



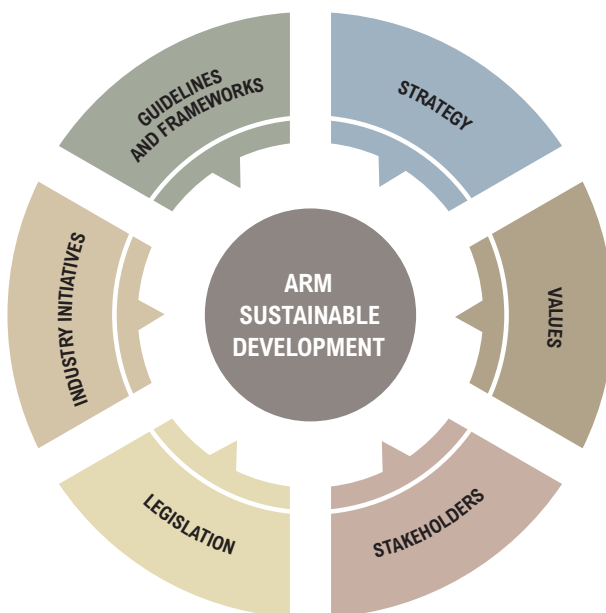
# OUR APPROACH TO SUSTAINABILITY

Sustainability is an integral part of our strategy. Our commitment to sustainability is embodied in the “We do it better” management style which guides our day to day actions.

ARM’s values explicitly include the broader concepts of sustainability and our commitment to zero harm – to our employees, our host communities and the environment. ARM’s Code of Conduct specifies respect for human rights and ethical business conduct, and allows no tolerance for discrimination, corruption and bribery. We believe that a responsible, sustainable approach to mining and beneficiation minimises potentially negative impacts and increases the positive contribution the industry makes to communities and the country.

Our strategy also commits us to partnering with our key stakeholders, particularly employees and communities, to ensure that we understand their needs, interests and expectations. These are critical inputs into how we conduct our business.

Globally competitive performance depends not only on optimising operational and financial metrics, but on ensuring that environmental and social issues are addressed appropriately. Driving excellence across all of these areas supports operational efficiency, long-term sustainability, financial returns for shareholders and broad social benefit.



## INPUTS INTO OUR APPROACH TO SUSTAINABLE DEVELOPMENT

ARM continually reviews and participates in developments in the range of legislation and regulations, industry good practice, reporting requirements and other guidelines that apply to sustainable development at our operations.

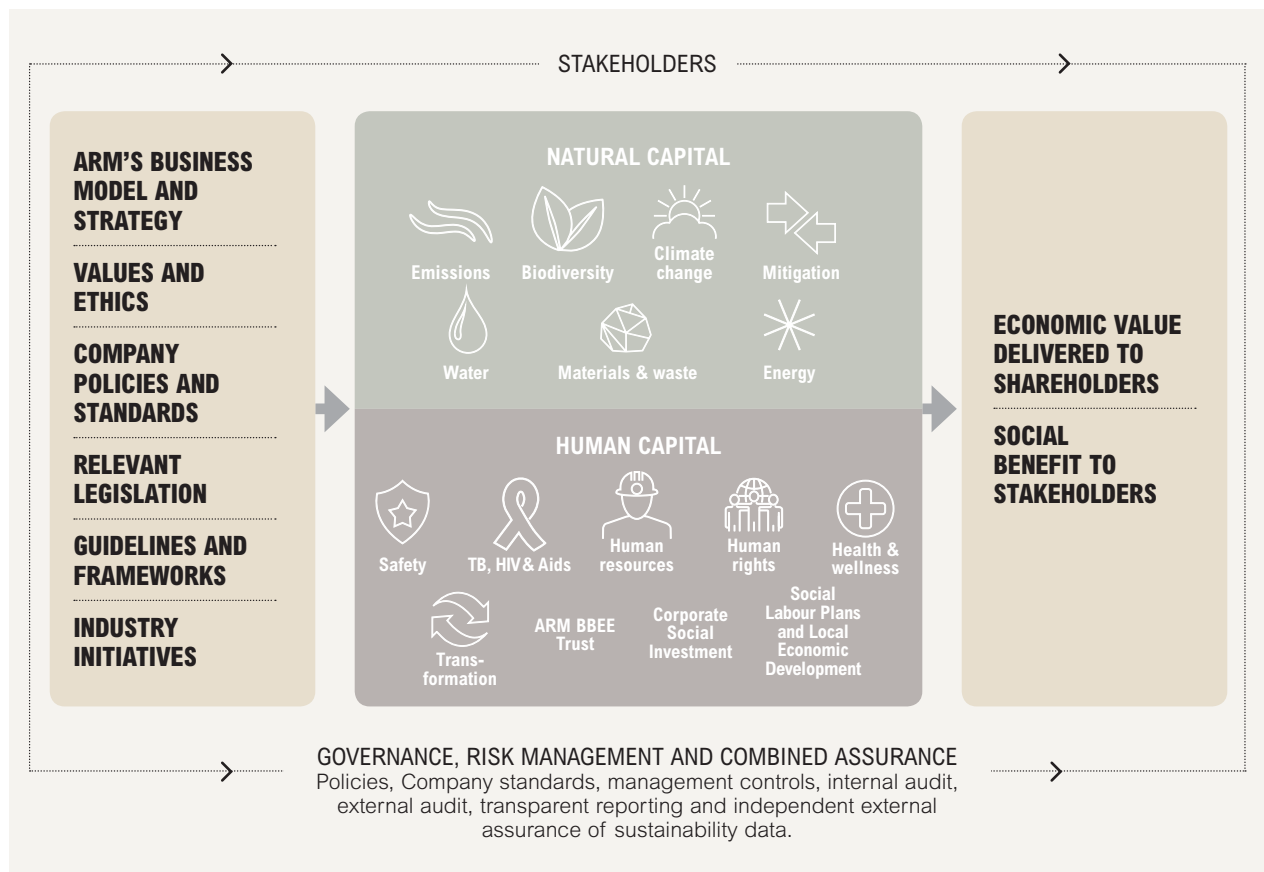
Regulatory compliance is non-negotiable, with the main regulations governing our activities including the Mining Charter, the dti Codes of Good Practice, the National Environmental Management Act, the Mine Health and Safety Act and the Occupational Health and Safety Act.

ARM is a member and active participant in the International Council on Mining and Metals (ICMM). Our engagement in international and local industry initiatives helps us to continuously improve and shape our approach to sustainable development.

Guidelines and frameworks that influence sustainability at ARM include the King IV Code on Corporate Governance and the Global Reporting Initiative (GRI).

## ARM'S SUSTAINABLE DEVELOPMENT MODEL

ARM's sustainable development model, depicted below, is a graphic representation that reflects the combination of economic, environmental and social considerations the Company navigates in generating economic value for shareholders and broad social benefit for all stakeholders.



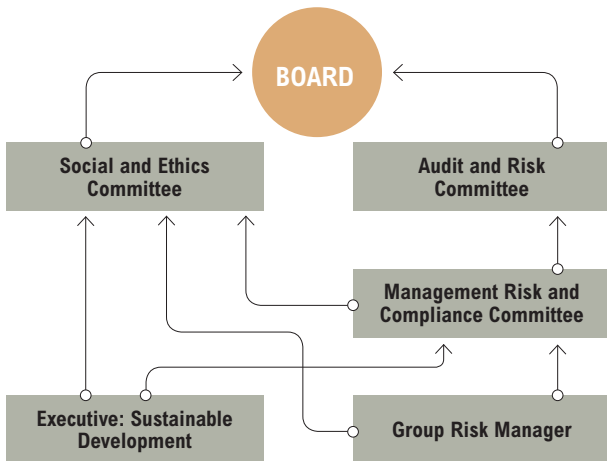
OUR APPROACH TO SUSTAINABILITY continued

**GOVERNANCE OF SUSTAINABILITY**

The ARM Board is ultimately responsible for sustainable development in the Company, and delegates certain aspects of its responsibility to the Social and Ethics Committee and the Audit and Risk Committee.

The Social and Ethics Committee monitors the effective management of sustainable development. It is a sub-committee of the ARM Board and meets at least quarterly. The Committee's activities include reviewing policies, ensuring their implementation and monitoring the Company's LED initiatives.

The Management Risk and Compliance Committee is a sub-committee of the Audit and Risk Committee that coordinates and monitors the Company's ERM Process. It oversees risk management and reviews the major strategic, tactical and operational risks facing the Company, which include sustainability risks.



 The Corporate Governance Report provides more information on the composition and activities of the Social and Ethics Committee and the Management Risk and Compliance Committee.

**HOW WE MANAGE SUSTAINABILITY IN OUR BUSINESS**

The strategic approach to sustainable development and the relevant policies and standards are set at corporate level. Each operation then adapts its approach for the specific sustainability matters that are most material to their specific circumstances.

ARM's sustainability performance is measured against various KPIs and benchmarks which are regularly reviewed at operational and corporate level meetings.

The Executive: Sustainable Development is responsible for reviewing sustainability policies, strategies and targets and ensuring these align with the Board's commitment to zero tolerance for harm. Along with the chief executives of each division, the Executive: Sustainable Development carries responsibility for the implementation of sustainable development policies and procedures. The Executive: Sustainable Development operates with oversight from the Social and Ethics Committee, and provides input to the Management Risk and Compliance Committee on matters related to sustainable development as a standard agenda item.

The Group Risk Manager and Executive: Sustainable Development attend Social and Ethics Committee meetings and are members of the Management Risk and Compliance Committee and the ARM Steering Committee. They also attend Board meetings to respond to any risk and sustainability-related matters raised by the Board.

**BEE COMPLIANCE**

The BEE Annual Compliance Report is included in the Sustainability Report which is available on the ARM website.

**COMBINED ASSURANCE**

ARM's Combined Assurance Model enhances the integration and alignment of management assurance, internal and external assurance.

 The Model is discussed further in the Risk Report in the Corporate Governance Report.

Ibis ESG Assurance (Pty) Ltd was contracted to provide high-level independent third party assurance over the content of the 2017 Sustainability Report. Their assurance statement is included in the Sustainability Report and includes comment on data collection in ARM.

# OUR SUSTAINABILITY PERFORMANCE YEAR-ON-YEAR

Performance indicator	F2017**	F2016**	F2015**	F2014**	F2013**
<b>Economic and related core baseline indicators</b>					
Sales (Rm)	21 898	19 072	19 824	23 785	19 800
Taxes (Rm)	858	478	860	1 893	1 145
Headline earnings (Rm)	3 196	1 051	1 744	4 108	3 737
EBITDA (Rm)	6 244	3 964	4 994	8 459	7 227
Net cost of products and services (Rm)	10 816	10 891	10 808	11 093	9 100
Wealth created (Rm)	8 622	6 276	7 217	11 797	8 318
Number of environmental administrative penalties/fines	–	–	–	3	1
<b>Employee indicators (100% basis) – as at 30 June 2017*</b>					
Total number of permanent employees and contractors	24 106	23 128	27 276	27 236	26 751
– Employees (permanent)	13 218	13 793	15 080	15 250	14 653
– Contractors	10 871	9 319	12 141	11 953	12 064
– Expatriates	17	16	55	33	34
New jobs created (direct employment only)	–	–	–	335	1 358
Employee turnover (excluding contractors) (%)	1.1	15.0	11.5	1.6	1.7
Investment in employee training and development					
– Total expenditure (Rm)	180	184	232	196	180
– % of payroll	6.0	6.9	8.3	8.7	10.1
Employment equity (% representation of previously disadvantaged groups among permanent employees)					
– Top management	42	38	38	38	50
– Senior management	49	49	44	40	42
– Professionally qualified	60	57	54	51	49
– Technically qualified	71	68	67	65	64
LTIFR*	0.28	0.32	0.35	0.37	0.48
Reportable/serious accidents	47	60	78	66	79
Number of lost man days due to industrial action	–	3 024	–	172 221	–
<b>Environmental indicators (100% basis)</b>					
Total water withdrawn (m <sup>3</sup> ) (municipal, surface and groundwater)	14 295 993	19 066 300	18 334 106	19 408 464	20 551 374
Energy usage					
– Electricity (MWh)	1 784 491	1 820 802	2 102 451	2 144 894	2 045 499
– Diesel (000 litres)	87 494	91 974	99 812	92 013	108 788
<b>Emissions (Attributable<sup>^</sup>)</b>					
Carbon emissions (equivalent tonnes CO <sub>2</sub> )					
– Scope 1 and 2	1 047 418	1 077 746	1 246 131	1 228 656	1 244 181
– Scope 1	226 744	226 972	322 034	307 332	327 757
– Scope 2	820 674	850 774	924 097	921 325	916 424
Direct emissions: (Cato Ridge Works) <sup>#</sup>					
– CO <sub>2</sub> e emissions – direct (tonnes)	311 497	292 120	431 708	476 327	237 392
– NO <sub>x</sub> (tonnes)	437	405	601	838	637
– SO <sub>x</sub> (tonnes)	346	316	386	605	506
Particulate matter (tonnes)	242	216	237	182	122
<b>Corporate Social Responsibility (CSR)</b>					
Total CSR (Rm)	122.8	105.9	169.3	282.5	168.5
– CSI (Rm)	22.1	18.0	54.0	134.6	62.0
– LED (Rm)	92.5	80.5	103.6	141.9	99.6
– ARM BBEE Trust Projects (Rm)	8.2	7.4	11.7	5.9	6.8

Non-financial data is stated on a 100% basis, unless otherwise indicated.

\* Total number of ARM employees, contractors and expatriates as at 30 June 2017.

\*\* Financial data is based on segmental reporting.

• LTIFR: injury rates are measured per 200 000 man-hours and include both ARM employees and contractor incidents.

<sup>^</sup> Values attributable to shareholding percentages.

<sup>#</sup> Direct emissions as a result of smelting operations at Cato Ridge Works only. No smelting operations were conducted at Machadodorp Works during F2017.