

MATERIAL MATTERS

The contents and emphasis of this report are determined by the risks, opportunities and other factors we consider most likely to have an impact on ARM's strategy, performance, prospects and/or governance. These are the factors that have the highest potential to affect the Company's ability to create long-term sustainable value.



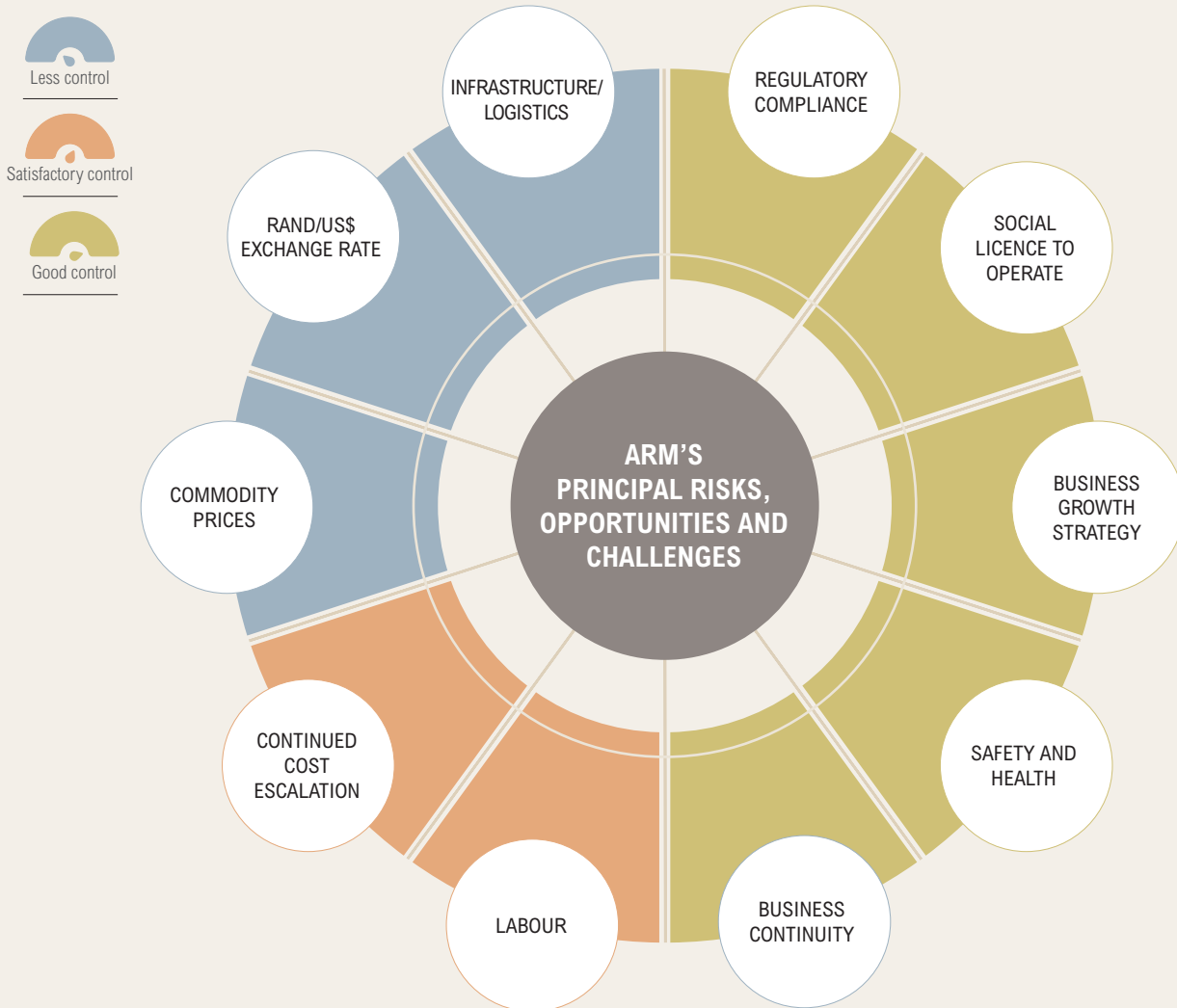
In order to make informed decisions and take appropriate action, ARM, with input from its stakeholders, identifies the matters material to the sustainability of our business. ARM determines these at Board, executive and operational level by considering the financial and non-financial matters driving the Company's sustainability and their possible impact on ARM and its stakeholders.

We identify our most material matters through assessment of a range of internal and external influences as well as through engagement with our stakeholders. A key process in the determination of these material matters is the comprehensive Enterprise Risk Management (ERM) Process, which includes

detailed identification of risks ranging from process level risk assessments at individual operations to strategic, tactical and major operational (STMO) risks at operational, divisional and Group level.

Quarterly reviews of STMO risks include:

- > Specific focus on the efficacy of controls (and mitigating strategies) relating to the identified risks;
- > Actions that may be required to improve the control effectiveness recording of any change to risk profiles; and
- > Recognising new and emerging risks and any increased risk velocity (risks that require immediate management focus).



The principal risks, opportunities and challenges identified in the ERM process are presented above. The graphical representation also provides ARM's view of the control effectiveness.

In determining our most material matters, the above detailed ERM Process is supplemented by:

- > Board, Board committees and Executive Committee discussions;
- > Interviews with the Executive Chairman and Chief Executive Officer;
- > Interviews with the divisional chief executives;
- > The legitimate and reasonable needs, interests and expectations of our stakeholders through our commitment to stakeholder inclusivity;
- > Peer reporting;
- > Guidelines and frameworks;
- > Legislation;
- > Industry initiatives; and
- > Media monitoring.




ARM's performance is assessed against these material matters using relevant Key Performance Indicators (KPIs) which are regularly reported to the Executive Committee, Board sub-committees and the Board, and are closely monitored through the risk management and integrated assurance processes.

Material matters are prioritised according to the significance of their potential impact on the Company and key stakeholders. They are integrated into the strategy, governance frameworks, risk management system and operational management processes.

These material matters impact our operations in varying degrees and span the six capitals as defined in the <IR> Framework including financial capital, social and relationship capital, human capital, natural capital, manufactured capital and intellectual capital. They are interlinked and all critically affect our ability to generate a sustainable financial return. Managing these matters is therefore necessary to avoid interruptions to business continuity that could affect ARM's ability to create long-term sustainable value.

MATERIAL MATTERS continued

The tables that follow group ARM's most material matters into five themes, as follows:

<p>DELIVERING FINANCIAL RETURNS TO SHAREHOLDERS AND OTHER PROVIDERS OF CAPITAL</p>  <p>Components of the material matter:</p> <ul style="list-style-type: none"> > Commodity price and exchange rate fluctuations; > Continued cost escalation; > Long-term business strategy; > Capital allocation; and > Political and fiscal risks. <p>IAR Refer to the Executive Chairman, CEO and Financial Review reports on pages 6 to 12 for further information.</p>	<p>F2017 KPI performance</p>	
	<p>HEADLINE EARNINGS PER SHARE 1 684 cents per share</p>	<p>DIVIDENDS are considered in the capital allocation process taking into account re-investment into the operations and growth.</p>
	<p>DIVIDENDS PER SHARE R6.50 cents per share</p>	
<p>CONTINUOUSLY IMPROVING OPERATIONAL PERFORMANCE</p>  <p>Components of the material matter:</p> <ul style="list-style-type: none"> > Operational efficiencies; > Labour and equipment productivity; > Technological advancements; > Efficient use of natural resource; > Access to infrastructure and logistics; and > Legal compliance and effective governance. <p>IAR Refer to the Operational reviews on pages 29 to 66 for detailed discussions on each operation.</p>	<p>F2017 KPI performance</p>	<p>F2018 objectives</p>
	<p>LTIFR 0.28 per 200 000 man-hours</p>	<p>LTIFR Continued reduction in LTIFR towards zero harm.</p>
	<p>SAFETY-RELATED STOPPAGES 21</p>	<p>SAFETY-RELATED STOPPAGES nil</p>
	<p>CHANGES IN UNIT COSTS All operations achieved unit production cost increases below or in line with inflation, except GGV Mine.</p>	<p>CHANGES IN UNIT COSTS Achieve below inflation unit production cost increases at all operations.</p>
<p>MAINTAINING OUR SOCIAL LICENCE TO OPERATE</p>  <p>Components of the material matter:</p> <ul style="list-style-type: none"> > Stakeholder engagement and relationships; > Transformation and the Mining Charter; > Corporate social responsibility, socio-political instability, ethical business conduct; and > Upholding human rights. <p>SR Refer to the Sustainability Report for extensive discussion on maintaining our social licence to operate.</p>	<p>F2017 KPI performance</p>	<p>F2018 objectives</p>
	<p>CSR EXPENDITURE R115 million</p>	<p>CSR EXPENDITURE Continue to invest in our host communities.</p>

ENSURING A SAFE, HEALTHY AND APPROPRIATELY SKILLED WORKFORCE



Components of the material matter:

- > Commitment to zero harm;
- > Attracting and retaining key skills;
- > Investing in the development and skills of the workforce;
- > Fostering diversity in the workplace; and
- > Maintaining good relationships with our employees and organised labour.



Refer to the Sustainability Report for extensive discussion on safety, health and skills training in ARM.

F2017 KPI performance

F2018 objectives

NUMBER OF FATALITIES
fatality free

NUMBER OF FATALITIES
nil

LTIFR
0.28 per 200 000 man-hours

LTIFR
Continue reduction in LTIFR towards zero harm.

HDSA IN MANAGEMENT
55%

HDSA IN MANAGEMENT
Continue to monitor and evaluate progress to uphold and improve the HDSA in management.

NUMBER OF WOMEN IN THE WORKFORCE
12%

NUMBER OF WOMEN IN THE WORKFORCE
Continue to monitor and evaluate progress to uphold and improve the number of women in the workforce.

TRAINING EXPENDITURE
R180 million (6.0% of payroll)

TRAINING EXPENDITURE
Continue to monitor and evaluate progress to uphold and improve the current level.

ENSURING RESPONSIBLE STEWARDSHIP OF OUR NATURAL RESOURCES



Components of the material matter:

- > Climate change, energy, water, waste,
- > Biodiversity, closure and rehabilitation.



Refer to the Sustainability Report for extensive discussion on how we manage our environmental impacts.

F2017 KPI performance

F2018 objectives

SCOPE 1 AND 2 CARBON FOOTPRINT
1.05 million tCO₂e

SCOPE 1 AND 2 CARBON FOOTPRINT
5% absolute reduction relative to the F2014 baseline.

ELECTRICITY CONSUMPTION
1 785 GWh

ELECTRICITY CONSUMPTION
Increase efficiencies.

WATER ABSTRACTED
14.3 million m³

WATER ABSTRACTION
Further improve efficient use of water.
Strengthen stakeholder engagement at the catchment level.