

REMUNERATION REPORT

The Remuneration Committee acknowledges its responsibility to apply remuneration strategy to ensure a balance in attracting and retaining human capital through competitive remuneration practices, while creating shareholder value. The Remuneration Committee does so by formulating a remuneration policy designed to give effect to the remuneration strategy, support the business objectives within the larger operating environment and offer a balanced remuneration mix within the Company's financial constraints. In so doing, the Remuneration Committee actively engages with best practice corporate governance principles, with specific reference to the principles contained in the King III Report on Corporate Governance for South Africa and the King Code of Governance Principles (collectively, King III). Supporting a progressive Remuneration Policy are ARM's talent management, succession planning, human resources development and workforce planning processes, which aim to ensure the appointment of competent and experienced individuals to realise the Company's expectations and strategy. This forms a critical component of the total Employee Value Proposition and ARM's objective to be an employer of choice. ARM endeavours to achieve commitment and engagement with all employees. Remuneration and benefits significantly contribute towards this proposition.

The elements are discussed in more detail in the 2016 Sustainability Report available on ARM's corporate website: www.arm.co.za



OBJECTIVES

ARM recognises that its strategic objectives can only be delivered with the foresight, dedication and hard work of management and employees. It also recognises that the Company competes in a small talent pool and for a limited set of competencies within the global and South African mining industries.

ARM's goal to retain and attract the best employees is only possible with an attractive Employee Value Proposition with focused attention given to elements such as the Company's values, culture, talent management, workforce planning and competitive benefits and remuneration. This can only be achieved with a solid employer brand within the market.

In 2016, ARM participated in the Global "Top Employer" Certification programme ranking its employee standards against international benchmarks. ARM was again certified as a "Top Employer" South Africa 2016. The performance score included a rating for compensation and benefits.

This indicates that ARM's remuneration and benefits policies and practices compare well against South African and international practices.

COMPANY PERFORMANCE

The financial results are presented in detail elsewhere in the Integrated Annual Report. In summary, the ARM financial position remains sound despite a 40% decrease in headline earnings to R1 051 million (F2015: R1 744 million). Very good unit cost control was achieved at most operations. The fall in headline earnings is primarily due to the decrease in US Dollar commodity prices partially offset by the weaker Rand/US\$ exchange rate.

With the exception of ARM Ferrous, divisional profit targets were not met. Nonetheless, the increased focus on cost reduction yielded very good results at all operations.

Safety targets were met by each division. Therefore, a safety modifier of 10% was applicable to ARM Ferrous, ARM Copper and ARM Coal, and a safety modifier of 6% was applicable to ARM Platinum. The net overall result was that bonuses were payable based on the achievement of the applicable profit, cost and safety targets.

Bonuses are discussed in greater detail on pages 190 and 191 of Part I of the Remuneration Report and on page 215 of Part II of the Remuneration Report.



The Board acknowledges the current economic climate and has approved a below Consumer Price Index (CPI) increase of 4% for senior executives and other employees at the corporate office, with effect from 1 July 2016.

STAKEHOLDER ENGAGEMENT

The Remuneration Committee recognises the importance of stakeholder engagement with regard to the Remuneration Policy and implementation thereof. Therefore, the Remuneration Committee remains committed to proactively maintaining regular, transparent and informative dialogue with ARM's stakeholders. As a result, the Remuneration Committee also considered and addressed feedback received from investors during the financial year.

In response to developments in global best practice and queries raised by investors, the Remuneration Committee reviewed the use and application of performance criteria in the long-term incentive schemes. Five recommendations were made to and adopted by the Board:

- (1) The Company Total Shareholder Return (TSR), instead of Market Price Appreciation (MPA), and the 20-day volume weighted average price (VWAP) as performance vesting conditions for the settlement of any performance shares which have not vested.

See pages 191 and 192 of the Remuneration Report for additional detail.



- (2) Determination of the criteria to be used to ascertain the constituent members of the JSE Limited Mining Resources Sector Index to be used in the measurement of performance criteria for the performance shares, given the termination of the RESI 10 in December 2015.

See page 191 of the Remuneration Report for additional detail.



- (3) Shareholders also requested greater clarity regarding the disclosure of specific performance targets for performance shares. In response to shareholders' concerns and upon the advice of the Company's remuneration consultants, this Remuneration Report has been restructured to include more detailed disclosure to provide greater transparency in this area.

CORPORATE GOVERNANCE: REMUNERATION REPORT continued

See pages 191 and 192 of the Remuneration Report for additional detail.



- (4) To increase the alignment of the actions of senior executives with the interests of shareholders, the Board has agreed that an Executive Director, who waived his bonus in respect of the F2016 Company performance, will be granted 100% bonus shares of equivalent value and the matching number of performance shares.

See page 193 of the Remuneration Report for additional detail.



- (5) Senior executives are offered the opportunity, before the end of March each year, to elect that a portion of any cash bonus calculated at the end of the performance year, be deferred and converted into an equivalent value of deferred bonus shares and the matching equivalent number of performance shares. With effect from F2017, senior executives may defer 25%, 33%, 50%, 75% or 100% of their cash bonus.

See pages 192 and 193 of the Remuneration Report for additional detail.



OTHER DECISIONS

Other decisions and changes to Remuneration Policy included the following:

- > In respect of the F2017 bonus, the Board approved the removal of the caps on cash bonuses; however, the required out-performance to achieve the maximum bonus payable is achieved when the performance targets are exceeded by 200%.

See page 190 of the Remuneration Report for additional detail.



ABOUT THE REMUNERATION REPORT

The Remuneration Committee Report includes two parts: Part I, which is set out on pages 187 to 196, explains the Remuneration

Policy; and Part II explains the implementation of the Remuneration Policy in F2016. Part II is reviewed by the external auditors and is included in the Directors' Report on pages 215 to 221. This approach has been adopted in line with emerging best remuneration disclosure practices.

NON-BINDING ADVISORY VOTE

Chapter 2 of King III, which deals with "Boards and directors", requires that a company tables at its annual general meetings its remuneration policy for shareholders of the company, to voice their confidence in it through a non-binding advisory vote. This vote enables shareholders to express their views on a company's remuneration policy and on its implementation.

Ordinary resolution number 6, which pertains to Part I of this Remuneration Report, including the Company's Remuneration Policy, included in the Notice of Annual General Meeting, is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. At the 2015 Annual General Meeting of the Company, the non-binding advisory vote on the Company's Remuneration Policy was passed by the Company's shareholders by 86.90% of the ordinary shares in issue at the voting record date.

COMMITMENT

The Remuneration Committee and ARM remain committed to continuously monitoring the effectiveness and implementation of the Remuneration Policy, strategy and practices, and are confident that the Remuneration Policy will generate real long-term value for ARM's shareholders.

On behalf of the Remuneration Committee

Dr M M M Bakane-Tuoane

Chairman of the Remuneration Committee

12 October 2016

REMUNERATION REPORT: PART I – REMUNERATION POLICY

REMUNERATION GOVERNANCE FRAMEWORK

COMPOSITION OF THE REMUNERATION COMMITTEE

Members:

Dr M M M Bakane-Tuoane (Chairman)
F Abbott
T A Boardman
A D Botha
A K Maditsi

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

FUNCTIONS OF THE REMUNERATION COMMITTEE AND TERMS OF REFERENCE

Purpose

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

FUNCTIONS AND RESPONSIBILITIES

The Remuneration Committee performs the functions and responsibilities necessary to fulfil its purpose as stated in the previous paragraph. Amendments to its Terms of Reference were approved by the Board in F2016. The Remuneration Committee's mandate includes the following:

- > ensuring that policies for the remuneration payable to senior executives of ARM have been developed and monitoring the implementation of such policies;
- > ensuring that, in developing the Company's remuneration policies, the mix of fixed and variable remuneration in cash, shares and other elements of remuneration meets ARM's business needs and promotes its strategic objectives, and that there is an appropriate balance between short-term and long-term incentives;
- > ensuring that performance targets in all occupational categories within ARM are set and monitored;

- > ensuring that the Company's remuneration policies are put to a non-binding advisory vote of shareholders at the Annual General Meeting of the Company;
- > ensuring that independent third-party advisors are engaged in order to conduct benchmarking of the remuneration of Executive Directors and other senior executives;
- > reviewing the results of benchmarking surveys of the remuneration packages of Executive Directors and other senior executives;
- > recommending base salaries for Executive Directors to the Board for approval;
- > reviewing and recommending specific remuneration packages for senior management to the Board for approval, including, but not limited to, base salaries;
- > ensuring that remuneration levels accurately reflect the contribution of Executive Directors and other senior executives;
- > considering and making recommendations to the Board regarding any proposed cash bonus schemes or amendments to any existing cash bonus schemes in respect of the Executive Directors and other senior executives;
- > ensuring that annual bonuses clearly relate to performance against annual objectives which are consistent with long-term value creation for shareholders and that individual and corporate performance targets, both financial and sustainability-related, are tailored to the needs of ARM's business;
- > recommending to the Board cash performance bonuses to be awarded to any of the Executive Directors and senior executives taking cognisance of the respective job descriptions and the performance of ARM against the budgetary and strategic objectives as approved by the Board;
- > regularly reviewing ARM's long-term (share-based) incentive schemes to ensure the continued contribution of Executive Directors and other senior executives to shareholder value, and guarding against unjustified windfalls and inappropriate gains from the operation of ARM's share-based incentives;
- > considering and making recommendations to the Board regarding any proposed long-term (shared-based) incentive schemes or amendments to any such existing schemes relating to the Executive Directors and senior executives;
- > recommending to the Board grants or awards to be made to Executive Directors, other senior executives and the Company Secretary pursuant to ARM's long-term share-based incentive schemes;
- > monitoring long-term (share-based) incentives to ensure that remuneration policies do not encourage behaviour contrary to the Company's risk management policy and strategy;
- > satisfying itself as to the accuracy of recorded performance measures that govern the vesting of long-term (shared-based) incentives;
- > ensuring that management develops appropriate retirement and pension scheme arrangements for employees of the Company;
- > receiving reports from management in regard to all employee benefits, including benefits in kind and other financial arrangements to ensure that they are justified, correctly valued and suitably disclosed;
- > ensuring that independent third-party advisors are engaged with regard to the benchmarking and recommendation of Non-executive Directors' fees;

CORPORATE GOVERNANCE: REMUNERATION REPORT continued

- > reviewing the results of benchmarking surveys of the fees payable to Non-executive Directors; ensuring that Non-executive Directors do not receive remuneration contingent upon the performance of ARM; and
- > upon being notified by management of the terms of any consulting agreement with any Non-executive Director, making recommendations, if required, to senior executives or to the Board regarding such agreement. It is also the responsibility of the Remuneration Committee to ensure alignment with the remuneration guidelines of King III. After reviewing the remuneration strategy and policy as well as the implementation thereof, the Remuneration Committee is satisfied that the Company is indeed so aligned.

REMUNERATION COMMITTEE ACTIVITIES

The Remuneration Committee met three times during F2016.

See the meeting attendance summary on page 163 of the Corporate Governance Report.



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Overview of activities and decisions:

The scheduled work plan was followed with the normal cycle of activities that included, but was not limited to, the following:

In F2016:

- > the recommendation to the Board of the annual increases in the base salaries of Executive Directors and other senior executives;
- > the recommendation to the Board of the short-term incentives (i.e. cash bonuses) payable to Senior Executives;
- > the recommendation to the Board of the Board retainer and Board and Committee meeting attendance fees for Non-executive Directors, for submission to shareholders;
- > the review of the deferred bonus/co-investment awards in terms of the Share Plan;
- > the review of the waived bonus elections and requests in respect of the F2015 bonuses;
- > the review of the Remuneration Policy; and
- > preparation of the Remuneration Report.

In F2017 to date:

- > the determination of the criteria to be used to ascertain the constituent members of the JSE Limited mining sector index to be used in the measurement of performance criteria given the termination of the RESI 10 in December 2015;
- > the recommendation to the Board of the annual increases in the base salaries of Executive Directors and other senior executives;
- > the recommendation to the Board of the Board retainer and Board and Committee meeting attendance fees for Non-executive Directors, for submission to shareholders;
- > the review of deferred bonus/co-investment awards in terms of the Share Plan;
- > the recommendation of the new deferred bonus/co-investment thresholds to be applicable from F2017;
- > the recommendation to the Board of the corporate bonus parameters for F2017;
- > the review of the Remuneration Policy; and
- > preparation of the Remuneration Report.

The Chief Executive Officer, Financial Director and Executive Director: Growth and Strategic Development attend Remuneration Committee meetings by invitation and assist the Remuneration Committee in its deliberations, except when issues relating to their own remuneration are discussed. No invitees vote at the meetings.

No Director was involved in deciding his or her remuneration. The Chairman of the Remuneration Committee attends Annual General Meetings to answer any questions from shareholders regarding ARM's Remuneration Policy and the implementation thereof.

ADVISORS TO THE REMUNERATION COMMITTEE

In F2016, the Remuneration Committee was advised by remuneration consultants, namely PwC, which provided, *inter alia*, advice on and assistance with the design, implementation and verification of calculations pertaining to offers and awards pursuant to the short-term and long-term incentive schemes. The comparator group for the benchmarking was selected through a rigorous selection process, in order to ensure the overall competitiveness of ARM's remuneration.

All short-term and long-term incentive calculations are audited by either the Company's internal auditor (KPMG) or at financial year-end by the external auditor, Ernst & Young Inc.

REMUNERATION PHILOSOPHY AND POLICY: EXECUTIVE REMUNERATION

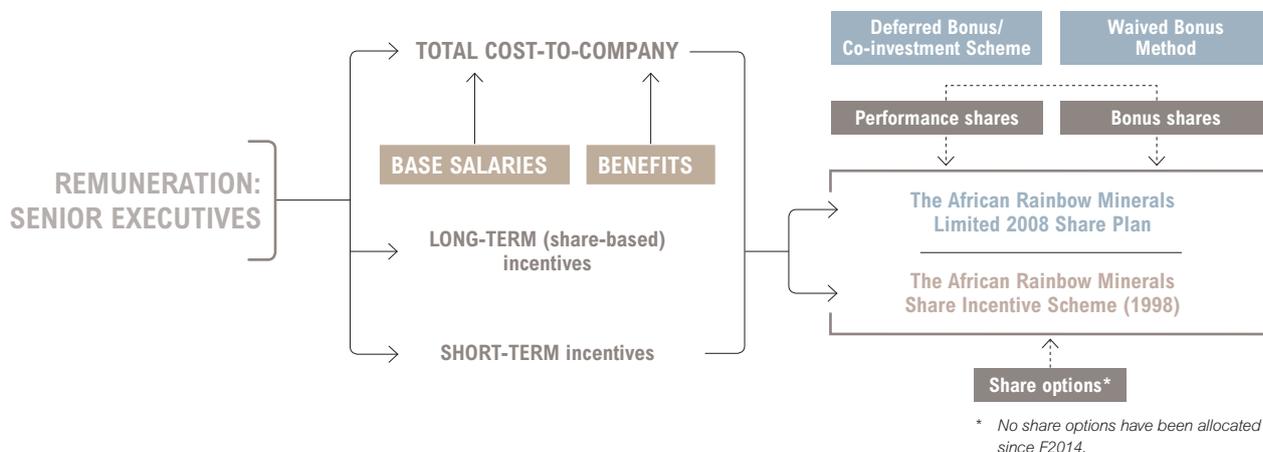
Principles of executive remuneration

ARM's executive remuneration philosophy aims to attract and retain high-calibre executives and to motivate and reward them for developing and implementing the Company's strategy to deliver consistent and sustainable shareholder value.

The Remuneration Policy conforms to international best practice and is based on the following principles:

- > **total cost-to-company** which is base salary plus benefits;
- > **total rewards** are competitive with those offered by other employers in the mining and mineral resources sector; incentive-based rewards are earned through the achievement of performance targets consistent with shareholder expectations over the short term and long term:
 - **short-term incentives**, i.e. cash bonuses, together with performance measures and targets, which are structured to reward effective operational performance; and
 - **long-term (share-based) incentives** that are used to align the long-term interests of management with those of shareholders and that are responsibly implemented so as not to expose shareholders to unreasonable or unexpected financial impact.

ELEMENTS OF TOTAL EXECUTIVE REMUNERATION



The policies relating to the four elements of total executive remuneration are summarised in the table below:

POLICIES RELATING TO THE FOUR COMPONENTS OF SENIOR EXECUTIVE REMUNERATION

TOTAL COST-TO-COMPANY		
BASE SALARY	POLICY	<ul style="list-style-type: none"> > Benchmarked against market practices of other South African mining companies that are comparable in size, business complexity and international scope. > Generally, reflects market median levels based on the role and individual skills and experience.
	IMPLEMENTATION	<ul style="list-style-type: none"> > Paid monthly in cash. > Reviewed annually, with changes taking effect on 1 July. > Increases are determined by, <i>inter alia</i>, market conditions, Company performance, individual performance and changes in responsibilities. > Salary increases of 4% approved for F2017. > Forms part of and is the key component of a total cost-to-company (TCTC) package, which also includes benefits. The Company participates in industry-wide surveys from time-to-time. Participation in short-term and long-term incentive schemes is determined on the basis of and in addition to the TCTC package.
PENSION FUND	POLICY	<ul style="list-style-type: none"> > Membership of the ARM Pension Fund is compulsory. Senior executives, if already members of a recognised industrial pension/retirement fund, such as Sentinel, may remain members, if they so elect.
	IMPLEMENTATION	<ul style="list-style-type: none"> > Contributions are made by senior executives from the base salary. Total contribution to the fund, including risk benefits such as life and disability cover, is 22.5% of pensionable salary. > The ARM Pension Fund is: <ul style="list-style-type: none"> – Managed by eight trustees of whom 50% are appointed by ARM and 50% are elected by the members. – Administered by Alexander Forbes. – A defined contribution fund.
MEDICAL SCHEME	POLICY	<ul style="list-style-type: none"> > It is compulsory to belong to a medical scheme.
	IMPLEMENTATION	<ul style="list-style-type: none"> > Executives may participate in any managed medical aid plan of their choice. > Contributions are made by senior executives from their base salary.
OTHER BENEFITS AND CONDITIONS OF EMPLOYMENT		<ul style="list-style-type: none"> > All other conditions of employment are comparable to those of companies in the mining and mineral resources sector. No special or extraordinary conditions are applicable to senior executives.

CORPORATE GOVERNANCE: REMUNERATION REPORT continued

SHORT-TERM INCENTIVES					
POLICY	Short-term incentives (<i>i.e.</i> cash bonuses) are determined in terms of an out-performance bonus scheme, which rewards senior executives for sustained out-performance of cost and profitability targets set annually for the Company's business and safety performance. Senior executives are provided the opportunity to defer part of their bonus or may elect to waive all of their bonus, and to be allocated the equivalent value in bonus shares matched with the same number of performance shares (see the Deferred Bonus/Co-investment Scheme and the Waived Bonus Method below).				
INSTRUMENT	Cash in terms of the Out-performance Bonus Scheme.				
BONUS PERCENTAGES	The short-term incentive on-target cash bonus percentages and the related maximum bonus potential due to a cap on cash bonuses payable are shown below:				
Position	Paterson grade	F2015 % on-target bonus of TCTC	F2015 Maximum bonus as % of TCTC	F2016 % on-target bonus of TCTC	F2016 Maximum bonus as % of TCTC
Executive Chairman	FU	62%	186%	62%	62%
Chief Executive Officer	FU	50%	150%	50%	50%
Senior executives	FL	45%	135%	45%	45%
Operational senior executives in ARM Ferrous, ARM Coal, ARM Copper and ARM Platinum	FL	45%	135%	45%	45%
In respect of the F2016 bonus, the Board introduced caps to the maximum bonuses payable, before any adjustments for the safety modifier, as reflected in the table above. The cap was introduced as profit targets are much smaller in a low commodity price environment and are extremely sensitive to small changes revenue. In such circumstances the normal limits on bonuses could lead to unfair and costly results.					
In respect of the F2017 bonus, the Board agreed to remove the caps; however, the required out-performance to achieve the maximum bonus as a percentage of the total is reflected in the table below:					
Position	Paterson grade	F2017 % on-target bonus of TCTC	F2017 Maximum bonus as % of TCTC*		
Executive Chairman	FU	62%	186%		
Chief Executive Officer	FU	50%	150%		
Senior executives	FL	45%	135%		
Operational senior executives in ARM Ferrous, ARM Coal, ARM Copper and ARM Platinum	FL	45%	135%		
* The maximum bonus may only be achieved when the annual Profit from Operations is 200% more than the performance target.					

SHORT-TERM INCENTIVES <i>continued</i>	
PERFORMANCE MEASURES	<p>For the Executive Chairman, the Chief Executive Officer and other senior executives (excluding those from ARM Ferrous, ARM Platinum, ARM Copper and ARM Coal) financial performance indicators are calculated as follows:</p> <ul style="list-style-type: none"> > 50% – Profit from Operations; and > 50% – Unit Cost of Sales (a weighted scorecard). <p>For operational senior executives, financial performance indicators are calculated as follows, in respect of each division:</p> <ul style="list-style-type: none"> > 25% – ARM overall Profit from Operations against Target; > 25% – ARM overall Unit Cost of Sales against Target (a weighted scorecard); > 25% – Divisional Profit from Operations against Target; and > 25% – Divisional Unit Cost of Sales against Target (a weighted scorecard). <p>The combined percentage (achieved by each senior executive) is applied to the senior executives' TCTC to determine the potential cash bonus.</p>
SAFETY MODIFIER	To encourage sustainability, a safety modifier was introduced in F2015, which can impact the potential cash bonus. After a cash bonus has been calculated for each senior executive, a safety modifier is applied, which is the Lost-Time Injury Frequency Rate (LTIFR) for each division or operation, as the case may be. In F2016, the Board amended the methodology of applying the safety modifier. If the safety target is met, the participants will receive an additional 5% of their cash bonus. There was a sliding scale for out-performance or under performance. If participants outperformed their targets by 10% or more, the participants would receive an additional 10% of their cash bonus. If safety targets were not met, between 1% and 10% would be deducted for each percentage point below target, to a maximum 10% deduction.
TARGETS	The targets for each metric are in accordance with the Board-approved one-year business plan, and the measures are reviewed annually to ensure that they are appropriate, given the economic climate and the performance expectations for the Company.
PERFORMANCE THRESHOLDS	See Bonus Percentages above.
LONG-TERM INCENTIVES	
PERFORMANCE SHARES	
POLICY	To closely align the interests of shareholders and senior executives by rewarding superior performance and by encouraging senior executives to build up a shareholding in the Company. The performance criteria incentivise the creation of shareholder value.
INSTRUMENT	Performance shares in terms of The African Rainbow Minerals Limited 2008 Share Plan (the Share Plan).
AWARD POLICY AND VESTING PERIOD	Performance shares are conditional rights to shares which are typically awarded on an annual basis in order to reduce the risk of unanticipated outcomes arising out of share price volatility and cyclical factors. Performance shares vest and are settled between three and four years, subject to the achievement of predetermined performance criteria.
PERFORMANCE CRITERIA	<p>Prior to May 2015, the performance criteria used to determine the number of performance shares which had vested was Market Price Appreciation (MPA) in terms of the RESI 10 and the 20-day volume weighted average price (VWAP).</p> <p>With effect from May 2015, Total Shareholder Return (TSR) in terms of the RESI 10 was used to determine the number of performance shares which vest. The RESI 10 ceased to exist with effect from December 2015. Therefore, the Board, upon the recommendation of the Remuneration Committee, agreed that with effect from December 2015, the TSR in terms of the top 10 companies in the JSE Mining Resources Sector Index be used to determine the number of performance shares which vest and the 20-day VWAP would be used to determine the price.</p> <p>If a senior executive leaves due to a fault termination (e.g. resignation or dismissal), all unvested awards are forfeited. If a senior executive leaves due to a no-fault termination (e.g. retirement), all performance shares awarded prior to December 2014 are settled <i>pro rata</i>. From 2015, retirement does not accelerate the vesting period in respect of new performance share awards.</p>

CORPORATE GOVERNANCE: REMUNERATION REPORT continued

LONG-TERM INCENTIVES continued	
PERFORMANCE SHARES continued	
PERFORMANCE MEASUREMENT	<p>Vesting is based on a sliding scale of the achievement of the performance criteria as determined by an independent third party, the Company's remuneration consultants.</p> <p>In respect of the F2016 settlements, which vested on 11 October 2015, 10 November 2015 and 4 April 2016, ARM ranked 6th, 7th and 6th respectively, against its peer companies in terms of market price appreciation and therefore one times (1x) the targeted number of performance shares were settled.</p>
VESTING PERIOD	Refer to pages 219 and 220 of the Directors' Report.
AMENDMENTS	The amendments made to the performance criteria in F2016 upon the advice of the Company's remuneration consultants are in line with current practice within the South African context.
COMPANY AND INDIVIDUAL LIMITS	The aggregate limits are indicated on page 195 of the Remuneration Report.
BONUS SHARES	
POLICY	To closely align the interests of shareholders and senior executives by rewarding superior performance and by encouraging senior executives to build up a shareholding in the Company. The performance criteria incentivise the creation of shareholder value.
INSTRUMENT	Bonus shares in terms of the Share Plan.
AWARD POLICY AND VESTING PERIOD	Bonus shares are conditional rights to shares which were allocated annually, which allocations were determined according to a specified ratio of the annual cash incentive accruing to senior executives. Bonus shares vest and are settled between three and four years, subject to continued employment. Other than bonus shares awarded in terms of the Bonus Share/Co-Investment Scheme Method and the Waived Bonus Method, no bonus shares have been awarded since 2015.
PERFORMANCE CRITERIA	If a senior executive leaves due to a fault termination (e.g. resignation or dismissal), all unvested awards are forfeited. If a senior executive leaves due to a no-fault termination (e.g. retirement), all bonus shares awarded prior to December 2014 are settled in full.
VESTING PERIOD	Refer to pages 219 and 220 of the Directors' Report.
AMENDMENTS	There have been no annual allocations of bonus shares since the October 2014 annual grant. Bonus shares are still awarded to senior executives in terms of the Deferred Bonus/Co-Investment Scheme. From 2015, retirement does not accelerate the vesting period in respect of new bonus share awards.
COMPANY AND INDIVIDUAL LIMITS	The aggregate limits are indicated on page 195 of the Remuneration Report.
DEFERRED BONUS/CO-INVESTMENT SCHEME	
POLICY	To closely align the interests of shareholders and senior executives by rewarding superior performance and by encouraging senior executives to build up a shareholding in the Company and to enhance the retention characteristics of the current reward of senior executives. The Company is of the view that the deferral of a portion of immediate cash bonuses demonstrates a heightened commitment to performance and shareholder alignment, and promotes the retention of key employees and enhances the performance and shareholder alignment characteristics of the Share Plan.
INSTRUMENT	Bonus shares (for the deferred bonus) and performance shares (for matching shares) in terms of the Share Plan.
OPERATION	Commencing in February 2011, senior executives may invest in additional bonus shares which are matched by the Company with the equivalent number of performance shares under the existing terms and conditions of the Share Plan.

LONG-TERM INCENTIVES continued	
DEFERRED BONUS/CO-INVESTMENT SCHEME continued	
AWARD POLICY	<p>Senior executives are offered the opportunity, before the end of March each year, to elect that a portion of any cash bonus calculated at the end of the performance year, be deferred and converted into an equivalent value of deferred bonus shares.</p> <p>To encourage senior executives to take up the deferral(s), the deferred bonus shares are matched with the equivalent number of performance shares. The remainder of the deferred cash bonus, after any deferral, will accrue to senior executives and be paid out in cash.</p> <p>Scheme to F2016: Senior executives could defer 25%, 33% or a maximum of 50%.</p> <p>Scheme with effect from F2017: Senior executives may defer 25%, 33%, 50%, 75% or 100%.</p>
PERFORMANCE CRITERIA	See Performance Shares and Bonus Shares above.
PERFORMANCE MEASUREMENT	See Performance Shares and Bonus Shares above.
VESTING PERIOD	The vesting periods of the deferred bonus shares and the matching equivalent number of performance shares are three years.
COMPANY AND INDIVIDUAL LIMITS	The aggregate limits are indicated on page 195 of the Remuneration Report.
WAIVED BONUS METHOD	
POLICY	To closely align the interests of shareholders and senior executives by rewarding superior performance and by encouraging senior executives to build up a shareholding in the Company, and to enhance the retention characteristics of the current reward of senior executives.
INSTRUMENT	Bonus shares (for 100% of the value of the waived F2015 bonus) and performance shares (for matching equivalent number of shares) in terms of the Share Plan.
AWARD POLICY	<p>In advance of the F2015 bonus being quantified or declared, and before any such bonus accrued, the Executive Directors and Prescribed Officers elected to waive and receive delivery of 100% of the value of any cash bonus which might accrue to them in respect of F2015 performance year, on a pre-tax basis, in the form of 100% of the value of the waived F2015 bonus in bonus shares and the matching equivalent number of performance shares.</p> <p>In advance of the F2016 bonus being quantified or declared, and before any such bonus accrued, the Executive Chairman elected to waive and receive delivery of 100% of the value of any cash bonus which might accrue to him in respect of the F2016 performance year, on a pre-tax basis, in the form of 100% of the value of the waived F2016 bonus in bonus shares and the matching equivalent number of performance shares.</p>
SHARE OPTIONS	
POLICY	To align the interests of shareholders and senior executives by encouraging senior executives to build up a shareholding in the Company.
INSTRUMENT	Share options in terms of The African Rainbow Minerals Share Incentive Scheme (the Scheme).
AWARD POLICY	Between F2008 and F2014, annual allocations of share options were made on a much reduced scale due to the adoption of the Share Plan. No share options have been allocated since the end of F2014.
NET SETTLEMENT	The Scheme was amended in December 2010 to allow the Company to offer participants the opportunity to net settle share options when they exercise such options.
VESTING PERIOD	Share options vest in total on the third or fourth anniversary of their allocation. Senior executives may elect to defer exercising any share option until the eighth anniversary of its allocation after which it lapses.
COMPANY AND INDIVIDUAL LIMITS	The aggregate limits are indicated on page 195 of the Remuneration Report.

For additional information regarding the implementation of the above policies, please refer to Part II of the Remuneration Report in the Directors' Report on pages 215 to 220.



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CORPORATE GOVERNANCE: REMUNERATION REPORT continued

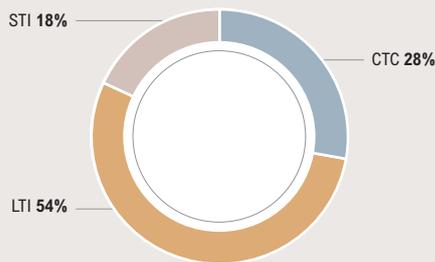
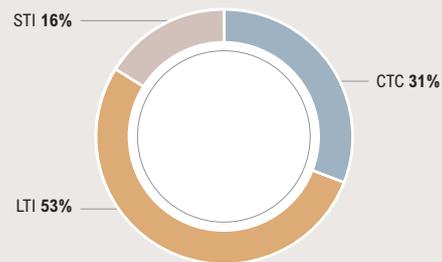
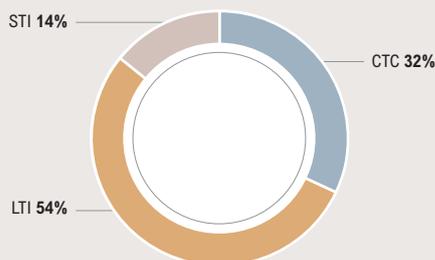
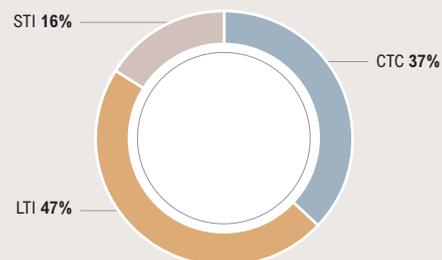
Total remuneration design

The Remuneration Committee seeks to ensure an appropriate balance between the fixed and performance-related elements of executive remuneration and between those aspects of the package linked to short-term financial performance and those linked to long-term shareholder value creation. The Remuneration Committee considers each element of the total remuneration package relative to the market and takes into account the performance of the Company and the individual executive in determining both quantum and design.

For additional information regarding Executive Directors' emoluments for F2016, please refer to Part II of the Remuneration Report included in the Directors' Report on pages 215 to 220.

**Pay mix**

The graphs below represent the on-target total remuneration packages of the senior executives, wherein the total cost-to-company, short-term incentives and long-term incentives are expressed as a percentage of total remuneration. The pay mix for senior executives is reviewed regularly by the Remuneration Committee to ensure it supports the Company's Remuneration Policy and the Company's strategic objectives.

EXECUTIVE CHAIRMAN**CHIEF EXECUTIVE OFFICER****FINANCIAL DIRECTOR****DIVISIONAL CHIEF EXECUTIVES (AVERAGE)**

STI = Short-term incentives. LTI = Long-term incentives. CTC = Cost-to-company.

Shareholding targets for Executive Directors and Prescribed Officers

In order to further align management's interests directly with those of shareholders and to encourage long-term commitment to the Company, Executive Directors and Prescribed Officers will be expected to accumulate a holding of shares in the Company.

Therefore, senior executives will be required to build a minimum shareholding in ARM shares over three years to October 2018, equivalent to one times his or her pensionable salary determined at the date of allocation. This will be followed immediately by another period of three years to October 2021 to build a further shareholding of one time pensionable salary. Senior executives will be required to maintain the number of shares during employment.

Company and individual limits

At the 2014 Annual General Meeting, shareholders of the Company approved an increase to the aggregate number of shares that may be acquired by all eligible participants through the Scheme together with the Share Plan for the period up to 31 December 2019 from 10 581 294 to 15 581 294, and to increase the aggregate number of shares that may be acquired by each eligible participant for the period up to 31 December 2019 from 1 058 129 shares to 1 558 129 shares.

Employment contracts

Employment agreements have been entered into between the Company and Executive Directors, namely Messrs P T Motsepe (Executive Chairman), M P Schmidt (Chief Executive Officer), M Arnold (Financial Director), H L Mkatshana (Chief Executive: ARM Copper and ARM Coal) and A J Wilkens (Executive Director: Growth and Strategic Development). Employment agreements have also been entered into between the Company and the Prescribed Officers, namely Messrs A Joubert, J C Steenkamp and F A Uys. These contracts are subject to one calendar month's termination notice period by either party. None of these employment contracts is a fixed-term contract. Executive agreements do not include restraint provisions applicable upon termination.

The remuneration paid in terms of the executive employment agreements with the Executive Directors and Prescribed Officers is set out in detail in Part II of the Remuneration Report on page 215 of the Directors' Report.



Executive Directors and Prescribed Officers only receive remuneration in terms of their employment relationship with the Company and do not earn fees for services. As recommended in King III, the Company has not concluded any agreements with its Executive Directors and Prescribed Officers to pay a fixed sum of money on termination of employment, or to make "balloon payments" in recognition of service to the Company without any performance conditions attached. There is also no

automatic entitlement to short-term or long-term incentives in the event of resignation or termination because of a disciplinary procedure for terminations due to other reasons. Executive Directors and Prescribed Officers are subject to the same rules that apply to all participants in the Share Plan and the Scheme. There are no other service contracts between the Company and its Executive Directors and Prescribed Officers.

REMUNERATION POLICY: NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive Directors' fees

The Board appoints high-calibre Non-executive Directors who contribute significantly to the Company's strategic direction. On the advice of the Remuneration Committee, which engages independent third-party advisors to assist with the benchmarking of Non-executive Directors' fees against those paid by comparable companies, the Board considers and makes recommendations to shareholders regarding Non-executive Directors' fees payable.

In determining the level of fees, consideration is given, *inter alia*, to the importance of attracting and retaining experienced Non-executive Directors, market dynamics and the increasingly demanding responsibilities of Directors throughout the year as well as the contributions of each Director and their participation in the activities of the Board and its Committees.

Board retainers and Board and Committee meeting attendance fees are paid quarterly and in arrears. The remuneration for Independent Non-executive Directors does not include remuneration from the short-term or long-term (share-based) incentive schemes.

Full details regarding the fees paid to Non-executive Directors in F2016 are provided in Part II of the Remuneration Report included in the Directors' Report on page 221.



Increase in Non-executive Directors' fees

Board retainers and per meeting attendance fees

On the advice of the Remuneration Committee and, in line with King III, the Board recommends an annual retainer and meeting fees for attendance at Board meetings payable to Non-executive Directors for approval by shareholders.

Board attendance fees are paid for *ad hoc* Board meetings, site visits and seminars, and other *ad hoc* meetings in respect of Board matters. The Company reimburses reasonable travel, subsistence and accommodation expenses to attend meetings; however, office costs, including telecommunication costs, are deemed to be included in the Board retainers.

The Board recommends a proposed 4% per annum increase (rounded to the nearest R50) in retainer fees and Board meeting attendance fees to be paid to Non-executive Directors. The proposed increase would be effective 1 July 2016.

CORPORATE GOVERNANCE: REMUNERATION REPORT continued

ANNUAL BOARD RETAINERS AND MEETING ATTENDANCE FEES

	Proposed 2016/2017 fees (Rand)*		2015/2016 fees (Rand)^	
	Annual	Per meeting	Annual	Per meeting
Lead Independent Non-executive Director	508 300	19 450	488 750	18 700
Independent Non-executive Director	405 500	19 450	389 900	18 700
Non-executive Director	324 500	19 450	312 000	18 700

* Effective 1 July 2016, should the increase be approved by shareholders at the Annual General Meeting.

^ Effective 1 July 2015.

Committee meeting attendance fees

On the advice of the Remuneration Committee, the Board recommends for approval by shareholders an increase in the Committee meeting attendance fees payable to Non-executive Directors of 4% per annum (rounded to the nearest R50) for all Committees, as set out in the table below. The proposed increases would be effective 1 July 2016. The fees provide remuneration for preparation for and attendance at Committee meetings as well as *ad hoc* Committee and Committee planning meetings.

	Proposed 2016/2017 per meeting attendance fees (Rand)*	2015/2016 per meeting attendance fees (Rand)^
Audit and Risk Committee		
Chairman	101 350	97 450
Member	40 550	39 000
Investment Committee, Nomination Committee, Remuneration Committee and Social and Ethics Committee		
Chairman	39 800	38 250
Member	26 500	25 500

* Effective 1 July 2016, should the increase be approved by shareholders at the Annual General Meeting.

^ Effective 1 July 2015.

The proposed increases in Non-executive Directors' fees will be put to a vote by shareholders in special resolutions at the Annual General Meeting scheduled to be held on Friday, 2 December 2016. Only once these shareholders' resolutions have been passed, will the proposed fees be paid. The below CPI increase will ensure that ARM retains the skills and experience of its Non-executive Directors.

Please refer to the Notice of Annual General Meeting on pages 306 to 307 for the shareholders' resolutions in respect of the remuneration of Non-executive Directors.



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Service contracts: Non-executive Directors

In addition to Directors' fees, Non-executive Directors may receive advisory fees in terms of agreements or other service contracts, concluded at market rates, for defined and pre-approved services.

Agreements have been entered into between the Company and Messrs J A Chissano and W M Gule to perform services on behalf of the Company. The contracts may be renewed annually, subject to one calendar month's termination notice period by either party.

There are no other service contracts between the Company and its Non-executive Directors.

No agreements to pay a fixed sum of money on the termination of any contracts have been concluded between the Company and any of its Non-executive Directors.

Details regarding amounts paid in F2016 in terms of service contracts with Non-executive Directors are provided in Part II of the Remuneration Report included in the Directors' Report on page 221.



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