

# OUR MOST MATERIAL MATTERS

Material matters are defined as those risks, opportunities and other factors most likely to have an impact on our ability to create long-term sustainable value. These matters are continually monitored and evaluated to ensure that our strategy and day to day actions address each of them to achieve our strategic goals.



Ore loading in the Nkomati Mine pit

We identify our most material matters through our risk management processes, continuous review of internal performance and the external environment, and our formal and informal engagements with stakeholders. We also consider good practice guidelines, internal performance monitoring and reviews, media monitoring, peer reporting, regulatory trends and the information shared in industry associations.

We analyse and prioritise our most material matters according to the significance of their potential impact on the Company and our key stakeholders, and they are built into our strategy, governance frameworks, risk management system and operational management processes. The significance of each matter determines the information we report to stakeholders in our Integrated Annual Report, Sustainability Report and through other channels.

Our performance in addressing or mitigating these challenges, and expanding the opportunities they may provide, is measured with Key Performance Indicators (KPIs) relevant to each material matter, which are regularly reported to the Executive Committee,

Board sub-committees and the ARM Board, and closely monitored through our risk management and integrated assurance processes.

The Sustainability review categorises ARM's non-financial risks, opportunities and challenges according to the six capitals as defined in the International <IR> Framework. These include: social and relationship capital, human capital, natural capital, manufactured capital and intellectual capital. In practice each of these issues impacts the others and all of them critically affect our ability to generate a sustainable financial return over the long term.

ARM's most material matters are detailed in the table that follows along with the KPIs we use to measure our performance and the strategy pillar to which they relate. Addressing these matters is necessary to avoid interruptions to business continuity that could affect ARM's ability to create value.

These material matters were reassessed and reaffirmed at the annual risk workshop in May 2016, which included a consideration of both financial and non-financial risks to the Company.

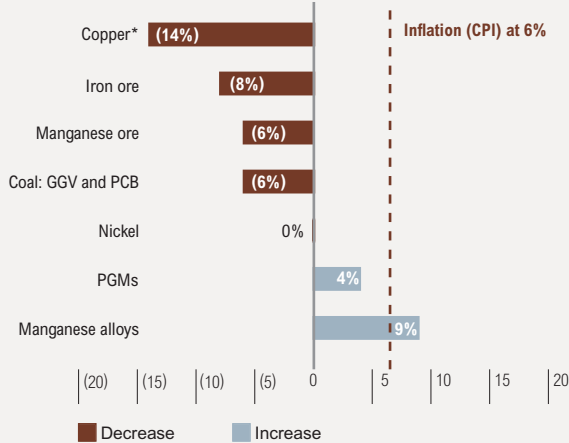
MATERIAL MATTER	KPIs	STRATEGY PILLAR
<b>CONTINUOUSLY IMPROVE OPERATIONAL PERFORMANCE</b>		

**OPPORTUNITIES AND CHALLENGES**

- > Operational efficiencies
- > Labour and equipment productivity
- > Technological advancements
- > Efficient use of natural resources, including water and electricity
- > Regulatory and legal compliance
- > Project implementation
- > Effective governance

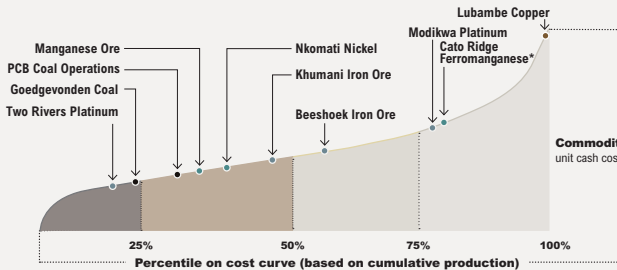
**KPI 1: UNIT COST PERFORMANCE**

F2016 VERSUS F2015 ON-MINE UNIT PRODUCTION COSTS PER TONNE (%)



\* The change in copper unit costs refers to C1 cash costs on a US Dollar per pound basis.

**KPI 2: POSITION OF OPERATION ON GLOBAL UNIT COST CURVE**



\* At Cato Ridge Ferromanganese Works only three of the six furnaces are operating.

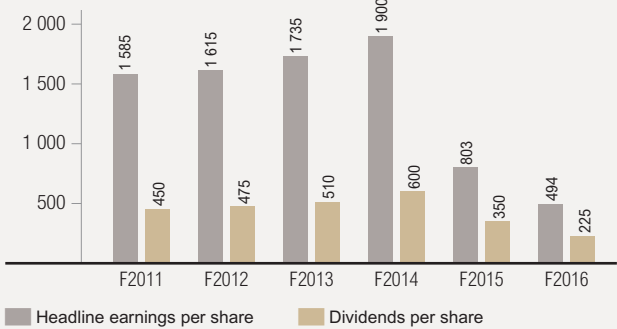
- > Operational efficiencies
- > World class management team
- > Partner of choice

	<b>DELIVERING FINANCIAL RETURNS TO SHAREHOLDERS, INVESTORS AND OTHER PROVIDERS OF CAPITAL</b>
--	---

**OPPORTUNITIES AND CHALLENGES**


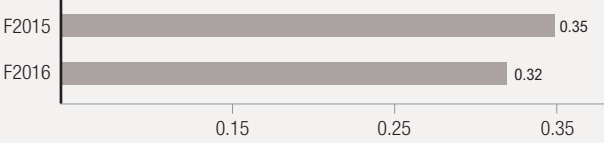
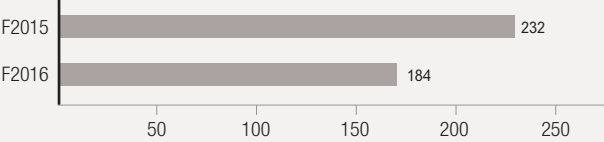

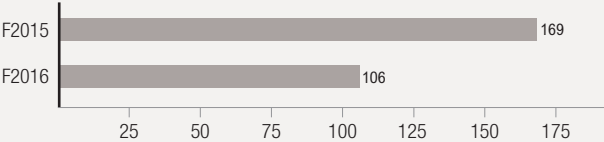
- > Commodity price and exchange rate fluctuations
- > Continued cost escalation
- > Long-term business strategy
- > Capital allocation
- > Access to infrastructure and logistics
- > Resource nationalism, political and fiscal risks


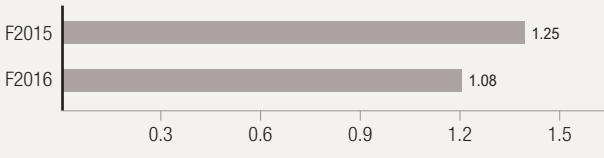
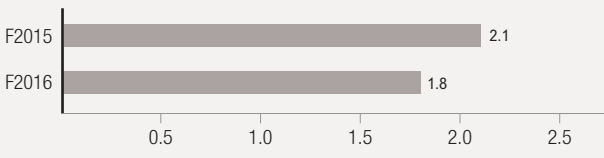
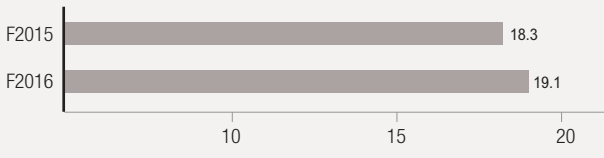
**KPI 1: HEADLINE EARNINGS AND DIVIDENDS PER SHARE (cents)**



- > Operational efficiencies
- > Profit focused
- > Entrepreneurial management
- > World class management team

## OUR MOST MATERIAL MATTERS continued

MATERIAL MATTER	KPIs	STRATEGY PILLAR
 <b>ENSURING A SAFE, HEALTHY AND APPROPRIATELY SKILLED WORKFORCE</b>		
<p><b>OPPORTUNITIES AND CHALLENGES</b></p> <ul style="list-style-type: none"> <li>&gt; Commitment to zero harm</li> <li>&gt; Attracting and retaining key skills</li> <li>&gt; Investing in the development and skills of our workforce</li> <li>&gt; Ensuring effective transformation</li> <li>&gt; Maintaining good relationships with our employees and organised labour</li> </ul>	<p><b>KPI 1: NUMBER OF FATALITIES</b></p> <ul style="list-style-type: none"> <li>&gt; There were no fatalities during the year and the LTIFR improved to 0.32 per 200 000 man hours, ARM's best ever.</li> </ul> <p><b>KPI 2: LTIFR* PER 200 000 MAN HOURS</b></p>  <p style="font-size: small;">* Lost Time Injury Frequency Rate.</p> <p><b>KPI 3: TRAINING SPEND (R million) (100% basis)</b></p>  <ul style="list-style-type: none"> <li>&gt; ARM invested R184 million in skills development, which equates to 6.9% of payroll. Training spend was impacted by staff reductions as well as the limiting and exclusion of certain mandatory training costs from payroll spend in terms of the new dti Codes.</li> </ul> <p><b>KPI 4: TRANSFORMATION</b></p> <ul style="list-style-type: none"> <li>&gt; Representation of Historically Disadvantaged South Africans (HDSA) in management increased to 53% and women comprised 11% of ARM's total workforce in F2016.</li> <li>&gt; ARM again achieved Top Employer certification.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Employer of choice</li> <li>&gt; Operational efficiencies</li> </ul>
 <b>MAINTAINING OUR SOCIAL LICENCE TO OPERATE</b>		
<p><b>OPPORTUNITIES AND CHALLENGES</b></p> <ul style="list-style-type: none"> <li>&gt; Stakeholder engagement and relationships</li> <li>&gt; Transformation and the Mining Charter</li> <li>&gt; Corporate Social Responsibility</li> <li>&gt; Socio-political instability</li> <li>&gt; Ethical business conduct</li> <li>&gt; Upholding human rights</li> </ul>	<p><b>KPI 1: INVESTMENT IN CORPORATE SOCIAL RESPONSIBILITY (CSR) (R million) (100% basis)</b></p>  <ul style="list-style-type: none"> <li>&gt; ARM invested R106 million in CSR initiatives.</li> </ul> <p><b>KPI 2: TRANSFORMATION</b></p> <ul style="list-style-type: none"> <li>&gt; HDSA representation at senior management, professionally qualified and technically qualified levels all improved.</li> </ul> <p><b>KPI 3: CONVERSION OF MINING LICENCES</b></p> <ul style="list-style-type: none"> <li>&gt; All operations have had their conversions from Old Order Mining Licences to New Order Mining Rights approved and executed.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Partnering with communities, workers and other stakeholders</li> <li>&gt; Operational efficiencies</li> </ul>

MATERIAL MATTER	KPIs	STRATEGY PILLAR
 <b>ENSURING RESPONSIBLE STEWARDSHIP OF OUR NATURAL RESOURCES</b>		
<p><b>OPPORTUNITIES AND CHALLENGES</b></p> <ul style="list-style-type: none"> <li>&gt; Climate change</li> <li>&gt; Energy</li> <li>&gt; Water</li> <li>&gt; Waste</li> <li>&gt; Biodiversity</li> <li>&gt; Closure and rehabilitation</li> </ul>	<p><b>KPI 1: SCOPE 1 AND 2 CARBON FOOTPRINT (mtCO<sub>2</sub>e) (attributable basis)</b></p>  <p><b>KPI 2: ELECTRICITY CONSUMPTION (GWh) (100% basis)</b></p>  <p>&gt; Scope 1 and 2 carbon emissions and electricity consumption declined due to reduced production at the smelters.</p> <p><b>KPI 3: WATER ABSTRACTED (million m<sup>3</sup>) (100% basis)</b></p>  <p>&gt; Water abstraction increased 4% due to increased production at Two Rivers and Khumani mines.</p>	<ul style="list-style-type: none"> <li>&gt; Operational efficiencies</li> <li>&gt; Partner of choice</li> <li>&gt; Employer of choice</li> </ul>

MANAGEMENT REVIEW

GROUP OVERVIEW

SUSTAINABILITY REVIEW

OPERATIONAL REVIEW

MINERAL RESOURCES AND MINERAL RESERVES

CORPORATE GOVERNANCE

FINANCIALS

INVESTOR RELATIONS

GLOSSARY

AGM NOTICE AND PROXY