

Value contribution

ARM operations produce commodities which are an integral part of our society and play a key role in many aspects of modern life. Our commodities also have important parts to play in the solutions emerging to support a lower-carbon future and contributing to the developmental aspirations set in the United Nations Sustainable Development Goals (SDGs).

UN SDGs:



Refer to the Sustainability report for further discussion on the SDGs.



CONTRIBUTION TO SOCIETY

We produce iron ore, manganese ore, manganese alloys and nickel which are used to make steel and alloys, the backbones of the infrastructure and industry that sustain and support development in cities and communities. This value contribution includes hospitals and schools improving health and education outcomes.

Steel is not only essential as a manufacturing input to produce cars, white goods, wind turbines and many other products, but also for the machinery and equipment used in industries, which drive job creation and economic growth. It also plays a critical part in water and energy distribution systems, agricultural irrigation, transport infrastructure, alternative energy systems and information and communication technology. As stainless steel, it has many industrial and medical applications.

Iron is used in solar PV panels and nickel and manganese are used in lithium-ion energy storage technologies, which play a role in the growth in renewable energy and electromobility. Corrosion-resistant alloys made with nickel are used in desalination plants to convert sea water into potable water.

The platinum group metals (PGMs) we produce are used in catalytic converters to reduce harmful greenhouse gas emissions from motor vehicles and hydrogen fuel cells are a promising source of clean energy that use platinum.

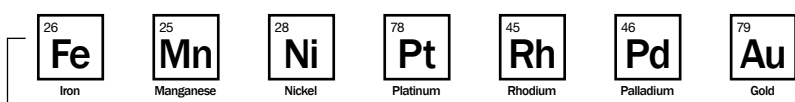
IMPROVING EFFICIENCIES

Demand for higher quality ore, which produces fewer emissions when processed, is increasing due to China's focus on addressing its pollution challenges through improved efficiencies in heavy industries. The iron and manganese ore produced by ARM enable customers to optimise production and reduce emissions by offering greater blending options. For example, using lumpy iron ore in the steel making process eliminates the need for sintering of fine ore, reducing green house gas emissions.

Metals support the growth of the circular economy as they can be recycled almost indefinitely without losing their essential properties and performance. Recycling metal is more efficient, saves water and energy and produces less waste and fewer greenhouse gas emissions than mining new ore.

MINING INDUSTRY CONTRIBUTION TO SOCIETY

The South African mining industry is a significant employer and contributor to the country's GDP. Metals and minerals make up a meaningful proportion of exports, bringing significant foreign exchange into the country. The industry is also a significant employer and makes a significant contribution to the fiscus through royalties and taxes paid to government.



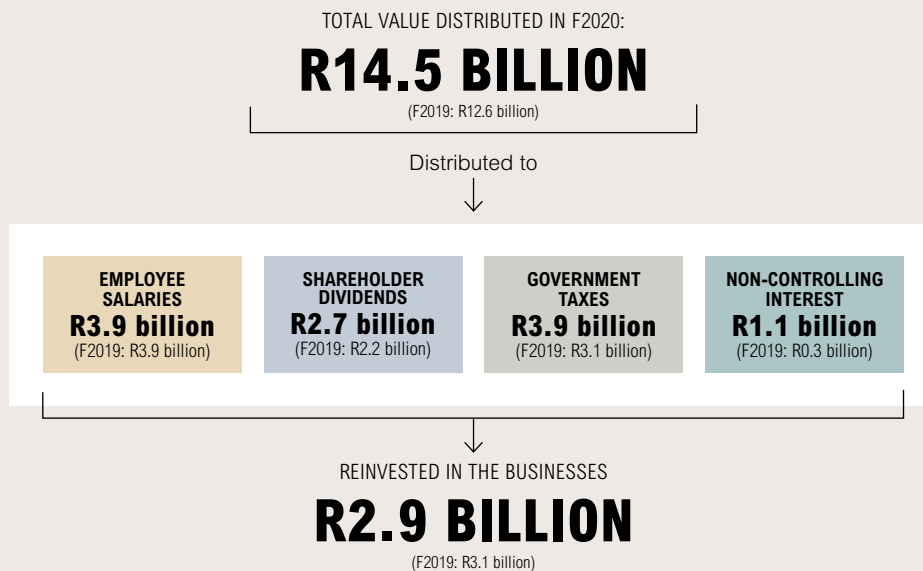
SOCIAL IMPACTS

The value created by our activities is distributed to a range of stakeholders. In F2020, ARM created R14.5 billion in financial value (F2019: R12.6 billion) and the diagram below summarises how this was distributed to our stakeholders.

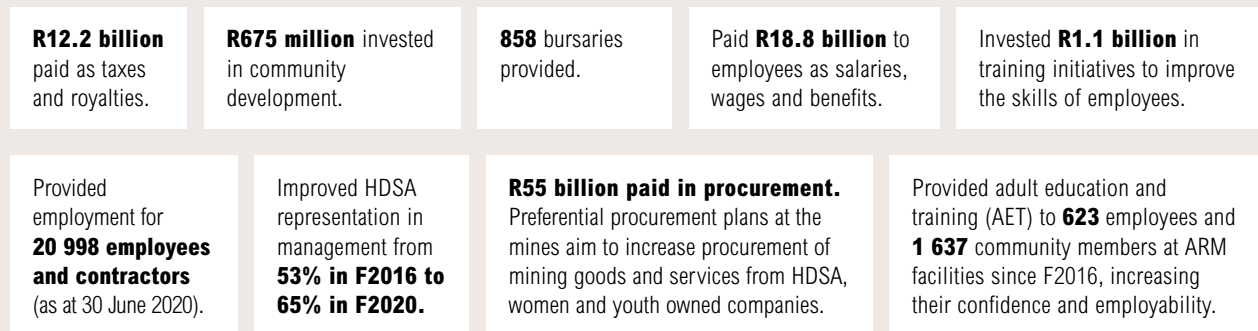
The operations are located in some of the poorest and most remote parts of the country, and support local communities by providing employment opportunities, skills development and

educational assistance. Community resilience, sustainability and socio-economic development are strengthened through infrastructure investments and support for social projects.

Preferential procurement and enterprise development programmes increase economic activity in the areas around our operations by supporting entrepreneurship and economic growth among historically disadvantaged South Africans (HDSAs) and in local communities, creating jobs and improving market access for South African capital goods and services.



Contributions from ARM operations over the last five years (on a 100% basis) included:



COVID-19 RESPONSE

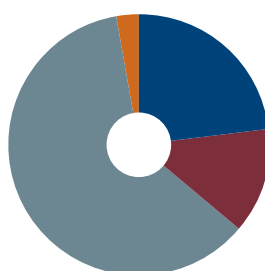
In F2020, the ARM Ferrous and ARM Platinum operations contributed R58 million (on a 100% basis) to support communities and small, medium and micro enterprises (SMMEs) in response to Covid-19.

In addition, the Motsepe family in partnership with companies and organisations that they are associated with (including ARM), have pledged R1 billion¹ to assist with the Covid-19 pandemic and its related challenges confronting South Africa, Africa and the world.

¹ ARM committed R50 million as part of the R1 billion pledge.

R58.0 MILLION

contributed by ARM Ferrous and ARM Platinum operations



	R million
Community support	13.4
PPE, medical equipment and other health related support	7.7
SMME support and relief	35.3
Community awareness campaigns	1.6

How we create value

(Business model)

INPUTS – Our capitals



Financial

Our assets, cash flow from operations and funding from shareholders and other providers of capital.



Refer to the financial review on pages 26 to 39.



People

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



Refer to the section on ensuring a safe, healthy and appropriately skilled workforce in operational reviews and 2020 sustainability report.



Relationships

Sound relationships with all stakeholders are key to the sustainability of our business. In particular, relationships with our employees, trade unions, host communities, regional and national governments and regulators support our social licence to operate.



Refer to the section on maintaining our social licence to operate in the operational reviews and the 2020 sustainability report.



Natural

The Mineral Resources and Mineral Reserves in our portfolio are the largest part of our natural capital. The natural resources we use to extract and process the minerals we mine include energy, water and land. Our goal is sustainable use of all natural resources.



Refer to the section on ensuring responsible stewardship of natural resources in the operational reviews and the 2020 sustainability report.



Innovation

Access to and investment in innovation and technology allows ARM to continuously improve production processes. The knowledge, experience and expertise that we have amongst our subject matter experts differentiates ARM. Our innovation also includes information technology systems, risk management processes and research and development.



Refer to the information technology report in the 2020 corporate governance report.

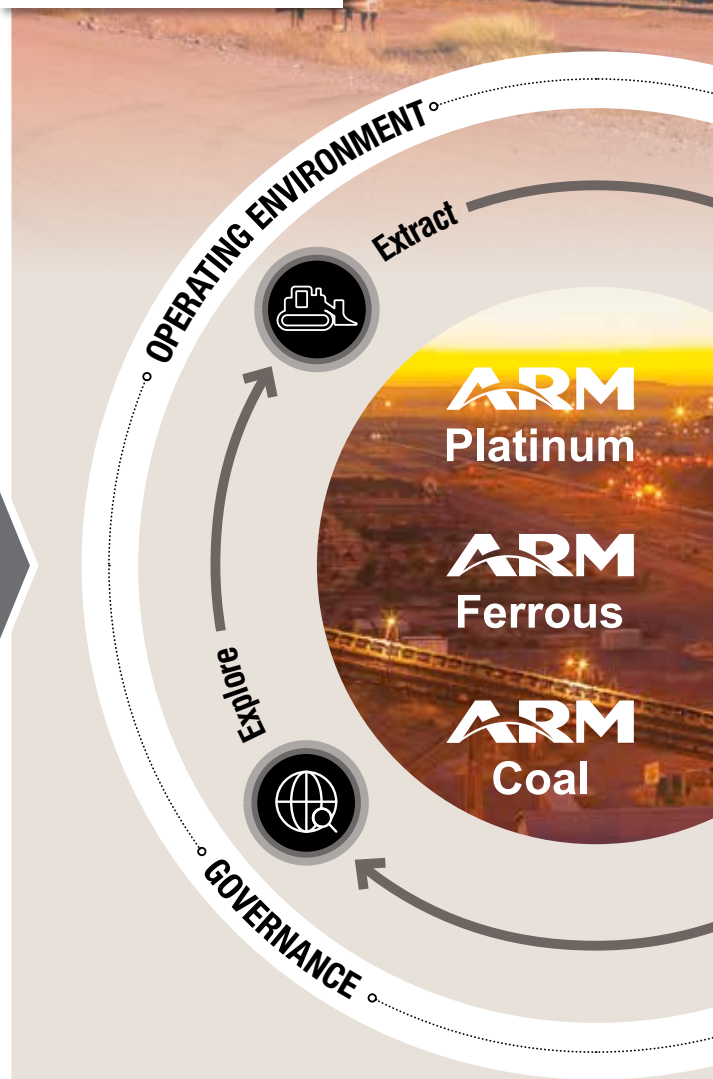


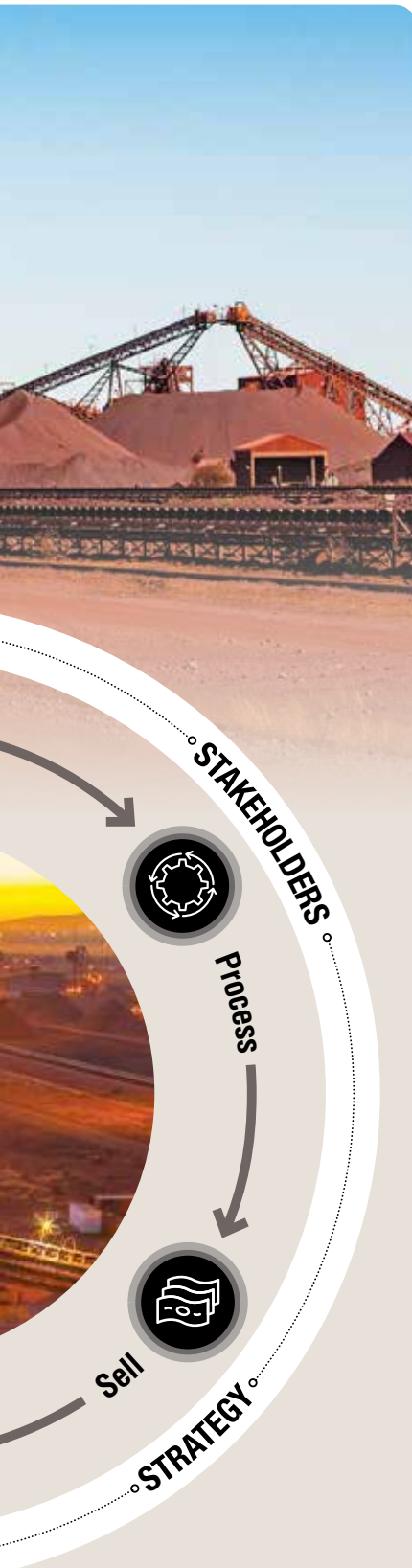
Manufactured assets

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



BUSINESS PROCESS





OUTPUTS

Production

601 068 6E
PGM ounces

16.1Mt
iron ore

3.6Mt
manganese ore

409 000t
manganese alloys

20.1Mt
thermal coal

394 000t
chrome concentrate

10 638t
nickel

5 169
copper

616t
cobalt

OUTCOMES – Our capitals



Financial

Headline earnings:

R5 534 million
(F2019: R5 226 million)

Segmental EBITDA:

R11 009 million
(F2019: R9 336 million)

Share buy-back:

R57 million (F2019: nil)

Net cash to equity ratio:

11% (F2019: 9%)

Dividends paid to ARM shareholders:

R2 717 million
(F2019: R2 206 million)

Return on capital employed:

22% (F2019: 18%)



People

Three fatalities at the operations (F2019: 1)

LTIFR of 0.45 per 200 000 man-hours

(F2019: 0.42 per 200 000 man-hours)



Relationships

R130 million invested in host communities through corporate social responsibility initiatives (F2019: R175 million)

R58 million of this was to support communities and SMMEs with their response to Covid-19

Jobs created through local economic development and enterprise supplier development investments



Natural

8% decrease in scope 1 and 2 carbon emissions

Responsible waste disposal

Implementation of a **detailed water accounting framework** completed

7% decrease in water withdrawn with a 72% re-use efficiency

External review and dam beach analysis completed at our tailings storage facilities



Innovation

Progress made on alternative smelting technology



Manufactured assets

R3 506 million in capital expenditure (segmental basis)
(F2019: R3 242 million)

Trade offs

Financial capital is prudently allocated to maintain the appropriate balance between sustainability and stakeholder benefit. Disciplined capital allocation ensures our continued growth and supports our ability to add value to all our other capitals.

Health, safety and skills development underpin productivity, so while our key priority is to keep our people safe, healthy and reaching their full potential, ARM benefits from higher productivity.

Our **communities** grant our social licence to operate. We invest significantly to address community needs and contribute to improving the lives of those living in our host communities.

Innovation and efficiency underpin the profitability/ financial viability of modern mining operations and attract investment that, in turn, ensures sustainability.

Financial capital is invested in **natural capital** which is essential to the sustainability of our business and protection of resources for future generations.