



SUSTAINABILITY
REVIEW

Nkomati Mine aerial view

OUR APPROACH TO SUSTAINABILITY

ARM’s approach to sustainable development arises out of our business strategy and the “We do it better” management style that guides our day to day actions. Our business strategy relies heavily on ensuring operational efficiencies, with the goal that all operations are to perform below the 50th percentile of the global cost curve.

We recognise that globally competitive operational performance depends on ensuring that all aspects of sustainability are addressed. While financial returns are a primary concern, shareholders and investors are increasingly taking a holistic view to assessing performance that includes social, environmental and governance concerns.

Operational efficiencies rely on the strength of human capital embodied by a healthy, engaged, diverse and suitably skilled workforce. Building strong relationships with key stakeholder groups including employees, unions, communities and regulators, strengthens the Company’s strategic position and supports long-term value creation.

Stoppages due to poor safety practices, labour unrest, regulatory non-compliance or community disruptions halt production and upset safety routines and safety rhythm. The efficiency with which our operations use energy and water is inextricably linked to operational efficiency drives, as is the management of waste produced as a result of these processes.

ARM’s values explicitly include the broader concepts of sustainability and our commitment to zero harm – to our employees, to our host communities and to the environment. This ensures that ARM

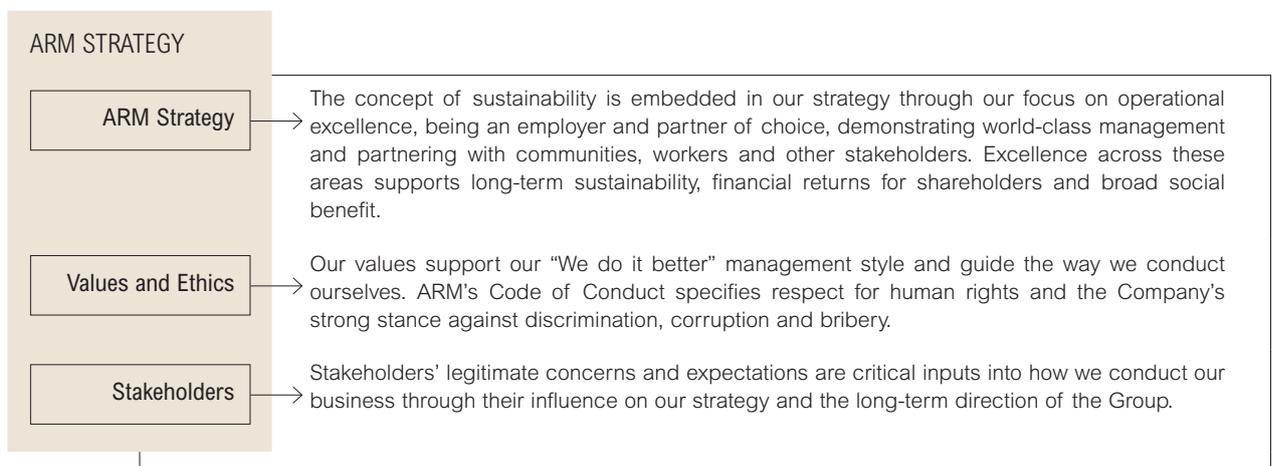
retains its social licence to operate and can continue to create value for all its stakeholders over the long term.

Our business is built on the principles of responsible investment, broad social benefit and good corporate governance. We believe that taking a responsible, sustainable approach to mining and beneficiation not only helps to minimise potentially negative impacts, but also makes a positive contribution to the country and its development. Demonstrating a positive approach is especially important for mining companies in the current socio-political environment in South Africa.

A robust mining industry can be a key contributor to economic growth and sustainable development through the long-term absorption of skilled and unskilled labour, its contribution to the fiscus through corporate taxes and mining royalties, and through its investment in regional infrastructure and community development. The communities around mines, which are often in remote and sparsely populated areas, benefit from the creation of direct and indirect jobs and through increased opportunities created by preferential procurement, supplier development and enterprise development initiatives. In a supportive regulatory regime, mine projects attract substantial foreign direct investment and local investment, and also generate significant foreign earnings.

INPUTS INTO OUR APPROACH TO SUSTAINABLE DEVELOPMENT

A range of inputs inform our approach to sustainable development, including Company policies, procedures and standards, the relevant interests of our stakeholders and our commitment to the corporate governance principles of King III. We continually review and refine our approach to align with relevant developments in legislation and regulations, industry good practice, reporting requirements and other guidelines. The most significant of these inputs are described below.



SUSTAINABILITY REVIEW continued

LEGISLATION

The Mining Charter, the dti Codes of Good Practice, NEMA and other relevant legislation

Our regulatory social and environmental responsibilities are largely defined in ARM's mining licences, the environmental authorisations that apply to our operations and the associated industry guidelines. We pay particular attention to the Mining Charter and the dti Codes of Good Practice, and commit to transformation in our business and our country.

Compliance with safety, health and environmental legislation, including the National Environmental Management Act (NEMA), the Mine Health and Safety Act, the Occupational Health and Safety Act and applicable regulations, is a priority.

INDUSTRY INITIATIVES

The ICMM

ARM is a member and an active participant at Council, Executive and Programme Committee level within the International Council on Mining and Metals (ICMM). ARM shares the ICMM's vision of a respected mining and metals industry widely recognised as essential for society and a key contributor to sustainable development. The Group's sustainable development initiatives align with the elements of the ICMM Sustainable Development Framework and its ten sustainability principles.

Industry initiatives

Mining industry initiatives include the Culture Transformation Framework arising out of the Tripartite process between business, labour and government. The Mining Industry Occupational Safety and Health (MOSH) initiative driven by the Chamber of Mines shares leading practices and promotes their widespread adoption to help the industry meet the Tripartite health and safety targets and milestones.

GUIDELINES AND FRAMEWORKS

King III

The long-term benefits of good corporate governance support not only the sustainability of individual businesses, but also the sustainable development of broader society. ARM aligns its governance principles with the recommendations of the King Report on Corporate Governance for South Africa 2009 and the King Code of Governance Principles (collectively, King III).

The EITI

The Extractive Industries Transparency Initiative (EITI) is a global standard promoting transparency and the management of revenues from natural resources. As a member of the ICMM, ARM subscribes to the EITI.

The FTSE/JSE Responsible Investment Index

The FTSE/JSE Responsible Investment Index (formerly the JSE Socially Responsible Investment Index) promotes good corporate citizenship and sustainable development by benchmarking companies' environmental, social and governance disclosures across 14 themes. ARM was included in the FTSE/JSE Responsible Investment Top 30 Index during F2016.

The GRI

ARM's 2016 Sustainability Report was prepared in accordance with the GRI G4 guidelines (CORE), including the Mining and Metals Sector Disclosures. The Sustainability Report has been externally assured.

CDP and CDP Water

The Carbon Disclosure Project (CDP) is an international not-for-profit organisation that works with market forces to motivate companies to disclose their impacts on the environment and natural resources and take action to reduce them. ARM submitted a CDP Report for the seventh time in 2016 and a CDP Water Report for the first time.

South Africa's National Development Plan 2030

The National Development Plan is an economic policy framework that aims to eliminate poverty and reduce inequality by 2030. The positive contribution responsible mining and beneficiation can make to sustainable development aligns with many of the focus areas highlighted in the NDP.

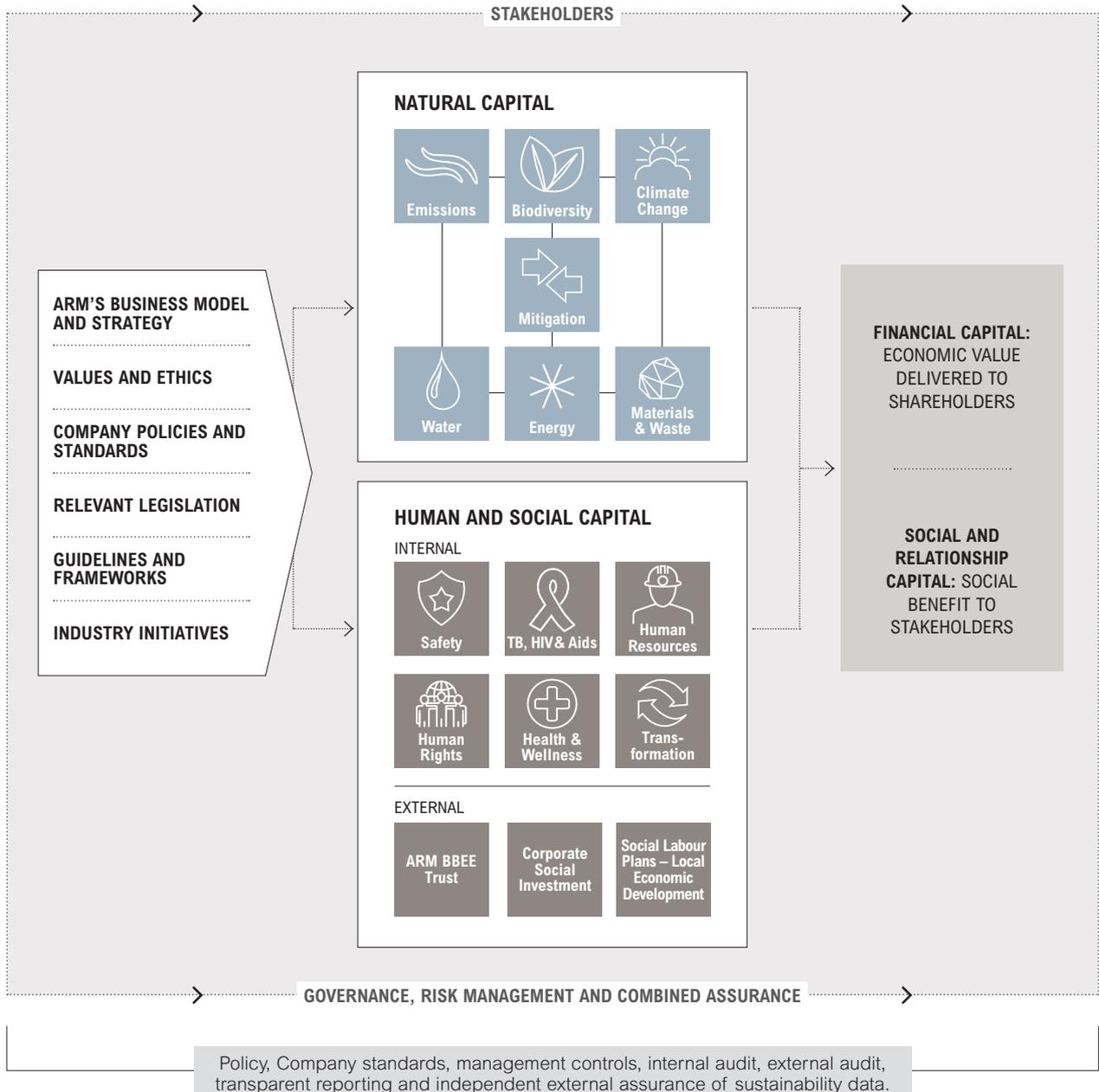
The UN Sustainable Development Goals

The 17 UN Sustainable Development Goals (SDGs) set a global aspiration to end poverty, fight inequality and injustice, and tackle climate change by 2030.

ARM'S SUSTAINABLE DEVELOPMENT MODEL

ARM's sustainable development model was developed from the ARM strategy to help us integrate sustainability into our business. It is a graphic representation reflecting the interrelatedness of economic, environmental and social considerations in generating economic value for shareholders and broad social benefit for all stakeholders.

Our business operates within an enabling framework of good corporate governance and risk management that is supported by our combined assurance model. This framework helps to improve the integrity of the management, monitoring and reporting of our sustainable development data. It also supports continual improvement in our sustainability reporting and the deeper integration of sustainability into our risk management system and operational processes by identifying areas for improvement.



SUSTAINABILITY REVIEW continued

HOW WE MANAGE SUSTAINABILITY IN OUR BUSINESS

The ARM Board is ultimately accountable for sustainable development in the Company, although specific aspects of this responsibility have been delegated to the Social and Ethics Committee and the Audit and Risk Committee. The overarching strategic approach to sustainable development is set at corporate level, along with sustainable development policies and standards. Each operation adapts its approach for the specific sustainability matters that are most material to their specific circumstances.



Sustainability progress is monitored and reported through both operational and corporate sustainability governance structures.

The Executive: Sustainable Development operates with oversight from the Social and Ethics Committee and reports to the CEO of ARM. She is responsible for reviewing sustainability policies, strategies and targets and ensuring these align with the Board's commitment to zero tolerance to harm. Along with the Chief Executives of each division, the Executive: Sustainable Development carries responsibility for the implementation of sustainable development policies and procedures.

Aspects of non-financial sustainability are also considered as part of the Company's risk management processes and sustainability aspects are included in the operational and Group risk registers. The Executive: Sustainable Development provides input to the Management Risk and Compliance Committee, a sub-committee of the Audit and Risk Committee, on matters related to sustainable development as a standard agenda item.

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 works closely with the Group Risk Manager to ensure sustainable development considerations are appropriately integrated into ARM's processes and progress is accurately reported to the Board.

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics Committee is responsible for monitoring 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 Local Economic Development initiatives.

SUSTAINABILITY AND RISK MANAGEMENT

The Management Risk and Compliance Committee implements, coordinates and monitors the Company's Enterprise Risk Management (ERM) process, guided by Internal Control and the Enterprise Risk Management Policy in terms of the annual risk management plan. It assists the Audit and Risk Committee with oversight of risk management in the Company, reviewing the major strategic, tactical and operational risks facing the Company, which include sustainability risks.

ARM's ERM process identifies risks, challenges and opportunities, ensures efficient and effective controls, benchmarks control performance, and monitors and encourages improvement in control strategies.

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 Steering Committee. They also attend Board meetings to respond to any risk and sustainability related matters raised by the Board.

Pages 166 and 167 of the Corporate Governance Report provide more information on the composition and activities of the Social and Ethics Committee and the Management Risk and Compliance Committee.



COMBINED ASSURANCE

ARM's Combined Assurance Model enhances the integration and alignment of management assurance and provides clarity to its 'three lines of defence', defining what constitutes management assurance relative to these three lines of defence.

The model is discussed in detail in the Risk Report on pages 174 to 184 of the Corporate Governance Report.



IBIS Environmental Social Governance Consulting South Africa (Pty) Ltd was contracted to provide high-level independent third party assurance over the content of the 2016 Sustainability Report. Their assurance statement is included in the Sustainability Report and includes comment on data collection in ARM.