



Sustainability Report 2012

We do it better

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Integrated Annual Report

About this report

This Sustainability Report is produced together with African Rainbow Minerals Limited's (ARM's or the Company's) Integrated Annual Report for the year ended 30 June 2012, which integrates abridged sustainability information.

It provides a broad range of information about our sustainable development policies, practices and performance. It is aimed primarily at existing and prospective stakeholders, as well as socially responsible investment analysts and investors.

Our sustainable development reporting is limited to those operations over which we have direct joint management control, being the Ferrous and Platinum Divisions as well as our Copper Division (for which safety statistics are reported for the Lubambe Copper Mine, currently under construction). It excludes those operations, joint ventures and investments that we do not manage directly (Coal, Exploration and Harmony Gold) as well as projects that are in exploration, development or feasibility phases.

This approach is consistent with our scope of reporting in prior periods, except that the Copper Division is included in the safety statistics for the first time.

Reporting guidelines

This report has been prepared using the Global Reporting Initiative's (GRI) G3 Guidelines, its Mining and Metals sector supplement and the International Council on Mining and Metals (ICMM) Sustainable Development Principles. In addition, we have included a discussion of our performance to date against the revised South African Mining Charter Scorecard (see pages 82 to 94).

Our financial year runs from 1 July to 30 June and this report covers the period 1 July 2011 to 30 June 2012 (F2012). Our previous sustainability report covered the financial year ending 30 June 2011 (F2011).

All sustainability and financial information disclosed covers the 12 months to 30 June 2012, except where reference is made to the Mining Charter Scorecard reports which cover the calendar year to 31 December 2011.

Each of the sections in this report analyses relevant data and statistics pertaining to that material issue. The related data tables and comparative information are shown in the "Data Tables" page(s) at the end of each section.



Further information is available on our corporate website: www.arm.co.za

Applying the GRI

This report meets application level A+ of the GRI G3 Sustainability Reporting Guidelines, including the Mining and Metals sector supplement. It also meets with the member requirements of the ICMM.

Independent assurance

Independent third party assurance was conducted on this report and certain sustainability information by Integrated Reporting & Assurance Services (IRAS), previously SustainabilityServices.co.za. This took the form of an AccountAbility AA1000AS (assurance Type II, moderate) review, which consists of a combination of content-based assurance and indicator-based assurance.

Content-based assurance assesses the report's completeness in terms of GRI reporting requirements where assertions contained within the report are reviewed for plausibility (the likelihood of the assertions in the report being true) and/or supportability (whether there is evidence to support assertions made in the report). The indicator-based assurance reviews the accuracy, completeness, consistency and reliability of data reported for selected sustainability indicators (see the assurance statement on pages 127 to 129). To this end, three operations (Cato Ridge Works, Black Rock Mine and Nkomati Mine) were visited by SustainabilityServices.co.za for data verification. The assurance engagement reviewed the reporting process and final product (this report) to assess our report relative to AccountAbility's guiding principles of inclusivity, materiality and responsiveness.

Monitoring, measuring and reporting on our sustainability performance

Currently, the data we require for our sustainability reporting is drawn from a number of different management systems, which involves a significant amount of time being spent on consolidating data. There are also challenges regarding ensuring accuracy and comparability of data. A system that will allow for the implementation of uniform reporting systems across our operations has been successfully piloted in our Ferrous Division and is now being rolled out across the Group.

The financial results for F2011 have been restated due to the early adoption of the International Financial Reporting Interpretations Committee (IFRIC) IFRIC 20: Stripping costs in the production phase of a surface mine. While this does not affect any of the sustainable development information disclosed in the report, where financial ratios or figures are disclosed, these have been restated accordingly.

In previous reporting periods, carbon footprint information was reported a year in arrears and on a 100% basis i.e. the 2011 Sustainability Report disclosed carbon footprint information to 30 June 2010. Due to improvements in our sustainable development data capturing processes, we are now able to report Scope 1 and 2 carbon emissions for the F2012 year, as well as full carbon footprint (Scope 1, 2 and 3 emissions) for F2011.

The dividends paid out by the ARM BBEE Trust, reported in the Corporate Social Responsibility section of the report, have been restated for prior years to include those dividends paid to stakeholders other than the provincial trusts.

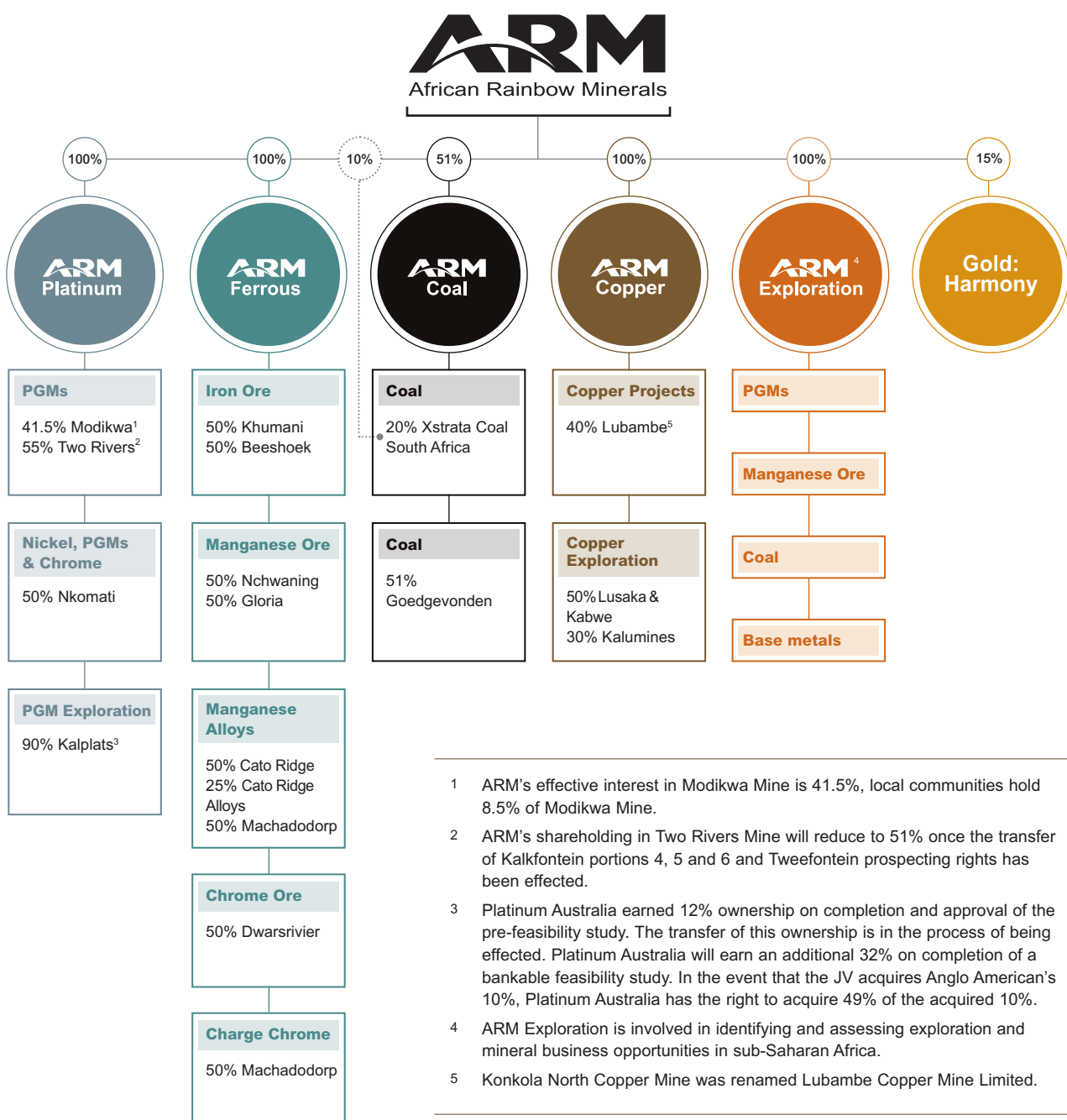
Historic electricity consumption figures have been restated due to refinements in the comparative carbon footprint data.

Sustainability information is disclosed on a 100% basis, as if ARM owned 100% of the joint ventures, except for carbon emissions and where stated otherwise.

Please note that for occupational health and safety statistics purposes, an average of 24 902 employees and contractors (eligible for medical surveillance and contributing to the safety statistics) is used as the "total workforce". This figure differs from the total labour figure of 26 587 reported by the Human Resources Department, which is the figure recorded as at 30 June 2012.

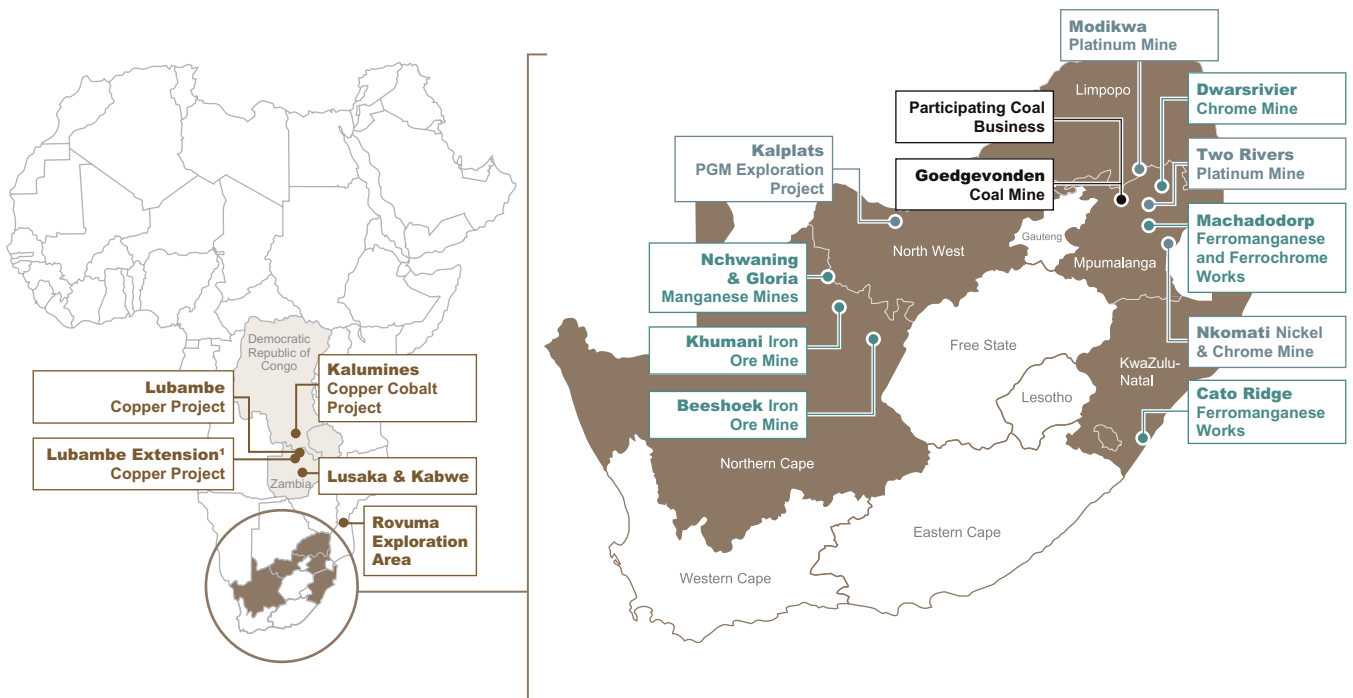
Corporate summary

African Rainbow Minerals (ARM) is a **leading South African diversified mining and minerals company with long-life, low unit cost operations and significant growth opportunities.**

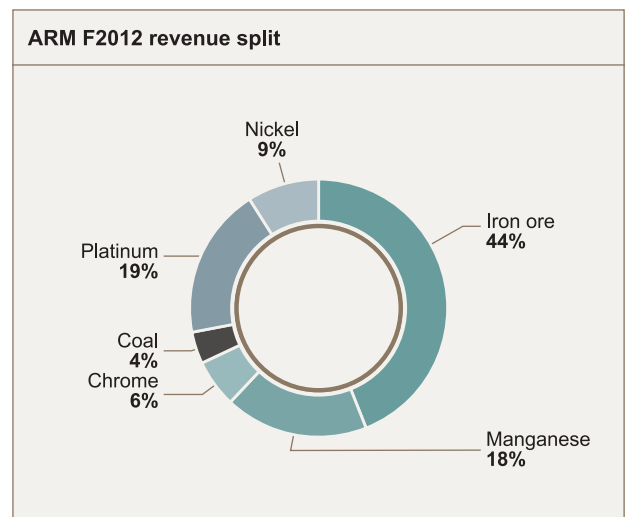
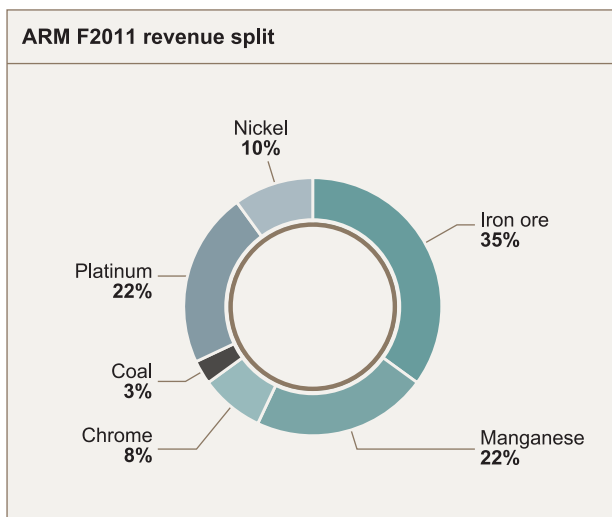


ARM mines and beneficiates iron ore, manganese ore and alloys, chrome ore and alloys, platinum group metals, copper, nickel and coal. ARM also has an investment in gold through its shareholding in Harmony.

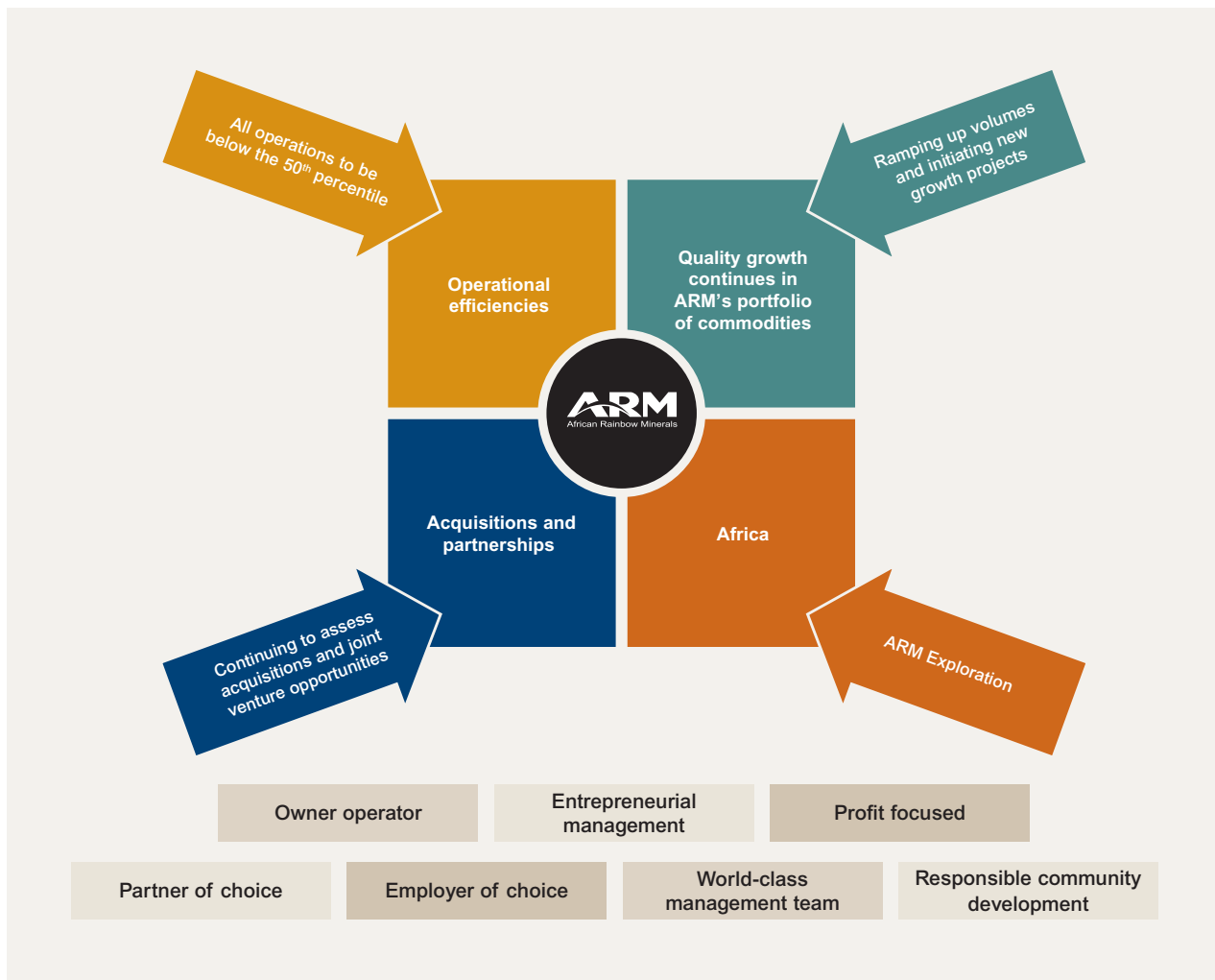
ARM's strategy is **focused on quality growth within its portfolio of assets** and ensuring that all ARM's operations are positioned below the 50th percentile of each commodity's global cost curve. This is **achieved, in conjunction with ARM's joint venture partners**, through volume growth and continuous improvement in operational efficiencies. In 2010 ARM **successfully achieved its 2 X 2010 strategy to double production** in its diversified portfolio of assets, and in **2012 ARM delivered its iron ore, coal and nickel growth projects**. ARM's growth of existing assets is supplemented by **continuous assessment of acquisition and partnership opportunities and exploration in Africa**.



1 Previously known as Konkola North Area A.



Our strategy



ARM's strategy is driven by the four key components shown in the diagram above:

- ➔ **Quality growth in ARM's portfolio of commodities**
- ➔ **Operational efficiencies**
- ➔ **Acquisitions and partnerships**
- ➔ **Expansion into Africa**

The deepening integration of sustainable development considerations into our strategy and operations makes it clear to us that sustainability is a critical factor in our long-term success as a business.

Quality growth in our portfolio depends on the ability of our management team and workforce to ramp up production volumes across all products. This requires us to make sure our employees have the right skills, that these are continually developed and that we attract and retain the people we need through being an employer of choice. This includes actively recruiting from and developing the communities around us, as well as ensuring we maintain our reputation as a transformational and environmentally responsible business.

Continued cost competitiveness through improving operational efficiencies requires us to manage our energy consumption and reduce our carbon emissions in the context of likely carbon

taxes. It also requires that we continue to manage our relationship with our employees well to increase labour efficiency and reduce the likelihood of labour disputes and disruptions to our operations.

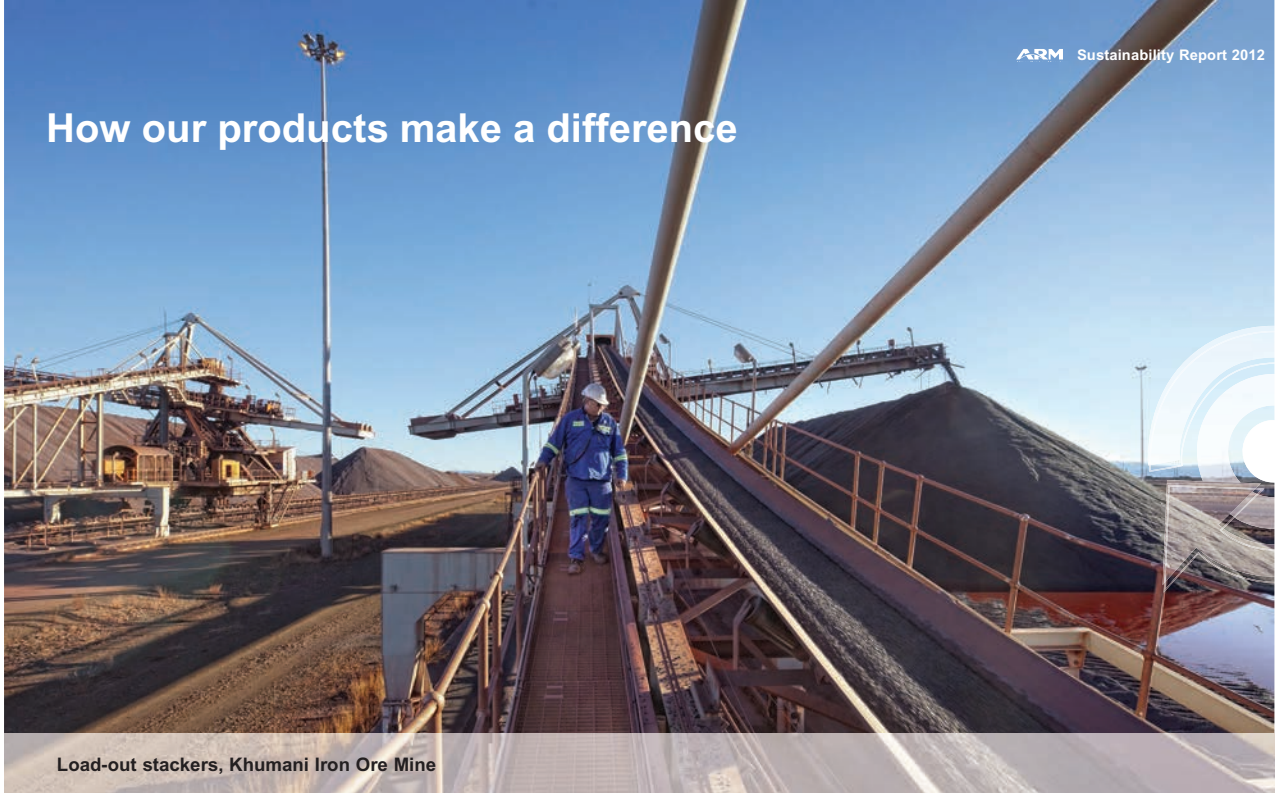
Ensuring the safety of our workforce is a moral imperative. Occupational health and issues such as fatigue management, literacy and skills development impact on safety which in turn affects our ability to mine responsibly.

Acquisitions, partnerships and expansion into the rest of Africa require that we can justify our position as a partner of choice through demonstrating our commitment to ethical behaviour, responsible business practices and the highest standards of corporate governance.

This focus on best practice corporate governance creates an operating environment in which entrepreneurial management can flourish. This allows us to take advantage of opportunities such as the rail capacity that became available during the current year that enabled us to achieve two million tonnes of additional iron ore sales.

And while we retain a focus on generating an acceptable return for shareholders, we are conscious that a focus exclusively on financial returns at the expense of our other stakeholders (employees, communities and the broader environment), is short-term thinking and runs counter to our value of zero harm across the Group.

How our products make a difference



Load-out stackers, Khumani Iron Ore Mine

Society's level of civilization has often been measured in terms of the human ability to use and harness the properties of metals. The Stone Age indicates man's inability to use metals, and subsequent progress has been defined in terms of the Bronze and Iron Ages. Metals provide us with materials which have superior properties such as strength, appearance, toughness, hardness, ductility, formability, castability, thermal and electrical conductivity, and catalytic and magnetic capabilities, as well as resistance to fatigue, corrosion and abrasion.

Today, our entire electrical system is dependent on the conductivity of metals for transmission. Cooling and heating systems, motors and generators require thermal conductivity. Road vehicles, railways, aircraft and ships depend on the strength, durability and formability of metals.

The durability of metals permits their long-term use, the lifetime of an individual metal product being dependent on a number of factors. These include the purpose for which it is designed, the environment in which it must serve, and its value.

The building blocks of society

Iron ore, manganese, nickel and chrome are used to make steel. By providing the components to make steel, the mining and metals industry, of which ARM is a part, helps to provide material for construction, infrastructure and manufacturing, which are the backbones of developing economies. Steel is also environmentally friendly since it is recyclable.

In F2012, ARM produced 13.7 million tonnes of iron ore, 3.3 million tonnes of manganese ore, 1 million tonnes of chrome and 14 000 tonnes of nickel concentrate (on a 100% basis).

Copper in construction and equipment

Copper is corrosion resistant and because it is such an excellent conductor of both electricity and heat, it is used extensively in electrical and electronic products, plumbing, building and construction, industrial machinery, consumer and general products.

ARM produced approximately 7 400 tonnes of copper (on a 100% basis) in F2012.

Carbon emission reduction through Platinum Group Metals (PGMs)

Platinum and palladium are used in auto catalysts in vehicles which reduce emissions. Auto catalysts are small devices installed in the exhaust systems of motor vehicles, designed to control the environmentally harmful emissions that are part of exhaust fumes. Auto catalysts coated with platinum or palladium convert over 90% of hydrocarbons, carbon monoxide and oxides of nitrogen into less harmful carbon dioxide, nitrogen and water vapour. This forms the largest single portion of platinum demand globally – almost 46% in 2010. Other automotive uses include oxygen and ozone sensors.

PGMs are also used in important technologies that bring about reductions in polluting gases. For example, platinum is used in the manufacture of fuel cells – electrochemical cells that convert chemical energy into electrical energy, in a similar way to batteries. Unlike batteries, however, fuel cells do not need to be recharged; the flow of electricity is continuous as long as the fuel supply is maintained. Their only emission, apart from the electricity they generate, is water, making them one of the most promising developments of green technology. Over the next few decades this new age technology could replace today's conventional combustion engines and stationary power systems.

ARM produced 708 000 ounces of PGMs in F2012.

Providing energy for industrial development

The thermal coal produced by ARM's coal joint ventures is used locally by Eskom to generate electricity to power the economy and is also exported to be used for similar purposes. While coal-burning power generation generates large amounts of carbon emissions, it is likely to remain an important energy source until alternative sources of energy can be economically produced in sufficient quantities to satisfy demand.

In F2012 ARM's attributable saleable coal produced was 4.3 million tonnes.

Our values

The values underpinning the ARM brand

ARM's 'We do it better' management style evolved out of the values which guide the manner in which we conduct business and interact with the stakeholders who are influenced or affected by our activities.

These values are also reflected in the way ARM is structured, the approach our employees have to their work, their fellow employees, our customers and the communities in which we operate.

In order to meet our commitment to preserving and enhancing shareholder value, ensuring the sustainability of our business and achieving long-term growth, ARM:



Our sustainability performance year-on-year

Performance indicator	F2012	F2011*	F2010
Economic and related core baseline indicators			
Revenue (Rm)	18 142	15 357	11 425
Sales (Rm)	17 530	14 893	11 022
Duties, levies and taxes paid (Rm)	1 633	1 693	1 009
Headline earnings (Rm)	3 451	3 374	1 714
EBITDA (Rm)	6 531	6 517	3 907
Purchased materials and services (Rm)	8 329	6 353	5 604
Value added	9 421	8 606	5 673
*Procurement of capital goods, services and consumables from BBEE suppliers (%)	95.5	74.4	52.5
Number of environmental administrative penalties/fines	None	None	2
Employee indicators (100% basis)			
Total number of all ARM employees and contractors	26 587	28 704	22 776
– Employees (permanent)	12 373	11 496	10 281
– Contractors (mainly used in capital projects)	14 214	17 208	12 495
New jobs created (direct employment only)	877	1 215	802
Employee turnover (excluding contractors) %	1.9	4.8	5.7
Investment in employee training and development			
– Total expenditure (Rm)	137	96	50
– % of payroll	9.2	6.4	3.6
Employment equity (% representation of previously disadvantaged groups among permanent employees)			
– Top management	50	38	44
– Senior management	48	40	32
– Professionally qualified	44	50	45
– Technically qualified	66	69	67
Lost Time Injury Frequency Rate (LTIFR) (200 000 man hours)	0.40	0.43	0.77
Reportable/serious accidents	75	74	90
Number of lost workdays due to industrial action	102 600	14 816	2 411
Environmental indicators (100% basis)			
Total water withdrawn (m ³) (municipal, surface and groundwater)	17 991 948	15 091 358	15 060 418
Energy usage			
– Electricity (kWh)	2 658 452	2 549 783	2 116 171 ^Δ
– Oil (000 litres)	3 575	2 909 ⁺⁺⁺	2 934 ⁺⁺⁺
– Diesel (000 litres)	96 360	73 559	55 732
Emissions (Attributable⁺⁺⁺)			
Carbon footprint equivalent (equivalent tonnes CO ₂) – Scope 1 & 2 total	1 737 068 ⁺⁺⁺	1 587 049 ⁺⁺⁺	1 325 333 ⁺⁺⁺
– Scope 1	485 277	386 232 ⁺⁺⁺	327 713 ⁺⁺⁺
– Scope 2	1 251 791	1 200 816 ⁺⁺⁺	997 620 ⁺⁺⁺
– Scope 3 [#]	In the process of determining	393 102 ⁺⁺⁺	220 128 ⁺⁺⁺
Carbon emission intensity ratios (Scope 1 & 2)			
– Tonnes CO ₂ e/1 000 ZAR	0.104	0.110	0.123
– Tonnes CO ₂ e/Full Time Employee	279.4	274.5	256.2
Direct emissions (tonnes) (100% basis)			
– CO ₂ emissions – direct (tonnes) (Cato Ridge and Machadodorp only)	552 234	561 060	589 559
– NOx (tonnes)	1 429	1 120	1 169 ⁺⁺
– SOx (tonnes)	1 316	816	1 572 ⁺⁺
– Particulate matter (tonnes)	384	460	381 ⁺⁺
Corporate Social Responsibility			
Total community upliftment and Corporate Social Investment (Rm)	126.3	124.5	72.9
– CSI (Rm)	36.3	18.0	14.5
– LED (Rm)	84.9	100.4	43.8
– ARM BBEE Trust (Rm) (Projects)	5.1	6.0	14.6

* Some economic and related core baseline indicators have been restated for early adoption of IFRIC: 20.

Non-financial data based on 100% (vs attributable to equity) unless otherwise stated, e.g. emissions data.

The Employment Equity report was submitted to the Department of Labour and complies with Section 21 of the Act.

LTIFR: injury rates are measured per 200 000 man hours, in line with general SA practices and include both ARM employees and contractor incidents.

++ Environmental indicators: we continue to improve our systems for measuring and monitoring our performance to ensure comprehensive and reliable data. Accordingly, our figures for previous years have in certain cases been restated.

+++ Values attributable to shareholding percentages.

The Scope 1 and 2 carbon footprint has been provisionally calculated for F2012, this will form part of the next CDP submission in 2013. For CDP purposes, ARM submits data for the preceding financial year, i.e. the March 2013 CDP submission will contain results for 1 July 2011 to 30 June 2012.

Δ Restatement of figure produced in Integrated Annual Report due to refinements in the comparative carbon footprint data.

Our material issues



Plant at Nchwang Manganese Mine

ARM's operations impact on those around us in a range of ways, and we are in turn impacted by a broad range of issues and stakeholders. These issues and impacts have to be identified and evaluated to determine which are most material to the long-term sustainability of our business. The final list of material sustainability issues is then incorporated into our strategy, governance frameworks, risk management system, built into operational management processes and monitored through our integrated assurance processes. These include our combined assurance process, the reporting on which continues to be refined. The most material issues also form the basis for the sustainable development information we report to stakeholders through channels that include our Integrated Annual Report and this Sustainability Report.

Determining ARM's most material issues involves a continuous review of current and evolving sustainable development issues in the light of our ongoing operations as well as incorporating global best practice guidelines. This includes a combination of internal performance measurement and the monitoring and evaluation of the very dynamic external environment in which we operate. Our ongoing stakeholder engagement programmes are a critical part of this process, as are review and assessment of our performance to date, monitoring of media coverage, the reporting of material issues by members of the extractive industry and policy and regulatory trends.

Our material issues

Although this Sustainability Report highlights ARM's non-financial sustainability issues – environmental, social and governance issues – we recognise that each of these areas of concern impacts the others and all of them critically affect our ability to generate a sustainable financial return over the long term. Just as our Integrated Annual Report aims to put our financial performance in context to our environmental, social and governance performance, this report seeks to make clear the financial impacts of these sustainability issues.

By their nature, mining activities have a significant impact on the natural environment at the same time as they bring potential social benefits as well as risks for local communities. Yet it is possible for mining to be economically, socially and environmentally sustainable over the long term and we believe our zero harm approach to mining achieves this.

The issues analysed in the table on pages 9 – 11 are those identified as being the most material to ARM's business. To effectively implement our strategy, we take action to address each of these issues. This implementation takes place within the greater context of our responsibility to comply with all relevant legislation that impacts us, generating an acceptable return for investors and maintaining the highest standards of ethical behaviour and corporate governance.

Resources reviewed include:

- the results of our dynamic enterprise and business risk management process;
- feedback on our sustainability performance and reporting, including industry or company-specific issues raised by stakeholders, including employees, contractors, customers, suppliers, business partners, communities, Government, Non-Governmental Organisations (NGOs), investors, the media and industry associations (e.g. the International Council on Mining and Metals (ICMM) and the South African Chamber of Mines (COM));
- key topics and challenges reported by peer companies or raised by industry associations;
- a review of key issues covered in the media; and
- external initiatives and best practice guidelines including:
 - The Global Reporting Initiative (GRI) G3 Guidelines and its Mining and Metals sector supplement (www.globalreporting.org)
 - The International Council on Mining and Metals Sustainability Principles (www.icmm.com) and membership requirements
 - The Millennium Development Goals (www.undp.org/mdg)
 - UN Universal Declaration of Human Rights (www.un.org/en/documents/udhr/index.shtml)
 - The UN Global Compact (www.unglobalcompact.org)
 - ILO Declaration Principles concerning Multinational Enterprises and Social Policy (www.ilo.org/global/about-the-ilo/decent-work_agenda/lang--en/index.htm)
 - The King Code of Governance Principles (the Code) and the King Report on Governance for South Africa (King III) (www.iodsa.co.za)

Our most material issues, risks and opportunities

The risks, challenges and opportunities set out below represent selected issues that may impact on ARM's results and operations in the future.

Risk/challenge/opportunity	Impact	Mitigating action taken by ARM
Financial risk		
Commodity price volatility		
ARM's revenue, earnings and cash flows are dependent upon prevailing commodity prices, determined by the supply of and demand for commodities and linked to global economic conditions.	Fluctuation in the commodity prices for the range of commodities we produce may have a material impact on ARM's financial results.	<ul style="list-style-type: none"> ● Maintains a diversified portfolio of commodities. ● Follows a general policy not to engage in commodity price hedging. ● Constantly monitors commodity markets and matches production with market demand and commodity prices. ● Focuses on containing and reducing operating expenses.
Fluctuations in currency exchange rates		
ARM's products are mostly sold in US Dollars.	Fluctuations in the exchange rate of the South African Rand against the US Dollar may have a material impact on ARM's financial results.	<ul style="list-style-type: none"> ● ARM limits its foreign exchange hedging to specific items of capital expenditure on major projects. ● Rand movement provides us with both an opportunity and a risk.
Inflation/increased costs/cost control		
ARM is unable to set the prices it receives for the commodities it produces. Extraction and processing costs of raw materials and consumables, such as reductants, reagents, power, fuels, labour, transport and equipment, are susceptible to inflationary and supply and demand pressures.	ARM's ability to contain costs in an inflationary environment and maintain low cost efficient operations can have a significant impact on its profitability. The competitiveness of its products and its long-term profitability can negatively impact ARM's earnings.	<ul style="list-style-type: none"> ● ARM's ability to contain/reduce costs and maintain operational efficiency is a measure of the quality of its operational management and asset stewardship. ● Cost performance is a key measure of management performance and operational efficiency. ● ARM strives to be within the 50th percentile of the global cost curve (based on steady-state production). ● Regular audits of operations identify potential inefficiencies.
Financing		
High debt levels, combined with a significant project pipeline could reduce ARM's ability to grow its operations and to take advantage of business opportunities.	ARM would not be able to achieve its growth strategy.	<ul style="list-style-type: none"> ● ARM's focus on cash conservation and debt reduction has resulted in ARM being in a strong financial position with low gearing, which allows us to proceed with the funding of key growth projects.
Operational risk		
ARM's operations are affected by the availability of raw materials, water and power. Other operating risks range from: unusual or unexpected geological features, ground conditions or seismic activity to technical failures, fires, explosions and other incidents at our mines and smelters.	Any of these could adversely affect our ability to operate cost efficiently or meet production levels.	<ul style="list-style-type: none"> ● An effective, well-developed and entrenched risk management process is in place. ● Comprehensive and effective risk management remains an imperative at all levels within ARM and its operations. ● An integrated approach to risk management not only helps to ensure appropriate corporate governance compliance, but also provides a practical and effective tool for the management of risk.

Our most material issues, risks and opportunities continued

Risk/challenge/opportunity	Impact	Mitigating action taken by ARM
Operational risk continued		
Health and safety		
Although ARM is not significantly exposed to deep level mining operations, mining remains a hazardous industry and is subject to extensive and increasingly more stringent health, safety and environmental legislation and regulations.	Failure to provide a safe working environment and/or non-compliance with legislation and regulation could impact negatively on employee safety, health, employee and community relations and profitability. Injury or loss associated with any safety breach, breach of regulations or non-compliance could damage ARM's reputation.	<ul style="list-style-type: none"> ● The Executive: Sustainable Development, reports directly to the Chief Executive Officer, which ensures oversight of the process. ● ARM participates in industry forums in which health and safety best practices are shared with a view to improving performance in these areas. ● Medical surveillance is performed in compliance with legislation. ● Wellness programmes, which create awareness and provide input on methods of treatment of chronic diseases are run by each operation. ● ARM has an advanced HIV & Aids management programme.
Project development		
ARM has a significant pipeline of growth projects which require strong project management skills.	Ineffective management of projects could result in cost overruns and delays.	<ul style="list-style-type: none"> ● ARM's managed businesses have a proven track record of project delivery (on time and within budget).
Infrastructure access and capacity		
Logistics constraints and access to rail and port capacity remains challenges to meeting increased demand for commodities and ARM's strategic growth.	These challenges may result in the inability to achieve planned export targets and have a material impact on future growth with a resultant impact on financial results.	<ul style="list-style-type: none"> ● Feasibility studies underway to further expand iron and manganese ore operations to benefit from Transnet's R300 billion Market Demand Strategy to expand SA rail, pipeline and port facilities. ● ARM remains actively involved in commodity and industry initiatives as well as logistics optimisation processes on mine to optimise logistics for exports.
Reserves and resources		
Mine reserves decline as commodities are extracted. There is also the possibility that some reserves cannot be mined as profitably as anticipated.	Exploitation of existing reserves, successful exploration and development activities and acquiring access to economically recoverable reserves are essential for ARM's future.	<ul style="list-style-type: none"> ● Existing operations have substantial reserves that can be exploited via organic growth projects. ● ARM continues to assess quality growth opportunities and actively focuses on opportunities to explore and develop new ventures to increase and diversify its portfolio of assets.
Security of energy supply		
ARM's mining operations, and particularly, its ferromanganese smelters, are intensive users of electricity. Electricity constraints have reduced the reliability of the energy supply in South Africa and increased prices.	The lack of a sustainable supply of energy may negatively impact on ARM's ability to operate and influence future expansion prospects. The considerable increase in electricity costs in South Africa may affect our ability to contain costs.	<ul style="list-style-type: none"> ● Energy efficiency plans have been implemented at all operations. ● ARM continues to explore potential co-generation opportunities.
Emission and climate change		
Extreme weather conditions resulting from climate change; ongoing legislation is likely to result in restriction of industrial emissions, the imposition of added costs for emissions exceeding permitted levels and increased costs for monitoring, reporting and accounting for emissions.	Climate change may result in weather-related events or other physical threats that may hamper production or damage assets. Failure to meet and exceed best practice for monitoring and reporting emissions could have a reputational impact on ARM and affect its ability to operate.	<ul style="list-style-type: none"> ● Climate change issues are a priority for ARM management who are continually working to improve understanding of ARM's carbon footprint and to reduce the carbon intensity of our operations and activities. ● Emission inventories continue to be compiled and monitored for all our smelters. ● Every effort is made to reduce consumption of electricity by enhancing efficiency.

Our most material issues, risks and opportunities continued

Risk/challenge/opportunity	Impact	Mitigating action taken by ARM
Social risk		
Community and corporate social investment		
ARM's operations and future projects can have an impact on communities in the vicinity in which we operate. Poverty, a lack of service delivery and employment resulting in social activism.	<p>The support of local communities is essential for the successful completion of ARM's projects. Lack of community support could have a negative impact on productivity and consequently on profitability.</p> <p>Communities look to ARM and the mining industry as a whole to address their need for infrastructure development, service delivery and employment opportunities. Communities may become dependent on our operations.</p>	<ul style="list-style-type: none"> ● ARM's Corporate Social Investment (CSI) and Local Economic Development (LED) plans focus on the upliftment and capacity building of historically disadvantaged communities in the vicinity of our operations. ● ARM strives to earn the trust of local communities through extensive stakeholder engagement. ● ARM uses its investment in local communities to enhance the socio-economic capacity of the communities in which it operates, and to avoid dependence on ARM's operations after closure. ● ARM focuses on responsible purchasing from local, historically disadvantaged South African suppliers and employment practices that give preference to members of the local community; and in some cases, offers training opportunities to community members.
Labour relations		
From time to time our operations experience limited work stoppages and industrial action.	Work stoppages result in production interruptions and could have a material impact on ARM's financial results.	<ul style="list-style-type: none"> ● Local communities, labour and Government are recognised and engaged as key stakeholders. ● ARM has and actively seeks to foster good relations with employees and unions. ● ARM strives to be an employer of choice and has been acknowledged as a leading employer in the CRF Institute's "Best Employer" awards for the second consecutive year.
Key employees		
The loss of key employees.	This could have an adverse effect on ARM. As ARM develops and expands mining operations, its future success will depend on our ability to attract and retain suitably skilled and qualified personnel.	<ul style="list-style-type: none"> ● ARM aims to be the employer of choice in its industry. Our levels of remuneration are regularly and aggressively benchmarked against our peers. ARM makes a concerted effort to retain and manage the Group's talent pool. ● Learnerships, focusing primarily on technical disciplines, increased to 264 in F2012 with the aim of increasing the skills levels of employees. ● ARM's graduate training programme is an important part of the human resource development strategy.

Executive Chairman's report



During the year under review, ARM significantly increased sales volumes across all its commodities except ferrochrome and Nkomati chrome ore. The Company also increased headline earnings and dividends despite challenging global markets.

Patrice Motsepe, Executive Chairman

Introduction

ARM has delivered another year of good results.

Headline earnings for the year ended 30 June 2012 were R3.5 billion compared to the restated headline earnings of R3.4 billion in the previous year. Headline earnings per share increased to 1 615 cents from 1 585 cents per share last year.

This increase in headline earnings was achieved as ARM mitigated the negative impact of lower commodity prices by increasing sales volumes across its portfolio of assets.

Quality growth continues in ARM's portfolio of commodities

ARM's sales revenue for the year increased 18% to R17.5 billion driven by increased sales volumes (on 100% basis) as follows:

- 48% increase in iron ore sales to 14.8 million tonnes;
- 43% increase in nickel sales to 12 700 tonnes;
- 40% increase in chrome ore sales in ARM Ferrous to 521 000 tonnes;
- 24% increase in manganese alloy sales to 270 000 tonnes;
- 35% increase in Goedgevonden (GGV) Eskom coal sales to 3.7 million tonnes;
- 15% increase in GGV export coal sales to 3.1 million tonnes;
- 4% increase in PGM production (including Nkomati) to 708 000 ounces; and
- 1% increase in manganese ore sales to 2.9 million tonnes.

The capital expenditure on growth projects over the past seven years has resulted in higher production and sales volumes, improved efficiencies and extended lives of mines.

The Khumani Iron Ore Expansion Project, in terms of which production at Khumani Mine was planned to increase from 10 mtpa to 16 mtpa by June 2014 was handed over during the financial year under review, one year ahead of schedule. Khumani Mine achieved iron ore sales of 13.4 million tonnes this year, against planned sales of 11.4 million tonnes. The two million tonnes higher than planned volumes were achieved as the mine accelerated development in order to take advantage of additional rail capacity made available following Transnet's ramp-up of the expansion of the Saldanha Export Channel from 47 mtpa to 60 mtpa.

The Khumani Mine is in the process of building an additional stockpile area, which is in its final stages of commissioning. This will enable the mine to take full advantage of the available rail capacity.

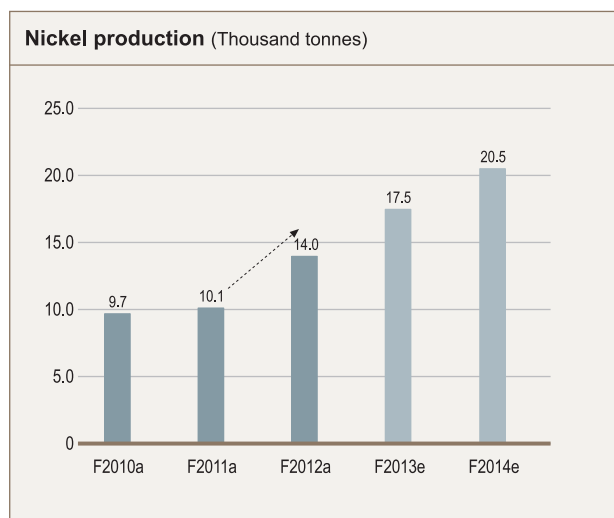
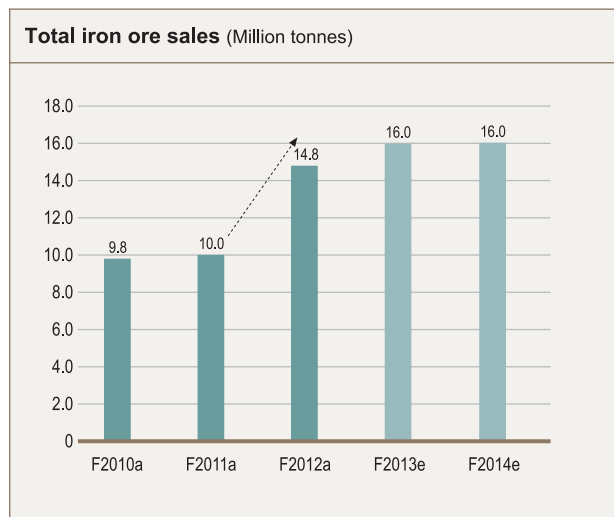
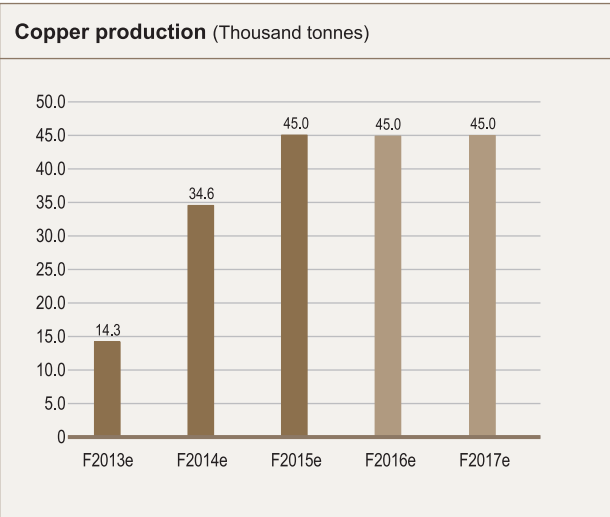
ARM and Assore approved the building of a Wet High Intensity Magnetic Separation (WHIMS) Plant at Khumani Mine to improve ore recovery and extend the life of the mine. The WHIMS Plant is expected to be completed in F2013.

Production ramp-up at the Nkomati Large-Scale Expansion Project delivered a 39% increase in contained nickel in the financial year under review. After having experienced head-grade and recovery challenges in the preceding 18 months, Nkomati has delivered significant improvement in its operational performance. Through

various interventions, including advanced stripping of waste, the mine achieved a marked improvement in the operation's head-grade and recoveries. The mine, however, continues to be negatively impacted by weak US Dollar nickel, chrome concentrate and platinum prices which decreased 22%, 40% and 6%, respectively.

The GGV Coal Mine achieved design capacity in the second half of the year. Performance of the mine's coal handling facility, which was commissioned in 2011, improved significantly in the second half of the year resulting in saleable production at GGV increasing by 8% compared to F2011.

The Lubambe Copper Project (previously known as the Konkola North Copper Project) continued to progress on schedule and within budget. This was despite worse than expected ground conditions being encountered in the East Limb. The plant, which is expected to mill 2.5 million tonnes per annum of ore to produce 45 000 tonnes of copper in concentrate per annum, will be commissioned by the end of the 2012 calendar year and is expected to achieve steady state production in the 2015 financial year.



Additional rail and port infrastructure

The South African Government's commitment to allocate significant resources to upgrade the rail, port and electricity infrastructure will contribute to the global competitiveness of the South African economy and the mining industry.

Transnet recently announced that it would commit approximately R300 billion over the next 7 years to the growth of rail, pipeline and port infrastructure. The majority of this capital is expected to be spent on the expansion of the iron ore, manganese ore and coal, rail and port infrastructure.

ARM is well positioned to benefit from this additional capacity. We have commissioned feasibility studies to consider the growth of our iron ore and manganese portfolios.

OPERATIONAL EFFICIENCIES

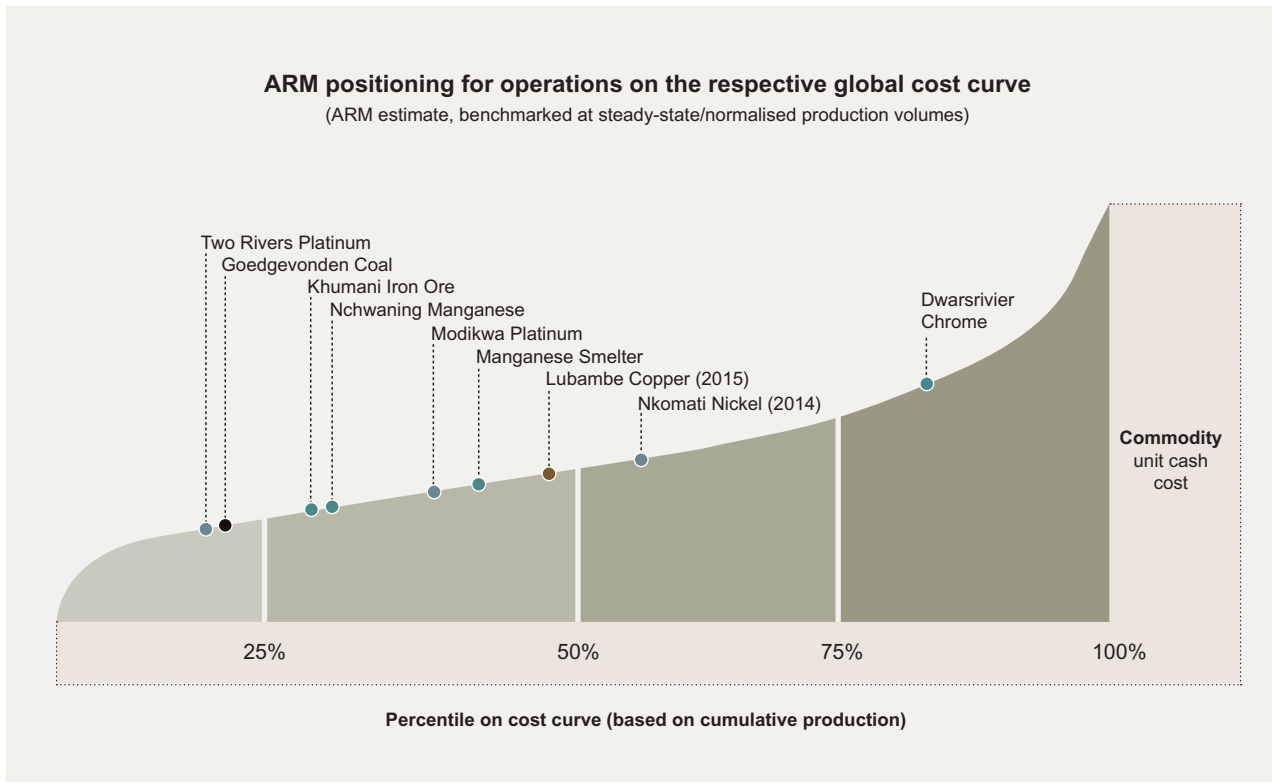
Operations below the 50th percentile

In 2005 ARM set a target to have all its operations positioned within the 50th percentile of each commodity's respective cost curve by the 2012 financial year. The Lubambe Mine is expected to be positioned below the 50th percentile by 2015 when it achieves ramp-up. Nkomati Mine is expected to be positioned slightly above the 50th percentile at full production in the 2014 financial year. Management is currently assessing ways to improve Nkomati's cost positioning.

It is very pleasing that ARM has successfully achieved its cost targets set in 2005, through volume growth and a number of capital interventions to improve efficiencies. While the ferrochrome operations remain positioned above the 50th percentile, decisive action has been taken. Together with our partner Assore, we have undertaken to convert three of the furnaces at Machadodorp Works from ferrochrome to ferromanganese production.

Dwarsrivier Chrome Mine is also positioned above the 50th percentile and ARM is in the process of reviewing alternatives for this mine.

Management continues to be committed to ensuring that all of ARM's operations are below the 50th percentile.



Cost Containment

There continues to be increased pressure on input costs such as power, diesel, labour and consumables. Our operational teams are implementing a range of initiatives to ensure that cost control remains a key focus across all business units.

In the year under review satisfactory cost containment results were delivered at Two Rivers Mine, the PCB coal operations, the manganese ore mines, the manganese alloy operations and Nkomati Mine. We did, however, experience above inflation cost increases at the iron ore operations, as a result of additional waste stripping and reduced capitalisation of costs. Modikwa Mine's unit costs were higher, largely driven by strike action. Higher unit production costs at GGV Coal were as a result of increased overburden removal and the cessation of capitalisation of working costs during F2011. The increased overburden removal has resulted in higher in-pit inventory which will benefit the mine and have a positive impact on costs going forward.

Exploration

We are continually assessing acquisitions of both brown and greenfield opportunities. These opportunities are key to the future of ARM as they are expected to provide ARM with a base to ensure growth beyond our existing assets.

We have restructured ARM Exploration and have appointed Jan Steenkamp, the former Chief Executive of ARM Ferrous, as Chief Executive. The team has initiated a rigorous process to assess potential acquisitions.

The exploration team is focussing on identifying and assessing ferrous metals, base metals, PGMs, as well as coal targets. We are confident that prospective targets will be successfully secured in the medium to long term.

ARM Exploration has commenced with exploration in Mozambique in conjunction with a Mozambican company, Rovuma Resources. Initial results are encouraging and as a result ARM has agreed to continue with the option for the second year, commencing April 2012 to fund exploration at a cost of US\$7 million per year. ARM has exclusive rights to purchase prospecting and/or mining rights in respect of the resources currently being investigated.

Harmony

We continue to view Harmony as a strategic investment and are pleased with the improvement in performance and profitability.

I visited Papua New Guinea and was impressed with the good progress in the construction of the Hidden Valley mine and the excellent relationships that have been built with local communities and the Government of Papua New Guinea.

We remain excited about Wafi-Golpu and are confident that a world class mine will be built there.

The CEO's report provides further information on Harmony.

Sustainable Development

We are committed to fulfilling our broader duties and obligations to contribute to the improvement of the standards of living of our employees, people living near our mines and other stakeholders; as well as the protection and rehabilitation of the environment.

There are now approximately 27 000 employees working at our operations. We are very proud of the partnerships we have with the communities neighbouring our mines and governments that will deliver benefits to various stakeholders when mining discontinues.

ARM has over the past three years, spent approximately R300 million on various projects which resulted in the provision or improvement of health, education, water, roads, electricity and other facilities to the communities living near our mines and elsewhere in the country.

Some of our community development efforts are delivered through the ARM Broad-Based Economic Empowerment Trust (ARM BBEE Trust), which was established in 2005 with the primary objective of contributing to the improvement of the living conditions of poor and marginalised persons. The ARM BBEE Trust provides funding to various provincial rural upliftment trusts throughout South Africa. These provincial trusts were established by ARM to fund various education, health, welfare and enterprise development projects. Over the preceding five years the ARM BBEE Trust has distributed R74 million to the rural provincial trusts as well as to various church groups, women's groups and trade union organisations who collectively own 10% of ARM through the ARM BBEE Trust.

Our sustainability objectives are based and guided by the principles of a variety of organisations, such as the Global Reporting Initiative and the International Council on Mining and Metals (ICMM), of which we are a member.

This is to ensure that all of our operations and projects comply with global best practices. We often conduct external assessments and verifications to ensure that we remain a world-class mining operator.

Further details of our sustainability endeavours and the Company's performance are contained in this report. We acknowledge that sustainable development is a key focus area of our business and we have therefore supplemented this report with a detailed Sustainability Report, which can be found at: www.arm.co.za.

Safety

ARM is committed to implementing and complying with global best practices in relation to the safety and health of all our employees and their working environment.

Over the last year, the Lost Time Injury Frequency Rate improved from 0.43 to 0.40 per 200 000 man hours. Despite concerted efforts to maintain the highest safety standards at all our operations, regrettably ARM lost four employees in three fatal accidents.

Two of the fatalities occurred at Two Rivers Mine. On 13 December 2011, Mr Ananias Silvano Chambale, a team leader was fatally injured underground by a trackless mobile machine. On 21 January 2012, Mr Daniel Vusi Ntuli, a contract employee, was fatally injured in a fall of ground accident. Modikwa experienced a tragic double fatality on 27 January 2012 when Ms Patricia Moropa and Mr Khateane Lenong were fatally injured in a fall of ground accident while installing support in an old underground working area.

The ARM Board and management extend their sincerest condolences to the family, friends and colleagues of the deceased.

Our key safety efforts and initiatives are delivering success at various operations:

- Nkomati Mine, Beeshoek Mine and Khumani Mine achieved in excess of two million fatality free shifts;
- Dwaarsrivier Mine, Black Rock Mine and Cato Ridge Works achieved in excess of one million fatality free shifts; and
- Beeshoek Mine completed 13 consecutive months without a Lost Time Injury.



Gas readings being taken at Modikwa Platinum Mine



Two Rivers Platinum Mine



Nkomati Nickel Mine underground workshop

The importance of investor confidence

We are witnessing a gradual but discernible shift in global economic power and activity from west to east as the global economy slowly recovers from its first recession in over six decades. This recovery is, however, unevenly distributed; sluggish in developed economies and more sustained in developing countries. In addition, the material-intensive nature of growth in emerging economies will escalate in the next decade, responding to the urbanisation and industrialisation pressures particularly in China, India and other emerging markets.

The mining industry is confronted by increased demands and expectations from governments, the communities living near our mines and other stakeholders in some developing economies. Inclinations towards resource nationalism are also on the increase.

In the past year, investors have voiced concerns about the security of their investments in the mining industry, particularly in South Africa after reports about mooted initiatives ranging from nationalisation, excessive taxes and most recently, the tragic events in Marikana and the labour unrest and strikes in the platinum mining sector.

The mining industry is a significant and strategically important sector in South Africa's economy, generating around 18% of the country's GDP and 50% of its total foreign exchange earnings. The industry also accounts for around one million jobs directly and indirectly.

The most successful mining countries in the world are those that have created a globally competitive and attractive environment for domestic and foreign investment in the mining and other sectors of their economy.

In these countries, thousands of new jobs have been created, the standards of living of their inhabitants have significantly increased, poverty is decreasing and there has been a growth of the middle class. Chile, Brazil, Botswana, Ghana, Peru, Tanzania and more recently Zambia are but a few examples of countries that have recognised the substantial benefits that results from establishing a mining dispensation that is globally competitive and attractive to investment in the mining sector.

I have no doubt that the South African Government is aware of these mining success stories and recognises the crucial importance of maintaining the confidence and trust of the investment community.

Outlook

Commodity markets have been negatively impacted by the uncertainties and risks relating to the growth of the European, Chinese and American economies.

The impact of the European economic crisis on global markets has highlighted the dependence on Eastern economies as a market for commodities. With the sovereign debt and economic recovery challenges in some European economies unresolved, the European crisis is expected to continue putting pressure on global markets in the short term. This coupled with a benign growth outlook in the US points to a subdued global growth outlook for at least the next 12 months.

Demand for ARM Ferrous' products is mostly influenced by demand from China. China's demand for metals will be dependent on improved Chinese regional fixed capital formation, urbanisation,

rebalancing towards consumer spending and decisive reflationary policies. Deteriorating global credit and economic conditions could act as a catalyst for further Chinese government stimulus measures, which have remained more conservative than previous efforts.

Demand fundamentals in the PGM, nickel and chrome markets are expected to remain subdued in the short-term due to uncertainty in the developed markets and oversupply. The long-term fundamentals of these commodities are positive. We expect price support in the medium term to be provided by supply side challenges which are being experienced by PGM producers and the expected recovery in the developed markets.

ARM is well positioned with a robust balance sheet. The Company continues to focus on enhancing operational efficiencies to ensure we maintain a favourable cost positioning to maximise margins in the currently challenging price environment.

Board of Directors

On 1 June 2012, we announced changes to the composition of our Board of Directors and executive management in line with global best practices. We reduced the number of executive directors from eight to five with effect from 1 June 2012. All the former executive directors continue to be full-time executives of the Company.

I would like to express my deepest gratitude to André Wilkens for the outstanding leadership he provided as CEO of ARM. André will continue as an executive director based in the office of the Executive Chairman and will be responsible for Growth and Strategic Development.

I would also like to welcome Mike Schmidt who became CEO on 1 March 2012. Mike has been with ARM for the past 5 years and was looking after our operations at ARM Platinum.

A special thanks goes to all the directors of ARM for their hard work, wise counsel and guidance.

Conclusion

We continue to spend on capital and invest in growth whilst paying dividends. Our dividends for this financial year increased to 475 cents per share, compared to a dividend of 450 cents per share last year. This is the highest dividend in the Company's history and is the sixth consecutive year in which we have declared dividends.

We would like to thank our partners: Anglo American Platinum, Assore, Impala Platinum, Norilsk Nickel, Xstrata, Vale S.A., Zambian Consolidated Copper Mines (ZCCM-IH), and Gecamines for their support and contribution to the success of our joint ventures.

We live in uncertain and challenging times. However, I am confident that ARM will continue to grow and create value for all its stakeholders.

Patrice Motsepe
Executive Chairman

17 October 2012



WHIMS plant under construction at Khumani Iron Ore Mine

Chief Executive Officer's report



Mike Schmidt, Chief Executive Officer

Despite the negative impact of global developments on commodity prices ARM produced a creditable performance in raising headline earnings 2% to R3.5 billion. This was achieved through increased sales volumes and the benefit of a weaker Rand.

Wealth created by the Company increased 9% to R9.4 billion, with R2.2 billion distributed to employees, R1.6 billion to the State as taxes, R959 million to shareholders as dividends and R3.8 billion reinvested in the business.

While these figures represent considerable amounts distributed to stakeholders, we are conscious that our financial results would not have been possible without the support of all of our stakeholders, especially our employees.

ARM is committed to operating in a safe and responsible manner. We have integrated sustainable development considerations into the decision-making process across all our operations and the result has been a visible balancing of the Company's requirements to perform financially, to strive toward world-class standards in environmental management and to ensure broad social benefit.

People and Safety

Our business is about people: our employees working to add value through our mining, minerals processing and smelting operations, the investors who hold our stocks and the communities around our operations. Our expansion plans and cost-efficiency goals require us to attract and retain the best employees and managers while investing substantially in skills development across our workforce. In this regard, we are delighted to report our lowest ever employee

turnover figure of 1.9% and recognition through the award of BEST Employer certification for the second consecutive year.

It is our responsibility to put in place safety policies and procedures to ensure that our employees end each shift unharmed. In last year's report we highlighted Modikwa Mine's 8 million fatality-free shifts. This year we report two tragic fatalities at that mine and another two fatalities at Two Rivers Platinum Mine. I would like to join our Executive Chairman and the Board in extending our sincerest condolences to the family, friends and colleagues of the deceased. These events are a sad reminder of the intrinsic hazards of mining and the need to constantly keep safety as the primary consideration.

We continue to invest in and improve on our health and safety management and risk mitigation and I am particularly pleased with the continued decrease in the Lost Time Injury Frequency Rate (LTIFR) and the safety milestones achieved by several of our operations.

Transformation

The current labour unrest across the mining industry again highlights the need to transform the mining industry as well as to build relationships and communicate the industry's commitment to transformation and the progress that has already been made. ARM is committed to the Mining Charter's vision of "facilitating sustainable transformation, growth and development of the mining industry" and we are committed to achieving the Charter's objectives. Our mines submitted their Mining Charter Scorecard reports for the 2011 calendar year with all of them achieving 'Excellent Performance' and five of the seven achieving more than 90%.

ARM created 877 permanent jobs during the year and our employment equity and gender diversity levels already exceed the Mining Charter 2014 targets.

ARM has been classified as a Level 4 BBBEE contributor by an accredited SANAS verification agency with a total score of 69.33%.

Environmental sustainability

ARM's activities have an impact on the environment around us and our policies and procedures are focused on minimising the environmental impact of our operations, managing our waste streams and setting aside resources for rehabilitation.

The potential impact of climate change is recognised as a significant risk in our risk management framework. We are formulating a climate change policy and strategy to deal with the potential effects on water availability, the potential impacts of carbon tax and the direct physical risks of major climate change.

Our environmental data collection continues to improve and this year we report on Scope 1 and 2 carbon emissions for both F2011 and F2012.

Creating Value for our Communities

ARM is committed to contributing to the National Agenda, including poverty alleviation, job creation, education, welfare and healthcare. The Company invested R126.3 million through our Corporate Social Investment (CSI) initiatives, the Local Economic Development (LED) Projects agreed with local government through our Social and Labour Plans (SLP) and projects driven by the ARM BBEE Trust.

As part of these initiatives we created 1 377 jobs through our CSI and LED projects.

Transparent Reporting and Independent Third Party Assurance of our Sustainability Performance

Sustainable development is an integral part of our strategy and business processes. This report again has met the GRI G3's requirement for Application Level A+ and also meets the membership requirements of the International Council on Mining and Metals (ICMM), of which we are a proud member.

I would like to thank all our employees as well as our broader stakeholders for their continued commitment to zero harm and responsible business practices. Their dedication, and that of our management team, is just another way ARM demonstrates that 'We do it Better'.

Mike Schmidt
Chief Executive Officer

17 October 2012



Construction of the concentrator plant at Lubambe Copper Mine



New main portal underground infrastructure at Lubambe Copper Mine



Aerial view of Lubambe Copper Mine

Our approach to sustainability



Portable skills training, Modikwa Mine

Building a sustainable business requires ARM to continue to create an acceptable return for shareholders while at the same time understanding, managing and mitigating the impacts of its mining and smelting operations on the environment and societies in which it operates.

Our commitment to improving our sustainable development performance is guided and strengthened by ongoing developments in legislation, commercial requirements, external reporting frameworks and stakeholder expectations.

Our approach to sustainability is guided by:

Our values	<p>ARM aims for operational excellence and continuous quality improvement, which includes employing a leading practice sustainable framework to fulfil our aim of achieving leading environmental and health performance and a safe, injury-free workplace.</p> <p>ARM works responsibly and seeks to achieve a balance in managing the social, economic and environmental aspects of our business and creating value for our shareholders in a sustainable manner.</p>
ICMM	Principle 2 – Integrate sustainable development considerations within the corporate decision-making process. Membership requirements include transparent GRI-based reporting and external assurance.
Mining Charter	Facilitating sustainable transformation, growth and development of the mining industry.
JSE Listings Requirements	The JSE Listings Requirements include compliance with King III.
King III	Sustainability issues should be integrated with financial considerations.
Carbon Disclosure Project	ARM participated in the Carbon Disclosure Project (CDP) for the third consecutive year in F2012.

As a JSE-listed company, we need to comply with the JSE Listings Requirements, which include compliance with the principles set out in the third report on corporate governance in South Africa, referred to as King III.



The Corporate Governance section in this report as well as the comprehensive Corporate Governance report in our Integrated Annual Report (IAR) provides detail on our performance in this regard.

ARM has also participated in and met the requirements of the JSE Socially Responsible Investment (SRI) Index for the past four years. This pioneering set of criteria, against which companies are assessed, provides guidance on environmental, economic and social sustainability as well as governance best practice. The Index further offers a platform to recognise listed companies that incorporate sustainability principles into their everyday business practices and is a tool which investors can use to assess companies on a broader base.

The International Council on Mining and Metals (ICMM)



ARM became a member of the ICMM in September 2009 because it shares the ICMM vision of a respected mining and metals industry which is widely recognised as essential for society and a key contributor to sustainable development. The ICMM is a CEO-led organisation representing some of the world's largest mining, minerals and metals companies as well as regional, national and commodity associations.

As a member of the ICMM, ARM also subscribes to the Extractive Industries Transparency Initiative (EITI) – a global standard that promotes revenue transparency and the management of revenues from natural resources. The EITI is a combined initiative of governments, companies, civil society, investors and international organisations which support improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. The aim of the EITI is to strengthen governance which prevents the exploitation of natural resources by improving transparency and accountability in the extractive sector.


As a member of the ICMM, ARM is required to act in accordance with ICMM position statements and comply with the three elements of the ICMM Sustainable Development Framework, namely:


- i. implementation of the 10 ICMM Sustainable Development Principles throughout the business;
- ii. a commitment to transparent and accountable reporting practices (we continue to report in line with the GRI G3 framework); and
- iii. independent third-party verification that we are meeting the ICMM commitments.

The table below sets out how we are addressing each of the ten principles of the ICMM

ICMM Principles	Key management commitments and activities	Section
<p>1</p> <p>“Implement and maintain ethical business practices and sound systems of corporate governance”</p>	<p>The Board is the foundation of ARM's corporate governance systems and provides effective control through a clear governance structure that has established various Committees to assist it.</p> <p>The ARM Code of Conduct was updated during F2012 and all employees are subject to the Code, which includes specific clauses regarding bribery and corruption and provides the platform for enforcement. The Code covers issues such as proper conduct, respect for Human Rights, legal and regulatory compliance, conflicts of interest, employee equity, health and safety, environmental impacts, political activities, stakeholder interaction, share trading and administration of funds and assets.</p> <p>ARM actively participates in various industry bodies, particularly with respect to the Mining Charter and labour issues.</p> <p>We continue to implement policies and mechanisms (such as whistleblowing and internal audit) which are aimed at preventing and reporting of unethical behaviour.</p> <p>We continue to focus on and comply with legislative requirements.</p>	<p>Corporate Governance section page 34 and the full Corporate Governance report in the Integrated Annual Report</p>  
<p>2</p> <p>“Integrate sustainable development considerations within the corporate decision-making process”</p>	<p>Sustainable Development considerations are escalated to the Board, who carries the ultimate responsibility. Sustainability principles are integrated into the decision-making process through inclusion on the agenda of the Management Risk Committee, the Audit & Risk Committee and the Social and Ethics Committee. Group policies exist for Sustainable Development and each operation has its own policies and procedures, which are aligned with the Group policies, and most operations have obtained ISO 14001, 9001 and OHSAS 18001 certification.</p> <p>ARM has integrated sustainable development issues into the enterprise risk management system on operational and corporate level and these issues are addressed and resourced with oversight from the Management Risk Committee and the Audit and Risk Committee.</p> <p>The principles of sustainability are applied at all stages in our operations: from planning and designing through operation, provision for rehabilitation and closure.</p> <p>We engage with all our stakeholder groups and facilitate training in sound sustainable development, both on corporate and operational level.</p> <p>We actively participate in the structures of the ICMM through benchmarking, learning and implementing best practice.</p>	<p>Our strategy page 4; the Executive Chairman's report pages 12 – 16; the Chief Executive Officer's report pages 18 –19 and Our approach to sustainability page 20</p>



ICMM Principles	Key management commitments and activities	Section
<p>3</p> <p>“Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities”</p>	<p>First and foremost, ARM adheres to the Constitution of South Africa, which is the primary source of national guidance on respect for human rights.</p> <p>ARM publicly discloses that its Code of Conduct bans any use of forced, compulsory and child labour by the Company, its suppliers or contractors.</p> <p>Fair remuneration is an ongoing discussion point with employees and unions and all non-management employees are afforded freedom of association. Approximately 80 % of the workforce are unionised.</p> <p>We engage with our employees and unions on an ongoing basis and at various levels on matters of mutual concern.</p> <p>We continuously review and ensure implementation of policies and procedures designed to eliminate harassment and unfair discrimination as well as maintain the anonymous whistleblowing facility.</p> <p>We embrace our cultural diversity and are committed to the process of transformation in our business.</p> <p>ARM respects the culture and heritage of the communities around our operations.</p>	<p>Corporate Governance section page 34</p> <p>Human capital section page 72</p>
<p>4</p> <p>“Implement risk management strategies based on valid data and sound science”</p>	<p>ARM has a comprehensive risk management system including policies and procedures in place at both the corporate and operational levels. Each operation has its own risk register which is updated on a quarterly basis, and submitted to Group for quarterly consolidation and review by the Management Risk Committee, which reports to the Audit and Risk Committee of the Board.</p> <p>The risk determination process is an on-going process that seeks to identify and/or mitigate risks proactively (where possible), and also utilises information flowing from stakeholder engagement activities, particularly at the operational level.</p> <p>Stakeholder engagement and communication is structured primarily around the need to ensure that all potentially affected parties are kept abreast of any significant risks from mining, minerals and metals operations and of ARM’s measures to mitigate the potential risks.</p> <p>Each operation has specific ‘balanced scorecards’ that include the following risks: electrical supply interruption, fires and explosions, flooding, mechanical, mining and other risks.</p> <p>It should be noted that ARM’s Risk Report (a confidential document for insurance purposes) includes comprehensive discourses around physical risks at each operation, as well as explanations of how ARM manages and mitigates these risks.</p> <p>External physical risk management audits which include consideration of control effectiveness are conducted at each operation annually for insurance purposes.</p> <p>We will continue to improve the risk assessment process in all areas of our business, including the social, health, safety, environmental and economic impacts associated with our activities.</p>	<p>Corporate Governance section page 34 and the full Corporate Governance report in the Integrated Annual Report</p> <p></p>

ICMM Principles	Key management commitments and activities	Section 
<p>5</p> <p>“Seek continual improvement of our health and safety performance”</p>	<p>Health & Safety performance is an ongoing priority area for ARM, as reflected by its positioning as one of the top risks.</p> <p>Safety concerns include the top activity-specific risks such as falls of ground, working at heights, fatigue, moving machinery, etc., whereas health concerns include issues such as noise, HIV & Aids, TB, chronic diseases and employee wellness.</p> <p>Every operation undergoes an annual external legal compliance audit, which includes safety & health. Every second year, as a directive from the Board, external legal and process experts audit each operation to ensure that policies, procedures and systems adequately mitigate risks.</p> <p>All employees undergo health and safety training as a function of their initial induction training, as well as regular refresher courses and on-the-job specific training.</p> <p>All employees, contractors and suppliers undergo relevant health and safety training and undergo medical fitness surveillance prior to commencing work.</p> <p>ARM, through annual reporting on compliance with the Mining Charter Scorecard, participates in the Mining Industry Occupational Safety and Health (MOSH) benchmarking process, using evaluations as an opportunity to identify improvement areas and implement best practice.</p> <p>Occupational health and wellness is being integrated to ensure entrenchment of hazard identification and risk assessment in terms of the hygiene and health implications of all activities.</p> <p>ARM’s operations implement safety and health management systems (OHSAS 18001 certification and alignment to these systems where certification has not yet been obtained) which focus on continual improvement and mitigation of risk to the health and safety of our employees, contractors and the communities where we operate.</p>	<p>Safety section page 46</p> <p>Occupational health and wellness section page 56</p> <p>TB, HIV & Aids section page 64</p>
<p>6</p> <p>“Seek continual improvement of our environmental performance”</p>	<p>Environmental performance is an ongoing priority area, as reflected by the positioning of specific environmental issues within the list of the top Group risks. Environmental concerns include climate change, water consumption, energy consumption and related emissions, waste management, incidents, etc.</p> <p>All new projects and/or changes within operations include Environmental Impact Assessments (EIA) and Environmental Management Plans (EMP).</p> <p>Every operation undergoes an annual external legal compliance audit, which includes environmental management. Every second year, as a directive from the Board, external legal and process experts audit each operation to ensure that environmental policies, procedures and systems adequately mitigate risks.</p> <p>All employees and contractors undergo environmental training as a function of their initial induction training, as well as regular refresher courses and on-the-job specific training.</p> <p>Corporate Standards have been drafted and have been updated and include environmental monitoring, rehabilitation, waste management, biodiversity and the reporting of environmental incidents.</p> <p>As per mining legislation, all mines have closure plans and financial provisions for environmental liability in terms of rehabilitation and closure are set aside on an annual basis and are audited.</p> <p>All of our operations have implemented environmental management systems (and most are certified in terms of ISO 14001) which focus on continual improvement.</p>	<p>Environmental section page 106</p>

ICMM Principles	Key management commitments and activities	Section
<p>7</p> <p>“Contribute to conservation of biodiversity and integrated approaches to land-use planning”</p>	<p>ARM has biodiversity action plans for all sites, including ARM’s commitments to protected areas such as wetlands, zones of endemism, archaeological and heritage sites, protected and endangered species (as per IUCN).</p> <p>Where applicable, ARM provides access to sites for scientific research purpose and often works in concert with Government and/or academic institutions to promote biodiversity protection, including relocations of protected species and removal of alien vegetation.</p> <p>Land use planning is a function of EIA and/or EMP processes, and is addressed within community forums and meetings with local municipalities and other affected stakeholders.</p> <p>We provide training to employees, contractors and communities in regard to sensitive and endangered species around our operations.</p>	<p>Environmental section page 106</p>
<p>8</p> <p>“Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products”</p>	<p>ARM participates in Industry Forums such as the ICMM and Chamber of Mines and keeps abreast of insights and developments relating to the properties of metals and minerals and their life-cycle effects on human health and the environment.</p> <p>ARM does not directly sell/market products, this is done through agreements with our respective joint venture partners. As a responsible mineral extraction company, ARM is a member of the ICMM’s Materials Stewardship Task Force to keep abreast of developments and best practice in this area.</p> <p>ARM, with its joint venture partners, develops and provides regulators and other stakeholders with comprehensive material safety data sheets and information regarding our products and operations.</p>	<p>Product stewardship page 126</p>
<p>9</p> <p>“Contribute to the social, economic and institutional development of the communities in which we operate”</p>	<p>ARM actively participates in the socio-economic development of the communities affected by its operations. Socio-economic impact identification and mitigation forms part of the EIA process for all new projects, as well as for changes to operations whereby ARM engages with interested and affected parties during planning of new projects or change/expansion to our operations, to communicate regarding concerns, issues or conflicts arising from our activities.</p> <p>ARM has lodged applications for conversion of all its mining licences to new order mineral rights, including social & labour plans for all of its mining operations. The majority of these have been approved while a few are still being finalised in consultation with the DMR.</p> <p>Closure plans include Socio-Economic Development (SED) initiatives, and there is a growing trend towards linking Enterprise Development (ED) initiatives to post-mining strategies.</p> <p>ARM actively engages as appropriate with Government and Non-Governmental Organisations for the purpose of developing partnerships (or to link strategies) to ensure that community health, education, local business development and infrastructure development programmes are well designed and effectively delivered.</p> <p>Poverty alleviation and job creation (ex-mining) are key elements within the SED/CSI strategies of all of ARM’s operations.</p> <p>We will continue to contribute to development that is aligned with our transformation targets, aiming to further the agenda of previously disadvantaged groups and minority groups.</p>	<p>Environmental section page 106</p> <p>Corporate social responsibility page 96</p> <p>Transformation page 82</p>



New building for home-based care, Black Rock Mine

	ICMM Principles	Key management commitments and activities	Section
10	<p>“Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders”</p>	<p>The ARM risk management process has identified stakeholder engagement as one of the top risks to be closely monitored and managed. We have an extensive stakeholder engagement process in place, both on the corporate and operational levels with dedicated senior and executive resources who seek to engage with our stakeholders in a transparent and constructive manner.</p> <p>Stakeholder and community engagement is part of the agenda of operational, divisional and Board meetings.</p>	<p>Stakeholder engagement section page 28</p>

Comment from Sustainability Assurance Provider:

As part of the scope of work to provide independent third party assurance over ARM's sustainability reporting, Integrated Reporting & Assurance Services (IRAS) conducted an assessment of ARM's ethics policies and procedures, in line with King III recommendations. Based on our review, it appears that ARM has a robust system of policies – including the recently updated Code of Conduct – procedures and controls in place to meet reasonable expectations for monitoring and measuring of ethical compliance.

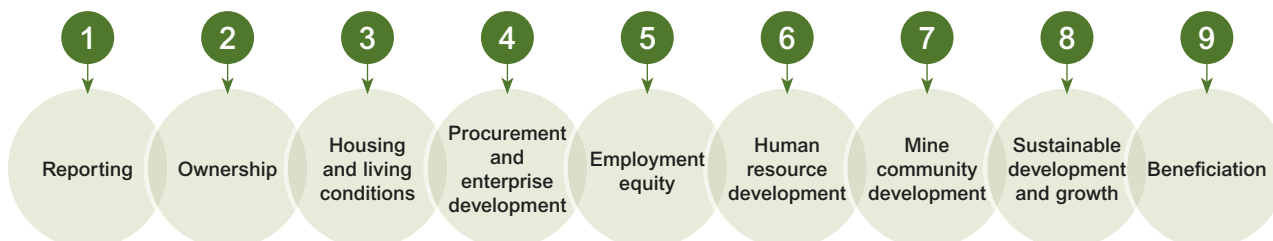


For more information, go to the assurance statement on page 127 of this report.

The Mining Charter

ARM is committed to the spirit of the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (the Mining Charter), which is to bring about “a globally competitive mining industry that draws on the human and financial resources of all of South Africa’s people and offers real benefits to all South Africans”.

The Mining Charter was developed through a consultative process between Government, labour and the mining industry, and was ratified in October 2002. Measures for assessing the contribution of mining companies to the socio-economic goals of the Mining Charter were developed. The Mining Charter was revised in September 2010. Revisions included amendments to the Scorecard and the nine key elements which focus on:



Full details of ARM’s compliance with the requirements of the Mining Charter can be found in the Transformation section of this report.

UN Global Compact

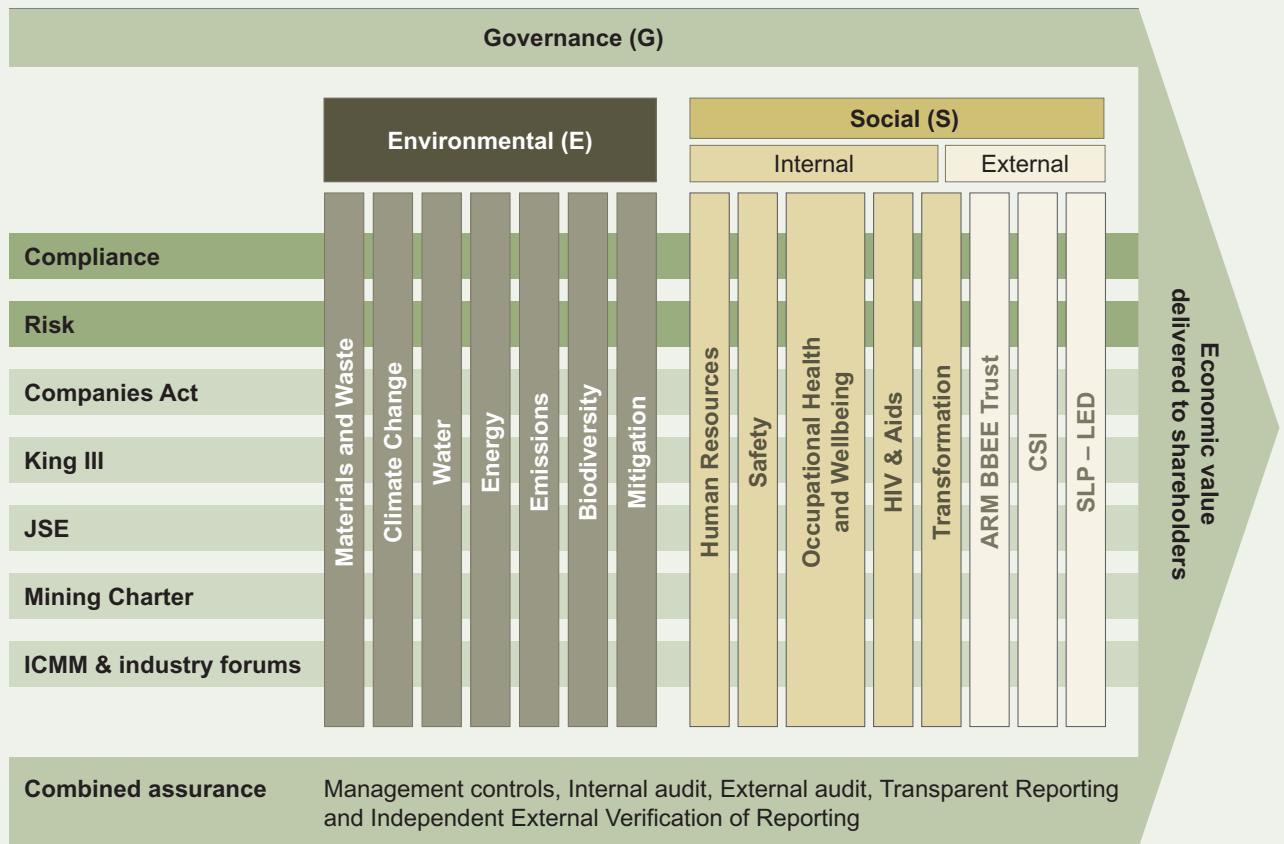
The UN Global Compact (UNGC) is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten principles in the areas of human rights, labour, environment and anti-corruption. The Regulations to the Companies Act require the Social and Ethics Committee to monitor the Company’s activities against these ten principles.

ARM recognises the importance of the ten principles of the UNGC and is committed to upholding them as they apply to its business.

United Nations Global Compact Principles		Section	Page Ref
Human Rights – Businesses should:			
Principle 1	● support and respect the protection of internationally proclaimed human rights	Corporate Governance	page 39
Principle 2	● make sure that they are not complicit in human rights abuses	Corporate Governance	page 39
Labour - Businesses should uphold:			
Principle 3	● the freedom of association and the effective recognition of the right to collective bargaining	Human capital	page 75
Principle 4	● the elimination of all forms of forced and compulsory labour	Our approach to sustainability	page 21
Principle 5	● the effective abolition of child labour	Our approach to sustainability	page 21
Principle 6	● the elimination of discrimination in respect of employment and occupation	Our approach to sustainability	page 22
Environment - Businesses should:			
Principle 7	● support a precautionary approach to environmental challenges	Environmental section	page 106
Principle 8	● undertake initiatives to promote greater environmental responsibility	Environmental section	page 106
Principle 9	● encourage the development and diffusion of environmentally friendly technologies	How our products make a difference	page 5
Anti-corruption			
Principle 10	● Businesses should work against corruption in all its forms, including extortion and bribery	Corporate Governance	page 39

During F2012, we continued to broaden our approach to sustainability reporting and have further integrated issues material to our sustainability into our risk management system. We are in the process of revising our sustainable development model to incorporate our combined assurance process and will continue to use the model to integrate sustainability across our business.

ARM's sustainable development model



Managing sustainability in our business

The Executive: Sustainable Development reports to the Chief Executive Officer of ARM with oversight from the Social and Ethics Committee (formerly called the Sustainable Development Committee). She is responsible for reviewing sustainable development policies, strategies and targets and ensuring that they are aligned with the Board's commitment to zero tolerance of harm throughout our business.

The purpose of the Social and Ethics Committee is to monitor and report on the manner and extent to which ARM protects, enhances and invests in the economy, society and the natural environment in which ARM operates in order to ensure that its business practices are sustainable. The Committee also reviews and considers the efficacy of ARM's systems to promote local economic development opportunities to enable historically disadvantaged South Africans (HDSAs) to develop economically while meeting the requirements of mining rights conversions, the Mining Charter and other requirements detailed in the Mineral and Petroleum Resources Development Act, 2002 and other legislation.

The Social and Ethics Committee has three members, all of whom are Independent Non-executive Directors as described in the Corporate Governance report in the Integrated Annual Report.

The ARM Management Risk Committee is a management sub-committee of the Audit and Risk Committee tasked with assisting the Audit and Risk Committee in discharging its duties relating to risk matters. It does this by implementing, co-ordinating and monitoring a risk management plan, policy and processes to ensure that broader strategic and significant business risks are identified and quantified with attendant controls and management assurance. The Leader: Risk Management and Executive: Sustainable Development attend the Social and Ethics Committee meetings, are members of the Management Risk Committee and are instrumental in integrating sustainability risks which are identified on operational and corporate level, into ARM's comprehensive risk management process. Both these individuals attend Board meetings to respond to any risk-related matters raised by the Directors.

Our Sustainability model aligns to both King III and the JSE Socially Responsible Investment (SRI) Index requirements. The JSE SRI Index is based on criteria that identify requirements that companies must meet in order to show that they have integrated triple bottom line (TBL) practices into their activities. The indicators are structured along three broad categories: Environmental, Social and Governance (ESG). In line with our model, our most material issues can be classified as economic, social and environmental in nature while ensuring that we maintain the highest standards of corporate governance.



Stakeholder engagement



Wheel chair hand-over, Khumani Iron Ore Mine

As part of our ongoing refinement of our strategy and approach to sustainable development we engage with stakeholders to identify, understand and address their key concerns wherever possible.

Earning the trust of the communities in which we operate is essential if we are to continue to gain access to vital resources and retain our licence to operate. We build trust through interactions with stakeholder groups as part of a process aimed at understanding those issues of material interest to our priority stakeholders, and responding to expectations.

Our approach to stakeholder engagement is guided by:

Our values	ARM is respectful of all our stakeholders and is committed to open, two-way engagement with all our stakeholders, including our employees, employee representatives, regulators, communities, customers, suppliers, business partners and shareholders.
ICMM	Principle 10 – Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.
King III	King III recommends the stakeholder inclusive approach to corporate governance.
Legislation	National Environmental Management Act (NEMA) and other relevant legislation.

Our approach to stakeholder engagement

We have identified a broad range of internal and external stakeholders who have a material interest in or are affected by ARM and have assessed our involvement with them, or our potential impact on them, at a corporate and operational level.

ARM has a formal stakeholder engagement process in place. There is a stakeholder communication policy included in the Code of Conduct and a more comprehensive stakeholder communications/engagement policy is being developed. The Company has an Executive Director: Corporate Affairs and has appointed a Senior Executive: Corporate Affairs for ARM supported by Divisional senior management.

Each ARM operation engages with stakeholders in a manner appropriate to their specific needs and concerns. Currently, operations keep engagement reports and minutes. ARM recognises that there is scope for improving on our current practice, and that these interactions need to be formalised to ensure that learnings are documented and shared effectively at both operational and corporate level.

A new stakeholder engagement approach is being piloted at Black Rock Mine.

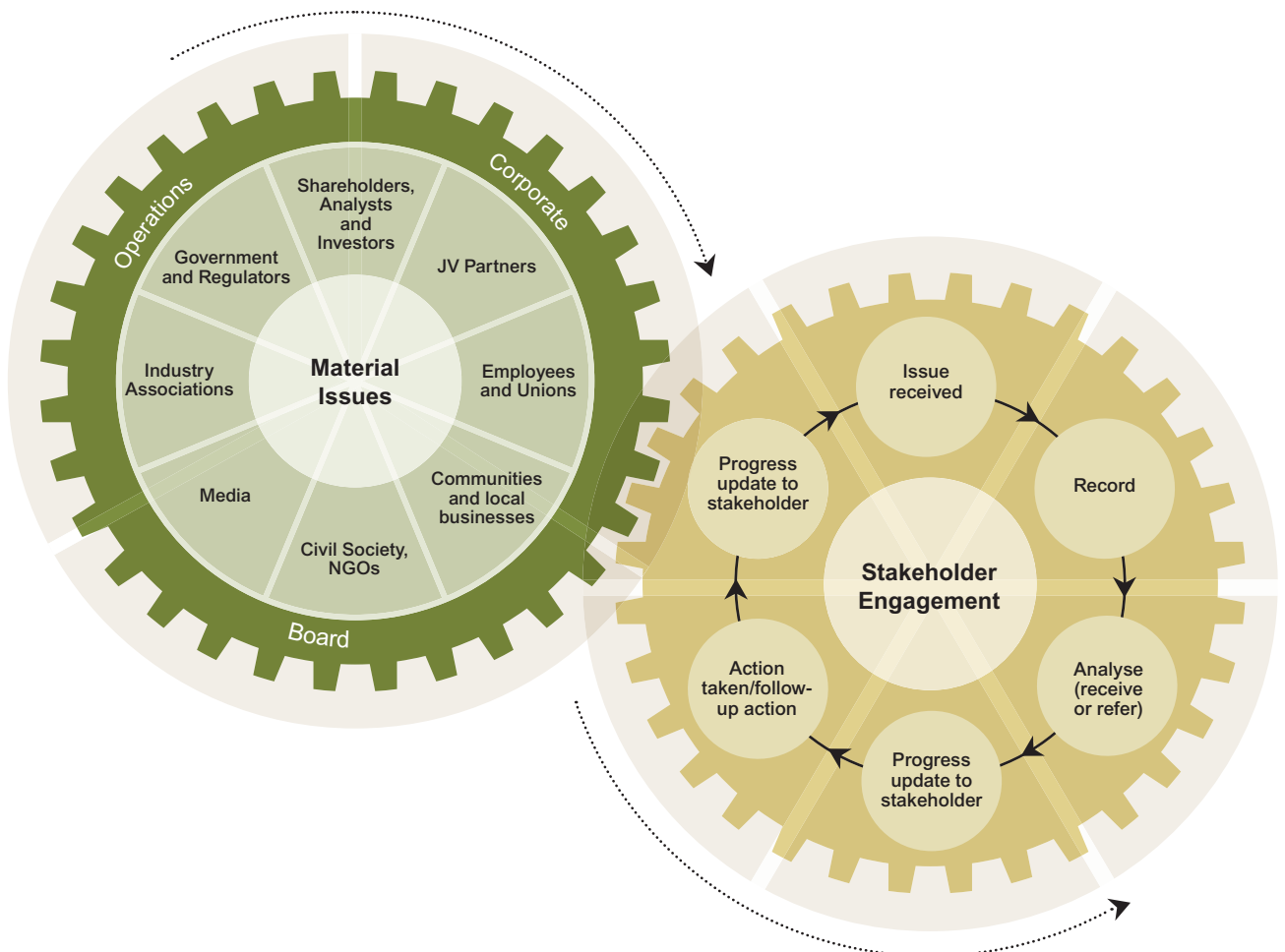
We categorise our stakeholders as:

- Those directly affected, both positively and negatively, by the activities of ARM;
- Interested parties who, while not directly affected by the activities of ARM have an interest in them; and
- Authorities at all levels (local, regional and national).

We use a broad range of methods to engage with stakeholders and dialogue and feedback are encouraged. Engagement includes:

- face-to-face formal or informal meetings (including our Annual General Meeting);
- media and stock exchange announcements, presentations to investors, potential investors and business partners;
- conference calls;
- the ARM website (www.arm.co.za);
- our Integrated Annual Report and Sustainability Report;
- the intranet site available to our employees;
- open days and operational site visits;
- perception studies and reputation audits;
- whistleblowing facilities and formal grievance mechanisms;
- multi-stakeholder forums and workshops;
- dedicated email and telephone facilities;
- regular customer, business partner and supplier meetings;
- cultural, social and environmental impact assessments; and
- formal consultation and audit processes.

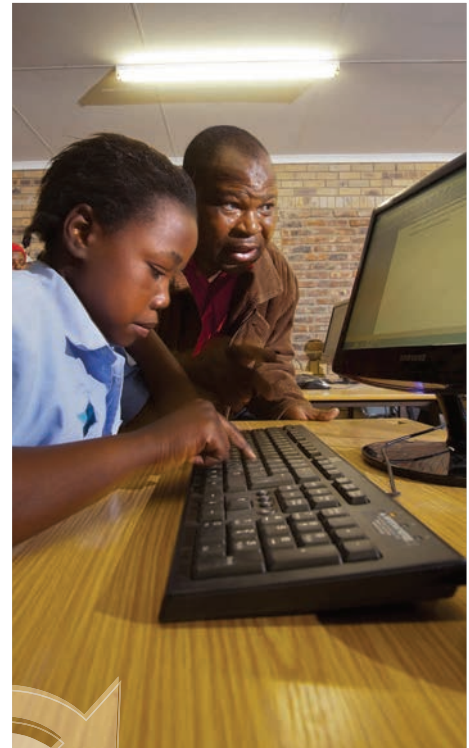
An overview of the nature of current stakeholder interactions, the key issues of concern and interest raised by various stakeholder groups, and ARM's response to these, are set out in the figure below.



Principal methods and frequency of engagement	Issues raised by stakeholders	How ARM is responding
Shareholders, institutional shareholders, analysts, investor relations		
<p>Annual General Meeting.</p> <p>One-on-one meetings with institutional investors in South Africa, the United Kingdom and North America.</p> <p>Roadshows after interim and final results.</p> <p>Conferences.</p> <p>ARM's website provides updates on the Company's operations, financial performance and other information.</p> <p>A comprehensive investor relations programme to communicate with domestic and international institutional shareholders, fund managers and investment analysts.</p>	<p>Ensuring growth (volumes, earnings); reduction in costs and improvement in cost controls; where appropriate, divestment due to a lack of fit within the Group.</p> <p>Skills attraction, retention and development; transformation/employment equity; dividends and share price.</p> <p>Due to a high percentage shareholding from off-shore, ARM needs to remain globally competitive.</p> <p>Managing TB, HIV & Aids.</p> <p>Mineral rights conversions and mining licences.</p>	<p>ARM is committed to transparent, comprehensive and objective communications with its stakeholders.</p> <p>ARM's Investor Relations department is responsible for communication with institutional shareholders, the investment community and the media.</p> <p>ARM holds discussions with JV partners and management to raise awareness of the concerns and expectations of analysts and fund managers.</p> <p>Regular meetings, promoting open communication and transparency.</p> <p>Summaries of the decisions taken at shareholders' meetings are disclosed on the Company's website following the meetings.</p>
Joint venture partners		
<p>Ongoing management interaction during the ordinary course of business.</p> <p>Monthly executive management meetings.</p>	<p>Sustainable development.</p> <p>Financial performance.</p> <p>Equitable treatment.</p>	<p>ARM holds itself to the highest ethical and governance standards in dealings with all stakeholders, including joint venture partners.</p>
Employees		
<p>Annual performance reviews.</p> <p>Annual internal results presentation.</p> <p>Regular internal roadshows.</p> <p>Annual employee surveys.</p> <p>Company intranet and website.</p>	<p>Remuneration.</p> <p>Training.</p> <p>Health and safety.</p> <p>Transformation.</p>	<p>ARM's Human Resources strategies aspire to being an employer of choice.</p> <p>ARM is committed to fair treatment and remuneration of its workers.</p> <p>ARM invests heavily in skills development and career planning programmes are in place to enable employees to develop to their full potential.</p>
Unions/organised labour		
<p>Monthly shop steward meetings.</p> <p>Other meetings as required.</p>	<p>Employment-related issues, including remuneration, training, health and safety, and transformation.</p>	<p>ARM strives to maintain good relationships with unions as an essential part of being a partner and employer of choice.</p> <p>ARM concludes recognition agreements with one or more unions where the required representation levels are reached.</p>
Civil society, communities, NGOs		
<p>All operations have Social Investment Forums to discuss investments in the communities surrounding operations.</p> <p>In most communities, monthly/quarterly meetings are held to discuss LED/SED/CSI projects.</p> <p>Participation in the Future Forums.</p> <p>Community Open Days (CODs) occur anywhere from six-monthly through to annually.</p> <p>Changes or expansions to our current operations require engagement with communities through stakeholder consultation processes as prescribed by the Regulations of the National Environmental Management Act (NEMA).</p>	<p>The needs of the community.</p> <p>Status, challenges and management of social projects.</p> <p>Planned changes/expansions at our operations.</p> <p>Environmental issues and environmental management performance which affect communities.</p>	<p>ARM sets up specialised discussions/meetings to engage with communities about their specific concerns.</p> <p>Attendance registers and minutes of these meetings are kept.</p> <p>Sharing information and building relationships with communities through CODs.</p>



Mmabana Crèche, Two Rivers Platinum Mine



Madibeng School Computer Centre, Two Rivers Platinum Mine

Principal methods and frequency of engagement	Issues raised by stakeholders	How ARM is responding
Government		
<p>Local and provincial government are engaged with respect to Local Enterprise Development (LED) projects, licences and compliance legislation. Continuous liaison, depending on the purpose of the engagement.</p> <p>ARM engages with National government on matters of policy-making and as required.</p> <p>Reports are submitted by the local operations on Socio-Economic Development (SED) basis – sometimes monthly, but mostly on a quarterly and annual basis.</p>	<p>Social investment.</p> <p>Health and safety.</p> <p>Environmental management.</p> <p>Transformation.</p> <p>Regular progress reports and updates, e.g. on implementation of Social and Labour Plans.</p>	<p>ARM reports on SED programmes around the operation, as they form part of LED strategies, and must be closely aligned to these strategies.</p> <p>ARM monitors projects to ensure alignment and use shared experiences including outcomes from community engagement sessions to guide/inform local government strategies.</p>
Local business		
<p>Depending on the area, regular meetings are held to consider issues that are common within the industry (e.g., the Steelport Producers' Forum which consists of 15 different companies).</p>	<p>Local economic development.</p> <p>Industry issues.</p>	<p>Meeting notes are summarised on a meeting-by-meeting basis.</p>

Stakeholder engagement continued

Principal methods and frequency of engagement	Issues raised by stakeholders	How ARM is responding
Industry Associations		
ARM is a member of the Chamber of Mines (South Africa). Engagement is mostly in the form of meetings, which take place monthly or as required.	Sustainable development in terms of the Mining Charter. Labour issues. Financial sustainability of the industry. Other industry issues.	ARM is represented on the Executive Committee, various Policy Committees and Work Groups as well as the Mining Industry Occupational Safety and Health (MOSH) Task Force (established towards meeting the Mine Health and Safety Act (MHSA) milestones for 2013 in terms of safety and health through sharing and implementation of best practice in the mining industry).
ARM is a member of the ICMM. The Council meet six-monthly in addition to regular telephonic meetings and discussions.	Implementation of principles, best practice, agenda items.	ARM is represented on the Council, Executive Working Group and Task Forces.
ARM is a member of the Ferro-Alloys Producers' Association (FAPA). Meetings take place, on average, quarterly.	Agenda issues, mostly safety, health and environmental related.	ARM participates as required.
ARM is a member of various other industry bodies, including the Association of Mine Managers of South Africa (AMMSA), the Association of Resident Engineers, Business Unity South Africa (BUSA), Water Users' Associations and the Energy Intensive User Group. Participation takes place in meetings and events.	Sustainable development. Labour issues. Financial sustainability of the industry. Other industry issues.	ARM participates as required.
Bankers and funders		
Debt funding by term loans and general banking facilities as well as day-to-day banking operations.	No material issues raised.	Ongoing maintenance of banking relationships through meetings and general discussions.
Customers		
Continual interactions in the ordinary course of business. Annual contractual negotiations. Regular service level agreement renewals.	Product quality. Timing of product delivery.	ARM has processes in place to ensure consistency of product quality. ARM contracts with logistics and freight service providers including Transnet.
Suppliers		
Continual interactions in the ordinary course of business. Annual contractual negotiations. Regular service level agreement renewals.	Fair payment terms. Fair treatment.	ARM's payment terms are in line with industry standards. ARM operates on an ethical business and does not tolerate unfair discrimination.
Media		
One-on-one interviews where requested. Press releases as necessary. Media contact function on the Company website.	Access to management.	ARM is committed to transparent, comprehensive and objective communications with its stakeholders. ARM's Investor Relations department is responsible for communication with institutional shareholders, the investment community and the media.



Badplaas water treatment plant upgrade, Nkomati Mine

Corporate governance



PCMZ Plant, Nkomati Mine

Corporate governance provides the rules by which we govern our business and the processes we have in place to enforce these rules and make sure that they are being applied in our dealings with all our stakeholders. ARM recognises that a sustainable business can only be built on an ethical foundation and aligned with the highest standards of corporate governance.

ARM is a public company listed on the JSE Limited (JSE). We comply with the JSE Listings Requirements, applicable statutes, regulatory requirements and other authoritative directives that regulate our conduct. We also comply with the good governance principles required for inclusion in the JSE's Socially Responsible Investment (SRI) Index and ARM was again included in the SRI in 2011.

This governance overview provides an outline of our corporate governance structures, processes and approach. For a full discussion of corporate governance at ARM, please refer to the comprehensive Corporate Governance report in the 2012 Integrated Annual Report.

Our approach to corporate governance is guided by:

<p>Our values</p>	<p>ARM has a governance structure in place designed to ensure that the highest standards of corporate governance are maintained and that the Board retains effective responsibility and exercises control over the Company. The Board's actions reflect our commitment to integrity and ethical behaviour.</p> <p>ARM provides an environment which encourages our employees, contractors and business partners to behave ethically and to demonstrate a commitment to the highest standards of personal and professional integrity. This includes conducting business in a reasonable manner, in good faith and in the interests of ARM and all our stakeholders.</p>
<p>ICMM</p>	<p>Principle 1 – Implement and maintain ethical business practices and sound systems of corporate governance.</p> <p>Principle 10 – Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.</p>
<p>King III</p>	<p>The King Report on Governance for South Africa, 2009 and the King Code of Governance Principles (King III), collectively set out guiding principles for corporate governance. King III came into effect for years ending after 1 March 2011. As a JSE-listed company, ARM is obliged to apply these principles.</p>
<p>The Companies Act</p>	<p>The Companies Act 71 of 2008, as amended, came into effect on 1 May 2011. ARM has a programme in place to achieve compliance with the new obligations imposed by the Companies Act.</p>
<p>The JSE Listings Requirements</p>	<p>The JSE Listings Requirements require the application of King III.</p>

ARM's Board of Directors (the Board) is the foundation of the Group's corporate governance systems and is accountable and responsible for all aspects of ARM's performance. The Board retains effective control through a clear governance structure and has established Committees to assist it, in accordance with the provisions of ARM's Board Charter. The Board recognises that delegating authority does not reduce the responsibility of Directors to discharge their statutory and common law duties.

To ensure consistent standards of governance and internal controls, the Company's subsidiaries and joint ventures have established boards and committees, as appropriate to each entity's legal form.

King III

The King Report on Governance for South Africa 2009 and the King Code of Governance Principles (King III) collectively offer best practice corporate governance guidelines for all South African organisations. ARM supports the principles and practices set out in King III and has taken steps to ensure that it complies with its recommendations and requirements.

King III requires that where an organisation does not apply the guidelines in King III an explanation should be provided. ARM applies the guidance provided by King III except for the exceptions noted in the Corporate Governance report in the Integrated Annual Report.

ARM commissioned Integrated Reporting & Assurance Services (IRAS) to conduct an assessment of the Company's compliance with King III's "apply or explain" recommendations. IRAS found no concerns relative to ARM's assertions regarding the specific recommendations.



A table summarising ARM's application of the King III principles is set out on pages 122 to 124 of the Corporate Governance report in ARM's 2012 Integrated Annual Report.

Developments in F2012

ARM uses developments and governance trends as an opportunity to review its governance structures, identifying how these impact our divisions and operations and assessing and addressing any gaps. These are addressed through action plans and regular monitoring and reporting to the appropriate governance structures and Board Committees.

During F2012 a number of policies and procedures were implemented, including the following:

- The Code of Ethics was revised by the Board in June 2011 and renamed the Code of Conduct. Online Code of Conduct training was rolled out in F2012.
- An annual evaluation of the independent status of the Directors was conducted in accordance with King III standards and JSE Listings Requirements criteria.
- The Company prepared a comprehensive Sustainability Report for F2011, which was independently assured at a moderate (Type II) level of assurance in terms of the AccountAbility AA1000AS (2008) Standard.
- ARM developed a Combined Assurance Model which is being rolled out to the divisions.
- An Information Technology (IT) Governance Framework and Charter as well as the IT Strategy were approved by the Board in August 2012.

- A Legal Compliance and Regulatory Policy was adopted by the Company.
- A Sustainability Model has been developed and is revised continually to take account of legislative and other changes and best practice.

In addition to the stakeholder communication policy included in the Code of Conduct, the development of a more comprehensive stakeholder communication/engagement policy is in progress. In addition, the Company has an Executive Director: Corporate Affairs, and an Executive: Business Development and Investor Relations and has appointed a Senior Executive: Corporate Affairs for ARM.

Combined assurance

ARM and its divisions have a number of management and control assurance-providing initiatives and processes in place including:

- Monthly performance reviews of operations through Operational Committee meetings;
- Quarterly performance reviews of operations through Executive Committee meetings;
- Quarterly ARM Management Risk Committee meetings;
- Quarterly Operational Sustainable Development Committee meetings;
- Quarterly ARM Social and Ethics Committee (formerly called the Sustainable Development Committee) meetings;
- Regular Operational/Divisional Audit Committee meetings;
- Quarterly ARM Audit and Risk Committee meetings;
- Regular joint venture Board and Executive Committee meetings; and
- Quarterly ARM Board of Directors (the Board) meetings.

These meetings and regular reviews form an important part of the combined assurance process, ensuring appropriate oversight of management processes and the management and mitigation of associated risks to an acceptable level. ARM's combined assurance model recognises three levels of control: operational management, oversight functions and external assurance providers.

ARM's commitment to improving our sustainable development performance and reporting includes referring to the guidelines and expectations of a number of frameworks. This Sustainability Report has again been drafted in accordance with the GRI G3 sustainability reporting guidelines as well as the GRI's Mining and Minerals Supplement. We have embarked on a phased external assurance process and again appointed SustainabilityServices.co.za to provide Independent Third-Party Assurance of the report. We have met the GRI G3's requirements for Application Level A+ (please refer to the Independent Assurance Statement later in this report on pages 127 – 129). The assurance process has greatly assisted us in identifying areas for improvement in terms of our reporting and we are committed to continuous improvement in this regard and implementing the recommendations stated in the Independent Assurance Statement.

Governance structure

The Board

ARM has a unitary Board comprising 14 Directors, nine of whom are Independent Non-executive Directors. One is a Non-executive Director, who is not independent, and five are Executive Directors. Six of the Company's 14 Directors (43%) are black. Two Directors (14%) are black female Directors.

All Directors are required to maintain high standards of integrity and ethical behaviour.

Independence

In order to ensure that the Board controls the business objectively, in the best interests of all stakeholders and without conflict of interests, the majority of Directors are Independent Non-executive Directors (they are not closely linked to, or employees of, the Company). The classification of Independent and Non-executive Directors is determined by the Board on the recommendation of the Nomination Committee in accordance with the guidelines set out in King III. In determining the independence of the Independent Non-executive Directors, character and judgement are considered, together with any of their relationships or circumstances which are likely to affect, or could appear to affect, their judgement and with due regard to the criteria for determining independence as set out in King III.

The Independent Non-executive Directors are highly experienced and have the skills, background and knowledge to fulfil their responsibilities.

Details of new appointments to the Board and subcommittees, as well as meeting attendance, are discussed in the Corporate Governance report contained in the 2012 Integrated Annual Report.

Executive Chairman and Chief Executive Officer

The roles of Executive Chairman and Chief Executive Officer (CEO) are separate and distinct. ARM's Executive Chairman, Mr Patrice Motsepe, contrary to the independence requirements of King III, is an executive representing the Company's largest shareholder, which held 40.84% of the Company's share capital at 30 June 2012. ARM is satisfied that the non-independence of the Executive Chairman is adequately addressed by the composition of the Board and particularly by the appointment of a Lead Independent Non-executive Director, Dr Manana Bakane-Tuoane, in accordance with and as required by King III.

In addition to the general requirements for the re-election of Directors set out in the Company's Articles of Association, the Executive Chairman is required to be elected by the Board annually. Mr Motsepe was re-elected as Executive Chairman for the period of one year commencing 1 January 2012. The CEO is appointed by the Board.

Succession

The Company has a succession plan for Executive Directors and senior management, which provides for the sustainability of the business of the Company. The Company continuously strives to improve its talent pool through a comprehensive and focused plan for management, career development and recruitment. The Company adopts an integrated approach to succession planning. For example, the Social and Ethics Committee regularly reviews reports on leadership and employment equity programmes, and reports on developments in these areas to the Board. The Remuneration Committee monitors the remuneration framework, which includes incentives to attract and retain management. As a result, the Board is satisfied that the ongoing efforts to strengthen leadership provide short- and long-term management depth.

Following a succession process led by the Nomination Committee, Mr M P Schmidt was appointed the Chief Executive Officer Designate and an Executive Director of the Company with effect from 1 September 2011 to work with Mr Wilkens for six months as part of a hand over process. Mr Schmidt took over as Chief

Executive Officer of ARM on 1 March 2012 and Mr Wilkens continues to serve on the Board as the Executive Director: Growth and Strategic Development in the Executive Chairman's office.

Board Charter

The Board Charter, which was approved in May 2009, was amended and approved by the Board in June 2011 to ensure compliance with King III and the Companies Act 71 of 2008, as amended by the Companies Amendment Act 3 of 2011, and the Regulations thereto (the new Companies Act). The Board Charter provides guidelines to Directors in respect of, *inter alia*, the Board's responsibilities, authority, composition, meetings and the need for performance evaluations. The roles and responsibilities set out in ARM's Board Charter are available in the Corporate Governance section of the 2012 Integrated Annual Report.

The Board Charter also provides for a clear division of responsibilities to ensure a balance of power and authority, so that no one Director has unfettered powers of decision-making. The Board agreed to postpone a detailed review of the Board Charter until the Company's new Memorandum of Incorporation had been presented to and approved by shareholders.

Assessment

The Board is committed to transparency in assessing the performance of the Board, its committees and individual Directors, as well as the governance processes that support Board activities. The effectiveness of the Board and its committees is assessed annually. The most recent assessment was conducted in F2012. Independent external advisors assisted the Nomination Committee and the Executive Chairman with evaluation of the Board, its committees and individual Directors including the Executive Chairman, the CEO and the Company Secretary.

The findings of the 2012 assessment will be considered by the Board in F2013.

Board Committees

The Board has established Committees to assist it in fulfilling its responsibilities in accordance with the provisions of the Company's Board Charter. Nonetheless, the Board acknowledges that the granting of authority to its committees does not detract from the Board's responsibility to discharge its duties to the Company's shareholders.

The Committees report to the Board at each Board meeting and make recommendations in accordance with their Terms of Reference, which are reviewed annually to take into account applicable legislation and developments in best practice. These Terms of Reference set out the Committees' roles and responsibilities, functions, scope of authority and composition.

In F2011, the Terms of Reference were reviewed by the Committees and amendments were approved by the Board to reflect the requirements under King III and the new Companies Act. In F2012, the Audit and Risk Committee and the Social and Ethics Committee Terms of Reference were further amended. Amendments were also made to the Remuneration Committee and Nomination Committee Terms of Reference in August 2012.

The membership of the Board Committees currently consists solely of Independent Non-executive Directors. Until August 29 2012, ARM's Executive Chairman was a member of the Nomination Committee; King III provides that the chairman of a board may be a member of a nomination committee. Each Committee is chaired by an Independent Non-executive Director.



Construction of the concentrator plant at Lubambe Copper Mine

Committees and their functions (roles and responsibilities)

Non-executive Directors' Committee

The Committee comprises all of the Non-executive and Independent Non-executive Directors and meets formally on a quarterly basis (without ARM management). Meetings are chaired by the Lead Independent Non-executive Director. The Committee discusses matters of importance to ARM.

Audit and Risk Committee

The Audit and Risk Committee is constituted as a statutory committee of the Board in terms of Section 94 of the Companies Act and its composition complies with the provisions of that section.

The Audit and Risk Committee assists the Board in discharging its duties to the Company and its stakeholders in relation to the:

- safeguarding of assets;
- operation of adequate systems, internal controls and control processes;
- preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards;
- enhancing of the reliability, integrity, objectivity and fair presentation of the affairs of the Company; and
- overseeing of financial and other risks in conjunction with the Social and Ethics Committee and has oversight of the Company's financial and integrated reporting processes.

The Management Risk Committee reports to the Audit Committee.

The Audit and Risk Committee acts as a forum for communication between the Board, management and the external and internal auditors; and performs a review function over all ARM operations.

To assist the Audit and Risk Committee, all operational joint ventures have audit committees. All six Audit and Risk Committee members are Independent Non-executive Directors, each of whom has extensive financial experience. The CEO, the Financial Director and senior executives attend meetings by invitation.

During the year under review, the Audit and Risk Committee's performance and effectiveness were evaluated and the Board is satisfied that the Audit and Risk Committee has complied with its Terms of Reference.

Nomination Committee

The Nomination Committee reviews the composition, structure and size of the Board and recommends appointments to the Board and its committees. It is responsible for developing the criteria used to select Directors as well as designing the orientation programmes for newly appointed Directors on their roles and responsibilities.

The Terms of Reference provide for the Nomination Committee to monitor succession planning for the Executive Chairman and the CEO, other Directors and senior management who are not Directors. The Terms of Reference of the Nomination Committee were amended by the Board in August 2012 to provide, *inter alia*, that the Committee must be chaired by the Lead Independent Non-executive Director for as long as the Board has an Executive Chairman. The Nomination Committee met once during F2012.

In 2012, the Nomination Committee considered reducing the number of Executive Directors on the Board from eight to five in line with global best practice. Following a recommendation to and approval by the Board such changes were made with effect from 1 June 2012.

Social and Ethics Committee (previously known as the Sustainable Development Committee)

The Social and Ethics Committee meets quarterly. The Social and Ethics Committee's objectives, which are set out in its Terms of Reference, are to achieve and maintain world-class performance standards in safety, health (occupational), the environment, HIV & Aids and social investment. It further operates to enable Historically Disadvantaged South Africans (HDSAs) to enter the mining industry as prescribed by the Minerals and Petroleum Resources Development Act and to ensure compliance with the Mining Charter Scorecard issued by Government. The attainment of these objectives requires the Social and Ethics Committee to advise the Board on policy issues, the efficacy of ARM's management systems for its sustainable development programmes and progress towards set goals and compliance with statutory, regulatory and charter requirements.

The Social and Ethics Committee Terms of Reference were amended by the Board in May 2011 in compliance with King III and the committee name was amended in August 2011 when the Sustainable Development Committee was renamed the Social and Ethics Committee as contemplated in Section 72(8) of the Companies Act. The Terms of Reference of the Social and Ethics Committee were further amended with effect from 1 May 2012 to comply with the Companies Act and the Companies Regulations.

The Social and Ethics Committee Terms of Reference provide that the committee must have a minimum of three members, the majority of whom shall be Independent Non-executive Directors.

Currently, the committee is comprised of three Non-executive Directors, all of whom are independent. The Executive: Sustainable Development reports to the CEO.

Invitees include the Chief Executive Officer of the Company, the Executive Director: Corporate Affairs, the divisional chief executives, the Executive: Business Development and Investor Relations, the Executive: Sustainable Development, the Executive: Human Resources and the Leader: Risk Management.



The Report of the Social and Ethics Committee can be found on pages 146 to 147 of the 2012 Integrated Annual Report.

Remuneration Committee

The Remuneration Committee assists the Board in fulfilling its responsibility for setting the Company's remuneration policies to ensure that these policies are aligned to ARM's business strategy and create value for ARM over the long-term.

Investment Committee

In accordance with Board criteria, the Investment Committee considers substantial investments proposed by management, including mining projects, acquisitions and the disposal of assets as well as reviewing the results attained on completion of each project. It is required to meet at least once a year.

Management Committees Executive Committee

The Executive Committee was formed in January 2012 and its members meet monthly. The Committee is chaired by the Executive Chairman. Standard items on the agenda include strategic matters, reports from the Chief Executive Officer and the Financial Director and divisional reports, including safety, stakeholder and operational issues.

Management Risk Committee

The Management Risk Committee, a management sub-committee of the Audit and Risk Committee, assists the Audit and Risk Committee in discharging its duties relating to risk matters by implementing, co-ordinating and monitoring a risk management programme to ensure that broader strategic and significant business risks are identified and quantified with attendant controls and management assurance.

It is chaired by the CEO and its members include the Financial Director, the Chief Executives of the divisions, the Leader: Risk Management, the Executive: Sustainable Development and the Chief Information Officer.

With effect from 1 July 2011, the internal auditors are invited to attend one meeting per year.

Steering Committee

The Steering Committee is charged with the implementation of approved corporate strategy and other operational matters. It is chaired by the CEO and its membership includes Executive Directors and senior management. It meets quarterly, or more often as circumstances warrant.

Growth and Strategic Development Committee

The Growth and Strategic Development Committee was formed in March 2012 to evaluate growth opportunities. The committee is chaired by the Executive Director: Growth and Strategic Development and members include the Chief Executive Officer, the Financial Director, the Chief Executive: ARM Copper, the Chief Executive: ARM Exploration and Technical Services, the Executive: New Business Development and Investor Relations and the Executive: Corporate Development.

Employment Equity and Skills Development Committee

The Employment Equity and Skills Development Committee considers employment equity, transformation and skills development strategies throughout the Company. The Company took a decision to combine the employment equity and the skills development management committees six years ago as the committees had common goals and addressed issues which are interrelated. Until 30 June 2012, the Committee was chaired by Mr J C Steenkamp. With effect from 1 July 2012, the Committee is chaired by Mr W M Gule, the Executive Director: Corporate Affairs. Its members include the Chief Executive Officer, the Executive: Human Resources, the divisional chief executives, the Senior Executive: Corporate Affairs for ARM, the Executive: Corporate Affairs for ARM Platinum, the Leader: Transformation and other senior executives. The Committee meets monthly, or more often as required. The Committee chairman and the Executive: Human Resources attend and report at Social and Ethics Committee meetings.

Treasury Committee

The Treasury Committee meets monthly and, if required, more frequently, under the chairmanship of the Financial Director. The committee membership includes the ARM Finance Executive: Operations, the ARM Finance Executive: Corporate and the Company Financial Manager. The committee reviews operational cash flows, currency and interest rate exposures, as well as funding issues within the Company. While not performing an executive or decisive role in the deliberations, Andisa Treasury Solutions (Proprietary) Limited, to whom the treasury function is outsourced, implements decisions taken when required. Advice is also sought from other advisors on an ongoing basis.

Information Technology Steering Committee

The Information Technology (IT) Steering Committee which was formed in November 2007 implements the IT Governance Framework and the IT Strategy adopted by the Board in August 2012 and develops IT policies and procedures. The Committee is chaired by Mr J C Steenkamp, formerly an Executive Director and the Chief Executive of ARM Ferrous and currently the Chief Executive: Exploration and Technical Services. Its members include the Chief Executive: Exploration and Technical Services, the Chief Information Officer, the Chief Executive: ARM Ferrous, various senior ARM Ferrous and ARM Exploration executives, the Executive: Operations Support, senior general managers of Assmang operations and all senior IT project managers from the divisions. The Committee meets quarterly, or more often as required. The Committee chairman and the Chief Information Officer attend and report at Audit and Risk Committee meetings.

Company Secretary

Within the prevailing regulatory and statutory environment the Company Secretary supports the Executive Chairman in ensuring effective functioning of the Board and provides guidance to directors on their responsibilities and duties (and the actions required to discharge these). The Company Secretary also raises matters warranting the attention of the Board; ensures Board decisions and instructions are clearly communicated to the relevant people and is available to provide a central source of guidance and advice within ARM on matters of ethics and good governance.

In August 2012, upon the recommendation of the Nomination Committee and in accordance with the amendments to the JSE Listings Requirements, the Board considered the Company Secretary's competence, qualifications and experience. The salient details of the review are discussed in the full Corporate Governance report in the 2012 Integrated Annual Report.

Ethics

The Company is committed to high moral, ethical and legal standards in dealing with all of its stakeholders. All Directors and employees are required to maintain high standards to ensure that the Company's business is conducted honestly, fairly and legally and in a reasonable manner, in good faith and in the best interests of the Company. These principles are set out in ARM's Code of Conduct (the Code), which was previously known as the Code of Ethics. The Code was amended in F2011 to reflect the Company's obligations under King III and the new Companies Act. A Code of Conduct on-line training programme was rolled out at the corporate office and at the ARM Platinum operations and subsequently will be rolled out to the ARM Ferrous operations.

Dealings in securities and insider trading policy

ARM enforces closed periods in respect of dealing in the Company's securities. These closed periods operate prior to the publication of interim and final results and during price-sensitive periods when major transactions are being negotiated and a public announcement is imminent.



The complete policy governing dealings in the Company's securities and insider training may be found on ARM's corporate website: www.arm.co.za.

Whistleblowers' facility

An independent service provider operates ARM's whistleblowers' facility to enable employees and other stakeholders to report

confidentially and anonymously any unethical or risky behaviour. Information about the facility is included in the Code and contact information is posted in each Company office. Initiatives to heighten awareness of the whistleblowers' facility are implemented on an ongoing basis. Formal procedures in place result in each whistleblowing report being investigated and policy and procedures revised, where applicable, with feedback reports being provided to the operators of the ARM whistleblowers' facility. No material non-compliance incidents were reported during the year under review.

Human rights

ARM complies with South Africa's human rights legislation, including the Constitution and the Bill of Rights, which safeguard the basic human rights of employees in South Africa, and subscribes to the United Nation's principles to "protect, respect and remedy" when it comes to human rights issues. Human rights issues are integrated into business policies and management systems. We do not necessarily use the term human rights but it is implied and articulated in our Code of Conduct, Grievance Procedure policy, Protected Disclosure policy and our Sexual Harassment policy.

ARM's policies clearly state that we do not tolerate any form of discrimination and that all employees and stakeholders are to be treated with dignity and in a manner that is culturally appropriate, irrespective of gender, background or race.

ARM conducts human rights assessments as per the United Nations Protect, Respect and Remedy Framework. When there has been a violation of an employee's rights ARM has a grievance mechanism in place. The employee can either report to their supervisor or manager, report the matter to the Human Resources Department or report it anonymously to the whistleblowers' line.

Security personnel, including contractors, undergo training and refresher training every second week on how they should conduct themselves in term of citizens' human rights.

We require our operations to maintain community relations strategies that uphold and promote human rights and respect cultural considerations and heritage.

The Company uses a Human Resources Performance Management System and Safety, Health and Quality systems to monitor compliance and performance.

Bribery and corruption

ARM has clear and practical codes and policies that outline the Company's zero-tolerance stance on bribery and corruption. These include the Code of Conduct, and Gift, Sponsorship, Entertainment, Hospitality and Favours Policies and Procedures. Code of Conduct on-line training has been developed and rolled out at ARM.

Communication of top management's commitment to ARM's anti-corruption policies is effected through the training programme introduction letter from Mr Schmidt, the annual statement by the Board in the Integrated Annual Report and other targeted communications.

Going concern

The Board is ultimately responsible for ensuring that ARM remains a going concern. It retains full and effective control by monitoring and supervising executive management, being involved in all material decisions affecting ARM and ensuring that adequate systems of financial and operational internal controls are in place and monitored.

On the recommendation of the Audit and Risk Committee, the Board annually considers the appropriateness of the going concern basis in the preparation of the year-end financial statements.

Internal control and internal audit

The Board, with the assistance of the Audit Committee, the Management Risk Committee and the internal auditors, out-sourced to KPMG Services (Proprietary) Limited, reviews the Company's risk profile annually. In terms of the risk-based internal audit programme approved annually by the Audit Committee, the internal auditors perform a number of reviews to assess the adequacy and effectiveness of systems of internal control and risk management.

The results of these reviews, together with updates on the corrective action taken by management to improve control systems, are reported to the Audit and Risk Committee and the Board.

Risk management programme

ARM's well established and proactive risk management processes underscore ARM's commitment to comprehensive and effective risk management at all levels. ARM recognises that integrating risk management philosophy and practice into its culture is an ongoing process which, in order to be effective, must be a continuous, dynamic and developing endeavour that addresses risks and opportunities across a spectrum, ranging from those associated with strategy and its implementation, to operational, legal, social, ethical and reputational risks and opportunities.

The Board tasks the Audit and Risk Committee with oversight of risk management. In view of the importance of this function the Audit Committee has established a management sub-committee, the Management Risk Committee, to assist it with managing and reporting on ARM's risk management processes and procedures. The Management Risk Committee is chaired by the Chief Executive Officer and its members include chief executives of divisions, the Financial Director, the Executive: Sustainable Development, the Chief Information Officer, the Leader: Risk Management and various members of the ARM Steering Committee.

ARM Risk Management has championed the integration of risk and assurance processes over many years and this approach not only assists in providing assurance and appropriate corporate governance compliance, but also provides a practical and effective tool for the management of risk within ARM.

Reporting on the implementation, co-ordination and monitoring of ARM's risk management policy, programme and approved annual Risk Management Plan takes place at operational, divisional and at Management Risk Committee meetings on a quarterly basis.

The structure of reporting on risk management within ARM has been developed and formalised to ensure that the process remains dynamic and is consistent, comprehensive and allows for constant review and refinement.

A Risk and Control Dashboard system provides a focused approach to the monitoring of the control effectiveness of risks and processes, ensures that risks are managed within approved levels of tolerance and facilitates a process of continuous improvement.

The risk management process encompasses four main functions, which are overseen and reported on by the MRC:

- Risk Register/ERM Programme: ensures that a robust system of identifying, quantifying, monitoring, managing and reporting risks and opportunities is applied consistently throughout the Company.
- Physical risk management: ensures that physical risk grading, risk improvement and other risk controls are appropriate, and maintains and enhances performance against agreed international risk standards.
- Risk financing and insurance: ensures that ARM's risk financing and insurance programmes are comprehensive and adequately protect the Company against catastrophic risk.
- Governance and Risk – Monitoring new developments: ensures that the risks arising from new developments in ARM's operating environment are considered on an ongoing basis.

Legal compliance

Internal and external legal and regulatory audits are regularly conducted at all operations and any instances of non-compliance with legal or regulatory requirements are reported to management for corrective action.

Internal audits are undertaken annually and external audits of safety, health and environmental (SHE) performance at all of ARM's operations, are undertaken biennially. The most recent external SHE audit was conducted in F2011. All findings are being addressed through the risk and non-conformance systems of the different operations. Sixteen corporate standards on risk assessment, legal compliance, water management, waste management, contractor management, biodiversity, waste and emissions management were implemented during F2011.

During F2012 the Company did not receive any administrative penalties nor was it fined nor has it been prosecuted for any anti-competitive practices or non-compliance with any legislative or regulatory obligations.

A legal and regulatory compliance policy for the Company has been adopted. Chief Executives and senior management report on legal and regulatory compliance to the Management Risk Committee and the Audit and Risk Committee.

Donations to political parties

ARM supports South Africa's democratic processes and makes contributions to political parties. A policy relating to making donations to political parties has been adopted by ARM. In the year under review, donations were made to political parties in accordance with the policy and the budget approved by the Board.



Waste reclamation, Modikwa Platinum Mine

Economic sustainability



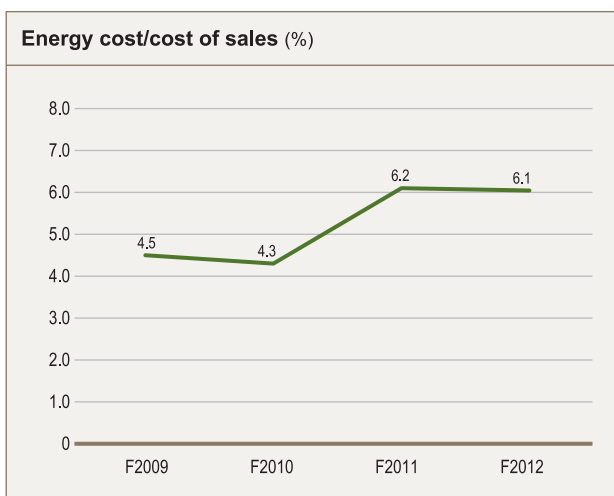
Concentrator plant at Two Rivers Platinum Mine

Economic issues

Electricity costs and our ability to use electricity efficiently

Electricity is an important input into our operations, especially in the smelters in the Ferrous Division which together account for over half of the electricity consumed by the Group.

Increases in administered costs, such as electricity tariffs, affect our cost containment targets. While we have initiatives in place to increase the efficiency with which we use electricity, we are concerned that continued above-inflation price increases may negatively affect not only our business but the communities in which we operate. Energy costs make up an increasing proportion of our total input costs.



As a responsible South African company we support Eskom's tariff increase as necessary to facilitate its infrastructure building programme. ARM's continued expansion depends on our ability to access this infrastructure.

The Ferrous Division is a member of the Energy Intensive Users Association and has developed its own Energy Efficiency Charter

to map its development and implementation of energy efficient practices.

Together with other industrial users of electricity, ARM is engaging with Government institutions to ensure that future tariff increases balance Eskom's need to build and maintain its infrastructure with the need to sustain industries that are critical for job creation and contribute revenue for Government.

While we support measures that seek to promote the efficient use of energy, there is a danger that further financial disincentives, such as the proposed carbon tax, will increase the cost of energy to the degree that business in the South African economy becomes potentially unviable.

Logistics

ARM faces logistical challenges in the transport of product from our mines to the ports for export. Iron ore is exported through the Sishen-Saldanha Iron Ore Export Channel (SIOEC), a single channel rail and port facility. ARM's ability to increase its exports is limited by the capacity of SIOEC and risks being affected by any industrial action affecting Transnet Freight Rail as well as its operating performance.

ARM is engaging with Transnet and other industry role players to explore options for reducing the rail constraint. Options under consideration include expanding SIOEC beyond its current capacity of 60 million tonnes per annum and a proposal to transport ore to the port of Coega in the Eastern Cape.

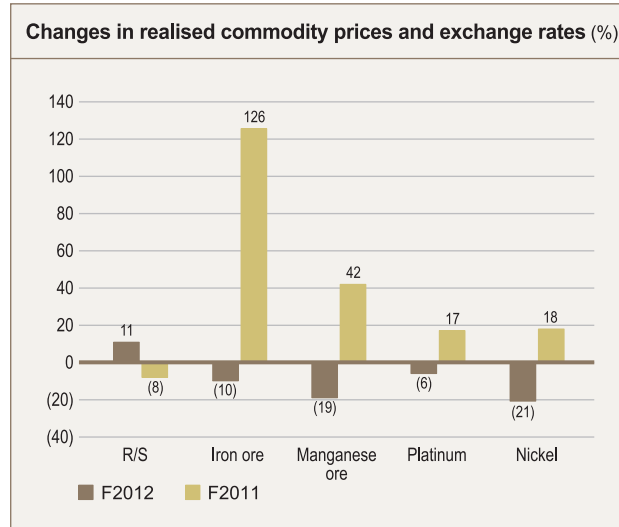
Rail capacity constraints oblige us to transport ore by road. This is not only more costly, but unnecessarily increases the Company's carbon footprint and negatively impacts the country's road infrastructure.

Market conditions

The price of the commodities that ARM produces and beneficiates is set internationally and reflects global demand for metals. These prices are therefore affected by global economic conditions and subject to significant volatility. Commodity prices are set in Dollars, so the Company's revenues, cash flows, profitability and asset

values are affected by exchange rate fluctuations as well as commodity price fluctuations.

ARM does have some ability to manage the risks associated with commodity price cycles due to the diversified portfolio of products that allows more stable returns than single product producers.



Costs

Managing our operational efficiencies is a core part of our long-term strategy. We target unit costs below the 50th percentile of the cost curve for various commodities produced at our managed operations. We are on track to achieve this target through initiatives such as reducing ferrochrome production and increasing the production of ferromanganese at Machadodorp Works.

While we are on target to achieve this goal, increasing energy costs and labour cost increases that do not keep pace with productivity gains will present challenges to containing production costs.

Adding value

During the year under review ARM created significant value for a diverse range of stakeholders in the form of:

- Employee wages and benefits;
- Taxation and royalties paid to Government;
- Dividends paid to shareholders;
- Providers of capital;
- Socio-economic development initiatives in the communities in which we operate; and
- Re-investment to ensure its sustainability over the long-term and value creation for stakeholders.

ARM's value added statement shows an overall increase of 9% in wealth created and distributed in F2012, up from R8 606 million in F2011 to R9 421 million. Sales for the year increased by 18% to R17.5 billion (F2011: R14.9 billion).

Our performance in F2012

↑	Improved production across products
↑	Continued aggressive growth in ARM's portfolio of commodities
↑	Cash generated from operations remained almost unchanged at R5.97 billion (F2011: R5.99 billion)
↑	Headline earnings of R3 541 million , up 5% from F2011
↑	Headline earnings per share of 1 615 cents
↑	Sales of R17 530 million increased by 18%
↑	Five year cumulative annual growth rate in headline earnings since June 2007 was 24%
↑	R2 179 million paid to employees (F2011: R1 858 million), up 17%
↓	R1 633 million paid to the State as taxes (F2011: R1 693 million), down 4%
↑	R8 329 million paid to providers of products (F2011: R6 353 million), up 31%

Global commodity prices were under pressure in F2012 as concerns around European debt escalated and significant transitions emerged in the United States and China. ARM managed to grow sales volumes significantly and, together with the weaker Rand, offset the negative affect of the weaker commodity prices. ARM declared a dividend of 475 cents per share, the highest in its history and again was able to retain significant reserves to fund future growth.

Project delivery was again a strong point with the delivery of the Khumani Iron Ore Expansion approximately one year ahead of schedule allowing the sale of an additional two million tonnes of iron ore.

Value added statement

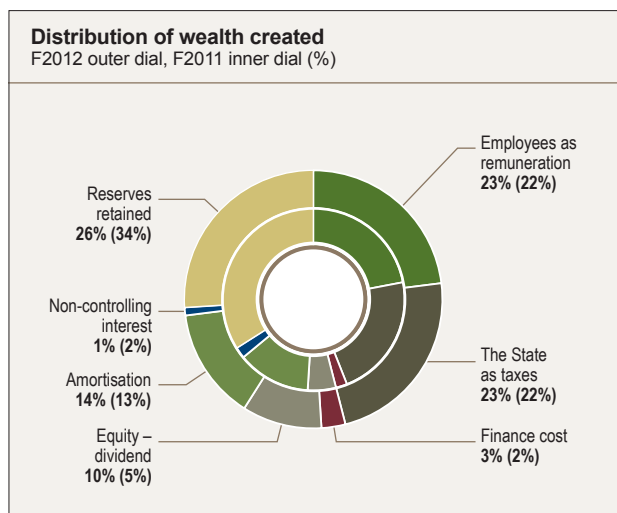
	F2012 Rm	F2011* Rm	F2010 Rm	F2009 Rm	F2008 Rm	F2007 Rm
Sales	17 530	14 893	11 022	10 094	12 590	6 152
Net cost of products and services	8 329	6 357	5 604	4 201	4 318	2 527
Value added by operations	9 201	8 536	5 418	5 893	8 272	3 625
(Loss)/income from associate	11	(135)	(51)	147	461	16
Exceptional items	(70)	(11)	97	514	162	14
Income from investments	279	216	209	414	168	51
Wealth created	9 421	8 606	5 673	6 968	9 063	3 706
Applied as follows to:						
Employees as salaries, wages and fringe benefits	2 179	1 856	1 491	1 399	1 053	738
The state as taxes	1 633	1 693	1 009	1 727	2 084	781
Royalty tax	492	162	20			
Providers of capital	1 324	836	725	1 034	1 213	561
– Equity – dividend	959	426	371	847	315	–
– Non-controlling interest	133	194	162	(198)	460	191
– Outside – finance cost	232	216	192	385	438	370
Total value distributed	5 628	4 547	3 245	4 160	4 350	2 080
Re-invested in the Group	3 793	4 059	2 428	2 808	4 713	1 626
Amortisation	1 315	1 118	987	787	541	406
Reserves retained	2 478	2 941	1 441	2 021	4 172	1 220
Wealth distributed	9 421	8 606	5 673	6 968	9 063	3 706
Market capitalisation at FYE (R billion)	35.7	40.2	34.3	27.5	59.2	25.9

* Restated for early adoption of IFRIC 20.

The average gross profit margin fell to 35% (F2011: 40%) due to falls in the average US Dollar prices of iron ore (-10%), platinum (-6%), ferromanganese (-12%), manganese ore (-19%), nickel (-21%), rhodium (-33%) and chrome (-40%). These falls were offset to a degree by the 11% strengthening in the average Rand/US Dollar exchange rate to R7.77/USD from the average in F2011 of R6.99/USD.

Distribution of wealth created

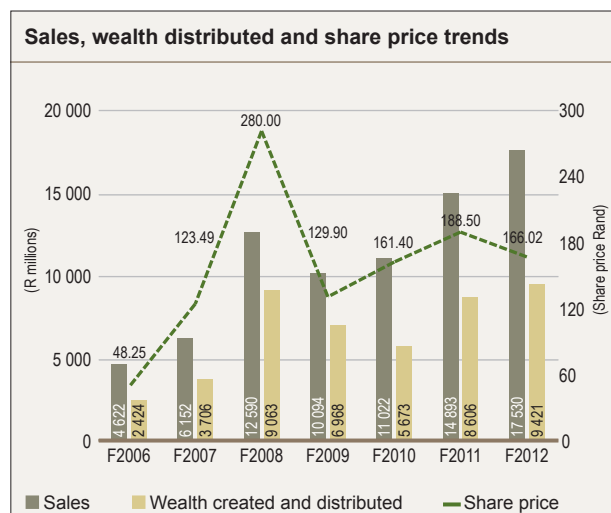
The distribution of wealth created in F2012 and F2011 is illustrated below. The graph clearly shows our intention to maintain funds for future growth in terms of the reserves retained.



Seven year performance trends

The following three graphs illustrate ARM's steady increase in adding value to the South African economy over the seven years to the end of F2012.

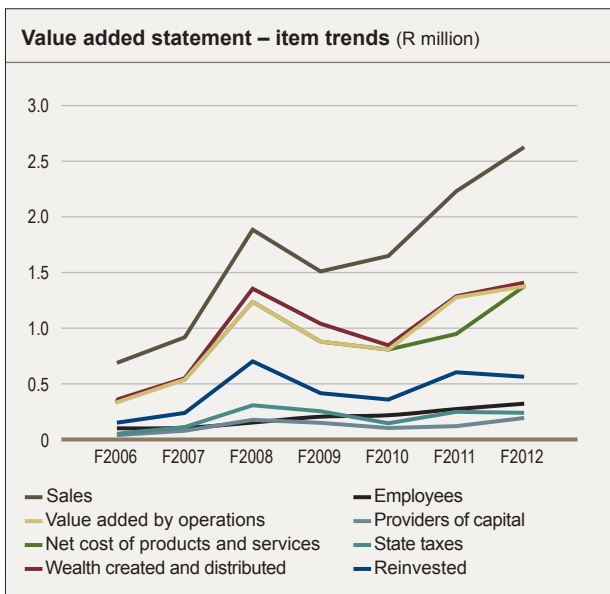
The effect of the global financial crisis that occurred during F2009 is apparent, as is the recovery in the trends in F2010 to F2012. The steady increase in both sales and wealth distributed over the seven year period F2006 to F2012, is clearly evident in the graph below. The trend in the share price movements is shown against both sales and wealth created, in order to reflect the market's opinion of value over the seven financial year-ends to F2012.



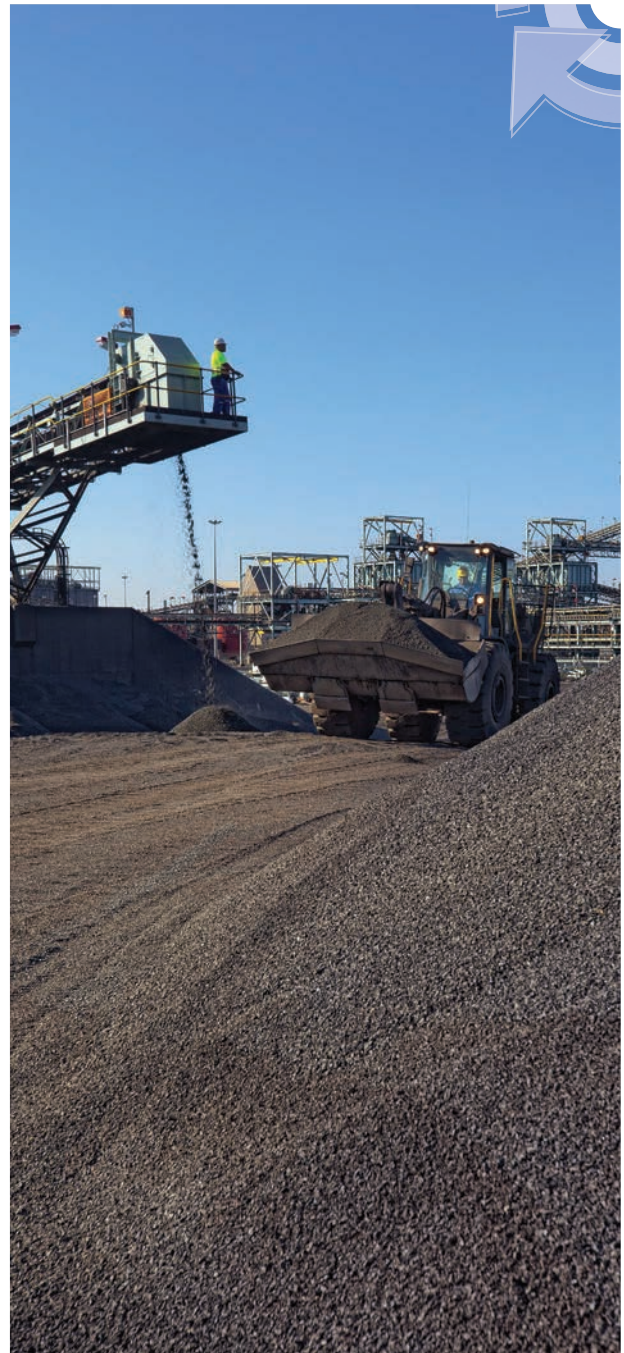
The graph below demonstrates ARM's contribution to growing the economy in terms of market capitalisation and employment provided. With a low increase in the issuing of shares (4.1%) and the market capitalisation being a function of the share price, the trend follows a similar pattern to that of the share price in the previous graph, measured against the growth in sales and wealth created. The growth in the workforce tracks these trends.



The following graph provides an overview of the movement in the elements that comprise the value added statement over the seven financial periods F2006 to F2012. Over this period sales have increased by 279%, and cost of products and services have increased by 253%, translating to an increase in value added by operations of 307%. In turn, employee remuneration has increased by 207%, payment to the State in the form of taxes by 333%, payment to providers of capital by 346%, and reinvestment in the Group by 264%. This is reflected in the wealth created and then distributed increasing by 289%, a seven year compound annual growth rate of 21%.



Morning shift at Nchwane Manganese Mine



Manganese ore stockpiles, Nchwane Manganese Mine

Safety

Focus area	Performance											
Zero harm to our employees	Regrettably four employees lost their lives during the year (F2011: 1).	Fatality frequency rate <table border="1"> <caption>Fatality Frequency Rate</caption> <thead> <tr> <th>Year</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>F2006</td> <td>0.005</td> </tr> <tr> <td>F2008</td> <td>0.04</td> </tr> <tr> <td>F2010</td> <td>0.005</td> </tr> <tr> <td>F2012</td> <td>0.015</td> </tr> </tbody> </table>	Year	Rate	F2006	0.005	F2008	0.04	F2010	0.005	F2012	0.015
	Year	Rate										
	F2006	0.005										
F2008	0.04											
F2010	0.005											
F2012	0.015											
The improvement in our Lost Time Injury Frequency Rate (LTIFR) continues to 0.40 (F2011: 0.43).	LTIFR <table border="1"> <caption>LTIFR</caption> <thead> <tr> <th>Year</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>F2006</td> <td>1.3</td> </tr> <tr> <td>F2008</td> <td>0.9</td> </tr> <tr> <td>F2010</td> <td>1.2</td> </tr> <tr> <td>F2012</td> <td>0.4</td> </tr> </tbody> </table>	Year	Rate	F2006	1.3	F2008	0.9	F2010	1.2	F2012	0.4	
Year	Rate											
F2006	1.3											
F2008	0.9											
F2010	1.2											
F2012	0.4											
Three of our operations achieved two million fatality-free shifts each and three others achieved a million fatality-free shifts (FFS) each.	Two million FFS <ul style="list-style-type: none"> ● Beeshoek Mine ● Khumani Mine ● Nkomati Mine One million FFS <ul style="list-style-type: none"> ● Black Rock Mine ● Cato Ridge Works ● Dwarsrivier Mine 											
Reduce stoppages due to regulatory Section 54 and Section 55 Notices in terms of the Mine Health and Safety Act	<p>We lost 63 collective days to Section 54 and Section 55 Notices (F2011: 37).</p> <p>Section 54 Notices increased to 16 (F2011: 15).</p> <p>Section 55 Notices increased to 13 (F2011: 5).</p>	Shifts lost to Section 54 and Section 55 Notices <table border="1"> <caption>Shifts lost to Section 54 and Section 55 Notices</caption> <thead> <tr> <th>Year</th> <th>Shifts Lost</th> </tr> </thead> <tbody> <tr> <td>F2010</td> <td>15</td> </tr> <tr> <td>F2011</td> <td>37</td> </tr> <tr> <td>F2012</td> <td>63</td> </tr> </tbody> </table>	Year	Shifts Lost	F2010	15	F2011	37	F2012	63		
Year	Shifts Lost											
F2010	15											
F2011	37											
F2012	63											
Safety, Health, Environment and Quality (SHEQ) certification	Modikwa Mine ISO 9001, 14001 and OHSAS 18001 re-certification planned for F2012.	Certification put on hold due to operational constraints										
	Two Rivers Platinum Mine ISO 14001 and OHSAS 18001 preparation for certification.											

Note: For occupational health and safety statistics purposes, an average of 24 902 employees and contractors (eligible for medical surveillance and contributing to the safety statistics) is used as the "total workforce". This figure differs from the total labour figure of 26 587 reported by the Human Resources Department, which is the figure recorded as at 30 June 2012.

All occupational health and safety statistics are reported on a 100% basis. Frequency rates are based on 200 000 man-hours; which means they are reflected per 100 employees (each working an average of 2 000 hours per annum).



Employees underground at Nchwaning Manganese Mine

HIGHLIGHTS

- ▶ The four tragic fatalities in our Platinum Division overshadowed the year's safety results.
- ▶ Shifts lost to Section 54 and 55 Notices unfortunately increased again, due to increased efforts from the Department of Mineral Resources (DMR) to honour the Tripartite commitment to zero harm.

CHALLENGES

- ▶ ARM saw a further improvement in LTIFR to a seven-year low of 0.40.
- ▶ Three mines achieved two million FFS while three others achieved one million FFS.
- ▶ Beeshoek Mine completed 13 months without a lost time injury.

We value all of our employees and ARM is committed to zero tolerance of harm across our operations. Mining and processing of metals are inherently hazardous and it is our duty to maintain high levels of safety at operations. Failing to do so is not only a failure of this moral duty, it risks affecting employee morale and productivity, negatively impacting our relationships with stakeholders including Government, employees and investors, and ultimately risks the continued existence of our operations.

Given our unwavering commitment to safety, we are deeply saddened by the four fatalities suffered in our workforce during the year.

- In December F2011, Mr Ananias Silvano Chambale was injured in a trackless mobile machinery-related accident at Two Rivers

Platinum Mine and subsequently passed away as a result of the injuries he sustained.

- In January F2012, Mr Daniel Vusi Ntuli was fatally injured in a fall of ground accident while watering down broken rock at Two Rivers Platinum Mine.
- In the same month, Ms Patricia Moropa and Mr Khateane Lenong were fatally injured during a fall of ground while installing support at Modikwa Mine.

ARM and its Board of Directors extend their sincerest condolences to the family, friends and colleagues of the deceased. We have re-evaluated our safety procedures as a result of these unfortunate events to prevent their recurrence.

Our approach to safety is guided by:

Our values	ARM aims for operational excellence and continuous quality improvement, which includes a safe, injury-free workplace.
ICMM	Principle 5 – We seek continual improvement of our health and safety performance.
Mine Health and Safety Act	ARM's commitment to workplace safety is led by our values, rather than driven by compliance. The Mine Health and Safety Act regulates safety on our mines and the Occupational Health and Safety Act applies at our smelting operations.
Occupational Health and Safety Act	
Mining Charter Targets	Improvement of the industry's mine health and safety performance.
Tripartite Safety Targets and Milestones	Target: Zero fatalities and injuries. Milestone: Achieve world-class safety performance by 2013.



Safety discussion during construction of Lubambe Copper Mine



Employee ready to go underground at Modikwa Platinum Mine South 2 Shaft

How we manage safety

ARM's operations are all joint ventures with other reputable mining houses and each operation has its own safety policy and strategy to address the specific safety challenges it faces. Our operating partners share our commitment to zero harm.

Operational safety policies, strategies and safety performance are governed and monitored at a corporate level by the ARM Health and Safety Committee and reviewed at an executive level every quarter in Safety, Health, Environmental and Quality (SHEQ) meetings.

ARM's Health and Safety management operates across the Group to identify physical risks in the workplace and bring these to the attention of management. Although safety and occupational health are treated in separate sections of this report, ARM recognises that healthier workers are safer workers and approaches occupational health and safety from a holistic perspective. Fatigue management was a focus area across a number of operations in the Group during the year under review.

Responsibility for safety at operational level lies with line managers and supervisors. Contractors are treated as employees for the purposes of safety reporting and receive the same training as employees.

Safe labour practices are communicated, motivated and monitored through:

- Regular health and safety training designed to address the key safety risks identified at each operation;
- Regular risk assessment;
- Continuous safety and health awareness campaigns;
- Monitoring through planned task observations and regular review of safety operating procedures;
- Certification in terms of OHSAS 18001, the international health and safety management system;
- Annual external certification audits;
- Biennial Safety, Health and Environment (SHE) Audits. The audit findings from last year's audits, which were finalised in the current financial year, identified areas for improvement in our management of contracts and labour brokers which we are addressing. We have also formalised our existing fatigue management policies and procedures, including mid-shift feedings;
- Internal benchmarking through internal safety competitions;
- External benchmarking against peer performance metrics;
- External benchmarking and best practice adoption through active participation in the Mining Industry Occupational Safety and Health (MOSH) Adoption System;
- The Executive: Sustainable Development serves on the Health and Safety Task Force of the ICMM and has been appointed to chair the task force from October 2012. As part of this task force, a number of our executives and health and safety practitioners will participate in an international ICMM Health and Safety Conference in Chile in November 2012.

The Tripartite Action Plan seeks to achieve 40 000 Operational Health and Safety representatives across the industry by 2014, representing approximately 8% of the industry's workforce. ARM is committed to playing its part in achieving this goal and our operations have initiatives in place to identify, enrol and train the required proportion of our workforce by 2014.

All of our operations except for Modikwa Mine and Two Rivers Platinum Mine are OHSAS 18001 certified (please see the table in the data section at the end of this review). Certification or recertification was planned for the remaining two operations for the current year, but this was not possible due to operational constraints. Although currently not certificated, Modikwa and Two Rivers Platinum Mines' safety, environmental and quality management systems are aligned with ISO 9001, ISO 14001 and OHSAS 18001. The training centre at Two Rivers Platinum Mine is ISO 9001 certified.

During the year, ARM Platinum appointed a divisional Safety, Health and Environment (SHE) manager in a similar capacity to that in the Ferrous Division.

Challenges

Apart from the obvious challenge of improving safety standards in our industry and maintaining consistency across multiple operations and an increasing workforce, we also face challenges in retaining trained safety personnel. The strike at Modikwa Mine also had an impact on overall safety performance and a revised safety strategy is being implemented to restore the mine's safety performance to their previous industry-leading position of achieving eight million shifts without a fatality.

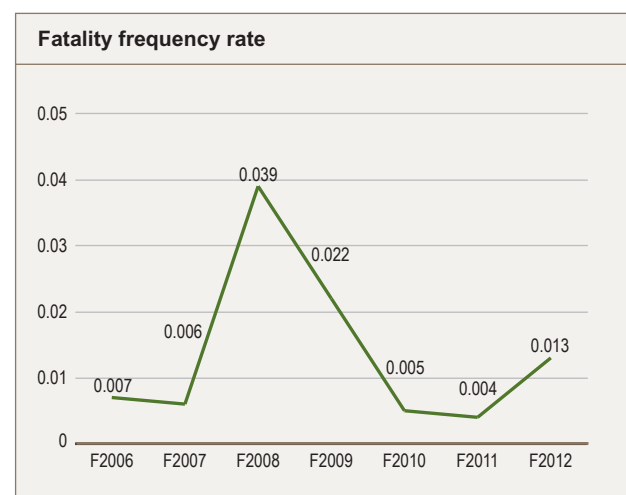
Operational safety performance

Operation	Safety Performance	
	F2011	F2012
ARM Ferrous		
Beeshoek Mine	zero LTIs for 12 consecutive months 9 years fatality free	zero LTIs for 13 consecutive months 2 million fatality-free shifts
Black Rock Mine	1 million fatality-free shifts	1.7 million fatality-free shifts
Cato Ridge Works	winner of ARM Excellence in Safety Award	1.2 million fatality-free shifts
Dwarsrivier Mine	significant reduction in LTIFR	1.3 million fatality-free shifts
Khumani Mine	1 million fatality-free shifts	2.5 million fatality-free shifts winner of ARM Excellence in Safety Award
Machadodorp Works	1 fatality	400 000 fatality-free shifts
ARM Platinum		
Modikwa Mine	8 million fatality-free shifts 5 years fatality-free	2 fatalities
Nkomati Mine	runner-up in ARM Excellence in Safety Award	2.4 million fatality-free shifts
Two Rivers Platinum Mine	2 million fatality-free shifts 4 years fatality-free	2 fatalities

Fatalities

We do not benchmark our fatalities against our peers or any internal measures. We aim for zero harm – any fatalities are unacceptable. We lost one worker in both 2010 and 2011 to work-related fatalities. We deeply regret the four lives lost at our operations this year.

The Fatality Frequency Rate (FFR) shows the number of fatalities per 200 000 hours worked, the estimated amount of time that 100 workers work in a year. Frequency rates are used to adjust our safety figures for our growing labour force – there were less than 10 000 workers across the ARM Group in F2005 compared to 26 587 recorded at the end of F2012.

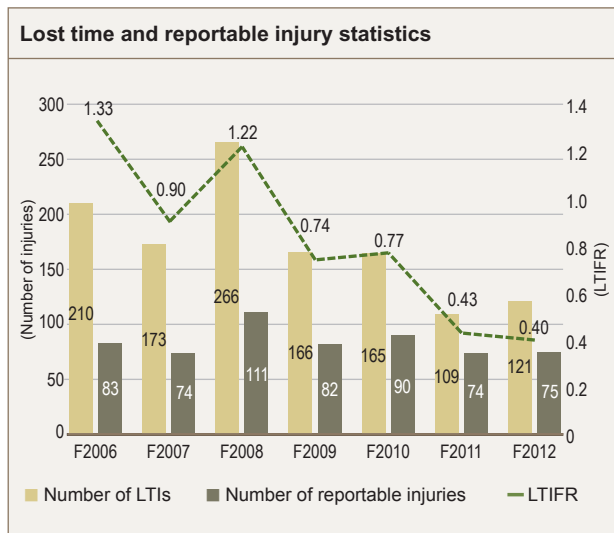


An FFR of 0.01 implies one fatality per 10 000 workers over the course of a year. Four fatalities in the more than 60 million hours worked at our operations resulted in a Group FFR of 0.013.

The findings of the inquiry convened by the Department of Labour into the fatal explosion that took place at the Cato Ridge Works on 24 February 2008, and which has been reported on in previous reporting periods, have still not been made available to the Company. Thus, the final outcome in this matter is still awaited. The Trust Fund established to provide *ex gratia* assistance to the affected families has completed its work.

Lost time injuries

Our commitment to zero harm extends beyond fatalities to eliminating injuries. We monitor this through lost time injuries – defined as any work-related injury that results in a worker being unable to perform their normal duty or similar work on the calendar day following the day of the injury.



While Lost Time Injuries (LTIs) increased in F2012 to 121 from 109 in F2011, our total hours worked increased, resulting in a further decline in our Lost Time Injury Frequency Rate (LTIFR) to 0.40 (F2011: 0.43). The reduction in LTIFR took place despite the inclusion of our new Zambian copper mine, Lubambe, in our safety figures for the first time. The construction phase of a mine is higher risk due to the nature of the activities and the sudden increase in employees and high percentage of contractors.

LTIFR measures LTIs per 200 000 hours worked. An LTIFR of 0.5 implies that one worker in 200 suffers an LTI in a year's work. While some other companies report Restricted Work Injuries (RWIs) separately (please see definitions at the end of this section) ARM includes RWIs in its LTIFR calculation.

Reportable injuries are those injuries that must be reported to the Department of Mineral Resources or the Department of Labour in terms of the Mine Health and Safety Act (for our mining operations) or the Occupational Health and Safety Act (for our smelters) respectively. Reportable injuries form part of LTIs. There were 75 reportable injuries in F2012 compared to 74 in F2011 (F2010: 90).

Internal safety benchmarking

ARM has two internal safety competitions that benchmark safety performance across the Group's operations.

The ARM Santa Barbara Competition

The Santa Barbara floating trophy is awarded to operations that complete one million (or a multiple thereof) fatality-free shifts. Six operations received the award this year: Khumani Mine, Nkomati Mine, Beeshoek Mine, Black Rock Mine, Cato Ridge Works and Dwarsrivier Mine.

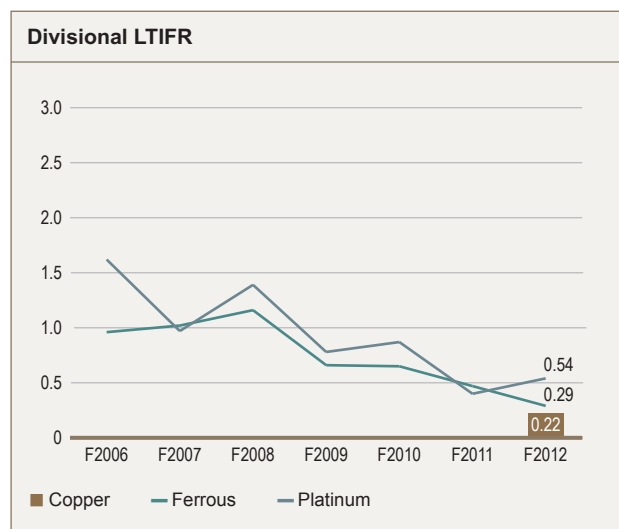
Operation	Total fatality-free shifts worked since last fatality	Date of last fatality
Khumani Mine	2 547 392	February 2009
Nkomati Mine	2 463 991	September 2008
Beeshoek Mine	2 036 193	March 2003
Black Rock Mine	1 711 082	April 2009
Dwarsrivier Mine	1 321 648	January 2009
Cato Ridge Works	1 248 539	February 2008
Modikwa Mine	538 249	27 January 2012
Machadodorp Works	404 932	February 2011
Two Rivers Platinum Mine	337 964	21 January 2012

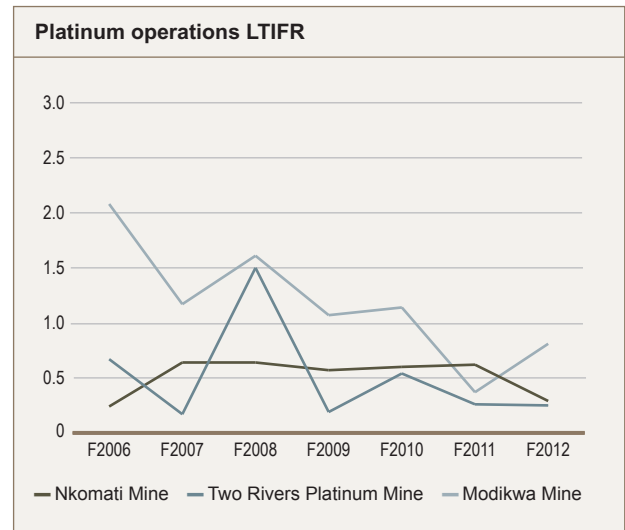
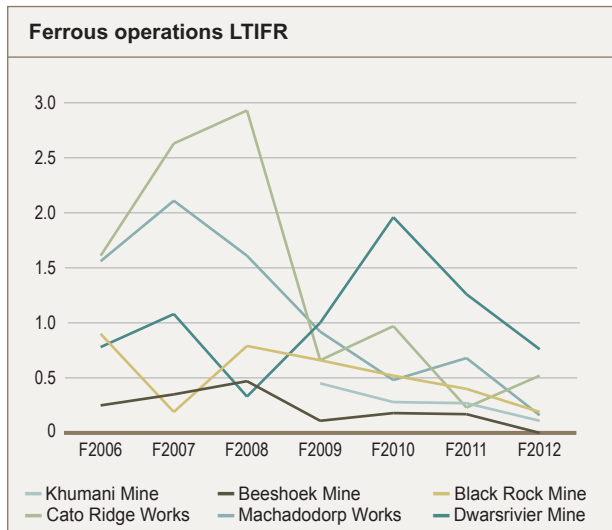
* Lubambe Mine will be included in the competition from F2013.

The ARM Excellence in Safety Competition

The ARM Excellence in Safety Competition rewards the best improvement in LTIFR over the last three financial years. This year Khumani Mine was the winner of the award, with Machadodorp Works the runner-up, a particularly impressive achievement for Machadodorp Works given the size of the manganese conversion project and consequent increase in short-term labour during the period.

LTIFR in the divisions shows a continual improvement over the last six years, although the Platinum Division broke that trend in the current year. The Copper Division reported their first full year LTIFR at 0.22.



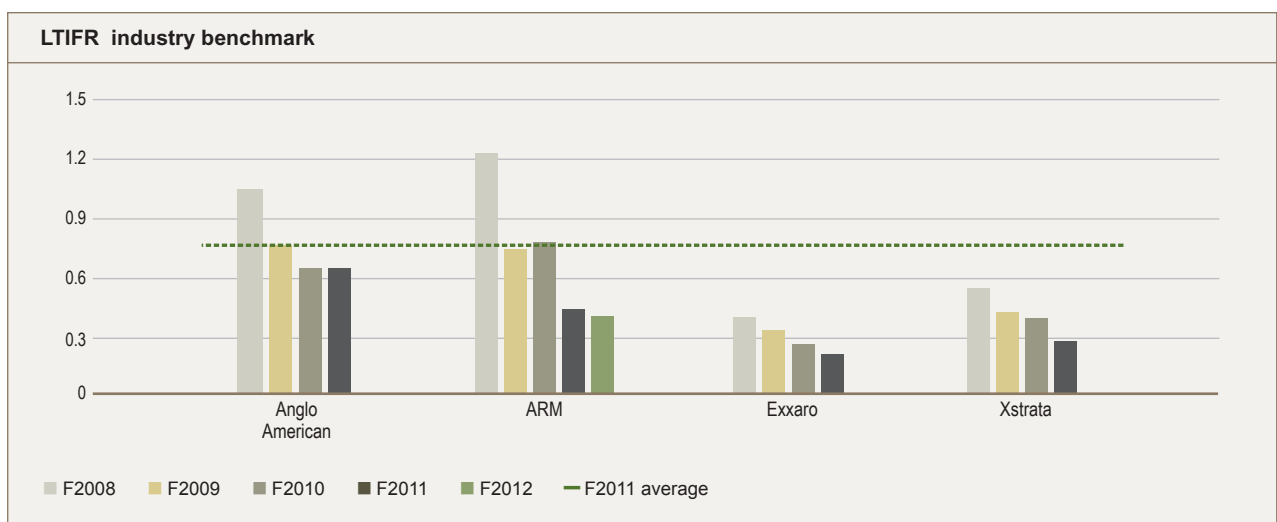


Most operations showed an improvement in LTIFR in F2012, except for Cato Ridge Works (0.52 in F2012 compared to 0.23 in F2011) and Modikwa Mine (0.81 in F2012 compared to 0.37 in F2011). Modikwa Mine is the operation with the largest workforce and therefore has a major impact on operational statistics. The safety strategy and management plan at Modikwa Mine have been revised in response to the two fatalities and the increase in lost time injuries. Beeshoek Mine, the safest in the Group as measured by LTIFR also had the smallest workforce.

External benchmarking

ARM benchmarks its LTIFR against other diversified mining companies nationally and internationally. We recognise that the figures in the graph below are not directly comparable due to the different products, mining and extraction processes, equipment and levels of complexity across and within these companies. Despite these limitations, we see value in a high-level comparison and are proud that our safety performance, as measured by LTIFR, compares favourably with our peers.

We are committed to learning from our peers and actively participate to implement the targets and processes outlined in the Mining Industry Occupational Safety and Health (MOSH) Adoption System to meet the Tripartite Health and Safety Targets and Milestones.



Regulatory compliance

Occupational Health and Safety Act

Our smelting operations at Cato Ridge Works and Machadodorp Works are regulated by the Occupational Health and Safety Act, 1993 (OHSA) and are inspected by the Department of Labour under the OHSA. Inspectors may issue a Compliance Notice if they identify contravention of the OHSA, usually with a time period in which the contravention must be remedied.

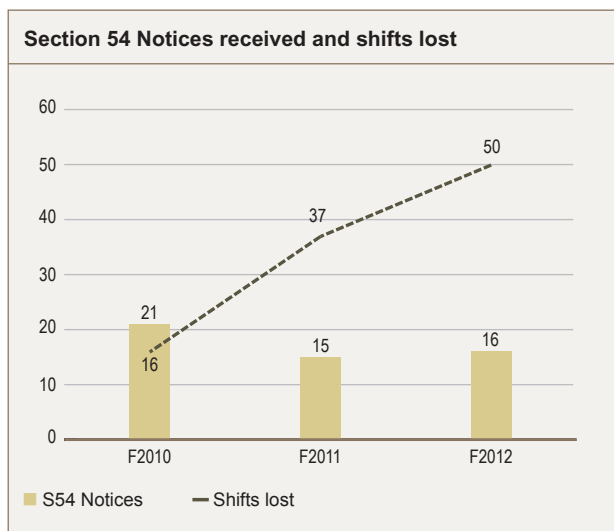
Where an inspection identifies a case of threatening danger, the inspector may issue a Prohibition Notice which requires immediate improvement.

One Compliance Notice was served at Machadodorp Works by the Department of Labour during F2012. There were no Notices served during F2011 or F2010 on the two smelters.

The Mine Health and Safety Act

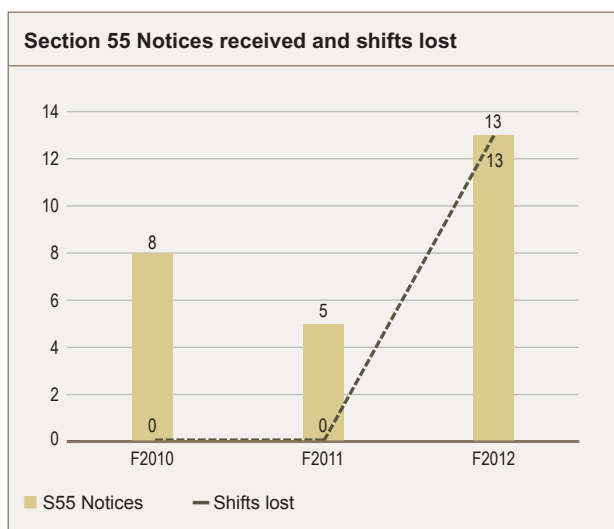
An Inspector of Mines can issue a notice under Section 54 of the Mine Health and Safety Act of 1996 where they believe there may be a dangerous occurrence, practice or condition at a mine. This may include halting operations at a mine or part of the mine.

Section 55 Notices may be issued where the inspector believes they have found an instance of non-compliance with the Mine Health and Safety Act.



The Department of Mineral Resources (DMR) served 16 Section 54 Notices in F2012 (15 in F2011) on ARM operations in F2012. The number of shifts lost as a result of Section 54 Notices continues to increase with Dwarsrivier, Two Rivers Platinum and Modikwa Mines being the operations most affected (please refer to the table in the data section at the end of this review).

Section 55 Notices increased to 13 in F2012 compared to five in F2011.



The Culture Transformation Framework

The Culture Transformation Framework (CTF) was developed as a result of the Tripartite process which started in 2003. CEOs of Chamber of Mines (COM) member companies committed to the Framework in 2011. The framework aims to create a safe, healthy and productive mining industry in South Africa, with risks controlled at source through collaborative action from all tripartite stakeholders (industry, labour and Government). In line with the commitments made in terms of the CTF, ARM performed a gap analysis in May 2012 between our health and safety systems and programmes and the minimum standards identified in the CTF. The gap analysis was led by a multi-disciplinary team, reporting to the CEO, and was performed with the participation of worker representatives. Where gaps were identified we adjusted our systems and programmes accordingly and progress was reported to the DMR as part of the Mining Charter commitments. ARM's CEO underwent health and safety assessment and feedback using the leadership tool developed by the COM based on leading global practice. This is part of our commitment to health and safety leadership from the highest level.

Mining Industry Occupational Safety and Health (MOSH)

The Mining Industry Occupational Safety and Health initiative, established by the Chamber of Mines, shares leading practices in health and safety and helps their widespread adoption across the mining industry. Its aim is to help the industry meet the Tripartite Health and Safety Targets and Milestones.

The MOSH Leading Practice Adoption System consists of four steps:

- 1 Identifying leading health and safety practices in the industry
- 2 Documenting the leading practice at the source mine
- 3 Demonstrating the leading practice at a demonstration mine
- 4 Facilitating widespread adoption through a network of potential adopters.

ARM has successfully adopted applicable best practice and reported on adoption to the Mining Charter Scorecard during the 2011 calendar year.

Safety

Focus for
2013

- Zero harm to our employees.
- Reduce stoppages due to Section 54 and 55 Notices.
- Continuous improvement of the SHEQ management systems as well as reporting systems at a Group level.

Definitions

Employees	ARM considers contractors as employees and all statistics include contractor hours worked as well as injuries sustained, in line with legislation and industry standards.
Lost time injuries (LTIs)	Any work-related injury that results in a worker being unable to perform their normal duty or similar work on the calendar day following the day of the injury is reported as a Lost Time Injury (LTI). If a suitably qualified medical professional advises that the injured person is unable to perform their normal duties or similar work on the next calendar day after the injury, regardless of the injured person's next rostered shift, a Lost Time Injury is deemed to have occurred.
Restricted work injuries (RWIs)	An RWI is defined as a work-related injury which results in the worker being able to work, but unable to perform one or more of their routine functions for a full working day, from the day after the injury occurred as certified by advice from a suitably qualified healthcare provider. Although RWIs are reported separately in some Industry Forums in which ARM participates, all RWIs are included in our measurement of LTIs.
Reportable accident (Mine Health and Safety Act)	For the mining operations to which the Mine Health and Safety Act applies; in terms of Chapter 23, reportable accidents refer to any accident that results in: <ul style="list-style-type: none"> a) the death of an employee; b) an injury, to any employee, likely to be fatal; c) unconsciousness, incapacitation from heatstroke or heat exhaustion, oxygen deficiency, the inhalation of fumes or poisonous gas, or electric shock or electric burn accidents of or by any employee and which is not reportable in terms of paragraph (d); d) an injury which either incapacitates the injured employee for performing that employee's normal or similar occupation for a period totalling 14 days or more, or which causes the injured employee to suffer the loss of a joint, or part of a joint, or sustain a permanent disability; e) an injury, other than injuries referred to in paragraph (d), which incapacitates the injured employee from performing that employee's normal or similar occupation on the next calendar day.
Reportable accident (Occupational Health and Safety Act)	For the smelters to which the Occupational Health and Safety Act 85 of 1993 applies, reportable accidents are defined in Sections 24 and 25 of the Act, as follows: Each incident occurring at work or arising out of or in connection with the activities of persons at work, or in connection with the use of plant or machinery, in which, or in consequence of which: <ul style="list-style-type: none"> a) any person dies, becomes unconscious, suffers the loss of a limb or part of a limb or is otherwise injured or becomes ill to such a degree that he/she is likely either to die or to suffer a permanent physical defect or likely to be unable for a period of at least 14 days either to work or to continue with the activity for which he/she was employed or is usually employed; b) a major incident occurred; or c) the health or safety of any person was endangered and where: <ul style="list-style-type: none"> i) a dangerous substance was spilled; ii) the uncontrolled release of any substance under pressure took place; iii) machinery or any part thereof fractured or failed resulting in flying, falling or uncontrolled moving objects; or iv) machinery ran out of control.
Section 54 of the Mine Health and Safety Act	Provides for an Inspector of Mines who has reason to believe that any occurrence, practice or condition at a mine endangers or may endanger the health or safety of any person at the mine, to give any instruction necessary to protect the health or safety of persons at the mine, including an instruction that operations at the mine or a part of the mine be halted.
Section 55 of the Mine Health and Safety Act	Allows for an Inspector of Mines who has reason to believe that an employer has failed to comply with any provision of the Mine Health and Safety Act to instruct that employer in writing to take any steps that the inspector considers necessary to comply with the provision.

Please note: Reportable injuries are also reflected as Lost Time Injuries where appropriate.

Safety data tables

Operational Safety performance

Operations	SHEQ certification	LTIFR			Awards/Achievements in F2012
		2010	2011	2012	
ARM Ferrous					
Beeshoek Mine	ISO 8001, ISO 14001, OHSAS 18001	0.18	0.17	0.00	<ul style="list-style-type: none"> Achieved 2 million fatality-free shifts Completed 10 000 fatality-free production shifts Completed 13 consecutive operating months without incurring an LTI Won the award as the safest underground mine and the most improved underground mine in the Northern Cape Mine Managers competition
Black Rock Mine	ISO 9001, ISO 14001, OHSAS 18001 certification in progress	0.52	0.40	0.19	<ul style="list-style-type: none"> Achieved 1 million fatality-free shifts
Cato Ridge Works	ISO 9001, ISO 14001, OHSAS 18001	0.97	0.23	0.52	<ul style="list-style-type: none"> Achieved 1 million fatality-free shifts
Dwarsrivier Mine	ISO 9001, ISO 14001, OHSAS 18001	1.96	1.26	0.76	<ul style="list-style-type: none"> Achieved 1 million fatality-free shifts Achieved 3 000 fatality-free production shifts in the DMR's 1 000 fatality-free production shifts competition
Khumani Mine	Integrated certification of ISO 9001, ISO 14001, OHSAS 18001	0.28	0.27	0.11	<ul style="list-style-type: none"> Achieved 2 million fatality-free shifts Winner of the ARM "Excellence in Safety" competition
Machadodorp Mine	ISO 9001, ISO 14001, OHSAS 18001	0.48	0.68	0.16	<ul style="list-style-type: none"> Runner-up in the ARM "Excellence in Safety" competition
ARM Platinum					
Modikwa Mine	ISO 9001, ISO 14001 and OHSAS 18001 certification was put on hold due to financial constraints	1.14	0.37	0.81	<ul style="list-style-type: none"> Regrettably, two employees were fatally injured in a Fall-of-Ground incident in January 2012
Nkomati Mine	ISO 9001, ISO 14001, OHSAS 18001	0.54	0.26	0.25	<ul style="list-style-type: none"> Achieved 2 million fatality-free production shifts Achieved 3 000 fatality-free production shifts
Two Rivers Platinum Mine	Aligning SHEQ systems with ISO 14001 and OHSAS 18001. Training Centre is ISO 9001 certified	0.60	0.62	0.29	<ul style="list-style-type: none"> Regrettably a fatality occurred in December 2011 due to a Trackless Mobile Machinery related incident and another fatality occurred in January 2012

Section 54 and 55 Notices and shifts lost per operation

Operations	Section 54 Notices			Shift/days lost		
	F2010	F2011	F2012	F2010	F2011	F2012
ARM Ferrous						
Beeshoek Mine	6	–	1	–	–	–
Black Rock Mine	7	3	1	–	5	–
Dwarsrivier Mine	3	2	4	7	5	14
Khumani Mine	1	–	2	–	–	–
ARM Platinum						
Modikwa Mine	4	8	5	9	22	19
Nkomati	–	–	–	–	–	–
Two Rivers Platinum Mine	–	2	3	–	5	17
Total	21	15	16	16	37	50

Operations	Section 55 Notices			Shift/days lost		
	F2010	F2011	F2012	F2010	F2011	F2012
ARM Ferrous						
Beeshoek Mine	3	–	1	–	–	13
Black Rock Mine	3	2	4	–	–	–
Dwarsrivier Mine	–	–	–	–	–	–
Khumani Mine	–	–	–	–	–	–
ARM Platinum						
Modikwa Mine	1	1	4	–	–	–
Nkomati Mine	–	1	1	–	–	–
Two Rivers Platinum Mine	1	1	3	–	–	–
Total	8	5	13	0	0	13

Occupational health and wellness



Medical surveillance, Khumani Iron Ore Mine

Focus area	Performance																				
Meeting DMR milestone for reducing machinery noise levels to less than 110 decibels by 2013	Most of our operations already meet this requirement and we are increasing our focus to ensure all operations meet the December 2013 deadline.																				
Prevent further deterioration in hearing loss through early identification and investigation	<p>We performed 40 710 audiometric tests this year and 113 patients were referred for further investigation. 45 of those referred were considered for compensation.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Audiometric tests (% referred and submitted)</p> <table border="1"> <caption>Audiometric tests (% referred and submitted)</caption> <thead> <tr> <th>Year</th> <th>Audiometric tests (Number)</th> <th>% referred</th> <th>% submitted</th> </tr> </thead> <tbody> <tr> <td>F2009</td> <td>40,000</td> <td>0.35</td> <td>0.10</td> </tr> <tr> <td>F2010</td> <td>35,000</td> <td>0.40</td> <td>0.15</td> </tr> <tr> <td>F2011</td> <td>38,000</td> <td>0.45</td> <td>0.10</td> </tr> <tr> <td>F2012</td> <td>40,000</td> <td>0.30</td> <td>0.15</td> </tr> </tbody> </table> </div>	Year	Audiometric tests (Number)	% referred	% submitted	F2009	40,000	0.35	0.10	F2010	35,000	0.40	0.15	F2011	38,000	0.45	0.10	F2012	40,000	0.30	0.15
	Year	Audiometric tests (Number)	% referred	% submitted																	
F2009	40,000	0.35	0.10																		
F2010	35,000	0.40	0.15																		
F2011	38,000	0.45	0.10																		
F2012	40,000	0.30	0.15																		
We reduced Percentage Loss of Hearing (PLH) shifts in all categories.	<div style="border: 1px solid black; padding: 5px;"> <p>Percentage Loss of Hearing shift (%)</p> <table border="1"> <caption>Percentage Loss of Hearing shift (%)</caption> <thead> <tr> <th>Category</th> <th>F2011 (%)</th> <th>F2012 (%)</th> </tr> </thead> <tbody> <tr> <td>>2.5% to <5%</td> <td>4.0</td> <td>2.5</td> </tr> <tr> <td>>5% to <7.5%</td> <td>1.2</td> <td>1.0</td> </tr> <tr> <td>>7.5% to <10%</td> <td>0.8</td> <td>0.5</td> </tr> </tbody> </table> </div>	Category	F2011 (%)	F2012 (%)	>2.5% to <5%	4.0	2.5	>5% to <7.5%	1.2	1.0	>7.5% to <10%	0.8	0.5								
Category	F2011 (%)	F2012 (%)																			
>2.5% to <5%	4.0	2.5																			
>5% to <7.5%	1.2	1.0																			
>7.5% to <10%	0.8	0.5																			

HIGHLIGHTS

- ▶ We incorporated HIV, Aids and TB management into our comprehensive wellness programme.
- ▶ We revised and updated our monthly health reporting statistics in line with the Department of Mineral Resources (DMR) and Mine Health and Safety Council (MHSC) requirements following the Mine Health and Safety Summit in November 2011.
- ▶ PLH shifts reduced in all categories.

CHALLENGES

- ▶ Continued prevention of noise-induced hearing loss.
- ▶ Difficulty in attracting and retaining qualified occupational medical staff to remote locations impacting negatively on the effectiveness of our medical surveillance programmes.

* TB – Please note: Last year we reported on TB in the Occupational Health and Wellness section. This year we have included TB, with HIV & Aids in line with the National Strategic Plan 2012 – 2016.

Ensuring the wellbeing of our employees is in line with our values and therefore an important part of the way we do business. ARM recognises that safety, occupational health (including HIV and occupational diseases) and hygiene are interlinked. By putting in place measures to maintain and improve employee wellness, we not only cater for the needs of one of our most significant stakeholder groupings, we also help them to do their job more safely and more efficiently.

The primary occupational health and wellness issues we face are:

Chronic diseases

Hypertension in our workforce (55.9%)

Primary health

Upper respiratory tract infections (8 219 cases recorded in F2012) and back/muscular/skeletal ache (1 694 cases in F2012)

Occupational health

Noise-Induced Hearing Loss (45 cases submitted for compensation) and reducing exposure to dust and hazardous substances such as manganese and Chromium VI

Our approach to occupational health and wellness is guided by:

Our values	ARM aims for operational excellence and continuous quality improvement, which includes achieving leading health performance.
ICMM	Principle 5 – We seek continual improvement of our health and safety performance.
Mining Charter Targets	Improvement of the industry's mine health and safety performance.
Mine Health and Safety Act (MHSA)	ARM's commitment to occupational health and wellness is led by our values, rather than driven by compliance. The Mine Health and Safety Act governs occupational health at our mines and the Occupational Health and Safety Act applies at our smelting operations.
Occupational Health and Safety Act (OHSA)	
Department of Mineral Resources (DMR) and Department of Labour (DOL)	Occupational health risk and exposures are identified, monitored, mitigated and recorded in terms of the MHSA and OHSA and its Regulations and reported to the DMR and DOL.
Hazardous Chemical Substances Regulations	Applies where there is the risk of exposure to hazardous chemicals. Most applicable to potential exposure to manganese dust or fumes at our Cato Ridge and Machadodorp Works.
Tripartite Safety Targets and Milestones	<p>Target: Elimination of silicosis and Noise-Induced Hearing Loss.</p> <p>Milestones:</p> <ul style="list-style-type: none"> ● After December 2013, no new cases of silicosis will occur amongst previously unexposed individuals; ● After December 2008, no deterioration in hearing greater than 10% amongst occupationally exposed individuals. ● By December 2013, noise emitted by equipment installed must not exceed 110 dB(A) at any location in that workplace across industry.

How we manage occupational health and wellness

Safety, occupational health (including HIV and occupational diseases) and hygiene are managed as part of a holistic wellness programme that integrates relevant information from the Safety, Health and Environment (SHE) department, employees, medical staff and Human Resources (HR) to ensure a holistic and informed approach to recruitment, wellness management, and ill health and incapacity management.

ARM's Health and Safety specialists operate across the Group to identify physical risks in the workplace and bring these to the attention of management. They also govern and monitor operational safety policies, strategies and safety performance at a corporate level. These are reviewed at an executive level every quarter in Safety, Health, Environmental and Quality (SHEQ) meetings.

Each operation has its own specific occupational health issues to consider, depending on the mining methods used, the degree of mechanisation and the various processes and activities in which the material is recovered or processed. ARM engages specialist external service providers to assist with identifying, monitoring and treating the specific health challenges at each operation. This includes occupational hygiene surveillance which is integrated with comprehensive risk-based medical surveillance programmes.

Occupational health corporate standards apply across the operations to standardise the approach and improve reporting and investigation of occupational diseases and the performance of health risk assessments.

SHE managers at the operations manage and integrate the total occupational health function with the occupational hygiene and the human resources departments. Wellness committees at operational level at most operations promote engagement between employers, employees and unions in a partnership approach to managing wellness. Regular meetings are facilitated between these stakeholders with agenda items that include HIV & Aids, TB and lifestyle diseases.

Monthly health reports are generated and, following the Mine Health and Safety Tripartite Summit in November 2011, these statistics were revised and updated in line with the Department of Mineral Resources (DMR), Department of Labour and Mine Health and Safety Council (MHSC) requirements, particularly as regards TB and HIV reporting, and aligned to ICMM membership requirements.

The externally contracted Occupational Health Nurse reports to the Executive: Sustainable Development. At least every quarter, the Occupational Health Nurse visits each operation to audit compliance to legal and corporate standards, to provide guidance to medical surveillance staff and to monitor corrective action that may be required in response to audits.

The Group HIV & Aids Co-ordinator has been appointed as the Superintendent: Occupational Health and Wellness to reflect the role's extended focus in line with growing Company and regulatory requirements.

We manage occupational health through a combination of:

- **comprehensive risk-based occupational medical surveillance;**
- **planned periodic examinations**, including physical examinations, biological monitoring and medical testing of employees by Occupational Medical Practitioners and Occupational Health Nursing Practitioners;
- **treatment** at on-site occupational health clinics;
- **training** – occupational health and hygiene form part of our induction programmes and ongoing training is facilitated by Wellness Officers and Peer Educators in line with the specific risks identified at each operation;
- **medical surveillance programmes** linked to the specific health hazards to which employees may be exposed and in compliance with the applicable legislation, including the DMR requirements regarding reporting of all accidents, occupational diseases and life-threatening situations (Section 11 incidents) and Percentage Loss of Hearing (PLH) shifts of greater than 5%;
- **external SHE audits** as part of our combined assurance and governance model. These are performed every second year by specialist external auditors. The results from the detailed expert Occupational Health and Hygiene audits conducted at each operation towards end of F2011 have been finalised. Health risk assessments around rotational shift work and fatigue management have been enhanced following feedback from the audits and corrective actions were implemented to address the audit findings;
- **awareness programmes**, including Wellness Days at all operations to promote awareness of health issues. ARM is particularly focused on raising awareness among employees about chronic diseases, including TB, sexually transmitted diseases and other HIV-related opportunistic infections; and
- **medical aid membership** is available to all permanent employees as a condition of employment.

ARM is actively involved in the Mining Industry Occupational Safety and Health programmes implemented by the Chamber of Mines (COM) that seek to facilitate the spread of best practices across the mining industry. The Executive: Sustainable Development serves on the MOSH Task Force of the COM, the Occupational Health and Safety Policy Committee of the COM and the Health and Safety Task Force of the ICMM.

Monitoring and reporting

As part of our health programme we monitor a range of behavioural indicators including absenteeism, chronic disease, emotional wellness and substance abuse. We are conducting operational health investigations regarding health threatening diseases to meet the requirements of the Department of Mineral Resources regarding submitting Investigation Reports for all occupational and communicable diseases and reporting all tuberculosis cases.

Challenges

Collating, consolidating and comparing relevant occupational health data from clinic staff, line management, HR and SHE staff has historically been challenging due to the varied information systems used in each function and at each operation. To facilitate closer co-ordination between various departments in terms of input, data analysis and case management a comprehensive and integrated HR management system was piloted last year at Khumani Mine and the roll out to other operations is on track.

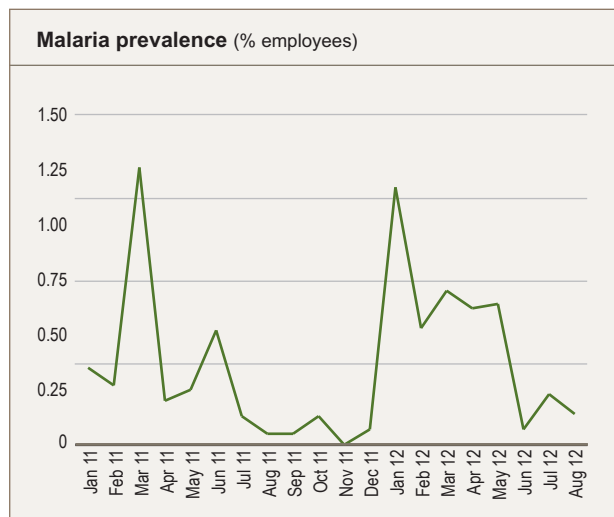
Our operations are largely in rural locations. This often makes it challenging for the medical service providers who operate our outsourced clinics and run the medical surveillance programmes to attract and retain qualified and experienced staff.

In our continued expansion, improvement and development project we make use of contract labour in certain phases. At any single time, contractors can make up a significant proportion of our total workforce. We treat our contractors as employees and they are included in our medical surveillance programmes which could pressure resources and affect case management of those identified with occupational or chronic diseases.

Contractor companies sometimes neglect to inform medical services when individuals' contracts have been completed, making it challenging to ensure that all contractors complete exit medical examinations as legally required. This requires close communication between the contracts department and security/access control at our operations to improve management and effectiveness of our risk-based medical surveillance systems.

Malaria

Malaria is a significant health risk for the Lubambe Mine in our Copper Division in Zambia. There are around 20 cases among our employees in an average month. Prevalence peaks each year in the rainy summer months when consistently high temperature and humidity combine with standing water to create ideal conditions for malaria.



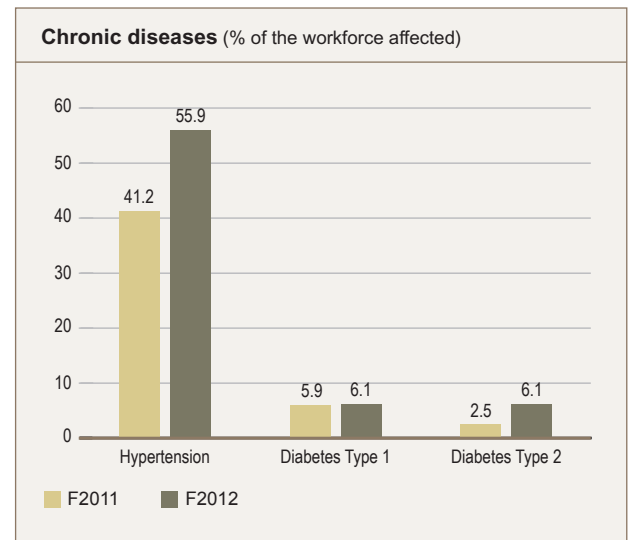
These operations have ongoing malaria prevention programmes and awareness activities that include:

- residual spraying of work areas, employee accommodation and various community areas;
- regular safety talks on malaria prevention; and
- malaria statistics are communicated to the workforce regularly.

Principal occupational, primary and chronic health issues

Chronic and/or lifestyle diseases

The most common chronic disease diagnosed in our workforce is hypertension which affects over half of our workforce, followed by Type 1 and Type 2 Diabetes Mellitus, which together affect 12% of the workforce. Improved monitoring and increased access to primary health care has led to more cases of hypertension and Diabetes Type 2 being detected in F2012.



Primary health

Upper respiratory tract infections (URTI) are frequent, especially in the colder months of the year. Our clinics recorded 8 219 URTI visits during F2012 (F2011: 9 640), although it is important to note that this figure includes repeat and follow-up visits and so is likely to overstate the actual number of cases. During the year we launched an active flu vaccination programme at most of our operations which may have contributed to the 15% decrease in URTI this year.

Back/muscular/skeletal ache is another primary health concern. We conducted awareness and education campaigns around this issue which resulted in a drop to 1 694 cases in F2012 (F2011: 4 609), including repeat and follow-up visits. We make every effort to address ergonomic issues in order to not aggravate prevailing primary health conditions.

Occupational health issues

Noise-Induced Hearing Loss (NIHL)

Hearing conservation is a major focus in all our operations in line with our commitment to achieving the 10 year targets agreed by tripartite parties at the Mine Health and Safety Summit held in 2003. These targets commit us to ensuring that:

- we monitor hearing in employees occupationally exposed to noise to ensure that preventative mechanisms and coaching is implemented to prevent deterioration in hearing; and that
- noise emitted by equipment does not exceed 110 decibels (dB) by December 2013.

Monitoring Noise-Induced Hearing Loss

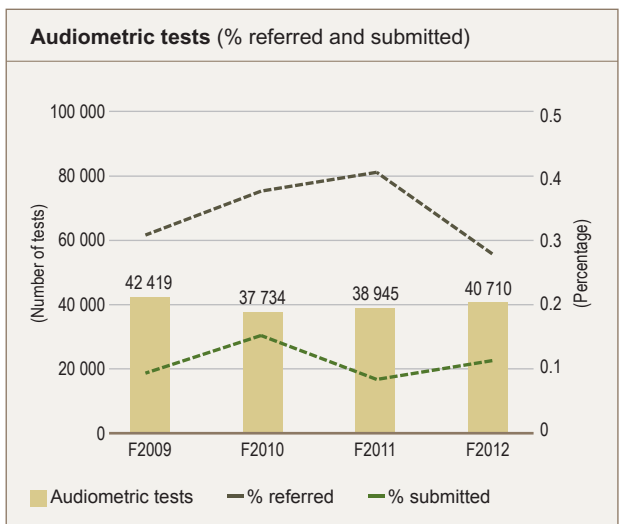
ARM takes a pro-active approach to managing NIHL through early identification and investigation. We test the hearing of all new employees (including contractors) at the time of employment, as well as employees that transfer between work environments to set a baseline hearing level for each employee. Hearing is then periodically retested with the frequency determined by the level of noise in their workplace environment – those exposed to high levels of noise (>85 dB) are tested at least annually and those exposed to noise above 105 dB are tested six-monthly.

Any deterioration in hearing relative to that individual’s baseline results in the individual receiving counselling and training by clinic personnel, as well as an investigation of the individual’s exposure to noise both within and outside the workplace by the occupational hygiene department.

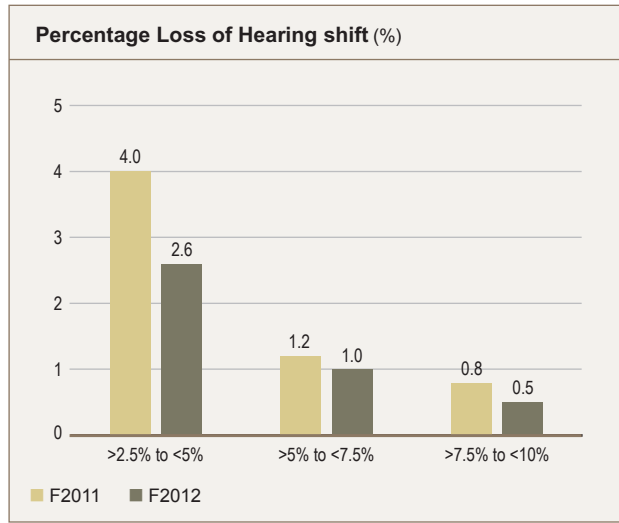
Deterioration in hearing may also result from other factors, such as age, illness or personal care. Any employee with a Percentage Loss of Hearing (PLH) of greater than 10% from their baseline hearing level, as at the time of employment, which is indicative of NIHL, is referred to an audiologist and Ear, Nose and Throat specialist for diagnostic audiograms to establish the cause of the hearing loss.

If the specialist confirms that the employee has suffered occupational NIHL, a claim is submitted to either Rand Mutual Assurance (for mining employees) or the Workmen’s Compensation Commission (for smelter employees). Where possible, employees with NIHL are redeployed to workplaces with low noise levels and monitored on an individual basis.

We conducted 40 710 audiometric tests in F2012 (F2011: 38 945). From these tests, 113 cases (F2011: 160) were referred to a specialist for further testing and 45 (F2011: 33) were submitted for compensation. We take this to mean that our audiometric testing protocol continues to improve – we are performing more tests, identifying fewer subjects for further investigation and this identification is becoming more accurate. Our focus is now shifting to reducing noise at its source.



Changes in hearing are measured as Percentage Loss of Hearing (PLH) from the baseline test at employment, often called PLH Shift. PLH of 5% or more must be reported to the DMR.



We are pleased to note that PLH Shifts have declined across all three categories.

Monitoring noise emission

We monitor and measure noise emission levels of equipment in the workplace. Most of our operations already meet the DMR requirement of less than 110 decibels by 2013. We are increasing our focus on reducing workplace noise emissions to ensure we comply fully by the deadline.

We have hearing safety awareness campaigns in all high noise areas and employees are trained on the use of hearing protection. Employees found not wearing hearing protection in a high noise environment receive counselling by medical staff and occupational hygienists. Repeated non-compliance results in disciplinary processes being followed.

Dust suppression

Exposure to dust in high levels is a recognised health risk and can cause complications for employees exposed to silica. Prolonged inhalation of dust can lead to silicosis, a debilitating lung disease and tuberculosis (TB) rates are approximately three times greater in people exposed to silica.

Exposure to silica in our base metals and platinum mines is negligible, but HIV infection greatly increases susceptibility to TB, so we continue to focus on mitigating exposure to dust among our employees and in the communities around our mines. Dust mitigation measures are implemented in the workplace and focus on suppression of dust underground, in open-pits and on haul roads.

Asbestos has been detected in the ore body at Nkomati Mine and the operation applies appropriate procedures to mitigate dust liberation and manage exposure.

No cases of occupational respiratory diseases were submitted for compensation during F2012, compared to four in F2011 (three

cases of silicosis and one of asbestosis), all of which were cases caused by exposure prior to these individuals being employed by ARM.

Hazardous substances

We smelt manganese at our Cato Ridge and Machadodorp works. Exposure to excessive manganese levels over a period of time can result in a range of psychiatric and motor disturbances similar to Parkinson's disease. ARM is committed to protecting our workers from excessive exposure to any hazardous substance as well as to fulfilling all its obligations in terms of the Occupational Health and Safety Act and the Hazardous Chemical Substances Regulations. We take all practicable precautionary steps to limit exposure to manganese and have control measures in place to prevent exposure to dust and fumes.

Where the risk of exposure to fumes has been identified, workers are obliged to wear respiratory protective equipment. We conduct

a baseline test on all employees before they start working in high risk areas and have a manganese medical surveillance and biological monitoring programme in place at Cato Ridge Works and Machadodorp Works that was developed by leading occupational health specialists.

The findings of the inquiry convened by the Department of Labour into the alleged cases of manganism at the Cato Ridge Works, which inquiry was completed during 2008 and which matter has been reported on in previous reporting periods, have still not been made available to the Company. Thus, the final outcome in this matter is still awaited. ARM remains committed to fulfilling all its obligations in terms of preventing exposure, as prescribed in the Occupational Health and Safety Act and the Hazardous Chemical Substances Regulations.

Other hazardous substances in our operations that are managed as part of the same programme include chromium 6 and Coal Tar Pitch Volatiles (CTPV) in our smelting operations.

Occupational health and wellness

Focus for
2013

- Continued focus on monitoring and management of chronic and communicable disease.
- Establish Wellness Committees at all operations.
- Meeting Department of Mineral Resources milestones for reducing machinery noise levels to less than 110 dB by 2013.
- Continued focus on prevention of hearing loss.

Occupational health and wellness data tables

Chronic medical conditions

Medical condition	Newly diagnosed	Existing	Total of employees with condition	Percentage of total workforce affected
F2012				
Hypertension	598	11 983	12 581	55.9
Diabetes Mellitus T1	112	1 264	1 376	6.1
Diabetes Mellitus T2	107	1 271	1 378	6.1
Epilepsy	3	105	108	0.4
URTI			8 219	36.4
F2011				
Hypertension	1 270	7 509	8 779	41.2
Diabetes Mellitus T1	251	1 012	1 263	5.9
Diabetes Mellitus T2	38	503	541	2.5
Epilepsy	4	89	93	0.4

Occupational health and wellness data tables continued

Noise – Induced Hearing Loss

	Number of employees	Percentage of total workforce
PLH shift		
F2012		
PLH shift >2.5 to <5%	585	2.6
PLH shift >5 to <7.5%	236	1.0
PLH shift >7.5 to <10%	118	0.5
F2011		
PLH shift >2.5 to <5%	856	4.0
PLH shift >5 to <7.5%	257	1.2
PLH shift >7.5 to <10%	180	0.8

Audiometric examinations F2012

	F2010	F2011	F2012
Number of tests performed	37 734	38 945	40 710
Number of cases referred	143 (0.38% of total)	160 (0.41% of total)	113 (0.28% of total)
Number of cases submitted for compensation	58 (0.15% of total)	33 (0.08% of total)	45 (0.11% of total)

Noise – Induced Hearing Loss per operation

Operation	F2011		F2012	
	Referred	Submitted for compensation	Referred	Submitted for compensation
Beeshoek Mine	2	5*	5	1
Black Rock Mine	3	0	3	2
Cato Ridge Works	107	0	5	0
Dwarsrivier Mine	2	2	7	0
Khumani Mine	2	0	9	11
Machadodorp Works	0	0	2	1
Modikwa Mine	14	15	62	21
Nkomati Mine	21	7	4	5
Two Rivers Mine	9	4	16	4
Total	160	33	113	45



Dust suppression system at crusher, Nkomati Mine

TB, HIV & Aids

Focus area	Performance													
<p>Daily access to Voluntary Counselling and Testing (VCT) at all operations</p>	<p>All operations except Nkomati Mine and Machadodorp Works have moved from VCT to counselling and voluntary testing (CVT). This led to fewer formal VCT campaigns in F2012 and a consequent decline in employees counselled.</p> <p>From July 2012, all medical examinations will automatically include HIV counselling, with testing still being optional.</p>	<p>Employees counselled</p> <table border="1"> <caption>Employees counselled</caption> <thead> <tr> <th>Year</th> <th>Number of Employees</th> </tr> </thead> <tbody> <tr> <td>F2009</td> <td>7,000</td> </tr> <tr> <td>F2010</td> <td>9,000</td> </tr> <tr> <td>F2011</td> <td>15,000</td> </tr> <tr> <td>F2012</td> <td>10,000</td> </tr> </tbody> </table>	Year	Number of Employees	F2009	7,000	F2010	9,000	F2011	15,000	F2012	10,000		
Year	Number of Employees													
F2009	7,000													
F2010	9,000													
F2011	15,000													
F2012	10,000													
<p>Improve performance against our internal HIV & Aids benchmark, called the "ARM Sustainable Development Standard"</p>	<p>Our overall HIV & Aids score (internally audited at the end of each financial year) improved to 71.0% (F2011: 60.7%), exceeding our internal standard (64.4%) for the first time.</p>	<p>ARM Sustainable Development Standard (%)</p> <table border="1"> <caption>ARM Sustainable Development Standard (%)</caption> <thead> <tr> <th>Year</th> <th>Score (%)</th> </tr> </thead> <tbody> <tr> <td>F2008</td> <td>55</td> </tr> <tr> <td>F2009</td> <td>55</td> </tr> <tr> <td>F2010</td> <td>60</td> </tr> <tr> <td>F2011</td> <td>60.7</td> </tr> <tr> <td>F2012</td> <td>71</td> </tr> </tbody> </table> <p>— Benchmark (64.4%)</p>	Year	Score (%)	F2008	55	F2009	55	F2010	60	F2011	60.7	F2012	71
Year	Score (%)													
F2008	55													
F2009	55													
F2010	60													
F2011	60.7													
F2012	71													
<p>Enhance support to employees living with HIV & Aids</p>	<p>All operations have programmes run by accredited service providers to address counselling sessions for both health and non-health related matters. We registered 32% more employees on our Disease Management Programmes.</p>	<p>Employees registered on Disease Management Programmes</p> <table border="1"> <caption>Employees registered on Disease Management Programmes</caption> <thead> <tr> <th>Year</th> <th>Number of Employees</th> </tr> </thead> <tbody> <tr> <td>F2011</td> <td>380</td> </tr> <tr> <td>F2012</td> <td>500</td> </tr> </tbody> </table>	Year	Number of Employees	F2011	380	F2012	500						
	Year	Number of Employees												
F2011	380													
F2012	500													
<p>65% more employees receive anti-retrovirals (ARVs) from our facilities.</p>	<p>Employees accessing ARVs</p> <table border="1"> <caption>Employees accessing ARVs</caption> <thead> <tr> <th>Year</th> <th>Number of Employees</th> </tr> </thead> <tbody> <tr> <td>F2011</td> <td>240</td> </tr> <tr> <td>F2012</td> <td>390</td> </tr> </tbody> </table>	Year	Number of Employees	F2011	240	F2012	390							
Year	Number of Employees													
F2011	240													
F2012	390													
<p>Linking CVT/HIV Counselling and Testing (HCT) and prevalence survey results to skills plans</p>	<p>Prevalence rates have been established and are being used by the Human Resources (HR) department to address contingency planning, multi-skilling plans, succession plans and bursary schemes.</p>													



Pre-counselling and testing at Khumani Mine

Focus area	Performance										
Establish/expand sustainable HIV & Aids community outreach projects	Operations focus on the following areas as required by the National Strategic Plan (NSP): <ul style="list-style-type: none"> ● community home-based care; ● support for vulnerable children; ● school health services; and ● community HCT/TB campaigns. 										
Continue to reduce number of new TB infections	New TB infections reduced to 39 (F2011: 68) <div style="text-align: right;"> <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>New TB infections</caption> <thead> <tr> <th>Year</th> <th>Infections</th> </tr> </thead> <tbody> <tr> <td>F2009</td> <td>135</td> </tr> <tr> <td>F2010</td> <td>100</td> </tr> <tr> <td>F2011</td> <td>68</td> </tr> <tr> <td>F2012</td> <td>39</td> </tr> </tbody> </table> </div>	Year	Infections	F2009	135	F2010	100	F2011	68	F2012	39
Year	Infections										
F2009	135										
F2010	100										
F2011	68										
F2012	39										

HIGHLIGHTS

- ▶ We successfully integrated our HIV policies to include TB and STI management as per the NSP of 2012 – 2016.
- ▶ Our performance against our internal HIV & Aids management benchmark improved.
- ▶ More employees are registered on our disease management plans and more are receiving anti-retrovirals.

CHALLENGES

- ▶ The incidence of HIV & Aids significantly affects our operations and the communities in which our employees reside, particularly in Mpumalanga and KwaZulu-Natal.
- ▶ Fear of discrimination and stigma prevents individuals from determining and/or disclosing their HIV status.
- ▶ Ensuring optimal functioning of local Aids councils.
- ▶ Encouraging trained peer educators to remain active.

* TB – Please note: Last year we reported on TB in the Occupational Health and Wellness section. This year we have included TB with HIV & Aids in line with the National Strategic Plan 2012 – 2016.

Infectious diseases such as tuberculosis (TB), HIV & Aids have far-reaching consequences for people and communities, including loss of life, impact on family life, loss of productivity, poor safety performance, loss of skills, education and training. Four of our operations are located in KwaZulu-Natal and Mpumalanga where HIV infection rates are estimated at 39.5% and 35.1% respectively, the highest levels in South Africa. ARM is committed to developing and advancing our policies, strategies and programmes to monitor and manage the impact of TB, HIV & Aids at our operations as well as implementing HIV & Aids outreach projects to assist the communities around our operations.

Our approach to TB, HIV & Aids is guided by:	
Our values	ARM aims for operational excellence and continuous quality improvement, which includes achieving leading health performance.
ICMM	Principle 5 – We seek continual improvement of our health and safety performance.
Mining Charter	Improvement of the industry’s mine health and safety performance.
SABCOHA	ARM is a member of the South African Business Coalition on HIV & Aids (SABCOHA) and the Executive: Sustainable Development served on the SABCOHA Board of Governors.
National Strategic Plan 2012 – 2016	Goals for 2016: <ul style="list-style-type: none"> ● Halving the number of new HIV infections; ● Ensuring that at least 80% of people eligible for treatment for HIV are receiving ARVs (at least 70% should be alive and still on treatment after 5 years); ● Halving the number of new TB infections and deaths from TB; ● Ensuring that the rights of people living with HIV are protected; and ● Halving the stigma related to HIV and TB.

How we manage TB, HIV & Aids

Our approach to managing TB, HIV & Aids aims to both halt the spread of these diseases and to care for those who are infected and affected by these diseases.

This approach is set out in ARM’s HIV & Aids management guideline document which is based on the previously published Global Reporting Initiative (GRI) Guideline on HIV & Aids. The guideline document is regularly reviewed and updated to ensure it stays aligned to internal and external developments. It provides guidance and standards for the management of HIV & Aids to which operations refer for the planning and implementation of their respective programmes.

Operational management of HIV & Aids is centrally co-ordinated and managed by the Group Occupational Health and Wellness staff as part of ARM’s overall occupational health and safety programme.

Key functions of the Group Occupational Health and Wellness staff include:

- providing management support in line with the ARM HIV & Aids management guidelines;
- assisting in the formulation of policies and strategic plans;
- liaising with significant internal and external stakeholders, including Government departments, local municipalities and Non-Governmental Organisations (NGOs);
- organising and evaluating HIV & Aids-related training for operations;
- co-ordinating operational HIV & Aids management reporting;
- assisting operations in HIV & Aids-specific budget formulations; and
- conducting HIV & Aids management audits at all operations.

ARM’s HIV & Aids programmes are implemented at an operational level according to the specific challenges facing each operation under the supervision of operational HIV & Aids coordinators. Eight of the operational HIV & Aids co-ordinators have completed South African National Standard (SANS) 16001: 2007 HIV & Aids Management implementation courses. A new wellness supervisor is to be appointed in October 2012 at Nkomati Mine and Khumani Mine will apply for SANS certification in F2013.

All HIV & Aids policies throughout the Group were updated during F2012 and have been integrated to include TB and sexually transmitted infections (STIs) management in line with the National Strategic Plan of 2012 – 2016, Department of Labour requirements and HIV & Aids management strategic plans and specific budgets.

Contractors are offered CVT at our facilities and referred to community health clinics for treatment. They are monitored at our facilities for compliance.

During the year, ARM participated in the Governmental HIV Counselling and Testing (HCT) campaign and reported through the SA Business Coalition on HIV & Aids (SABCOHA)’s “Bizwell” programme. SABCOHA highlighted the fact that other conditions such as high blood pressure, blood sugar and cholesterol may pose greater risk to employee wellness than HIV.

ARM also participated as a stakeholder in the drafting of the National Strategic Plan on HIV, STIs and TB 2012 – 2016 and Modikwa Mine and Two Rivers Platinum Mine participated in the business sector group that drafted the Limpopo Provincial Strategic Plan 2012 – 2016.

HIV & Aids Management Guideline

The ARM HIV & Aids management guideline document describes each performance indicator, details the outputs and explains the relevance and implications of each indicator in relation to overall HIV & Aids management.

The management guideline was drawn up using as reference sources three internationally recognised HIV & Aids management guidelines:

- The South African National Standard (SANS 16001:2007);
- The International Finance Corporation HIV & Aids Guide for the Mining Sector (IFC); and
- The Global Reporting Initiative (GRI) Guideline on HIV & Aids.

Limiting the spread of HIV & Aids, TB and STIs

ARM's efforts to limit the spread of HIV & Aids, TB and STIs centre on education and awareness. Our employee induction programme focuses on promoting prevention of infection by providing:

- information and education about HIV & Aids, TB and STIs;
- information on important HIV & Aids services available onsite and within communities;
- counselling and voluntary testing; and
- peer education.

We changed our approach in the current year from voluntary counselling and testing (VCT) to counselling and voluntary testing. In the latter approach, HIV counselling is provided at the clinics in all medical examinations and tests are then optional. We believe that this approach will reach more people and is more likely to encourage people to determine their status. All operations have implemented this approach, except for Nkomati Mine and Machadodorp Works who are reviewing service level agreements with their site clinics to comply with this policy.

The number of employees who have received counselling at our operations has increased every year, but with the change in approach this year, the number counselled fell to 10 465 (F2011: 15 342). There also were major VCT campaigns at Nkomati Mine and Machadodorp Works in F2011 as their site clinics do not offer the service currently. These campaigns were not repeated in F2012.

We have also had success in encouraging people to know their status.

Peer educators form an important part of awareness raising and support programmes and all operations have trained peer educators using accredited training service providers. One of our focus areas for F2013 is to organise refresher trainings for peer educators and design tools to assist them to remain active and keep HIV awareness high.

We are also putting in place procedures to assist the optimal functioning of local Aids councils including engaging with local municipalities through our Local Economic Development/Corporate Social Investment departments.

Caring for those infected

All permanent employees belong to medical aid schemes which provide HIV & Aids disease management programme benefits. Six of our operations have wellness centres that employees can opt to access anti-retrovirals (ARVs) from. Black Rock Mine will start to offer wellness centres and ARVs in F2013 and Machadodorp Works and Nkomati Mine will renegotiate service level agreements with their service providers to offer these services in F2013. Counselling and voluntary testing services at Khumani and Beeshoek mines are extended to include the community, families and dependants of employees. There are Employee Wellness Programmes run by accredited external service providers to support employees on Disease Management Programmes and with other social problems.

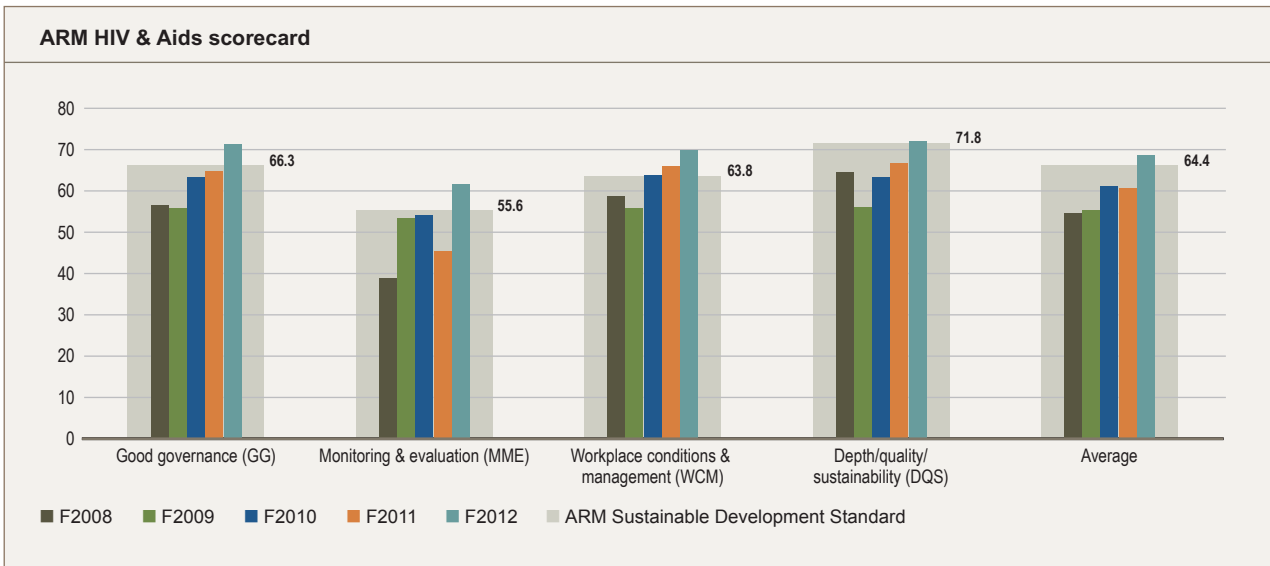
Managing and monitoring

An HIV & Aids internal scorecard has been developed from the guideline to monitor and measure performance against our programme. The scorecard has 16 performance indicators categorised into four areas:

- **Good Governance** – includes elements on policy formulation, strategic planning, effective risk management and stakeholder involvement;
- **Measurement, Monitoring and Evaluation** – includes prevalence and incidence of HIV & Aids, and actual and estimated costs and losses;
- **Workplace Conditions and HIV & Aids Management** – includes elements on interventions such as awareness campaigns and specific budgets; and
- **Depth/Quality/Sustainability** of HIV & Aids management – includes VCT/HCT support, education, condom distribution and wellness provision.

An internal minimum standard ARM set for its operations in 2008 is applied in each of the 16 performance indicators to determine a comparative benchmark for operations. As each operation manages HIV & Aids according to the specific situations it faces, this index allows measurement of progress. Known as the ARM Sustainable Development Standard, it assists operations to identify areas for improvement and helps the drafting of action plans.

Every financial year, the ARM corporate office conducts GRI audits as well as a gap analysis against SANS 16001. The F2012 audits were conducted in August 2012 and found Khumani Mine to be the highest achiever against both the GRI and SANS. Four operations (Khumani Mine, Beeshoek Mine, Black Rock Mine and Two Rivers Platinum Mine, have exceeded the Group sustainable index while for the first time in three years the Group's average score (71.0%) has exceeded our internal ARM Sustainable Development Standard of 64.4%.



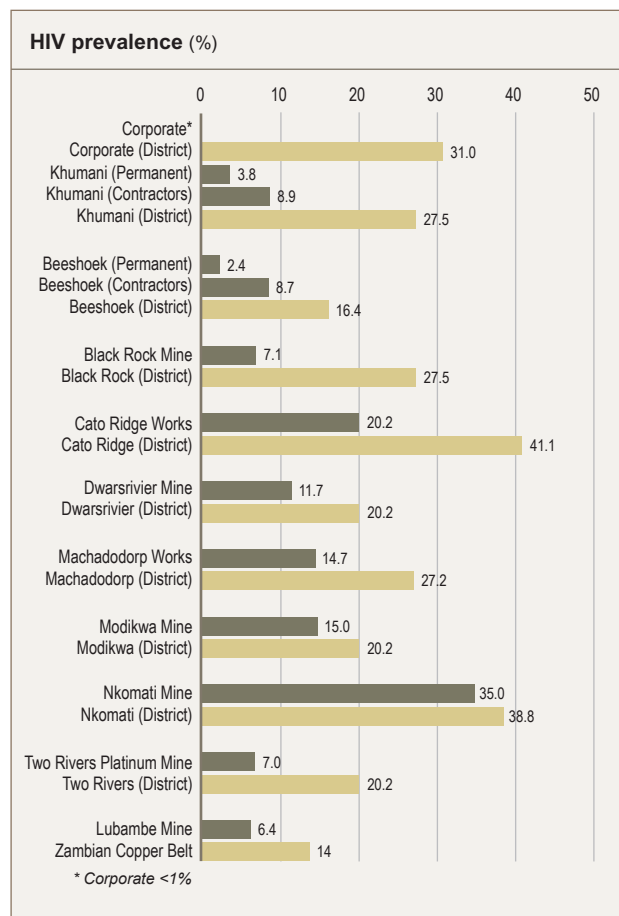
Our focus this year continued to be on access to chronic medicine, including anti-retroviral treatment (ARVs). This is reflected in the increase in number of employees who tested HIV+ and are successfully registered on our Disease Management Programme which rose to 513 (F2011: 390) and those accessing ARVs rose to 400 (F2011: 242).

Estimated HIV prevalence rates have now been established at all of our operations including the corporate office. The graph on the right shows estimated prevalence rates at each of our operations compared to the estimated prevalence in the districts in which they operate. Although prevalence rates tend to follow the district prevalence, with the highest being at Nkomati Mine and Cato Ridge Works which operate in Mpumalanga and KwaZulu-Natal respectively, prevalence at our operations is lower than district prevalence in all regions.

Prevalence rates are being used by the Human Resources department to address contingency planning, multi-skilling plans, succession plans and bursary schemes.

In F2013 we are planning to complete HIV Economic Impact Assessment calculations to quantify and better understand the full potential impact of HIV on the Group.

ARM operational HIV prevalence compared to local district prevalence rates



Community Outreach

ARM believes that a comprehensive approach to HIV & Aids management includes both the workplace and the community. Our HIV & Aids management programme therefore extends to CSI programmes in the communities around our operations.

In line with the National Strategic Plan on HIV, STIs and TB 2012 – 2016, our community outreach programmes focus on:

- Community home-based care;
- Support for orphans and vulnerable children;
- School health services; and
- Community HCT/TB campaigns.

Initiatives in F2012

Khumani Mine
<ul style="list-style-type: none"> ■ supports Lerato Day Dare Centre with nutrition to feed 520 vulnerable children. ■ supports orphans and vulnerable children at the Deben community. ■ operates a 24/7 primary health care facility that also services local communities, including Olifantshoek, Deben, Katu and Dingleton, in partnership with the Northern Cape Department of Health.
Black Rock Mine
<ul style="list-style-type: none"> ■ completed a new community home-based care centre for the Thusano home-based care project. ■ supports Omogolo Women in Action to provide nutrition to the community members that attend a local wellness centre.
Beeshoek Mine
<ul style="list-style-type: none"> ■ supports the Age of Hope Centre for orphans and vulnerable children through the donation of furniture.
Machadodorp Works
<ul style="list-style-type: none"> ■ supports the Shalom Day Care Centre for orphans and vulnerable children.
Modikwa Mine
<ul style="list-style-type: none"> ■ supports the Maandagshoek community home-based care.
Nkomati Mine
<ul style="list-style-type: none"> ■ provides a site for HIV Counselling and Testing (HCT) and TB screening for the Waterval Boven community.

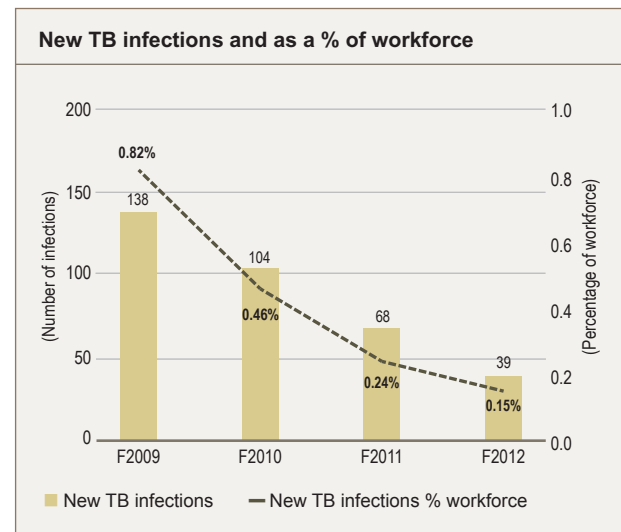
Tuberculosis

The World Health Organisation ranks South Africa third in the world for tuberculosis (TB) burden and TB is a disease that ARM monitors closely. As reported in the Occupational Health section,

dust suppression is an important aspect of our approach to managing TB in our workforce, due to the link between silica exposure and TB.

TB cases are monitored and managed by our clinic staff in collaboration with the Department of Health and detection rates have increased significantly due to the inclusion of TB screening in annual medical examinations. All operations have developed TB infection control protocols and post-exposure prophylaxis procedures.

There has been a marked decline in new TB infections in our workforce, with 39 new infections reported in the current year (F2011: 68). These new infections represent 0.15% of our total workforce.



TB campaigns were organised at Khumani Mine, Beeshoek Mine and Black Rock Mine in partnership with the Department of Health at which more than 6 500 employees were screened.

409 employees (including those newly diagnosed this year) remain on treatment programmes.

TB reviews were performed at a corporate level during July 2011 by request of the Chamber of Mines on behalf of the Mine Health and Safety Council. This corporate review entailed consolidation of operational reports of the number of HIV tests performed as part of the HCT campaign as well as the TB incidence and cure rates for the previous five years.

ARM reports on occupational health and TB in terms of the requirements of the Mining Charter.

TB, HIV & Aids

Focus for 2013

- Organise refresher trainings for our peer educators and design tools to encourage them to remain active.
- Achieve SANS 16001 certification at Khumani Mine.
- Review service level agreements at Nkomati Mine and Machadodorp Works to align site clinics with the rest of the Group.
- Service providers to provide detailed quarterly utilisation report to assist strategic planning.
- Engage with district health services to manage HIV, TB and STIs in surrounding communities according to the National Strategic Plan.
- Perform HIV Economic Impact Assessment calculations at all operations.

HIV & Aids prevalence data table

ARM Operations HIV Prevalence Rates 2012								
Operation	HIV prevalence	Source	Provincial prevalence		Source	District prevalence		Source
ARM Corporate Permanent and Contractors	<1%	Kaelo consulting	Gauteng	30.5%	DOH	City of JHB	31%	DOH
Khumani Mine • Permanent • Contractors	3.8% 8.9%	UGM wellness	Northern Cape	18.4%	DOH	JT Gaetsewe	27.5%	DOH
Beeshoek Mine • Permanent • Contractors	2.4% 8.7%	UGM wellness	Northern Cape	18.4%	DOH	Siyanda	16.4%	DOH
Blackrock Mine	7.1%	Right to Care	Northern Cape	18.4%	DOH	JT Gaetsewe	27.5%	DOH
Cato Ridge Works	20.2%	Masikwane trading	KZN	39.5%	DOH	Ethekwini	41.1%	DOH
Dwarsrivier Mine	11.7%	Careways	Limpopo	21.9%	DOH	Sekhukhune	20.2%	DOH
Machadodorp Works	14.7%	Careways	Mpumalanga	35.1%	DOH	Nkangala	27.2%	DOH
Modikwa Mine	15%	Platinum Health	Limpopo	21.9%	DOH	Sekhukhune	20.2%	DOH
Nkomati Mine	35%	Mbabazi consulting	Mpumalanga	35.1%	DOH	Gert Sibande	38.8%	DOH
Two Rivers Platinum Mine	7%	Platinum Health	Limpopo	21.9%	DOH	Sekhukhune	20.2%	DOH
SA National HIV Prevalence: 30.2%								



Rita Nkambule, Grade Controller, measuring stope width at Modikwa Platinum Mine

Human capital

Focus area	Performance																
Improve employment equity in management and female employees	<p>46% of management are Historically Disadvantaged South Africans (HDSAs) (F2011: 44%).</p> <table border="1"> <caption>Employment Equity in management</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>F2006</td><td>26</td></tr> <tr><td>F2007</td><td>29</td></tr> <tr><td>F2008</td><td>33</td></tr> <tr><td>F2009</td><td>43</td></tr> <tr><td>F2010</td><td>42</td></tr> <tr><td>F2011</td><td>44</td></tr> <tr><td>F2012</td><td>46</td></tr> </tbody> </table>	Year	Percentage	F2006	26	F2007	29	F2008	33	F2009	43	F2010	42	F2011	44	F2012	46
	Year	Percentage															
F2006	26																
F2007	29																
F2008	33																
F2009	43																
F2010	42																
F2011	44																
F2012	46																
<p>Female employees make up 15% of the workforce (F2011: 14%).</p> <table border="1"> <caption>Female employees</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>F2006</td><td>7</td></tr> <tr><td>F2007</td><td>10</td></tr> <tr><td>F2008</td><td>10</td></tr> <tr><td>F2009</td><td>12</td></tr> <tr><td>F2010</td><td>13</td></tr> <tr><td>F2011</td><td>14</td></tr> <tr><td>F2012</td><td>15</td></tr> </tbody> </table>	Year	Percentage	F2006	7	F2007	10	F2008	10	F2009	12	F2010	13	F2011	14	F2012	15	
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F2010	13																
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Be an employer of choice	<p>For the second consecutive year we were recognised as one of South Africa's BEST Employers.</p>																
	<p>Employee turnover has been reduced to 1.9%.</p> <table border="1"> <caption>Employee turnover (%)</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr><td>F2009</td><td>4.5</td></tr> <tr><td>F2010</td><td>5.5</td></tr> <tr><td>F2011</td><td>4.5</td></tr> <tr><td>F2012</td><td>1.9</td></tr> </tbody> </table>	Year	Percentage	F2009	4.5	F2010	5.5	F2011	4.5	F2012	1.9						
Year	Percentage																
F2009	4.5																
F2010	5.5																
F2011	4.5																
F2012	1.9																
Further roll-out of the integrated Human Resources management system	The phased roll-out of the integrated Human Resources system, HR Oracle, continued.																
Centralised learning hub with various academies	Learnings hubs have been established at our operations.																
A housing project	The Ferrous Division's housing project is showing good progress with 430 houses built.																

HIGHLIGHTS

- ▶ ARM certified as one of 72 Best Employers by the Corporate Research Foundation (CRF) Institute, placed 6th in the giant sized companies category.
- ▶ We made further progress in improving employment equity, including gender diversity.
- ▶ The HR Oracle system was successfully rolled out.

CHALLENGES

- ▶ Identifying, attracting and retaining the right skills.
- ▶ There is a shortage of houses around our remote operations.
- ▶ Training and development.
- ▶ Managing women specific work/life balance requirements.



Employees at Modikwa South Shaft

Our strategy of aggressive growth across our portfolio of commodities depends on our ability to attract, develop and retain the best talent at every level. To achieve this, we offer competitive remuneration, a safe and healthy workplace, clear and attractive career paths and the opportunity for personal development.

We are an equal opportunity employer and value the many benefits of our richly diverse workforce. Stakeholder relationships are a key focus area for ARM, particularly as it relates to relationships with trade unions, our employees and the communities in which we operate and from which the majority of our employees are drawn.

As with all our material issues, human capital is closely linked to our other material issues. The better ARM performs financially, the better positioned we are to offer competitive remuneration. The better we care for the safety, health and wellness of our workers, the more likely we are to attract and retain the best people. A skilled and motivated workforce working in alignment with Group values and goals works more safely, more efficiently and creates a sustainable business for all stakeholders.

Our approach to human capital is guided by:

<p>Our values</p>	<p>ARM maintains a non-discriminatory workplace based on fairness and employment equity, fair labour practice and freedom of association, in which employees can contribute to the best of their ability and are empowered to develop rewarding careers. In this way we contribute to the transformation of the South African mining industry and our efforts to give all South Africans a stake in the country's mineral wealth.</p> <p>ARM invests in the health and wellbeing of our employees and continues to establish ourselves as an employer of choice by aggressively benchmarking our remuneration with our peers and investing in training, re-training and development of our talent pool and establishing a leadership bench.</p>
<p>ICMM</p>	<p>Principle 3 – Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.</p>
<p>Labour Relations Act Employment Equity Act</p>	<p>ARM's approach to human capital is led by our values, rather than driven by compliance. The Labour Relations Act regulates our approach to human capital and the Employment Equity Act guides how we manage diversity in the workplace. We follow a legal framework process that promotes compliance while harmonising workplace practices through sound employee relations.</p>
<p>Mining Charter – Employment Equity</p>	<p>Diversify the workplace to reflect the country's demographics to attain competitiveness and promote equity.</p>
<p>Mining Charter – Human Resources Development</p>	<p>Develop requisite skills, including support for South African-based Research and Development initiatives.</p>
<p>Department of Trade and Industry (dti) Code of Good Practice</p>	<p>In addition to reporting our employment equity and skills development initiatives in terms of the Mining Charter and Employment Equity Act, we also report against the dti CoGP.</p>

How we manage human capital

The underlying aims of our Human Capital Strategy are to establish the Company as an employer of choice and, in line with the vision of the Mining Charter, facilitate the sustainable transformation, growth and development of the mining industry.

Senior responsibility for human capital development lies with the Executive: Human Resources. While each operation develops its own human capital, employment equity and skills development strategies, these are regularly benchmarked against best practice so that line management are kept abreast with the latest developments and best practice.

ARM has piloted a comprehensive integrated Human Resource Management Information System and is now rolling it out in phases across the Group. The HR Oracle system includes integrated employee information, a scorecard/reporting framework and a talent management tool. It is currently being implemented at Khumani Mine, Beeshoek Mine and the ARM corporate office.

ARM is committed to fair labour practices, freedom of association and the principles embodied in the South African Constitution. We uphold fundamental human rights and respect cultures, customs and values in our dealings with employees, unions, communities and other stakeholders affected by our activities.

Our human capital policies aim to eliminate unfair discrimination and to promote equality. ARM has comprehensive disciplinary and grievance procedures in place that meet all requirements in terms of fairness as defined in the applicable legislation.

ARM offers an equal rate of pay to male and female employees of equal qualification, experience and performance.

HR business process enhancement

ARM is implementing an Organisational Development Programme which aims to enable the organisation to sustain its market share and facilitate our growth strategy.

The key outcomes of this programme are the seamless integration, standardisation and centralisation of human resource practices and systems which will provide reliable information and increase efficiencies. Combined in an enterprise-wide business intelligence function this programme will improve risk and compliance management, track wellness and significantly improve the people decision-making capability of ARM leadership.

Other projects during the year included:

- ▶ Successful implementation of our talent management and retention strategies.
- ▶ Employment equity and culture surveys.
- ▶ Integration of Human Resources practices with ARM's culture.
- ▶ Facilitating the roll-out plan for ARM Workforce planning.

Attracting and retaining talent

ARM's Integrated HR Strategy aims to maximise our employment value proposition and is aligned with our entrepreneurial culture to enable us to be competitive and ensure sustainable growth.

Our four-tiered approach comprises:



This approach aims to facilitate individual growth as well as attraction and retention of talent by recognising and maximising our unique diversity within an all-inclusive stakeholder environment.

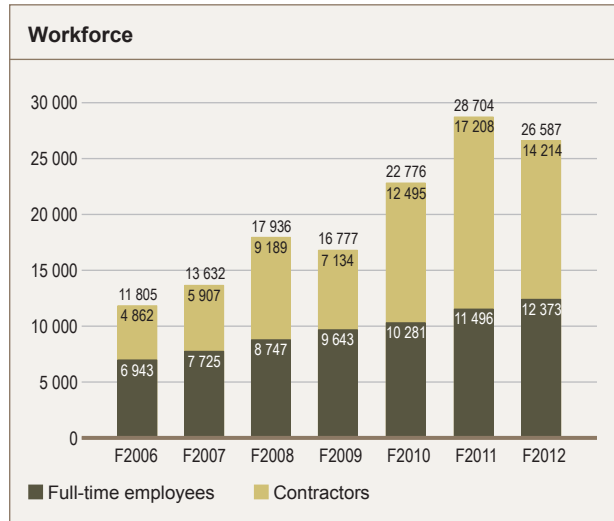
ARM's unique employer offering lies in:



These objectives will be delivered through various initiatives including:

- Business Success Modelling projects that ensure common strategic direction of employees across the Group through individual performance scorecards;
- Blueprint Alignment projects that align operations to work on similar structures, enabling sharing of knowledge, resources and systems and safeguarding governance structures;
- HR Information Management Systems to give management the necessary information to make informed decisions about Company growth and people interventions;
- Culture Alignment projects to assess wellness and work pressures and enable culture building interventions; and
- People Alignment projects focused on leadership capacity building, career development paths and training capacity.

Our workforce will need to keep growing to execute our aggressive expansion plans. The success of this growth strategy depends on our ability to ensure that our workforce includes the necessary skills, whether these are outside skills we look to attract, current skills we look to retain or skills we invest in developing in our current employees.

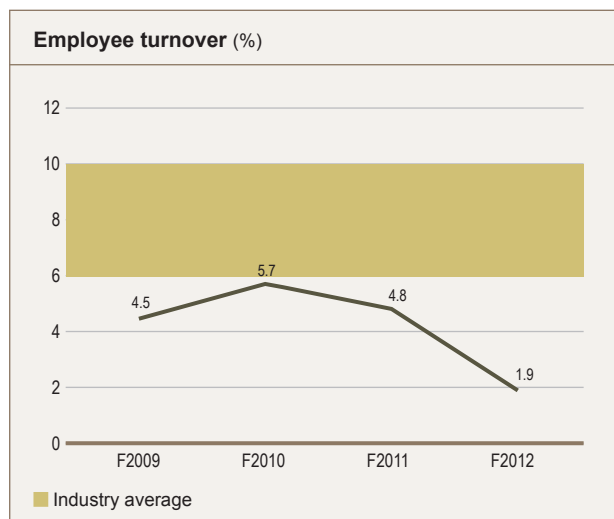


ARM continues to create permanent jobs, this year adding a further 877, or 2.4 jobs per day (F2011: 1 215 or 3.32 jobs per day). Over the last five years, ARM has added permanent jobs at a compound annual growth rate of 9.9% per year (F2011: 10.6%).

Contractors have comprised more than 50% of our total workforce for the last three years, consistent with the early phases of project development and large capital projects, such as the Machadodorp Works manganese conversion project. The construction phase of a project tends to be more contractor-intensive whereas commissioning, ramp-up and operational phases involve the recruitment of permanent employees.

Most of the new jobs were created in the expansion at Khumani Mine.

We measure our success at retaining skills through employee turnover, that is the number of permanent employees who leave our organisation during the year. Employee turnover includes resignations, dismissals, voluntary departure and retirement and fell to 1.9% for F2012 (F2011: 4.8%). The majority of employees leaving were due to retirement or voluntary retrenchment, rather than through dissatisfaction or being poached away from the Group.



There were no retrenchments during the year under review.

Our employee turnover figures remain well below the industry average of between 6% and 10%. We ascribe this low turnover to a combination of our policy of hiring locally wherever possible and ARM establishing itself as an employer of choice.

ARM was recognised for the second consecutive year as a leading employer in South Africa. The Group was awarded sixth position among giant sized companies of South Africa at the CRF Best Employers 2012/13 awards ceremony that took place on 29 August 2012.

We also measure the percentage of job offers made each year that are accepted as a measure of our status as an employer of choice. In F2012, 97.5% of job offers made were accepted (F2011: 96%).

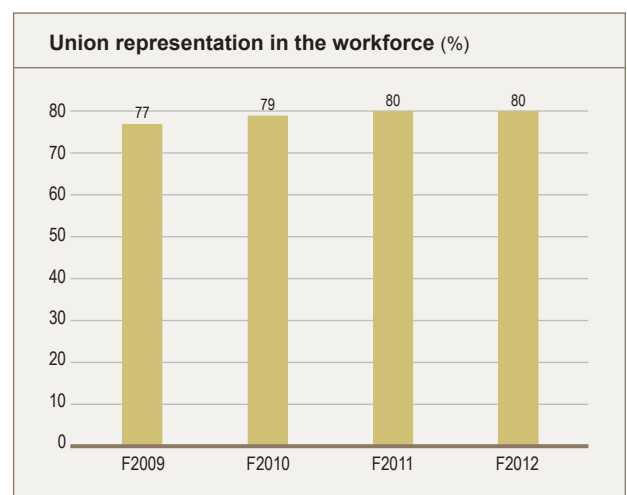
Labour relations

Maintaining positive labour relations is an important part of our business, including being a partner and employer of choice. Recent events at Lonmin's Marikana Mine again emphasised the difficulties of balancing stakeholder expectations with the principles of long-term financial sustainability, including the ability of the Company to continue to create jobs and pay a reasonable return to labour for their output.

We recognise the current financial pressure on all levels of society and we benchmark our salaries to ensure that our remuneration rates are competitive. Salary demands that continually exceed productivity gains will over time threaten the future of the industry.

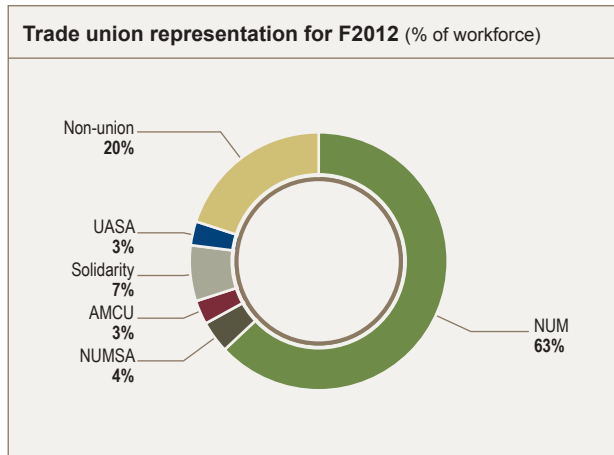
ARM respects our employees' rights to collective bargaining and all human resource procedures are negotiated with and approved by organised labour.

Wages and conditions of employment are negotiated at operational level and senior responsibility for union negotiations or employee relations/workforce consultation resides with the operational Human Resource Managers. The Company engages with unions at monthly shop steward meetings and through other meetings as required.

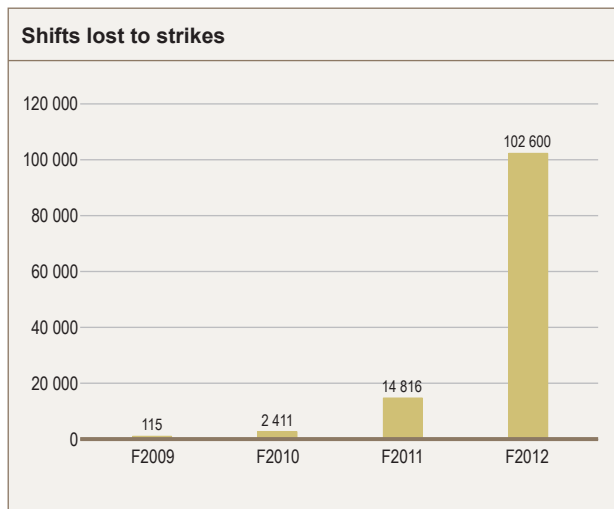


ARM has recognition agreements with five major unions: the National Union of Mineworkers (NUM), the National Union of Metal Workers of South Africa (NUMSA), the United Association of South Africa (UASA), Solidarity and the Association of Mineworkers and Construction Union (AMCU).

Union representation stayed flat at 80% in F2012 (F2011: 80%). NUM remains the majority union at all of our mines, except for Two Rivers Platinum Mine where AMCU predominates.



ARM lost 102 600 shifts to strikes in F2012 most notably during the three week protected strike at Modikwa Mine that began in March 2012 regarding wages and other conditions of employment. This figure excludes the national COSATU stayaways during the year. In F2011, we lost 14 816 shifts to a three-week protected strike and a defensive lock-out by AMCU at Two Rivers Platinum Mine.



The alarming increase in shifts lost to strikes in recent years is a concern, not only due to the loss of productive shifts, but the loss of income to our employees and the increasingly violent and damaging nature of the protests.

Disciplinary and grievance policies and procedures are in place and communicated to all employees at induction and through collective bargaining processes.

Developing talent

Our operations require a wide range of skills including scientists, engineers, financial specialists, managers, artisans and skilled operators. Retaining these skills, developing them internally and adding to them through new recruits is an essential part of our growth plan. This presents a particular challenge when developing

new mines where we prefer to develop the skills we require in the employees we source from local communities.

South Africa has a general skills shortage and we experience this particularly in sourcing technical and managerial skills. We have identified middle management as the most pressing area for development and this is also an important part of succession planning. Human capital reporting statistics have been standardised across all operations and more artisans and operators have been hired.

Training and development objectives and targets are aligned to our strategic outlook. Our goal is to meet and exceed the requirements of the legislation, governance and ethical guidelines that apply to human capital development, including the social and labour plans (SLP) and Mining Charter Requirements.

The Integrated Human Resource Management Information System currently being rolled out includes a comprehensive policy regarding management, measurement and reporting of Human Resource Development. Each job is allocated a role profile which indicates the required skills, competencies and qualifications and the system can provide an organogram of career paths by operation, facilitating standardisation across the Group and enabling central tracking of career management.

Mines in the Platinum and Ferrous Divisions have training centres accredited in terms of ISO 9001, the International Quality Management System.

Full time employees receive performance and career development reviews as part of ARM's incentive and reward procedures. Every individual has a clearly defined career development path which is discussed with them and managed by the individual and their mentor. These highlight training interventions and future personal growth within ARM, ensuring that each individual knows their training opportunities and room for growth.

Training and development is planned and budgeted at an operational level. Each operation submits an annual Workplace Skills Development Plan (WSP) in March to the Mining Qualifications Authority (MQA) and the Mining and Minerals Sector Education and Training Authority (SETA). These reports include a report back on the prior year's training and development against the previous WSP submitted as well as details of training and development for the year ahead.

ARM reports to the MQA centrally on training spend, learnerships, Adult Basic Education and Training (ABET) and bursaries. Further information on skills development is provided in our review of performance against the Mining Charter Scorecard in the Transformation section of this report.

Skills development initiatives

The Human Resource Development project supports ARM's growth strategy by ensuring competency in current roles, developing skills for the future through capacity building and ensuring compliance. This will be achieved through the delivery of nationally aligned Accredited Training Centres at our operations.

We have a number of initiatives in place and planned to ensure that we can address our forecast skills needs. Talent management

is a key focus area and we have processes in place to address talent identification, development plans and succession plans.

Our People Alignment Projects focus on Leadership Capacity Building, Career Development Paths and Training Capacity. We work with various service providers to ensure that our people have access to training opportunities that develop them in their career and in their individual capacities. Leadership programmes are being implemented on various levels from operations through to executive level.

A graduate development and training gap analysis was performed during the year to identify areas requiring further attention. Based on these results, a pool of between 15 and 20 graduates has been identified by the Growth and Strategy Team for the 2013 graduate development intake. Central to this is ARM's commitment to its ongoing internship programmes.

Skills development programmes include:

- a graduate development programme – since this programme started in F2007, 34 graduates have been appointed, 25 of which are now in management and 9 are in the talent pool identified for future management positions. There is a concerted focus on increasing the number of female graduates in the programme and in F2012, 67% of the candidates on the programme were females;
- a shiftboss/mine overseer development programme to develop promising individuals to general management; and
- a foreman development programme, aimed at developing supervisory skills and developing artisans to management levels.

ARM delivers training through learning hubs using a blended learning approach which combines practical, online and classroom training. This allows ARM to maximise opportunities to centralise and standardise learning across a wide range of learning areas, making use of existing and new learning resources and service providers.

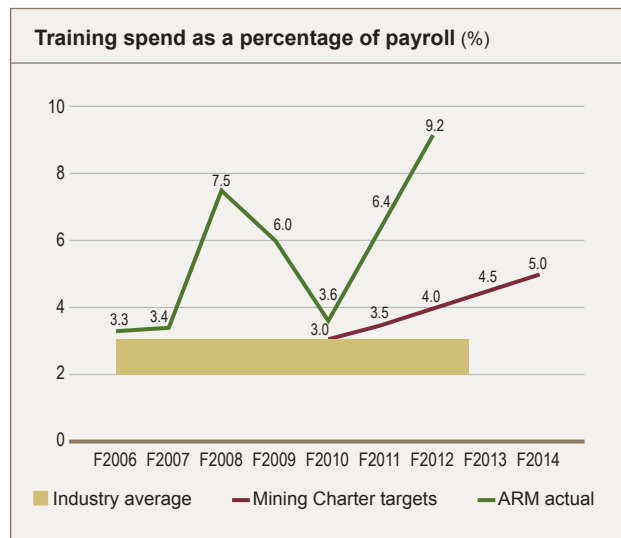
Learning hubs have been established at operations and provide training courses focused on:

- leadership (management and supervisory);
- mining (shiftboss/mine overseer);
- safety, health, environmental, risk and quality (SHERQ); and
- engineering and operators.

Within our diverse structure, we continue to foster an entrepreneurial culture and leadership style that reflects our culture and values, with the assistance of executive coaching as well as mentorship.

Training and development

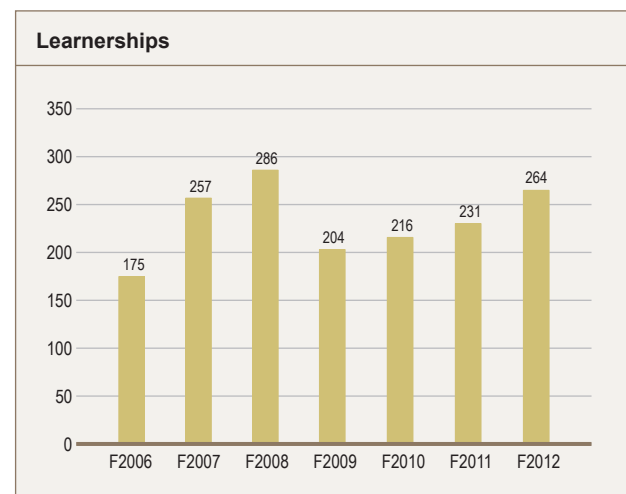
ARM invested R137 million (9.2% of payroll) in F2012, a 43% increase on the R96 million (6.4% of payroll) in F2011. The Group has a strong history of financial commitment to training and development, although training budgets were tightened in F2010 during the economic downturn. Our investment is well above the industry average of 2% to 3% of payroll and already exceeds the proposed target in the Mining Charter for 2014 of 5%.



96% of our permanent employees (F2011 over 90%) underwent a training and development review in F2012.

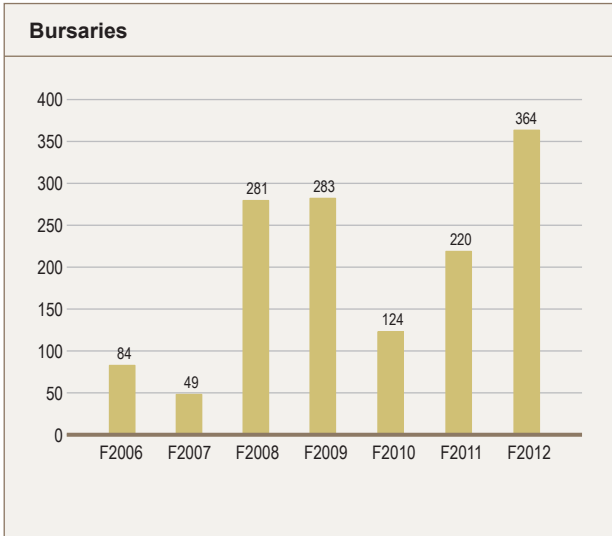
Learnerships

Our learnership programme focuses on the development of engineering skills in the companies, specifically apprenticeships. All apprentices that complete their courses are engaged at our operations.



ARM offered 264 learnerships in F2012, a 14% increase on F2011 (231 learnerships). This is still below the F2008 peak of 286 learnerships which occurred before the programme was scaled back due to the economic downturn.

Bursaries are an important way of promoting skills development within ARM. Our intention is for all bursary recipients to ultimately reach senior management. During F2011 operations identified their key technical skills requirements and began actively encouraging candidates with the potential to meet future technical skills requirements to apply for bursaries. This led to an increase in the number of bursaries in F2012 with the total increasing 65% to 364 (F2011: 220).

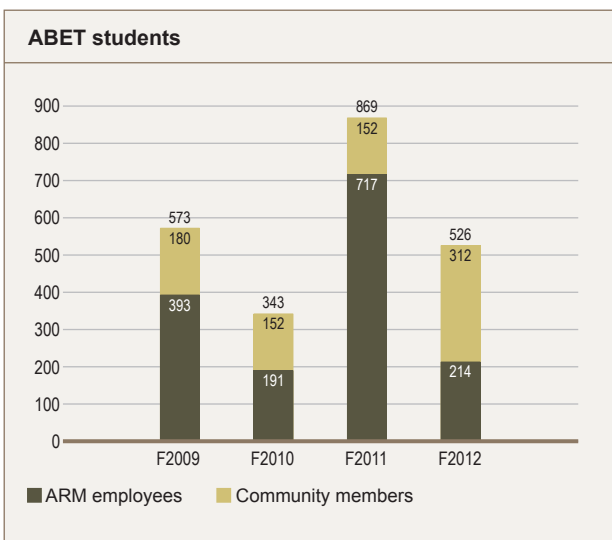


Wherever possible we focus on granting bursaries to worthy candidates from our local communities.

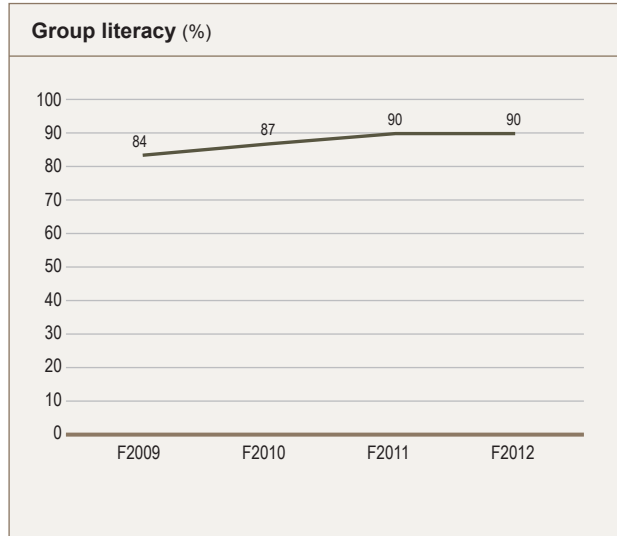
In addition to our own training programmes, ARM spent an additional R10 million on training and development of ARM employees, including bursary support to the National Union of Mineworkers (JP Marks Fund).

Literacy

Access to basic education is an important aspect of giving our employees access to the means to better themselves by improving their education. Access to nationally aligned Adult Basic Education and Training (ABET) is available at most of our operations and is extended to members of local communities through workshops. ABET training is available through e-learning channels at more than 80% of our operations.



ARM's literacy target is 100% and we remain committed to achieving this both within ARM and in our surrounding communities. Total students on ABET courses decreased to 526 in F2012 (F2011: 869) including 312 students from local communities. The fall in employees on courses is largely due to a significant literacy drive at Cato Ridge Works in F2011 which was not repeated in F2012.



Literacy in ARM remained at 90% in F2012. With the exception of Black Rock Mine (87.5%) and Two Rivers Platinum Mine (60.5%), all of our operations have literacy rates above 90%.

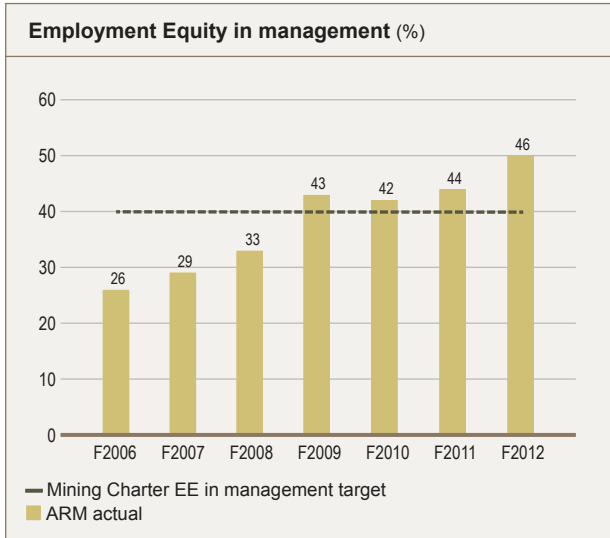
Employment equity

Ensuring that the profile of our workforce conforms to that of the country as a whole is an important part of our human capital strategy. While we track our employment equity (EE) responsibilities in terms of the Mining Charter, we also monitor our performance against the Department of Trade and Industry (dti) Codes of Good Practice (CoGP) as more fully reported in the Transformation section that follows on page 82.

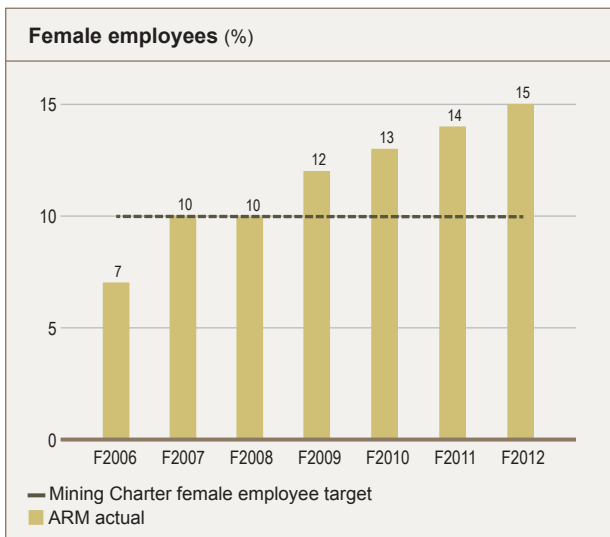
The Employment Equity Committee reviews offer letters, follows up on deviations in EE performance and monitors the technical skills required to meet our transformation objectives.

ARM's Employment Equity Plan (2012 – 2015) was approved by the Department of Labour during F2012 and is being implemented. Action plans in support of the new plan have been signed off by CEO and workshops were conducted to communicate the new plan and its goals to all employees. Clear and unambiguous goals have been put in place with progress monitoring and evaluation strategies.

Historically Disadvantaged South Africans (HDSAs) comprised 46% of management at year end, compared to 44% in F2011. For the fourth year, ARM has exceeded the Mining Charter target of 40% HDSA in management.

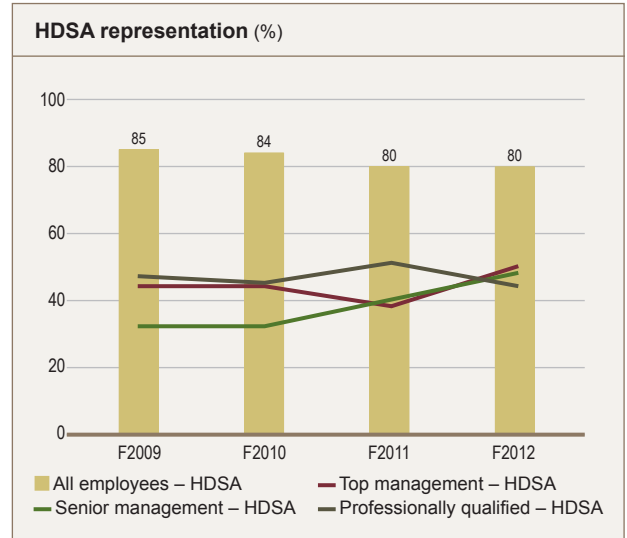


ARM has achieved the Mining Charter target of 10% for Women-in-Mining (Core and Technical). The total percentage of women in the Company is 15% (F2011: 14%).



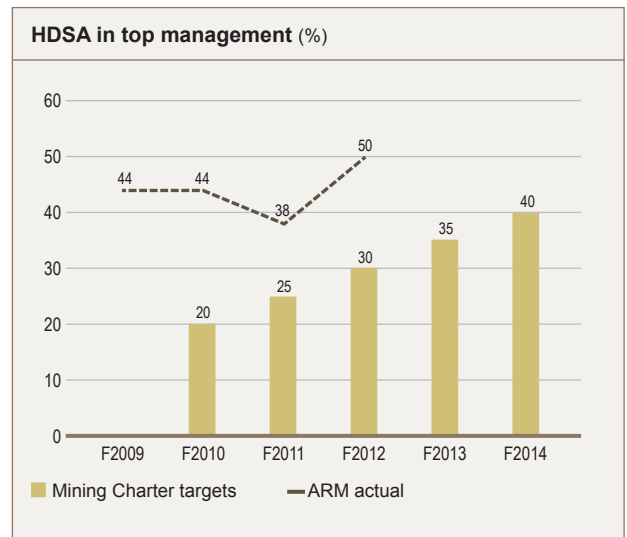
Employees at the Professionally Qualified level are the feeder group for senior management positions. Career development and some natural attrition saw HDSA representation at the Professionally Qualified level drop to 44% (F2011: 51%), while Top Management rose to 50% (F2011: 38%) and Senior Management to 48% (F2011: 40%).

ARM is focused on increasing employment equity at the Professionally Qualified and Top and Senior Management levels. Gaining the education and experience necessary to achieve the levels of Professional Management or Senior Management takes a long time; mine managers usually take over 20 years to qualify through a practical programme or 12 years after completing a university degree.



The Mining Charter nevertheless requires mining companies to identify and fast-track HDSA employees into management via our talent pool and career path systems. Accordingly, our operations implement talent pool identification and management and career path programmes. There are individual development plans for all key employees (including HDSA employees) that facilitate fast tracking of these employees.

The plans we have in place to improve employment equity performance in these areas will over time also support the performance of the Top Management category as employees move up the levels.





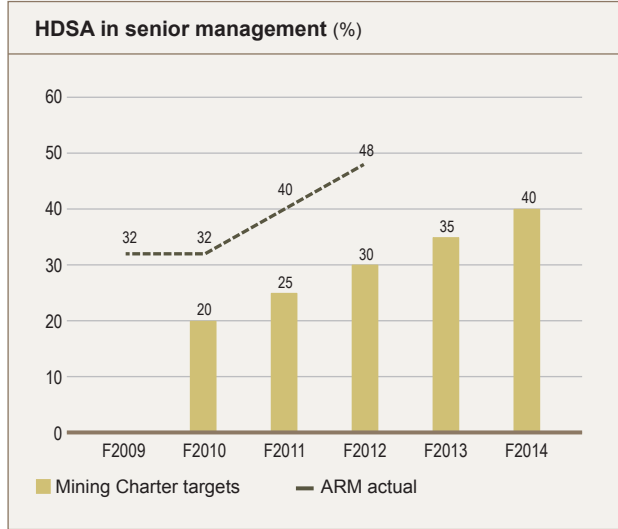
Female operator, Black Rock Manganese Mine



Women underground at Nkomati



Employees at Parsons Plant, Khumani Iron Ore Mine



HDSA representation at both Top and Senior Management already exceed the F2014 Mining Charter targets of 40%.

ARM was selected as one of the JSE-listed companies to undergo a Director General Review during the year to evaluate and monitor progress towards achieving employment equity targets.

Housing

One of the challenges we face is ensuring that there are enough houses around our more remote operations to house the skilled people we are working to attract and keep in the Group. This also affects our ability to attract and retain staff in these remote areas as many employees prefer to work closer to the larger cities.

Our Ferrous Division has established a property development and housing finance unit to help provide housing for our employees in the Northern Cape. At Beeshoek Mine, 250 stands have been purchased in the local community with a further 100 committed by the local municipality. Installation of services on all stands has been completed and the scope of work for the construction of 200 houses has been put out to tender. By the end of F2012, the Ferrous Division had constructed 430 houses for employees.

Human capital

Focus for 2013

- To continue to generate HR business intelligence solutions for ARM as enablers for us to realise our strategy.
- To complete the learning hub in all relevant fields.

Human capital data tables

Percentage HDSA* among permanent employees

	F2009	F2010	F2011	F2012
Board representation				
Black Directors	53%	44%	47%	47%
Women	13%	13%	13%	13%
Senior Management				
Top Management – HDSA	44%	44%	38%	50%
Top Management – Women	0%	0%	6%	20%
Senior Management – HDSA	32%	32%	40%	48%
Senior Management – Women	13%	15%	13%	12%
Steering Committee – HDSA	45%	40%	44%	48%
Steering Committee – Women	20%	20%	22%	22%
Skilled employees, middle and junior management				
Professionally qualified – HDSA	47%	45%	51%	44%
Professionally qualified – Women	18%	18%	13%	12%
Technically qualified – HDSA	56%	67%	69%	66%
Technically qualified – Women	10%	13%	14%	13%
All employees				
All employees – HDSA	85%	84%	86%	86%
All employees – Women	12%	13%	14%	15%

* HDSA – Historically Disadvantaged South Africans.

Literacy by operation

	F2010	F2011	F2012
Beeshoek Mine	76.0%	89.0%	100.0%
Khumani Mine	94.0%	95.0%	98.1%
Blackrock Mine	73.0%	84.0%	87.5%
Dwarsrivier Mine	79.0%	91.8%	93.5%
Cato Ridge Works	76.9%	95.0%	90.5%
Machadodorp Works	92.0%	82.0%	100.0%
Nkomati Mine	93.0%	91.0%	90.5%
Two Rivers Platinum Mine	100.0%	88.0%	60.5%
Modikwa Mine	81.0%	86.3%	91.0%
Corporate	100.0%	100.0%	100.0%
Total	87.0%	90.0%	90.0 %

Union representation

	F2011	F2012
NUM	60%	63%
NUMSA	8%	4%
AMCU	3%	3%
Solidarity	5%	7%
UASA	4%	3%
Non-union	20%	20%

Transformation



Lady haul-truck driver, Nkomati

Focus area	Performance																											
Continue to increase BEE procurement by our target of 2.5% per annum	Procurement performance improved to 55.9% (F2011: 44.4%), but did not achieve our target of 57.5% due to changes in the DMR's definition of HDSA suppliers. Our target for F2013 remains 57.5%. <div data-bbox="858 1003 1390 1361" data-label="Figure"> <table border="1"> <caption>Narrow-based BEE procurement (%)</caption> <thead> <tr> <th>Year</th> <th>ARM actual (%)</th> <th>ARM internal target F2012 (%)</th> </tr> </thead> <tbody> <tr> <td>F2006</td> <td>21.6</td> <td>57.5</td> </tr> <tr> <td>F2007</td> <td>34.3</td> <td>57.5</td> </tr> <tr> <td>F2008</td> <td>26.0</td> <td>57.5</td> </tr> <tr> <td>F2009</td> <td>37.3</td> <td>57.5</td> </tr> <tr> <td>F2010</td> <td>52.5</td> <td>57.5</td> </tr> <tr> <td>F2011</td> <td>44.4</td> <td>57.5</td> </tr> <tr> <td>F2012</td> <td>55.9</td> <td>57.5</td> </tr> <tr> <td>F2013 Internal target</td> <td>57.5</td> <td>57.5</td> </tr> </tbody> </table> </div>	Year	ARM actual (%)	ARM internal target F2012 (%)	F2006	21.6	57.5	F2007	34.3	57.5	F2008	26.0	57.5	F2009	37.3	57.5	F2010	52.5	57.5	F2011	44.4	57.5	F2012	55.9	57.5	F2013 Internal target	57.5	57.5
Year	ARM actual (%)	ARM internal target F2012 (%)																										
F2006	21.6	57.5																										
F2007	34.3	57.5																										
F2008	26.0	57.5																										
F2009	37.3	57.5																										
F2010	52.5	57.5																										
F2011	44.4	57.5																										
F2012	55.9	57.5																										
F2013 Internal target	57.5	57.5																										
Source and attract new BEE and BBBEE compliant suppliers	Increased BEE and BBBEE compliant suppliers.																											
Review and revise preferential procurement policy and procedures in line with the revised Mining Charter	All Group preferential procurement policies and procedures have been aligned to the revised Mining Charter.																											

HIGHLIGHTS

- ▶ All ARM's business units which had differentiated their procurement into capital, services and consumables exceeded the Mining Charter targets in these categories for F2012.
- ▶ ARM was independently verified as a Level 4 BEE Contributor with scores of 69.33% (F2011: Level 3, 75.18%).

CHALLENGES

- ▶ Meeting the 2014 Mining Charter BEE targets for capital, services and consumables preferential procurement.
- ▶ Understanding and embedding the new dti Codes (presently in draft).

ARM is committed to being a transformation leader in the mining industry. We recognise that the transformation of the industry into one reflective of all South Africans is in the best interests of the Company, the industry and the nation.

Transformation is essential to enable ARM to operate sustainably over the long term. Failing to transform would not only run counter to the founding principles of the Group, it would lead to labour unrest and result in the Group being marginalised as an industry player over time.

Transformation in terms of the Mining Charter and the Department of Trade and Industry Codes of Good Practice (dti CoGP) covers many aspects of broader sustainable development. The aim of this section is to indicate where each of these aspects is dealt with in this report and to address those that are not dealt with elsewhere. Given the overlap between the transformation categories of both the Mining Charter and dti CoGP, these are addressed together where possible.

Our approach to transformation is guided by:

Our values	ARM maintains a non-discriminatory workplace based on fairness and employment equity, fair labour practice and freedom of association, in which employees can contribute to the best of their ability and are empowered to develop rewarding careers. In this way we contribute to the transformation of the South African mining industry and our efforts to give all South Africans a stake in the country's mineral wealth.
ICMM	Principle 3 – Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities.
Employment Equity Act	ARM's commitment to transformation is led by our values, rather than driven by compliance. The Labour Relations Act regulates our approach to human capital and the Employment Equity Act guides how we manage diversity in the workplace.
MPRDA	The Mineral and Petroleum Resources Development Act (MPRDA) stipulates requirements for beneficiation and social development through the Social and Labour Plans.
Mining Charter	The Mining Charter sets transformation goals across categories for the mining industry as a whole, in the spirit of the MPRDA.
dti CoGP	Through its joint venture with Assore in Assmang, where smelters are operated outside the ambit of the MPRDA, ARM also reports transformation progress against the Department of Trade and Industry (dti) Codes of Good Practice (CoGP).

Our approach to managing transformation

Compliance with the transformation requirements of the Mining Charter and dti CoGP is managed as an integral part of the relevant business function. So, for example, performance against the environmental requirements is managed through the Group's environmental management processes and issues that impact human capital – such as employment equity and skills development – are managed as part of the Human Resources strategy.

Line management implement transformation plans and the ARM Transformation Committee monitors transformation and implementation progress at Group level.

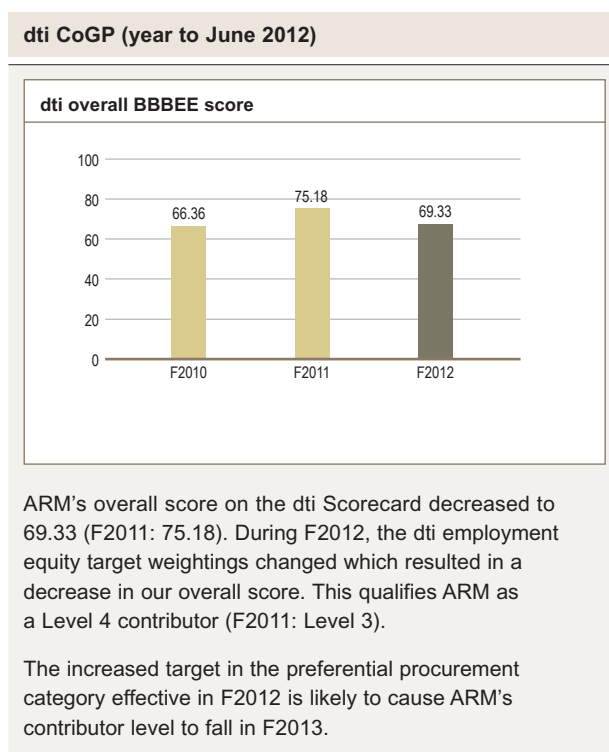
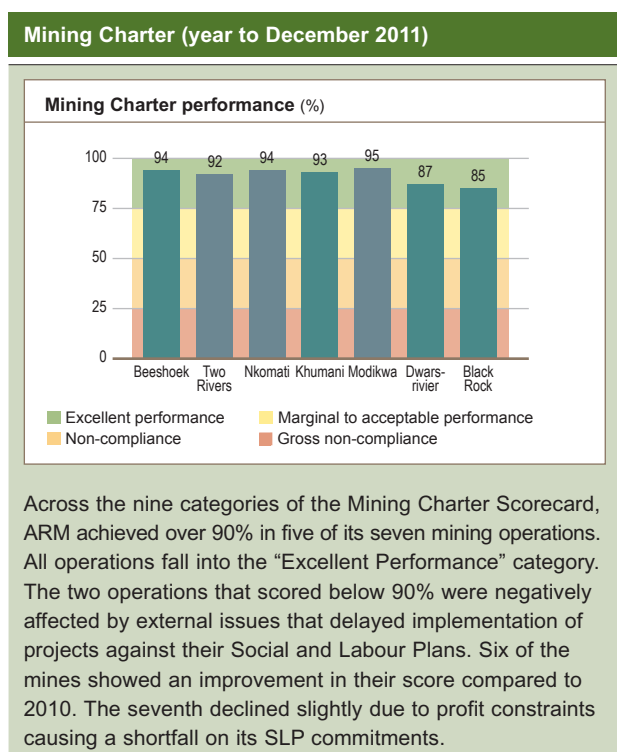
Transformation risks are assessed and addressed as appropriate in the circumstance facing each individual operation. We continue to build capacity, including providing training, in order to enable operations to fully understand and comply with the applicable legislation.

All figures in the performance sections below are reported on a 100% basis (as if ARM owned 100% of the joint ventures).

Comparison of Mining Charter and dti CoGP parameters

	Mining Charter	dti CoGP
Application	Applies to all holders of mining licences in terms of the MPRDA	Applies to all Government entities and therefore to all companies that do business with these entities. ARM sells coal to Eskom and buys services from Transnet
Relevance	Mining industry only	Generic
Time period covered	Calendar year (to 31 December 2011)	Financial year (to 30 June 2012)
Entities covered	Seven ARM mines	ARM Group
Nature	Black Economic Empowerment (BEE)	Broad-Based Black Economic Empowerment (BBBEE)
External verification	Third party verification of procurement data by DECTI	BEE Verification Agency CC
Scorecard categories	1. Reporting	N/A
	2. Ownership	Ownership
	3. Housing and living conditions	N/A
	4. Procurement and enterprise development	Preferential procurement Enterprise development
	5. Employment equity	Management control Employment equity
	6. Human resource development	Skills development
	7. Mine community development	Socio-economic development
	8. Sustainable development and growth	N/A
	9. Beneficiation	N/A

Overall performance against the Mining Charter Scorecard



1

Reporting

All mining operations in the Group submitted reports for the calendar year to 31 December 2011 to the Department of Mineral Resources. ARM's externally verified BBBEE certificate is shown on page 94 of this report.

2

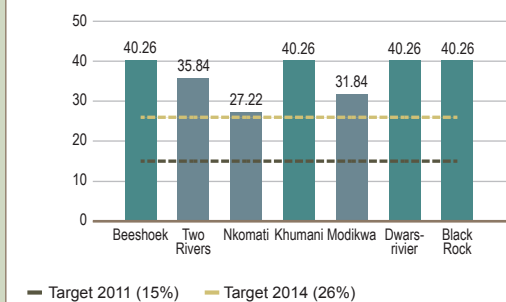
Ownership

The Mining Charter seeks to promote equitable access to South Africa's mineral resources and to expand opportunities for Historically Disadvantaged South Africans (HDSAs) to enter the mining and minerals industry. The Mining Charter accordingly sets a target of 15% HDSA ownership by 2011 and 26% by 2014, as measured by the flow through principle.

The flow through principle attributes the HDSA ownership of a holding company to a subsidiary in proportion to the percentage held by the holding company.

Mining Charter (year to December 2011)

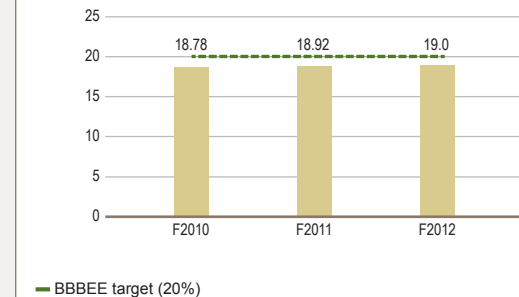
Ownership – Mining Charter (%)



ARM operations have structures in place that achieve meaningful economic participation by HDSA. All of the operations already exceed the 2014 ownership target. These structures have clearly identifiable beneficiaries, full shareholding voting rights and full participation in cash flow from investments (dividends).

dti CoGP (year to June 2012)

Ownership – dti (%)



ARM's overall Group ownership structure scored 19 on the dti Scorecard in F2012 (F2011: 18.92) out of a possible 20.

3

Housing and living conditions

The Mining Charter requires mining companies to implement measures to improve the standard of housing and living conditions for mineworkers. This is stipulated in the targets to be achieved by 2014, namely:

- converting or upgrading hostels into family units; and/or
- attaining an occupancy rate of one person per room; or
- facilitating home ownership options for all mine employees in consultation with organised labour.

After engaging with our workforce to establish their preferences, ARM's approach is to facilitate home ownership, guided by the Group Housing Development Plan and Housing Policy. ARM's goal is to assist all interested employees to obtain home ownership in a sustainable settlement near the respective operation. Our approach has been guided by the comprehensive "Integrated

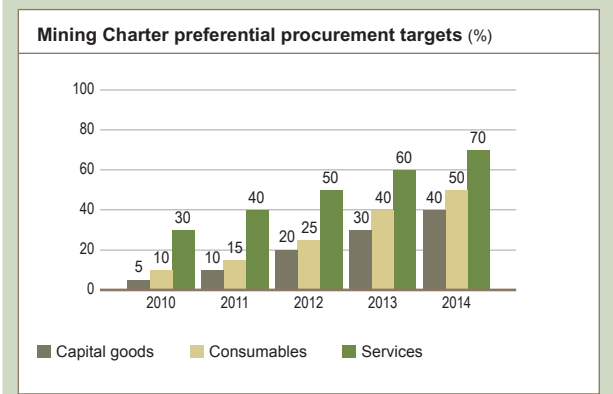
planning of housing and ancillary land uses" project in terms of the Planning Professions Act (2002) which we commissioned in F2011 to better identify the existing state of housing and living conditions and to guide future planning.

Only one of our mines has employees still living in hostel accommodation and this is being upgraded to family units. Roadshows have been conducted with employees to create awareness around home ownership

The Housing Development Plan includes a comprehensive property acquisition and development programme that includes a housing finance facility, based on a thorough affordability assessment, a housing subsidy scheme and a debt consolidation facility to improve affordability.

4 Preferential procurement and enterprise development

Mining Charter (year to December 2011)



The Mining Charter requires that mining companies procure from BEE Entities. The term “BEE Entity” is defined as an entity of which a minimum of 25% plus 1 vote of share capital is directly owned by HDSAs as measured by the flow through principle.

The Mining Charter splits procurement into Capital goods, Consumables and Services and sets annual targets for each. The 2011 year targets were 10%, 15% and 40% of discretionary procurement spend respectively.

dti CoGP (year to June 2012)

The dti CoGP Scorecard measures total procurement spend with BEE suppliers, small and emerging BEE enterprises and black women-owned suppliers.

ARM is committed to assisting previously disadvantaged South Africans to become a part of the industry supply chain through identifying, developing, facilitating and making available business opportunities to both BEE and BBBEE compliant suppliers at all of its operations. We source goods, services and capital items from BEE and BBBEE compliant suppliers wherever possible, provided these are competitive in terms of our other adjudication criteria.

ARM’s preferential procurement policy and procedure documents are aligned with the Mining Charter criteria favouring BEE suppliers with HDSA shareholdings of 25% plus one vote. Our procurement databases are being aligned with the split of procurement into Capital Goods, Consumables and Services. Each operation has targets in place to measure its performance towards achieving compliance with the Mining Charter.

ARM’s preferential procurement information is independently consolidated and verified by an external rating agency. The information primarily consists of stores procurement data supplied from operations. Service level agreements, such as reagent and ore supply contracts, are not included in the figures and would likely lead to a fall in preferential procurement scores if included.

Procurement data is excluded for those operations in the Company where this function is managed by the joint venture partner. Modikwa’s procurement data is separately managed by Anglo Platinum, and ARM Coal/GGV’s procurement data is managed by Xstrata Coal. Procurement data for the ARM/Vale partnership is also excluded as this data needs to meet current Zambian legislative requirements. It is pleasing to note that in excess of 65% of the Konkola capital commitments are with Zambian-listed companies.

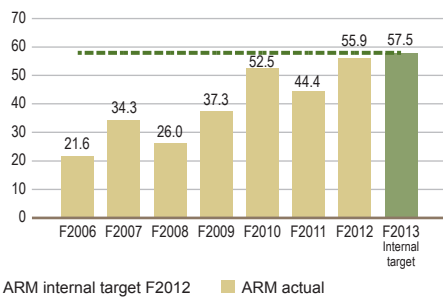
The ARM Coal operations’ procurement scores exceed the Mining Charter requirements.



Maandagshoek Bakery, Modikwa Platinum Mine

Mining Charter (year to December 2011)

Narrow-based BEE procurement (%)

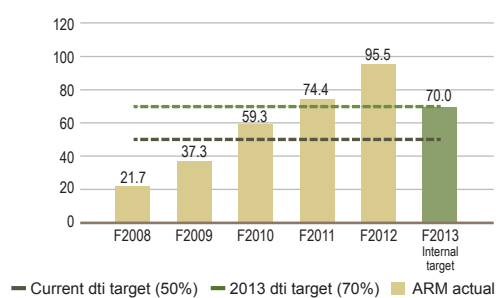


Our overall BEE procurement for F2012 was 55.9%, an increase on F2011's 44.4% but below our target of 57.5%. The decline in 2011 was due to the revisions to the Mining Charter that excluded suppliers with less than 25% + 1 vote HDSA shareholding as qualifying suppliers. Our overall target for 2013 remains 57.5%.

The figures for the calendar year to 2011 showed that all seven mines that report against the Mining Charter Scorecard exceeded the 2011 targets for Capital Goods, Services and Consumables procurement. Capital Goods and Services procurement already exceed the 2014 target.

dti CoGP (year to June 2012)

Preferential procurement performance – dti (%)



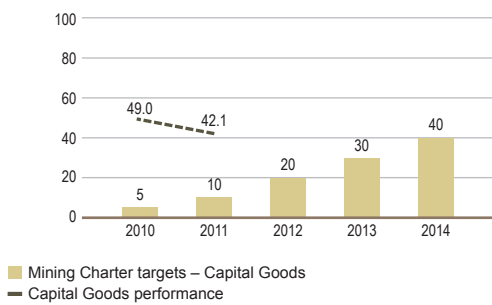
ARM's BBBEE procurement in F2012 was 95.5% (F2011: 74.4%) against our internal target for F2012 of 70%. This exceeds the current dti target (50%) as well as the 2013 dti target (70%).

The dti requirements for preferential procurement changed in February 2012 to accept only BBBEE certificates issued by SANAS accredited verification agencies or IRBA accredited auditors. These certificates are valid for 12 months from issue.

Mining Charter (year to December 2011)

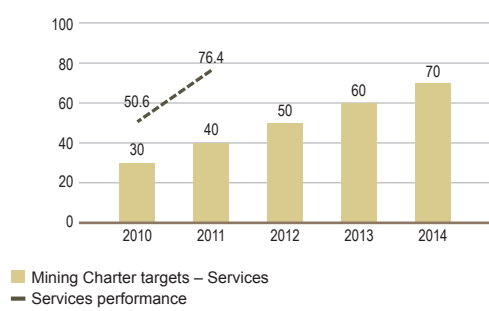
Capital Goods preferential procurement was 42.1% in calendar 2011 (2010: 49.0%).

Capital Goods preferential procurement (%)



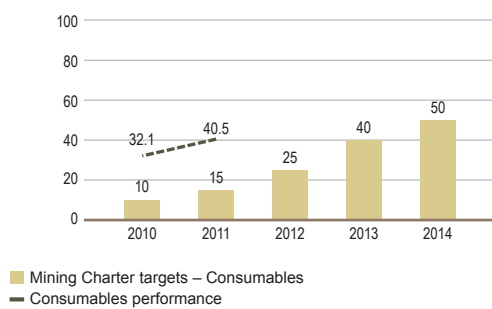
Services preferential procurement rose to 76.4% in calendar 2011 (2010: 50.6%).

Services preferential procurement (%)



Consumables preferential procurement was 40.5% in calendar 2011 (2010: 32.1%).

Consumables preferential procurement (%)

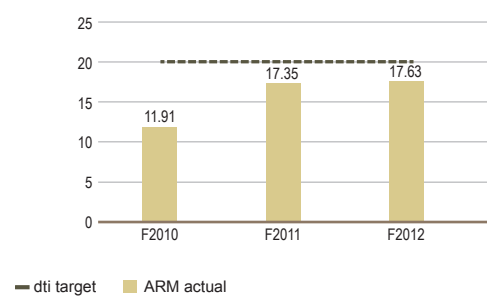


As can be seen from the graphs, all three categories exceeded the 2011 Mining Charter targets and both Capital Goods and Services exceed the 2014 targets.

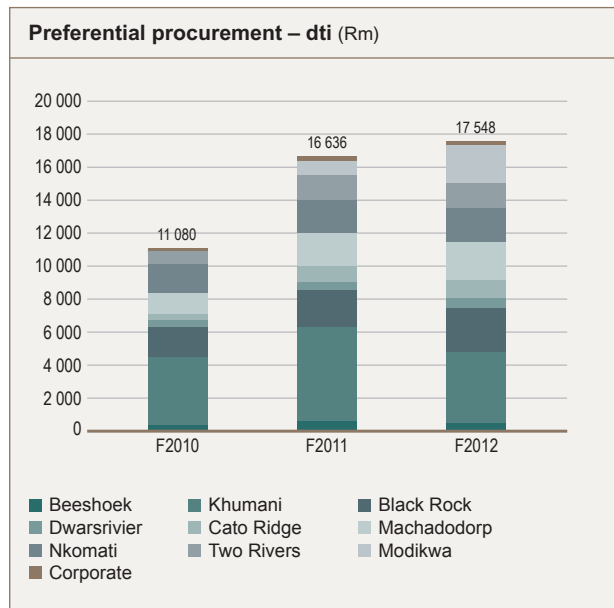
dti CoGP (year to June 2012)

The Group's overall preferential procurement score rose to 17.63 for F2012 (F2011: 17.35). While ARM already scores highly for broad preferential procurement, further improvements will require more procurement spend targeted at Qualifying Small Enterprises, Emerging Micro Enterprises and black women-owned suppliers.

Preferential procurement – dti (%)



ARM's procurement expenditure increased 5% to R17.6 billion in F2012 (F2011: R16.6 billion). Significant capital procurement at Khumani and Black Rock Mines were due mainly to expansion projects.



We have a number of initiatives in place to source and attract BEE and BBBEE compliant suppliers in order to increase our preferential procurement scores, including:

- where feasible, to encourage existing principal suppliers to form meaningful partnerships with BEE, BBBEE and SME vendors;
- where feasible, to divide contracts into smaller components, thereby enabling emerging BEE and BBBEE compliant suppliers to qualify. Some contracts may be exclusively reserved for BEE, BBBEE and SME suppliers; and
- to arrange favourable terms of payment for BEE, BBBEE compliant and SME suppliers, and ensure that all procurement processes are transparent and auditable.

A challenge we face is ensuring that qualifying BBBEE vendors can produce valid BBBEE certificates as proof of their status. With the increase in BBBEE verification agencies, it is expected that more suppliers will be able to demonstrate compliance. Supplier workshops were held to inform suppliers of the importance of supplying valid certificates.

Enterprise development

Enterprise development is managed through our Local Economic Development (LED) and Small to Medium Enterprise (SME) initiatives which are included under Mine Community Development below and reported in full in the Corporate Social Responsibility section of this report.

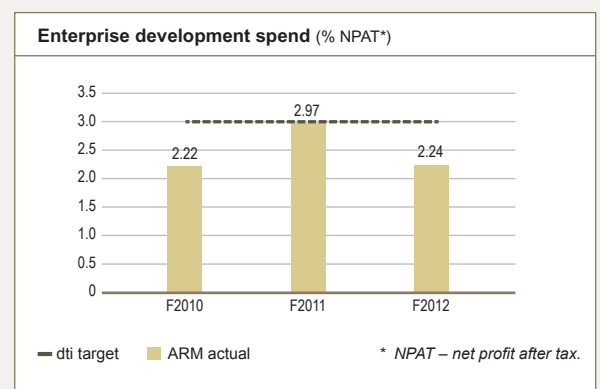
Mining Charter (year to December 2011)

Mining companies are required to collect 0.5% of spending with multinational suppliers of capital goods. This is to be contributed to a social fund for use in enterprise development initiatives.

While one of our mines managed to collect an allocation from a multinational supplier, we are instituting mechanisms to collect these contributions in accordance with the requirements of the Mining Charter.

dti CoGP (year to June 2012)

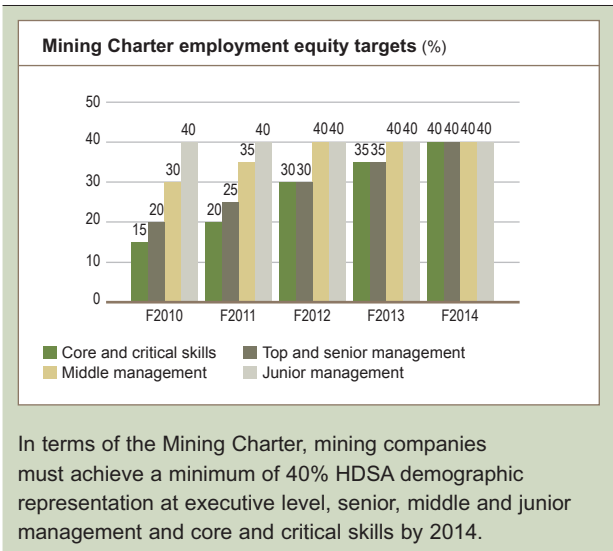
The dti CoGP Scorecard reports the percentage of net profit after tax spent on enterprise development initiatives.



Enterprise development as a percentage of net profit after tax (NPAT) decreased to 2.24% in F2012 (F2011: 2.97%).

5 Employment equity

Mining Charter (year to December 2011)

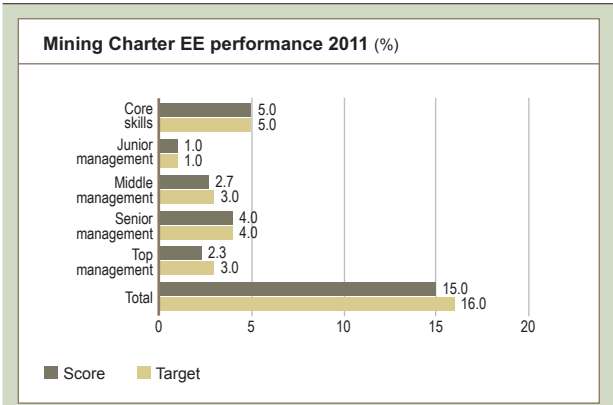


dti CoGP

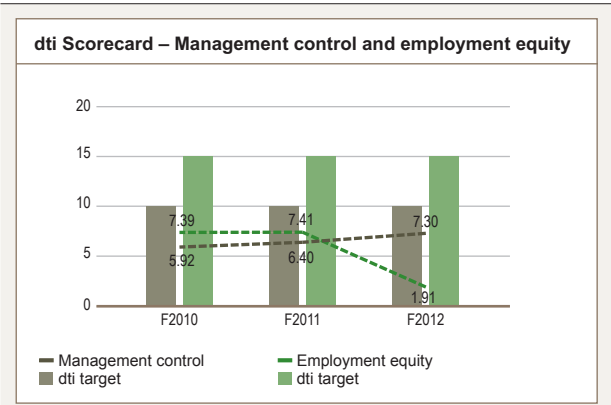
The dti CoGP Scorecard measures performance against a similar range of metrics for black representation at executive and management levels as well as representation of black disabled employees.

The Management Control and Employment Equity categories are reported together here to better align with the Mining Charter. The recent revisions to the dti CoGP consolidate these two indicators for reporting in future years.

Mining Charter (year to December 2011)



dti CoGP (year to June 2012)



While we are making progress in achieving a representative workforce at all levels, there are many areas still left for improvement. We discuss our employment equity and human capital transformation initiatives in more detail in the Human Capital section of this report.



Plant personnel safety meeting, Lubambe Copper Mine

6 Human resource development

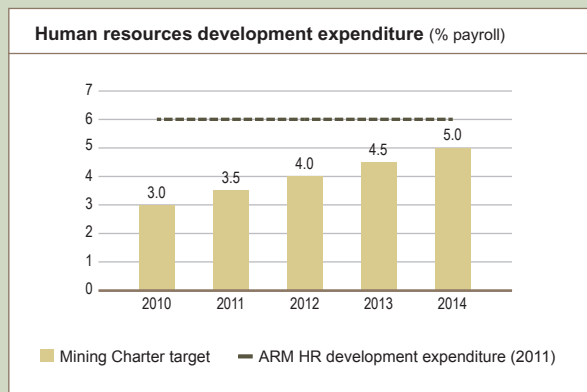
Mining Charter

The Mining Charter requires that mining companies invest a percentage of annual payroll in essential skills development activities reflective of the demographics. This includes support for South African-based research and development initiatives.

dti CoGP

The dti CoGP sets a target of 3% of net profit after tax on skills development in HDSA, 0.3% spend on HDSA disabled people and 5% on learnerships.

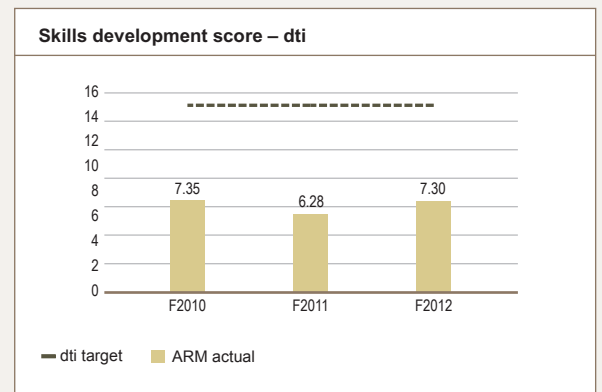
Mining Charter (year to December 2011)



All operations achieved above the 2011 target of 3.5% and all but two spent more than 5% (the 2014 target) of payroll on human resources development.

Overall, the Group spent 6.01% (2010: 6.4%) of payroll on human resources development during the calendar year to December 2011.

dti CoGP (year to June 2012)



ARM scored 7.30 out of 15 for the skills development category of the dti CoGP in F2012 (F2011: 6.28).

Our skills development programmes include learnerships, artisan, and apprenticeship programmes, ABET training and other in-house and external training initiatives. Our approach to managing Human Resources training and the related training programmes in place are discussed in more detail in the Human Capital section of this report.

7 Mine community development

Mining Charter

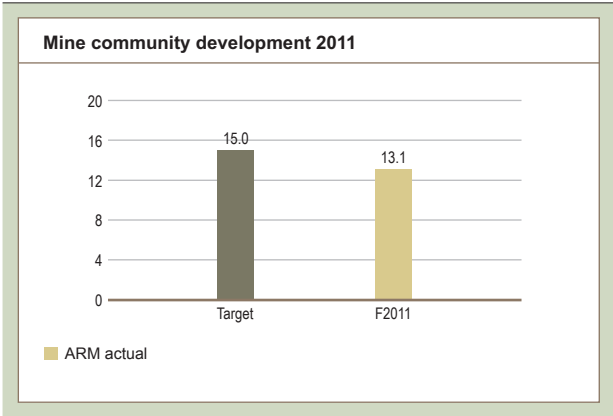
The Mining Charter requires mines to invest in the communities around them and those from which their labour is sourced. These community development projects should be informed by ethnographic community consultative and collaborative processes which take place before implementation.

Developmental needs should be identified in collaboration with mining communities and projects should support the objectives of the Integrated Development Plan (IDP). Community investment includes enterprise development, community development and infrastructural development projects in line with the MPRDA regulations on Social and Labour Plans (SLP).

dti CoGP

The dti CoGP Socio-economic development indicator has a target of 1% of net profit after tax to be invested in community projects.

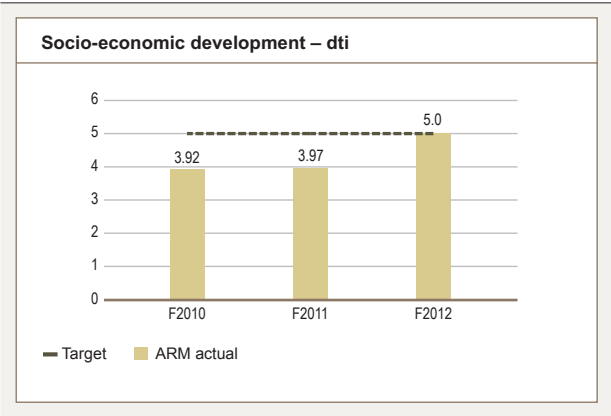
Mining Charter (year to December 2011)



ARM scored an average of 13.1 out of a possible 15 points in the Mining Charter Scorecard for Mine Community Development. Five of our seven mines achieved the full 15 points for 100% implementation of their IDP-approved projects during 2011.

Implementation of projects involves other parties, including dependencies on municipal involvement, which need to be resolved before projects can proceed. ARM is engaging with all parties to ensure efficient implementation of these projects for the benefit of the communities.

dti CoGP (year to June 2012)



ARM scored 5 for Socio-Economic Development in F2012 (F2011: 3.97) out of a possible 5 points.

Operations engage with municipalities every three months at a high level to assess progress of community projects and understand community expectations and concerns. Several of our operations also participate in IDP representative forums.

In addition to SLP commitments, other projects were undertaken during F2012, including a number of Corporate Social Investment initiatives that do not form part of the Mining Charter measurements. These are more fully discussed in the Corporate Social Investment section of this report.

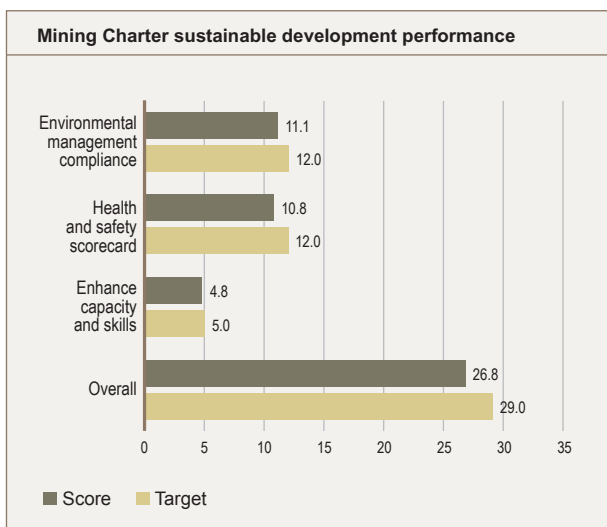
8 Sustainable development and growth

The Mining Charter requires every mining company to implement elements of sustainable development commitments included in the "Stakeholders declaration on strategy for the sustainable growth and meaningful transformation of the SA mining industry of 30 June 2010" (Chamber of Mines).

Mining companies are specifically required to address three broad areas of sustainable development:

- **Environmental management compliance** relating to specified requirements including implementing environmental management systems, rehabilitation, safe storage and disposal of residual waste and process residues and adequate provisions to meet closure requirements.
- **Improve the health and safety performance** of the industry by implementing the tripartite action plan on health and safety.
- **Enhance research and development capacity and skills** in relevant South African facilities to ensure quality, quick turnaround, cost effectiveness and integrity of such facilities.

ARM scored 26.75 out of a total possible 29 points for the Sustainable Development and Growth category in 2011 (2010: 26.66).



Full details of our approach to environmental management and health and safety can be found in the Environmental section and the Occupational Health and Safety sections of this report, respectively.

ARM uses 100% South African-based facilities across the Company for environmental, product quality, or biological testing wherever possible. One of our mines, Nkomati Mine, from time to time uses international laboratories for asbestos fibre monitoring.

9 Beneficiation

The Mining Charter aims to assist the State in meeting its developmental priorities by facilitating local beneficiation of mineral commodities by adhering to the provision of Section 26 of the MPRDA and mineral beneficiation strategy. The intention behind these requirements is to take advantage of South Africa's mineral wealth to enhance industrialisation of the country.

The beneficiation provisions only apply from the 2012 calendar year. ARM is investigating how to comply with these provisions and seeking clarity on baselines and how beneficiation will be measured.

Transformation

Focus for 2013

- Continued focus to increase BEE procurement by 2.5% year-on-year.
- Managing the availability of valid BBBEE certificates from suppliers.
- While BEE capital procurement requirements should reasonably be met, BEE services and consumables will require strong effort.



BEE VERIFICATION AGENCY CC

8 Park Street, Durbanville, 7550 | P O Box 46, Parow 7499

Tel: 021 975 3689 | Fax: 021 979 4096 | Call Centre: 0860 722 222
E-mail: info@bee-verification.com | Website: www.beever.co.za

BEEVER NATIONWIDE

Black Economic Empowerment Consolidated Verification Certificate

A12-01

Measured Entity

Registered Name:	African Rainbow Minerals Limited (Including operations attached)
Reg. Number:	1933/004580/06
Trade Name:	ARM
Location:	ARM House, 29 Impala Road, Chislehurst, Sandton
VAT Number:	4010113662

BEE Status

Certificate Number:	BET 4828 Replacing BET 4787
Replacement Date:	18 October 2012
Verification Date:	10 October 2012
Expiry Date:	09 October 2013
Applicable Scorecard:	Generic DTI
Applicable BEE Codes:	Codes 100 to 700
BBBEE Status:	Level 4
Procurement Recognition Level:	100%
Black Ownership:	54.45% (Mandated Investments not excluded)
Black Female Ownership:	0%
Value Added Company:	Yes

BEE Score per Element

Ownership	19/20
Management Control	7.3/10
Employment Equity	1.91/15
Skills Development	7.30/15
Preferential Procurement	17.63/20
Enterprise Development	11.19/15
Socio-Economic Development	5/5
Total	69.33/100

BEE Verification Agency CC has assessed the BEE credentials of the above verified entity and certifies hereby that the BEE status, as certified above, is a true and impartial reflection of the BEE status of the enterprise.

BEE Compliance Manager: _____
BEE Verification Agency CC

www.beever.co.za



BVA-014



Themba Organics mineral processing and packaging, Khumani Iron Ore Mine

Corporate social responsibility

Focus area	Performance						
Meeting the Local Economic Development (LED) commitments which we have committed to in terms of our operations' Social Labour Plans (SLP)	<p>Overall, our operations invested almost double the budgeted amount in community development initiatives for the calendar year 2011.</p> <div data-bbox="858 293 1390 640"> <p>Mining Charter community development spend for the 2011 calendar year (Rm)</p> <table border="1"> <tr> <td>Operational community development spend</td> <td>114.7</td> </tr> <tr> <td>Budgeted operational community development spend</td> <td>56.1</td> </tr> </table> </div>	Operational community development spend	114.7	Budgeted operational community development spend	56.1		
Operational community development spend	114.7						
Budgeted operational community development spend	56.1						
Poverty alleviation, job creation, education, welfare and health care	<p>ARM contributed a total of R126.3 million towards social upliftment and sustainable poverty reduction (F2011: R124.45 million).</p> <div data-bbox="858 667 1390 1014"> <p>Corporate Social Responsibility spend (Rm)</p> <table border="1"> <tr> <td>F2010</td> <td>72.9</td> </tr> <tr> <td>F2011</td> <td>124.45</td> </tr> <tr> <td>F2012</td> <td>126.3</td> </tr> </table> </div>	F2010	72.9	F2011	124.45	F2012	126.3
F2010	72.9						
F2011	124.45						
F2012	126.3						
	<p>Created 1 377 jobs through CSI & LED projects (F2011: 1 041).</p> <div data-bbox="858 1041 1390 1388"> <p>Jobs created through CSI and LED projects</p> <table border="1"> <tr> <td>F2010</td> <td>658</td> </tr> <tr> <td>F2011</td> <td>1041</td> </tr> <tr> <td>F2012</td> <td>1377</td> </tr> </table> </div>	F2010	658	F2011	1041	F2012	1377
F2010	658						
F2011	1041						
F2012	1377						
Enterprise development	We continue to dedicate resources to developing sustainable enterprises in local communities.						

HIGHLIGHTS

- ▶ New reporting structures implemented and working well.
- ▶ Pilot project introduced in the Ferrous Division to empower operations to deliver sustainable community projects including project management applications.
- ▶ Stakeholder engagement approach pilot being tested at Black Rock Mine.
- ▶ ARM Ferrous appointed a senior employee to managed Corporate Social Responsibility (CSR) and ensure a total project management approach.
- ▶ Completed a six-month process to update reporting systems to ensure that Corporate Social Investment (CSI) statistics could be easily audited.

CHALLENGES

- ▶ Skills transfer.
- ▶ Job creation.
- ▶ Poverty alleviation.
- ▶ Ensuring sustainable exit strategies from projects.
- ▶ Ensuring that the right skills are present in the project teams who execute projects in the communities.



Zonke Stone Art Project, Khumani Iron Ore Mine

As part of our drive to create sustainable value, ARM reinvests in the communities around its operations and those from which we draw our labour. Mining and smelting are industries that have significant impact on the environment and part of our responsibility is to reinvest in the upliftment of the areas around us. Failure to do so risks alienating local communities, including the families of our employees, and jeopardises our social licence to do business.

Our approach to CSR is guided by:

Our values	ARM improves the living conditions of the communities in which we operate, invests in projects that directly benefit these communities, creates jobs, equips members of these communities with skills that allow them to seek employment and assists with enterprise development within these communities.
ICMM	Principle 9 – Contribute to the social, economic and institutional development of the communities in which we operate.
MPRDA	The Mineral and Petroleum Resources Development Act stipulates requirements for social development through the SLPs.
Mining Charter	The Mining Charter requires mining companies to invest in the communities around them and those from which they source their labour.
dti CoGP	The Department of Trade and Industry Codes of Good Practice (dti CoGP) set a target of 1% of net profit after tax to be invested in Socio-Economic Development initiatives.

Our approach to managing CSR

ARM's Corporate Social Investment (CSI) and Local Economic Development (LED) programmes focus on making a significant contribution towards the national agenda of addressing the challenges facing South Africa, including poverty alleviation, job creation, education, welfare and health care.

ARM's CSR strategy functions at three levels:

- at corporate level through the ARM BBEE Trust and Chairman's Fund;
- at an operational level through operations-based participation in and funding of projects; and
- through the commitments to LED that are undertaken as part of ARM's Social and Labour Plans (SLPs).

ARM's CSI initiatives focus on seven priority areas:

- 1** Education, training and skills development;
- 2** Healthcare promotion, with an emphasis on HIV & Aids programmes;
- 3** Job creation with a focus on youth and women;
- 4** Infrastructure development;
- 5** Cultural events to unite communities;
- 6** Capacity-building programmes aimed at enabling communities to participate actively in socio-economic processes and projects; and
- 7** Sporting events.

Social development initiatives are centrally co-ordinated and supported by a corporate CSI manager who reports to the CEO. CSI forms part of the portfolio managed by the Social and Ethics Committee.

Partnering to promote community upliftment

To ensure ARM's CSI and LED projects are meaningful and sustainable, communities and beneficiaries of ARM's programmes are consulted in the project selection process as well as during implementation and evaluation. We engage on a regular basis with communities, municipalities and provincial Premiers to ensure our projects are aligned with local and regional priorities.

Each operation has specialist CSI personnel responsible for identifying projects, ensuring these align with local municipality Industrial Development Plans and our corporate vision, and managing ARM's contribution towards these projects.

The roles and responsibilities of stakeholders and beneficiaries of projects and programmes are clearly defined in advance, with specific emphasis placed on financial controls and compliance with corporate governance protocols. Our projects aim to build capacity in communities and prioritise women, advancement of the disabled, youth and the socially destitute.

We maintain direct, regular contact with project beneficiaries, monitor, and evaluate ongoing adherence to stated objectives to ensure accountability and effectiveness. We recognise that there is scope to formalise our approach to Socio-Economic Development (SED), to determine the return on corporate social investment. Going forward, we aim to conduct a social impact assessment in order to better gauge the extent to which investments are having an impact.

We began a pilot project in the Ferrous Division to empower operations to deliver sustainable community projects and facilitate project planning and execution. ARM Ferrous has appointed a senior manager responsible for handling CSR and taking a project management approach to SED.

Two companies have been appointed to assist ARM Ferrous with the development of a robust enterprise development pipeline and to help operations to build sustainable enterprises.

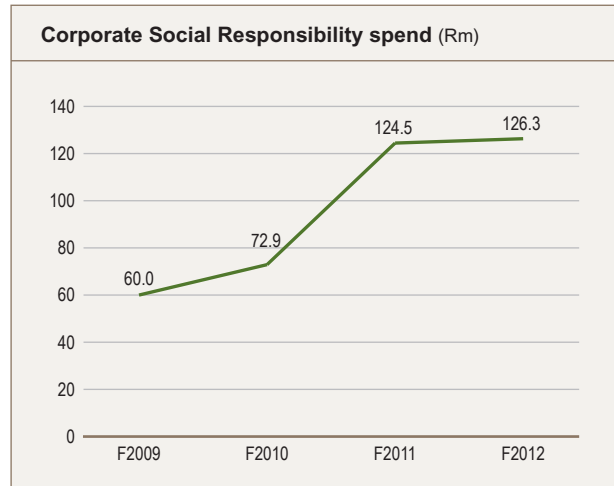
A stakeholder engagement approach to CSR is being piloted at Black Rock Mine.

During F2012, we updated our CSR reporting systems to ensure CSI statistics can be easily audited. The next phase in the project is to improve CSI reporting and ensure the Company communicated its CSI achievements. The Modikwa Road opening was a significant milestone for the Group's CSR initiatives and included broad stakeholder representation.

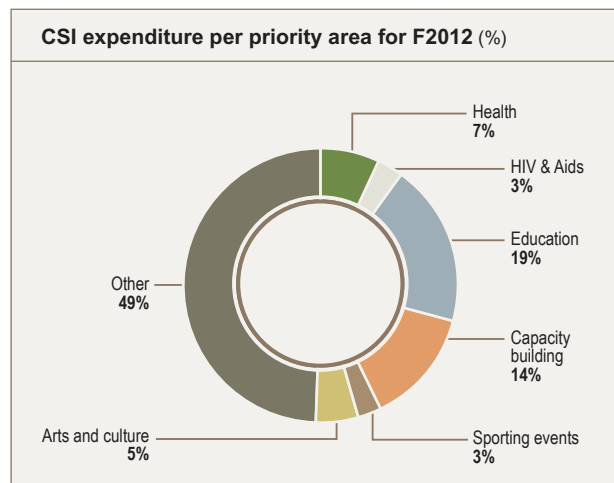
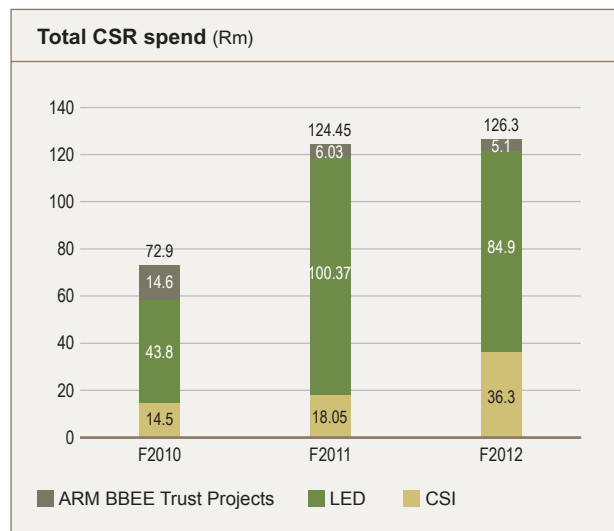
A challenge we face is the clear definition of beneficiaries of community projects and ensuring that SLPs are continuously updated, approved through the correct channels and monitored. Where this is not done, projects may not be recognised against our SLP targets for Mining Charter reporting purposes.

Our performance

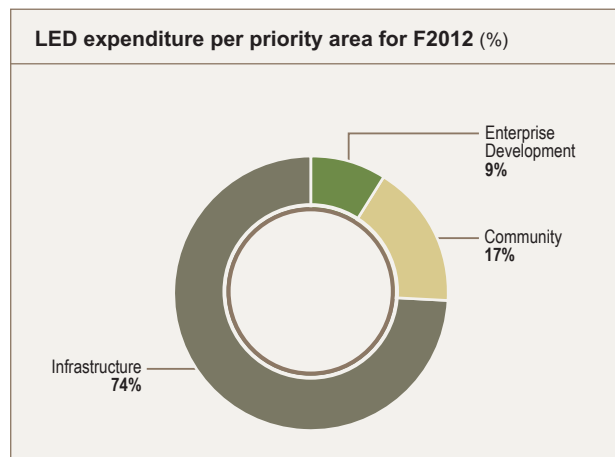
Our total Corporate Social Responsibility spend in F2012, on a 100% basis (as if ARM held 100% of its joint ventures), was R126.3 million (F2011: R124.45 million).



CSI spend doubled to R36.3 million, while LED spend fell to R84.9 million on the completion of the major road project by Modikwa Mine. The ARM BBEE Trust spent R5.1 million on projects.



Most of the CSI spend for F2012 was in the 'Other' category, which includes sponsorships, donations and gifts. Local Enterprise Development initiatives focussed mainly on infrastructure development.



Summary of Corporate Social Responsibility (CSR) investment

	F2011 R million	F2012 R million
CSI		
Health	2.20	2.59
HIV & Aids	1.06	1.11
Education	6.97	6.93
Capacity building	1.41	4.90
Sporting events	0.81	1.03
Arts & culture	0.52	1.86
Other	5.08	17.85
Total CSI	18.05	36.28
LED		
Infrastructure	76.05	63.46
Enterprise Development	6.27	7.36
Community	14.27	14.39
Other	3.78	(0.31)*
Total LED	100.37	84.90
BBEE Trust Projects	6.03	5.14
Total CSR investment	124.45	126.32

* Profit from wooden furniture project, brass plant and Mathuba farm project at Machadodorp Works to be re-invested in future projects.



Seeding Primary School, new ablution facilities under construction, Black Rock Manganese Mine



Badplaas water treatment plant upgrade, Nkomati Mine



Deben Field Band, Khumani Iron Ore Mine

The ARM BBEE Trust

The ARM Broad-Based Economic Empowerment (BBEE) Trust was established in 2005 with the primary objective of facilitating Socio-Economic Development (SED). The Trust provides funding to provincial Rural Upliftment Trusts established by ARM to carry out welfare, community development and anti-poverty initiatives.

The main focus of the trusts is on education-focused projects. These trusts and individual unit holders own a 10% equity interest in ARM and they and their projects are funded through the dividends that ARM declares to shareholders.

ARM has assigned resources to the ARM BBEE Trust to build capacity in administering and project managing the many small projects involved.

During the last quarter of the financial year, budgets and investment strategies for various projects were finalised with stakeholders. The next level of reporting will include the scope of the CSR projects and the benefits they are expected to entail.

At the end of November 2011 a function was held to celebrate the ARM BBEE Trust Dividend Distribution and to highlight the Trust's contribution to alleviating poverty. This included R74 million distributed over the preceding five years and over R300 million invested since F2007.

Dividends paid by the ARM BBEE Trust

R million	F2009	F2010	F2011	F2012
Dividends paid	8.9*	10.2*	23.0*	Not available**
Development projects		14.6	6.0	5.1

* Restated.

** Dividends will be disclosed during November 2012.

Summary of ARM BBEE Trust Projects

In the Eastern Cape	<ul style="list-style-type: none"> ● The Mqanduli Day Care Centre, ● Construction of 14 classrooms, and ● The Manguzela agricultural project.
In KwaZulu-Natal	<ul style="list-style-type: none"> ● The Mbalenhle Day Care Centre, ● Construction of 10 classrooms and renovation of two, ● The Mobophe Crop Production Project, ● 21 computers for schools, and ● Water provision: a borehole and a dam.
In Limpopo	<ul style="list-style-type: none"> ● The Mampuru Thulare Primary School in Mohlaletsi, ● The Moshoeu pre-school, ● Constructing five classrooms and renovating another, ● Supplying 41 computers to schools, and ● Water provision: drilling of 12 boreholes.
In Mpumalanga	<ul style="list-style-type: none"> ● The Vonani pre-school, ● Construction of two classrooms and renovation of three, ● The Ipopeng agricultural project, and ● Water provision: drilling of nine boreholes.
In North West Province	<ul style="list-style-type: none"> ● Construction of seven ablution blocks, ● Renovation of 12 classrooms, and ● Provision of two laptops to schools.
In the Free State	<ul style="list-style-type: none"> ● Provision of 92 computers to schools, and ● Sponsoring five university students.
In Northern Cape	<ul style="list-style-type: none"> ● Purchase of 100 bicycles for underprivileged school children in Kuruman.

Summary of LED projects

Name of project and need addressed	Beneficiaries	Jobs created	Outcome/status at 30 June 2012
LED Projects			
Modikwa Mine			
Road D4170/D4167: Construction of 12 km tar road	Mooihoek and Maandagshoek communities	28 – Temporary	Project completed and handed over
Maandagshoek bakery project: Construction of a bakery for the local community	Maandagshoek community	10 – Permanent	Currently in operation. Projected staff of 21 once in full production
Sewing factory project: Construction of a sewing factory for the local community	Matimatjatji community	25 – Temporary	Completed
Agricultural project: Vegetable production on 10 ha of land	Makgapheng Agricultural Cooperative	Potential 11 permanent jobs	In progress
Mamphahlane Tribal Office: Construction of traditional authority office	Mamphahlane community	15 – Temporary	Completed
Mamphahlane Access Road construction	Mamphahlane community	11 – Temporary	Completed
Nkomati Mine			
Albert Luthuli Municipality: Rose Geranium Distillation Plant completed and commissioned. Contributed towards seedlings and a distillation plant for Sinqaba iNdlala Community Trust	Badplaas community	20 – Temporary	Ongoing
Water treatment project: Upgrade of water treatment works to provide uninterrupted water	Badplaas community	17 – Temporary	Completed
Mobile Clinic Project: Mobile clinic and equipment donated to Department of Health to assess communities	Badplaas community	N/A	Completed
Block Paving of eMgwenya Road: Provision of block paving to 3.1 km road at eMgwenya (Waternal Boven)	Emgwenya community	25 Temporary	Completed
Block paving of eMthonjeni Road: Provision of block paving to a 3 km road at eMthonjeni (Machadodorp) phase 1	Emthonjeni Community	25 Temporary	Phase 1 completed
Two Rivers Platinum Mine			
Community hall project: Construction of a community hall that will accommodate 450 people	Kalkfontein community	7 – Temporary 20 – Permanent	Ongoing, will finish in 30 September 2012
Mmabana Crèche project: Classroom repair and construction	Steelpoort Park community	5 – Temporary	Ongoing
Bakery project	Ngwaabe community	20 – Permanent	Ongoing
Youth Entrepreneurship Programme: Poultry project and steel manufacturing project	Residents from 3 core community	50 – Permanent	Ongoing
Madibeng Computer Centre: Provision of 20 computers at Madibeng School	Steelpoort Park community	4 – Permanent	Ongoing
Brick-making plant	Kalkfontein community	5 – Permanent	Implementation to take place last quarter of 2012

Summary of LED projects continued

Name of project and need addressed	Beneficiaries	Jobs created	Outcome/status at 30 June 2012
LED Projects continued			
Two Rivers Platinum Mine continued			
Classroom construction: Mashishing School	Mashishing community	10 – Temporary	Implementation to take place during last quarter of 2012
Science lab: Mmahlagare School	Kalkfontein community	N/A	Implementation to take place during first quarter of 2013
Khumani Mine			
Olifantshoek bulk water supply: Building of reservoir to address water problem in Olifantshoek. Fixing of the burst in the main pipe that supplies the reservoir	Olifantshoek residents	15 – Temporary	Completed
Road Repairs: Pothole and edge repairs on road R325, R345	Gamagara residents	26 – Temporary	Completed
Zonke Stone Art Project: Purchase of equipment and materials and training in ceramic art for 16 students	Youth of Gamagara Local Municipality	15 – Temporary	Ongoing
Electrification of Mapoteng (Sesheng) informal settlement: Household electricity connection to 347 houses	Mapoteng informal settlement residents	20 – Temporary 9 – Permanent	Project completed
High School Project: Upgrading and equipping of computer labs	Langeberg, Gamagara and Ratang Thuto High Schools	13 – Temporary during construction at Gamagara School, 860 students benefit from using computers at Gamagara School and 900 learners at Langeberg	Ongoing
Deben Fields Band: Operational costs and teachers' salaries funded	Deben Fields Band: 268 children and 4 teachers	6 – Permanent	Ongoing
Gamagara Integrated Cleaning Enterprise: Development of business and residential cleaning services company as well as manufacturing of cleaning chemicals	Olifantshoek community	± 100 – Permanent	Social unrest in Olifantshoek has negatively impacted the project
Black Rock Mine			
Northern Moshaweng bulk water supply: Majemancho Water Reticulation: Setting of the village total water reticulation network, including stand-pipes	Majemancho village	30 – Temporary 2 – Permanent	Infrastructure development in seven villages, 8 km water reticulation network and stand-pipes laid
Madibeng Water Reticulation: Supply of potable water to communities from source identification, drilling, pumping equipment and construction of reservoir to installation of pipelines and reticulation	Madibeng Community	30 – Temporary	In progress
Beeshoek Mine			
Upgrading storm water drainage and road infrastructure	Tsantsabane community	60 – Temporary 7 – Permanent	In progress
Tsantsabane Construction Cooperative: Establish a local construction company	Tsantsabane community	20 – Temporary 7 – Permanent	In progress

Summary of LED projects continued

Name of project and need addressed	Beneficiaries	Jobs created	Outcome/status at 30 June 2012
LED Projects continued			
Beeshoek Mine continued			
Postmasburg Sewer Treatment Plant	Tsantsabane community	20 – Temporary 6 – Permanent	Ongoing support for the project
Bus and taxi terminus SMME Stalls	Tsantsabane community	18 – Temporary 9 – Permanent	In progress
Machadodorp Works			
Machadodorp infrastructure development: To improve the infrastructure and roads in Machadodorp	Entokozweni and Emthonjeni communities	30 – Temporary	Upgrading of the road surface at a busy intersection in Machadodorp completed. Currently paving two roads in Emthonjeni
Simunye Training Centre: Upgrade facility for training of unemployed matriculants	Entokozweni and Emthonjeni communities	15 – Temporary	Ongoing
Machadodorp infrastructure development: to improve the infrastructure and roads in Machadodorp	Entokozweni community	30 – Temporary	In progress – upgrade the road surface at a busy intersection in Machadodorp. Currently involved in paving project of the two roads at Entokozweni
Machadodorp Works continued			
Fencing of cemeteries: Palisade fencing with brick walls	Entokozweni and Emthonjeni communities	15 – Temporary	Ongoing
Soccer field: Assisting with building a soccer field at Sikhulile Secondary school	Emthonjeni community	N/A	In progress
Cato Ridge Works			
Student bursaries: Engineering students	5 Students from the Kwa-Ximba community	N/A	Ongoing with a plan to taken on 2 – 3 new students every year
Furniture purchased for the Chartsworth Child Welfare Respite Centre	Chartsworth community: Abused women and vulnerable children	N/A	Project completed
Construction of two community soccer fields	Kwa-Ximba community especially the youth	18 – Temporary	Project completed
Ntsuko Sewerage Upgrade	Learners of Ntokusweni Primary School	10 – Temporary	Project completed
Dwarsrivier Mine			
Olive tree project: Planting of 15 000 olive trees and a processing plant in the near future, managed with the Cape Provincial Administration and Department of Agriculture	Kalkfontein community	16 – Permanent	Fencing and water supply upgraded. Expert farmer approached for potential partnership opportunities
Moletsi Multipurpose cooperative: Underground road construction providing work for unemployed local community members	Ngwaabe community	9 – Temporary 15 – Permanent	Finalising of project design and appointment of service provider
Canteen and car wash facilities	Dwarsrivier mine workers	9 – Permanent	Project completed

Summary of CSI projects

Name of project and need addressed	Beneficiaries	Jobs created	Outcome/status at 30 June 2012
CSI Projects			
Khumani Mine			
Community home-based care project: capacitation of home-based caregivers. Medical supplies distributed	Kathu community	N/A	Ongoing
Quarterly contributions to orphans and vulnerable children	Deben and Askam communities	21 – Permanent	Ongoing
Black Rock Mine			
Thusano home-based care project: Construction of home-based care centre	Thusano community	8 – Permanent	Completed
VGS Sight restoration project: includes eye testing, cataract surgery and spectacle offering where required	Senior Citizens	4 – Temporary	In progress – two tours delivered, 20 cataract operations done
Sedibeng Primary School: Construction of 20 ablution facilities	Children from John Taolo District	N/A	Completed
Beeshoek Mine			
HIV & Aids Programme: Support to Municipal and Community HIV & Aids initiatives	Tsantsabane community	N/A	Ongoing
Postmasburg Hospital Laundry: Purchase of equipment for hospital laundry and improved electricity supply capacity	Tsantsabane community	N/A	Completed
FET Bursary Scheme: Full-time Further Education and Training (FET) Bursary scheme	20 needy students residing within the Tsantsabane Municipality jurisdiction	10 – Permanent	Ongoing
Assmang Pre-school: Teachers' salary subsidy and building repairs	Beeshoek and surrounding communities	2– Permanent	Ongoing
Machadodorp Works			
Chazon Tekna School: Financial support to increase learners' intake and their level of education	Emakhazeni Local Municipality (ELM) community	17 – Permanent	Ongoing
Kuphila Medical Centre: Upgrade clinic to provide low cost medical services to the community	Emakhazeni Local Municipality (ELM) community	5 – Permanent	Ongoing
Crime prevention: Upgrade of child witness room	Belfast Magistrates Court	5 – Temporary	Project completed
Dwarsrivier Mine			
Community ABET: Provision of ABET to local community members	84 Local community members	N/A	Ongoing
Mobile classrooms: Donation of two mobile classrooms	Machadodorp community	N/A	Completed
Cato Ridge Works			
Vegetable garden project: Establishment of two community vegetable gardens	Kwa-Ximba community	10 –Temporary	Ongoing
Matric Support Initiative: Partnership with Education Department to improve matric pass rate through extra classes on Saturdays and School holidays	Learners – Mdepha, St Julius, Luphaphe, Zizamele & Noguujwa HS Previously disadvantaged learners + 8 schools	N/A	Ongoing – Project completed, they will continue to support



Madibeng School computer centre, Two Rivers Platinum Mine

Summary of CSI projects continued

Name of project and need addressed	Beneficiaries	Jobs created	Outcome/status at 30 June 2012
CSI Projects continued			
Modikwa Mine			
Sponsoring community soccer, marathon and sports activities	Communities and employees	N/A	Ongoing
Nkomati Mine			
Tjakastad Maths & Science Centre: Renovation of ABET Centre plus provision of 25 computers with interactive teaching software	Tjakastad community	2 – Permanent	Completed
Construction of the Chief Dlamini VIP Pavillion	Badplaas community	10 – Temporary	Completed
Two Rivers Platinum Mine			
Lydenburg Hoërskool: Repair of cricket nets and sponsorship of uniforms	Lydenburg community	N/A	Completed

Corporate social responsibility

Focus for 2013

- Ensuring, through continuous stakeholder engagement, that commitments are still relevant and continued focus to successfully implement Social and Labour Plans (SLP).
- Continued improvement in poverty alleviation, job creation, education, welfare and healthcare.

Environment

Focus area	Performance											
<p>Efficient management of resources including water and energy.</p>	<p>Electricity consumption on a 100% basis increased 4% to 2 658 megawatt hours (MWh) (F2011: 2 550 MWh).</p>	<table border="1"> <caption>Electricity consumption (100% basis) (MWh)</caption> <thead> <tr> <th>Year</th> <th>Consumption (MWh)</th> </tr> </thead> <tbody> <tr> <td>F2009</td> <td>1,856</td> </tr> <tr> <td>F2010</td> <td>2,116</td> </tr> <tr> <td>F2011</td> <td>2,550</td> </tr> <tr> <td>F2012</td> <td>2,658</td> </tr> </tbody> </table>	Year	Consumption (MWh)	F2009	1,856	F2010	2,116	F2011	2,550	F2012	2,658
	Year	Consumption (MWh)										
F2009	1,856											
F2010	2,116											
F2011	2,550											
F2012	2,658											
<p>Water withdrawal on a 100% basis increased 19% to 18.0 million m³ in F2012 (F2011: 15.1 million m³). However, a substantial quantity of the water withdrawal at Black Rock Mine is for the use of the local community.</p>	<table border="1"> <caption>Water use (100% basis) (million m³)</caption> <thead> <tr> <th>Year</th> <th>Water use (million m³)</th> </tr> </thead> <tbody> <tr> <td>F2009</td> <td>14.3</td> </tr> <tr> <td>F2010</td> <td>15.1</td> </tr> <tr> <td>F2011</td> <td>15.1</td> </tr> <tr> <td>F2012</td> <td>18.0</td> </tr> </tbody> </table>	Year	Water use (million m ³)	F2009	14.3	F2010	15.1	F2011	15.1	F2012	18.0	
Year	Water use (million m ³)											
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F2010	15.1											
F2011	15.1											
F2012	18.0											
<p>Strategic review of climate change risks, initiatives and approach. Formulation of a strategy and policy aligned with national legislation and the ICMM's climate change policy developments.</p>	<p>The smelting operations were prioritised in F2012, as the major contributors to Group carbon emissions.</p>											
<p>Setting performance objectives and emission targets as well as integrating our climate change strategy throughout the business.</p>	<p>The process to determine performance objectives and targets was implemented at the smelting operations.</p>											
<p>Further improving our environmental data collection, monitoring and reporting systems.</p>	<p>We focused on improving data collection, specifically regarding energy which has enhanced our carbon footprint monitoring and reporting.</p>											

HIGHLIGHTS

- ▶ A climate change strategy, policy and awareness training project was initiated in F2011. This project is progressing well and includes a carbon management strategy and emissions reduction plan.
- ▶ Workshops on carbon strategy and climate change were conducted and follow-up training programmes have been rolled out at a third of our operations to date. This programme continues and includes scenario planning.
- ▶ We submitted a report to the Carbon Disclosure Project (CDP) for the third consecutive year.
- ▶ ARM representatives attended COP17 in December 2011.

CHALLENGES

- ▶ Carbon emission reduction and the potential financial impact of the proposed carbon tax.
- ▶ Climate change impact on water resources: risk of water scarcity impeding our growth plans and the physical risk of major storm events and flooding.



Return water dams, Lubambe Copper Mine

ARM is committed to responsible environmental stewardship as a fundamental part of sustainable value creation. The direct financial incentive to reduce energy consumption in the face of rising electricity costs is obvious and the proposed carbon tax is a further incentive to reduce carbon emissions. By proactively establishing ourselves as a leader in environmentally aware mining and smelting, we can create a sustainable competitive advantage in the industry. But beyond cost and competitive considerations, environmental responsibility is a core part of ARM's commitment to zero harm and to upholding the principles of responsible mining as members of the ICMM.

The sound environmental stewardship practised at our operations reduces the risk of negatively affecting the communities around us, where many of our workers live. Our approach directly impacts on our relationships with Government, labour and Non-Governmental Organisations (NGOs) which are crucial in maintaining our social licence to operate.

Our approach to the environmental sustainability is guided by:

Our values	ARM works responsibly and seeks to achieve a balance in managing the social, economic and environmental aspects of our business and creating value for our shareholders in a sustainable manner.
ICMM	Principle 6 – Seek continual improvement of our environmental performance. Principle 7 – Contribute to conservation of biodiversity and integrated approaches to land use planning.
NEMA and other regulations	ARM's commitment to the environment stems from our values, rather than being driven by compliance. Legislation that affects our management of environmental issues includes the National Environmental Management Act (NEMA), the Environmental Conservation Act, the National Heritage Resources Act, the National Water Act, the National Environmental Management Air Quality Act and the National Environmental Management Waste Act.
MPRDA	Holding a mining licence under the Mineral and Petroleum Resources Development Act imposes environmental obligations.
Mining Charter	The Mining Charter sets social development goals across categories for the mining industry that include environmental management criteria.
CDP	The Carbon Disclosure Project challenges companies on behalf of investors to measure and report on their carbon emissions.
JSE SRI	ARM was included in the JSE Socially Responsible Investment (SRI) Index for the fourth year.

Our material environmental issues

Climate change: carbon emissions, water and energy

Our most material environmental issues are climate change and resource management with energy use and water availability being key concerns.

Climate change is a key input into our sustainable business strategy and risk management systems. We recognise its potential impact as an environmental, economic and social issue. Climate change has the potential to affect our business in many significant ways – through increased operating costs due to proposed carbon emissions tax, increasing energy and water costs, the direct physical impact of drought or flooding on our operations and the communities around us, and increasing societal concerns about the Company's environmental performance.

The aspects of climate change that most influence our strategy are:

- increasing regulation that will result in a future price on carbon driving the need for a reduction in greenhouse gas emissions;
- reduced water availability as a result of a changing climate, particularly for our operations located in the water stressed regions of the Northern Cape. We need access to water to continue operating and expanding our mining and smelting operations in a sustainable manner; and
- increased extreme weather events causing shutdowns and lost production and revenue, particularly since ARM transports significant amounts of its product by rail and land over long distances.

ARM's main contributors of direct GHG emissions are our two smelters, Cato Ridge Works and Machadodorp Works. Other potential emissions from ARM's smelters include sulphur dioxides, nitrous oxides and total particulate matter emissions. These emissions result from the smelting of ore, reductant processes in the arc furnaces and pelletising plants.

Other environmental issues we consider to be material are:

- land management, which includes biodiversity conservation, rehabilitation and closure planning;
- environmental compliance – keeping up with new and changing legislation and ensuring that our operations are legally compliant as part of our commitment to excellent governance in the Group; and
- managing and minimising our waste streams.

Our approach to environmental management

The ARM Board, through the Social and Ethics Committee, has ultimate responsibility for Sustainable Development in the Group, including the crucial matters of environmental management and climate change. ARM's Social and Ethics Committee is tasked by the Board with achieving and maintaining world-class performance standards in safety, occupational health, the environment, TB, HIV & Aids and social investment. The Committee acts as a champion for the entry of Historically Disadvantaged South Africans (HDSAs) to the mining industry, as prescribed by the Minerals and Petroleum Resources Development Act (MPRDA), and ensures compliance with the Mining Charter Scorecard issued by Government.

The Executive: Sustainable Development implements the Group's approach to sustainable development under oversight from the Social and Ethics Committee and reports directly to the CEO. She formulates and reviews relevant sustainable development-related policies, strategies and targets and ensures these are aligned with the Board's commitment to zero tolerance to harm throughout the Group. The Executive: Sustainable Development reports to the Management Risk Committee on matters and activities related to climate change and carbon emissions as a standard agenda item.

Divisional Safety, Health, Environment and Quality (SHEQ) Managers in the Ferrous and Platinum Divisions assist with implementation of policy at a divisional and operational level.

Each operation has an environmental policy and strategy aligned with the ARM sustainability policy and our commitment to responsible environmental stewardship. All operations are ISO 14001 certified, except Two Rivers Platinum Mine and Modikwa Mine. ISO 14001 certification was planned for these two operations in F2012, but has been put on hold due to financial constraints. While not certified, their SHEQ systems are aligned with ISO 14001. ISO 14001 certified operations undergo annual external environmental management system and legal compliance audits. All operational SHEQ systems are regularly reviewed by internal audit and as part of the monthly reporting cycle.

Operational environmental management systems include identification of the impacts of activities, mitigation plans and performance monitoring. Quantified targets and objectives for environmental parameters are set operationally according to the operations' licences and permits.

As reported in the section on Transformation on page 82, ARM's mining operations reported their performance for the 2011 calendar year in terms of the requirements of the Mining Charter. The Mining Charter Scorecard contains environmental parameters which were also assessed and reported to the DMR by each of the mines.

Mining Charter environmental requirements	How we meet these requirements
<ul style="list-style-type: none"> ● Implement environmental management systems that focus on continuous improvement to review, prevent and or mitigate adverse environmental impact 	ARM's governance structures, policies and reporting framework are designed to prevent and mitigate adverse environmental impacts and ensure regular and consistent reporting to the highest governance bodies
<ul style="list-style-type: none"> ● Provide for the safe storage and disposal of residual waste and process residues 	Operations have integrated waste management plans with processes in place that ensure responsible monitoring and disposal of domestic, industrial and hazardous waste
<ul style="list-style-type: none"> ● Undertake continuous rehabilitation on disturbed or occupied mine land in terms of regulatory commitments 	We rehabilitate concurrently wherever possible. Independent specialists calculate rehabilitation and closure cost estimates. Each operation has a Conservation Trust Fund to which annual contributions are made to ensure closure requirements are met
<ul style="list-style-type: none"> ● Provide adequate resources to meet closure requirements 	

Environmental performance is reported on quarterly, in specified detail, at operational Executive SHEQ meetings chaired by Divisional Executives and attended by corporate Divisional SHEQ Managers.

As part of ARM's combined assurance model, internal and external audits and assurance are regularly performed on adherence to our environmental policies and procedures. External SHE audits are performed every second year on all ARM operations to identify potential liability to the Company, its Directors and management. The most recent liability audits were performed in F2011 by independent specialists and appropriate action plans and non-conformances have been included in individual operations' non-conformance management systems and are being tracked and reported on quarterly. The biggest risk area for compliance identified by the audits was water management.

Certain environmental sustainability indicators and policies are also externally assured as part of our sustainability reporting process.

Environmental stakeholder engagement

Stakeholder and interested and affected party consultation and dialogue takes place at operations as required, including through:

- interested and affected parties and community forums at all operations (examples include the Gladdespruit Forum at Nkomati Mine, the Cato Ridge Monitoring Committee and the Machadodorp Community Forum);
- public/open days at the operations (for instance at Khumani Mine); and
- formal public consultation processes, in accordance with the Regulations of the National Environmental Management Act (NEMA) when any activity listed in the Regulations is undertaken that requires an Environmental Impact Assessment (EIA) to be performed.

Climate change

As a member of the International Council on Mining and Minerals (ICMM), ARM has agreed to comply with the principles for climate change policy design recently published by the ICMM. This requires us to:

- take responsibility for developing GHG emission reduction strategies and implement economic reduction opportunities;
- ensure efficient use of natural resources;

- support research and development of low GHG emission technologies that are industry appropriate; and
- measure our progress and report results.

Our focus has been on getting a clear understanding of our operations' carbon dioxide emissions, expressed as the equivalent tonnes of carbon dioxide (tCO₂e).

ARM recognises that data collection, recording and reporting systems need to be continuously improved to ensure reliable and comprehensive management of information and reporting. We have established our carbon footprint baseline and our confidence in the quality of our data is steadily improving with our continuing investment in data collection, related awareness and training efforts and external assurance reviews.

Our focus is now on getting a clearer perspective on our carbon emissions performance and setting emission reduction targets based on the more efficient utilisation of energy. We are accordingly deriving a climate change strategy and policy, including a carbon management strategy and emissions reduction plan which will be finalised during 2013.

Divisional carbon strategy workshops were held during the year, facilitated by Environmental Resource Management (ERM). These focused on understanding and prioritising climate change-related risk for the different operations, creating a shared vision of our strategic climate change objectives and identifying possible emission reduction and energy efficiency projects. Training programmes were rolled out at a third of our operations, focusing on awareness, capacity building, reporting and improving performance. This training will be further implemented across the rest of our operations along with a scenario planning project.

Representatives of ARM attended the United Nations Climate Change Conference (COP17) in Durban in December 2011. Dr M M M Bakane-Tuoane, an Independent Non-Executive Director of ARM, attended as a member of the South African Governmental Delegation. Mr André Wilkens, the outgoing CEO at the time, participated in an ICMM panel discussion on climate change and the mining industry, including Socio-Economic Development and logistical challenges such as the impact of rail and harbour infrastructure.

Measuring our carbon footprint

ARM completed and submitted its third consecutive carbon footprint analysis of its operations for the financial year ending June 2011 to the Carbon Disclosure Project (CDP). This covered the Scope 1 and 2 greenhouse gas (GHG) emissions from the activities of our Ferrous and Platinum Divisions.

Note: For CDP reporting, ARM submits data for the preceding financial year, i.e. the March 2012 CDP submission contains results for F2011 (1 July 2010 to 30 June 2011) and the carbon footprint and emissions data presented in the 2011 report related to F2010. This year we also present provisional F2012 information (1 July 2011 to 30 June 2012). While this information may change during revision and finalisation for the March 2013 CDP submission, no significant changes are expected.

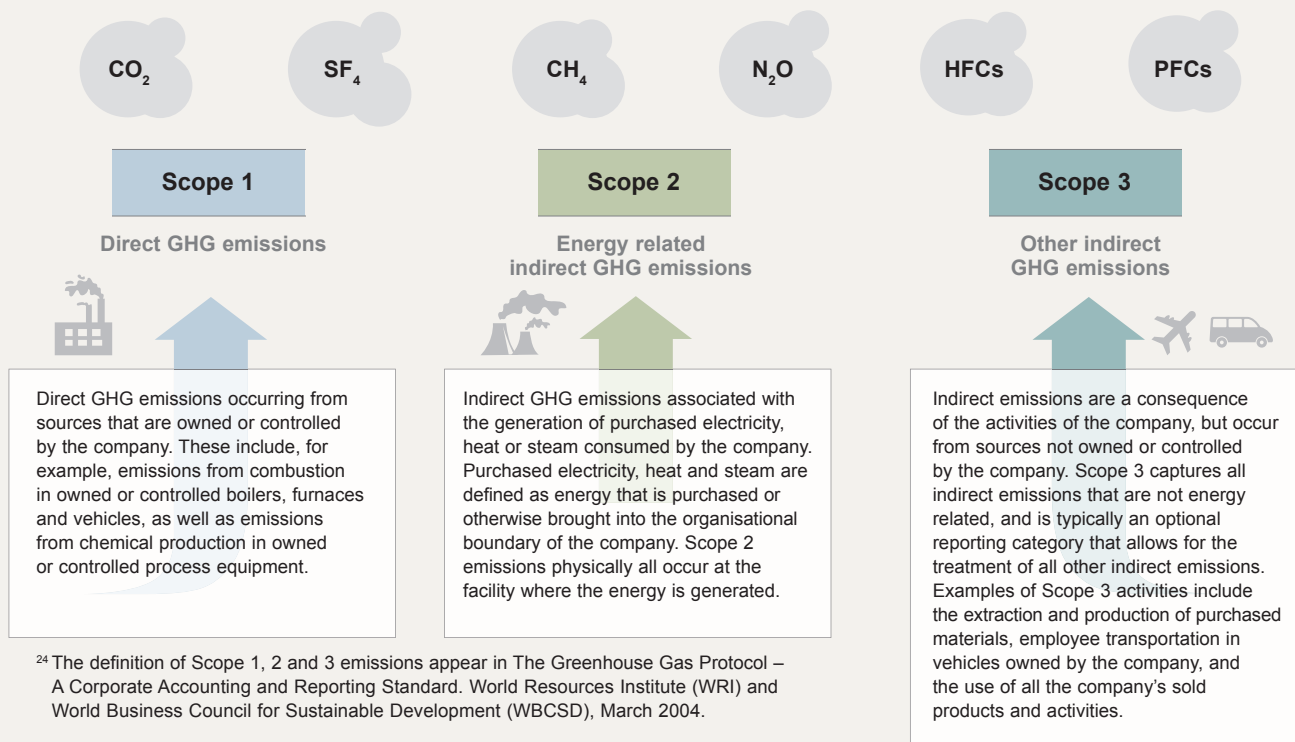
In previous reports, we disclosed our carbon footprint on a 100% basis (as if ARM owned 100% of the joint ventures). From this year we disclose our carbon footprint on an attributable basis – adding the operational carbon footprints in the proportion of our shareholding in the joint ventures.

The carbon footprint analysis documents the global warming potential attributable to the release of GHG generated by our business activities, giving us a better understanding of our emissions profile and identifying opportunities for mitigating emissions. This helps us demonstrate our commitment to being a sustainable and environmentally conscious company to our customers, current and potential future shareholders, employees, suppliers and other stakeholders.

The carbon footprint analysis was undertaken in accordance with the Greenhouse Gas Protocol – Corporate Standard (GHG Protocol), published by the World Resources Institute and World Business Council for Sustainable Development in March 2004. The GHG Protocol distinguishes between various GHG accounting approaches in terms of organisational as well as operational aspects based on principles derived from financial accounting.

To ensure the highest level of accuracy and reliability, the data collection process complies with the most recent standards defined for environmental analyses in general. Accordingly, the data collection process complies with the data quality requirements set out in ISO 14044 as well as the GRI G3 guidelines set by the Global Reporting Initiative (GRI).

GHG Reporting Protocol – Defining emissions Scopes 1, 2 & 3²⁴



The above diagram, taken from the Carbon Disclosure Project 2010, illustrates the different types of GHG emissions that make up a company's total carbon footprint. These emissions can be categorised as Scope 1 (direct GHG emissions), Scope 2 (energy-related indirect GHG emissions) and Scope 3 (other indirect GHG emissions such as business travel, commuting transport and road and rail hauling of raw materials and products).



Dust monitoring at Khumani Iron Ore Mine



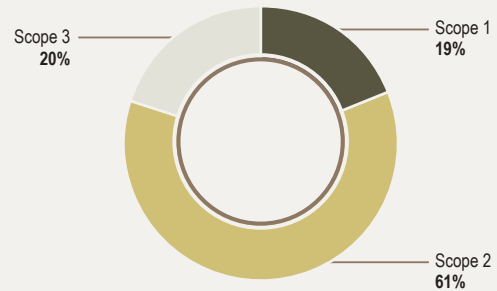
Top-soiling and rehabilitation at Khumani Iron Ore Mine

F2011 carbon footprint

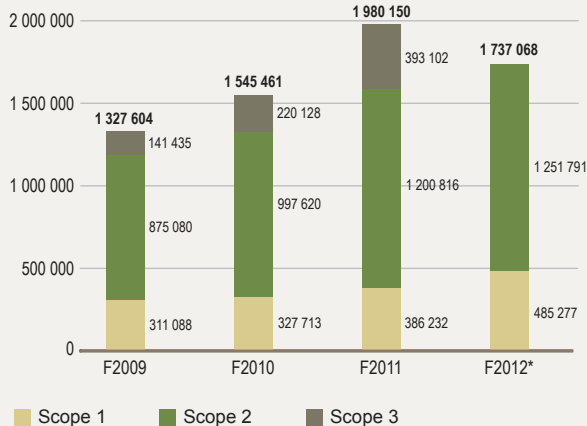
In total, ARM emitted 1.98 million tonnes of CO₂e for the F2011 reporting period (F2010: 1.55 mt CO₂e restated to an attributable basis). Scope 1 (direct emissions) amounted to 386 000 tCO₂e (19% of total), Scope 2 (indirect emissions) represented 1.2 million tCO₂e (61% of total) and Scope 3 (including business travel, commuting transport and logistics) contributed 393 000 tCO₂e or 20% of the total carbon footprint.

The largest contributors to our carbon footprint are the electricity consumption at Cato Ridge Works and Machadodorp Works, our two smelting operations, which together account for 53% of the F2011 full carbon footprint.

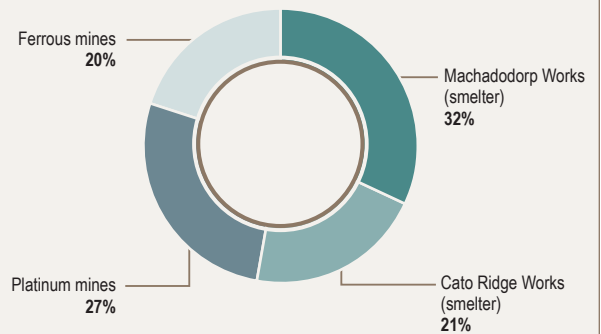
F2011 carbon footprint split



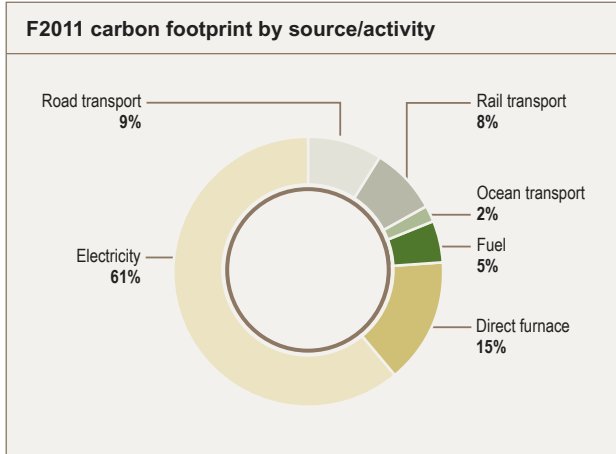
Carbon footprint (attributable basis) (tCO₂e)



F2011 carbon footprint by operation

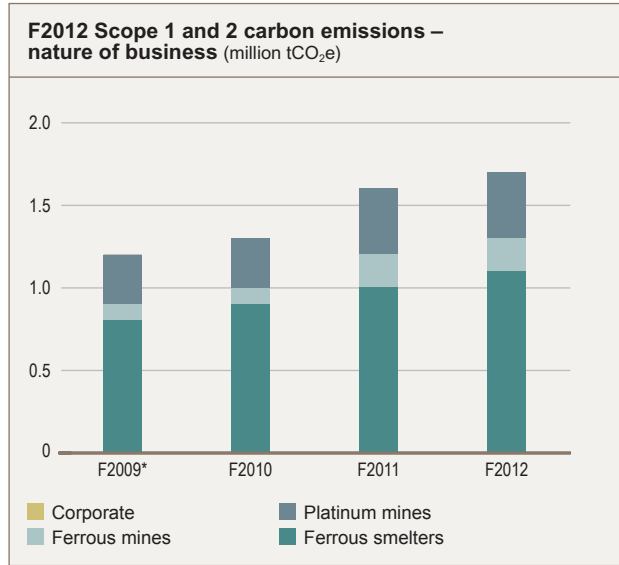
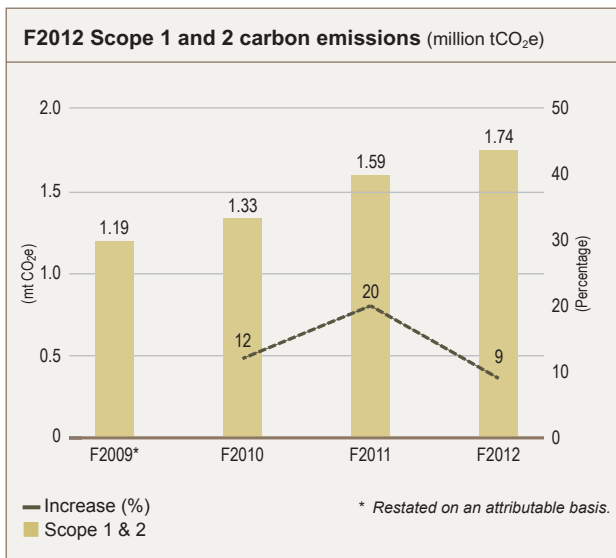


Scope 2 emissions, specifically electricity consumption, accounted for 61% of the F2011 carbon footprint. The next biggest contributor was direct carbon emissions from the Group's smelting operations (Scope 1). Scope 3 emissions consist primarily of transport of ore and materials, by road, rail and ocean transport, together accounting for 19% of total carbon emissions.



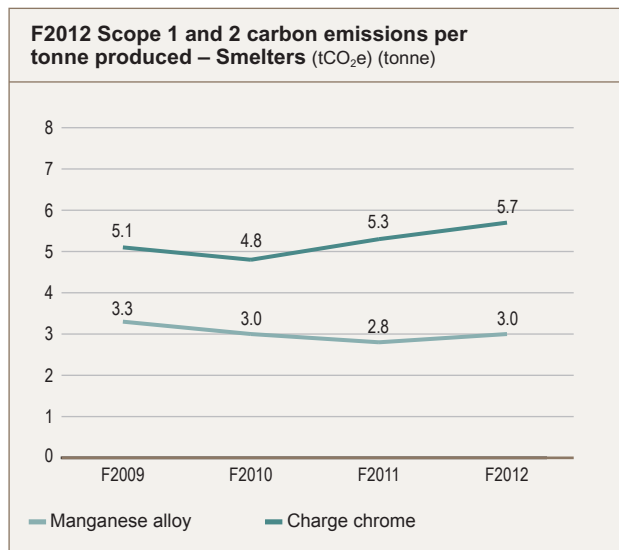
F2012 Scope 1 and 2 carbon emissions

The continued improvement in our sustainable development data collection processes has meant from F2012, we can report on aspects of the current year's carbon footprint that have been prepared for disclosure in ARM's 2012 CDP submission. Our CDP submission covers Scope 1 and 2 emissions on an attributable basis, so the F2012 information excludes Scope 3 emissions which will be finalised and disclosed in the F2013 Sustainability Report.



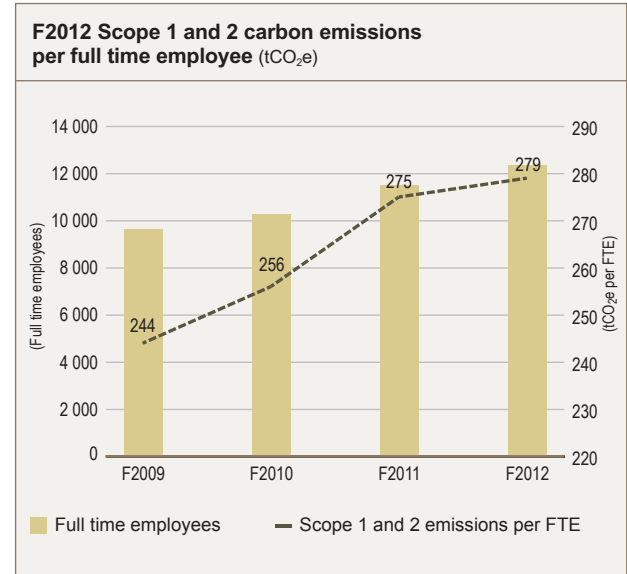
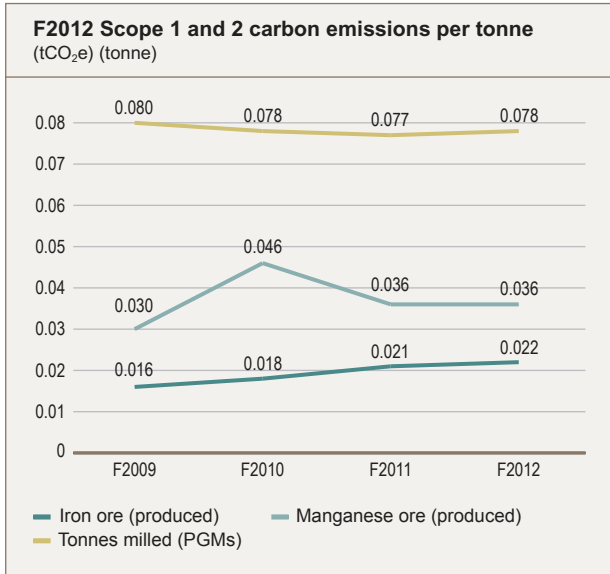
Scope 1 and 2 carbon emissions increased 9% to 1.74 million tCO₂e (F2011: 1.59 mtCO₂e) on an attributable basis. The smelters in the Ferrous Division accounted for 63% of F2012 Scope 1 and 2 carbon emissions, with the Ferrous Division mines making up 13% and the Platinum mines 23%.

Absolute carbon emissions rise with an increase in activity, so we also measure carbon emissions as an efficiency ratio against full time employees and per tonne produced or processed.



Scope 1 and 2 carbon emissions per tonne of manganese alloy produced increased to 3.0 tCO₂e (F2011: 2.8 tCO₂e/tonne).

Scope 1 and 2 carbon emissions per tonne of charge chrome produced increased to 5.7 tCO₂e from 5.3 tCO₂e/tonne in F2011 on volume declines as Machadodorp converted more production to manganese.



Scope 1 and 2 carbon emissions per tonne of iron produced rose to 0.022 tCO₂e (F2011: 0.021 tCO₂e/tonne) and carbon emissions per tonne of manganese produced remained at 0.036 tCO₂e.

Carbon emissions per tonne milled at our two primary platinum mines, Modikwa and Two Rivers, rose slightly to 0.078 tCO₂e (F2011: 0.077 tCO₂e/tonne).

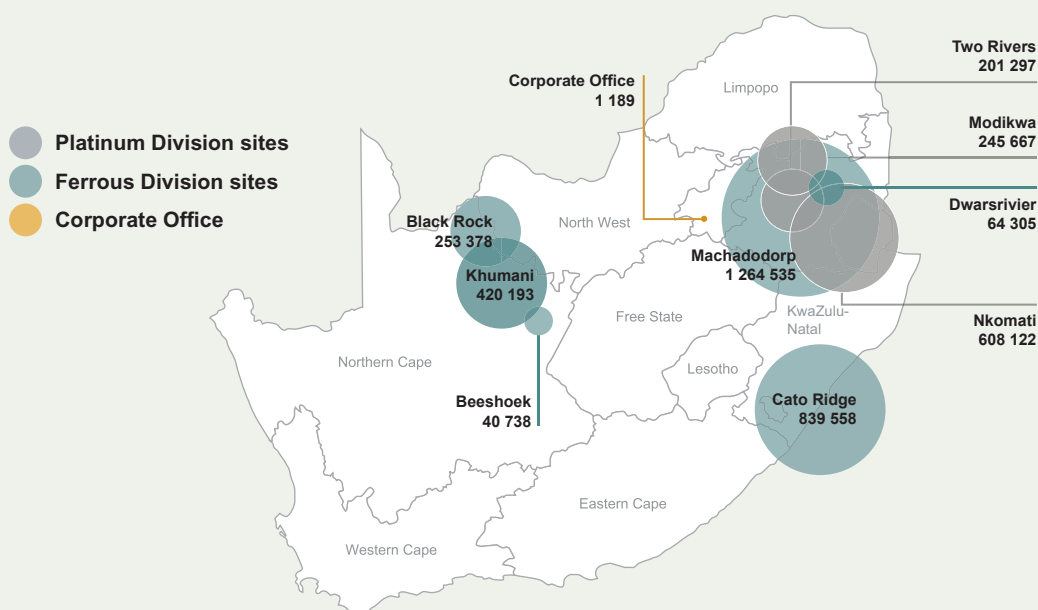
Given that our carbon emissions collection processes have improved significantly since F2009 and now present a more complete picture of our carbon footprint, we are pleased that our carbon emissions per tonne have not increased significantly. The exception is iron ore, where the full efficiency benefits of the ramp-up at Khumani are expected to be evident in F2013.

Scope 1 and 2 emissions per full time employee increased marginally (1.8%) to 279 tCO₂e in F2012 from 275 tCO₂e in F2011.

The results are in line with increased activity at most operations, especially in the Ferrous Division. Increased emissions from fuel use (diesel) and the use of coal-based reductants such as coal, char and coke used at the smelters, contributed significantly to increasing Scope 1 emissions from F2009.

Eskom (64.4%) contributes to almost two-thirds of source emissions.

The following graphic gives a regional overview of our F2011 carbon footprint including Scope 1, 2 and 3 emissions on a 100% basis. The bubble size indicates the relative emissions and the actual emissions in equivalent tonnes of CO₂ (tCO₂e).



* bubble size indicates relative GHG emissions
 Note: F2011 Scopes 1,2 and 3 on a 100% basis

Direct emissions

Direct emissions are substances emitted from our smelters during minerals processing and include carbon dioxide, nitrous oxide, sulphurous oxide and particulate emissions. In F2012, direct emissions accounted for 21% of ARM's Scope 1 and 2 carbon footprint. Our smelters continuously monitor air quality to ensure emissions are within the limits of their licences which are issued in terms of the National Environmental Management Air Quality Act.

The availability of air cleaning equipment at these operations is monitored and regularly reported to local and provincial authorities as required by their licence conditions.

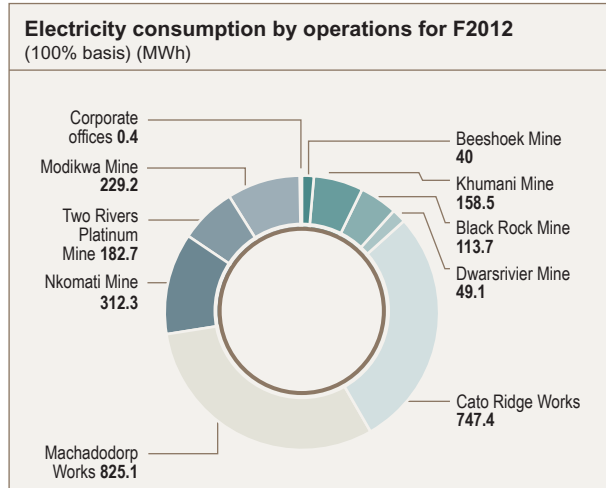
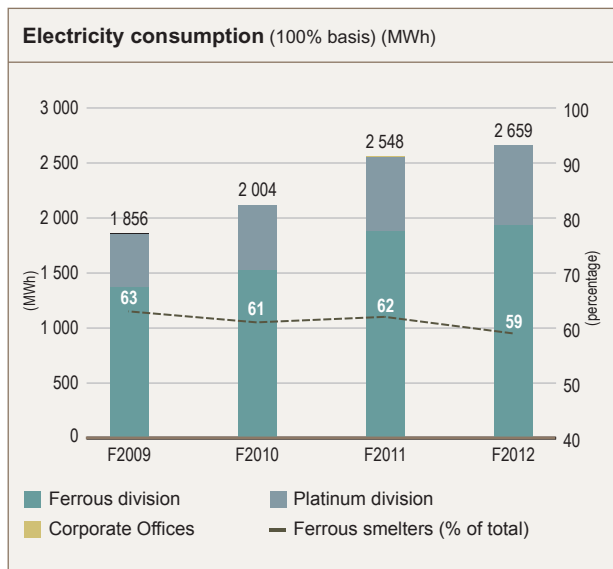
Energy

The increasing cost of energy and concerns about continuity of energy supply for the maintenance and expansion of our operations are major sustainability issues for ARM. Not only does this threaten our cost competitiveness, it has real impacts on other critical aspects of our business. For example, a guaranteed continuous supply of electricity is required to operate mines safely in terms of the supply and distribution of fresh air through ventilation air pumps and the ability to access and exit underground operations.

As described earlier, energy consumption (reported as Scope 2 emissions which are indirect emissions from the generation of electricity from fossil fuels) accounts for the most significant contribution to the ARM GHG inventory. The two smelters, part of the ARM Ferrous Division, account for approximately 60% of Group energy consumption and the seven mining operations for the remaining 40%.

Electricity is used in furnaces at the smelters in the reduction and processing of ore. At our mines, electricity is used to power the mills that process ore, the extractor fans used for ventilation, the pumps for dewatering, conveyor belts and elevator cages.

Electricity consumption was 2 659 MWh on a 100% basis in F2012, a 4.3% increase on F2011 (2 548 MWh).



ARM Ferrous, trading as Assmang Limited (a joint venture with Assore Limited) is part of the Energy Intensive Users Association and developed an Energy Efficiency Charter which set targets for energy efficient practices in F2010. A Group Electrical Engineer manages and guides energy efficiency practices.

Our Ferrous Division set a target in F2009 to reduce peak consumption by 10% by year 2012/2013. Energy audits identified a number of projects. Various initiatives have been implemented to improve energy efficiency to achieve this target, including:

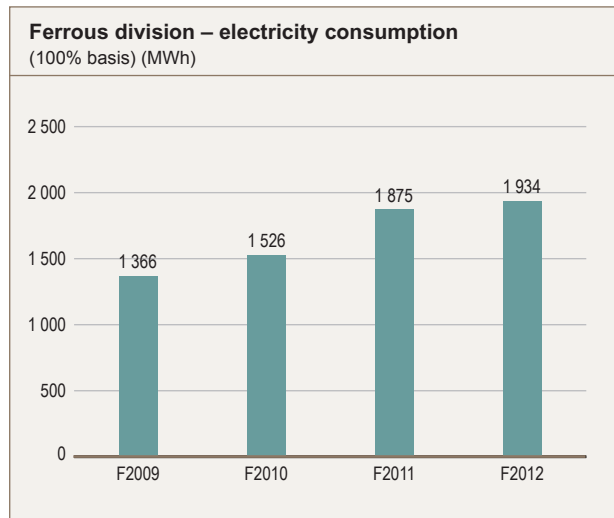
- awareness training at Cato Ridge and Machadodorp on how to conserve electricity;
- power factor correction and harmonics reduction;
- a policy to replace low voltage motors with energy efficient motors;
- installation of heat pumps at change houses;
- various energy efficiency processes such as use of briquettes (recycling of waste products back into furnace) on site as a replacement ore and layer casting;
- process changes such as remelting of Skrot (scrap material) in the smelter furnaces;
- replacing underground pneumatic drills with Hilti electric drills at Dwarsrivier;
- reduced demand for alloys in F2011 presented an opportunity to rebuild some of our furnaces to achieve better energy efficiency;
- converting Machadodorp Works to ferromanganese production; and
- production teams at the smelters have energy efficiency as one of their key performance indicators.

We estimate these projects reduced annual carbon emissions by 41 680 tCO₂e in F2011.

Further initiatives currently being implemented or under investigation include:

- installation of variable speed drives on water coolers at Cato Ridge Works;
- replacing incandescent globes with compact fluorescent light (CFL) globes at all operations;
- energy efficient ventilation fans at underground operations;
- solar water heating in change houses and company houses; and
- co-generation projects at both smelters.

By implementing these projects, the Ferrous Division is aiming to exceed its F2009 target and improve energy efficiency by approximately 15% by the end of 2013.



Electricity consumption in the Ferrous Division increased 3% in F2012 to 1 934 MWh (F2011: 1 875 MWh) against a 31% increase in tonnes produced.

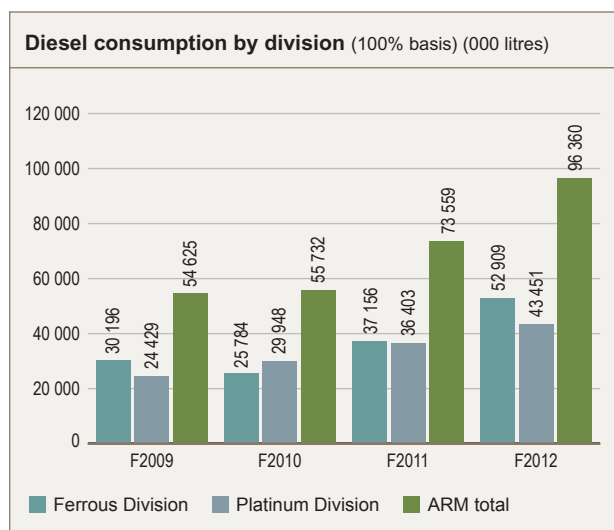
Energy efficiency improvement targets are being developed for the Platinum Division.

Fuel consumption

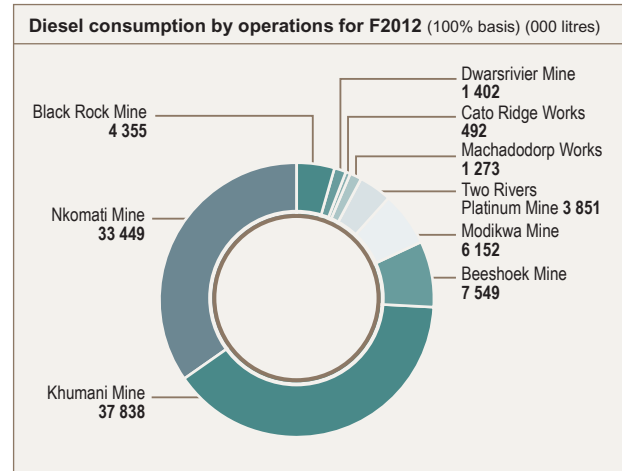
Diesel used for loading, hauling and logistics at our operations contributes to our Scope 3 emissions. Nkomati Mine and Khumani Mine are both expanding, large open pit mines where transporting of run-of-mine material requires hauling over several kilometres and together account for the majority of fuel used.

Diesel consumption increased 31% to 96.4 million litres in F2012 (F2011: 73.6 million litres). The large increase is due to ore hauling increases at three open pit mines where production increased significantly, namely Beeshoek Mine (production doubled), Khumani Mine (production increased 43%) and Nkomati (production increased 39%).

Efficiency of diesel use will be addressed as part of our climate change strategic process.



The use of petrol is limited to a few company cars and is considered negligible.



Water management

Water availability, consumption and pollution are key risks for ARM. As a water-intensive business, ARM realises that much of the impact of climate change will be felt through changing patterns of water availability. These changing patterns will determine our ability to continue and expand our mining and smelting operations sustainably, while climate change impacts on water, such as major storm events pose physical risk of flooding and damage to assets.

The availability of water is a key consideration when we plan the expansion or construction of an operation. Given water scarcity issues at most of our operations, we aim to use water as efficiently as possible by recycling and avoiding any negative impacts on water quality in the environments in which we operate.

Water is used extensively in mining and minerals processing operations, for milling and beneficiation as well as cooling. It is also used for dust suppression during blasting, on haul roads and at transfer points. Managing dust levels is an important health consideration, as discussed in the Occupational Health and Safety section of this report.

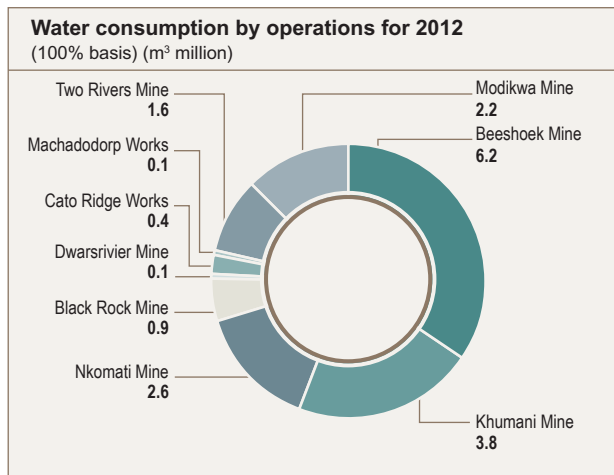
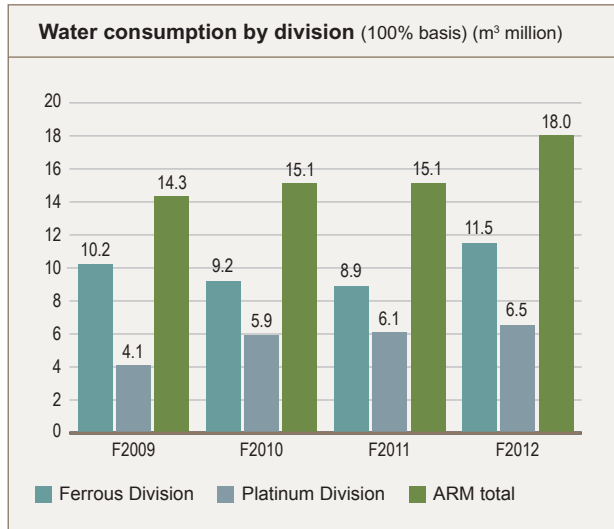
Water balances are used to manage and optimise water use at our operations. We monitor water quality to assess our impact on the receiving environment, to check our compliance to licence conditions and as a warning indicator for immediate action in the event that pollution occurs. This includes aquifer level monitoring, groundwater and surface water sampling and biomonitoring of riverine environments. Our operations run closed circuit water systems as far as possible in order to minimise discharge into the environment.

In line with the terms of their Integrated Water Use Licences (IWUL), our operations extract water from rivers, boreholes and from municipal sources. Our operations engage with the Department of Water Affairs, local communities, local authorities, irrigation boards, catchment management agencies and other industry users to ensure the sustainability of water resources for all stakeholders.

In F2010 we reported that Cato Ridge Works was addressing legacy issues related to groundwater contamination and historically contaminated land, which impacted on groundwater. The “environmental road map” which was submitted to the (then) Department of Environment and Tourism following an audit by the Green Scorpions, has been implemented. During F2012 the Cato Ridge

smelter was again audited by the Green Scorpions with no major findings raised.

Last year we stated our intention to participate in the CDP water disclosure project in the current reporting cycle, but this has not been possible.



Water withdrawal increased 19% to 18 million litres in F2012 (F2011: 15.1 million litres). Most of the increase came from the Ferrous Division where Beeshoek Mine and Khumani Mine increased their withdrawal significantly. Beeshoek Mine, which accounted for more than half of the increase, supplies water to the surrounding communities, so only a small portion of the water withdrawn is used for mining activities.

Unwanted effluent/water discharges occurred at Black Rock Mine, Nkomati Mine and Modikwa Mine during the year. The total volume discharged in these incidents represents approximately 3% of total water withdrawn. All such spills are reported to the authorities, sampled and managed in accordance with the conditions of our water use licences.

Environmental compliance

In line with ARM's commitment to the highest standards of governance across our business, we commit significant resources to ensuring that we comply with all regulations that apply to our operations. Environmental management activities include monitoring the status of Environmental Management Plan Reports, water use licence applications and Environmental Impact Assessments (EIAs).

During the year under review, Modikwa Mine received a notice of intent to deliver a directive in terms of Section 31 of the National Environmental Management Act (NEMA). The notice alleged illegal construction without an approved environmental impact assessment and related to construction of a new sewage treatment plant. Modikwa Mine submitted application under Section 24g of NEMA, made representations and explained the actions as a remedy to the current unstable and old facility and is in discussions with authorities to resolve the issue. The directive has not been issued and all work is on hold until an approved EIA has been received.

Black Rock Mine has outgrown its original Environmental Management Programme Report (EMPR) and is in the process of amending it to reflect the current realities of the operation. The mine is following the prescribed process for amending its EMPR, which involves extensive stakeholder consultation.

In last year's report, we identified a potential impact on underground water reserves at Beeshoek Mine and Khumani Mine should expansion continue. The concern at Khumani Mine has diminished due to dewatering at a neighbouring mine which has reduced water levels in the mine. Dewatering to open the Village open pit at Beeshoek Mine in the next few years will affect underground water reserves and this impact will be carefully monitored and managed.

Land use management: Rehabilitation

ARM's mines rehabilitate concurrently with ongoing operations wherever possible. We plan carefully, manage and invest our resources to ensure that mine areas are rehabilitated and restored appropriately.

To make sure rehabilitation and closure costs are adequately provided for, each operation has a Conservation Trust responsible for facilitating annual comprehensive closure and rehabilitation assessments. Trustees meet quarterly and one of their main responsibilities is to ensure that an adequate annual contribution is made to each Trust to fund future rehabilitation and closure costs.

Each operation appoints independent specialists to assess the status and to perform cost estimations of rehabilitation and closure requirements in line with individual EMPR closure commitments and the requirements of the applicable legislation. These reports are submitted to the Trustees and the Department of Mineral Resources. Once approved, provisions are made in the various Trust Funds.

The rehabilitation and closure provision table on the next page sets out independently estimated costs of closure of ARM's mines on a 100% basis (as if ARM owned 100% of the joint ventures). Total estimated closure cost across the Ferrous and Platinum Divisions is R753 million – the estimated cost of closing the mines and restoring the sites to an agreed land end use or state as per the conditions in the environmental management programmes.

This year's contribution of R17.6 million brings the estimated Trust Fund balance to R209.3 million at year end. Guarantees represent bank facilities available. The total funds including guarantees are R720 million, representing a shortfall of R32.5 million if the mines were all to immediately cease operation at year end.

This shortfall will be taken up by future annual contributions that will take place over the remaining life of the mines.

In some operations total reserves and guarantees exceed calculated closure and rehabilitation costs in keeping with ARM's precautionary approach.

Shortfalls at individual operations represent a relatively small value compared to the assets at the operations and the annual cash flows they generate. Closure costs tend to be highest in the early stages of a mine, or during expansion phases, when most of the disturbance occurs. We consider the impact of our operations on local landscapes across the life-cycle of a site, from initial exploration to decommissioning and closure.

Rehabilitation and closure provision F2012

Mine	Contributions				Total including guarantees	Anticipated shortfall excluding guarantees	Anticipated shortfall including guarantees
	Estimated closure cost as at 30 June 2012	F2012 contribution	Estimated fund balance as at 30 June 2012	Guarantees			
Beeshoek	84 699 705	–	63 835 757	38 389 295	102 225 052	(20 863 948)	(17 525 347)
Khumani	211 856 071	7 638 391	28 542 167	187 031 706	215 573 873	(183 313 904)	(3 717 802)
Gloria	75 746 433	2 834 951	7 709 347	76 133 455	83 842 802	(68 037 087)	(8 096 368)
Nchwaning	45 112 280	1 503 132	9 039 793	–	9 039 793	(36 072 486)	36 072 486
Black Rock	78 480 163	2 530 366	17 756 820	46 535 375	64 292 195	(60 723 343)	14 187 968
Dwarsrivier	41 472 283	1 247 484	11 536 338	33 673 253	45 209 591	(29 935 945)	(3 737 308)
Two Rivers	35 905 000	1 853 715	5 720 379	27 376 211	33 096 590	(30 184 621)	2 808 410
Nkomati	76 526 865	–	52 055 629	3 940 000	55 995 629	(24 471 236)	20 531 236
Modikwa	103 126 229	–	13 091 744	98 064 610	111 156 354	(90 034 485)	(8 030 125)
Total	752 925 029	17 608 039	209 287 974	511 143 905	720 431 879	(543 637 055)	32 493 150

Waste management

ARM takes full responsibility for minimising the waste generated by its operations and manages waste at business unit level through operational integrated waste management plans. Waste typically comprises industrial waste such as slag, waste rock and tailings, as well as domestic waste and hazardous waste. Domestic waste is disposed of in municipal landfill sites while hazardous waste is disposed of by specialist contractors in approved facilities.

ARM operations produced 444 251 tonnes of slag, 71.5 million m³ of waste rock and 15.6 million tonnes of tailings during F2012. Each operation implements initiatives to reduce waste according to the prevailing circumstances at each operation. These include recycling materials, for instance oil at Nkomati Mine and Black Rock Mine, and scrap metal at Beeshoek Mine.

Spills

There were two significant spills during F2012. Five hundred litres of diesel were spilled at Machadodorp Works during transferal from the delivery vehicle. The spill was cleaned up and the area rehabilitated the same day. Three separate pipeline leakages at Modikwa Mine resulted in an estimated 5 000 tonnes of tailings suspended in water being spilled. Spillages were cleaned up immediately and did not threaten the surrounds.

Biodiversity management

Biodiversity management is essential at mining operations to help mitigate climate change and to live up to our environmental values. Our operations are at various stages of drafting and implementing Biodiversity Action Plans and biodiversity monitoring programmes.

We conduct various studies at different points in our operations:

- Baseline biodiversity and landscape function studies during the feasibility or exploration phase of a project to address runoff prevention, soil quality and landscape maintenance issues such as soil erosion. They also establish the existing conditions of biodiversity and landscape functions (e.g. soil erosion control and watershed management).
- Environmental risk assessments for new operations and for major changes to existing operations. These assessments build on the baseline studies to identify the potential impacts of the proposed activities that could be a risk to biodiversity and landscape functions. They also identify the standards that need to be applied or used as benchmarks, and opportunities for improvements.

Four of our operations: Two Rivers Platinum Mine, Dwarsrivier Mine, Machadodorp Works and Cato Ridge Works are in close proximity to sensitive areas. Biodiversity studies have been completed at all operations and Biodiversity Action Plans are in place and being implemented.

The table below provides a summary of biodiversity activities at our various operations.

Overview of biodiversity

Operation	Is the operation in close proximity to area of high biodiversity or protected area?	Biodiversity study completed	Details of red data or protected species
ARM Platinum			
Modikwa Mine			
734 hectares were disturbed and are not yet rehabilitated. No communities were resettled in F2012.	No.	Yes.	<p>Protected: Aloe cryptopoda, Aloe fosteri, Balanites maughamii, Elaeodendron transvaalensis, Sclerocarya birrea subsp. Africana</p> <p>Declining: Elaeodendron transvaalensis</p> <p>Endemic: Aloe fosteri, Euclea sekhukhuniensis, Rhoicissus sekhukhuniensis, Rhoicissus spes.nov, Rhus batophyllia, Rhus sekhukhuniensis</p> <p>Lower risk – near threatened: Jamesbrittenia macrantha</p> <p>Rare: Rhus sekhukhuniensis</p> <p>Vulnerable: Pavetta zeyheri, Rhus batophyllia</p> <p>Fauna species: Manis temminckii, Rhinolophus blasii, Gyps coprotheres, Polemaetus belicosus, Python natalensis</p>
Two Rivers Platinum Mine			
180 hectares were disturbed and are not yet rehabilitated. No communities were resettled in F2012.	Yes, high biodiversity. The mine is located within the Sekhukhuneland Centre for Plant Endemism.	Yes.	<p>Priority red data plants: Gladiolus sp.nov, Resnova sp.aff. megaphylla, Zantedeschia pentlandi while protected fauna are cicada (Pycna Sylvia), Dromica honesta</p> <p>Other conservations: Important invertebrates confirmed during field work are scorpion species such as Hadogenes polytrichobothrius (flat rock scorpion), Opisthophthalmus gladifrons, Parabuthus transvaalicus, Uroplectes triangulifer and Pseudolychas. A newly described protected mite species called Zambedania sp.n (Heterostigmae) associated with a certain spider species (inhabiting under round shaped stones that are fairly deeply buried up to 1/3 or 1/2 of their depth) called Harpactrella flavipilosa</p> <p>Ant species confirmed and potentially undescribed, collected during the invertebrate survey, include undescribed Tetramonium, undescribed Camponotus, undescribed Anilomyrma, possible undescribed Meranoplus, possibly undescribed Aenictus</p> <p>The property is dominated by thick leafed plants, most of which only occur in the Sekhukhuneland Centre for Plant Endemism (area of ecological importance within which Two Rivers is located). Woodlands dominant within the property are:</p> <ul style="list-style-type: none"> – Lydenburgia-Euclea Open Woodland – within which the protected Lydenburgia cassinoides plant specimens are dominant; – Sclerocarya – Bolusanthus Open Woodland within which Sclerocarya birrea subsop.caffra (Marula tree) is dominant; – Combretum erythphyllum Riverine Woodland within which Combretum specimens are dominant; and – Phragmites – Imperprata Marsh wherein Phragmites species are dominant.
Nkomati Mine			
10 977 hectares were disturbed and not yet rehabilitated. No communities were resettled in F2012.	No. The mine is located among commercial forestry operations.	Yes.	No red data species.

Status of Biodiversity Action Plan (BAP)	Strategies for addressing impact
<p>BAP has been completed.</p> <p>As a requirement in terms of the guideline, Modikwa has to engage the community/landowner to agree on the conservation principles and actions prior to the implementation of any of the proposed strategies. Following agreement, the BAP will be implemented.</p>	<p>Following agreement between the mine and land owners/trust on the BAP, a Biodiversity Implementation Plan and survey will be performed.</p>
<p>BAP has been completed and implementation is underway – the mine is divided into five biodiversity units wherein two of the five units are no-go areas (that is, the slopes and the plateau), two for moderate land use whilst one (plains) are for intensive land use.</p>	<p>The mine licensed area is divided into biodiversity units or blocks (i.e. mountain slopes and plateaus, riparian, plains, current mining area, proposed mining area) wherein there are areas earmarked for intensive land use development, and moderate and no-go areas for conservation purposes.</p> <p>An environmental control site bearing similar ecological features to the proposed open cast site is identified and is being monitored at the north part of the property adjacent to the proposed north open-cast area.</p> <p>Another environmental control site with ecological characteristics similar to the proposed South Opencast mining area has been identified and a baseline assessment survey is currently underway on both the proposed South Opencast mining area and the control site.</p> <p>Hence, there are in total four areas on which terrestrial invertebrate assessment surveys are currently and continuously conducted – namely:</p> <ol style="list-style-type: none"> 1. the proposed North Open Pit mining area; 2. the proposed North Open environmental control site; 3. the proposed South Open Pit mining area; and 4. the proposed South Open Pit environmental control site. <p>The terrestrial invertebrate baseline assessment surveys are done to complement the fauna part of the existing Biodiversity Baseline Assessment Survey – to ensure that it becomes comprehensive and cross-cutting from flora and fauna components of the terrestrial ecology of the mine's ecosystem.</p>
<p>In terms of the BAP, priority actions completed and in progress, include:</p> <ul style="list-style-type: none"> – installation of four 1.2 metre diameter concrete pipes to ensure free flow of water and to minimise the build-up of silt at the haul road crossing is complete; – a continuous program for removal of alien invasive plants is in place; and – rehabilitation of a designated waste rock area is in progress. 	<p>Integration into local municipal policy and plans as well as relevant Spatial Development Plans; integration into existing Group policy and management systems, including the Biodiversity and Land Management Plan, Closure Plan and Environmental Management Plan; identification and liaison with stakeholders and neighbouring properties especially with respect to weed/invasiver and erosion control action plans; post closure land use; and available budget and manpower for implementation, management and maintenance.</p> <p>In terms of water management, a geo-hydrological model and update of the surface water management plan and water balance are on track for completion early in 2013.</p>

Overview of biodiversity continued

Operation	Is the operation in close proximity to area of high biodiversity or protected area?	Biodiversity study completed	Details of red data or protected species
ARM Ferrous			
Beeshoek Mine			
980 hectares disturbed and not yet rehabilitated. The increase in disturbed land is due to the road diversion for the planned Village Open Pit. No communities were resettled.	No.	Yes.	Seven endemic and near-endemic plant species identified. Various aloes, boscia trees and camel thorn trees.
Khumani Mine			
1680 hectares disturbed and not yet rehabilitated. Significant increase in land disturbed due to the development of the King Open Pit. No communities were resettled in F2012.	No.	Yes.	Harpagophytum procumbens, Hoodia gordonii Acacia eriloba, Acacia haematoxylon, Aloe grandidentata, Aloe claviflora, Aloe hereroensis Ammocharis coranica, Anacampseros cf. subnuda Babiana hypogaea, Boscia albitrunca, Boophane disticha, Crinum bulbispermum, Fockea angustifolia, Huerniopsis decipiens, Lithops aucampiae ssp.; Aucampiae Mestoklema arboriforme, Nerine laticoma, Orbeopsis lutea and Stapelia olivacea.
Black Rock Mine			
1 450 hectares disturbed and not yet rehabilitated. No communities were resettled in F2012.	No.	Yes.	Camel Thorn (Acacia Erioloba), Grey camel thorn (Acacia Haematoxylon), Shepherd's tree (Boscia albitrunca), Karoo lily (Ammocaris coranica) and Devil's claw (Harpagophytum procumbens). The only threatened mammal species found is bats.
Dwarsrivier Mine			
164 hectares disturbed and not yet rehabilitated. The small increase in disturbed land reflects the development of the North Shaft and the newly constructed tailings dam. No communities were resettled in F2012.	Yes. The mine is located within the Sekhukhuneland Centre for Plant Endemism.	Yes.	Sekhukhune Bushman's Tea, Blue Shield Fruit, Marula and Shepherd Trees.
Machadodorp Works			
20 hectares disturbed and not yet rehabilitated. No additional land disturbed during 2012. However, following a detailed contaminated land assessment, an additional 122 hectares has been reclassified as 'disturbed', bringing the total disturbed land to 142 hectares. No communities were resettled in F2012.	Yes. The smelter is within the proposed Lydenburg Centre of Endemism	Yes	None.
Cato Ridge Works			
86 hectares disturbed and not yet rehabilitated. The increase in disturbed land is due to the new slag dump, dust and slurry facility, new are storage area and new access road. No communities were resettled in F2012.	Yes. The new access road I disturbed approximately 20 hectares of the protected Ngonigoni grasslands, which is south and southeast of the operations.	Yes.	Protected Ngonigoni grassland. A biodiversity study which was undertaken, indicated that none of the red data species which could potentially occur in the Region, actually occur on site.

Status of Biodiversity Action Plan (BAP)	Strategies for addressing impact
<p>The BAP process will be started in 2013.</p> <p>A permit for the road diversion for the Village Pit operations has been received, which specifies a number of identified species which have to be relocated according to permit specifications in areas that will be disturbed during mining of the planned Village Open Pit.</p>	<p>Continuous monitoring of impacted areas. Off-set and relocation of plants in terms of the road diversion has been completed. For the Village Pit mining area, an off-set area and relocation plan for protected species is currently being negotiated with Authorities and stakeholders.</p>
<p>Being finalised.</p>	<p>Impact managed in terms of commitments of the EMP. Plants removed before mining. Consultation regarding a biodiversity off-set area is still ongoing.</p>
<p>Completed as part of the EIA and EMP amendment process for the planned Expansion Project.</p>	<p>An agreement has been reached with the DMR in terms of a financial contribution towards nature conservation in lieu of an off-set area.</p>
<p>Completed.</p>	<p>The BAP is being implemented through the establishment of a game conservation park within the property, which is on track and fencing of the area has been completed.</p>
<p>The biodiversity action plan was completed in 2011. Implementation of the recommendations from the report is on-going. The progress is measured through external monitoring and auditing.</p>	<p>Implementation of the BAP is in progress. Contaminated land assessment as per the requirements of the Waste Act and closure and rehabilitation plan, has been completed and the findings have been incorporated into the biodiversity plan.</p> <p>The monitoring and auditing plan has been completed. The first round of monitoring was undertaken and the results indicate a positive change in the floral biodiversity status.</p> <p>An alien and invader management plan has been developed and implemented.</p> <p>Planned projects include the development of landscaping development plans and an erosion status assessment planned for 2013/2014. Focus is also being placed on land management and grazing utilization.</p>
<p>Completed.</p> <p>A biodiversity impact study confirmed that no significant impact to the Ngonigoni grassland would be caused due to historic and current disturbance by activities such as cattle grazing. A memorandum of agreement was signed between Cato Ridge Works, the Wildlands Trust and the e-Thekwini Municipality whereby Cato Ridge Works will financially sponsor the Wildlands Trust to conserve grasslands in the Inanda dam area.</p>	<p>Implementation of the BAP is in progress. Currently aligning with contaminated land assessment as per the requirements of the Waste Act and closure and rehabilitation plan.</p>

Environment data tables

Carbon footprint (tCO₂e): Scope 1 and 2 on an attributable basis

ARM	Source	F2009*	F2010*	F2011	F2012
Scope 1	Fuel	76 252	73 203	96 991	124 368
	Direct emissions	234 837	254 510	289 240	360 909
Scope 2	Electricity	875 080	997 620	1 200 816	1 251 791
Scope 3	Air travel	463	336	323	Not yet available
	Road (Business)	1 653	1 668	6 800	
	Road (Material)	10 758	23 673	177 476	
	Rail	120 406	167 612	169 440	
	Ocean	8 156	26 839	39 063	
Total		1 327 604	1 545 461	1 980 150	–
Total Scope 1 and 2		1 186 169	1 325 333	1 587 048	1 737 068

* Restated to attributable basis.

Carbon footprint (tCO₂e): Scope 1 and 2 on an attributable basis

	F2009*	F2010*	F2011	F2012
Beeshoek Mine	32 470	17 730	18 426	28 347
Khumani Mine	41 146	65 117	82 478	122 521
Black Rock Mine	47 775	44 981	54 485	58 746
Dwarsrivier Mine	15 133	15 495	22 950	24 766
Cato Ridge Works	353 074	383 713	414 081	566 572
Machadodorp Works	428 108	475 432	622 349	532 540
Nkomati Mine	57 371	112 527	161 198	188 787
Two Rivers Platinum Mine	84 378	91 359	93 995	99 410
Modikwa Mine	126 418	118 610	116 136	115 045
Corporate	297	370	952	337
ARM total	1 186 169	1 325 333	1 587 048	1 737 068
Ferrous Division	917 706	1 002 467	1 214 767	1 333 490
Platinum Division	268 166	322 496	371 329	403 241
Corporate	297	370	952	337
ARM total	1 186 169	1 325 333	1 587 048	1 737 068

* Restated to attributable basis.

Electricity (kWh) – 100% basis

	F2009*	F2010*	F2011	F2012
Beeshoek Mine	42 710	33 529	33 756	39 974
Khumani Mine	44 207	87 720	101 078	158 536
Black Rock Mine	88 406	87 613	105 183	113 722
Dwarsrivier Mine	27 813	29 759	44 660	49 129
Cato Ridge Works	517 260	533 183	588 410	747 393
Machadodorp Works	645 107	753 961	1 002 462	825 131
Nkomati Mine	75 130	179 113	268 380	312 256
Two Rivers Platinum Mine	155 927	169 580	172 797	182 739
Modikwa Mine	258 680	241 327	232 048	229 211
Corporate office	310	386	1 008	360
ARM total	1 855 549	2 116 171	2 549 783	2 658 452
Ferrous Division	1 365 502	1 525 765	1 875 549	1 933 886
Platinum Division	489 737	590 020	673 225	724 207
Corporate office	310	386	1 008	360
ARM total	1 855 549	2 116 171	2 549 783	2 658 452

* Restated for refinements in carbon footprint data.

Diesel consumption (000 litres) – 100% basis

	F2011	F2012
Beeshoek Mine	2 048	7 549
Khumani Mine	27 535	37 838
Blackrock Mine	4 119	4 355
Dwarsrivier Mine	1 429	1 402
Cato Ridge Works	524	492
Machadodorp Works	1 501	1 273
Nkomati Mine	27 875	33 449
Two Rivers Platinum Mine	3 637	3 851
Modikwa Mine	4 891	6 152
ARM total	73 559	96 360
Ferrous Division	37 156	52 909
Platinum Division	36 403	43 451
ARM total	73 559	96 360

Water Consumption (m³) – 100% basis

	F2011	F2012
Beeshoek Mine	4 611 620	6 190 014
Khumani Mine	2 611 648	3 772 149
Blackrock Mine	857 030	862 842
Dwarsrivier Mine	362 522	129 990
Cato Ridge Works	374 163	395 083
Machadodorp Works	130 620	142 928
Nkomati Mine	2 733 000	2 643 966
Two Rivers Platinum Mine	1 137 564	1 648 073
Modikwa Mine	2 273 191	2 206 903
ARM total	15 091 358	17 991 948
Ferrous Division	8 947 603	11 493 006
Platinum Division	6 143 755	6 498 942
ARM total	15 091 358	17 991 948

Environment

Focus for
2013

- Establish efficiency measures to assist in the management of resources at operational level.
- Conduct climate change workshops at the remaining operations to finalise the strategic review process in order to finalise a Group policy.
- Continue the process of determining environmental performance objectives and targets at the remaining operations.
- Continue to improve the environmental monitoring, evaluation and reporting system aligned with our Group IT systems development plan.



New tree planted at Lubambe Copper Mine

Product stewardship



Iron ore in pit, Khumani Mine

ARM acknowledges the principle that its responsibility extends beyond the sale of its products to an appreciation of the future impacts these products may have on the environment and the people that use them. Our major products are recyclable, reusable and used in the manufacture of basic products.

Our approach to product stewardship is guided by:

ICMM	Principle 8 – Facilitate and encourage responsible product design, use, re-use, recycling and disposal of our products.
Consumer Protection Act	ARM's customers are businesses that process our ore into finished products.

We regularly review the Material Safety Data Sheets appropriate to our Ferrous Division's products, which are sold as products while our Platinum Division products are mostly concentrates which are toll-treated as per toll-treating agreements.

ARM participates in industry forums such as the ICMM and Chamber of Mines and keeps abreast of insights and developments relating to the properties of metals and minerals and their life-cycle effects on human health and the environment.

We develop and provide regulators and other stakeholders (including users) with information regarding our products and operations. ARM also supports the development of policies, regulations, product standards and material choice decisions that encourage the safe use of mineral and metal products, based on scientific information.

Independent assurance statement



To the Board and stakeholders of African Rainbow Minerals:

Integrated Reporting Assurance Services (IRAS) was commissioned by African Rainbow Minerals (hereafter, 'ARM') to provide independent third party assurance (ITPA) over the sustainability information within this Sustainability Report (hereafter, 'the Report'), covering the 12 month period ending 30 June 2012. The assurance team comprised primarily of Michael H. Rea, our Lead Certified Sustainability Assurance Practitioner (CSAP), with 13 years' experience in environmental and social performance measurement in over 70 assurance engagements, with support provided by our team of associates.

AccountAbility AA1000S (revised, 2008)

To the best of our ability, this assurance engagement has been managed in accordance with AccountAbility's AA1000AS (2008) assurance standard, where the format of the engagement was structured to meet the AA1000AS Type II (Moderate) requirements.

Independence

IRAS was not responsible for the preparation of any part of this Report and has not undertaken any commissions for ARM in the reporting period concerning reporting or data collection. IRAS did, however, conduct an assurance engagement for ARM's 2010 and 2011 Reports, including the identification of reporting gaps that ultimately have been incorporated into ARM's 2012 reporting processes. However, this work has not compromised our ability to afford ITPA over this year's Report. IRAS' responsibility in performing its assurance activities is to the management of ARM alone and in accordance with the terms of reference agreed with them.

Assurance objectives

The objectives of the assurance process were to provide stakeholders of ARM with an independent 'moderate level assurance' opinion on whether the report meets the following objectives:

- Adherence to AccountAbility's AA1000AS (2008) principles of Inclusivity, Materiality and Responsiveness,
- Adequate reporting relative to the recommendations of the King Code of Corporate Governance (King III);
- Adequate reporting relative to the International Council on Metals and Mining Sustainable Development Framework (the ICMM SD Framework); and,
- Alignment with the Global Reporting Initiative (GRI) G3 guidelines, with the objective of establishing whether or not the Report has met the A+ level of reporting requirements,

In meeting the Type II assurance objectives, IRAS undertook a review of selected sustainability performance indicators at three of ARM's operational sites.

Scope of work performed

AA1000AS (2008) Compliance

The process used in arriving at this assurance statement is based on AccountAbility's AA1000AS (2008) guidance, as well as other best practices in assurance. Our approach to assurance included the following:

- A review of sustainability measurement and reporting procedures at ARM's head offices;
- A review of data collection, collation and reporting procedures at three selected operational sites, with specific reference to the following selected sustainability performance indicators:
 - Fatal Injury Frequency Rate (FIFR), including the number of Fatalities and the calculation of Hours Worked.
 - Lost Time Injury Frequency Rate (LTIFR), including the number of LTIs and the calculation of Hours Worked.
 - Total Recordable Injury Frequency Rate (TRIFR), including the number of Restricted Work and Medical Treatment Cases, as well as the calculation of Hours Worked.
 - Number of employees undergoing voluntary counselling and testing (VCT); number of employees on anti-retroviral treatment (ART); and, number of ART default cases.
 - The percentage of 'Women in' and 'Women at Mining'.
 - Electricity consumption.
 - Fuels consumed, including petrol, diesel, coal and LPG / LNG (where relevant).
 - Total volume of water consumed – from all sources – in mining and/or processes.
 - Total volume of water discharged from sites.
 - Presence and management of effective monitoring and evaluation programmes for Socio-economic Development (SED), to ensure a social return on investment (SROI).
 - SED – Alignment of corporate SED projects with community local economic development (LED) plans
 - Progress towards Social and Labour Plan (SLP) commitments
- A review of drafts of the Report for any significant errors and/or anomalies; and,
- A series of interviews with the individual responsible for collating and writing various parts of the Report in order to ensure selected claims were reported and substantiated.

It should be noted that due to the scope and nature of this AA1000AS (Type II, Moderate) assurance engagement, site visits were undertaken at Black Rock Manganese Mine, Cato Ridge Smelter and Nkomati Platinum Mine, to test the authenticity of data at the primary source of collection and collation, and this report has been assessed at the point of data aggregation for accuracy of reporting.

Please note that ARM has embarked on a policy of rotating site visits to ensure that sustainability monitoring, management and reporting systems are tested at representative sites throughout the group in progressive years. In 2011, assurance site visits were conducted at Machadodorp Works, Khumani Mine and the Two Rivers Platinum Mine.

King III and ICMM Compliance

In determining the ARM's compliance to the recommendations of King III, as well as the SD Framework requirements of the ICMM, we performed the following exercises:

- Review of relevant policies and procedures at ARM's head offices;
- A series of interviews with the individual responsible for adherence to King III and/or the expectations of the ICMM SD Framework; and,
- Reviews of drafts of the Integrated Annual Report and SD Report, to ensure that all relevant assertions with respect to King III and the ICMM's SD Framework are supported by the information reviewed during the course of our assurance engagement.

GRI compliance

In determining the GRI G3 'Application Level' of the Report, we performed the following exercises:

- A review of the process used to define the content of the Report by looking at materiality of issues included in the Report, stakeholder engagement response to stakeholder issues identified, determination of sustainability context and coverage of material issues;
- A review of the approach of management to addressing topics discussed in the Report; and
- A confirmation that the requisite number of performance indicators had been covered in the Report.

Findings

In general, the company's sustainability reporting processes are adequate, and it was noted that:

AA1000AS (Type II)

- ARM obtains quantitative data with respect to most sustainability indicators from its operational sites through a variety of relevant reporting procedures.
- The data reported by ARM undergoes various internal and external/independent assurance reviews of key sustainability indicators.
- Certain site-reported data was found to be inaccurate and/or unreliable on a few occasions, although none of the identified errors were deemed significant enough to warrant a statement of qualification, and all errors were adequately addressed prior to the conclusion of this engagement.
- Although HIV/AIDS is extremely well managed at both the Group and Site level, a change in key personnel at Nkomati left a gap in the implementation of ARM's Group policies and procedures, leading to significant room for improvement in order to reduce risks associated with inadequate case management for HIV/AIDS and Wellness. However, additional attention from the Group HIV/AIDS Manager, as well as a reorganisation of the Health and Safety department post-site inspection, and prior to a follow-up visit to test for improvement, has resulted in evidence to suggest that Nkomati will return to meeting ARM's control expectations.
- SED initiatives occur with significant attention to meeting local development expectations and in accordance with each operation's Social and Labour Plan (SLP) commitments (where relevant), with projects aligned with the relevant Integrated Development Plans (IDPs) of the communities in which ARM operates. However, and with the notable exception of the outputs of a highly skilled team at Nkomati, SED projects do not always appear to be selected in a strategic manner – with the maximum developmental return on investment considered – and adequate systems to monitor and evaluate SED projects for socioeconomic impact do not always appear to exist.
- Within the parameters of a 'Moderate Level Type II assurance assessment', the Report – without exception – appears to reflect an accurate accounting of ARM's performance, including the review of data supplied by the reviewed sites and contained within this Report.

King III and ICMM Compliance

- Based on our interviews with key management personnel, as well as our desktop review of the relevant policies and procedures employed to ensure compliance, it is our assertion that ARM reasonably meets compliance expectations of both King III and the ICMM SD Framework.



GRI G3

- Based on our review of the Report, including the comprehensive GRI Content Index, as well as the processes employed to collect and collate information reported herein, it is our assertion that this Report meets the GRI G3's requirements for Application Level A. However, the reporting of performance against some indicators continues to require either data quality improvements, or further detail in disclosure. Indicator-specific performance is identified in ARM's GRI Indicator Table.

Recommendations

AA1000AS (Type II)

- ARM should continue to improve its reporting according to the principles of Inclusivity, Materiality, and Responsiveness, as guided by AA 1000AS (2008) assurance, including the application of adequate controls to ensure data accuracy, consistency, completeness and reliability, in future Reports.
- ARM should ensure that improvement continues to occur with respect to stakeholder engagement procedures, including whether or not ARM's precautionary approach (inclusive of, but not limited to ARM's combined assurance model), is adequately influenced by meaningful feedback from key stakeholders, and that this Report (and all future Reports) meet stakeholder feedback expectations.
- ARM should ensure that its operations continue to improve policies, procedures, systems and controls to ensure that the departure of individuals does not have a deleterious impact on a site's ability to adhere to ARM's initiatives to mitigate risks such as HIV/AIDS (or any others).
- ARM should ensure that its operations continue to improve policies, procedures, systems and controls for the identification, selection and supporting of socioeconomic development (SED) initiatives at all of its sites, including adequate systems to monitor and evaluate SED projects for socioeconomic impact.
- ARM should continue to employ a sustainability reporting cycle that accommodates for AA1000AS (Type II) assurance over interim data (i.e., quarters 1 through 3), and should continue to seek independent third party assurance engagements that include site visit investigations of data accuracy, consistency, completeness and reliability.

Conclusions

Based on the information reviewed, IRAS is confident that this report provides a comprehensive and balanced account of the environmental, safety and social performance of ARM during the period under review. The data presented is based on a systematic process and we are satisfied that the reported performance data accurately represents the current environmental, safety and social performance of ARM, while meeting the AA1000AS (2008) principles of inclusivity, materiality and responsiveness. Our review indicates that ARM reasonably meets the reporting requirements of both King III and the ICMM SD Framework. Moreover, this Report appears to meet the GRI G3's requirements for Application Level A (A+ with this assurance engagement), although the quality and/or quantity of data of some GRI G3 indicators can be improved.

Integrated Reporting & Assurance Service

Johannesburg

01 November 2012

GRI content index


The Global Reporting Initiative (GRI) G3 Guidelines provide a recommended framework for reporting sustainability initiatives to stakeholders. The following table has been developed to comply with the “in accordance” expectations of the GRI reporting guidelines and aligns with the Mining and Metals sector supplement. It provides a summary of ARM’s reporting against each of the G3 reporting criteria, and where applicable, provides page references to sections in this Sustainability Report or our Integrated Annual Report (AR) where relevant information on our sustainability performance is discussed.

Indicators are divided into core indicators and additional indicators in the GRI Guidelines. Core indicators are defined to be of interest to most stakeholders and are assumed to be material unless deemed otherwise on the basis of the GRI Reporting Principles. Additional indicators are those indicators identified in the GRI Guidelines that represent emerging practice or address topics that may be material to some organisations but not generally for a majority.

Additional indicators are indicated by an “(A)” in the table and the rest of the indicators are core indicators. Indicators that start with “MM” are the specific 11 GRI Mining and Metals sector supplement core indicators.

1	Strategy and analysis	Pages	
1.1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and its strategy.	12 – 16	The Executive Chairman’s report.
1.2	Description of key impacts, risks, and opportunities.	7; 8 – 11; 12 – 16; 18 – 19	Our sustainability performance year-on-year; Our material issues; the Executive Chairman’s report; Chief Executive Officers report; throughout the report.
2	Organisational profile	Pages	
2.1	Name of the organisation.	1	About this report
2.2	Primary brands, products, and/or services.	2 – 3; 48 – 98 (IAR)	Corporate Summary. Operational review in the IAR.
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	2 – 3	Corporate Summary.
2.4	Location of organisation’s headquarters.	Back cover	
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	2 – 3	Corporate Summary.
2.6	Nature of ownership and legal form.	2 – 3; 20; 34	Corporate Summary; Our approach to sustainability; Corporate Governance.
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	2 – 3; 5; 126	Corporate Summary; How our products make a difference; Product stewardship.
2.8	Scale of the reporting organisation.	2 – 3; 7	Corporate Summary; Our sustainability performance year-on-year.
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	12 – 16	The Executive Chairman’s report.
2.10	Awards received in the reporting period.	72; 75	Best Employer Certification: Human Capital.
3	Report parameters	Pages	
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	1	About this report.
3.2	Date of most recent previous report (if any).	1	About this report.
3.3	Reporting cycle (annual, biennial, etc.)	1	About this report.
3.4	Contact point for questions regarding the report or its contents.	Loose form; Back cover	Stakeholder feedback form; Back cover.

3	Report parameters continued	Pages	
3.5	Process for defining report content.	1; 8; 20 – 27; 28 – 32	About this report; Our material issues; Our approach to sustainability; Stakeholder engagement.
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	1; 2 – 3	About this report; Corporate Summary.
3.7	Limitation on the scope or boundary of the report	1; 2 – 3	About this report; Corporate Summary; Relevant sections of this table.
3.8	Basis for reporting on joint ventures		All ARM's operations are Joint Ventures (JVs). We report only on those JVs over which we have management control. All sustainability data is reported on a 100% basis, except for carbon emissions and where stated otherwise.
3.9	Data measurement techniques and the bases of calculations.	1; 7	About this report; Our sustainability performance year-on-year; Individual report sections.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	1; 7	About this report; Our sustainability performance year-on-year. We continue to improve our systems for measuring and monitoring our performance to ensure comprehensive and reliable data. Specific figures that have been restated from the previous report are electricity consumption and some emissions figures as indicated by a “++” in the table on page 7. The restatements reflect more accurate data, and do not cause material changes to interpretation of our environmental performance as stated in previous periods.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	1	About this report.
3.12	Table identifying the location of the Standard Disclosures in the report.		GRI content index.
3.13	Policy and current practice with regard to seeking external assurance for the report.	1; 34	About this report; Corporate Governance.
4	Governance, commitments and engagements	Pages	
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	20; 27; 34 – 40; 119 – 136 (IAR)	Our approach to sustainability; Corporate Governance; Corporate Governance report in IAR.
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	36; 123 (IAR)	Corporate Governance; Corporate Governance report in IAR.
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	35; 123 (IAR)	Corporate Governance; Corporate Governance report in IAR.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	28 – 32	Stakeholder engagement.
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	130 – 133 (IAR); 137 – 145 (IAR)	Corporate Governance report (IAR); Remuneration report (IAR). The risk portion (incentive bonus) of senior and executive management is measured on company performance in terms of profit and cost. Individual performances are measured in terms of specific key performance indicators (including social, safety and environmental indicators).

4	Governance, commitments and engagements continued	 Pages	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	136 (IAR); 39	Corporate Governance Report in IAR; Dealings in securities and insider trading policy.
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	37; 125 (IAR); 131 (IAR)	Corporate Governance; Corporate Governance report in IAR.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	6; 34 – 40	Our values; Corporate Governance.
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	20; 34 – 40; 121 – 138 (IAR)	Our approach to sustainability; Corporate Governance; Throughout this report in the context of the issue being reviewed (i.e. economic, social or environmental performance); Corporate Governance report (IAR).
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	34 – 40	Corporate Governance.
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	20; 34 – 40	Our approach to sustainability; Corporate Governance.
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	1; 8; 20 – 27; 34 – 40	About this report; Our material issues; Our approach to sustainability; Corporate Governance.
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: <ul style="list-style-type: none"> • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; or • Views membership as strategic. 	8; 20 – 27	Our material issues; Our approach to sustainability; Throughout this report.
4.14	List of stakeholder groups engaged by the organisation.	28 – 32	Stakeholder engagement.
4.15	Basis for identification and selection of stakeholders with whom to engage.	28 – 32	Stakeholder engagement.
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	28 – 32	Stakeholder engagement.
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	28 – 32	Stakeholder engagement.

Management approach and performance indicators			
Economic			
Including policies, management systems, management approach and performance relating to the following indicators			
Economic performance			
DMA EC	Disclosure on Management Approach	42 – 43; 14 – 19 (IAR)	Economic sustainability; Financial Director's Report (IAR).
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	44; 96	Economic sustainability; Corporate Social Responsibility.
EC1 MMSS Additional commentary	Commentary added on land use payments. Commentary added on the Extractive Industries Transparency Initiative (EITI).	20	Our approach to sustainability; GRI content index.
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	108 – 109	Environmental sustainability.
EC3	Coverage of the organisation's defined benefit plan obligations.	184 (IAR) 226 – 227 (IAR)	Financial Statements in the IAR; including Notes 17, 39 and 40.
EC4	Significant financial assistance received from government.		No financial assistance was received from Government during F2012.
Market presence			
EC5 (A)	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.		We do not provide a comprehensive range of entry-level wage compared to local minimum wages, but are committed to providing competitive and fair wages and believe that we do so at all our operations. ARM's wage agreements are between the 50th and 75th percentile.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	7; 82 – 94	Our sustainability performance year-on-year; Transformation.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	72 – 81	The majority of our workforce is recruited from within the communities surrounding the respective operations. Our policies ensure that we employ locally including hiring for senior management positions, where possible.
EC7 MMSS Additional commentary	Commentary added to include proportion of local workforce as well as local management.	72 – 81	As per commentary EC7.
Indirect economic impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro- bono engagement.	7; 96 – 105	Our sustainability performance year-on-year; Corporate social responsibility.
EC9 (A)	Understanding and describing significant indirect economic impacts, including the extent of impacts.	42 – 43; 82 – 94; 96 – 105	Economic sustainability; Transformation; Corporate social responsibility.

GRI content index continued

Environmental			
Including policies, management systems, management approach and performance relating to the following indicators			
DMA EN	Disclosure on Management Approach EN	106 – 110	Environmental sustainability.
Material use			
EN1	Materials used by weight or volume.	7; 106	Our sustainability performance year-on-year; Environmental sustainability.
EN2	Percentage of materials used that are recycled input materials.		Water is recycled in closed circuits at all operations. Initiatives for recycling of consumables such as oil and paper are undertaken but we do not deem it material to account for the percentage of recycled input materials.
EN2 MMSS Additional commentary	Commentary added to clarify the scope of 'scrap' definitions.	114; 117	Environment – Energy, Waste Management.
Energy use			
EN3	Direct energy consumption by primary energy source.	115	Environmental sustainability.
EN4	Indirect energy consumption by primary source.	7; 114 – 115	Our sustainability performance year-on-year; Environmental sustainability.
EN5 (A)	Energy saved due to conservation and efficiency improvements.	114 – 115	Environmental sustainability.
EN6 (A)	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	114 – 115	Environmental sustainability.
EN7 (A)	Initiatives to reduce indirect energy consumption and reductions achieved.	114 – 115	Environmental sustainability.
Total water use			
EN8	Total water withdrawal by source.	7; 116	Our sustainability performance year-on-year; Environmental sustainability.
EN9 (A)	Water sources significantly affected by withdrawal of water.	116	No water sources are currently affected by withdrawal of water. Regular groundwater and surface water monitoring which includes assessment of groundwater levels, take place at the operations. A potential impact on underground water reserves has been identified at Beeshoek and Khumani mines.
EN10 (A)	Percentage and total volume of water recycled and reused.	115	Environmental sustainability – Water management
Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	117 – 121	Environmental sustainability – Biodiversity management.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	117 – 121	Environmental sustainability – Biodiversity management.
EN12 MMSS Additional commentary	Commentary added to emphasize the link to resettlement and closure activities. Compilation added to report on biodiversity impacts of resettlement or closure.	117 – 121	Environmental sustainability – Biodiversity management.
MM1	Total amount of land owned, leased, and managed for production activities or extractive use.	117 – 121	Environmental sustainability – Biodiversity management.
EN13 (A)	Habitats protected or restored.	117 – 121	Environmental sustainability – Biodiversity management.

EN13 MMSS (A) Additional commentary	Compilation added to report on biodiversity offsets.	117 – 121	Environmental sustainability – Biodiversity management.
EN14 (A) Additional commentary	Strategies, current actions, and future plans for managing impacts on biodiversity.	117 – 121	Environmental sustainability – Biodiversity management.
EN14 MMSS (A) Additional commentary	Commentary added to describe the relevance of ecosystems services. Commentary added to compilation to invite reporting on ecosystems services and approaches. Definition added for 'ecosystems services'.		It is not possible to comment on this indicator at this time. However systems for identification and measurement for future reporting have been put in place. Site specific biodiversity plans are in place and reported.
MM2	The number/percentage of sites identified as requiring biodiversity management plans, and the number/percentage of sites with plans in place.	117 – 121	Environmental sustainability – Biodiversity management.
EN15(A)	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	117 – 121	Environmental sustainability – Biodiversity management.
Emissions, effluents and waste			
EN16	Total direct and indirect greenhouse gas emissions by weight.	7; 111 – 114	Our sustainability performance year-on-year; Environmental sustainability.
EN17	Other relevant indirect greenhouse gas emissions by weight.	7; 111 – 114	Our sustainability performance year-on-year; Environmental sustainability.
EN18 (A)	Initiatives to reduce greenhouse gas emissions and reductions achieved.	111 – 114	Environmental sustainability.
EN19	Emissions of ozone-depleting substances by weight.		We do not have ozone depleting substances at our operations, no POPs and no volatile organics.
EN20	NOx, SOx, and other significant air emissions by type and weight.	7	Our sustainability performance year-on-year.
EN20 MMSS Additional commentary	Commentary added to include mobile and stationary sources.		The two smelters are the significant sources of air emissions and are stationary sources.
EN21	Total water discharge by quality and destination.	116	Environmental sustainability – Water management.
EN22	Total weight of waste by type and disposal method.	117	Environmental sustainability – Spills.
EN22 MMSS Additional commentary	Commentary added to clarify the scope of waste in relation to MM3.	117	Environmental sustainability – Waste management.
EN23	Total number and volume of significant spills.	117	Environmental sustainability – Spills.
EN23 MMSS Additional commentary	Commentary added to clarify the scope of spillages. Compilation added to report on the outcome of spillage incidents.	117	Environmental sustainability – Spills.
MM3	Total amounts of overburden, rock, tailings and sludges presenting potential hazards.		ARM does not collect data centrally on this parameter. This is managed as part of the risk register of each operation and currently this is not presenting material hazards.
EN24 (A)	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		ARM does not transport, import or export any waste categorized as hazardous under the terms of the Basel Convention.

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EN25 (A)	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	115	Environmental sustainability – Water management.
Products and services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	40; 108 – 109; 126	Corporate Governance; Environmental sustainability; Product stewardship; Initiatives include ensuring compliance to legislation and to conditions of licences, permits and EMPRs.
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		This indicator is not deemed material for ARM.
Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	40	Corporate Governance: No fines were received in the period under review.
Transport			
EN29 (A)	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	111	Environmental sustainability.
Overall			
EN30 (A)	Total environmental protection expenditures and investments by type.		It is difficult to report on these individually as they form part of operational expenditure at each operation.
Social Including policies, management systems, management approach and performance relating to the following indicators			
Labour practices and decent work			
DMA LA	Disclosure on Management Approach LA	73 – 74	Human capital.
LA1	Total workforce by employment type, employment contract, and region.	7; 75	Our sustainability performance year-on-year; Human capital.
LA2	Total number and rate of employee turnover by age group, gender, and region.	7; 75	Our sustainability performance year-on-year; Human capital; Employee turnover levels are reported at a Group level. More detailed breakdown per operation can be requested from our operations individually.
LA3 (A)	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	56 – 61; 64 – 69	Occupational health and wellness; TB, HIV & Aids. The benefits we offer to full time employees include standard benefits such as pension fund, medical aid and group life insurance. In addition, the Company offers study assistance, bursaries for employees' children and bursaries for employees. The Company sponsors year-end events, team building interventions, community sports and fun days and wellness days. Employees also have access to comprehensive Employee Assistance Programmes.
LA4	Percentage of employees covered by collective bargaining agreements.	76	Human capital.
LA5	Minimum notice period's regarding significant operational changes, including whether it is specified in collective agreements.		The minimum notice period regarding operational changes is specified in collective agreements, and varies between one month and three months, on average.
MM4	Number of strikes and lockouts exceeding one week's duration, by country.	76	Human capital.

LA6 (A)	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	28 – 32; 56 – 61; 64 – 69	Stakeholder engagement; Occupational health and wellness; TB, HIV & Aids; ARM's operational management consults regularly with trade unions on a range of issues including wages, conditions of employment, health and safety, training and development, community care and TB, HIV & Aids. Representation is recorded in minutes of these meetings and records kept at the operations. Percentage representation is not centrally recorded.
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	7; 12 – 16; 46 – 52	Our sustainability performance year-on-year; Executive Chairman's Report; Safety.
LA7 MMS Additional commentary	Commentary added under compilation to include a description of fatal accidents.	47	Safety.
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	56 – 61; 64 – 69	Occupational health and wellness; TB, HIV & Aids.
LA9 (A)	Health and safety topics covered in formal agreements with trade unions.	28 – 32; 47 – 49	Stakeholder engagement; Safety. Health and safety is the major focus of health and safety agreements which are concluded at every operation and is an agreement between employees (including organized labour) and the employer.
LA10	Average hours of training per year per employee by employee category.	7; 76 – 78	Our sustainability performance year-on-year; Human capital; Our operations do not typically measure the effectiveness and investment of learning, retraining and development activities by monitoring the number of training hours per employee, but rather monitor training, learning and development through measures such as training spend as a percentage of total payroll. Our training is linked to the MQA for national recognition of learning, which prescribes the minimum hours required per specific training intervention. We therefore do keep a record of training in hours/days at each operation and on the MQA database. This information is available on request.
LA11 (A)	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	72 – 80; 82 – 93	Human capital; Transformation.
LA12 (A)	Percentage of employees receiving regular performance and career development reviews.		All our full-time employees receive (various levels of) regular performance and career development reviews as part of the ARM remuneration and incentive system.
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	7; 34 – 40; 72 – 80; 82 – 93	Our sustainability performance year-on-year; Corporate Governance; Human capital; Transformation.
LA14	Ratio of basic salary of men to women by employee category.	72	Human capital; There is no differentiation made between salary rates specifically on the basis of gender.
Human rights			
DMA HR	Disclosure on Management Approach HR	20; 39; 74	Our approach to sustainability; Corporate governance; Human Capital.
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	39	Corporate governance; The human rights and social impacts of all our investment projects are considered during the pre-feasibility stage of these projects, as part of our risk assessment process. We do not currently report quantitatively on this issue.

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HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	39	Corporate Governance; Suppliers are informed about our ethics hotline and all violations that are reported via this whistleblowing facility are recorded and resolved.
HR3 (A)	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		Existing employees have been trained in the Code of Ethics, which has now been revised and published as the Code of Conduct. This is available to employees on the intranet. All new employees receive training in the Code of Conduct. Online training on the Code of Conduct was conducted in F2012.
HR4	Total number of incidents of discrimination and actions taken.	39; 74	Corporate Governance; Human capital; No material non-compliance incidents relating to discrimination were reported during the year under review.
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	74	Human capital; ARM does not believe that the right to exercise freedom of association and collective bargaining is at risk at any of its operations, nor has it received any whistleblowers reports in this regard.
HR5 MMSS Additional commentary	Commentary added under compilation to report how freedom of association policy is implemented.	74	Human capital.
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	22	Our approach to sustainability; We do not make use of child labour and conduct risk assessments/screening in terms of human rights practices in respect of prospective transactions, contracting parties and business partners and have not detected such significant risk.
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	22	Our approach to sustainability; ARM's operations do not pose such risk. Our policies are compatible with international human rights standards and with the South African Constitution. Through the implementation of our supplier engagement plan we review the practices of suppliers and contractors and have not detected such significant risk.
HR8 (A)	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	39	Corporate Governance; ARM does not currently report quantitatively on this issue.
MM5	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities		Dwarsrivier Mine, Two Rivers Platinum Mine, Nkomati Mine and Modikwa Mine.
HR9 (A)	Total number of incidents of violations involving rights of indigenous people and actions taken.	39	Corporate governance; There have been no recorded incidents of human rights violations of indigenous people. ARM believes that its operations do not pose such risk, but should any such violations occur, there are mechanisms in place for their detection, reporting and resolution.
Society			
DMA SO	Disclosure on Management Approach SO	28 – 32; 96 – 105	Stakeholder engagement; Corporate social responsibility.
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	96 – 105	Corporate social responsibility.

SO1 MMS Additional commentary	<p>Commentary added to describe the relevance of community engagement processes.</p> <p>Commentary to add further compilation considerations.</p> <p>Compilation added for reporting on social inclusion.</p> <p>Definition of 'social inclusion' added.</p>	98	Corporate social responsibility; Partnering to promote community upliftment.
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples.		No disputes have been raised relating to land use or customary rights specifically.
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes.		No grievances regarding land use.
MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks		No ASM at or adjacent to ARM's operations.
MM9	List sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.		No resettlements took place.
MM10	Number and percentage of operations with closure plans	116 – 117	Environmental sustainability – Land Management; All operations have closure plans in accordance with Environmental Management Programme Reports (EMPRs) (in the case of the mines) and Environmental Impact Assessments (EIAs) in the case of the smelters; as well as Water Use Licences (all operations). All operations have estimated closure costs and made provision towards closure and rehabilitation Trust funds.
SO2	Percentage and total number of business units analysed for risks related to corruption.		Analysing for risk of corruption is inherent to the risk management process which is applied to all our operations and on corporate level. Process level risk assessment in relation to Human Resources include potential corruption risks, risk assessments relating to external supply and services include corruption risk and the internal and external auditors cover corruption risk.
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures.		Existing employees have been trained in the Code of Ethics, which has now been revised and published as the Code of Conduct. This is available to employees on the intranet. All new employees receive training in the Code of Conduct. Online training on the Code of Conduct was conducted in F2012.
SO4	Actions taken in response to incidents of corruption.	39	Corporate Governance; No allegations of corruption were reported.
SO5	Public policy positions and participation in public policy development and lobbying.		ARM engages with Government on various levels as appropriate, e.g. we engage regularly with the DMR directly and through the Chamber of Mines on matters of policy development. As a member of the ICMM, we seek to participate in influencing policy frameworks and as a signatory to the National Energy Efficiency Campaign, we co-operate with Government to address national energy challenges.
SO6 (A)	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	40	Corporate Governance.
SO7 (A)	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	40	Corporate Governance.

SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	40	Corporate Governance; No fines or administrative penalties received during F2012.
SO8 MMSS Additional commentary	Commentary added on judgments related to health, safety and labour laws.	40	Corporate governance – Legal compliance.
Product responsibility			
DMR PR	Disclosure on Management Approach PR	126	Product stewardship.
MM11	Programmes and progress relating to materials stewardship	126	Product stewardship. ARM participates in the ICMM and Chamber of Mines committees and working groups dealing with materials stewardship.
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	126	Product stewardship.
PR2 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	40	Corporate Governance; No incidents of non-compliance.
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.		ARM does not consider this parameter to be material as it does not sell to the general consumer market, but rather to select industrial customers with whom it engages contractually regarding quality specifications.
PR4 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	40	Corporate Governance; No incidents of non-compliance.
PR5 (A)	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		Quality management systems (ISO 9001) are implemented at the majority of our operations and customer complaints are recorded and addressed in line with the ISO 9001 Standard. Records of these are kept by each operation and discussed with the Marketing Department at quarterly review meetings.
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		ARM does not consider this parameter to be material as it does not sell to the general consumer market, but rather to select industrial customers with whom it engages contractually.
PR7 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	40	Corporate Governance; No incidents of non-compliance.
PR8 (A)	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	40	Corporate Governance; No incidents of non-compliance.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	40	Corporate Governance; No incidents of non-compliance.

Glossary

Acronyms

AA1000APS	Accountability Principles Standard 2008
ABET	Adult Basic Education and Training
Aids	Acquired Immune Deficiency Syndrome
AMCU	Association of Mineworkers and Construction Union
AMMSA	Association of Mine Managers of South Africa
ARM	African Rainbow Minerals Limited
ARV	Anti-retroviral
ATR	Annual Training Report
BA	Biodiversity Assessment
BAP	Biodiversity Action Plan
BEE	Black Economic Empowerment
BBBEE	Broad-based Black Economic Empowerment
BBSEE	Broad-based Socio-Economic Empowerment
BUSA	Business Unity South Africa
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
COD	Community Open Day
CPA	Communal Property Association
CRF	Corporate Research Foundation
CSI	Corporate Social Investment
DMP	Disease Management Programme
DMR	Department of Mineral Resources
DQS	Depth/Quality/Sustainability (of HIV & Aids Management)
DWA	Department of Water and Environmental Affairs
dti	Department of Trade and Industry
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECD	Early Childhood Development
EIA	Environmental Impact Assessment
EITI	Extractive Industries Transport Initiative
EMPR	Environmental Management Programme Report
ESG	Environment, Society, Governance
ETDP	Education, Training and Development Practice
ERM	Enterprise Risk Management
FAPA	Ferro-Alloys Producers' Association
FFPS	Fatality-Free Production Shifts
FFR	Fatality Frequency Rate
FTE	Full Time Employees
FYE	Financial Year End
GG	Good Governance
GHG	Greenhouse Gas
GRI	Global Reporting Initiative

Glossary continued

HDSAs	Historically Disadvantaged South Africans
HCT	National HIV and Counselling Campaign
HIV	Human Immunodeficiency Virus
HR	Human Resources
ICMM	International Council on Mining & Metals
IDP	Industrial Development Programme
IFC	International Finance Corporation
ILO	International Labour Organisation
JSE	JSE Limited
JV	Joint Venture
KAPB	Knowledge, Attitude Practice and Behaviour
KING III	King Report on Governance for South Africa – 2009
KPI	Key Performance Indicator
LED	Local Economic Development
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
MHSA	Mine Health & Safety Act
MME	Measurement, Monitoring and Evaluation
MOSH	Mining Industry Occupational Safety and Health
MQA	Mining Qualifications Authority
MRC	Management Risk Committee
NEMA	National Environmental Management Act
NGO	Non-Governmental Organisation
NIHL	Noise-Induced Hearing Loss
NSP	National Strategic Plan (for South Africa)
NUM	National Union of Mineworkers
NUMSA	National Union of Metalworkers of South Africa
PLH	Percentage Loss of Hearing
POC	Probability of Occurrence
OHS	Occupational Health and Safety
OHSA	Occupational Health and Safety Act
RWI	Restricted Work Injury
SABCOHA	South African Business Coalition on HIV & Aids
SANAC	South African National Aids Council
SANS	South African National Standard
SARS	South African Revenue Service
SD	Sustainable Development
SED	Socio-Economic Development
SETA	Sector Education and Training Authority
SHE	Safety, Health and Environment
SIOEC	Sishen-Saldanha Iron Ore Export Channel
SLP	Social and Labour Plan

SME	Small and Medium Enterprise
SMME	Small, Medium and Micro Enterprise
SRI	Socially Responsible Investment
STI	Sexually Transmitted Infections
TB	Pulmonary Tuberculosis
TBL	Triple Bottom Line
TOR	Terms of Reference
TRP	Two Rivers Platinum
UASA	United Association of South Africa
URTI	Upper Respiratory Tract Infections
VCT	Voluntary Counselling and Testing
VIRAX	HIV Therapeutic Vaccine Project
WCM	Workplace Conditions and HIV & Aids Management
WHO	World Health Organisation
WSP	Workplace Skills Plan
WUL	Water Use Licence
ZCCM	Zambia Consolidated Copper Mines Investment Holdings plc

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Forward looking statements

Certain statements in this report constitute forward-looking statements that are neither reported financial results nor other historical information. They include but are not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Such forward-looking statements may or may not take into account and may or may not be affected by known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include among others: economic, business and political conditions in South Africa; decreases in the market price of commodities; hazards associated with underground and surface mining; labour disruptions; changes in government regulations, particularly environmental regulations; changes in exchange rates; currency devaluations; inflation and other macro-economic factors; and the impact of the HIV & Aids crisis in South Africa. These forward-looking statements speak only as of the date of publication of these pages. The Company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these pages or to reflect the occurrence of unanticipated events.

