

Group overview

Our key stakeholders

Media

ARM is committed to transparent, comprehensive and objective communication with our stakeholders. The Investor Relations Department is responsible for communication with the investment community and the media. Over and above press releases and SENS announcements, management grants one-on-one interviews to the media as requested.

Customers

ARM engages with its customers in the course of business, through annual contractual negotiations and regular service level agreement renewals.

ARM has processes in place to ensure consistency of product quality and timeous delivery of products to customers.

Suppliers and local business

Fair and transparent engagement with our suppliers and local businesses is key to our success. ARM's payment terms are in line with industry standards and we ensure that we operate on an ethical basis. ARM requires valid BEE certificates to support transformation in its supply chain and we are committed to the upliftment of local business through our LED programmes.

Industry associations

ARM is a member of the Chamber of Mines (CoM), the International Council on Mining and Metals (ICMM), the Association of Mine Managers of South Africa (AMMSA), the Association of Resident Engineers, Business Unity South Africa (BUSA), the Ferro-Alloy Producers' Association (FAPA), water users' associations as well as the Energy Intensive User Group. Membership of these associations ensures that ARM has access to global best practice and participates in discussions that affect the industry.

Bankers, insurers and funders

Relationships with the relevant financial services institutions are maintained through regular meetings and discussions. We strive for comprehensive and transparent disclosure with all our providers of capital through our external reporting.





Joint venture partners

ARM's strategy is to position itself as a partner of choice. ARM is constantly engaged with its joint venture partners through ongoing management interaction during the ordinary course of business as well as through monthly executive management meetings.



Shareholders, analysts and potential investors

ARM has a comprehensive investor relations programme to communicate with domestic and international shareholders, fund managers and investment analysts. The programme includes a number of conferences, results roadshows twice a year as well as the ARM Annual General Meeting. ARM's website provides continuous updates on the Company's operational, financial and sustainability performance.



Employees and organised labour

ARM aims to be an employer of choice to ensure that it attracts and retains skills. ARM is committed to fair treatment and remuneration of its employees. ARM invests in skills development and career-planning programmes which are in place to ensure that employees develop to their full potential. ARM aims to maintain good relationships with unions and is regularly engaged with unions and organised labour through monthly shop steward meetings and other meetings as required.



Communities, civil society and Non-Governmental Organisations

All ARM operations have social investment forums to discuss investment in communities surrounding the operations. In most communities, monthly/quarterly meetings are held to discuss LED and CSI projects. ARM's Broad-Based Economic Empowerment Trust partners with traditional and other community leaders to invest in the upliftment of rural communities throughout South Africa. 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).

Government

ARM engages local and provincial government with respect to LED projects, licences and compliance with the relevant safety and environmental legislation. ARM also engages with national government on matters of policy-making as required. ARM is represented on various industry bodies which engage with government.

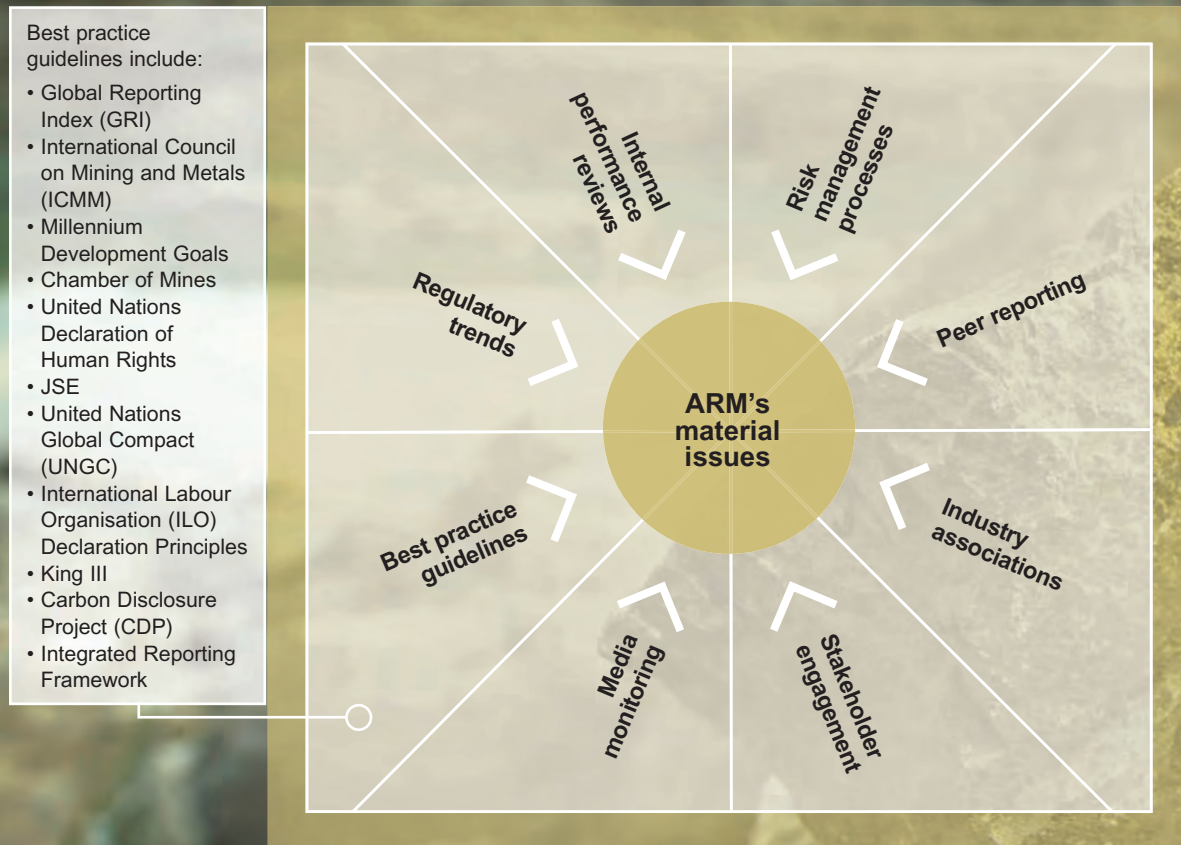


Our material issues

ARM's material issues are those factors that most impact our ability to create long-term sustainable value.

The process of identifying our material issues involves continuous review of both our internal performance and the external environment in which we operate. Engagement with our stakeholders is one of the most important inputs into identifying these material issues. The diagram below shows some of the other inputs we consider in identifying our material issues.

Inputs in deriving our most material issues



These material issues inform our strategy and are monitored and evaluated on an ongoing basis. The implementation of our strategy takes place within the context of our responsibility to comply with all relevant legislation, generating returns for investors, uplifting our communities and maintaining the highest standards of ethical behaviour and corporate governance.



Detailed discussion of ARM's Enterprise Risk Management and principal risks, opportunities and challenges is included in the Risk report on page 134 to 143.

Summary of principal risks, opportunities and challenges



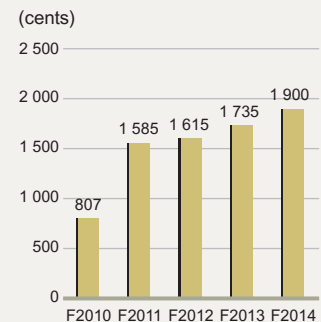
Key performance indicators

ARM's key performance indicators cover both financial and non-financial elements of our business. Indicators for the preceding four years are included for comparison. The financial key performance indicators are based on segmental analysis and include all the ARM divisions. The definitions for the indicators are included where appropriate.

Headline earnings per share (HEPS)

HEPS increased by 10% from 1 735 cents per share to 1 900 cents per share. The increase in headline earnings was primarily due to a 68% improvement in the ARM Platinum contribution and a 17% increase in the ARM Ferrous contribution to headline earnings.

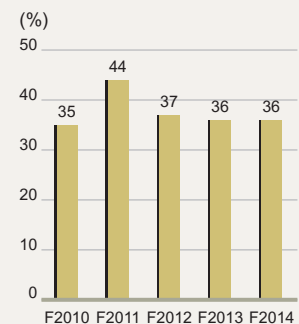
Headline earnings comprise earnings adjusted for items of capital nature. This is then divided by the weighted average number of shares in issue to arrive at headline earnings per share.



EBITDA margin

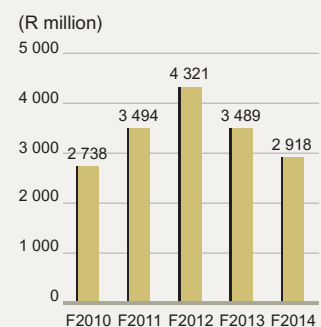
The segmental analysis EBITDA margin remained constant at 36%. The EBITDA was positively affected by a 17% weakening of the Rand versus the US Dollar and higher palladium prices. These were partially offset by lower US Dollar prices realised for platinum, rhodium, copper, nickel, chrome concentrate, ferromanganese and export coal together with higher than inflation cost increases at the iron ore, manganese, Modikwa and coal operations.

The EBITDA margin is the segmental analysis earnings before interest, taxation, depreciation and amortisation, excluding exceptional items and income from associates and joint ventures, divided by segmental analysis sales.



Capital expenditure

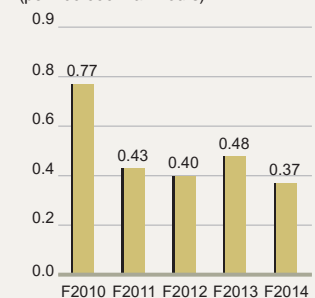
Segmental analysis capital expenditure attributable to ARM decreased from R3.5 billion in F2013 to R2.9 billion in F2014. The main capital expenditure items in the year under review related to the Lubambe Mine as it ramps up, equipment purchased for the Beeshoek Village Pit, waste removal at the East Pit, completion of the Khumani Mine Wet High Intensity Magnetic Separation (WHIMS) plant, modernisation of the Black Rock Mine and the recapitalisation of Modikwa Mine.



Safety

- A regrettable fatal accident occurred at Modikwa Mine during the year under review.
- The number of Lost Time Injuries (LTIs) decreased from 149 in F2013 to 106 in F2014. This represents a 29% reduction in LTIs.
- The Lost Time Injury Frequency Rate (LTIFR) reduced from 0.48 in F2013 (per 200 000 man-hours) to 0.37 in F2014.

Lost Time Injury Frequency Rate (per 200 000 man-hours)



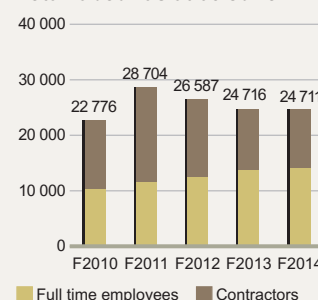
Implementation of the HIV & Aids management programme

- ARM has implemented an HIV & Aids programme in accordance with the primary aims of the South African National Strategic Plan for HIV, TB and sexually transmitted infections (STIs) of 2012 – 2016.
- In alignment with the National Strategic Plan, all operations have implemented integrated policies on HIV, TB and STIs. HIV counselling is offered to all employees who visit the site clinics but HIV testing remains voluntary, referred to as Counselling and Voluntary Testing (CVT). This has resulted in a 63.4% increase in the number of employees counselled.
- A standard TB reporting tool that includes workplace investigations and compulsory TB screening for those in contact with TB infected employees at the workplace, has been implemented as required by the DMR and the DoH. 35 746 employees and contractors were screened in F2014 (F2013: 18 995) and 119 new infections have been reported and are on treatment (F2013: 141). 118 cases have been cured while 14 cases of multi-drug resistant TB (MDR TB) have been admitted to MDR TB hospitals for treatment.
- The number of employees registered on Disease Management Programmes has increased by 86% from 645 to 1 202.

Employment Equity (EE)

- ARM has again been certified as a Top Employer by the CRF Institute and has improved four positions from last year.
- Progress continued in EE, including gender diversity.
- The Company's overall employment equity performance is ahead of 2014 Mining Charter targets.
- The percentage of female employees remained at 15%. There has been an increase of almost 2% in female middle management which reflects positive career progression from junior management.
- The Company spent 8.7% of payroll on training (F2013: 10.1%).

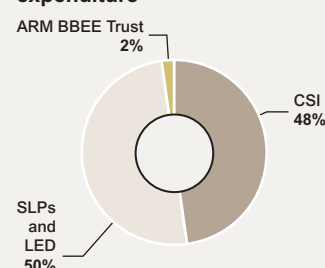
Total labour as at 30 June



Corporate Social Responsibility (CSR)

- During F2014, ARM spent R142 million (F2013: R100 million) in terms of Social and Labour Plans (SLPs) and Local Economic Development (LED) and R135 million in terms of Corporate Social Investment (CSI) (F2013: 62 million). In addition R6 million was spent (F2013: R7 million) on projects to uplift and benefit rural communities.
- Total Corporate Social Responsibility investment was R283 million compared to R169 million in F2013. This includes R95 million CSI expenditure in Zambia by our Lubambe Copper Mine.

Corporate social responsibility expenditure



Climate change

- ARM has determined its carbon footprint and has made a submission to the Carbon Disclosure Project (CDP) for the fifth consecutive year.
- Our CDP submission for F2013, which was submitted during May 2014, was successfully externally verified for the second time. Continued improvement in this regard has ensured an improvement in both our disclosure and performance scores as follows:
 - A disclosure score of 48% in 2011 (no performance projects listed);
 - A disclosure score of 77% in 2012 and a “C” performance score; and
 - A disclosure score of 96% in 2013 and a “B” performance score.