MATERIAL MATTERS

ARM's material matters are determined at the Board, executive and operational level by considering the financial and non-financial risks, opportunities and other factors that affect ARM's strategy, performance, prospects, stakeholders and governance. They represent the matters that have the biggest potential impact on stakeholders and on ARM's ability to create long-term sustainable value.

The material matters are integrated into ARM's strategy, governance frameworks, risk management and operational management processes. Performance against material matters is assessed using relevant Key Performance Indicators (KPIs) that are regularly reported to the Executive Committee and the Board, and closely monitored through the integrated risk management and combined assurance processes.

The material matters affect and are affected by movements in the six capitals defined in the <IR> Framework which consist of financial capital, social and relationship capital, human capital, natural capital, manufactured capital and intellectual capital.

While our material matters are grouped into broad themes that cover ARM as a whole, their potential impact on the different operations in the group may vary. For example, stakeholder engagement and relationships include positive and constructive relationships with host communities at certain operations and more challenging interactions at others. Securing a consistent supply of water is a risk at our Northern Cape operations, while Modikwa and Nkomati mines in Mpumalanga have to overcome the challenge of excessive water in mining areas.

IAR **SR** More information on the specific matters which are relevant for each division is included in the Operational reviews on pages 56 to 94 as well as in the 2018 Sustainability Report.

The Board assesses the material matters and approves the bases used in their determination, which guides the contents and emphasis of this Integrated Annual Report.

During F2018, the material matters were reviewed against Board and Executive Committee deliberations, feedback from formal and informal engagements with stakeholders during the year, a review of media reports and peer analysis. The review concluded that the material matters reported in F2017 remained relevant for the current reporting period and we have refined some of the components and descriptions.

DETERMINATION OF MATERIAL MATTERS

We determine and prioritise our most material matters by assessing a range of internal and external influences including:

- ARM's comprehensive Enterprise Risk Management (ERM) process, which includes detailed identification of risks and opportunities ranging from business unit risk assessments at the individual operations to strategic, tactical and major operational (STMO) risks at operational, divisional and group level.

- Board, Board Committees and Executive Committee discussions.

- Interviews with the Executive Chairman, Chief Executive Officer, Finance Director and Chief Executives of the divisions.

- The needs, interests and expectations of our key stakeholders.

- Peer reporting.

- Guidelines and frameworks.

- Legislation.

- Industry initiatives.

- Media monitoring.

MATERIAL MATTERS continued

DELIVERING FINANCIAL RETURNS TO SHAREHOLDERS AND OTHER PROVIDERS OF CAPITAL

Components of the material matter:

- Commodity price and exchange rate fluctuations;
- Cost escalations;
- Addressing loss-making operations;
- Long-term business strategy;
- Capital allocation; and
- Political and fiscal risks.

IAR — Refer to the Executive Chairman's report, CEO report and Financial review on pages 8 to 36 for further information.

F2018 PERFORMANCE

Headline earnings per share
F2018: 2 526 cents per share
F2017: 1 684 cents per share
(+50%)

Cumulative dividends per share
F2018: 1 000 cents per share
F2017: 650 cents per share
(+54%)

F2019 OBJECTIVES

- Maintain positive headline earnings at all operations.

CONTINUOUSLY IMPROVING OPERATIONAL PERFORMANCE

Components of the material matter:

- Operational efficiencies;
- Technological advancements;
- Efficient use of natural resources;
- Access to infrastructure and logistics; and
- Legal compliance and effective governance.

IAR — SR — Refer to the Operational reviews on pages 56 to 94 and the 2018 Sustainability Report for further discussion on the operational performance of each division.

F2018 PERFORMANCE

Volumes
F2018: Each operation's volume performance against target is included in the scorecards in the Operational reviews.

Changes in unit costs
F2018: The iron ore, Sakura and Cato Ridge operations achieved below inflation unit cost increases. Unit costs increased above inflation at the coal, PGM, nickel and manganese ore operations.

F2019 OBJECTIVES

- **Volumes**
  Each operation's volume guidance is provided in the outlook section of the Operational reviews.

- **Changes in unit costs**
  Achieve below mining inflation unit cost increases at all operations.

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.

IAR | SR Refer to the Operational reviews on pages 56 to 94 and the 2018 Sustainability Report for further details.

F2018 PERFORMANCE

Fatalities
F2018: 1
F2017: 0

LTIFR per 200 000 man-hours
F2018: 0.38
F2017: 0.28
(+36%)

Historically Disadvantaged South Africans (HDSA) representation in management
F2018: 61%
F2017: 55%
(+6%)

Number of women in the workforce
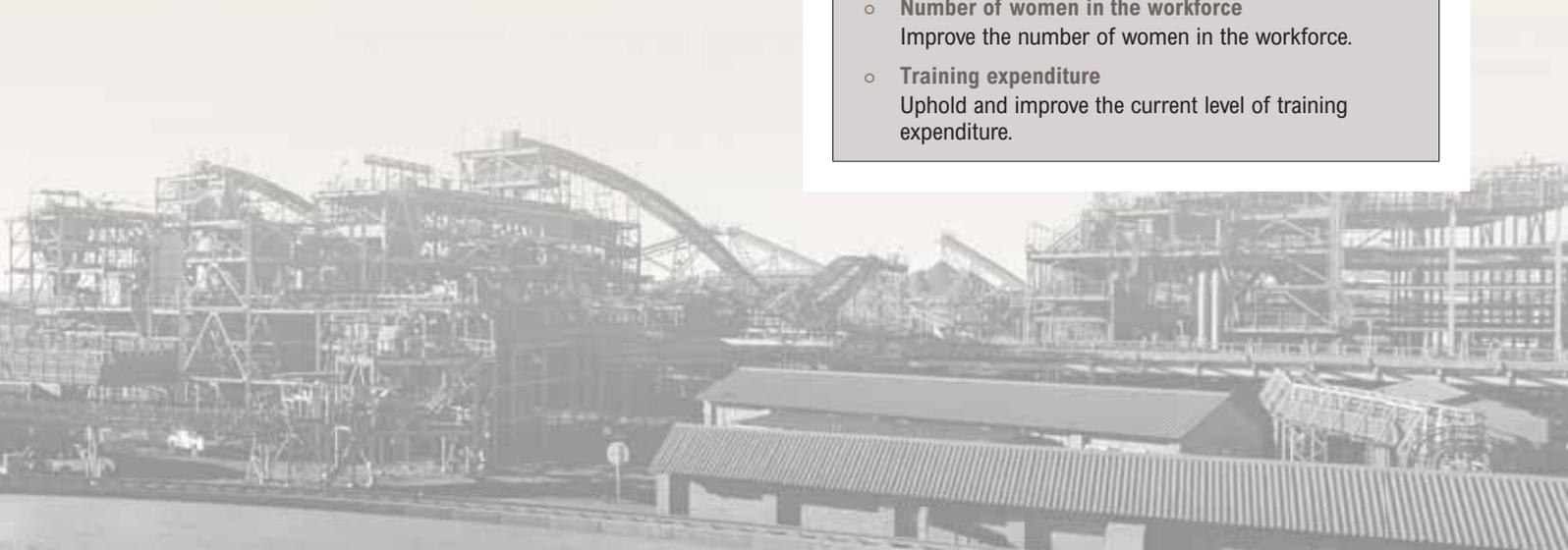**F2018: 12%**
F2017: 12%

Training expenditure
F2018: R239 million (9% of payroll)
F2017: R180 million (6% of payroll)
(+33%)

F2019 OBJECTIVES

- **Fatalities**
  Zero.

- **LTIFR**
  Continued reduction in LTIFR towards zero harm.

- **HDSA in management**
  Improve the HDSA representation in management.

- **Number of women in the workforce**
  Improve the number of women in the workforce.

- **Training expenditure**
  Uphold and improve the current level of training expenditure.

MAINTAINING OUR SOCIAL LICENCE TO OPERATE

Components of the material matter:

- Relationships with key stakeholders, particularly host communities and labour;
- Corporate social responsibility;
- Relevant legislation;
- Socio-political stability; and
- Ethical business conduct.

IAR | SR Refer to the Operational reviews on pages 56 to 94 and the 2018 Sustainability Report for extensive discussion on maintaining our social licence to operate.

F2018 PERFORMANCE

CSR expenditure
F2018: R156 million
F2017: R115 million
(+36%)

F2019 OBJECTIVES

- **CSR expenditure**
  Continue to invest in our host communities.

- **Ethics**
  Roll out the 2019 edition of the Code of Conduct training for employees.

MATERIAL MATTERS continued

ENSURING RESPONSIBLE STEWARDSHIP OF NATURAL RESOURCES

Components of the material matter:

○ Climate change;

○ Efficient energy use;

○ Water management;

○ Reducing and responsible disposal of waste; and

○ Biodiversity, closure and rehabilitation.

SR Refer to the 2018 Sustainability Report for extensive discussion on how we manage our environmental impacts.

F2018 PERFORMANCE*

Scope 1 and 2 carbon footprint
Target: 5% absolute reduction relative to the F2014 baseline.
F2018: 1.03m tCO$_2$e (16% decrease vs F2014 – material reduction due to divestment of Dwarsrivier Mine and reduced production rates at our smelters)
F2017: 1.05m tCO$_2$e

(−2%)

Electricity consumption
**F2018: 1 656 GWh
(0.03 MWh per man-hour)**
F2017: 1 785 GWh
(0.04 MWh per man-hour)

(−7%)

Water abstracted
**F2018: 18.3 million m³
(0.38 m³ per man-hour)**
F2017: 14.3 million m³
(0.31 m³ per man-hour)

(+28%)

*   F2018 environmental data excludes Lubambe Mine.

F2019 OBJECTIVES

○ **Scope 1 and 2 carbon footprint**
Continued reduction in Scope 1 and 2 emissions.

○ **Electricity consumption**
Increase efficiencies.

○ **Water abstracted**
Further improve efficient use of water.
Further improve water accounting at operational level.
Strengthen stakeholder engagement at the catchment level.