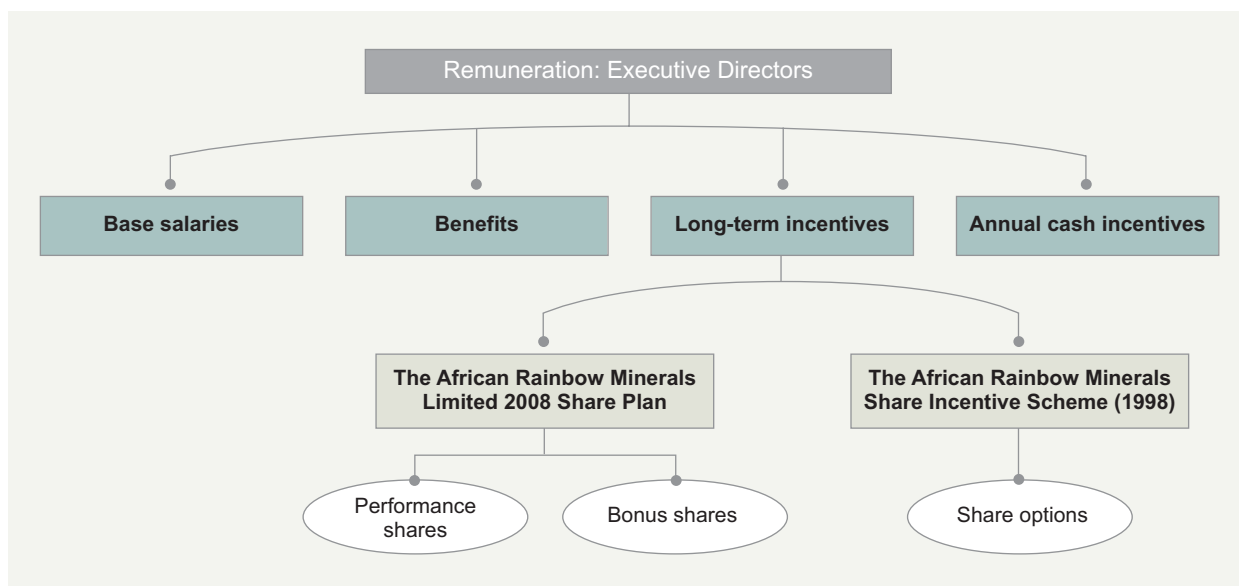


REMUNERATION REPORT

Role of the Remuneration Committee and Terms of Reference

The Remuneration Committee is a committee of the Board. Its purpose is to recommend appropriate levels of fees to be paid to Non-executive Directors; to design remuneration packages

for Executive Directors; to determine the overall policy for the remuneration of the Company's employees, which includes basic salaries, performance-based short- and long-term incentives, pensions and other benefits; and to oversee the design and management of the Company's long-term share-based incentives.



Composition of the Remuneration Committee

Members:

Dr M M M Bakane-Tuoane (Chairman)
 A D Botha (appointed to the Committee on 28 August 2009)
 J R McAlpine
 Z B Swanepoel

The Remuneration Committee met three times during the 2009 financial year with full attendance at each meeting.

In accordance with King II, the Remuneration Committee consists entirely of Independent Non-executive Directors. The Board considers the composition of the Committee to be appropriate in terms of the necessary blend of knowledge, skills and experience.

The Chief Executive Officer attends Committee meetings by invitation and assists the Committee in its deliberations, except when issues relating to his own remuneration are discussed.

No Director was involved in deciding his or her own remuneration. In F2009, the Remuneration Committee was advised by the Company's finance and human resources departments, as well as by Deloitte, which provided, *inter alia*: market benchmarking information and advised on and assisted with the design, implementation and verification of calculations pertaining to

allocations, grants and awards pursuant to short- and long-term incentive plans.

The Chairman of the Remuneration Committee attends Annual General Meetings to answer any questions from shareholders.

Remuneration Philosophy and Policy: Executive remuneration

Principles of executive remuneration

ARM's executive remuneration philosophy aims to attract and retain high-calibre executives, and to motivate and reward them for developing and implementing the Company's strategy to deliver consistent and sustainable shareholder value.

The remuneration policy conforms to best international practice and is based on the following principles:

- ▶ **Total rewards** are competitive with those offered in the mining and resources sector.
- ▶ **Incentive-based rewards** are earned through the achievement of performance targets consistent with shareholder expectations over the short- and long-term.
- ▶ **Annual cash incentives**, together with performance measures and targets, are structured to reward effective operational performance.

- ▶ **Long-term (share-based) incentives** are used to align the long-term interests of management with shareholders and are responsibly implemented, so as not to expose shareholders to unreasonable or unexpected financial impact.

Elements of executive remuneration

- ▶ Base salaries
- ▶ Benefits
- ▶ Annual cash incentives
- ▶ Long-term (share-based) incentives

The Remuneration Committee seeks to ensure an appropriate balance between the fixed- and performance-related elements of executive remuneration, and between those aspects of the package linked to short-term financial performance, and those linked to longer-term shareholder value creation. The Committee considers each element of remuneration relative to the market and takes into account the performance of the Company and the individual executive in determining both quantum and design.

The policy relating to the four components of executive remuneration is summarised below.

Base salaries

The base salaries of executives, on a total cost-to-company basis, are subject to annual review. ARM's policy is to be competitive at the median level, with reference to market practice in companies comparable in size, sector, business complexity and international scope. Base salaries of certain key individuals and incumbents in key roles, however, are aligned with salaries in the upper quartile of the market. Company performance, individual performance and changes in responsibilities are also considered when determining increases to base salaries.

Benefits

Benefits for executives include membership in a retirement fund and in a medical aid plan, to which contributions are made by the executives. The retirement fund is managed by eight trustees: 50% appointed by ARM and 50% elected by employees. The fund is administrated by Alexander Forbes. Executives participate in any independently managed medical aid plan of their choice.

Annual cash incentives

The annual cash incentive programme applicable to executives is the Out Performance Bonus (OPB) scheme in which sustained performance against comparative and absolute targets is rewarded.

On-target bonus percentages are established by the Remuneration Committee in terms of ARM's overall reward strategy; however, the OPB payable at year end depends upon actual Company performance against a weighting of the following two measures of performance:

- ▶ Targeted profit from operations in each of the operational clusters; and
- ▶ Targeted unit cost of sales in each of the mineral clusters.

The weighting of the above metrics is applied to each member of the executive in relation to his or her sphere of influence.

The Remuneration Committee establishes thresholds and targets for each metric that incentivise Company and individual performances. The Committee reviews the measures annually to ensure that they are appropriate given the economic climate and the performance expectations for the Company.

A performance managed incentive scheme based on profit applies to non-executive employees. Non-executive Directors are not so incentivised.

Long-term (share-based) incentives

ARM's long-term (share-based) incentives consist of:

- ▶ Performance shares
- ▶ Bonus shares
- ▶ Share options

Performance shares are awarded and bonus shares are granted pursuant to The African Rainbow Minerals Limited 2008 Share Plan (the Share Plan). Share options are granted under The African Rainbow Minerals Share Incentive Scheme (the Scheme).

Prior to the adoption of the Share Plan by shareholders at the 2008 Annual General Meeting, ARM's only form of long-term incentive was a longstanding vanilla share option scheme inherited from Anglovaal Mining Limited (Avmin). Following recent developments in the tax, accounting and regulatory treatments of share-based incentives, coupled with evolving local and international best practice, various adjustments were made to the manner of its implementation, within the parameters of original JSE and shareholder approval, to bring it in line with these developments.

The hybrid long-term, share-based incentive offerings align ARM with best international practice; provide for the inclusion of a number of performance conditions, designed to align the interests of executives with those of the Company's shareholders; act as a retention tool; and reward executives for Company performance above that of the performance of the economy or the mining and resources sector. All ARM corporate employees at managerial levels are eligible participants in the Share Plan.

ARM's long-term incentives are summarised below.

Performance share method

In terms of the ARM Share Plan, annually since 2008, conditional awards of full value shares are made to executives. The shares vest after a three-year period subject to the Company's achievement of a weighted combination of performance measures over this period, selected from:

- ▶ Comparative total shareholder return, in relation to a peer group;
- ▶ Return on capital employed against a prescribed target; and
- ▶ Growth in headline earnings per share in relation to an inflation index.

These performance measures have been selected on the basis that, individually or in aggregate, they clearly foster the creation of shareholder value. The performance share method aligns the interests of shareholders and executives by rewarding superior shareholder return and financial performance in the future, and by encouraging executives to build a shareholding in ARM.

In accordance with the requirements of the Share Plan, the number of performance shares awarded to participants and additional information about the performance share method is summarised in the annual financial statements on page 142.

Bonus share method

In terms of the ARM Share Plan, annually since 2008, executives receive a grant of full value ARM shares that match, according to a specified ratio, a portion of the annual cash incentive accruing to them. Bonus shares are settled to participants after three years, conditional on continued employment.

The bonus share method is an additional share-based incentive for those executives who, through their performance on an annual basis, have demonstrated their value to the Company, and by further encouraging executives to build a shareholding in ARM.

In accordance with the requirements of the Share Plan, the number of bonus shares granted to participants and additional information about the bonus share method is summarised in the annual financial statements on page 142.

Share option scheme

Annual allocations of share options in terms of the Scheme are made to executives, but at a reduced scale following the adoption of the Share Plan.

Share options vest in total on the third anniversary of their allocation. Executives may elect to defer exercising any share option up until the eighth anniversary of its allocation. On the exercise of share options and as at the exercise date, settlement will be effected by transferring to the executive shares of equivalent value to the incremental growth in value of the underlying shares since the allocation date.

Service contracts: Executive Directors

Employment agreements have been entered into between the Company and the Executive Directors, namely Messrs Motsepe (Executive Chairman), Wilkens (Chief Executive Officer), Arnold (Financial Director), Gule (Chief Executive: ARM Coal), Mashalane (Chief Executive: ARM Platinum), Shiels (Executive Director: New Business Development) and Steenkamp (Chief Executive: ARM Ferrous). These contracts are subject to a one calendar

month's notice period by either party. None of the employment contracts is a fixed-term contract. The remuneration paid pursuant to the executive employment agreements with the Executive Directors is set out in detail on page 140 of the Directors' Report.

The Company has not concluded any agreements with its Executive Directors to pay a fixed sum of money on termination of employment.

There are no other service contracts between the Company and its Executive Directors.


Remuneration policy: Non-executive Directors' remuneration

Non-executive Directors' fees

The Board appoints high-calibre Non-executive Directors who provide a material contribution to the Company's strategic direction. On the advice of the Remuneration Committee, which engages independent third-party advisors to assist with the benchmarking of Directors' fees to comparable companies, the Board considers and makes recommendations to shareholders regarding Directors' fees payable. In its determination, consideration is given, *inter alia*, to the importance of attracting and retaining experienced Non-executive Directors, market dynamics and the increasingly demanding responsibilities of Directors as well as the contributions of each Director and their participation in the activities of the Board and its committees.

Board and committee retainers and attendance fees are paid quarterly and in arrears.

The Company reimburses reasonable travel, subsistence and accommodation expenses to attend meetings; however, office costs, including telecommunication costs, are deemed to be included in the Board retainers.

 Full details regarding the fees paid to Non-executive Directors are provided in the Directors' report on page 141.

Board retainers and per meeting fees

On the advice of the Remuneration Committee, the Board recommends for approval by shareholders an annual retainer and per meeting fees for attendance at Board meetings payable to Non-executive Directors. The fees payable to Non-executive Directors for the period commencing on 1 July 2008 were approved by shareholders at the 28 November 2008 Annual General Meeting. The proposed 8% per annum increase in fees to be paid to Non-executive Directors will be submitted to shareholders at the Annual General Meeting scheduled to be held on 27 November 2009. Please refer to the Notice of Annual General Meeting on page 216.

Executive Directors do not receive Directors' fees; however, Mr Abbott received such fees during his secondment from ARM to Harmony.

Annual Board retainers and meeting attendance fees are as follows for the following periods:

	2009 (Rand)*		2008 (Rand)**	
	Annual	Per meeting	Annual	Per meeting
Independent Non-executive Director	270 000	12 960	250 000	12 000
Non-executive Director	216 000	12 960	200 000	12 000

* Effective 1 July 2009, should the increase be approved by shareholders at the Annual General Meeting.

** Effective 1 July 2008.

Committee attendance fees

On the advice of the Remuneration Committee, the Board approves the committee meeting attendance fees payable. The level of such fees reflects the impact, influence and risk component of a committee's role in achieving the Company's

objectives as well as the experience of committee members. The fees provide compensation for preparation for and attendance at meetings. Committee meeting attendance fees are as follows for the following periods:

Committee meeting attendance fees are as follows for the following periods:

	2009 (Rand)*	2008 (Rand)*
Audit Committee		
Chairman	67 500	62 500
Member	27 000	25 000
Investment, Nomination, Remuneration and Sustainable Development Committees		
Chairman	16 200	15 000
Member	10 800	10 000

* Effective 1 July.

Service contracts: Non-executive Directors

In addition to Directors' fees, Non-executive Directors may receive consulting fees pursuant to consultancy agreements, or other service contracts, concluded at market rates, for defined and pre-approved services.

A consultancy agreement has been entered into between the Company and Mr Chissano to undertake work on behalf of the Company. The renewable contract is subject to one month's notice by either party.

There are no other service contracts between the Company and its Non-executive Directors.

No agreements to pay a fixed sum of money on termination of contract have been concluded between the Company and any of its Non-executive Directors.