JSE and form a 50:50 joint venture with Companhia Vale do Rio Doce, the world's biggest iron ore producer and the second-biggest nickel miner, for the future development and operation of TEAL's assets. The deal presents strong synergies in the form of ARM's established relationships and assets in Africa and Vale's extensive base metals mining experience.

As a key player in the mining industry, ARM has created substantial value for investors and has played a significant role in transformation and black economic empowerment. The Company also plays an important role in social development through its investment in local communities, employment and training opportunities, infrastructure provision, local business development and payment of taxes.

ARM's aim of adding value to all stakeholders is supported by a high level of operational efficiency, demonstrated by the

EBITDA margin in F2009 of 44% (F2008: 57%), a strong cash position and low net debt, ongoing investment to ensure quality assets are grown and maximum value realised, and the fact that its high-grade, long-life assets are benchmarked to be at the bottom 50<sup>th</sup> percentile of the global unit cost curve by 2012.

ARM's long-term viability and profitability is based on agility – the ability to adapt to prevailing market conditions. Accordingly, in view of uncertain market conditions, the Company shut down three high carbon ferromanganese furnaces at the Cato Ridge Works in December 2008 and two ferrochrome furnaces at the Machadodorp Works were also shut down pending a recovery in demand.

ARM's approach is to grow through partnerships with key players in various sectors to ensure that the Company is at the forefront of technological development and global practices, and has access to key markets and value-generating growth opportunities. ARM's organic growth projects with its partners remain on schedule and within budget.



For further details, please refer to the project pipeline and operations diagram in the Executive Chairman's letter in the Annual Report on page 9.

## Empowering people

### Key features – at a glance

- ▶ Voluntary employee turnover constant at 4.5%
- ▶ Growth in employment – creation of 896 new permanent jobs amounting to 2.4 jobs per day
- ▶ Reduction in industrial action – decrease in lost man-days from 4 236 in 2008 to 115 in 2009, a reduction of 97.3%
- ▶ Training spend of R57 million amounting to 6% of payroll (F2008: 7.5%)
- ▶ 283 bursaries awarded (F2008: 281)

## Overview

An Ernst & Young report on the state of the labour market in the international mining industry, published in 2008, found that the industry is facing critical labour shortages at all levels. Retaining skilled mining staff is an international challenge, affecting both productivity and the ability of the industry to expand. The report found that the key problems have been the fast growth of the mining and metals production industries in Russia, China and India, together with insufficient new graduates, an aging workforce and, in South Africa, the challenges of HIV & AIDS and a legacy of poor education for the majority of the population. Similar problems occur internationally. According to the report, Canada and Australia have estimated that they will each need an additional 70 000 to 80 000 workers respectively over the next decade to meet their mining industries' projected needs.

### Approach and performance

ARM's human capital strategy is to establish the Company as an employer of choice; aggressively benchmark remuneration with peers; retain, train and develop the talent pool and establish a leadership bench. This is in line with the objectives of the Mining Charter in terms of employment equity and skills development.

The success of the strategy is highlighted by the fact that the voluntary average labour turnover (resignations) in the year under review remained constant at 4.5%, compared with a national industry average of around 10%.

The Company's aim is to create a diverse workplace in terms of culture, gender and generation where employees can contribute to their best ability and be empowered to develop rewarding careers. ARM employees can expect to be treated with fairness, dignity and respect – intimidation and harassment will not be condoned.

### Practices and policies

ARM is committed to fair labour practices and freedom of association. Policies are aimed at eliminating unfair discrimination and promoting equality, in alignment with the South African Constitution, the Labour Relations Act, the Employment Equity Act and take cognisance of the Universal Declaration on Human Rights and Fundamental Human Rights Conventions of the International Labour Organisation (ILO). ARM does not make use of child labour and does not tolerate inhumane treatment of employees in any form.

Comprehensive disciplinary and grievance procedures meet all requirements in terms of fairness and legislation. All these procedures were negotiated with, and signed off by, organised labour. ARM subscribes to the principles of promoting workplace equality and seeks to eliminate all forms of discrimination. No official complaints of discrimination were received in F2009.

### Employee profile

In 2009, 896 new permanent jobs were created – 2.4 jobs per day. As the graph on the next page indicates, over a four-year period there were 2 700 new permanent jobs in ARM, which translates into 1.8 jobs a day.

This indicates the tremendous organic growth in ARM's business in terms of recently completed projects and capital projects underway, and is aligned with ARM's 2010 strategy and beyond. The bulk of growth in employee numbers took place at Khumani, Nkomati and Dwarsrivier. Growth in employee numbers at the latter operation was due to several contractors becoming full-time employees.

Contractor numbers are driven by three large capital projects – Black Rock (new plant), Khumani (second phase) and Nkomati (expansion project).

Unfortunately, due to increasingly tight margins, retrenchments in the year under review were inevitable. During the year, some 25%



of the labour force, including contractors, had to be retrenched. Union representatives were consulted extensively and retrenchments were kept to a minimum by allocating resources to growing operations and by reallocating shifts to an 11-day fortnightly cycle from continuous mining operations (conops).

### Managing labour

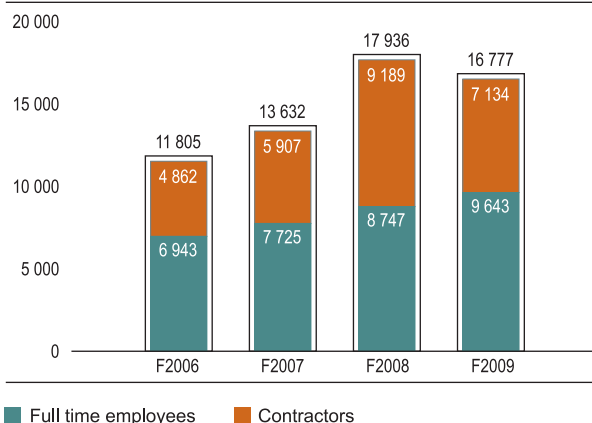
A total of 77% (2008: 76%) of the workforce is unionised and ARM has recognition agreements with four major unions: NUM (The National Union of Mineworkers), NUMSA (National Union of Metal Workers of South Africa) (smelter industry), Solidarity and UASA (United Association of South Africa). Wages and conditions of employment are negotiated at operational level.

At five operations, the 'last instalments' of two- and three-year wage agreements were implemented without the need for negotiation subsequent to the original agreements. In 2010 these will have to be renegotiated. Wage negotiations at Dwarsrivier are in progress, and those at Two Rivers and Nkomati have settled for the 2010 financial year.

Success in building sound relationships with employees and the representative trade unions is indicated by the fact that work stoppage incidents decreased from 11 in 2008 to three in 2009, and lost days in 2009 amounted to 115 compared with 4 236 in 2008.

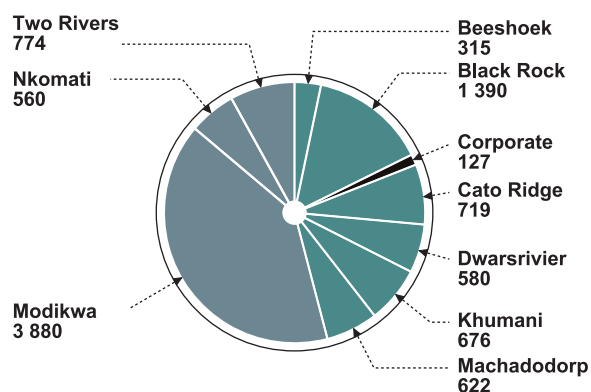


**Total labour\***  
(number of full time employees and contractors) (100% basis)

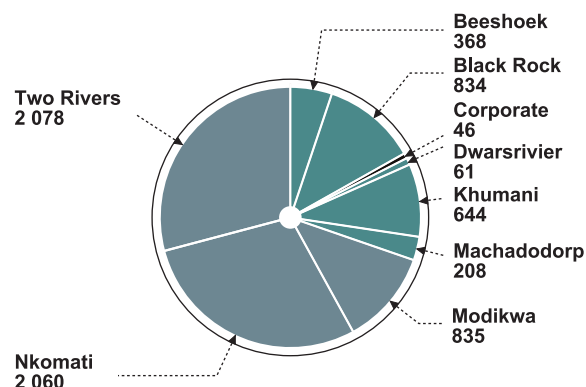


\* Excludes ARM Coal.

**Number of full time employees per operation**



**Number of contractors per operation\***



\* As at 30 June 2009.

**Managing talent**

Career paths in terms of business processes and specific disciplines, together with minimum requirements and skills matrixes, are a focus area throughout ARM. The Company's aim is to help all employees reach their full potential, achieve job satisfaction and maximise their contribution. ARM is in the process of developing an integrated management system which includes career management processes. The intention is to track progress centrally.

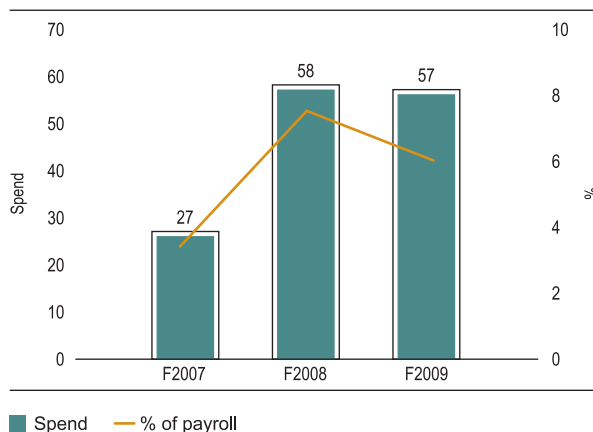
ARM's succession needs and talent profiles are reviewed annually, gaps are identified and individual development plans are updated during the performance review process which takes place across all operations.

A three-tiered approach is being followed to ensure capacity building across ARM, namely:

- Identification, mentoring and fast-tracking of talented employees currently employed;
- Mentoring and development of new graduates (15 in F2009, 12 members of the F2008 group of 22 were absorbed by the operations); and
- Bursary schemes and study assistance.

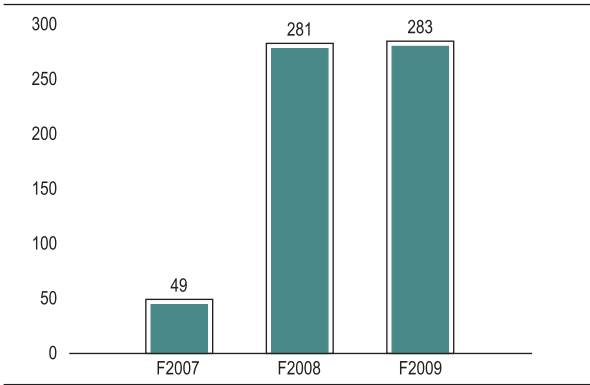
In 2009, ARM spent R57 million on training, amounting to 6% of pensionable payroll. The reduction of 1.5% as a percentage of payroll from 2008, when spend amounted to R58 million, was due to prevailing economic conditions. However, the amount spent in 2009 still represents a significant increase on 2007, when spend amounted to R27 million (3.4% of payroll).

**Training and development spend**  
(R million)

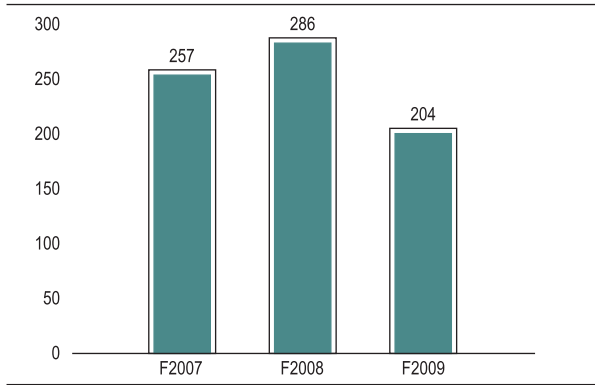


Similarly, learnerships, which increased from 257 in 2007 to 286 in 2008, decreased to 204 because of the economic downturn. This was countered by an increase in bursaries and study assistance, from 49 in 2007 to 281 in 2008, and 283 in the year under review.

**Bursaries**  
(Internal and external)



**Learnerships**  
(Internal and external)



The ARM graduate programme plays an important role in growing the Company's talent pool. The programme started in 2007 when 22 graduates were employed with the aim of training them in the required competencies to be appointed in management positions as metallurgists, section managers and production engineers in the first half of 2010. Of the total of 27

historically disadvantaged South African (HDSA) graduates on the programme to date, 17 are male and 10 are female.

*Details of training and development spend are contained in the bar graph on page 7.*



Career paths in terms of business processes and specific disciplines, together with minimum requirements and skills matrixes, are focus areas throughout ARM

## Stakeholder engagement – at a glance

Earning the trust of the communities in which the Company's operations are situated is a vital aspect in gaining access to resources and retaining its licence to operate. This is achieved through extensive stakeholder engagement in the communities where ARM's mining operations are situated. Each ARM operation engages with stakeholders in a unique manner appropriate to specific needs and concerns. The nature of engagement, key community issues and ARM's response are set out in the table below.

Operation	Engagement	Number of complaints	Details of complaints	Follow-up action
<b>ARM Platinum</b>				
<b>Modikwa</b>	<p>Monthly meetings in terms of Section 21 structure and ad hoc meetings with Kgoshis and local municipality.</p> <p>One Interested and Affected Parties (I &amp; AP) meeting.</p>	2	<p>Mr. Vilakazi wanted to be recognised as a Kgoshi of Matimatjatji by the mine.</p> <p>Complaint against the deferral of tarring of the community road.</p>	<p>Mr. Vilakazi's matter referred to the Department of Traditional Affairs as it is outside the ambit of the mine.</p> <p>Thorough consultations with Section 21, Magoshi and Greater Tubatse municipality to explain the reasons behind the deferral.</p>
<b>Two Rivers</b>	<p>Two Rivers Community Forum meets every second Tuesday of the month.</p> <p>Upon invitation, Two Rivers attends the Greater Tubatse Municipality's IDP Forum and People with Disability Forum.</p>	3 (two minor complaints)	Community shares.	Matter referred to ARM Corporate Office for resolution.
<b>Nkomati</b>	<p>Gladdespruit Forum meets every quarter (Forum includes the upstream and downstream farmers, Mondli, Sappi and DWAF's Working for Water division).</p> <p>Meeting/presentations to DWAF, DMR (formerly DME) and MDALA regarding WULA, EIAs, Section 24 applications and EMPR amendment process.</p>	1	Illegal dumping of residual ore from incoming trucks of transport companies next to Slaaihoek Road leading to the mine.	Clean-up of all the dumped materials. Instruction given to transport companies to stop this practice, weekly inspection by Environmental Officer of the roads, continuous clean up.
<b>ARM Ferrous</b>				
<b>Beeshoek</b>	Stakeholder meetings held annually rather than bi-annually because of mining activities scaling down at Beeshoek.	1	Complaints about potholes and narrow road surface on the N14 between Postmasburg and Khumani.	The mine has employed a contractor to repair the potholes and the edges of the roads. Beeshoek has committed a fixed amount for this work and once this amount is spent the Department of roads will be contacted.

Name of mine	Engagement	Number of complaints	Details of complaints	Follow-up action
<b>ARM Ferrous</b>				
<b>Khumani</b>	Quarterly I & AP meetings.	3	<p>A land surveyor established that the current fence of Demaneng farm had been erected three metres away from the correct position.</p> <p>Monitoring and measurement of dust fall-out on the farm Demaneng.</p> <p>Request from a neighbouring farmer to monitor the noise levels on his farm, especially at night.</p>	<p>The farmer's view is that the present position existed for more than 30 years and legally he can claim that this non-conformity was sanctioned. A new fence will be erected on the legitimate border but only if the farmer agrees in writing that the fence can be moved. If not, the company plans to resolve the dispute through legal channels.</p> <p>A new fall-out dust monitoring and measurement point was determined and established. Monitoring takes place continuously. Results are evaluated monthly. The results are also an agenda point on stakeholder meetings.</p> <p>A noise survey was conducted. Continuous noise surveys will be conducted in the area as per legislative requirements.</p>
<b>Cato Ridge Works</b>	Various environmental authorities bi-monthly and a monitoring committee quarterly.	5	<p>Four customer complaints were registered in December 2008, all of which related to oversize material in High Carbon FeMn -80+20mm product.</p> <p>One customer complaint in June 2009 related to undersize material in the -20+12mm, HCFeMn, Metal Recovery Product (MRP).</p>	<p>A new screen and crusher were installed at the plant.</p> <p>Under investigation.</p>
<b>Dwarsrivier</b>	<p>One Open Day annually.</p> <p>Quarterly forum meetings with surrounding communities.</p>	0	N/A	N/A
<b>Machadodorp</b>	<p>Three I &amp; AP Meetings.</p> <p>Machadodorp Environmental Forum – quarterly.</p> <p>Farmers Union – information sharing – quarterly.</p>	0	N/A	N/A
<b>Black Rock</b>	Consultation during process of conversion of EMPR to new order mining rights.	0	N/A	N/A

## Striving to improve safety performance

### F2009 Key features – at a glance

- ▶ Five fatalities
- ▶ Reduction in reportables, lost time injuries (LTIs) and fatalities
- ▶ Lost time injury frequency rate (LTIFR) decreases from 6.08 in 2008 to 3.68 in 2009
- ▶ Two Rivers passes the 1 million fatality free shift mark
- ▶ Modikwa achieves 5 million fatality free shifts and wins the ARM 'Excellence in Safety' award

### Overview

A 2004 study conducted by the Chamber of Mines indicated that the local mining industry's safety performance was more than 50% worse than that of the benchmark countries of Australia, Canada and the USA. To be world class by 2013, the study concluded, an annual milestone of reducing fatality rates by 20% a year was needed. Government, labour and the Chamber of Mines, of which ARM is a member, committed to zero harm by 2013. ARM is committed to meeting the national health and safety milestones established in 2003.

### National health and safety milestones

At the 2003 Mine Health and Safety Summit, the following milestones for safety performance were agreed on:

- ▶ In the platinum, coal and other sectors, to achieve constant and continuous improvement equivalent to current international benchmarks, at the least, by 2013.
- ▶ In the gold sector to achieve safety performance levels equivalent to current international benchmarks for underground metalliferous mines, at the least, by 2013.

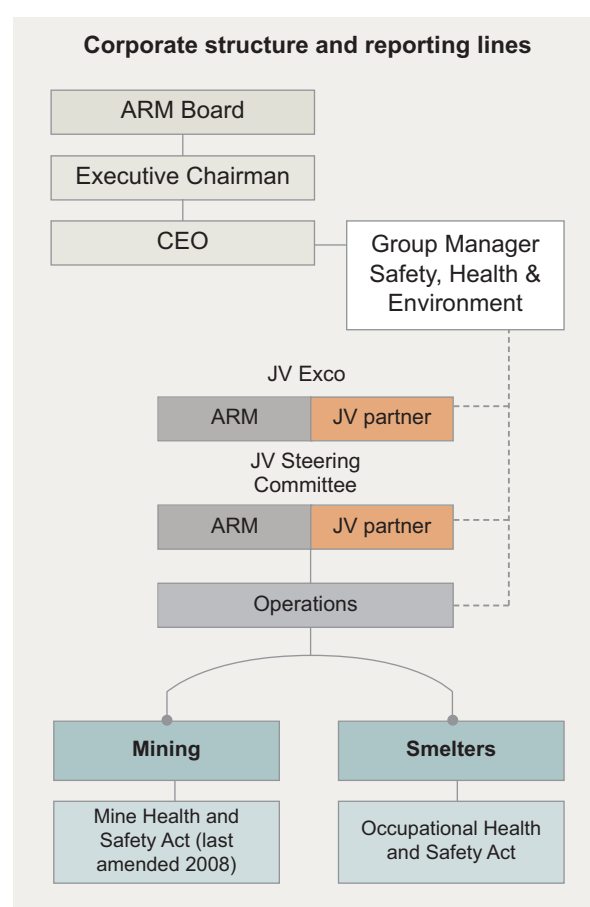
### Approach and performance

South African mining establishments are in the main labour intensive compared to similar operations in other countries, which means that a greater number of workers are exposed to health and safety risks. This is cause for extreme caution. ARM believes that safety is not just a moral imperative, but that poor safety standards can have a direct impact on morale, productivity and ultimately, operational sustainability.

Key safety issues in the past year included falls of ground; self-propelled moving machinery; fires, gases and explosions; as well as exposure to noise. ARM's target is to eliminate all fatal accidents and to achieve an improvement year-on-year in the key safety indicators aligned with the DMR milestones for improving health and safety in the mining industry. In addition, as a member of the Chamber of Mines and ICMM, ARM participates

in industry forums in which health and safety best practices are shared with a view to improve performance in this area.

Each operation has a policy which encapsulates ARM's commitment to provide safe working conditions and appropriate training, as well as mutual co-operation in implementing the policy and improving performance. Leaders throughout ARM constantly highlight the fact that safety-based standards and procedures are non-negotiable, and emphasise the fact that avoiding fatal accidents starts with reducing the number of incidents and lost time injuries (LTIs).



Regretfully, ARM suffered five fatalities in the year under review. The first fatality was at Khumani, where a contracted security guard, Mr Simon Nvelele, made a fire in a drum in the guardroom and subsequently died of carbon monoxide poisoning. The second incident occurred at Nkomati, when a contractor driver, Mr Wessel Borocho, was buried by ore when a stockpile base failed, causing a rockslide. A contractor rock drill operator, Mr Mawanda Ntobovi, was killed in a fall of ground (FOG) at Dwarsrivier. Mr Modisaotsile Elliot Morwe was killed when two dump trucks collided on the road near Khumani Mine and a miner, Mr Ruan Feast, was killed by a FOG at Black Rock's Nchwaning mine. The ARM management team expresses its deepest condolences to the families, friends and colleagues of the people who lost their lives.

Excellent communication and a good understanding of risk and how to eliminate or mitigate risk in line with ARM's precautionary approach, has led to an improvement in safety performance as indicated in the graphs below. Injuries are analysed to determine any training or procedural gaps and appropriate interventions are implemented.

The DMR served 11 Section 54 notices in terms of the Mine Health & Safety Act on ARM operations during the year: one at Nkomati, four at Modikwa, four at Black Rock and one each at Khumani and Dwarsrivier. Five Section 55 notices were served in terms of the Mine Health and Safety Act: four at Modikwa, and one at Dwarsrivier.

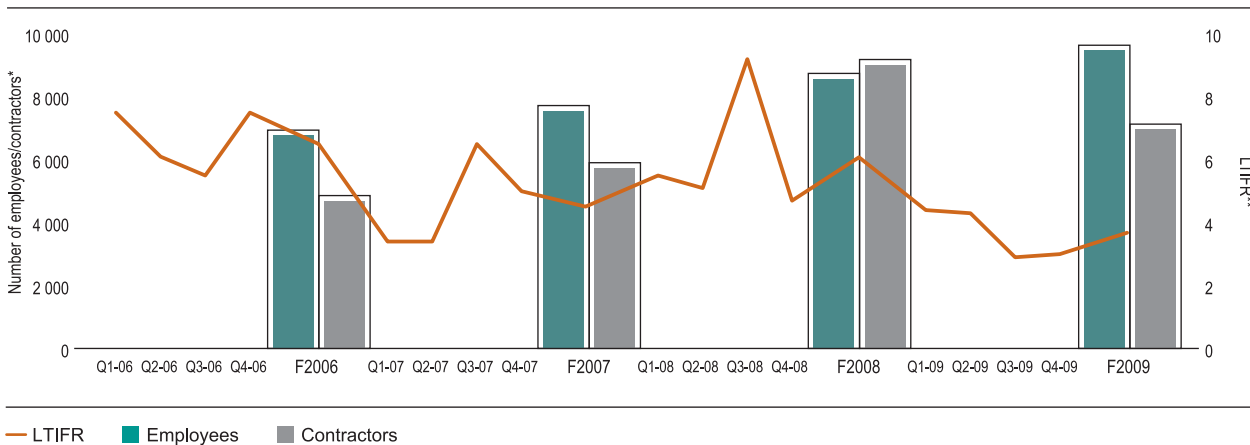
A prohibition notice was served on Cato Ridge by the Department of Labour in the previous financial year, but this was carried

over pending successful commissioning of the re-constructed furnace 6.

Two internal safety competitions help to entrench a culture of safety and recognise good safety performance. These are the 'Santa Barbara Award', a floating trophy awarded to any operation that completes one million (or a multiple thereof) fatality free shifts, while the winners of the 'Excellence in Safety' competition are selected annually based on a weighted average of differential LTIFR data over the previous three financial years. Modikwa Platinum Mine was the winner of the 'Excellence in Safety' award in F2009.

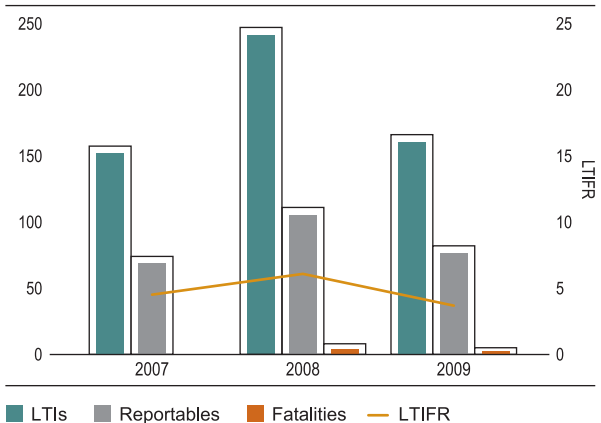
Recipients and runners-up of the Santa Barbara trophy are detailed on pages 14 and 15.

**Number of persons employed versus LTIFR from July 2006 to June 2009**



\* Excludes ARM Coal.  
\*\* LTIFR calculated per 1 million hours.

**Safety statistics for the last three financial years at 100%\***



\* Excludes ARM Coal.

**Working towards improved occupational health**

**F2009 Key features – at a glance**

- Management of noise-induced hearing loss a priority occupational health focus
- 42 419 audiometric tests conducted, with 133 people (0.3% of those tested) referred for further testing and 36 cases (0.085%) referred for compensation
- Wellness programmes aim at reducing backache, hypertension and other primary health related diseases

**Overview**

Most mining takes place in rural areas where there is a legacy of poverty and poor health care. The situation is compounded

by the fact that HIV & AIDS infection rates in rural areas tend to be significantly higher than in urban areas. The World Health Organisation (WHO) recognises South Africa as a high tuberculosis (TB) incidence region. This disease is further complicated by HIV & AIDS. TB and HIV & AIDS co-infection rates are high. According to the 2009 Global TB Control Report, one of four TB deaths is HIV-related.

(See <http://www.who.int/tb/hiv/faq/en/>)

While TB is not caused by mining, the high levels of dust that workers have to contend with can cause complications in employees already infected with TB.

In terms of direct occupational health, the main issues for the mining industry are silicosis (prevalent mainly in the gold mining industry) and noise-induced hearing loss. The legislated occupational exposure limit for noise is set at 85 dB. Evidence indicates that deafness can occur if people are consistently exposed to noise above the 85 dB level for a period of eight hours a day.

At the 2003 Mine Health and Safety Summit, the following milestones for occupational health in terms of noise-induced hearing loss (NIHL) were agreed on:

- ▶ After December 2008, the hearing conservation programme implemented by the industry must ensure that there is no deterioration in hearing greater than 10% among occupationally exposed individuals.
- ▶ By December 2013, the total noise emitted by all equipment installed in any workplace must not exceed a sound pressure level of 110 dB(A) at any location in that workplace (including individual pieces of equipment).

### Approach and performance

ARM's mining operations vary in respect of the ore body and mining method applied (opencast and underground), the degree of mechanisation and climatic conditions, all of which impact the level and type of potential hazards inherent in each workplace. While the diverse operations present different hazards in respect of occupational health and hygiene, and while ARM's management model is decentralised, a common denominator is the understanding that reducing and managing health risks are critical functions at all operations.

All operations perform medical surveillance in compliance with legislation. Baseline medical examinations are conducted on entry, at exit and on an annual basis during the period of employment. Prevention of noise-induced hearing loss is a priority for most divisions. Other occupational health risks include heat stress; TB; dust; gas and fume exposure; and hand/arm vibration

syndrome. In the year under review, machinery and hand tools accounted for the highest number of injuries throughout the Group. This is clearly an area that will need to be addressed going forward.

Wellness programmes to create awareness of chronic disease (including TB, sexually transmitted diseases and other HIV-related opportunistic infections) are facilitated by each operation.

A corporate wellness model is being developed, starting with the formulation of a database to ensure more accurate information integration among the various occupational health service providers, medical aids and chronic disease management service providers at all ARM's operations.

#### *In the year under review:*

- ▶ From a total of 42 419 audiometric tests conducted, 133 cases (0.3%) were referred for further audiometric testing during the year, of which only 36 (0.085%) of these cases were submitted for NIHL compensation.
- ▶ The most common illnesses diagnosed (including chronic and primary health related diseases) during the year were upper respiratory tract infections (9 427) and back/muscular/skeletal ache (5 240 cases). While upper respiratory tract infection follows a seasonal trend, back-ache and hypertension cases, which are generally related to primary health care and are chronic, are steadily increasing as opposed to occupational diseases.
- ▶ During the year, 138 new TB cases were identified. These cases are individually tracked and managed by operations and those affected receive treatment for six months, after which they are removed from the list if declared fit, thereby decreasing the total of existing TB cases at the end of June 2009 to 89.

The management of safety, HIV & AIDS and occupational health are interlinked. All employees are trained on occupational health and safety during induction, with ongoing training taking place throughout the year. Health and safety training and the functions of health and safety representatives and committees are established in consultation with trade unions.

All ARM Ferrous operations have achieved ISO 9001, ISO 14001 and OHSAS 18001 certification, except for Khumani mine, which is scheduled for certification early in 2010. In ARM Platinum, Nkomati expects to achieve ISO 9001, ISO 14001 and OHSAS 18001 certification by November 2009. Two Rivers aims to achieve OHSAS 18001 and ISO 14001 certification by December 2010 and September 2012 respectively, and Modikwa expects to be re-certified as ISO 14001 and OHSAS 18001 complaint in 2011 (certificates were allowed to lapse due to financial constraints).

**Health and operational safety – at a glance**

The table below presents a consolidated overview of each mine’s level of safety, health and environmental certification, safety achievements and incidents, and also sets out each operation’s specific approach to managing occupational health and safety in the workplace.

Mine	SHE certification	SHE focus	Reportable accidents in 2009	Awards/achievements in 2009
<b>ARM Platinum</b>				
<b>Modikwa</b>	Both ISO 14001 and OHSAS 18001 certificates were put on hold due to financial constraints. Re-certification is expected in 2011.	Ten-day training intervention including five days leadership skills and five days back to basics training implemented. Future plans to train entire underground workforce to ‘Competent A’ standard to increase awareness of hazards and conditions. Implementation of MOSH early entry examination community of practice. MQA accredited safety representative training with additional incident investigation intervention.	35	Achieved 4 million fatality free working shifts on 26th August 2008. Achieved 5 million fatality free working shifts on 10 March 2009. Winner of ARM’s ‘Excellence in Safety’ competition. Santa Barbara trophy awarded for 4 million fatality free working shifts and for 5 million fatality free working shifts.*
<b>Two Rivers</b>	Aim to achieve ISO 14001 certification by September 2012. Aim to achieve OHSAS 18001 certification by December 2010.	Development of Safety Improvement Plan through broadly representative workshops and strategic sessions. Formalising and implementing an incident reporting, close-out and management system to identify and eliminate factors that may lead to incidents of injuries.	11	On 5 March 2009, Two Rivers completed 1 million fatality free working shifts. Santa Barbara award for 1 million fatality free working shifts.
<b>Nkomati</b>	Aim to achieve ISO 9001, ISO 14001 and OHSAS 18001 by November 2009.	The effective implementation of the 2010 strategic plan focusing on all aspects of SHE management.	5	LTIFR improved from 6.7 to 1.1.

**Note:** The term “reportable accidents” means any accident that results in:

- the death of an employee;
- an injury, to any employee that is likely to be fatal, cause unconsciousness, incapacitation from heat stroke or heat exhaustion, oxygen deficiency, the inhalation of fumes or poisonous gas, or electric shock or electric burn accidents of or by any employee or contractor and which is not reportable in terms of an injury which either prevents the injured person from performing their normal or similar occupation for a period totalling 14 days or more, or which causes the injured person to suffer the loss of a joint, or part of a joint, or sustain a permanent disability.

\* The Santa Barbara trophy is awarded to an operation that completes one million (or a multiple thereof) fatality free shifts. The trophy is a floating trophy.



Mine	SHE certification	SHE focus	Reportable accidents in 2009	Awards/achievements in 2009
<b>ARM Ferrous</b>				
<b>Beeshoek</b>	ISO 9001, ISO 14001 and OHSAS 18001 certified.	<p>Launched a safety competition whereby reports of non-conformance submitted by employees are entered into a monthly draw.</p> <p>All stakeholders (mine and contractors) signed a Declaration of Intent, declaring their commitment to a zero tolerance policy against unsafe acts or conditions and undertook to promote Health &amp; Safety awareness among all employees. Signatories further undertook to participate proactively in Health &amp; Safety and to discourage any actions or conditions that may cause injury, ill health, loss of life or damage to property.</p>	1	<p>Third in ARM's 'Excellence in Safety' competition.</p> <p>Santa Barbara trophy.</p> <p>Achieved 6 000 fatality free working shifts on 3<sup>rd</sup> September in the Northern Cape DMR safety competition.</p>
<b>Khumani</b>	ISO 9001, 14001 and OHSAS 18001 certification expected February 2010.	A rehabilitation and functional assessment centre was implemented at Khumani Mine clinic and is fully operational.	5	Achieved 118 722 fatality free working shifts during first full year of production before a fatal accident in February 2009. The mine was not ranked in DMR's Northern Cape Safety Competitions.
<b>Cato Ridge Works</b>	ISO 9001, ISO 14001 and OHSAS 18001 certified.	A safety awareness programme has been launched to renew focus on risk assessment and safe working procedures. Environmental projects include fugitive fume and dust extraction systems, water and waste management as well as integrated air quality monitoring and management.	4	Second in ARM's 'Excellence in Safety' competition.
<b>Dwarsrivier</b>	ISO 9001, ISO 14001, OHSAS 18001 certified.	<p>An on-site clinic was commissioned in May 2008.</p> <p>A safety incentive scheme has been introduced.</p>	12	<p>The mine recorded four entries into the DMR's 1 000 Fatality Free Production Shifts competition in the second half of last year.</p> <p>In the 250 000 Fatality Free Shift category the mine recorded a total of 916 285 fatality free shifts worked up to the end of the December quarter (the fatality in January reset the cumulative shifts to zero).</p>
<b>Machadodorp</b>	ISO 9001, ISO 14001 and OHSAS 18001.	<p>Wellness programme operated by Careways.</p> <p>Safety champion selected every month.</p> <p>A LIFE Clinic, with two occupational health practitioners is situated on site.</p> <p>Weekly management team inspections.</p>	6	<p>4<sup>th</sup> in ARM's 'Excellence in Safety' competition.</p> <p>Santa Barbara award.</p> <p>Ended the year with 1 308 357 fatality free shifts.</p>
<b>Black Rock</b>	ISO 9001, ISO 14001 and OHSAS 18001 certified.	<p>HIV &amp; AIDS policy in final stage before official adoption, formulated in cooperation with both unions.</p> <p>Wellness Committees (Peer Educators Forum and Wellness Forum) running successfully.</p>	6	Fatality free working shifts totalled 2 million in August 2007. Recorded 2 767 546 fatality free working shifts as at end March 2009 before a fatal accident on 23 April 2009.

## Transforming the workplace – black economic empowerment (BEE)

### F2009 Key features – at a glance

- ▶ 55% black ownership
- ▶ 43% HDSAs in management
- ▶ 12% of total workforce is female
- ▶ Increase in ABET students
- ▶ Success of 'Women in Mining' intervention
- ▶ Khumani Mine wins the Housing Project of the Year award from the South African Housing Foundation
- ▶ 37.3% BEE procurement achieved – quantum improvement in the BEE score of 11.3% year-on-year

### Overview

The vision of the Mining Sector Charter is “a globally competitive mining industry that draws on the human and financial resources of all South Africa’s people and offers real benefits to all South Africans”. The goal of the Charter is to “create an industry that will proudly reflect the promise of a non-racial South Africa”.

The Charter’s vision and goal are given effect by the Minerals and Petroleum Resources Development Act (MPRDA) which requires companies applying for mining licences to file a social and labour plan (SLP) with their applications. The SLP must include details on companies’ projects to advance the social and economic welfare of all South Africans and ensure that companies contribute towards the socio-economic development of the areas in which they are operating.

### Approach and performance

ARM is committed to complying with the spirit and the letter of the Mining Charter. This commitment involves contributing to broadening the base of the South African economy and promoting participation in the economy by all citizens – without this participation, ARM believes neither the Company nor the economy is sustainable.

In keeping with this approach, the Board approved the merging of the Empowerment and Sustainable Development Committees in 2007. The resulting Sustainable Development Committee has ultimate responsibility for driving BEE throughout ARM. Steady progress has been made. ARM has exceeded the Charter’s targets of 40% HDSAs in management and 10% female employees by 2009 by 3% and 2% respectively, and black ownership of ARM currently stands at 55%.

Mining has traditionally been a male-dominated industry. ARM is promoting the inclusion of women in the workplace through



ARM is promoting the inclusion of women in the workplace through initiatives such as Women in Mining

initiatives such as Women in Mining. Due to the physically demanding nature of the mining industry, the operations face challenges in as far as employing disabled persons. However, there are ongoing endeavours to place disabled employees in suitable positions.

Earlier this year South Africa’s new Minister of Mining, Susan Shabangu said: “I must emphasise that the commitments of the Charter are not intended for compliance purposes only. They do not have a shelf life ending in 2014, but are intended to permanently transform the industry to be truly reflective of South Africa.” ARM wholeheartedly endorses the Minister’s sentiments and the Company’s progress in employment equity, procurement and the Charter targets are set out on the following pages.

## Employment equity statistics

	F2009	F2008	F2007	F2006
<b>Board presentation</b>				
Black Directors on the Board	53%	50%	50%	53%
Women on the Board	13%	13%	13%	12%
<b>Senior Management</b>				
Top Management who are black	44%	50%	50%	50%
Top Management who are women	Nil	Nil	Nil	Nil
Senior Management who are black	32%	30%	19%	19%
Senior Management who are women	13%	12%	11%	10%
Steering Committee members who are black*	45%	43%	40%	43%
Steering Committee members who are women*	20%	24%	20%	14%
<b>Skilled employees</b>				
Professionally qualified employees who are black	47%	34%	34%	30%
Professionally qualified employees who are women	18%	14%	15%	12%
Technically qualified employees who are black	56%	54%	49%	43%
Technically qualified employees who are women	10%	9.5%	8%	7%
<b>All employees</b>				
Total employees who are black	85%	84%	84%	83%
Total employees who are women	12%	10.6%	9%	7%

\* Comprises members from Top and Senior Management.

## Promoting BEE procurement

### Approach

ARM is committed to bringing HDSAs into the mainstream of the economy by identifying, developing, facilitating and availing business opportunities to broad-based black economic Empowerment (BBBEE) suppliers at all its operations.



ARM's procurement transformation achievements should be read in conjunction with the ARM and Group Operations Corporate Social Investment (CSI), Local Economic Development (LED), Social and Labor Plan (SLP), and Small to Medium Enterprise (SME) initiatives as well as with ARM's significant contribution to its BEE Trusts (refer to page 7 of the Executive Chairman's letter in the Annual Report).

ARM's BEE procurement policy is commercially driven and informed by appropriate qualifying criteria. In many instances, the ARM Group and its operations may be considered as both a producer and as a supplier. Consequently, ARM reports in terms of both the Department of Minerals and Resources (DMR, formerly DME) (BEE) and the Department of Trade and Industry (dti) (BBBEE) formats. The DMR issued new requirements with regard to its BEE reporting requirements in April 2009. ARM is participating in ongoing industry-wide consultation with the DMR to understand the full impact of the new reporting requirements.

ARM's preferential procurement objectives are to:

- ▶ Set preferential procurement targets for all operations;
- ▶ Measure the value of services, consumables and capital purchased from BBBEE suppliers;
- ▶ Preferentially procure capital goods, services and consumables from BBBEE suppliers, provided that they are competitive in terms of predetermined adjudication criteria;
- ▶ Identify local companies, women's associations, youth movements and facilitate capacity-building among those groupings to leverage local opportunities at the Company's operations;
- ▶ Encourage existing principal suppliers, where feasible, to form meaningful partnerships with BBBEE/SME vendors;
- ▶ Source and attract BBBEE suppliers to provide goods and services to ARM and its operations;
- ▶ Manage and provide in-service training to personnel involved with procurement;
- ▶ Divide contracts into smaller components, where feasible, thereby enabling emerging BBBEE suppliers to qualify. Some contracts may be exclusively reserved for BBBEE/SME suppliers;
- ▶ To arrange favorable terms of payment for BBBEE/SME suppliers; and
- ▶ Ensure that all procurement processes are transparent and can be audited.

The two biggest BBBEE challenges currently faced by ARM's operations are:

- ▶ The continued call for "valid verified BBBEE accreditation certificates" from all suppliers (currently, more than 50% of ARM's supplier base falls outside the BBBEE net. If 25% of these vendors were accredited, the ARM BBBEE procurement statistic could very well increase to above 60%).
- ▶ To continue to encourage suppliers to maintain their BBBEE status by means of annual accreditation through dti-approved verification agencies (in this regard any contract renewals should be conditional on maintaining and improving the supplier's BBBEE status).

**Note:**

1. Unless otherwise stated, procurement data exclude statistics from Modikwa (this data is separately managed by Anglo Platinum), ARM Coal (this data is managed by Xstrata Coal) and the Vale/ARM joint venture (as this is a new business entity, there are no statistics available).
2. All figures stated on 100% basis.

**Performance**

BEE procurement	F2009
Total procurement	<b>R11 456 342 176</b>
Total discretionary spend (total procurement less excluded vendors)	<b>R8 934 058 283</b>
Total accredited procurement	<b>R3 357 783 771</b>

Including FY2009 expenditures at Modikwa (around R1 billion) and Goedgevonden (around R2 billion), ARM's total procurement during the past year, on a 100% basis, was approximately R15 billion.

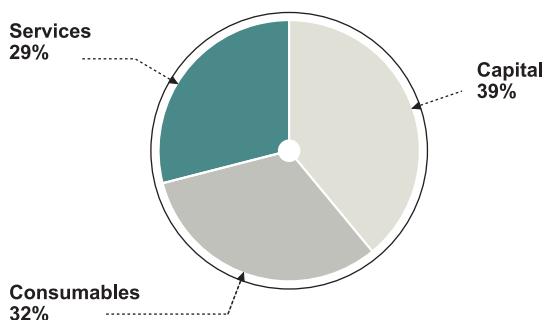
During FY2009, the quarterly BBBEE procurement levels (as a percentage of total discretionary procurement) fluctuated at between 35.3% and 42.9%, aggregating at 37.3% for the year. This means that BBBEE procurement has progressively increased from 21.6% (FY2006) to current levels. In terms of the dti's preferential procurement scorecard, ARM scored 16.32 out of a possible total of 20.

ARM's BEE performance at 40.8% in the fourth quarter of FY2009 compares favorably with the mining industry's self-imposed target of 40% for calendar 2010, while the benchmarking table in the next column indicates that ARM's BEE procurement is positioned well above the average for other companies measured by the DECTI rating agency.

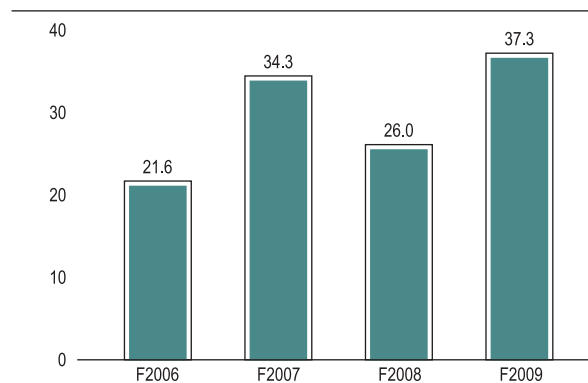
**Benchmarking the ARM Group with other mining houses and companies measured by DECTI**

	DECTI Average	ARM F2009 Average
Narrow-based (sample of +6 mining houses)	32%	37.3%
Broad-based dti score (sample of +40 companies)	12 points	16.32 points

**Distribution of BEE spend (%)**



**Increase in ARM's BEE procurement (%)**



## African Rainbow Minerals Group dti Scorecard as prepared by DECTI

### Preferential procurement element:

Period: July 08 – June 09		Breakdown		Achieved	
		Breakdown points	Target	Input data	Score
<b>5.1</b>	<b>BBBEE Procurement Spend – all suppliers</b>				
5.1.1	BBBEE Procurement Spend from all suppliers, based on the BBBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	12	50.0%	44.0%	10.55
5.1.2	BBBEE Procurement Spend from Qualifying Small Enterprise or Exempted Micro Enterprises based on the applicable BBBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	3	10.0%	9.9%	2.98
<b>5.2</b>	<b>BBBEE Procurement Spend from any of their following suppliers as a percentage of total</b>				
5.2.1	Suppliers that are 50% Black Owned	3	9.0%	2.4%	0.80
5.2.2	Suppliers that are 30% Black Women Owned	2	6.0%	6.1%	2.00

**Element score: 16.32\***

### DECTI input Data

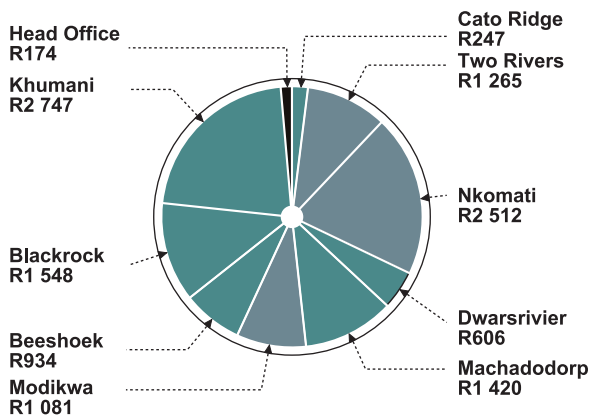
		Input data	Total	Calculations
<b>a)</b>	<b>Total spend</b>	<b>8 997 731 273</b>		<b>8 997 731 273</b>
<b>5.1.1</b>	<b>Black spend – all suppliers:</b> Level breakdown:		3 955 888 227	44.0%
	Level 1: ≥100 points, 135%	75 074 830	101 351 021	
	Level 2: ≥85 – <100 points, 125%	481 533 398	601 916 747	
	Level 3: ≥75 – <85 points, 110%	87 695 047	96 464 552	
	Level 4: ≥65 – <75 points, 100%	1 917 210 128	1 917 210 128	
	Level 5: ≥55 – <65 points, 80%	607 773 588	486 218 871	
	Level 6: ≥45 – <55 points, 60%	881 404 371	528 842 623	
	Level 7: ≥40 – <45 points, 50%	376 135 992	188 067 996	
	Level 8: ≥30 – <40 points, 10%	358 162 909	35 816 291	
	Non compliant: <30 points, 0%	507 848 527	0	
<b>5.1.2</b>	<b>Black spend QSE, EME:</b> "QSE" = R5 million – R35 million per annum "EME" = 0 – R5 million per annum	684 635 080 208 335 379	<b>892 970 459</b> 684 635 080 208 335 379	9.9%
<b>5.2.1</b>	<b>Black spend 50% Black owned:</b> "BO" = Black owned vendor (>50% BEE shareholding)	214 807 767	<b>214 807 767</b> 214 807 767	2.4%
<b>5.2.2</b>	<b>Black spend 30% Black women empowered:</b> 30% Black women empowered	544 648 177	<b>544 648 177</b> 544 648 177	6.1%

\* Element score provided by DECTI.

ARM Group BEE procurement (100% basis)

BEE Status	F2009	F2008	F2007	F2006
Black empowered	1 814 987 178	1 092 544 200	588 928 614	385 794 481
Black empowered (Home grown)				52 945 222
Black influence	1 044 899 052	689 667 108	727 330 240	169 876 299
Black owned	907 191 440	271 047 825	159 756 218	87 691 558
Black owned (Home grown)				23 816 804
Empowered supplier		1 093 292 938	571 166 735	587 193 218
Empowered supplier (Home grown)				242 479 592
In progress of accreditation		17 466 306	30 351 266	71 414 188
Non discretionary	2 458 610 903	2 451 753 777	1 048 720 008	1 173 530 502
Not accredited yet	5 829 003 235	4 575 527 565	1 330 950 729	609 717 940
Not interested		2 672 328	800 051 923	763 919 837
Expired	483 201 904			
Transformation in process		35 274	55 618 279	115 000 240
White female		154 377 155	38 894 364	38 022 283
White female (Home grown)			51 065	37 775
<b>Grand Total</b>	<b>12 537 893 712</b>	<b>10 348 384 475</b>	<b>5 351 819 441</b>	<b>4 321 439 940</b>
Total discretionary procurement	10 079 282 808	7 896 630 698	4 303 099 434	2 845 890 361
Total accredited procurement	3 767 077 670	3 300 929 225	2 086 076 172	1 047 364 903
BEE procurement	3 767 077 670	2 053 259 132	1 476 015 073	615 307 159

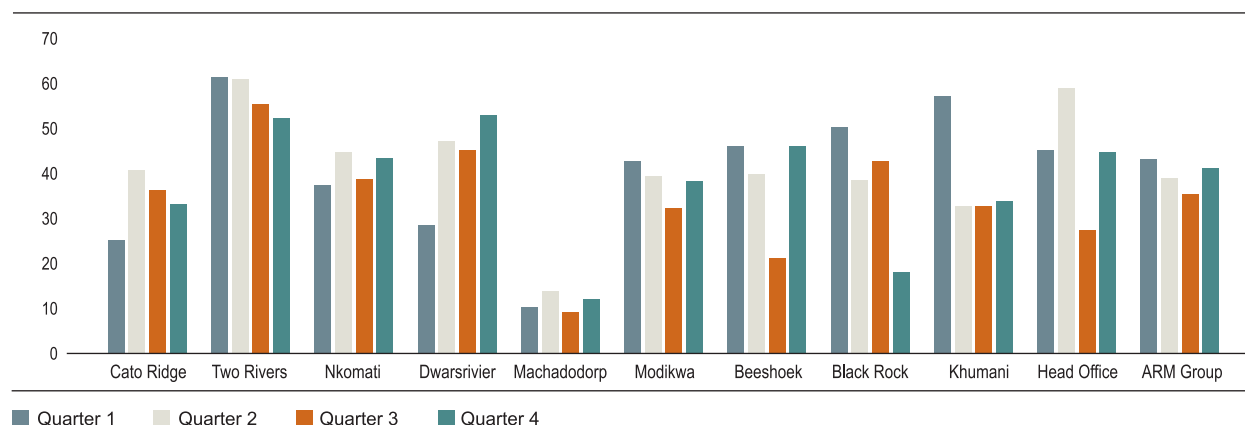
**Expenditure by operation – F2009 total R12.5 billion**  
(R million) (100% basis)



ARM is committed to bringing HDSAs into the mainstream of the economy by identifying business opportunities to BBEE suppliers at all its operations

## ARM Operations and Group, verified accredited BEE procurement FY2009 in accordance with the DMR requirements

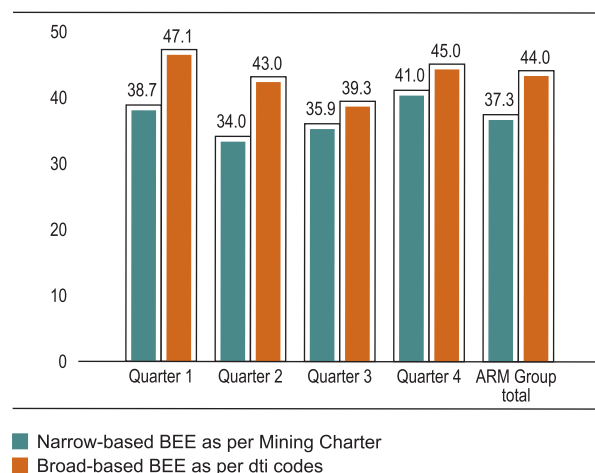
**F2009 BEE procurement percentages per quarter by operation (%)**



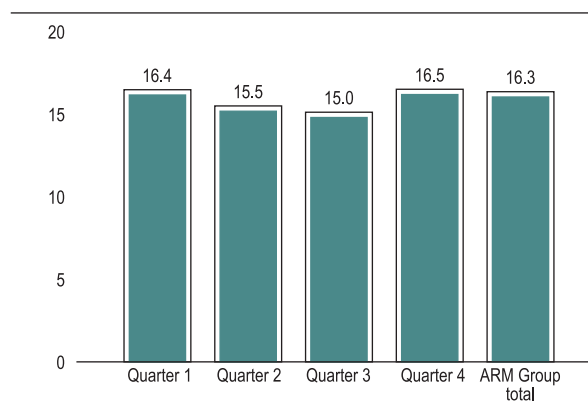
**Note:**

- Narrow-based, includes white females.
- Reflects quarterly statistics received from DECTI supplemented by data on Modikwa from Anglo Platinum.
- Machadodorp's sub-optimal performance at 12% is noted. The bulk of their procurement is from four major suppliers, one of whom is in the process of being accredited. The BBBEE measure for Machadodorp per the dti codes is 32%.

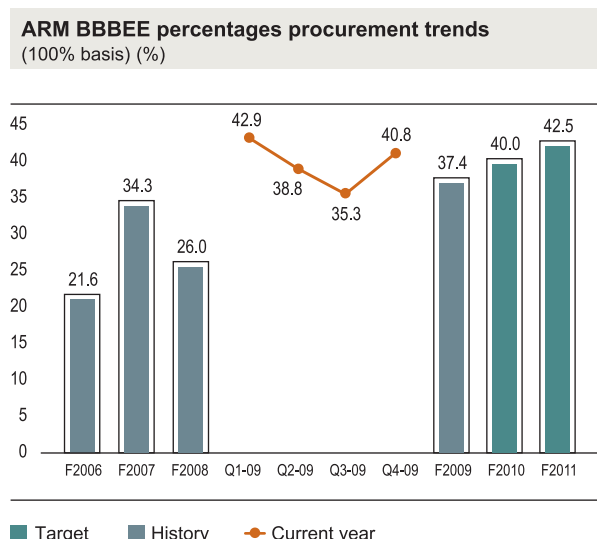
**ARM BEE percentages as per Mining Charter and dti codes F2009 (%)**



**ARM dti Preferential Procurement Scorecard results F2009 (%)**



**Historic and projected BBBEE procurement statistics consolidated at Group level:**



**Note:**

- Narrow-based BEE data in accordance with DMR Mining Charter requirements.
- Includes Modikwa data as received from Anglo Platinum, excludes ARM Coal (Xstrata SA data) and Vale/ARM joint venture (new business entity).

**Centralising the development of BBBEE initiatives**

In 2005, ARM appointed DECTI, an independent rating agency, to provide a centralised service to assist in the development of its BBBEE initiatives, in addition to services already provided by DECTI and funded by the individual operations. DECTI's current scope includes:

- ▶ Interventions with the operations' procurement management teams to drive BBBEE targets, and with key suppliers to drive ARM's operational BBBEE targets;
- ▶ Maximising BBBEE performance by targeting key suppliers for accreditation;
- ▶ The identification of alternate qualifying suppliers; and
- ▶ Independent third party verification of ARM's BBBEE statistics on a quarterly and on an annual basis (based on monthly operational BBBEE reporting).

The inadequate submission of verified accredited BBBEE certificates from a number of the operations understated the BBBEE performance for the first three quarters of F2009. This was corrected by focusing on the top suppliers at each of ARM's operations to ensure, firstly, the availability and, secondly, the validity of BBBEE certificates. The outcome of these endeavours by DECTI and the operations is generally reflected in the increase in the BBBEE performance over the year under review.

For purposes of consistency all business units are encouraged to include the BBBEE certificate, as issued by DECTI, in their



ARM's aim is to procure at least 40% of its capital goods, services and consumables from BBBEE suppliers in calendar year 2010

monthly management reports. The DECTI certificates clearly identify:

- ▶ Verified accredited BBBEE data (in accordance with dti reporting requirements);
- ▶ Narrow-based BEE data (in accordance with the narrow-based DMR Mining Charter requirements, including expired ratings); and
- ▶ dti BBBEE scorecard status.

**Going forward**


ARM's aim is to procure at least 40% of its capital goods, services and consumables from BBBEE suppliers in calendar year 2010. In F2010, DECTI will again assist ARM in reviewing the requirements of the new DMR reporting requirements and hosting a number of regional supplier procurement workshops. DECTI will conduct ongoing operational visits targeting those business units most in need of correcting their BBBEE scores. Centralised BBBEE buyer training workshops will also be hosted by ARM to include all of the Group operations.

With the exception of ARM's BBBEE statistics, as holistically and independently reviewed by DECTI, ARM's dti GRI scorecard analysis in F2010 will take cognisance of all of the other metrics gathered via the ARM Human Resource (HR) functions. ARM and its operations will strive to ensure that suppliers comply with the Mining Charter scorecard requirements and also to the dti's reporting requirements in F2010.



Summary of ARM's general progress and planning in terms of Mining Charter and internal objectives

The Charter targets	ARM's progress to date	The way forward
<b>Human resources development</b>		
<p>Has the Company offered every employee the opportunity to be functionally literate and numerate by the year 2005 and are employees being trained?</p>	<p><b>Literacy</b> Overall, literacy at ARM operations is currently reported at 84.37%, with Machadodorp the highest at 100% and Black Rock the lowest at 63%.</p> <p>Access to nationally aligned ABET is available at all of the operations. Most of the operations have rolled out e-learning ABET delivery which is very popular with the students, and the pass rate has increased significantly since learning is self-paced and not facilitator dependant.</p> <p>Members of the community also attend ABET workshops, which have shown a steady increase in attendance, from 245 students in F2007, 312 students in F2008 and 573 students in F2009 (including 180 community members).</p> <p><b>Internal training</b> Four operational training centres (Beeshoek, Black Rock, Modikwa and Nkomati) are accredited with the Mining Qualifications Authority (MQA), a Sector Education Training Authority (SETA) for the Mining and Minerals Sector.</p> <p><b>External training</b> ARM human resources development professionals are contributing significantly to the sectoral transformation process through their direct involvement with various committees and bodies at Chamber of Mines (COM) and MQA level.</p> <p>Workplace skills plans covering all HDSA employees were submitted individually by each operation to the MQA.</p>	<p>ARM's literacy target is 100% and therefore ABET will remain focus area throughout ARM and the surrounding communities.</p> <p>Dwarsrivier and Two Rivers are expected to achieve accreditation in the forthcoming financial year.</p>
<p>Has the Company implemented career paths for HDSA employees including skills development plans?</p>	<p>Career paths are available for each discipline/department at all operations. HDSA employees earmarked for succession have individual development plans.</p>	<p>ARM is in the process of developing an integrated management system which includes career management processes. The intent is to track progress centrally.</p>
<p>Has the Company developed systems through which empowerment groups can be mentored?</p>	<p>Coaching by an employee's direct supervisors' forms part of the supervisors' key performance indicators (KPIs). The manager one level up is expected to engage with each team member on a quarterly basis. During these sessions, organisational progress and the individual's progress and needs are focused on. Production supervisors have been trained to coach and assess on-the-job performance and document progress. All training/human resources staff are trained in terms of the education, training and development practices (ETDP) national skills programmes including facilitation of learning, assessment and moderation processes.</p> <p>There were 204 learnerships in 2009 and 283 bursaries awarded (251 to internal candidates and 32 to external candidates).</p> <p>ARM is committed to bringing HDSAs into the mainstream of the economy by identifying, developing, facilitating and availing business opportunities to BBBEE suppliers at all its operations. ARM's procurement transformation achievement should be read in conjunction with the ARM and Group Operational CSI, LED, SLPs and SME initiatives on pages 41 – 45 of this report; as well as ARM's significant contribution to its BBEE Trusts (refer to page 7 of the Executive Chairman's letter in the Annual Report).</p>	<p>Internally, employees will continue to be mentored and coached in alignment with ARM's transformation and skills development agenda. Externally, ARM will continue to focus on identifying, developing and coaching BBBEE suppliers and providing where necessary, basic business education.</p>

The Charter targets	ARM's progress to date	The way forward
<b>Employment equity plan</b>		
Has the Company published its employment equity plan and reported on its annual progress in meeting that plan?	All ARM operations submit their equity plans to the Department of Labour after thorough analyses and consultation with management and unions.	The employment equity plan will continue to be revised and updated to ensure it is in line with existing legislation.
Has the Company established a plan to achieve a target for HDSAs?	Current HDSA representation in management is 43% across ARM and in Top and Senior Management, 33%. A full ARM manpower plan is used to establish and manage targets.	ARM aims to achieve 45% HDSA representation across its operations by 2010. The KPIs and incentive bonuses of senior management are linked to meeting targets.
Has the Company identified a talent pool and is it fast-tracking it?	In addition to the initiatives outlined below, ARM has a graduate programme with 15 graduates currently on the programme. In addition, ARM is using parallel appointments to fast-track HDSA employees.	ARM will continue to develop and fast-track employees in the talent pool. In addition, a review is done annually to identify new potential candidates from the workforce that can be added to the talent pool.
Has the Company established a plan to achieve the target for women participating in mining, of 10% within the five years, and is it implementing the plan?	ARM has initiated a Women in Mining development programme, and five candidates have been earmarked for fast-tracking and 12 for mentorship. These 17 individuals were identified by the Human Resources Department as having the potential to be accelerated into senior management and executive leadership roles. In addition, six candidates are being developed from lower levels.   <i>For a case study detailing further initiatives, refer to page 28.</i>	By the end of F2010, the aim is to have identified each candidate's personal development objectives in terms of strategic leadership, and to have addressed any developmental gaps by mentoring and coaching interventions.
<b>Migrant labour</b>		
Has the Company subscribed to government and industry agreements to ensure non-discrimination against foreign migrant labour?	The Company's complement of foreign migrant labour is 3% of the total workforce. All foreign labour employed at ARM's operations are legal immigrants with valid work permits. All operations subscribe to the principles of promoting workplace equity and seek to eliminate all forms of discrimination. The terms of employment for foreign labour are the same as for local labour. No official complaints of discrimination were received in the year under review.	Discrimination on any level will not be tolerated by ARM.

The Charter targets	ARM's progress to date	The way forward
<b>Mine community and rural development</b>		
<p>Has the Company co-operated in the formulation of integrated development plans and is the Company co-operating with government in the implementation of these plans for communities where mining takes place and for major sending areas? Has there been effort on the side of the Company to engage the local mine community and major labour sending area communities? Companies will be required to cite a pattern of consultation, indicate money expenditures and show a plan.</p>	<p>Khumani's SLP has been approved and audited by the DMR. It contains 57 core commitments of which approximately 42 have been implemented successfully. The operation was audited in June 2009 and the DMR's response is pending.</p> <p>All other mines* have submitted SLPs and are awaiting the DMR's response.</p> <p>LED forms part of the SLPs. Various stakeholders are consulted and engaged to deliver LED and community upliftment goals. These goals were derived through consultation with the beneficiaries as well as the municipal leaders. Beneficiaries of the LEDs reside in and around each of the operations' labour sending areas. At the operations, progress is tracked via a socio-economic/transformation committee comprising management, unions and community representatives.</p> <p>All operations are resourced with competent transformation leadership and staff to ensure delivery of the SLP targets and sound stakeholder relations. Liaison/communication structures are established and operational in all the operations.</p> <p>LED projects successfully delivered in the year included support for commercial farming, provision of water sanitation and electricity, roads and community centres.</p> <p>LED spend in F2009 was R28.4 million (2008: R13 million) – with total community upliftment and social investment spend amounting to approximately R60 million.</p> <p>In total, ARM spent R60 million on community upliftment and social investment in F2009.</p>	<p>We will continue to promote community and rural development.</p>
<b>Housing and living conditions</b>		
<p>For company-provided housing has the mine, in consultation with stakeholders, established measures for improving the standard of housing, including the upgrading of hostels, conversion of hostels to family units and promoted home ownership options for mine employees? The Company will be required to indicate what they have done to improve housing and show a plan to progress the issue over time and implement the plan.</p>	<p>The key elements of ARM's housing policy include the promotion of home ownership and the facilitation of housing governance structures to provide for effective consultation with relevant stakeholders. By paying our employees within the 75<sup>th</sup> percentile of the market our remuneration strategy is geared towards ensuring affordability of housing.</p> <p>Only Dwarsrivier and Black Rock still have traditional hostels in which a small percentage of the workforce is housed. Both operations are currently embarking on housing strategies to close these hostels over the medium term.</p> <p>A delivery model implemented for Khumani received the Housing Project of the Year award from the South African Housing Foundation in the category of over R80 000 per unit.</p>	<p>ARM's long-term strategy is to implement this delivery model at all existing and future operations.</p>

\* Beeshoek, Black Rock, Dwarsrivier, Modikwa, Nkomati and Two Rivers.

The Charter targets	ARM's progress to date	The way forward
<b>Housing and living conditions continued</b>		
<p>For company-provided nutrition has the mine established measures for improving the nutrition of mine employees? Companies will be required to indicate what they have done to improve nutrition and show a plan to progress the issue over time and implement the plan.</p>	<p>Hostel residents pay for their food and there is ongoing consultation regarding the menus. Menus are upgraded on a regular basis with advice from dieticians.</p> <p>On an operational basis, fatigue has been identified as a safety risk. Accordingly, some operations provide production employees with a meal supplement per shift.</p>	<p>ARM will continue to provide meal supplements to help combat fatigue, where required.</p>
<b>Procurement</b>		
<p>Has the mining company given HDSAs preferred supplier status?</p>	<p>ARM is committed to bringing historically disadvantaged South Africans into the mainstream of the economy by identifying, developing, facilitating and availing business opportunities to BBBEE suppliers at all its operations. In addition, LED projects comprise a capacity-building and mentoring phase for new small, medium and micro enterprises (SMME) entrants as well as relevant portable skills development (on-the-job training). BEE suppliers are supported and mentored to contribute further to transformation.</p>	
<p>Has the Company identified the current level of procurement from HDSA companies in terms of capital goods, consumables and services?</p>	<p>BBBEE procurement (as a percentage of total discretionary procurement) was 37.4% in F2009 (F2008: 26%)*.</p>	<p>The Company's level of BEE procurement is hindered by the fact that many of its vendors have not achieved formal accreditation status. ARM plans to drive formal accreditation at all its operations.</p>
<p>Has the Company indicated a commitment to a progression of procurement from HDSA companies over a three- to five-year timeframe in terms of goods, consumables and services and to what extent has the commitment been implemented?</p>	<p>ARM's BEE procurement has increased steadily over the past few years. As a proportion of total discretionary spend, this increased from 26% in 2008 to 37.4% in 2009.</p>	<p>ARM plans to increase BEE procurement to 40% by 2010 and 42.5% by 2011.</p>
<b>Ownership and joint ventures</b>		
<p>Has the Company achieved HDSA participation in terms of ownership for equity or attributable units of production of 15% in HDSA hands within five years and 26% in 10 years?</p>	<p>ARM has a 55% black ownership base. African Rainbow Minerals &amp; Exploration Investments (Pty) Ltd (ARMI) holds approximately 41%. The sole shareholder of ARMI is a company which is owned by trusts established for the benefit of Mr Patrice Motsepe and his immediate family. The remaining 14% is held by the ARM BBEE Trust, comprising church groups, union representatives, broad-based provincial and women upliftment trusts as well as community, business and traditional leaders.</p> <p>At an operational level, communities surrounding the Modikwa operation own a 17% stake in ARM Mining Consortium Ltd which in turn holds a 50% stake in Modikwa.</p>	

\* Discretionary procurement: total procurement less procurement from public sector vendors (rates and taxes, utility service providers, academic institutions and sponsorships).

The Charter targets	ARM's progress to date	The way forward
<b>Beneficiation</b>		
Has the Company identified its current level of beneficiation?	<p>In identifying its levels of beneficiation, ARM has not taken into account the first two stages of value-addition (i.e. mining and concentrating), and has only calculated beneficiation levels in the processing and refining stages of the beneficiation process.</p> <p>Through its participation in Assmang Limited, ARM has a 50% interest in two smelting operations, namely Cato Ridge Works (which beneficiates manganese ore), and Machadodorp Works (which beneficiates chrome ore).</p> <p>Production dropped in F2008 due to the explosion of furnace number 6 at Cato Ridge Works in February 2008, which resulted in production at all furnaces being stopped for a period of time.</p> <p>Simultaneous electricity supply shortages also affected production.</p> <p>During F2009, the global economic slowdown resulted in a significant fall in global demand for these commodities and production was reduced accordingly.</p>	Certainty of power supply remains a challenge. ARM engages with Eskom when planning for future projects.
Has the Company established its baseline level of beneficiation and indicated the extent that this will have to be grown?	The baseline of beneficiation has been established at F2004 production levels*. There are currently no established criteria to offset the value of beneficiation levels against HDSA ownership commitments as envisaged in the Mining Charter. However, ARM has met and exceeded all of the HDSA ownership levels prescribed by the Charter.	
<b>Reporting</b>		
Has the Company reported on an annual basis its progress towards achieving its commitments in its annual report?	ARM reports on progress in the Sustainable Development report which forms part of the Annual Report in terms of the Mining Charter requirements, and is building on the process of reporting in terms of the Global Reporting Initiative (GRI) G3 guidelines.	ARM will continue to use external benchmarks to monitor progress.

\* See table below:

Production volumes (tonnes)	F2004	F2005	F2006	F2007	F2008	F2009
<b>Manganese Alloys</b>						
HCFeMn	185 273	226 761	234 063	265 338	184 628	<b>166 528</b>
SiMn	27 544	7 075	–	–	–	–
Metal Recovery Plant	–	–	20 594	24 376	42 717	<b>20 087</b>
Refined FeMn	25 250	46 894	54 002	57 294	32 905	<b>28 400</b>
<b>Chrome Alloys</b>						
Chrome (furnaces)	229 164	225 828	198 527	227 506	224 931	<b>152 906</b>
Refined FeMn	33 897	28 193	26 956	14 182	24 833	<b>16 376</b>

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### *Advancing careers*

ABET progress is monitored by means of employees' individual development plans. Successes are celebrated and published. Many employees who have completed their ABET successfully advance their careers by moving on to learnerships (operatives, artisans, survey, rock breakers).



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### *Promoting women in mining*

As part of the Women in Mining initiative, ARM launched a workplace exposure programme in 2009 aimed at providing access for female learners to mining and various career paths within the sector. ARM hosted ten Grade 12 Maths and Science learners from Limpopo, KwaZulu Natal and Gauteng for five days at its operations. Learners were encouraged and motivated to pursue technical careers.

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### *Building the capacity of BEE suppliers*

Two Rivers Platinum Mine has helped to build the capacity of Nthegeng, a BEE enterprise wholly owned by the community represented by the local Kgosi. Nthegeng supplies personal protective equipment (PPE). The mine coached and mentored the team on quality of products, customer requirements, quality control, systems and stores control, and administration, cashflow, cost, and financial management. The business training provided was offered by LIEBSA business training. Nthegeng has now grown into an independent manufacturer and provider of quality PPE. Transport and in-house catering is also in the process of being procured using this SMME capacity-building methodology.



ARM is promoting the inclusion of women in the workplace through initiatives such as Women in Mining

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### *Encouraging home ownership*

In October 2008, the Khumani Housing Project, situated 20 kilometres from Khumani Mine, in Kathu won the Housing Project of the Year award at the Southern African Housing Foundation's annual international housing conference. Co-recipients of the award were Assmang Iron Ore, SACS Property Solutions, Erioloba Consulting, Busler Construction and Free to Grow.

The high quality face brick units cater primarily for employees with a gross household income of between R5 000 and R17 000. As housing cannot be isolated from the numerous other functions within the urban structure, the appropriate social amenities and supporting infrastructure were also established.

It became obvious at a very early stage that the over-indebtedness of the mine's employees meant that many would be unable to become home owners unless they agreed to solutions that targeted the problem, coupled with specific programmes to empower them to implement these solutions.

Five key financial solutions were implemented to moderate the required monthly instalments, namely: employer support, economies of scale, lower interest rates, behavioural change programmes and stepped payment options.

The Khumani Housing Project has established an economically and socially viable community and is in keeping with the industry's move towards the housing of mining employees in integrated urban developments.

## Mitigating environmental impact

### F2009 Key features – at a glance

- ▶ National Energy Efficiency Campaign drives ARM's energy initiatives
- ▶ Co-generation opportunities currently being investigated
- ▶ Emissions inventories compiled for the smelters
- ▶ Water management prioritised: at Dwarsrivier, 100% of dewatered water is recycled; at Black Rock, 60% of water is recycled; at Two Rivers, 50% of tailings water and water dewatered underground is recycled
- ▶ Integrated waste management plans at each site
- ▶ Increasing focus on biodiversity management

### Overview

Climate change caused by anthropogenic greenhouse gases (GHGs) is cause for growing international concern. The Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) concluded that Africa is very likely to experience greater warming in all seasons during this century, and that annual rainfall is also likely to decrease over much of the continent. The impacts of this, according to the report, will be experienced in the form of reduced agricultural yields and greater food insecurity, ecosystem disruption and decreased water availability, among other impacts.

The United Nations Food and Agriculture Organisation (FAO) defines water availability of less than 1 700 m<sup>3</sup> per person per year as a water stress situation; water scarcity begins with availability of less than 1 000 m<sup>3</sup>. South Africa, currently categorised as a water stressed country, is forecasted to experience physical water scarcity by the year 2025.

As an energy-intensive industry which uses around 6% of South Africa's water resources, water and energy are key challenges to the mining sector. South Africa has the third-highest level of biodiversity in the world and hence preservation of biodiversity is also a priority focus area.

### Approach and performance


The granting of prospecting and mining rights and the subsequent environmental management at mines fall within the domain of the Minerals and Petroleum Resources Development Act (MPRDA). This provides the legal framework for cradle-to-grave environmental management at mines through the Environmental Management Programme Report (EMPR). The requirements of the MPRDA are applicable in parallel to the requirements of the



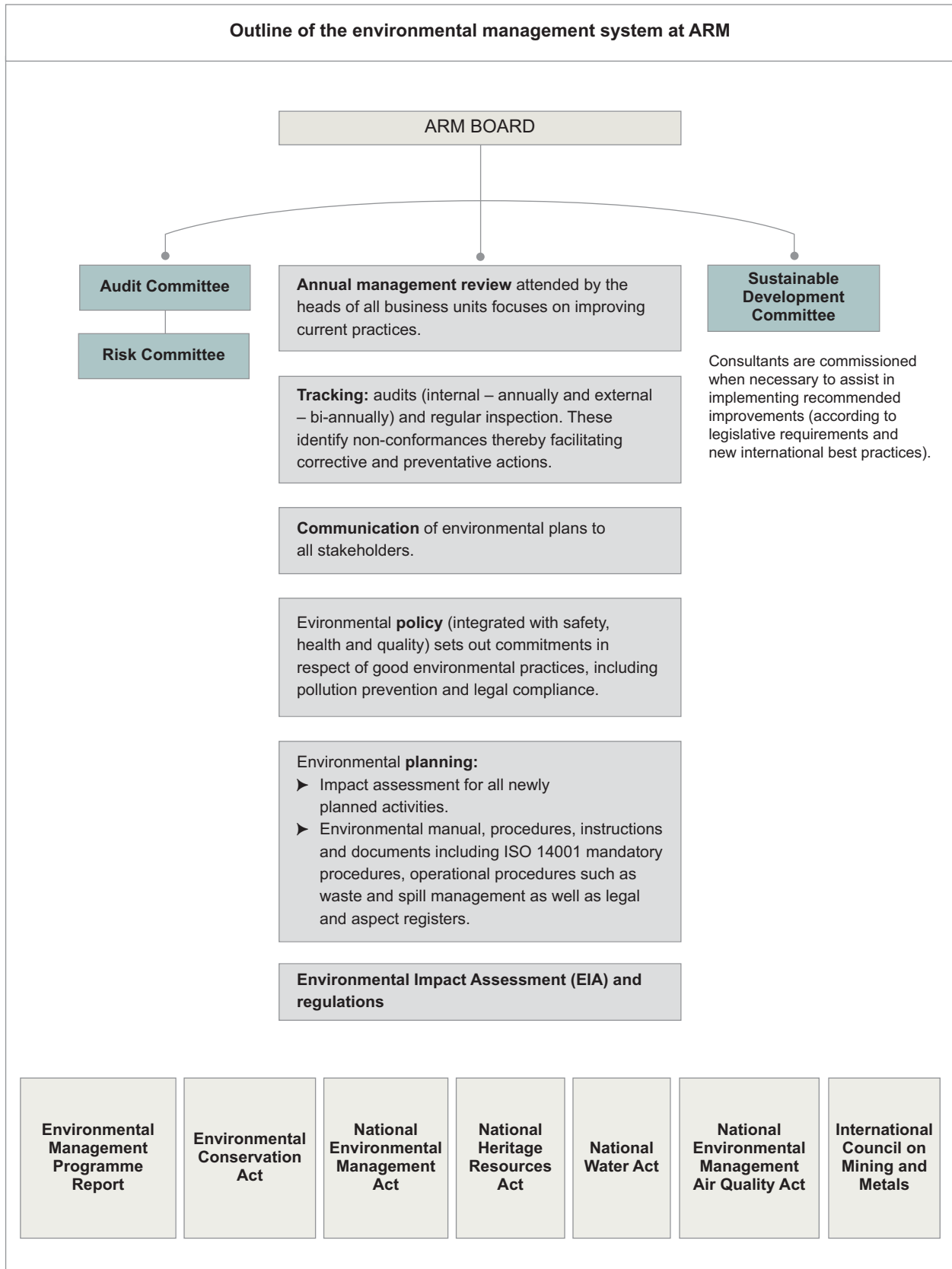
ARM recognises that mining is a high-impact activity in terms of the environment and consequently aims to mitigate its impact

Environmental Conservation Act (1989), the regulations of the National Environmental Management Act (1998) and its amendments (Act no 62 of 2008), as well as the National Heritage Resources Act (1999). In addition to compliance with national legislation, ARM as an ICMM member has committed to seek continual improvement of environmental performance, contribute to conservation of biodiversity and integrated approaches to land use planning as well as to facilitate and encourage responsible product design, use, re-use, recycling and disposal of products.

ARM recognises that mining is a high-impact activity in terms of the environment and consequently aims to mitigate its impact as far as possible through the implementation of environmental management systems such as ISO 14001. The Company works closely with regulatory authorities in applying sustainable mining methods.

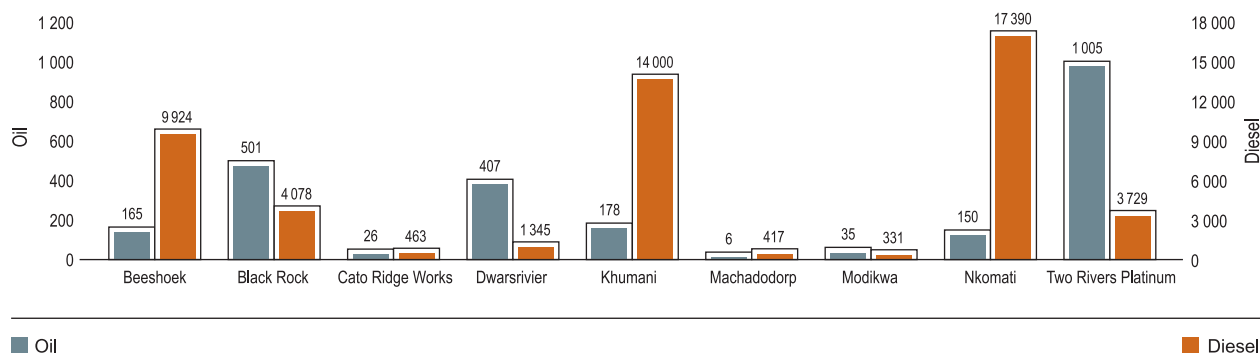
 Details of ISO 14001 certification are contained in the tables on pages 14 and 15.

The environmental challenges facing ARM include climate change; resource management, in particular water and energy; biodiversity conservation and land management; emissions and dust; air quality; waste and tailings management; as well as rehabilitation and closure planning.

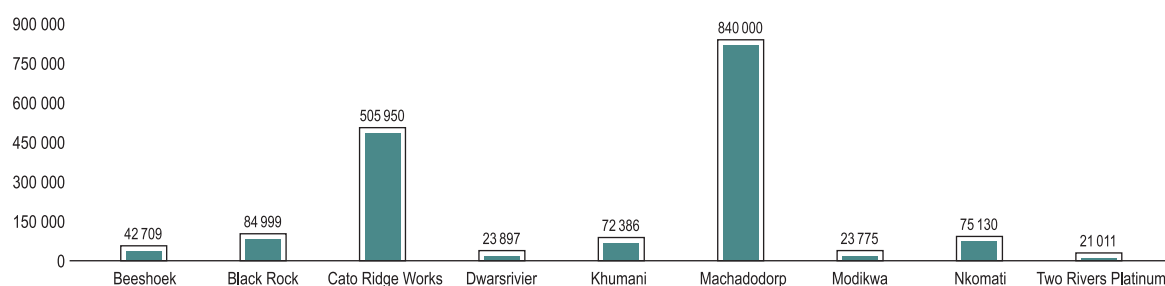




**Primary energy use by source – oil and diesel**  
(Thousand litres)



**Primary energy use by source – electricity**  
(Thousand kWh)



**Energy and emissions**

Energy utilisation has a significant impact on operational and financial efficiency. In addition, uninterrupted power supply is critical for safety in underground mines. This makes for a compelling business case for intensive management of energy use, particularly as increased energy efficiency also contributes to a reduction in GHGs.

All operations are signatories to the National Energy Efficiency Campaign which recognises that improvements in energy efficiency are fundamental to South Africa’s sustained economic growth and development, and international competitiveness. Commitments in terms of the initiative include actively monitoring usage to facilitate reductions over time; conducting awareness campaigns; appointing an accountable member of staff to take responsibility for energy efficiency; and co-operating with government and other stakeholders to develop and review interventions to assess national energy challenges.

At certain sites, generators have been installed to address short-term energy shortages and various initiatives have been explored. These range from fitting solar panels for geysers in new buildings to installing more energy efficient motors, and

moving shifts and service times outside of peak times. Other measures include introducing new ventilation start-up procedures and reviewing ventilation requirements, optimisation of compressed air usage, as well as optimisation of conveyor belts, running and sequencing. Consideration is being given to using alternative sources of energy and co-generation opportunities currently being investigated include utilisation of surplus carbon dioxide (CO<sub>2</sub>). In planning new projects and expansions, energy efficiency is a priority focus.

Emissions inventories, which include emission quantification and a point source inventory for the smelting operations, are compiled annually in keeping with legislation. Pollutants specified include nitrogen dioxide, carbon monoxide, hydrocarbons, sulphur dioxides and GHGs. The accuracy of this inventory is assessed using a methodology which includes modelling, monitoring and calculating by means of mass balances. The emissions are then monitored and the model used for emission inventories is checked and re-calibrated if necessary.

The six primary GHGs are CO<sub>2</sub>, methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluorides (SF<sub>6</sub>). Except for CO<sub>2</sub>, none of these are produced by any of ARM’s operations, although naturally occurring

methane may be exposed by mining operations. This is an explosion hazard in the mining industry and monitoring for methane occurrence underground takes place on a continuous basis.

In terms of Scope 1 (direct CO<sub>2</sub> emissions), CO<sub>2</sub> is generated by both smelter operations as a result of carbonaceous reductants in the smelting process. As the Company purchases significant amounts of energy which is generated by coal, levels of Scope 2 (indirect emissions from purchased energy) emissions are high.

Scope 3 emissions arise from fuel-driven vehicle emissions as a result of ARM's employees, contractors and service providers, who undertake traveling directly or indirectly related to the business of the Company, the transportation of materials and emissions arising from the selling of ores and other products. These include fumes and dust from alloy smelters, which use ferrochrome and ferromanganese in production of alloys; as well as smelters and refineries which process the ore from our mines.

Other emissions potentially caused by ARM's operations include:

- **Smelters:** sulphur dioxides, nitrous oxides and total particulate matter (which includes dust) emissions caused by smelting of ore and reduction processes in the arc furnaces and associated pelletising plants; and

- **Mines:** total particulate matter emissions as a result of blasting, crushing, transport, conveying, screening and handling of ore as well as H<sub>2</sub>O emissions as a result of ventilation.

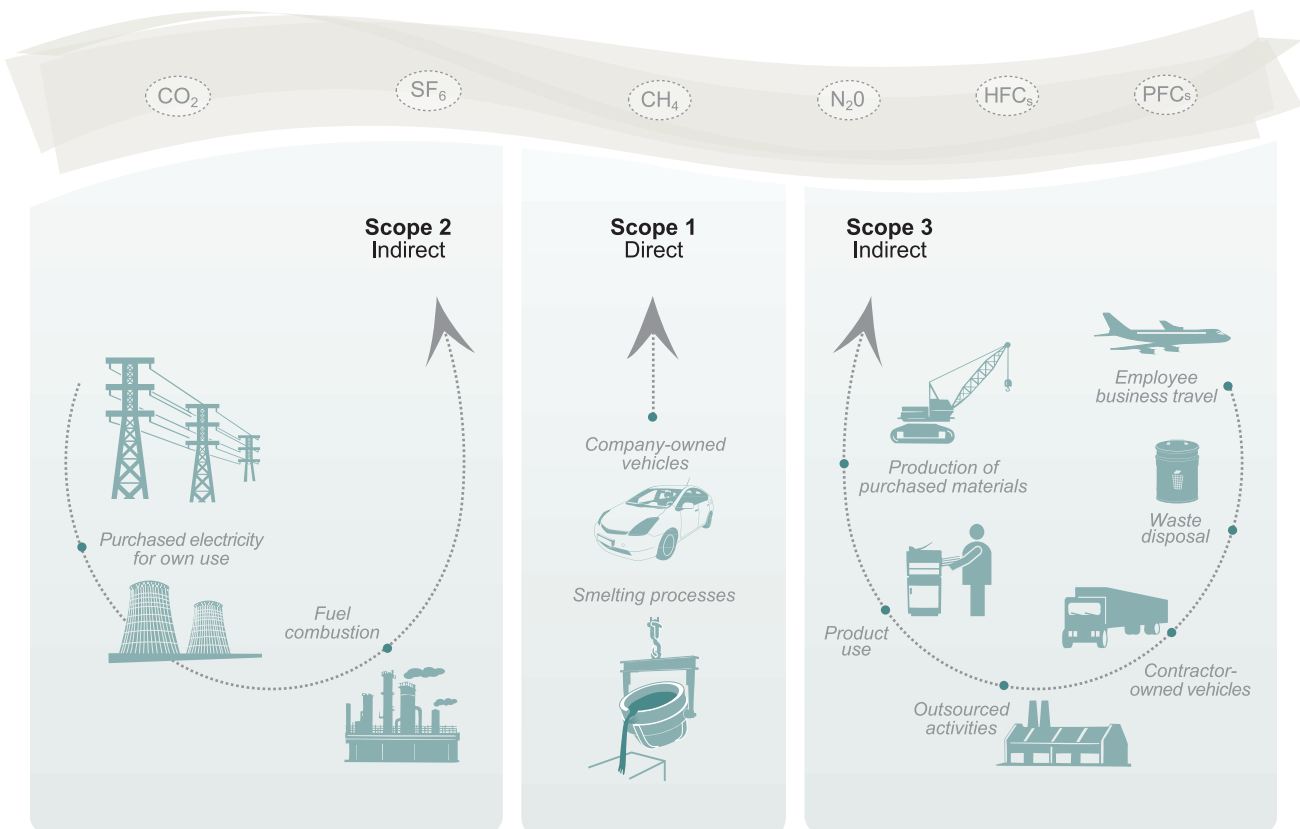
The reduction of dust levels is a priority for ARM. At Cato Ridge Works, for example, there has been considerable expenditure on a dust reduction, suppression and captivating system on the crushing and screening plant.

Smelting operations have established emissions reduction targets in line with their licence requirements.

**Water**

The Company uses water in mining, smelting and beneficiation. Water availability, consumption and pollution are key risks throughout the Group. At the smelting operations, water is sourced from municipalities while at the mining operations, it is sourced from rivers and boreholes in line with integrated water use licences (WUL) obtained through the lead authority, the Department of Water and Environmental Affairs (DWEA, formerly called DWAF). These WULs are regulated by DWEA and a formal process and specification is prescribed by DWEA for compilation of a WUL. This entails consultation with local irrigation boards, water users' associations and catchment management agencies on a local level, and with DWEA on a provincial and national level.

**Scope 1,2 and 3 emissions**



Source: World Business Council on Sustainable Development and World Resources Institute, 2007.



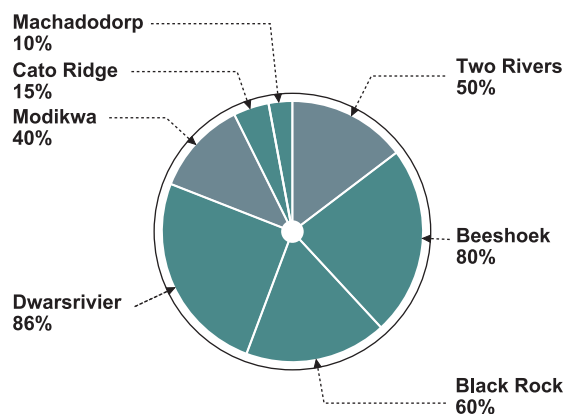
Surface water sampling as part of operational water management in accordance with WUL

Water balances are prepared for all operations. Aquifer level monitoring, groundwater and surface water sampling, chemical analyses and bio-monitoring form part of operational water management plans. Where necessary, legitimate water trading with downstream users is initiated.

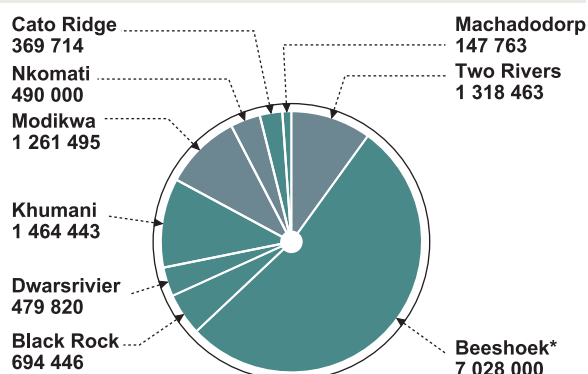
Most operations run closed circuit water systems as far as practically possible in order to minimise discharge into the environment. Any incidents of non-compliance are reported to the authorities in accordance with legislation.

Due to the diverse nature of the processes and operations, water recycling rates vary throughout the Group. At Dwarsrivier, 100% of dewatered water is recycled. At Black Rock, 60% of water is recycled, while at Two Rivers, 50% of tailings water and water dewatered underground is recycled. At Cato Ridge Works, 15% of water used is recycled and re-used for gas cleaning purposes. Machadodorp and Modikwa also recycle significant percentages of water. Nkomati does not currently measure the total rate of recycled water, since the mine is rapidly expanding. It is however planning to install flow meters on pipelines to be able to do so. Water from the paste facility at Khumani is recycled, while Beeshoek's objective in the forthcoming year is to return 80% of water from the slimes dam.

**Water recycled per operation (%)**



**Total water use per operation (Cubic metres)**



\* Includes water supply to town and community.

**Dealing with water legacy issues**

Many mines have to deal with legacy issues of groundwater contamination. Cato Ridge Works is addressing with the situation through the following projects:

- ▶ Slag management (existing and expansion);
- ▶ Slimes dams and baghouse dust management;
- ▶ Polluted stormwater management and treatment; and
- ▶ Rehabilitation of historically contaminated land which impacts the surface and groundwater.

**Waste**

Each site operates in terms of an integrated waste management plan. Waste generally comprises industrial waste such as slag, waste rock and tailings, as well as domestic waste and hazardous waste. Domestic waste is disposed of in municipal landfill sites while hazardous waste is disposed of by specialist contractors in approved facilities.

Examples of initiatives to minimise waste include:

- ▶ At Machadodorp, the slag dump (0.5 ha) has been shaped, capped and vegetated according to approved design;
- ▶ Also at Machadodorp, baghouse dust is added to chrome concentrate to form sintered pellets which are then used to fuel furnaces;

- ▶ At Nkomati, 36 000 litres of hydraulic gearbox oil (24% of the total amount of gearbox oil used) was recycled;
- ▶ At Beeshoek, 850 tonnes of scrap metal is recycled annually; and
- ▶ At Black Rock, 38 000 litres of oil (total use 501 164 litres) is sold to a contractor for recycling.

**Closure planning and provision**

Comprehensive closure planning and rehabilitation assessments are performed annually at all operations. The process is done by means of external estimation of closure and rehabilitation requirements and provisions raised in the various trust funds. Closure plans are developed in accordance with the requirements of each EMPR and costing is done according to the methodology and standards specified in the EMPR.

**Domestic and hazardous waste**

	Two Rivers	Beeshoek	Black Rock	Dwarsrivier	Khumani	Modikwa	Nkomati	Cato Ridge	Machadodorp	ARM
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes
Domestic waste	156	200	28 751	72	200	363	320	1 690	82	31 834
Industrial waste	2 586 093	4 709 861	543 770	315 928	10 983 208	3 497 163	27 754 026	172 428	462 000	51 024 477

**Closure planning and provision**

Operation	Estimated closure cost as at 30 June 09	Contributions				Total, including guarantees	Current shortfall, excluding guarantees	Current shortfall, including guarantees
		Trust Fund		Guarantees	Cash			
		F2009 contribution	Estimated fund balance as at 30 June 09					
Beeshoek	80 936 857	6 386 668	42 616 846	–	–	42 616 846	38 320 011	38 320 011
Khumani	93 967 005	3 639 114	6 628 273	38 000 000	–	44 628 273	87 338 732	49 338 732
Gloria	10 812 954	308 512	3 408 663	–	–	3 408 663	7 404 291	7 404 291
Nchwaning	22 742 169	755 237	4 616 478	–	–	4 616 478	18 125 691	18 125 691
Black Rock	40 304 736	1 251 891	10 259 347	20 064 845	–	30 324 192	30 045 389	9 980 544
Dwarsrivier	24 808 143	778 456	6 750 482	9 267 341	–	16 017 823	18 057 661	8 790 320
Two Rivers	19 012 000	655 322	2 342 826	4 111 889	–	6 454 715	16 669 174	12 557 285
Nkomati	50 669 310	–	42 946 000	3 940 000	–	46 886 000	7 723 310	3 783 310
Modikwa	52 633 749	1 844 624	6 405 442	65 013 524	–	71 418 966	46 228 307	(provision exceeds shortfall)


\* Annual contributions are made to Trust Funds based on the closure cost estimates and the remaining life-of-mine. In addition guarantees are provided and revised as applicable.

### Biodiversity management

ARM is striving to prioritise biodiversity management. Issues related to biodiversity and land management are addressed in each operation's management plan. Some operations have Biodiversity Action Plans and monitoring programmes.

### Biodiversity – at a glance

Mine	Proximity to area of high biodiversity or protected area?	Biodiversity Action Plan (BAP)	Strategies for addressing impact	Details of red data or protected species
<b>ARM Platinum</b>				
<b>Modikwa</b>	No	In draft format, to be implemented by January 2010.	Detailed once BAP finalised.	None identified.
<b>Two Rivers</b>	Yes. The mine is located within the Sekhukhuneland Centre for Plant Endemism. Certain trees on mine land are protected in terms of legislation.	Biodiversity Assessment (BA) and BAP completed in December 2008.	Areas of significant ecological significance and sensitivity are demarcated and fenced-off, vegetation from areas demarcated for land uses are relocated to a nursery on site.  Biodiversity monitoring programme proposed in BAP to be implemented.	Indicated in BA, but numbers still to be confirmed.
<b>Nkomati</b>	No. The mine is situated among commercial forestry operations, however it is situated next to a pristine river catchment.	Yes	Annual programme for the control and removal of alien vegetation and rehabilitation of impacted areas.  Protected flora species have been removed from open pit areas and an indigenous nursery established on site.  Ongoing collaboration between the mine, the forestry industry and the farmers to remove alien vegetation along the river systems. An estimated 700 ha has been cleared on mine property and is now in a maintenance programme.	Flora: 8 protected species, 12 threatened species.  Fauna: 30 threatened species including pangolin, serval, and aardvark.
<b>ARM Ferrous</b>				
<b>Beeshoek</b>	No	Biodiversity will be managed in terms of the revised EMP due for submission end-August 2009.	Plants to be removed and rehabilitated before mining begins.	Seven endemic and near-endemic plant species identified.
<b>Khumani</b>	No	Biodiversity is managed in terms of the EMP.	Plants to be removed and rehabilitated before mining begins.	None identified.

Mine	Proximity to area of high biodiversity or protected area?	Biodiversity Action Plan (BAP)	Strategies for addressing impact	Details of red data or protected species
				
Black Rock	No	BAP to be completed by March 2010.	<p>Of the total operational area of 3 688 ha, a game farm of 1700 ha was established in 1991.</p> <p>The game farm is undisturbed farming property and thus no rehabilitation is involved.</p> <p>The main focus and intention of the game farm is education of the community and children and not to derive income.</p> <p>Employees pay a minimum fee to visit the game farm and utilise the facilities. Income generated is used to purchase new bloodlines.</p>	None identified.
Cato Ridge Works	No	Yes	<p>In 2008, the site conducted a BA study aimed at developing an alien vegetative management plan.</p> <p>All protected habitats are listed in a detailed report. Different management actions are identified to manage alien and invader species which are eradicated in various ways (chemically and mechanically).</p>	None identified.
Dwarsrivier	As with Two Rivers, the mine is located within the Sekhukhuneland Centre for Plant Edemism. Certain trees on mine land are protected in terms of legislation.	BAP to be completed March 2010.	<p>The mine has established a rehabilitation plan involving backfilling of pits, spreading top soil, planting vegetation, continuous monitoring, erosion control, invasive plant eradication and vegetation propagation monitoring.</p> <p>80% of land disturbed has been rehabilitated.</p>	Assessment in progress.
Machadodorp	No	Biodiversity study planned for 2010/2011.	Dependent on outcome of biodiversity study outcome.	None identified to date.

## Combating HIV & AIDS

### F2009 Key features – at a glance

- ▶ HIV & AIDS prevalence rate within ARM approximately 18.2%
- ▶ All employees belong to a medical aid, which provides treatment benefits
- ▶ The integrated management of Voluntary Counselling and Testing (VCT) and HIV & AIDS treatment at Modikwa is exemplary
- ▶ Continued application of GRI-based internally developed scorecard helps to monitor and manage effectiveness of intervention programmes

### Overview

According to an ILO report\*, approximately 24 million working people aged 15-64 years of age were living with HIV or AIDS worldwide in 2005, with almost 67% residing in Africa (3.7 million in South Africa). HIV & AIDS typically affects individuals between the ages of 14 and 45 who represent the most economically productive percentage of the population.

Given its far-reaching consequences in terms of loss of life, impact on family life, loss of productivity, skills, education and training, HIV & AIDS is a development crisis rather than a health crisis. The economic loss is significant. The Global Business Coalition on HIV & AIDS, tuberculosis and malaria (SABCOHA), of which ARM is a member, estimates that for countries like South Africa with an infection rate of over 10%, the spread of HIV & AIDS has resulted in a minimum 2-3% loss of GDP.

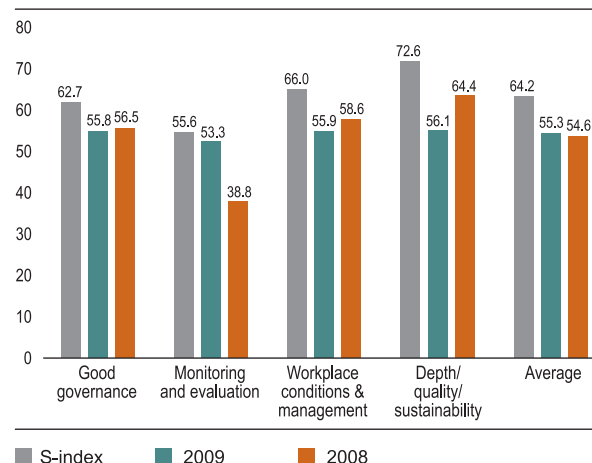
\* *HIV & AIDS and work: global estimates, impact on children and youth and response*, published by the International Labour Organisation (ILO) in 2004.

### Approach and performance

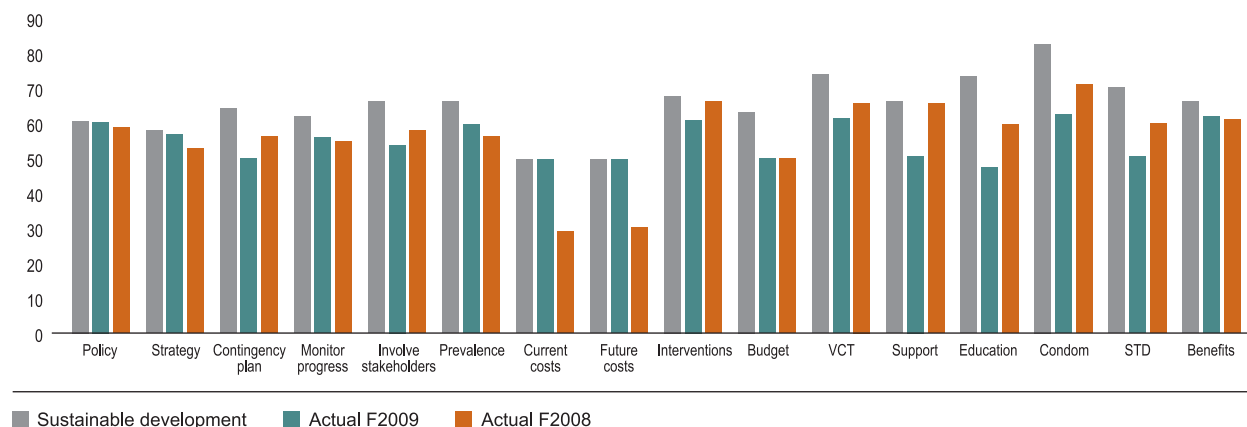
ARM has used the HIV & AIDS Resource Document compiled by the GRI in 2002 as a framework for establishing its policy and process, and to monitor implementation progress. The 16 GRI performance indicators are categorised into the following four areas:

- ▶ Good governance: policy formulation, strategic planning, effective risk management, stakeholder involvement;
- ▶ Measurement, monitoring and evaluation: prevalence and incidence of HIV & AIDS, actual and estimated costs and losses;
- ▶ Workplace conditions and HIV & AIDS management;
- ▶ Depth/quality/sustainability of HIV & AIDS management.

### High-level indicators of performance in implementing ARM's GRI-based HIV & AIDS management programme



### The sixteen GRI-based performance level indicators (%)





Left and centre: At ARM Corporate National HIV & AIDS Day celebrations  
 Right: André Wilkens (CEO) setting the example by taking part in the VCT campaign at ARM Corporate during December 2009

An internal minimum standard is applied to all the questions relating to the 16 GRI performance indicators to determine a comparative benchmark. This is called the Sustainable Standard/Index and each operation is expected to exceed this rate. As each ARM operation manages HIV & AIDS differently, this index establishes some form of commonality. Applying the Sustainable Standard gives each operation a clear gap analysis and facilitates the development of an action plan. The graph on the previous page gives an indication of performance over the last year. Monitoring and evaluation has shown a marked improvement, but depth/quality and sustainability has to be refocused.

During the course of F2009, each of the four key areas was implemented during a quarter of the annual reporting cycle and operations were required to submit quarterly progress reports to the ARM HIV & AIDS coordinator. During July and early August,

all the operations, including the various on-site clinics, were audited.

The inferred prevalence rate within ARM is 18.2%. This can be compared with the 2006 national antenatal survey, published by the Department of Health in 2007 and which was conducted in all nine provinces to estimate the prevalence of HIV infection. Based on the provincial results the ARM workforce would approximate a 22.4% prevalence of HIV infection. There is emphasis on each employee knowing their HIV status and applying this knowledge by practising prevention and entering wellness treatment programmes. Going forward, ARM's aim is to get all operations above the internally defined Sustainable Standard level. Modikwa's integrated prevention and treatment programmes for sexually transmitted infections (STIs), voluntary counselling and testing (VCT) and anti-retroviral treatment (ART) are considered best practice in the Group.

**Targets for F2010 are to:**

- ▶ Establish policies at all operations agreed to by all stakeholders;
- ▶ Establish a basic current and future cost analysis for each site which will involve determining prevalence rates;
- ▶ Gearing up and integrating VCT and encouraging HIV-positive employees to register for disease management programmes;
- ▶ Integrate community outreach programmes with SLPs;
- ▶ Manage tuberculosis even more aggressively in conjunction with the Department of Health;
- ▶ Work with the Department of Health to manage contractor programmes;
- ▶ Strengthen channels for education, peer educators, and condom distribution; and
- ▶ Enhance governance to be more formal and consistent.



## Corporate Social Investment and Local Economic Development

### F2009 Key features – at a glance

- ▶ Overall community upliftment and social investment amounts to R60 million
- ▶ CSI spend amounts to R19.3 million
- ▶ Spend on SLPs amounts to around R22 million
- ▶ LED spend amounts to R28 million

### Overview

Rural communities in South Africa are often characterised by poor education, health and infrastructure. This, together with the need to build communities capable of sustaining themselves after mines are exhausted, has led to legislation in terms of which an application for a mining right, or conversion of old order mining right, must be accompanied by a Social and Labour Plan (SLP). The objectives of the SLP are to promote employment and advance the social and economic welfare of all South Africans; contribute to the transformation of the mining industry; and ensure that holders of mining or production rights contribute towards the socio-economic development of the areas in which they operate as well as the areas from which the majority of the workforce is sourced.

### Approach and performance

ARM's Corporate Social Investment (CSI) and Local Economic Development (LED) programmes are focused on actively contributing to the upliftment of historically disadvantaged communities surrounding the Company's mines and operations, and those communities from which ARM sources labour. ARM's approach is to build capacity and wealth, rather than alleviate poverty. This approach is founded on the Company's core values

of transparency, integrity and honesty, as well as respect for the communities in which ARM operates.

ARM's CSI strategy functions at three levels: at corporate level through the ARM CSI Trust and Chairman's Fund; at an operational level through operations-based participation in and funding of projects; and thirdly, through the commitments to LED that are undertaken as part of the Company's Social and Labour Plans (SLPs).

Specialist CSI personnel are employed at each operation to identify projects, manage the Company's contribution to those, and to ensure alignment between local projects and the corporate vision. CSI personnel are guided and supported by a CSI manager based at the corporate office.

To ensure that its CSI projects are both meaningful and sustainable, ARM focuses on those initiatives which enjoy broad-based stakeholder support, while avoiding 'handouts' which are unsustainable. Communities and beneficiaries of ARM's programmes and projects are actively consulted in the process of project selection, implementation and evaluation. The roles and responsibilities of stakeholders and projects/programme beneficiaries are clearly defined in advance, with specific emphasis placed on financial controls and compliance with corporate governance protocols.

Individuals are not funded – the funding must benefit a wider community or groups with common purpose. Projects that are funded must have a developmental approach, that is, they must build capacity in communities and should eradicate dependency. In respect of specific project guidelines, ARM ensures that projects take an affirmative action approach, with women, the disabled, youth and the socially destitute being prioritised.

ARM ensures accountability and effectiveness by maintaining direct, regular contact with project beneficiaries and monitoring and evaluating adherence to stated objectives on an ongoing basis. In addition, annual audits of projects are conducted.

ARM's CSI strategy is based on the following priority areas:

#### ▶ Education, training and skills development

ARM makes financial contributions towards schools for the building of infrastructure and capacity for those involved in teaching and learning.



► **Health care promotion, with an emphasis on HIV & AIDS programmes**

ARM is committed to the health of employees and communities in the areas in which the Company operates. ARM partners with community structures and organisations to fight HIV & AIDS; sponsors organisations who promote HIV & AIDS awareness; provide home care for HIV & AIDS patients and accommodation for HIV & AIDS infected people and AIDS orphans.

► **Job creation with a focus on youth and women**

Projects identified must be self-sustainable and as part of this vision, ARM helps develop project management skills. Projects are monitored and evaluated so that appropriate assistance can be provided where needed.



► **Infrastructure development**

ARM partners with host communities to build schools, houses, clinics, recreational and cultural facilities. To ensure sustainability of these services, the Company helps with resourcing, upgrading and building human resource capacity.



► **Cultural events to unite communities**

ARM recognises and respects the importance of the culture and the heritage of the communities in which we operate. Accordingly, cultural programmes which educate communities about their identity and culture are prioritised. CSI funds are also allocated to building and developing sports facilities.



► **Capacity-building programmes aimed at enabling communities to participate actively in socio-economic processes and projects**

ARM focuses on participating actively in socio-economic processes and projects. This is achieved by helping project stakeholders develop skills through training and development.



► **Sporting events that brand ARM**

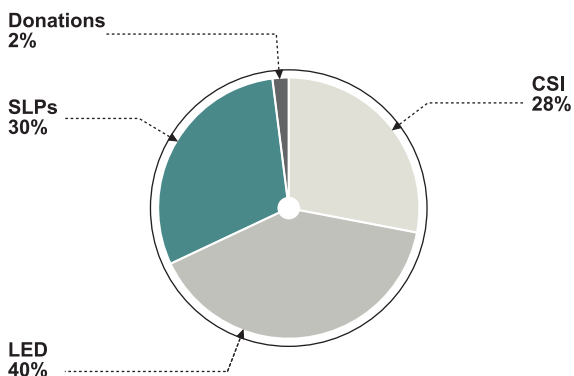
Apart from providing branding opportunities, funding in this regard aims to build the confidence of youth and give them a purpose in life. (In addition to supporting specific sporting events, ARM develops and builds sports facilities.)

In F2009, despite the economic challenges, ARM spent a total of R60 million on community upliftment and social investment.

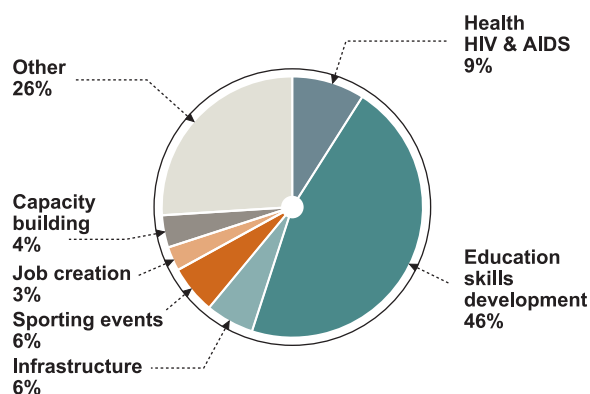
In line with the Company's SLPs, all operations have engaged with local governments and communities to establish their needs and developmental requirements, and projects are integrated within the integrated development plans (IDPs) of the various district and local municipalities. Spend related to SLPs amounted to approximately R22 million. In F2009, operations within the Group spent R28 million on LED initiatives.

In the year under review, the Group spent R19.3 million on CSI projects (2008: R21 million). This decrease was due to the economic slowdown, which meant many projects such as a project to re-build a school for R11 million, budgeted by Cato Ridge Works, had to be put on hold. This project will be re-assessed in the next 18 – 24 months.

**Summary of expenditure for ARM Corporate and Operations – July 08 to June 09 (%)**



**Summary of CSI expenditure according to priority areas (%)**



Examples of ARM's LED initiatives can be found on pages 42 and 43.

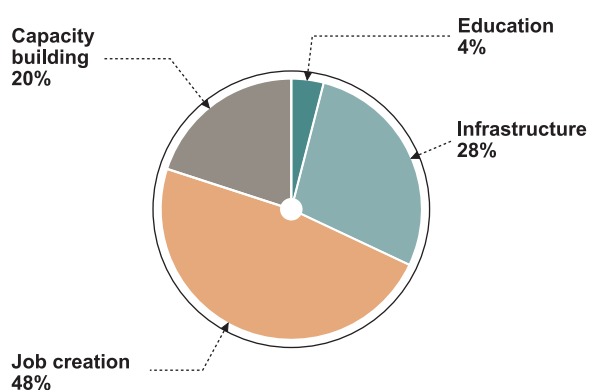
Examples of ARM's LED initiatives

Name of mine	Name of project	Need addressed and project spend	Description of project	Outcome
<b>ARM Platinum</b>				
<b>Modikwa</b>	Matimatjatji Road.	Access into the village. ..... R1.6 million	Construction of a 4.5 km gravel road.	All-weather access into the village.
<b>Two Rivers</b>	Apiesdoring vegetable farm.	Nutrition needs addressed. Local business established. ..... R90 205	Local farmers are beneficiaries and the Department of Agriculture is involved.	First crop has been harvested, business plan set up, markets established.
<b>Nkomati</b>	Bakery project.	Due to the fact that bread is supplied only three times per week from Nelspruit or Middleburg (both 100 km away), there is a pressing need in the community for easy and affordable access to this basic commodity. Job creation, training. ..... R560 000	The mine, in consultation with the local municipality, established the project. The aim is to double the current production capacity, thereby increasing the market share in surrounding areas and extending the project to incorporate an eating house.	Direct beneficiaries: 6. ..... Production growth: from 140 loaves of bread per day to 550 per day as well as some scones and raisin breads. .....
<b>ARM Ferrous</b>				
<b>Beeshoek</b>	Olive tree project.	Job creation. ..... R517 000	Enterprise development.	20 sustainable jobs created.
<b>Khumani</b>	Gamagara Integrated Cleaning Enterprise.	Job creation – manufacturing. ..... R1.6 million	Enterprise development.	61 sustainable jobs created.
<b>Dwarsrivier</b>	Kalkfontein olive tree project.	Enterprise development. ..... R946 000	50 hectares, under irrigation, three cultivars.	Ten permanent positions. 30 seasonal positions. Breakeven at year seven. Own branding. Own press. R1 million turnover in year 10.

Name of mine	Name of project	Need addressed and project spend	Description of project	Outcome
<b>ARM Ferrous</b>				
<b>Black Rock</b>	Laxey olive plantation project.	Poverty alleviation. ..... Increase opportunity for income generation through employment and ownership by the ultimate beneficiaries. ..... R1.1 million	The project was established in 2006 when 4 000 olive trees were planted. The infrastructure for the plantation is complete. The Department of Agriculture, the local municipality and the mine are involved in implementing a turnaround strategy for the project.	20 jobs had previously been created during the planting period. These people are periodically employed, on a short-term basis, to carry out seasonal work. ..... Two employees are currently employed on a semi-permanent basis. ..... Ultimately five beneficiaries will run the project.

As LED is linked with the conversion of old order mining rights to new order rights (in terms of the MPRDA), it does not apply at either Machadodorp or Cato Ridge Works.

**Summary of LED expenditure according to priority areas (%)**



- ▶ Upgrading of facilities for the HIV & AIDS Door of Hope Care Centre;
- ▶ Shelter and meals provided for children at Lerato Day Care Centre;
- ▶ A careers expo which was aimed at helping high school learners with career choices; and
- ▶ Sponsorship of a group of matric pupils to attend a winter school in Lydenburg where they were tutored in Mathematics, Science, Accounting and English.

**Restoring sight**

Cataracts can have a profound impact on people's lives. The impairment of sight affects productivity and quality of life. Accordingly, Beeshoek Mine donated cataract surgery equipment to Gordonia hospital valued at R684 477 to benefit the communities of Siyanda & J.T. Gaetsewe district municipalities. To date, 177 community members have regained their eyesight.

CSI initiatives in the year under review included:

- ▶ The installation of paraffin hot water geysers;
- ▶ The building of a four classroom block at Ratau Primary for the Mpuru community;
- ▶ The upgrading of the Badplaas skills centre;
- ▶ Sponsorship of a project in terms of which blind people produce fencing wire;

ARM and the GRI (additional indicators in red)

Note: ARM recognises that we need to strengthen and improve on our sustainability reporting systems and processes. We have prepared this report taking cognisance of the Global Reporting Initiative (GRI) G3 guidelines, aiming to meet the requirements of an Application Level C reporter. As this is the first year that ARM has attempted to report on this level, we realise that we are in the initial phases of a continual improvement process.

A grid showing the GRI G3 Application levels can be found on <http://www.globalreporting.org/grireports/applicationlevels/applicationlevels.htm>

SD – page references are to the online Sustainable Development Report      x – not reported on  
 ✓ – reported on  
 AR – page references are to the Annual Report      NR – not relevant

PROFILE – strategy and analysis	Status	Reference	Page no
1.1 Statement from most senior decision maker of the organisation including: <ul style="list-style-type: none"> <li>▶ Strategic priorities and key topics for the short/medium term with regard to sustainability, including respect for internationally agreed standards and how they relate to long-term organisational strategy and success;</li> <li>▶ Broader trends affecting the organisation and influencing sustainability priorities;</li> <li>▶ Key events, achievements and failures during the reporting period;</li> <li>▶ Views on performance with respect to targets;</li> <li>▶ Outlook on the organisation’s main challenges and targets for the next year and goals for the coming 3 – 5 years; and</li> <li>▶ Other items pertaining to the organisation’s strategic approach.</li> </ul>	✓	Executive Chairman’s letter to shareholders	AR 6 – 8
1.2 Description of key impacts, risks and opportunities.	✓	Principal risks and uncertainties Inputs, outputs, impacts	AR 24 – 25 SD 2
<b>Organisational profile</b>			
2.1 Name of the organisation.	✓	Annual Report	AR 1
2.2 Primary brands, products and/services.	✓	Annual Report	AR 1
2.3 Operational structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures.	✓	Annual Report	AR 1
2.4 Location of organisation’s HQ.	✓	Annual Report	Inside back cover
2.5 Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	✓	Annual Report	AR 5
2.6 Nature of ownership and legal form.	✓	Annual Report	AR 1
2.7 Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries).		Annual Report	27 – 58
2.8 Scale of the reporting organisation, including: <ul style="list-style-type: none"> <li>▶ Number of employees;</li> <li>▶ Net sales (for private sector organisations) or net revenues (for public sector organisations);</li> <li>▶ Total capitalisation broken down in terms of debt and equity (for private sector organisations); and</li> <li>▶ Quantity of products or services provided.</li> </ul>	✓	Annual Report	AR 1 – 5
2.9 Significant changes in the reporting period.	✓	Executive Chairman’s letter to shareholders	AR 8
2.10 Awards received in the reporting period.	✓	Annual Report	AR 1

PROFILE – strategy and analysis (continued)		Status	Reference	Page no
<b>Report parameters – report profile</b>				
3.1	Reporting period (eg fiscal/calendar year) for information provided.	✓	About this report	SD 2
3.2	Date of the most recent report.	✓	FY2008	
3.3	Reporting cycle (annual, biennial etc).	✓	About this report	SD 2
3.4	Contact point for questions regarding the report or its contents.	✓	Contact details and administration	SD Inside back cover
<b>Report scope and boundary</b>				
3.5	Process for defining report content, including: <ul style="list-style-type: none"> <li>▶ Determining materiality;</li> <li>▶ Prioritising topics within the report; and</li> <li>▶ Identifying stakeholders the organisation expects to use the report.</li> </ul>	✓	Report is based on GRI indicators	SD 2
3.6	Boundary of the report (eg countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	✓	About this report	SD 2
3.7	State any specific limitations on the scope or boundary of the report.	✓	About this report	SD 2
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations.	✓	About this report	SD 2
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	✓	About this report ARM realises that there are gaps in its GRI compliance, but the working company is to address these gaps	SD 2
3.10	Restatements of information.	✓	No restatements	
3.11	Significant changes from previous reporting periods.	✓	Inclusion of GRI content index	SD 44 – 52
<b>GRI content index</b>				
3.12	Table identifying the location of the Standard Disclosures in the report.	✓	Included	SD 44 – 52
<b>Assurance</b>				
3.13	Policy and current practice with regard to seeking external assurance for the report.	✓	Not externally assured	

GOVERNANCE, COMMITMENTS AND ENGAGEMENT – Governance		Status	Reference	Page no
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	✓	Corporate Governance section of the Annual Report	AR 115 – 134
4.2	Indicate whether the Chair of the highest body is also an executive officer.	✓	Corporate Governance section of the Annual Report	AR 115 – 134
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	✓	Corporate Governance section of the Annual Report	AR 115 – 134
4.4	Mechanisms for shareholders and employees to provide recommendations to the highest governance body.	✓	Corporate Governance section of the Annual Report	AR 115 – 134

GOVERNANCE, COMMITMENTS AND ENGAGEMENT – Governance		Status	Reference	Page no
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executive including departure arrangements and the organisation's performance (including social and environmental performance).	✓	Corporate Governance section of the Annual Report	AR 115 – 134
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	✓	Corporate Governance section of the Annual Report	AR 115 – 134
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics.	✓	Corporate Governance section of the Annual Report	AR 115 – 134
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation.	✓	Business-specific sustainable development policies, strategies and programmes Code of Ethics	SD 4
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agree standards codes of conduct and principles.	✓	Sustainable Development Committee, a formal Board committee	SD 4 AR 115 – 134
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	✓	Sustainable Development Committee Corporate structure and reporting lines Environmental management system	SD 4 SD 11 SD 30 AR 119
<b>Commitments to external initiatives</b>				
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	✓	Safety, occupational health and environmental approach and performance	SD 11 – 13, 29
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses.	✓	Economic: IFRS Labour: Practices and policies Social: Mining Charter Environmental: ICMM	AR 20 SD 6 SD 16 SD 3, 30
4.13	Memberships in associations (such as industry associations).	✓	ICMM Chamber of Mines	SD 3 SD 11
<b>Stakeholder engagement</b>				
4.14	List of stakeholder groups engaged by the organisation.	✓	ARM's approach to sustainable development	SD 1
4.15	Basis for identification and selection of stakeholders with whom to engage.	✓	Stakeholder engagement	SD 9 – 10
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and stakeholder group.	✓	Stakeholder engagement	SD 9 – 10
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key challenges and concerns, including through its reporting.	✓	Stakeholder engagement	SD 9 – 10



ECONOMIC PERFORMANCE INDICATORS		Status	Reference	Page no
<b>Economic performance</b>				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments.	✓	Value-added statement Financial Review	SD 4 – 5 AR 16 – 23
EC2	Financial implications and others risks and opportunities for the organisation's activities due to climate change.	✓	Financial implications not discussed, but brief details of risks and opportunities included	SD 31
EC3	Coverage of the organisation's defined benefit plan obligations.	x		
EC4	Significant financial assistance received from government.	x		
<b>Market presence</b>				
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	✓	Within the 75 <sup>th</sup> percentile of the market	SD 25
EC6	Policies, practices and proportion of spending on locally-based suppliers at significant locations of operation.	✓	BEE procurement	SD 17
EC7	Procedures for local hiring and proportion of spending on locally-based suppliers at significant locations of operation.	✓	BEE procurement	SD 17
<b>Indirect economic impacts</b>				
EC8	Development and impact of infrastructure investments and services provided primarily through commercial, in-kind or pro bono engagement.	✓	Corporate social investment (CSI) and local economic development (LED)	SD 39 – 43
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	✓	CSI and LED	SD 39 – 43
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>				
<b>Materials</b>				
EN1	Materials used by weight or volume.	✓	Inputs, impacts, outputs	SD 2
EN2	Percentage of materials used that are recycled input materials.	✓	Inputs, impacts, outputs	SD 2
<b>Energy</b>				
EN3	Direct energy consumption by primary energy source.	✓	Energy and emissions	SD 31 – 32
EN4	Indirect energy consumption by primary source.	✓	Not quantified but discussed under Energy and emissions	SD 31 – 32
EN5	Energy saved due to conservation and efficiency improvements.	✓	As above	SD 31 – 32
EN6	Initiatives to provide energy-efficient or renewable energy based products and services and reductions in energy requirements as a result of these initiatives.	✓	As above	SD 31 – 32
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	✓	As above	SD 31 – 32

ENVIRONMENTAL PERFORMANCE INDICATORS	Status	Reference	Page no
<b>Water</b>			
EN8 Total water withdrawal by source.	✓	Total water use given, sources discussed but not quantified	SD 32 – 33
EN9 Water sources significantly affected by withdrawal of water.	✓	Water sources discussed in broad terms	SD 32 – 33
EN10 Percentage and total volume of water recycled and re-used.	✓	Water	SD 32 – 33
<b>Biodiversity</b>			
EN11 Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	✓	Biodiversity management	SD 2, 35 – 36
EN12 Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	✓	Biodiversity management	SD 35 – 36
EN13 Habitats protected or restored.	✓	Biodiversity management	SD 35 – 36
EN14 Strategies, current actions and future plans for managing impacts on biodiversity.	✓	Biodiversity management	SD 35 – 36
EN15 Number of IUCN Red List species and national conservation list species with habitats.	✓	Biodiversity management – limited data	SD 35 – 36
<b>Emissions, effluents and waste</b>			
EN16 Total direct and indirect GHG emissions by weight.	✓	Inputs, impacts, outputs	SD 2
EN17 Other relevant indirect GHG emissions by weight.	✓	Inputs, impacts, outputs	SD 2
EN18 Initiatives to reduce GHG emissions and reductions achieved.	✓	Reduction of GHG emissions is linked to reduction of energy usage, discussed but not quantified	SD 31 – 32
EN19 Emissions of ozone-depleting substances by weight.	✓	Not quantified	
EN20 NO, SO and other significant air emissions by type and weight.	✓	In the process of quantifying	
EN21 Total water discharge by quality and destination.	✓	Water recycled given, but discharge not quantified	SD 33
EN22 Total weight of waste by type and disposal method.	✓	Broadly discussed under domestic and hazardous waste	SD 34
EN23 Total number and volume of significant spills.	✓	No significant spills	
EN24 Weight of transported, imported, exported or treated waste deemed hazardous and percentage of transported waste shipped internationally.	✓	No waste shipped	
EN25 Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and run off.	✓	Biodiversity management	SD 35 – 36

ENVIRONMENTAL PERFORMANCE INDICATORS	Status	Reference	Page no
<b>Products and services</b>			
EN26 Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.	✓	Environmental Management System Biodiversity management	SD 30 SD 35 – 36
EN27 Percentage of products sold and their packaging materials that are reclaimed by category.	NR		
<b>Compliance</b>			
EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	✓	No significant fines	
<b>Transport</b>			
EN29 Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations and transporting members of the workforce.	x	Scope 3 emissions not measured	
<b>Overall</b>			
EN30 Total environmental protection expenditure and investments by type.	x	Not seperately accounted for	

LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS	Status	Reference	Page no
<b>Employment</b>			
LA1 Total workforce by employment type, employment contract and region.	✓	Employment by contract and region included	SD 7
LA2 Total number and rate of employee turnover by age group, gender and region.	✓	Only overall turnover included	SD 6
LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	x		
<b>Labour management relations</b>			
LA4 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on health and safety programmes.	x		
LA5 Minimum notice periods regarding operational changes, including whether it is specified in collective agreements.	x		
<b>Occupational health and safety</b>			
LA6 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.	x		
LA7 Rates of injury, occupational diseases, lost days and absenteeism and number of work-related fatalities by region.	✓	Safety and health statistics	SD 12 – 13
LA8 Education, training, counselling, prevention, and risk-related programmes in place to assist workforce members, their families or community members regarding serious diseases.	✓	Details of workforce member programmes given in health and operational safety chart	SD 14 – 15
LA9 Health and safety topics covered in formal agreements with trade unions.	x		

LABOUR PRACTICES AND DECENT WORK	Status	Reference	Page no
<b>Training and education</b>			
LA10 Average hours of training per year per category of employee.	✓	Only quantified in financial terms	SD 7
LA11 Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	✓	Our focus is on helping our people develop rewarding careers, indicated by training spend	SD 6 – 7
LA12 Percentage of employees receiving regular performance and career development reviews.	✓	Broadly discussed in Managing talent, but not quantified Mentoring of empowerment groups	SD 7 SD 23
<b>Diversity and equal opportunity</b>			
LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group memberships and other indicators of diversity.	✓	Governance bodies Employment equity stats Gender targets	AR 115 – 134 SD 17 – 24 SD 16 and 24
LA14 Ratio of basic salary of men to women by employee category.	NR		

HUMAN RIGHTS PERFORMANCE INDICATORS	Status	Reference	Page no
<b>Investment and procurement practices</b>			
HR1 Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	x		
HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	x		
HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	x		
<b>Non-discrimination</b>			
HR4 Total number of incidents of discrimination and actions taken.	✓	No incidents	SD 6
<b>Freedom of association and collective bargaining</b>			
HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be a significant risk, and actions taken to support these rights.	✓	No such operations, see Practices and policies	SD 6
<b>Child labour</b>			
HR6 Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour.	✓	As above	SD 6
<b>Forced and compulsory labour</b>			
HR7 Operations identified as having a significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour.	✓	As above	SD 6

HUMAN RIGHTS PERFORMANCE INDICATORS	Status	Reference	Page no
<b>Security practices</b>			
HR8 Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	NR	n/a	
<b>Indigenous rights</b>			
HR9 Total number of incidents of violations involving rights of indigenous people and action taken.	✓	None	

SOCIETY PERFORMANCE INDICATORS	Status	Reference	Page no
<b>Community</b>			
SO1 Nature, scope and effectiveness of any programmes and practices that assess and manage the impact of operations on communities including entering, operation and exiting.	✓	LED, SLPs CSI Closure planning and provision	SD 39 – 43 SD 34
<b>Corruption</b>			
SO2 Percentage and total number of business units analysed for risks related to corruption.	x		
SO3 Percentage of employees training in organisation's anti-corruption policies and procedures.	x		
SO4 Actions taken in response to Incidents of corruption.	✓	Procedures indicated, but follow-up actions not included	SD 4
<b>Public policy</b>			
SO5 Public policy positions and participation in public policy development and lobbying.	✓	ICMM National Energy Efficiency Campaign	SD 3 SD 31
SO6 Total value of financial and in-kind contributions to political parties, politicians and related institutions by country.	✓	Broadly discussed, but value not disclosed	AR 125
<b>Anti-competitive behaviour</b>			
SO7 Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	✓	No legal action	
<b>Compliance</b>			
SO8 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	✓	Discussed but not quantified	SD 12

PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS	Status	Reference	Page no
<b>Health and safety</b>			
PR1 Lifecycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services category subject to such procedures.	NR		
PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of operation.	x		
<b>Product and service labelling</b>			
PR3 Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	NR		
PR4 Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcome.	NR		
PR5 Practices related to customer satisfaction, including results of survey measuring customer satisfaction.	✓	Stakeholder engagement, no survey conducted	SD 9 – 10
<b>Marketing and communication</b>			
PR6 Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	✓	CSI strategy	SD 39
PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcome.	NR		
<b>Customer privacy</b>			
PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	NR		
<b>Compliance</b>			
PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	✓	None	

## CONTACT DETAILS AND ADMINISTRATION

### **African Rainbow Minerals Limited**

Incorporated in the Republic of South Africa  
Registration number: 1933/004580/06  
Share code: ARI  
ISIN code: ZAE 000054045

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### **Directors**

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A J Wilkens – Chief Executive Officer

M Arnold – Financial Director

F Abbott\*

Dr M M M Bakane-Tuoane\*\*

A D Botha\*\*

J A Chissano (Mozambican)\*\*

W M Gule

M W King\*\*

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Z B Swanepoel\*

\* *Non-executive* \*\* *Independent Non-executive*

## FORWARD LOOKING STATEMENTS

Certain statements in this report constitute forward looking statements that are neither reported financial results nor other historical information. They include but are not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Such forward looking statements may or may not take into account and may or may not be affected by known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other important factors include among others: economic, business and political conditions in South Africa; decreases in the market price of commodities; hazards associated with underground and surface mining; labour disruptions; changes in government regulations, particularly environmental regulations; changes in exchange rates; currency devaluations; inflation and other macro-economic factors; and the impact of the AIDS crisis in South Africa. These forward looking statements speak only as of the date of publication of these pages. The Company undertakes no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of publication of these pages or to reflect the occurrence of unanticipated events.

