



COMMUNITY PROJECT, MODIKWA PLATINUM MINE



Sustainable Development

ARM takes its responsibility to the broader society in which it operates seriously – its employees and their families, its shareholders, and its communities, today and in the future. The company's sustainable development policy is driven by its mission to convert mineral wealth into other forms of sustainable capital (economic, social and human) to the mutual benefit of all stakeholders. Together with its partners, ARM puts into practice its responsible and sustainable initiatives that have become an integral part of the operations of the company.

ARM's sustainable development policy comprises five pillars, namely:

- ▶ Safety
- ▶ Occupational health
- ▶ HIV/Aids
- ▶ Environment
- ▶ Social investment

This policy resides within the framework of the company's corporate governance principles, which include the company's role as both a corporate citizen and an employer.

These corporate governance principles require the commitment of senior management to the process of sustainable development and that

the process of sustainable development is embedded as an integral part of the business from inception to closure. At minimum the company requires that all operations are in legal compliance, and that operations maintain extensive channels of communication with the authorities and the public.

ARM is also of the view that its performance must be open to scrutiny and, as such, a third-party verification of safety, health and environmental performance is conducted every second year. In F2007, a comprehensive audit was undertaken by Ivuzi, an independent external consultant and specialist. Issues that were highlighted as part of this audit have been reviewed by management and where remedial measures have been found to be required, these have been or are being implemented.

Another fundamental basis underpinning ARM's practices is the requirement of ethical and transparent behaviour and practices based on the principles of honesty, equity, freedom of expression and opportunity for all and the willing and constructive engagement with employees and other stakeholders on matters of mutual concern.

ARM's sustainable development policy is available on the company's website.

All ARM operations and joint ventures are required to develop and maintain their own business-specific sustainable development policies, strategies and programmes to meet their unique circumstances, and to give effect to the group's commitment to sustainable development. While these policies have been developed to take cognisance of the operations' specific local requirements, they are all required to remain consistent with the principles of the ARM policy.

In terms of the ARM framework, operations and joint ventures have thus been required to develop and adopt a business case for sustainable development including aspects such as:

- ▶ communicating with and, where possible, involving local communities and other role players in decisions that may have an impact on them;
- ▶ implementing sustainable development programmes in a manner that is complementary to state planning and in partnership with government and other role players where this is possible;

GROUP VALUE – ADDED STATEMENT

Rm	F2007	F2006
Sales	6 152	4 622
Net cost of products and services	(2 543)	(2 361)
Value added by operations	3 609	2 261
Exceptional items	14	139
Income from associate	16	–
Income from investments	67	24
	3 706	2 424
Applied as follows to:		
Employees as salaries wages and fringe benefits	738	709
The state as taxes	781	377
Providers of capital		
Finance cost	370	134
Total value distributed	1 889	1 220
Re-invested in the group	1 817	1 204
Amortisation	406	440
Minority Interest	191	163
Reserves retained	1 220	601
	3 706	2 424

Sustainable Development continued

- ▶ clearly defining the identity and responsibilities of various role players;
- ▶ investing an agreed percentage of pre-tax profit to facilitate sustainable development initiatives in the communities surrounding ARM's operations.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Various church groups, union representatives, seven broad-based provincial upliftment trusts, several community, business and traditional leaders and a broad-based women upliftment trust have been registered as beneficiaries of the ARM Broad-based Economic Empowerment Trust (the BBE Trust), and hold about 10 percent of the company's issued share capital (some 20.4 million shares). In addition, communities around the Modikwa operation own a 17 percent stake in ARM Mining Consortium Limited, which in turn owns 50% of Modikwa Platinum Mine, and have been the beneficiaries of some R13 million (on a 100% basis) in corporate social investment expenditure over the past three years.

SUPPORT FOR SMMEs

For ARM, empowerment and development extends to the support of small and medium-sized enterprises and emerging BEE companies that can play a major role in developing the economy and creating jobs. ARM has set a target of procuring 40 percent of all capital goods and services from BEE suppliers by 2010. ARM's total discretionary procurement amounted to R3 941 million in F2007. Of this, R1 508 million (or 38.3%) was spent with HDSA suppliers and R1 451 million (or 36.8%) was spent with BEE suppliers.

In this context, HDSA procurement is that expenditure with suppliers who were disadvantaged by unfair discrimination before the Constitution of the Republic of South Africa. Discretionary expenditure is all procurement expenditure other than on government agencies and parastatals.

ARM AS AN EMPLOYER

Directly, and through its joint venture operations and interests ARM plays a significant role in job creation in South Africa. Total employment for the group (on a 100 percent basis) (including ARM Platinum, ARM Ferrous, ARM Coal and any full-time out-sourced contractors) amounted to 13 632 people in F2007 (consisting of 7 725 employees and

OVERSIGHT OF SUSTAINABLE DEVELOPMENT AT ARM

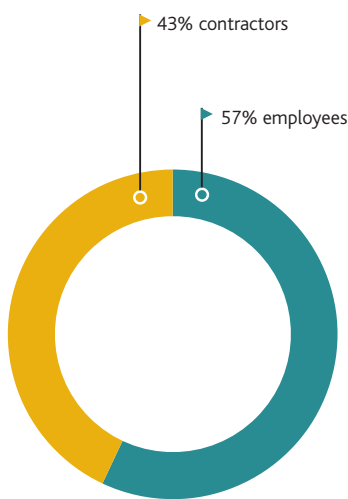
The Sustainable Development Committee of the board has as its brief to direct the achievement and maintenance of world-class performance standards in safety, occupational health, HIV/Aids and corporate social investment. Not only is it this committee's brief to advise the board on policy issues and the efficacy of current management systems, but also to monitor progress towards goals, compliance with statutory, regulatory and Mining Charter requirements. The committee is also involved in overseeing the risk management function within the company, in conjunction with the Audit committee. In addition to the Sustainable Development Committee and in light of specific historical and legislative requirements within South Africa, the board has also set up an Empowerment Committee to identify business opportunities for ARM as a result of empowerment legislation; to enable historically disadvantaged South Africans (HDSAs) to enter into the mining industry, to direct and monitor compliance with the company's preferential procurement policies and to ensure that the company complies with the Mineral and Petroleum Resources Development Act (MPRDA) and the Mining Charter Scorecard. The Empowerment Committee also oversees the company's compliance with equity legislation (employment equity and skills development).

Further details may be found in the corporate governance section of the annual report on pages 97 to 101.

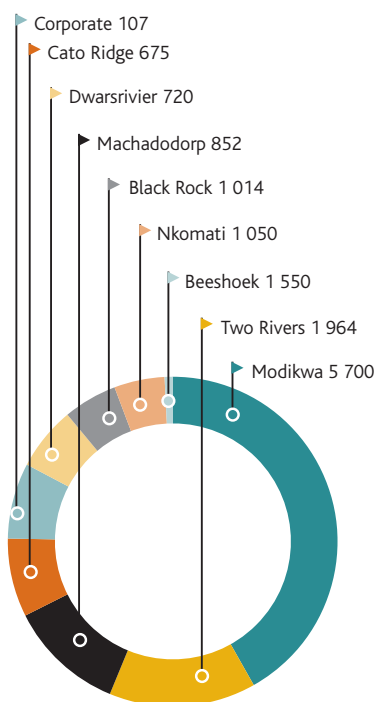
ECONOMIC CONTRIBUTION BY ARM

ARM has a significant economic presence in the markets in which it is invested. The group value added statement provides an indication of the economic contribution of the group.

ARM EMPLOYEES VS CONTRACTORS



ARM EMPLOYEES AND CONTRACTORS



5 907 contractors). (F2006: 11 805, made up of 6 943 employees and 4 862 contractors).

TRAINING AND DEVELOPMENT

A great deal of focus is placed on training and development programmes at ARM's operations. Training and development is seen as an integral part of the overall human resources development function that will ensure the availability of sufficient skills to the company. This is of particular importance as the group's growth projects gain impetus and as the industry as a whole suffers significant skills shortages.

This training and development function includes the provision of Adult Basic Education and Training (ABET) where this is required, as well as bursaries, learnerships, mentoring and the provision of accredited training programmes in key disciplines.

As at 30 June 2007 it was estimated that around 86 percent of ARM's employees were functionally literate (F2006: 88 percent). All employees at the company's corporate office and at Two Rivers Platinum Mine are literate as a result of focussed recruitment programmes. A total of 190 employees and 55 community

members participated in company-sponsored ABET programmes (F2006: 205 employees; 57 community members) during the year.

A total of 49 bursaries were awarded in F2007, primarily in engineering related disciplines (F2006: 84). A great deal of emphasis was placed on learnerships, again primarily in mining-related disciplines, with 257 learnerships having been registered in F2007 (F2006: 175), at ARM's three Mine Qualifications Authority (MQA)-registered training facilities across the company's operations.

In total, the group spent R27 million on training in F2007 (F2006: R19 million), which amounted to 3.4 percent of payroll (F2006: 3.3 percent).

SOCIAL AND LABOUR PLANS

Social and Labour Plans, in line with the requirements of the MPRDA, have been or are being developed for all operations for submission to the relevant Department of Minerals and Energy (DME). A new order mining licence has been awarded for Khumani Iron Ore Mine.

The conversion for the Goedgevonden Coal Project new order mining right was finalised and the company has applied for a new order

mining right in respect of the Zaaewater property and is in discussion with the DME in this regard.

EMPLOYMENT EQUITY

ARM is committed to empowering historically disadvantaged South Africans (HDSAs) at all levels of employment and has extensive programmes in place to facilitate transformation within the company. ARM is confident of meeting the Mining Charter requirement, in that, by 2009, 40% of management should be HDSAs. See the table for details on performance during the year.

WOMEN IN MINING

The company also has various programmes in place aimed at the development and advancement of women in the workplace. We are confident that the company will meet the Mining Charter's requirement that 10 percent of its workforce should be women by 2010. See table for details.

SUSTAINABLE DEVELOPMENT PERFORMANCE DURING THE YEAR

PILLAR 1: SAFETY

Occupational safety is regulated in terms of the

EMPLOYMENT EQUITY STATISTICS

	F2007	F2006	F2005
Board representation			
Black directors on Board	50%	53%	56%
Women on Board	13%	12%	12%
Senior management			
Steering committee members who are black	40%	43%	45%
Steering committee members who are women	20%	14%	-
Senior managers who are black	19%	19%	13%
Senior managers who are women	11%	10%	5%
Skilled employees			
Professionally qualified employees who are black	34%	30%	31%
Professionally qualified employees who are women	15%	12%	8%
Technically qualified employees who are black	49%	43%	49%
Technically qualified employees who are women	8%	7%	8%
All employees			
Total employees who are black	84%	83%	81%
Total employees who are women	9%	7%	6%

Sustainable Development continued

Mine Health and Safety Act (for mining operations) and the Occupational Health and Safety Act (which regulates the smelters). Safety performance is reviewed by the Sustainable Development board committee on a quarterly basis.

It is with deep regret that the company has reported the occurrence of two fatal accidents during the year:

- ▶ On 9 February 2007 Mr Wycliff Malusi was fatally injured as a result of a truck collision at the Khumani Iron Ore Mine.
- ▶ On 30 March 2007, Mr Michael Thosa, a rockdrill operator at Two Rivers Platinum Mine lost his life in a fall of ground accident.

The Board and management of the company extend their condolences to the families and friends of the deceased.

There were also a number of achievements on the safety front during the year. The Lost Time Injury Frequency Rate (LTIFR) for the Ferrous division improved by 4.4% from 4.09 per million man hours to 3.91, while the LTIFR for the Platinum division improved by 40% from 8.12 to 4.85 per million man hours.

Specific achievements during the year include the achievement of:

- ▶ two million fatality-free shifts at Modikwa Platinum Mine.
- ▶ one million fatality-free shifts at Beeshoek Iron Ore Mine.
- ▶ Black Rock – winner of the Mine Health and Safety Council Safety Achievement Flag in "Other mines" category.
- ▶ Black Rock – winner of the Northern Cape Managers' Association Safety Competition, as well as "Best Improved Underground Mine – Northern Cape" Competition.

The group's internal "Excellence in Safety" competition was awarded to Nkomati Nickel Mine for recording a 66% improvement in its Lost Time Injury Frequency (LTIFR) rate to 0.85 per million man hours.

PILLAR 2: HEALTH

Medical surveillance is undertaken at all managed operations in accordance with legislation. Assmang and the Department of Labour are investigating possible manganism cases at the Cato Ridge Works. This occupational illness, caused as a result of a chronic exposure to manganese, displays similar symptoms to Parkinson's disease, and is very difficult to identify. Our group has, in place the safety and health mechanisms required by law, including medical surveillance, but it has become apparent that the exposure limits prescribed are not in line

with international best practice and should be reviewed.

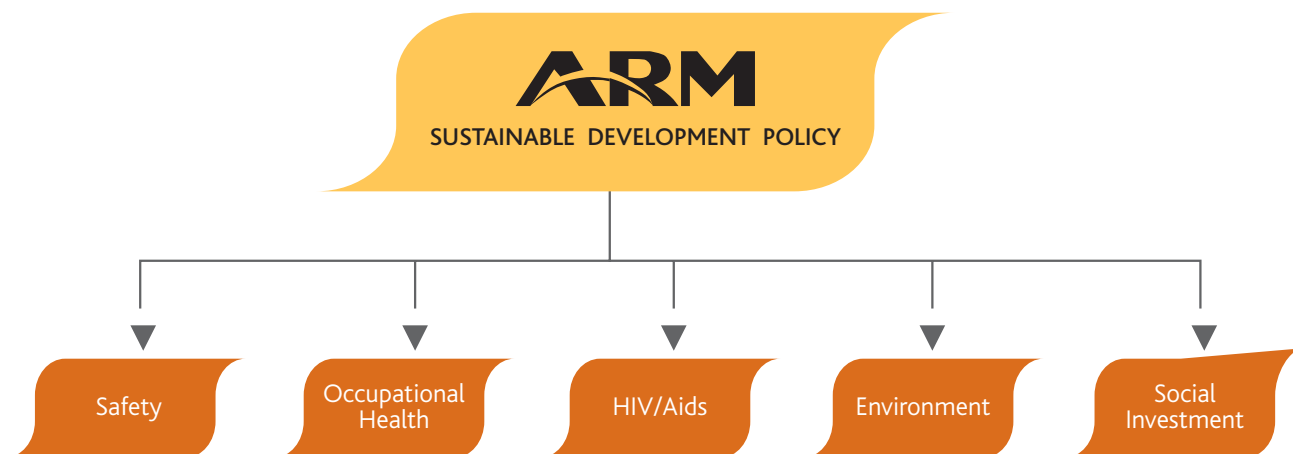
ARM has been working closely with the relevant unions and authorities in understanding the issues at hand, and has commissioned an independent expert review, to advise the company. The company is committed to ensuring that those affected individuals are treated fairly and compassionately. A comprehensive improved medical surveillance and employee support programme is being developed and introduced to suit current and future needs.

PILLAR 3: HIV/AIDS

HIV/Aids remains an important area of focus for the group, amongst its employees, their families and the communities in which the company operates. Priorities are programmes aimed at halting the further spread of the disease and the care of those who are infected. Interventions take place on three levels:

- ▶ At a corporate level through the ARM Community Investment Trust which supports a number of HIV/Aids focused initiatives (see below); and
- ▶ At an operational level through programmes run in collaboration with unions, local government and non-governmental organisations (NGOs).

FIVE PILLARS OF SUSTAINABLE DEVELOPMENT



At head office level ARM uses a balanced scorecard process to manage HIV/Aids interventions at an operational level.

PILLAR 4: THE ENVIRONMENT

All ARM-managed operations (except for Nkomati Mine and Two Rivers Platinum Mine) have environmental management systems in line with ISO14001 in place and are ISO14001 certified.

Nkomati Mine is in the process of implementing ISO14001, while Two Rivers Platinum Mine is still considering the implementation of this system.

No fines were issued to the company during the year in respect of environmental non-compliance and all operations have largely conducted their business in compliance with legislation and in line with approved Environmental Management Plans.

The group's total environmental rehabilitation obligation amounted to R86 million as at the end of June 2007 (June 2006: R68 million). At year-end R27 million was held in environmental rehabilitation trust funds. The remaining net liability of R59 million will be funded over the life of mine of individual operations.

PILLAR 5: SOCIAL INVESTMENT

Socio-economic development support is provided through the company's corporate social investment mechanisms as well as through local economic development (LED) projects.

Corporate social investment

Corporate social investment is an important component of ARM's sustainable development programme and is guided by the company's desire to be a responsible corporate citizen and valued partner in the communities in which it operates.

ARM encourages its employees to participate directly in corporate social investment projects so as to create greater unity between the company and local community members.

ARM takes great care to ensure that its corporate and social investment programmes are directly aligned with that of local government's economic development projects, where this is possible. In F2007, ARM contributed R7.5 million (F2006: R9 million) to corporate social investment initiatives. The company's stated priority is the creation of partnerships with local communities, together with other stakeholders (such as government) so as to ensure not only that community development programmes that are implemented are sustainable but also so as to ensure those communities recognise and value the company as a corporate citizen.

Key priority areas for ARM's corporate social investment initiatives remain the same as in previous years, and are:

- ▶ Health care promotion, particularly in respect of HIV/Aids;
- ▶ Education, training and skills development;
- ▶ Job creation programmes and projects, with

an emphasis on women and youth;

- ▶ Infrastructure development including schools, clinics, and orphanages;
- ▶ Sporting events that unite communities under a single banner;
- ▶ Cultural events, particularly those in rural communities; and
- ▶ Capacity-building programmes aimed at enabling communities to actively participate in socio-economic processes and projects.

Local economic development

Local economic development projects form an important part of the various operations' SLPs. All operations have engaged with local governments and communities in order to establish their needs and developmental requirements and projects are integrated within the Integrated Development Plans (IDPS) of the various district and local municipalities. Projects under discussion include olive plantations, household chemicals, brick-making, coffin-making and funeral services, tourism and archeological and cultural preservation projects, vegetable gardens and intensive crop tunnels, bakery project and spatial development. In total, ARM's managed operations will spend some R27 million on LED projects over the next five years.