

OUR BUSINESS MODEL

AND HOW WE CREATE VALUE

INPUTS

FINANCIAL CAPITAL

Financial capital refers to our assets (including cash balances), cash flow from operations and funding from shareholders and other providers of capital. Allocation of this capital to re-investment into the business, growth and dividends is a crucial component of creating long-term sustainable value.

Refer to the Financial Review on pages 102 to 124 of this report for further information on Financial capital.

PEOPLE

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

See the section on Ensuring a safe, healthy and appropriately skilled workforce in the Sustainability Report for further information.

RELATIONSHIPS

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

Refer to the section on Maintaining our social licence to operate in the Sustainability Report for further information.

NATURAL CAPITAL

The mineral resources and reserves in our portfolio represent the largest part of our natural capital. Other natural resources we use to extract and process the minerals that we mine include water and land.

Refer to the section on Ensuring responsible stewardship of our natural resources in the Sustainability Report for further information.

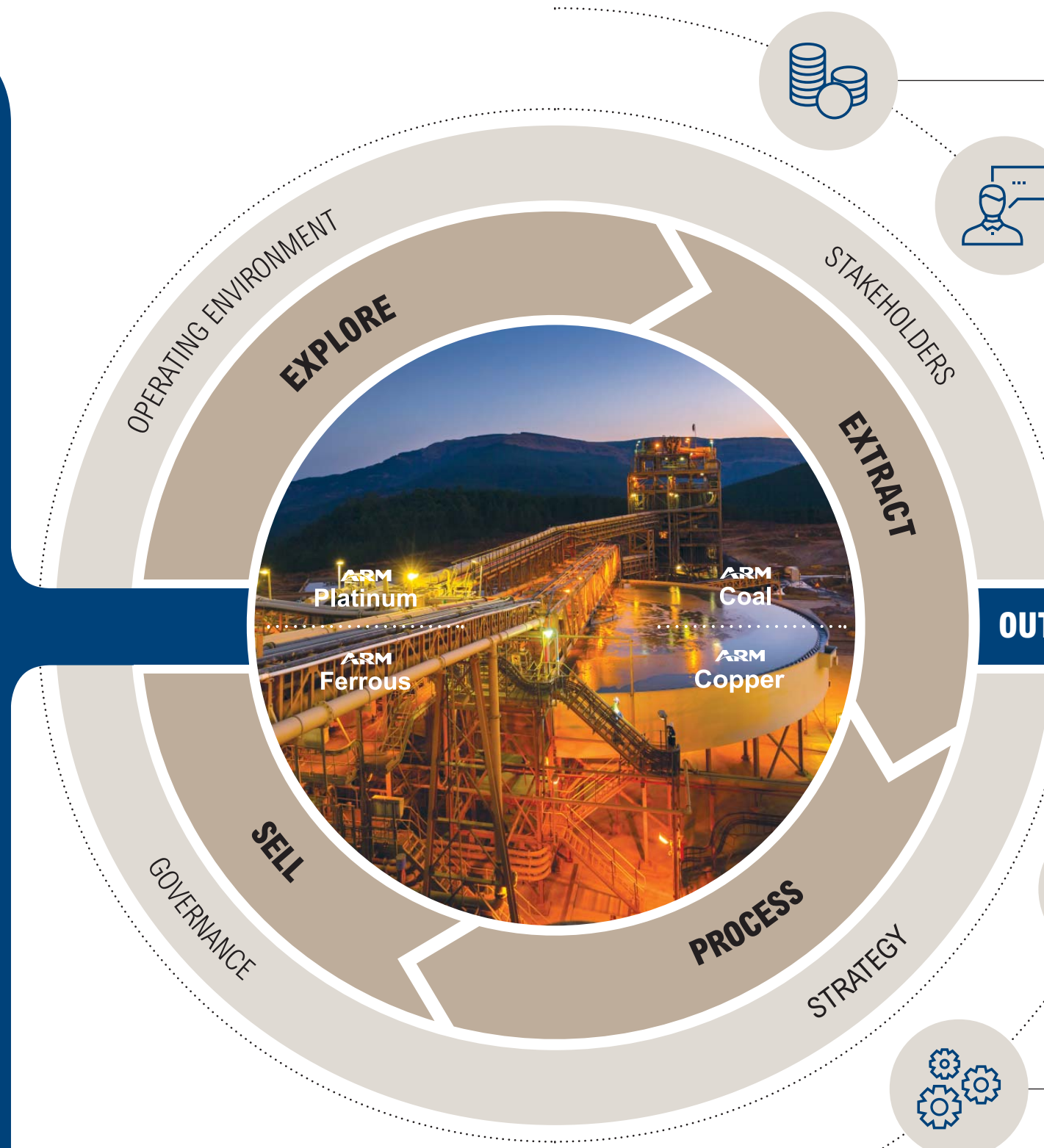
INNOVATION

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

MANUFACTURED ASSETS

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

BUSINESS PROCESS



Refer to the Operational reviews on pages 29 to 66 of this report for the detailed processes for each mineral that we produce.

OUTCOMES

FINANCIAL CAPITAL

- > R426 million paid as dividends to ARM shareholders (F2016: R761 million).
- > R471 million accrued to finance providers (F2016: R406 million).
- > R1 518 million paid as taxes and royalties (F2016: R901 million).

PEOPLE

- > No fatalities in F2017.
- > LTIFR of 0.28 per 200 000 man-hours, the lowest in ARM's history.
- > R3 450 million paid to employees as salaries, wages and fringe benefits (F2016: R3 794 million).
- > 6.0% of payroll invested on employee training (F2016: 6.9% of payroll).
- > Reskilling and redeployment of employees to production roles.
- > ARM was certified as a Top Employer by the Top Employers Institute.
- > 4% increase in number of employees including contractors to 24 106 (F2016: 23 128 employees).

RELATIONSHIPS

- > Invested R115 million in our host communities through our CSI and LED programmes (F2016: R106 million).
- > Preferential procurement exceeded Mining Charter targets.

NATURAL CAPITAL

- > 3% reduction in Scope 1 and 2 carbon emissions.
- > Water abstracted decreased by 25% to 14.3 million m³ (F2016: 19.1 million m³).
- > Concurrent rehabilitation of land continued.
- > Responsible waste disposal.

MANUFACTURED ASSETS

- > R2 383 million invested as capital expenditure (on a segmental basis) at the operations (F2016: R2 352 million).