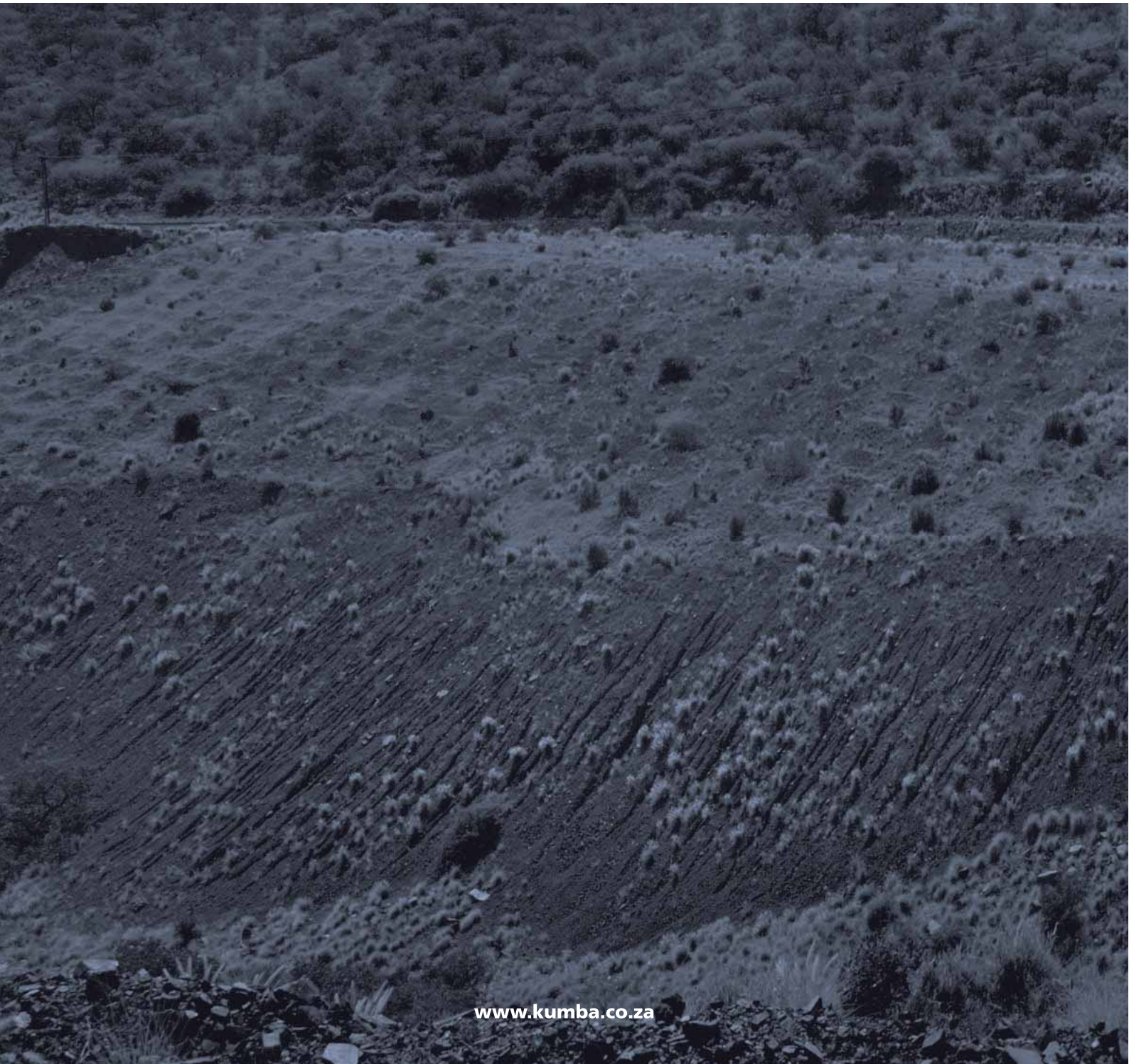


SUSTAINABLE DEVELOPMENT REVIEW 2009



A member of the Anglo American plc group



www.kumba.co.za

Kumba's history

- 1932
Iscor's first mine at Thabazimbi established.
- 1934
Steel first cast at Iscor's Pretoria Works steel plant.
- 1954
Sishen Mine established in the Northern Cape Province.
- 1976
The South African Government invested in the infrastructure to enable the export of iron ore from Sishen Mine via the Sishen-Saldanha rail link and port facility. This opened up a new era of growth for the iron ore business.
- 1989
Iscor privatised.
- 2001
Iscor unbundled into two separate companies, namely Kumba Resources and Iscor.
- 2006
Unbundling of Kumba Resources' iron ore assets and the relisting of Kumba as Exxaro and a new company, Kumba Iron Ore.

Locality map



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Chief executive officer's review

On the whole, I am satisfied and proud of Kumba's performance with regards to sustainable development. There are certain areas where we can still improve and of course there is the single fatality at Kolomela Mine which clouds our performance.

Safety

Notwithstanding the death of Tebogo David Marope, a 23-year old contractor who was fatally injured during road construction in January 2009, Kumba recorded a 42% improvement in its lost-time injury frequency rate (LTIFR). The frequency rate dropped to 0.07, down from last year's 0.12. This is a massive achievement and congratulations are due to the operations and safety teams for driving our zero harm agenda intensively. We notched up new safety records with Thabazimbi Mine completing its second successive year with zero LTIs and a seventh year of no fatalities. This is a fantastic achievement. Sishen Mine managed another great reduction in its LTIFR and recorded a run of 5.4 million hours without an LTI. This is the first year in the last five years that Sishen Mine has been fatality free. Our safety performance was widely acknowledged: Thabazimbi Mine received the 6,000 fatality-free production shifts trophy from the Department of Mineral Resources (DMR) and an Anglo American Chief Executive Safety award for the most improved operation. Kolomela Mine was lost-time injury free the whole year, bringing its LTI-free period to 14 months: an impressive performance for a new operation.

Financial performance

It's always difficult to hold a course whilst the prevailing environment makes one think otherwise. Kumba managed to deal with 2008/2009 economic downturn and beat the odds by delivering a superior performance despite a 5% drop in operating profit. I owe my team a huge amount of gratitude for this. Production increased by 10% at Sishen Mine

and Kumba was able to beat its production growth targets and increase sales volumes. We also recorded a 4% decrease in unit cash costs in real terms.

This is largely due to the savings and efficiency drives, which are part of our asset optimisation programme.

Our success as a mining company has direct implications for our suppliers, employees, the authorities and especially representatives of these groups at the local level where our operations are located. At the local level, I am pleased with the progress Kumba made in facilitating the establishment of local enterprises. Running parallel with our enterprise development initiatives is our programme to increase spend with HDSA suppliers. During 2009, 36.85% of our discretionary spend was from black-owned and black-empowered vendors, exceeding our target. This translates into payments amounting to R3,2 billion out of a total of R8,6 billion discretionary spend.

Employees

I am relieved to state that Kumba did not reduce its complement of permanent employees as a result of the economic downturn. We continue to attract employees based on the high profile and solid reputation we enjoy. The company was ranked top among resource companies and eighth overall for skills development in the 2009 Financial Mail Top Empowerment Companies survey. Winning these awards aids in attracting top people to the company.

We are ahead of target when it comes to HDSA representation in the workforce. I am committed to making Kumba a diversified company where all employees have access to the developmental programmes and opportunities they require in order to realise their potential.

We have made significant progress in our HIV voluntary testing and counselling programme with over 90% of our staff having participated in the programme, 10% higher than last year.

The testing programme indicates that Kumba's staff has an HIV prevalence rate of 7.6%, which is three to four percentage points below the averages in the provinces in which Kumba operates.

Socio-economic development

I am pleased to report that Sishen Mine's small business hub, located in Kathu, was joint winner in the socio-economic category of the Nedbank Green Mining Awards. This says to me that the investment Kumba is making into the people and places which host it are paying off.

Our development programme is a three-legged affair: enterprise development (discussed previously), the provision of Integrated Development Plan (IDP) infrastructure and community development. For me, the value of our efforts is best exemplified by the funding we provide to the Ulyses Gogi Modise Wellness Clinic in Kathu, upgrading the Environmental Centre in the Marakele National Park, the range of education initiatives we support and our extensive bursary and learnership programme.

With regards to infrastructure development, we did not progress as intended during 2009. Part of the reason for this is the difficulty in coordinating the planning and construction of these large infrastructure projects with the local municipalities. To expedite the process, Kumba has seconded an employee to the Gamagara Local Municipality.

The proposed resettlement of the Dingleton community will be decided during 2010 or early 2011. Kumba's resettlement project team is compiling documentation which will be used to decide whether or not to proceed with the resettlement.

Environmental performance

Our efficiency programme also extends to energy and water use. Reducing the amount of energy and water used per tonne of iron ore produced is of key importance in addressing the conservation of natural resources. We continue to invest substantial sums to understand the energy and water consumption at our

operations, and to conduct research and implement new technologies designed to reduce our energy and water consumption. Similarly, we are investing time and resources into our rock waste dump rehabilitation strategy and the remediation of areas in our mining operations which were affected by historical contamination. We are engaging with the farmers to deal with the potential impact of mine dewatering on the groundwater quantity and mitigation measures were put in place and agreed upon with all key stakeholders to address the impact.

We continue to drive and improve energy efficiency at all operations through performance monitoring and through the development of savings initiatives. Our greenhouse gas emissions, resulting from the use of fuel and electricity, will be reduced as a consequence of reducing our energy consumption. The United Nations conference on climate change held in Denmark in late 2009 has bearing on our emissions reduction initiatives. For the first time since the climate change debate began in earnest some 20 years ago, the majority of nations are aligned in intention. Most importantly, South Africa is acting to set protocols on emissions. Kumba will act in accordance with these by investing in energy reduction and efficiency programmes as well as examining the use of alternative and renewable forms of energy.

Thanks

I thank all those people in Kumba who have worked tirelessly to ensure that Kumba is a successful and upstanding corporate. I also thank all of Kumba's stakeholders who have contributed to making Kumba a better company.



Chris Griffith
Chief executive officer



Background information

This report builds on Kumba's previous sustainable development report and retains a focus on the material non-financial issues which Kumba faces: safety, occupational health, the environment, social and community development, and employee-related issues. The objective of this report is to inform the reader about Kumba's performance in regards to achieving its sustainable development objectives and targets.

This report was conceived internally and externally. Assurance (see page 71) was provided by PricewaterhouseCoopers (PwC). Owing to the construction of Kolomela Mine (formerly the Sishen South Project), this report includes more data from that operation as compared with last year. Kumba has improved this report by addressing the feedback received on its 2008 report especially that pertaining to energy and greenhouse gas emissions, and stakeholder engagement. Some readers felt that the energy and emissions data presented and explanation thereof was confusing – this has been simplified in this year's report. The stakeholder engagement section is consolidated at the front of the report. The section on greenhouse gas emissions has been improved to address the requirements of JSE Socially Responsible Investment (SRI) Index and the Carbon Disclosure Project (CDP).

Throughout the year Kumba produces reports on its performance in relation to sustainable development. These are presented to the company's directors, to Anglo American, to the Kumba Safety and Sustainable Development Committee of the Board, and to the Kumba Executive Committee. Kumba participates in initiatives such as the JSE's SRI Index and the Carbon Disclosure Project and in surveys and indices run by companies such as Empowerdex that help investors, shareholders and other stakeholders to understand the economic, environmental and social performance of companies. Internal controls such as audits and checks help assure the accuracy of content.

This report is Kumba's second stand-alone sustainable development report, and one of three annual publications produced by Kumba that represents its Annual Report for 2009, the others being the Annual Review and the Annual Financial Statements.



Materiality

Kumba reports primarily on material matters that have arisen out of a process designed to prioritise issues to be disclosed which includes using feedback received from stakeholders.

Kumba also uses the following to determine material issues for reporting:

- Global Reporting Initiative (GRI);
- Risk management model (key sustainable development risks are presented on page 10).
- Applicable South African legislation and other requirements to which Kumba subscribes;
- Feedback received from the CDP and the JSE SRI Index. Kumba also recognises the influence that various sustainability reporting awards have on reporting in terms of trends in reporting and the feedback received over the years.
- Anglo American policies, guidelines and standards in respect of sustainable development.
- Government priorities.

Scope

In accordance with the GRI: G3 guidelines, Kumba declares that this report is aligned with application level C+.

This report covers the Sishen and Thabazimbi Mine, the construction activities of the new Kolomela Mine, exploration activities, the corporate office and Saldanha port, in respect of the following, for the period January to December 2009:

- Employees, including safety, occupational health, and HIV and AIDS.
- Mining Charter commitments
- Social and community development
- Environmental management.

This report is targeted mostly to those interested and affected by Kumba operations and its activities which includes employees, local communities and government, non-governmental organisations, regulators, investors, customers and shareholders.

Governance and management of sustainable development

Sustainable development is governed by the Safety and Sustainable Development (S and SD) committee of the Kumba Board. The committee is chaired by an independent non-executive director, Dolly Mokgatle (refer to page 18 of the 2009 Annual Financial Statements).

The responsibility of managing sustainable development is shared by various departments within Kumba. Additionally, there are a number of structures and committees which were established to oversee the management of sustainable development, as indicated in the table on page 6.

Sustainable development strategy

Kumba's sustainable development strategy is founded on the belief that strong management of sustainable development positions the company to be competitive, attracts and retains skills, enables the company to respond proactively to changes in the legislative environment, minimises its environmental footprint, and secures its social licence to operate.

Sustainable development structures and committees

Committee	Committee responsibilities						
	Strategic direction	Benchmark best practice	Set policies, strategies and standards	Assure and report	Risk identification and management	Alignment with Anglo	Strategy and policy implementation
Kumba Board Committees							
S&SD Committee	A	I	C	I	A	I	I
Audit & Risk Committee	A	I	C	I	A	I	I
Human Resources, Remuneration and Nominations Committee	A	I	C	I	A	I	I
Kumba Executive Committee	R	I	A	A	A	A	I
Internal Operational and Strategy Formulation and Implementation Forums							
Sustainable Development Steering Committee	R	A	R	R	R	R	R
Environmental Steering Committee	R	A	R	R	R	R	R
Transformation Steering Committee	R	A	R	R	R	R	R
Water & Energy Steering Committee	R	A	R	R	R	R	R
Gamagara Steering Committee	R	A	R	R	R	R	R
Dingleton resettlement Steering Committee	R	A	R	R	R	R	R
Mine Operational Forums	I	I	C	R	R	R	A

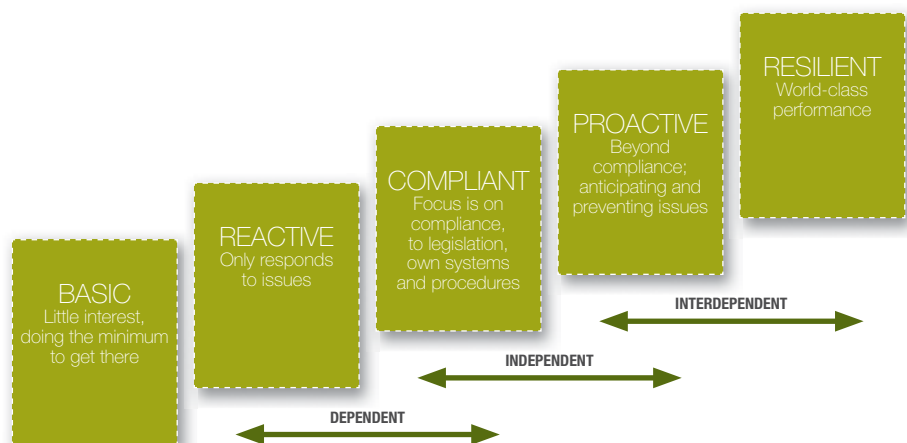
R = Responsible
A = Accountable
C = Consult
I = Inform



Kumba employs a journey model to describe its position in terms of its goals and aspirations in relation to safety and occupational health, social and community development, and environmental management. The journey model has the following five stages as depicted in the diagram.

- Basic – doing the minimum to get by. At this stage the company has significant exposure to risks.
- Reactive – the company is aware of risks but it predominantly reacts to events. Its systems are in a formative stage and are immature.
- Compliant – at this milestone, the issue under consideration is a core component of the business. The company's focus is on compliance with its own systems and processes.
- Proactive – here the company is beginning to anticipate issues in advance and thus is able to prevent the occurrence of incidents.
- Resilient – at this point in the journey the company is considered mature and demonstrates world-class performance.

Kumba's safety and occupational health strategy aims to position the company at the resilient stage. With regards to safety, self-assessment revealed that Kumba's operations are between the compliant and proactive stages and moving towards compliant with regards to occupational health.



From an environmental perspective, Kumba is guided by applicable South African legislation, the ISO 14001 certified environmental management systems, Kumba's and Anglo American plc's policies and guidelines in implementing the strategy (during 2009, the company conducted legal compliance audits at all operations, including Saldanha Port Operations – refer to the section on certification and compliance). The company's aspiration with regards to environmental management is to become a proactive company, i.e. act beyond legislative requirements. Internal analysis conducted in 2008 and 2009 revealed that Kumba is largely compliant with key legal requirements governing mining in South Africa but still some way off the overall objective. To close this gap, a five-year strategic plan was developed outlining priority areas necessary to close the gaps.

From a social and community development perspective, the 2008 and 2009 analysis revealed that Kumba's operations are compliant. The goal in this area is to become proactive, i.e. act beyond legislative requirements. A key factor preventing Kumba from reaching its goal is not meeting the commitments outlined in the Social and Labour Plans (SLPs). The primary reasons are discussed in detail in the social and community development review. Through the implementation of mitigation measures, Kumba is confident that it will address these shortcomings in the near future.

Risk management

Kumba maintains an integrated risk management (IRM) programme which applies a logical and systematic methodology to identify, analyse, assess, treat and monitor all risks, whether insurable or not. For a detailed discussion on risk management within Kumba, please refer to pages 20 – 21 of the Annual Financial Statements of the 2009 Annual Report.

Certification and compliance

Certification

All Kumba's operations are in South Africa and are hence guided by its legislation and licence or permit conditions. These and other guidelines, such as those developed by Anglo American using global best practice, are implemented using environmental management systems (EMS) at each mine. These systems are aligned to the requirements of the ISO 14001:2004 standard.

During 2009, internal and external experts audited Thabazimbi and Sishen Mine's Safety, Health and Environmental systems comprehensively to determine their level of compliance with the law and other requirements such as ISO 14001, OHSAS 18001, and Anglo American's Safety, Health and Environmental Ways. Both mines retained their ISO certification.

Compliance

Monitoring compliance is conducted by way of audits conducted on an annual or biennial basis, the outcome of which typically requires the implementation of a series of actions within a specified timeframe.

During 2009, Kumba conducted a detailed environmental compliance audit which consisted of the following:

- An internal legal compliance audit
- An ISO certification audit conducted by the South African Bureau of Standards (SABS)
- A water use audit at Thabazimbi Mine conducted by external specialists as part of the mine's water use licence application.

A summary of the key audit findings is shown on page 63.

Stakeholder engagement

Kumba boosts regional economies indirectly through partnerships on worthy projects with its host communities, local and provincial government, and neighbouring businesses. These mutually beneficial partnerships foster economic opportunities, help to address community needs, and promote the long-term vitality of local enterprises.

Such partnerships are achieved through ongoing engagement which allows Kumba's operations to better understand the concerns, needs and priorities of its stakeholders. Kumba's approach to stakeholder engagement is guided by the following:

- Kumba stakeholder engagement policy
- Kumba government relations policy
- Mine community engagement plans
- Anglo American Stakeholder Engagement Plan
- Anglo American socio-economic assessment toolbox (SEAT) 2 Manual



- Accountability's AA 1000 stakeholder engagement standard
- King III Code of Corporate Governance
- ISO 26000 Corporate Social Responsibility Standard
- National Environmental Management Act (NEMA) No 107 of 1998
- Minerals and Petroleum Resources Development Act (MPRDA) No 28 of 2002

Kumba's engagement process aims to build new or improve existing relationships, establish key partnerships, and gather support from regulators and neighbouring communities in relation to the company's activities. It plays an essential part in assisting operations to implement strategic priorities. Kumba's major stakeholders are shown in the following diagram and detailed in the table thereafter. Note that employees and contractors are excluded from this table. Communication with employees is through a range of media including the Kumba intranet, publications such as InSite, OnSite, ForeSite, Thaba Junction and Line of Site, CEO and General Manager's briefings, posters, flyers and through various forums at the corporate office and at the mines. Our suppliers and customers are also dealt with separately through other engagement processes embedded in the supply chain and marketing departments.



Key risks

Category	Risk	Description and mitigation	Page
Safety	Fatalities	Fatalities are unacceptable to Kumba. Kumba's key thrust is to eliminate fatalities through its comprehensive safety management system.	27
	High potential incidents (HPIs)	HPIs are incidents which could have resulted in a fatality but didn't. Understanding these incidents is vital to eliminating fatalities. The majority of HPIs are vehicle-related.	27
	Lost-time injuries (LTIs)	LTIs reduce productivity and are costly to company and employees alike. Through the safety management system, Kumba intends to eliminate LTIs by, for example, introducing measures which monitor the number of zero harm days achieved by individual operations.	8
Occupational health	Noise-induced hearing loss (NIHL)	Exposure to noise above the occupational exposure limit is prevalent in Kumba. NIHL is the most important occupational disease in Kumba. Kumba's focus will be on reducing noise exposure at source, continuous monitoring of noise exposure levels and negative shifts in hearing. Unaccepted exposures and shifts in hearing will be reported, investigated and corrective actions implemented.	32
	HIV	HIV and Aids remains a risk to employees and to the business. Kumba is intensifying its voluntary counselling and testing programme and will be increasing the number of HIV+ employees enrolled on its wellness programme.	33
Human resources	Skills attraction and retention	Kumba, like other companies, must compete for scarce skills. Kumba's compelling employee value proposition ensures that it attracts and retains the skills it requires.	38-39
	Transformation	Linked to the skills issue is the need to ensure that Kumba's workforce is representative and that historically disadvantaged South African (HDSA) employees are offered growth and development opportunities.	36-37
Social and community development	Delays in implementing social and labour plans (SLP) commitments	Kumba continues to partner and work with government to ensure that its SLP commitments are met.	46-47
	Capacity constraints within the local government	Capacity at local government level sometimes results in delays to SLP project implementation. Kumba works with local government to ensure that the necessary skills and support are in place to effect delivery.	46-47
	Managing community expectations at Kolomela Mine	Kumba outlined its commitment to communities living near Kolomela Mine during the roll-out of the mine's SEAT 2 process.	44-46
	Dingleton resettlement	The resettlement is a risk to Kumba in that it is expensive, resettlement is a difficult process to undertake successfully and those being resettled are at risk of social and economic disarticulation. The resettlement plan is being compiled with the participation of all parties. The steering committee comprises mine, government and community representatives.	50-51
Environment	Electricity supply	Limitations to Eskom's ability to guarantee electricity supply to Kumba's mines is a key business risk. The company continues to examine means to reduce electricity consumption and to find alternative sources.	57
	Dewatering	Kumba's impact on groundwater reserves continues to be the focus of discussions between farmers, the authorities and Kumba.	67
	Climate change	Kumba is aware of the impact of greenhouse gas emissions on global climate. Its emissions reduction strategy is tied into its energy management programme.	58
	Non-compliance	Kumba conducted a legal non-compliance audit to determine where the company needs to improve in terms of consistently complying with environmental legislation.	62
	Water management	Water scarcity is a national issue. Kumba is refining its water management strategy and approach with a view to reducing its absolute consumption and improving its efficiency (litres/tonne of product).	66-67

Major stakeholders

Stakeholder	Stakeholder classification	Method and frequency of engagement	Key issues
Department of Mineral Resources	National authority	Meetings and correspondence on an ad hoc basis; formal audits of mines on occasion	Compliance with MPRDA, Mining Charter and Mine Health and Safety Act
Department of Water and Environmental Affairs (DWEA)	National authority	Meetings and correspondence on an ad hoc basis	Water use licences and compliance with National Water Act, NEMA Waste Act and NEMA scheduled activities
Department of Labour	National authority	Meetings and correspondence on an ad hoc basis	Compliance with the Employment Equity Act
Northern Cape Provincial government	Provincial authority	Meetings and correspondence on an ad hoc basis	Various socio-economic development issues including Dingleton resettlement
Limpopo Provincial government	Provincial authority	Meetings and correspondence on an ad hoc basis	Various socio-economic development issues
John Taolo Gaetsewe District Municipality	District authority	Meetings and correspondence on an ad hoc basis	Social and community development
Waterberg District Municipality	District authority	Meetings and correspondence on an ad hoc basis	Social and community development
Siyanda District Municipality	District authority	Meetings and correspondence on an ad hoc basis	Social and community development
Gamagara Local Municipality	Local authority	Meetings including LED Forum	Social and community development including implementation of SLP commitments in relation to Sishen Mine; water treatment
Thabazimbi Local Municipality	Local authority	Meetings including LED Forum	Social and community development including implementation of SLP commitments in relation to Thabazimbi Mine
Tsantsabane Local Municipality	Local authority	Meetings including LED Forum	Social and community development including implementation of SLP commitments in relation to Kolomela Mine
National Union of Mineworkers	Employee representative	Meetings	Various issues pertaining to working conditions including employee safety, wage negotiations and remuneration
Anglo American	Parent company	Various	All
Assmang	Neighbouring mining company	Various including Northern Cape Mine Managers Forum	Local priorities including LED projects, procurement opportunities
BHP Billiton	Neighbouring mining company	Various including Northern Cape Mine Managers Forum	Local priorities including LED projects, procurement opportunities
Local environmental management forums	Forum convened by Sishen, Thabazimbi and Kolomela Mines and other local stakeholders	Quarterly meetings	Impacts of Sishen Mine's activities on neighbouring communities and farmers e.g. dust, dewatering, etc.
Northern Cape LED Forum	Forum convened by mines and authorities	Quarterly meetings	Local economic development
Setlhare Educational Forum	Forum convened by local mining companies and authorities	Quarterly meetings	To bring provincial and district authorities and mining companies together to discuss, prioritise and agree on social and infrastructure development projects
LED District Mining Forum	Forum convened by local mining companies and authorities	Quarterly meetings	To bring provincial and district authorities and mining companies together to discuss, prioritise and agree on social and infrastructure development projects

Stakeholder	Stakeholder classification	Method and frequency of engagement	Key issues
Debeng	Settlement located near Sishen Mine	Ad hoc: there are various structures and organisations operating in these settlements with whom Kumba engages.	Engagement with residents of these settlements typically covers issues relating to social and community development, environmental management including dust and dewatering impacts, and resettlement in the case of Dingleton.
Dingleton	Settlement located near Sishen Mine		
Kuruman Town	Settlement located near Sishen Mine		
Kathu	Settlement located near Sishen Mine		
Thabazimbi	Settlement located near Thabazimbi Mine		
Neighbouring farmers	Farmers surrounding Thabazimbi and Sishen Mines and Kolomela Mine		
Olifantshoek	Settlement located between Sishen Mine and Kolomela Mine		
Postmasburg	Settlement located between Sishen Mine and Kolomela Mine		
Boichoko	Settlement located near Kolomela Mine		
Posdene	Settlement located near Kolomela Mine		
Skeyfontein	Settlement located near Kolomela Mine		
Groenwater	Settlement located near Kolomela Mine		



Human rights

Human rights are multi-faceted. Guaranteeing these rights is the responsibility of the following departments at Kumba: human resources, safety and occupational health, social and community development, and environment. Kumba seeks to:

- Ensure that there is no discrimination in its employment practices and at its operations
- Ensure that there is no discrimination in terms of appointing suppliers and contractors
- Behave ethically and honestly
- Minimise its environmental impact and manage this impact such that no harm is caused to others
- Protect the rights of neighbouring communities
- Ensure that its security personnel operate within the law.

Kumba is guided by the South African Constitution and by its own policies. During 2009, Kumba reported zero cases against it in terms of violation of human rights.

Achievements and awards

Kumba continues to demonstrate its excellence in the number of awards it received during the year.

These include:

- Kumba's 2008 Sustainable Development Report rated as Excellent by Ernst & Young
- Kumba's 2008 Sustainable Development Report Runner-Up in the ACCA Awards most improved category.
- Kumba retained its membership of the JSE SRI index
- Sishen Mine's Small Business Start-up Hub in Kathu received a Nedbank Capital Green Mining award in the socio-economic category
- The Bana Early Childhood Development Centre came second in the Absa-Sowetan Early Childhood Development Awards
- The Kgalagadi Distributors Charcoal and Wood Project initiated by Sishen Mine achieved second place in the Africa SMME Awards
- Thabazimbi Mine received 6,000 fatality-free production shifts trophy from the Department of Mineral Resources (DMR)
- Thabazimbi Mine received an Anglo American Chief Executive Safety award for the most improved operation within the Anglo Group

Feedback

Kumba welcomes any feedback that you may have on this report. Please send your comments via email to kumba2009sdreport@kioltd.com.

Kumba vision, mission and values

Kumba's vision is to be a leading value-adding iron ore supplier to the global steel industry. Realising this vision is achieved through its mission – people making a difference in a company making a difference.

Kumba's values are:

- Safety
- Care and respect
- Integrity
- Accountability
- Collaboration
- Innovation

Performance scorecard

In order to realise its sustainable development strategy and drive commitment to continual improvement, Kumba has established a set of performance indicators and targets to serve as guideposts in assessing progress on key elements of safety, health, environment, human resources and social and community development. Kumba's 2009 performance is summarised as follows:

Safety

Indicator	Target	Actual	Page
Fatalities	Zero	1	27
LTIFR	0.08	0.07	28

Occupational health

Indicator	Target	Actual	Page
Occupational diseases	Zero new cases	Five new cases of noise-induced hearing loss (NIHL) reported	32
VCT	85% uptake	90%	33

Management systems

Indicator	Target	Actual	Page
OHSAS 18001	Retain certification	Certification retained	–
ISO 14001	Retain certification	Certification retained	62

Environment

Indicator	Target	Actual	Page
Energy management and CO ₂ emissions	Achieve 7.5% energy saving against 2004 baseline	8.1% saving achieved	56-57
	Implement energy saving initiatives	Ongoing	56-57
	Achieve 5% saving on CO ₂ emissions against 2004 baseline	Achieved 2.6% savings	58
Water management	Achieve 5% saving against 2004 baseline	14% saving achieved	66-67
	Develop water efficiency and saving initiatives	Ongoing	66-67
	Conduct studies on the dewatering impact	Geotechnical studies in progress	67
	Provide assistance to the affected farmers	Ongoing	67
Land management	Compile and submit Sishen Mine rehabilitation strategy for DMR approval	Rehabilitation strategy approved by DMR	60-61
	Develop land management strategy on Kumba owned farms	Land management strategy developed	60-61
Air quality management	Develop and implement air quality management plans (AQMP)	AQMPs in place	59
	Upgrade monitoring equipment and frequency of monitoring	Ongoing: performance monitored against plan	59
Waste management	Develop waste reduction targets	2% reduction on waste disposed at landfill	64-65
	Develop and implement waste recycling plans	Target achieved	64-65

Legal compliance

Indicator	Target	Actual	Page
Integrated water use licence (IWUL)	IWUL awarded at all operations	Thabazimbi IWUL application in process	62
Reportable environmental incidents	Zero level 2 and 3 incidents	Ten level 2 incidents reported	62
Fines and prosecutions	Zero	1 directive received from authorities	62

Social and community development

Indicator	Target	Actual	Page
Social and Labour Plan (SLP) compliance	All mines to have complied with the 2009 SLP commitments	Five-year SLP commitments on track but with some delays to certain infrastructure projects	45
SEAT 2 reports	All mines to have produced a SEAT 2 report	All mines completed their SEAT 2 reports	44-45

Mining Charter

Human resource development

Indicator	Target	Actual	Page
Adult basic education and training	28 learners	28 learners enrolled	40-41
Learnerships	275 learners	234 learners in the system	40-41
Career progression	100% of targeted employees on career progression plans	100% of targeted employees on programmes	36-39

Employment equity

Indicator	Target	Actual	Page
HDSAs in management	43%	44.3%	36-37
Women in core mining	7%	7.6%	36-37
Women in mining	13%	13.7%	36-37

Housing and living conditions

Indicator	Target	Actual	Page
Employees in hostels	100% of employees to vacate hostels	75% success rate achieved	–

Mine community and rural development

Indicator	Target	Actual	Page
Local Economic Development (LED) programmes	Comply with SLP commitments	Five-year LED programme on track	45
Development forums in major labour sending areas	Participate at all forums	Sishen, Kolomela and Thabazimbi mines participated in local development forums and actively engaged with local municipalities and the major labour sending areas	44-45

Preferential procurement

Indicator	Target	Actual	Page
Percentage of procurement spend allocated to black owned or empowered companies	38%	36.05%	23

HDSA ownership

Indicator	Target	Actual	Page
Employee share scheme	3%	3% owned by Envision	21
Community owned	3%	3% owned by the SIOC Community Development Trust	21
HDSA owned	20%	20% owned by Exxaro	21

Beneficiation

Kumba initiated a study to understand the current situation and growth opportunities across the steel value chain by inter alia incorporating views of other stakeholders. This information will be used to frame discussions with the relevant authorities.

Reporting

Indicator	Target	Actual	Page
Produce public report on performance against Mining Charter	Report to the public	Kumba believes that this report complies with the requirement of the Mining Charter	*

* Refer to previous report and this report.



Iron ore stockpiles at Saldanha Port

ECONOMIC REVIEW



Kumba's success is enjoyed by its employees, shareholders, the government, customers, suppliers and contractors.

The value that Kumba creates is impacted by the demand for iron ore and the price of iron ore. Chinese domestic iron ore production decreased substantially during the year, thereby increasing seaborne iron ore imports. Kumba increased sales to China by 130% with China accounting for 75% of Kumba's export sales. Iron ore demand from Europe and Japan decreased during the year, but improvement is likely in 2010. Despite the increase in export sales volumes, Kumba's operating profit was marginally down by 5% despite a 40% decline in benchmark iron ore prices. In order to sustain demand for iron ore, Kumba is engaged in customer development in other regions.

Here Kumba demonstrates why it is a key contributor to the economies of the areas in which it operates.

EXPORT SALES VOLUMES UP

37%
to 34.2 Mt

UNIT CASH COST DOWN

4% in real terms

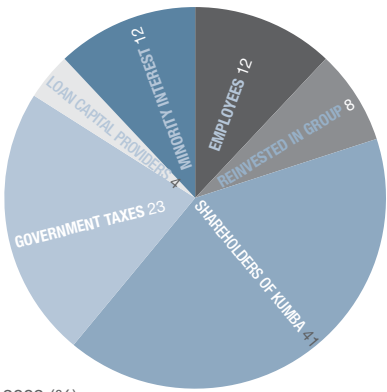
OPERATING PROFIT

R12.9bn

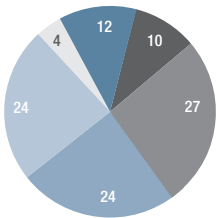
Value creation

Kumba created R15.7 billion worth of value during 2009 (2008: R15.6 billion; 2007: R7.6 billion). Its impressive financial performance, together with progress in capital projects and a sustained focus on operational efficiencies, will ensure that future growth is sustained.

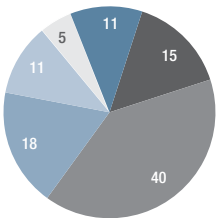
VALUE CREATED



2009 (%)



2008 (%)



2007 (%)

The company's asset optimisation initiatives and cost management assisted the company to deliver exceptional value. Kumba has implemented a number of revenue enhancing and cost management initiatives as part of this programme which realised R2.0 billion in operating profit.

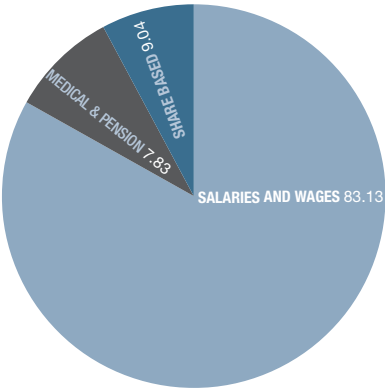
The recurring nature of some of these initiatives will assist in enhancing the financial performance of the group and protecting operating profit margins in the future. These initiatives include increasing export sales volumes, decreasing maintenance shutdown intervals, producing and selling niche products to enhance the premiums received, and procurement and operating efficiency cost savings. The Sishen Mine transformation programme launched during the year – Bokamoso – started to deliver

cost savings in the important area of mining operating efficiency.

The group continued to generate substantial cash from its operations, with R12.6 billion generated during the year. These cash flows were used to pay taxation of R3.2 billion and aggregate dividends of R8.2 billion during the year, thereby increasing the return to shareholders from 24% in 2008 to 41% in 2009.

The cost of goods, materials and services purchased for the year amounted to R5.7 billion, a 39% increase over the R4.1 billion spent in 2008. During 2009, Kumba paid R1.8 billion (2008: R1.4 billion) in salaries and other benefits.

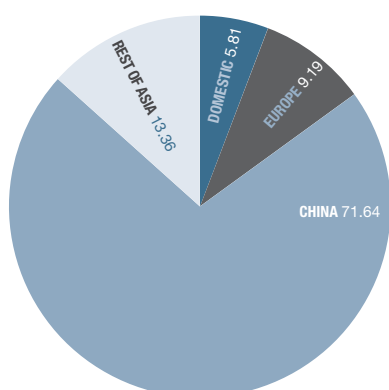
BREAKDOWN OF SALARIES AND BENEFITS (%)



Sales

Kumba generated its revenue through the sale and transportation of iron ore to customers in the geographical regions shown in the graph below.

BREAKDOWN OF SALES (% OF R-VALUE)



Kumba's increased revenue was driven by a 37% surge in export sales volumes. Of these, 75% was sold to China as Kumba redirected lost sales volumes from its traditional markets.

Lower demand from ArcelorMittal SA resulted in a decline in domestic sales volumes during the year.

Ownership

At unbundling, 26% of the Sishen Iron Ore Company (SIOC) was transferred to: Exxaro Resources (20%), the SIOC Community Development Trust through a SPV (3%) and Envision, a broad-based employee share participation scheme (3%). These parties, along with Kumba, participate in the dividend declared by SIOC.

The group's strong cash flow generation enabled the consistent payment of an interim and final dividend since listing on

the JSE Limited in 2006. This return of cash to shareholders has enabled the community trust and employee shareholders to redeem substantial portions of the original funding required to invest in SIOC, with full repayment possible within the next year for the trust.

Employees, have received R125 million in dividends over the past three years and the remaining R445 million of dividends received by the scheme have been used to reduce the original funding and to pay interest. Over 5,000 employees currently participate in the scheme which is valued at approximately R2.3 billion, after accounting for the scheme's funding.

(Rand millions)	Total	Total dividend			
	2006 – 2009	2009	2008	2007	2006
Dividend declared by SIOC	18,957	6,295	9,040	3,266	356
– Kumba	14,028	4,658	6,690	2,417	263
– Exxaro	3,789	1,259	1,808	653	69
– SIOC Community Development Trust	570	189	271	98	12
– Envision	570	189	271	98	12

Enterprise development

23

BUSINESSES CREATED

R54m

REVENUE GENERATED

250

PERMANENT JOBS CREATED

In terms of economic spin-offs, the first significant impact which Kumba has is on its suppliers, the establishment thereof and, in some instances, their sustainability. Kumba sees its impact broken down into two parts: the first is its role in establishing enterprises; the second how much, as a proportion of its discretionary spend, it procures from these and other enterprises.

Responsibility for enterprise development is with the mines' social and community development departments with support from Anglo Zimele. Most of Kumba's enterprise development activities are driven out of the small business hub at Kathu. To date the hub facilitated the creation of 23 businesses with finance (R10.6 million) provided by Anglo Zimele. Over the last 20 months, these businesses have generated revenue of R54 million and created 250 permanent jobs. To enhance the prospects of these enterprises, a mentoring outfit provides additional business support to individual entrepreneurs after evaluation of their needs.

Examples of small businesses, in various stages of development, supported by the hub in Kathu include:

- Compost project – the project will be formally handed over to the six shareholders and Tshimo Gardens (a new nursery and garden business in Kathu) with effect from 1 January 2010.
- Donna's Cleaning Services – mine wash bays are equipped and functioning according to mine safety standards. The car wash facility outside the mine is operational.
- Proposed meat processing plant – feasibility studies show significant interest by various stakeholders in the Northern Cape.
- ART Plant – the tyre recycling business at Sishen Mine established to address the large number of old truck tyres requiring disposal by the mine.
- Organic Honey Bee Pilot Project – a feasibility study indicated that Kathu is ideal for beekeeping. Sishen Mine provided land for the beekeeping cooperative and an off-take agreement was negotiated with Harewyn Organics in Cape Town to ensure sustainability from the onset. The cooperative employs 12 people.



Procurement

- Zinc Air Fuel Cells Project – cheap and renewable energy is a must in poor and impoverished rural areas. Sishen Mine contracted AEDC, renewable energy specialists, to install zinc air fuel cells in 250 houses in two rural villages. The roll-out includes the establishment of a commercial repair and maintenance facility for the fuel cells.

Enterprise development at Kolomela and Thabazimbi mines is also significant and includes the following projects:

- Hydroponic farming
- Another beekeeping project
- Poultry farming
- Opening a Butterland Bakery franchise in Thabazimbi
- The Rethabile Sewing Project
- The Kromdraai Subsistence Farming project
- Brick manufacturing by the Aganang Cooperative.

For 2009 Kumba committed to spending 36% of its discretionary spend with black-owned and black-empowered vendors. This target was met – the company spend was 36.85% with these businesses.

This translates into payments amounting to R3.2 billion (2008: R2.2 billion) out of a total of R8.6 billion discretionary spend. Total procurement by the company for 2009 was R12.6 billion.

Supply chain

– sustainable development

Kumba is in the process of auditing its suppliers in terms of the requirements of the Sustainable Development in Supply Chain policy. Once the necessary software systems are in place, Kumba will intensify the auditing process and begin implementing the policy.

% DISCRETIONARY SPEND

36.85
increase: 46.7%

The Kgalagadi Wood Project received second place in the Africa SMME Awards

Sishen Mine's Small Business Start-up Hub in Kathu received a Nedbank Capital Green Mining award in the socio-economic category.



SAFETY REVIEW



Kumba's vision is one of zero harm. The company is unequivocal in stating that no fatality or injury to permanent employees, contractors and visitors, whether on its mines, in its laboratories or its offices, is acceptable.

In order to realise its vision, Kumba is focused on two fundamental drivers: firstly, to improve its status in terms of its safety maturity, and secondly, to stop fatal incidents.

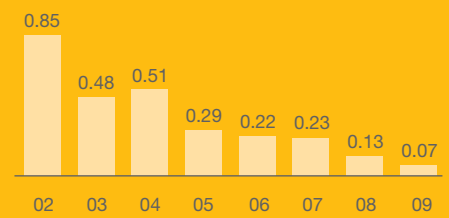
This section discusses Kumba's safety strategy, its 2009 performance, and its focus for 2010, specifically in relation to these two drivers.

To address the two fundamental drivers – improving its safety maturity and stopping fatal incidents – Kumba utilises a safety management system. The system is founded on the belief that there are three aspects to safety which can be changed in order to improve performance: the first is the behavioural aspect whereby what people do can be changed; the second is infrastructure and means that better infrastructure can assist in improving safety performance; the third is the systems used to manage safety – these can be enhanced so as to achieve better results.

FATALITIES

ONE

LOST-TIME INJURY FREQUENCY RATE



TOTAL RECORDABLE CASE FREQUENCY RATE

1.23

kumba's safety

basic reactive compliant

The safety management system consists of five elements:

- policy
- planning
- implementation and operation
- checking and corrective action, and
- management review.

It is underpinned by three clear principles: a zero mindset culture, the importance of learning to prevent incidents from repeating and the use of simple, non-negotiable standards.

The programmes in place at Kumba are supported by three overarching initiatives in use across the Anglo Group: the Golden Rules, the Fatal Risk Standards and the Safety Risk Management Programme. A major factor in improving safety performance is an organisation's ability to learn from mistakes and successes.

Kumba is ensuring that this learning is retained within the safety management system and imparted to all those responsible for safety, in other words, all employees. For example, Kumba recognised that the key contributing factors in the reduction of its lost-time injuries (LTIs) was the emphasis it placed on culture and leadership. These two aspects were absolutely fundamental in the reduction. Consequently, Kumba is using this knowledge to tackle fatalities. The culture and leadership aspects are in place and form the basis to support the introduction of other initiatives to deal with fatal incidents.

Kumba's safety journey consists of the following stages (refer to page 7):

- Basic – little interest in safety other than doing the minimum to get by. At this stage the company has significant exposure to safety risks.
- Reactive – the company is aware that safety is an issue, but it predominantly reacts to events. Its systems are in a formative stage and are thus immature.
- Compliant – at this milestone, safety is a core component of the business. The company's focus is on compliance with its own systems and processes. This is where Kumba is positioned at the time of writing.
- Proactive – Kumba's target for 2010. Here, the company is beginning to anticipate issues in advance and thus is able to prevent the occurrence of incidents.
- Resilient – Kumba's goal for 2013. At this point in the journey, the company is considered mature and demonstrates world-class safety performance. Key elements of the transition from the compliant and proactive stages are discussed in the next sections.

As mentioned, Kumba's intention is to improve its safety maturity until it reaches resilient. At present, Kumba is in between compliant and proactive, a process which takes on average five-years to complete. This process requires that Kumba achieves its vision of zero harm and that its safety management system is completely functional. Key to improving its maturity will be Kumba's focus on high potential incidents and zero harm days, discussed later in this section.

journey

proactive resilient

current location



FATALITIES

Sadly, Tebogo David Marope was fatally injured in an accident involving a vibrating roller at Sishen South project section. The incident has been investigated by the Department of Mineral Resources. It is pleasing to note however, that for the first time in five years all the mining operations (Sishen and Thabazimbi mines) have been fatality free.

Fatalities clearly remain a challenge for Kumba given the fact that the company has recorded a fatal incident every year for the past five years. Kumba is firmly of the belief that a zero harm, zero fatality working environment is possible. In order to realise this, and eliminate the risk of fatalities, the company has launched a range of initiatives:

1. High potential incidents (HPIs): during the year, the awareness of HPIs (these are incidents which have the potential to result in death but which do not) was significantly increased among employees and contractors. Over and above this, the application of learnings from these incidents was implemented across Kumba's operations. Kumba regards elimination of HPIs as having the potential to significantly reduce the occurrence of fatal incidents.
2. The implementation of the Anglo Fatal Risk Standards: these standards have been developed by examining industry best practice and by utilising Kumba's experience of fatal incidents. The standards establish the minimum performance requirements for managing fatal risks.
3. Vehicles have been identified as the major contributor to fatal incidents. Kumba identified three aspects related to vehicles where the risk of fatal incidents can be significantly reduced: collision avoidance, people/vehicle separation and fatigue management.
4. Implementation of the Golden Rules: these rules are key non-negotiable behaviours to which all employees, visitors and contractors must abide.
5. Learning from industry best practice in regards the elimination of fatalities by, for example, visiting mining operations across the world, attending safety conferences, obtaining information on the latest technological and behavioural developments and through communicating across the broader Anglo Group.

ONE
is too many

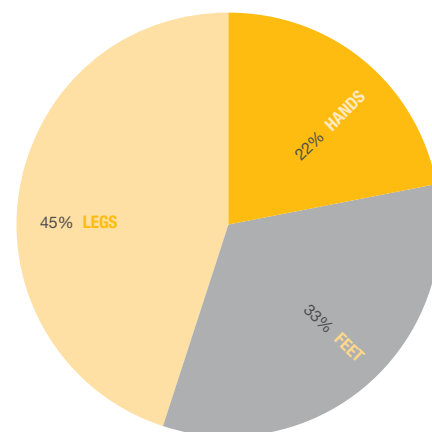
LOST-TIME INJURIES

lost-time injury
frequency rate 0.07

Kumba maintained its downward trend in LTIFR. Kumba's lost-time injury frequency rate (LTIFR, per 200,000 man-hours) target for 2009 was <0.08; the rate achieved was 0.07 (involving nine lost-time injuries) a 42% improvement on the 2008 figure of 0.12. As evident from the chart, the majority of lost-time injuries were injuries to employees' legs, feet and hands.

Examining the trend, Kumba asked what were the fundamental reasons for the reduction in LTIFR over time in order that the trend continues, and performance improved. The investigations revealed that there were two primary reasons for the improved performance: leadership and safety culture, both of which are underpinned by the daily practise of living the company's values of care and respect.

In addition, the improvement in LTIFR is attributed to Kumba's maturation as a safety-focused mining company. Kumba is no longer a reactive company, but is now progressing towards being a resilient company where lost-time injuries are rare.



For 2010, Kumba's target LTIFR of <0.06

A new initiative which began in 2009 was the launch of zero harm days, a safety performance indicator. The thinking behind advertising the indicator among employees and contractors is to make zero harm a reality and to demonstrate that a day without harm is achievable. It is therefore possible that an entire year without harm is a realistic goal.

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graph TD
    subgraph Golden_Rules [GOLDEN RULES]
        1[1. POLICY  
1. Policy, leadership and commitment]
    end
    subgraph Fatal_Risk_Standards [FATAL RISK STANDARDS]
        2[2. PLANNING  
2. Risk and change management  
3. Legal and other requirements  
4. Targets, objectives and performance management]
    end
    subgraph SRMP [SAFETY RISK MANAGEMENT PROGRAMME (S.R.M.P.)]
        3[3. IMPLEMENTATION AND OPERATION  
5. Training, awareness and competence  
6. Communication, consultation and involvement  
7. Document and data control  
8. Operational control  
9. Emergency preparedness and response  
10. Contractor and partner management]
        4[4. CHECKING AND CORRECTIVE ACTION  
11. Incident reporting and investigation]
        5[5. MANAGEMENT REVIEW  
12. Monitoring, audits and reviews]
    end
    1 --> 2
    2 --> 3
    3 --> 4
    4 --> 5
    5 --> 1

    SRMP --> SRMP_IP[Safety Improvement Plan  
2009 focus  
• Vehicles  
• Contractors/projects  
• Risk tolerance  
• Leadership/culture]
    
```

SAFETY RISK MANAGEMENT PROGRAMME (S.R.M.P.)

GOLDEN RULES

1. POLICY
1. Policy, leadership and commitment

FATAL RISK STANDARDS

2. PLANNING
2. Risk and change management
3. Legal and other requirements
4. Targets, objectives and performance management

IMPLEMENTATION AND OPERATION
5. Training, awareness and competence
6. Communication, consultation and involvement
7. Document and data control
8. Operational control
9. Emergency preparedness and response
10. Contractor and partner management

CHECKING AND CORRECTIVE ACTION
11. Incident reporting and investigation

MANAGEMENT REVIEW
12. Monitoring, audits and reviews

UNDERPINNED BY THREE PRINCIPLES

CULTURE
Zero mindset

LEARNING
No repeats

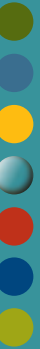
STANDARDS
Simple non-negotiable standards

SAFETY IMPROVEMENT PLAN
2009 focus

- Vehicles
- Contractors/projects
- Risk tolerance
- Leadership/culture



OCCUPATIONAL HEALTH REVIEW



Kumba's occupational health management system is founded on the same principles as its safety management system. However, the strategic drivers are different. From an occupational health perspective, Kumba's two key focus areas are, firstly to bring about a step change in occupational health management and performance in line with national and international trends, and secondly, to focus on headline risks comprising noise, dust and fitness for work.

The approach which Kumba uses to guide and manage occupational health is the same as that used for safety, the difference being the strategic drivers and types of programmes used to bring about change.

In order to bring about a step change in occupational health management and performance, Kumba is focused on the following: headline risks, health risk management, learning, leadership and culture, and assurance.

The strategy is to understand and strengthen the fundamentals underpinning improved occupational health and then to build on these fundamentals by introducing a range of standards and programmes which will further improve performance.

OCCUPATIONAL HEALTH

5 cases NIHL

HIV+ EMPLOYEES

442

HIV+ EMPLOYEES ON ART

160

PERCENTAGE HIV PREVALENCE

7.6

VCT UPTAKE

5,279 (90%)

Performance

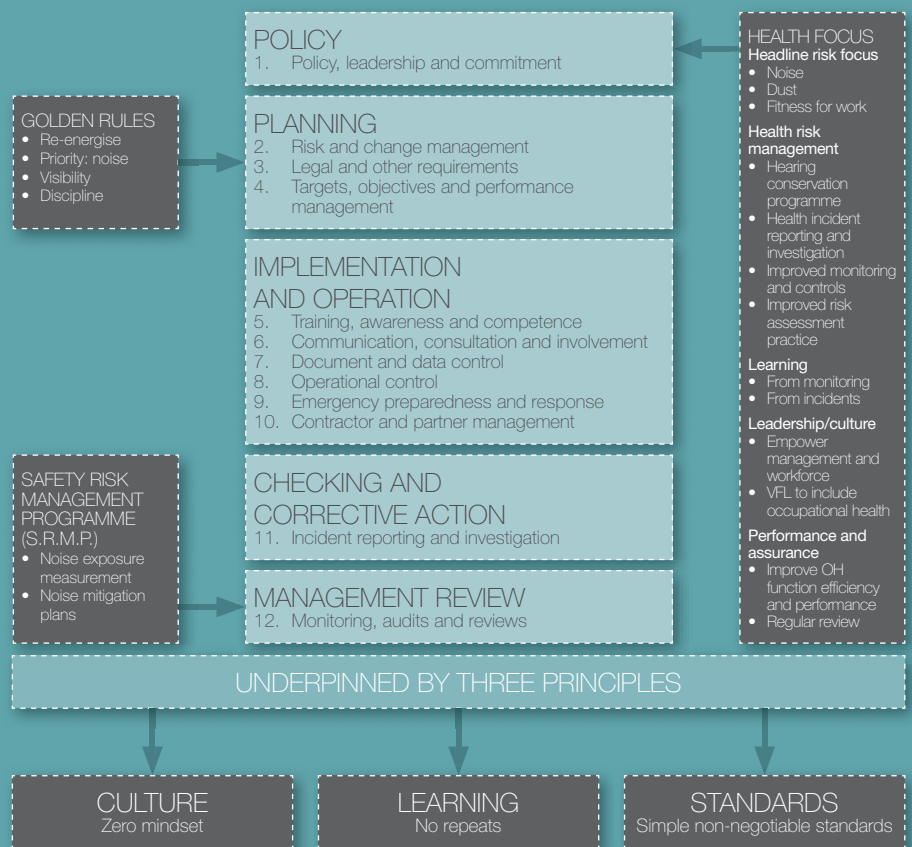
The same journey model used for safety is also applied to occupational health. According to its own investigations, Kumba is located between the basic and reactive stages of its journey towards becoming a resilient company in terms of occupational health. A step change means reaching proactive and leapfrogging the compliance stage. During 2009, Kumba identified what needs to be done in order to achieve this. This requires commitment to attend to noise, and dust exposure and employee fitness issues by intensifying the effort to perform quality health risk assessments, inculcating a culture of improved performance through visible leadership and subjecting the systems and programmes in use to be reviewed and utilised the findings as a basis for improvement.

Noise-induced hearing loss

Noise-induced hearing loss (NIHL) is the most significant occupational health risk facing Kumba's employees. Exposure to elevated noise levels is a risk at work, but may also affect employees outside the work environment. [Some employees may also have a medical condition which affects their hearing].

During 2009, Kumba recorded five new cases of reportable NIHL. As a consequence of this unacceptably high level of cases, Kumba finalised its hearing conservation standard and began implementation thereof at all its sites. Implementation is scheduled to be completed during 2010. The standard is designed according to leading practice and is developed to address a range of issues related to minimising or eliminating the risk of NIHL.

Health management system





HIV / Aids

Kumba's HIV/Aids strategy has an internal i.e. employee focus and external i.e. public focus. For Kumba, it makes sense to deal with the disease on both fronts.

Externally, Kumba's key intervention is its support for the Ulyses Gogi Modise Wellness Clinic in Kathu. The clinic provides an invaluable service to local people, particularly the indigent, providing testing and counselling services and ARVs. The clinic plays a pivotal role in the Gamagara area in supporting people with HIV. In Thabazimbi, Kumba is supporting the conversion of an existing site into a wellness clinic which will function along similar lines as the Kathu clinic. Kumba also supports raising awareness on HIV/Aids within the areas where it operates.

Internally, Kumba's drive to contain the spread of HIV, and assist those with the disease to live normally, is even more intensive. The first hurdle in this process is getting employees to know their status. This is not always accomplished with ease since people are afraid to know their status and the implications of that knowledge are indeed scary. Leadership is a crucial ingredient in getting employees to test and this is why all of Kumba's senior management are publicly tested to set the example.

A range of programmes and interventions are used to both destigmatise and introduce fun into the voluntary counseling and test process. These include industrial theatre, gift vouchers and cell phones.

Once employees know their status, those who are not HIV positive need to be convinced that they should be tested at least on an annual basis. For those who are HIV positive, Kumba has a very comprehensive wellness programme designed to assist employees with HIV to live normal lives. All 442 employees who are HIV positive are enrolled on the wellness programme; however, not all are taking ARVs (36%). Ensuring that all who require ARVs take them is a major focus of Kumba's Human Resources Department.

Employee wellbeing

During 2009, Kumba's employee wellbeing strategy was reviewed. The review was initiated based on the need for an integrated and holistic approach to enhancing wellbeing. The results of the review have led Kumba to focus its employee wellbeing assistance programme (EWAP) on eight primary dimensions of an employee's life, namely: the emotional, spiritual, financial, social, environmental, intellectual, physical and professional. These dimensions have a number of associated programmes but for Kumba the following are of particular importance: fatigue management, substance abuse, HIV and stress management. Kumba recognises that a multitude of factors influence the lives of its employees and which may cause stress or alcoholism, for example. Dealing with these symptoms requires that Kumba's EWAP works at a number of levels.

To address wellbeing, Kumba educates and assists its employees. Educating employees involves the use of various media to deliver particular messages. Education is often centred on special events, for example World Aids Day and Wellness Day, where a range of material is provided to employees where specialists and experts talk about stress management or substance abuse, for example.

Assisting employees manage their lives is facilitated by social workers employed at the mines. These people provide inter alia trauma counselling, psychological support and referral to rehabilitation clinics for those suffering from alcoholism. All employees have annual medical examinations to determine their health status and whether they are able to perform their jobs properly.

Future focus

Kumba's target is that no new occupational diseases are recorded during 2010. This target will only be achieved if a concerted effort is made to bring about the step change discussed earlier in this section. Kumba will continue to focus on identifying occupational health risks before they become occupational diseases by intensifying its employee monitoring programme and making changes to the working environment where this is deemed substandard.

Reducing the risk of NIHL requires that employees wear protective equipment.



EMPLOYEE REVIEW



There is no doubt concerning the importance of Kumba's employees. Even though Kumba mines and supplies iron ore, it is not only the ore which defines the type of company Kumba is, but also the people who work for it. The company is a product of the people who work there, the way they interact, and the manner in which they pull together to deliver on Kumba's business goals.

Kumba's strategy with regards to employees is two-pronged: the first requirement is that employees have the required skills and competencies to perform their functions; the second is to focus on transformation such that previously disadvantaged South Africans are offered growth and development opportunities within the company.

Here Kumba discusses its approach to transformation and shows its progress to date. Following this, the report discusses the attraction and retention of employees and then goes into some detail with regards to employee training and development.

As the reader will see, there are many challenges both in terms of finding and retaining people, regardless of race or gender. Kumba has an impressive track record in the development of skills within the mining sector and was acknowledged by the Department of Labour for its efforts in this regard.

WOMEN IN MANAGEMENT

161

NUMBER OF HDSAs IN MANAGEMENT (including women)

435

EMPLOYEES AT KUMBA (including contractors)

10,852

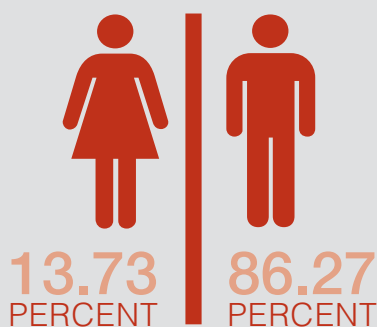
Transformation

The mining industry was for many years dominated by white men. This is still true, in part, but the sector has made significant strides in altering that reality.

Kumba, while not sacrificing its skills base, focuses on recruiting persons representing the South African population and where applicable uses existing skills to train and develop new recruits. Kumba recognises the importance of learning through mentorship which can only succeed if experience is retained and learning imparted.

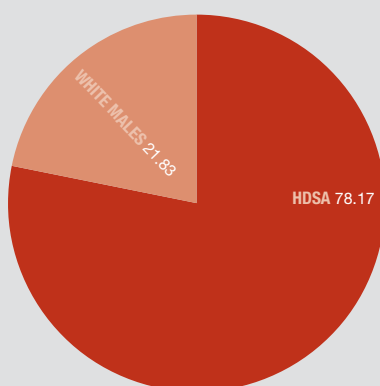
During the year, Kumba developed a new employment equity strategy for the period 2010-2012. The strategy focuses on improving our numbers of 'Blacks in management' at all levels of management and was approved by the executive committee and the remuneration committee.

FEMALE & MALE EMPLOYEES



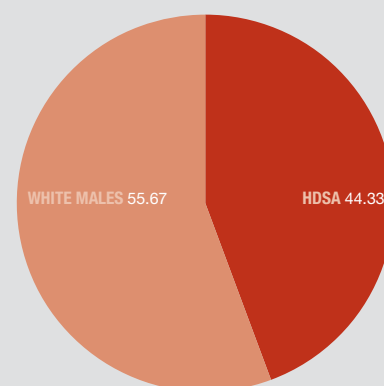
Compared with 2008, Kumba's complement of HDSA personnel increased slightly (2008: 77.26%).

HDSAs & WHITE MALE



In 2008, Kumba's complement of HDSAs in management was 41.63% compared with the 2009 figure of 44.33%. Kumba exceeded its Mining Charter target of 40%.

HDSAs & WHITE MALE IN MANAGEMENT



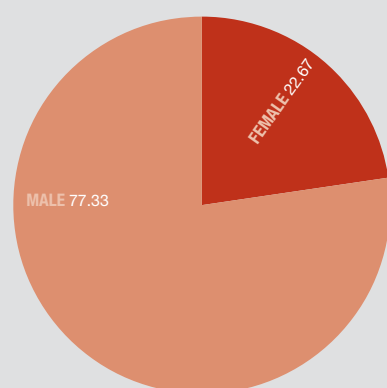


The number of women working at Kumba also increased during 2009 (2008: 12.36%). The gradual increase in the number of women Kumba employs is attributed to Kumba's specific recruitment policies which target women, the breaking down of gender barriers in the workplace, and more women who are interested in working in the mining sector.

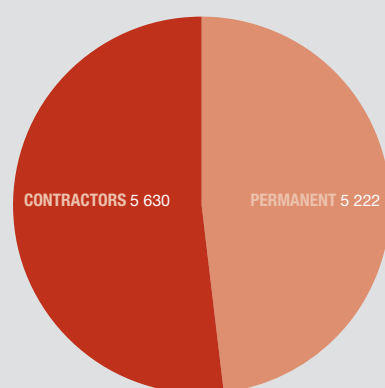
Kumba is very proud of the number of women in management. In 2009, 22.67% of management were women. Kumba intends to increase the number of women in management.

The percentage of women in core mining disciplines (engineering, projects, and mining) was 7.6% at the end of the year as compared to 5.2% for 2008 and higher than the 7% target.

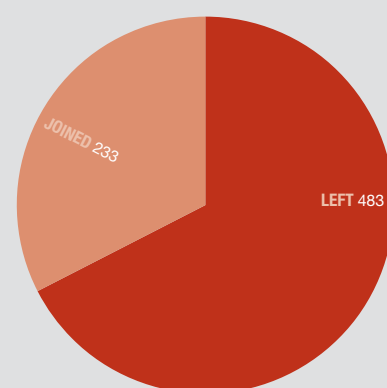
MALE AND FEMALE IN MANAGEMENT



WORKFORCE



LABOUR TURNOVER



Kumba accepts that staff will move. However, given the prevailing skills shortage, the loss of key employees is keenly felt. In 2009, 483 (4.45% of workforce) people left Kumba (2008: 253) and 233 joined (2008: 724).

Find

The war for talent is a reality in South Africa with the country competing globally for skills. This is also a reality for Kumba and as such it employs a number of approaches and strategies designed to source the skills it requires and to retain these.

Kumba's human resource department implements robust talent management strategies to ensure that it is aware at all times of gaps in its skills profile and that succession plans are in place.

Kumba maintains an inventory of people who have the skills it requires. The company believes in growing from within and thus the pool of potential recruits consists of graduates supported by the company and learners at its various training centres – SIVOS, Tshipi

and Itireleng. The company has an internal recruitment policy where candidates with the correct skills and experience from within the company and from within the Anglo American Group are given preference to employment opportunities. If candidates are not available within Kumba or Anglo American, then Kumba will source externally.

Kumba's drive to be an employer of choice assists in attracting skills to the company. Its reputation as a preferred employer, as evidenced by it being rated as the best mining company to work for in the 2008 Deloitte Best Company to Work For survey, plays an important role in this process.

Attract

There are a number of factors which influence Kumba's ability to attract staff. In the first instance, the overall employee value proposition must be compelling. This proposition must incorporate a sound remuneration strategy including a range of financial benefits, such as short-term bonuses and share incentives, plus a thorough growth and development programme. Without the latter, even the pay package will not be sufficient to retain skills. The finer details of attracting people to Kumba are centred on Kumba's reputation as an excellent place to work. This reputation is often based on what existing employees have to say about the company.

What makes Kumba an attractive company to work for include the practical career paths which are developed for staff, study assistance programmes offered to employees who study in their own time at tertiary institutions and a subsidy structure to improve the affordability of home ownership amongst employees. Kumba's support for the communities also makes the company attractive to prospective employees.

Retain

In 1972 South Africa had 33,000 registered apprentices. In 2005, the country had only 1,500. South Africa needs to produce 12,500 artisans per annum 7,500 more than the present.

In 2009, Kumba had 725 apprentices, a significant proportion of South Africa's total. The training provided by Kumba is vital.

Kumba wants to retain its employees. Compared to the average, Kumba's rate of staff turnover is very low (on average 3% per annum) which is testimony to the effectiveness of the retention strategies it employs which are designed to keep its employees happy, stimulated and productive.

Employee contentment is achieved through competitive remuneration and robust growth and development programmes. Kumba also seeks to attend to its employees' needs at levels above material compensation. Innovation, dedication and commitment are recognised; in fact Kumba's prestigious Laurel Awards are designed specifically for this purpose.

Kumba has dedicated wellness teams at corporate office and on the mines whose role is to provide employees with the support they need, whether physical, emotional or psychological.

In order to facilitate employee development, Kumba recently introduced personal performance plans (PPPs) designed to assist employees to reach peak performance. Employees will be involved in drafting their own performance plans which will give them clear guidance in terms of what is expected of them. The PPPs form part of Kumba's drive to enhance its organisational responsibility and capability, a component of its new four-legged strategy.



Training and development

The following sections provide the reader with an overview of Kumba's training programmes:

Kumba's spend on training during 2009 was R91 million up from R85 million last year. This amounts to 5.3% of the total payroll and equates to R16,061 per employee (or R7,552 if contractors are included).

Kumba's training interventions include those prescribed by the Mining Charter as well as its own programmes. The charter stipulates that Kumba must provide adult basic education and training, or ABET, learnerships, training for contractors, portable skills training to enable employees to work outside of the mining sector, and that Kumba implements career progression plans for previously disadvantaged South Africans.

ABET

At December 2009, there were 171 Kumba employees with less than an ABET 2 qualification. Kumba is intensifying its efforts to get these employees to enrol for ABET classes with a view to improving their functional literacy and numeracy. During 2009, 28 of these employees enrolled for ABET 2, 13 during the first semester and 15 during the second.

Professionals in training

One of Kumba's key development programmes is its professionals in training (PITs) programme. This is the collective name for all Kumba's graduate and diploma trainees participating in the PIT programme. In the pool of trainees Kumba distinguishes between technical

graduates (those completing a university degree), technicians and technologists (completing a technology diploma or degree) and non-technical graduates (completing a non-technical degree or diploma).

The PIT programme ranges from 24 to 36 months depending on the professional's discipline and qualification. The PIT programme is structured according to the requirements of different professional bodies such as the Engineering Council of South Africa (ECSA) to ensure that PIT training is relevant and discipline specific. Non-technical skills are also developed within the training period with a focus on report writing, personal development and management skills training.

During 2009, there were 38 enrolled PITs, less than the targeted number of 55.

Learnerships

The total number of learners at Kumba as at December 2009 was 234, less than the number targeted (275). The reason the target was not met was because learners' contracts were extended from 18 to 24 months in order to give them more practical exposure before joining Kumba on a permanent basis.

Bursaries

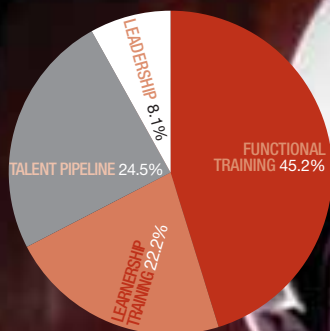
Kumba has an extensive bursary programme. Altogether 62 bursars were supported during 2009 with the majority of bursars studying either metallurgical or industrial engineering.

An annual function supported and attended by Kumba Exco recognises the achievements of the bursars. Bursars are awarded with cash prizes based on the previous year's results. The function allows bursars the opportunity to interact with bursars from other institutions and disciplines and also exposes the bursars to Kumba and its culture and values.

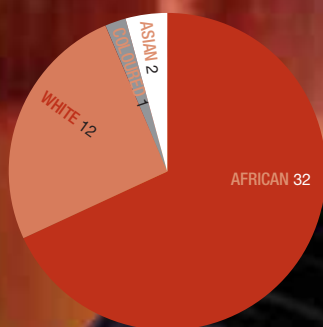
Kumba also funds the attendance of learners at bridging schools designed to facilitate the entry by these learners into a tertiary education institution. In 2009 six bursaries were awarded to learners from Kathu (five) and Thabazimbi (one), to attend the bridging school.

Even during the severe global economic downturn Kumba retained its focus on skills development and continued to spend a significant portion of payroll (5.3%) on this aspect of the business.

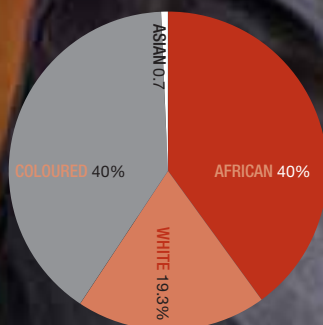
BREAKDOWN OF TRAINING (%)



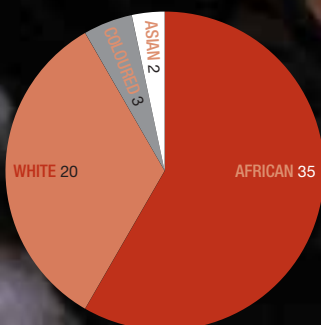
PROFESSIONALS IN TRAINING (#)



KUMBA LEARNERS (%)



KUMBA BURSARS (#)



Employee relations

Industrial action

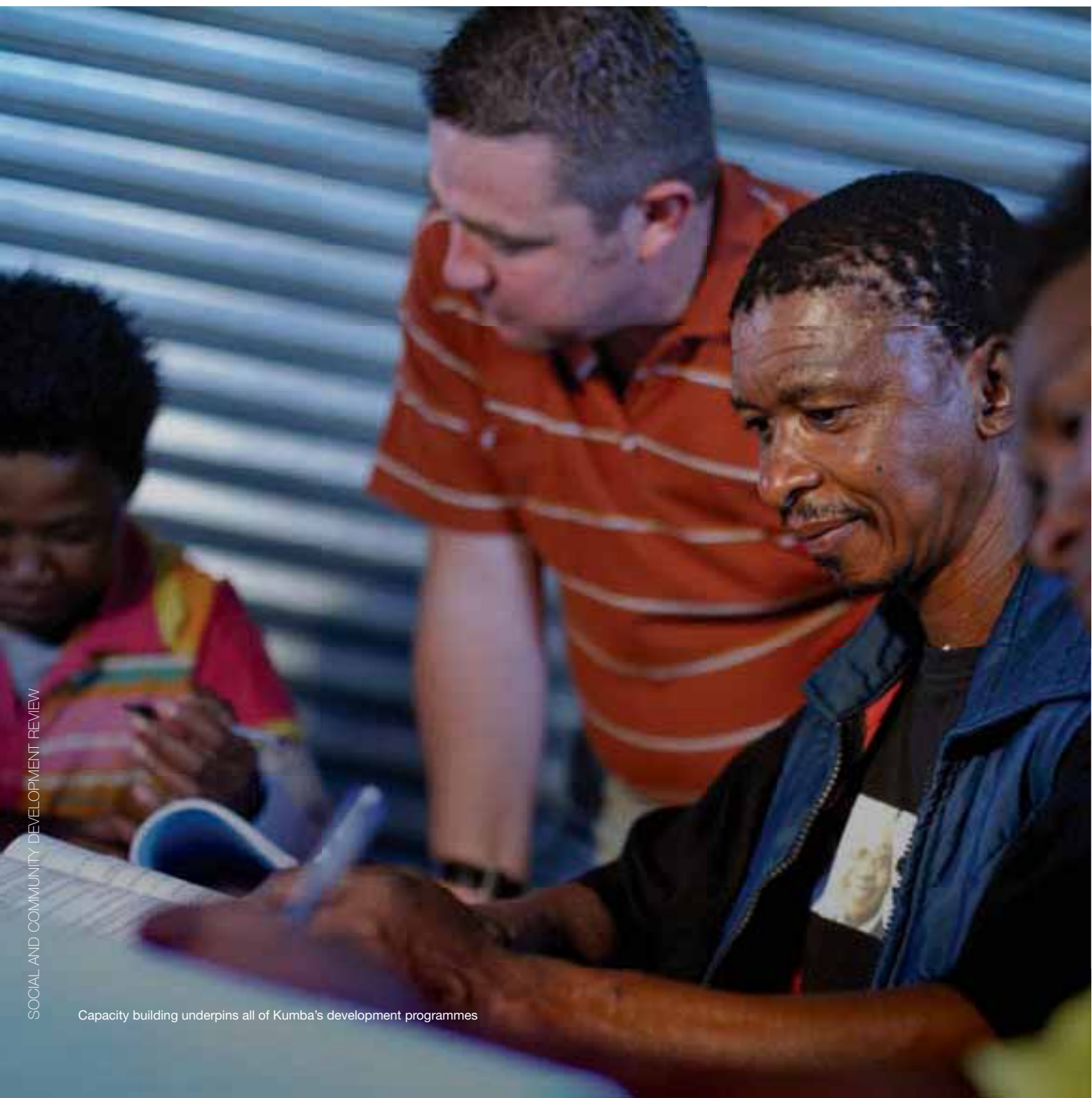
in 2009 there was no labour unrest or industrial action which resulted in production losses for this period. Kumba believes that its relationships with the newly elected branch committees of the National Union of Mineworkers (NUM) as well as the established committees of Solidarity are very good and helped contribute to stability within the workforce and to sound labour relations on the shop floor.

Union engagement

More than 70% of Kumba's workforce are members of organised labour. The relationships between Kumba and the labour representatives are governed by an entrenched engagement process that ensures that all issues are addressed promptly. The collective bargaining process was assisted by a multi-year agreement entered into in 2008 and the agreed adjustment to wages and conditions of employment was implemented for the bargaining unit on 1 July 2009.

Disputes

During the year, 13 cases were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) after following regular disciplinary procedures. Of these, eight cases were finalised and the remainder referred for further processes and procedures as per the requirements of the Labour Relations Act.



SOCIAL AND COMMUNITY DEVELOPMENT REVIEW



The success of Kumba's social and community development programme is contingent on its ability to form partnerships. Partnerships are important at all stages of the process: at conceptualisation, where a range of ideas and knowledge is necessary; at planning, where the logistics of implementation are refined and detailed; and at implementation itself where delivery is not generally the responsibility of Kumba.

Kumba engages proactively with stakeholders including local communities, government, regulators and surrounding business partners with the aim of promoting positive, mutually beneficial outcomes in the areas where it operates. In addition to maintaining open channels of communication, Kumba engages with other local institutions such that benefits accrue to communities through the promotion of public health and safety, environmental stewardship, enterprise development, education, health, sports and recreation, and arts and culture.

In terms of assisting government to advance sustainable development, Kumba supports projects to build the skills and capacity of local officials where the company operates. This includes providing technical assistance in infrastructure projects, establishing local economic development forums, researching developmental needs and establishing strategic partnerships.

CSI SPEND

HEAD OFFICE

R19,970,728

SISHEN

R19,434,441

THABAZIMBI

R1,313,422

KOLOMELA

R316,409

Social and community development strategy

Kumba aims to make a positive difference in the communities where its mines are located and in labour sending areas by using its skills and resources to conduct business in a way that benefits both communities and Kumba. Kumba is cognisant of the important role it plays in these areas and leverages its influence to assist government in uplifting the standard of living of host communities.

Through its social and community development strategy, Kumba strives to make a positive impact by running its operations responsibly and by investing in local communities. The key test for any community investment is that it should create a meaningful and sustainable impact – one that is relevant to local needs, aligned with Kumba's business and undertaken in partnership with local stakeholders. Key to the success of its interventions is the creation of a level of independence and ensuring that projects are self-sustaining.

Kumba's social and community development strategy requires that Kumba becomes a pro-active company. To ensure that it achieves its goal, Kumba revised its strategy during 2009 to focus on the following areas:

- Compliance with the requirements of the SLPs
- Visibility in host communities
- External communication and engagement
- Impact assessment and exit strategy
- Partnerships with the community development trust and other key stakeholders
- Post-closure sustainability
- Implementation of flagship education, health and enterprise development projects.

Stakeholder engagement

As one of the largest employers and contributors to the economy of South Africa, Kumba recognises the significant interest stakeholders have in how it conducts itself. Engagement assists Kumba to identify material issues, shape its approach to addressing such issues and strengthen its operations. The dialogue between Kumba and its key stakeholders allows the company to better align its social and environmental objectives with the priorities of society. At the same time, engagement can present challenges as stakeholders' desired outcomes may not always be aligned with those of Kumba, or with what is practicable.

Kumba focuses its engagement efforts on groups and individuals directly impacted by its operations or who can have a direct impact on its operations or reputation. Its engagement process is guided by the socio-economic assessment toolkit (SEAT), community engagement plans and the Stakeholder Engagement Strategy.

Engagement takes many forms: one-on-one discussions, group dialogues and briefings, local, provincial and national focus group forums, community consultations and internal publications.

Kumba's commitment in every host community where it operates is to assist the government to develop social and economic capacity in a way that benefits society and its business over the long term. Achieving this is best accomplished by forming partnerships with community leaders and organisations. All Kumba's mines applied the guidelines contained in the SEAT 2 manual and developed reports and management responses to address community concerns in the spirit of building and maintaining positive relationships with communities.

With regards to the importance of stakeholder engagement as part of the social and community development process, the following are noteworthy:

- During 2009, Sishen Mine hosted the Northern Cape Economic Summit, an important milestone for Kumba which cemented the relationship between the company and the province. This resulted in the Development Bank of Southern Africa classifying the John Taolo Gaetsewe

(JTG) District Municipality (where Sishen Mine is located) and the Postmasburg area (where Kolomela Mine is located) as areas of strategic importance to the growth and economic sustainability of the Northern Cape. The summit was launched in partnership with the Department of Economic Affairs, and supported by the Premier of the Northern Cape Province. This classification implicitly identifies Kumba as an important roleplayer in the economic viability of the Northern Cape.

- During 2009, Sishen Mine also facilitated the formulation of two negotiation forums: the Setlhare Educational Forum and the LED District Mining Forum. The purpose of these forums is to provide a platform where provincial and district government and local mining companies – Kumba, Assmang and BHP Billiton – can discuss, prioritise and agree on joint support for future social investment projects in the JTG District Municipality. A baseline study commissioned by these companies will be used as the primary input document for the identification of all projects to be supported by the companies.

- Kolomela Mine, as a new operation, had to forge new relationships with local stakeholders. Its open days and other "meet and greet" functions have increased its profile amongst local people. For 2010 it will lead the drafting of a social partnership standard for business partners wanting to get involved with its development programmes.

Part of this process involves the identification of potential or established NGOs to partner with or to drive development interventions.

- Thabazimbi Mine facilitated the establishment of the Local Economic Development Forum (LEDF). The key objective of this forum is to discuss social and labour plan progress, share lessons learnt, discuss challenges and develop joint mitigation measures to enable the mine to meet its legal obligations. As part of implementing the LEDF strategy, Thabazimbi Mine sponsored the summit where the strategy was presented to stakeholders.

Performance

Thabazimbi Mine: caring for the community

Due to a combination of increased traffic, poor road markings and a narrow road, traffic incidents increased at the Donkerpoort junction near Thabazimbi.

During late 2008, the mine approached the local municipality and provincial government and offered to fund the upgrading of the road and installation of appropriate signage at a cost of R1 million. The project, which commenced and was completed in 2009, comprised widening the road, building an island to separate vehicles, providing additional lanes, installing “cat eyes”, marking of slipways and installing warning signs on both sides of the turn off.

This improvement did not only enhance the safety of the mining vehicles but also contributed to the safety of the general public.

The cornerstone of good corporate citizenship is listening and responding to stakeholders. For this reason, Kumba has a company-wide approach for engaging with stakeholders. The mines and head office have dedicated staff who liaise closely with local communities and work with technical and management staff to address issues and concerns.

Social and labour plan commitments and performance

Kumba's social and community development programmes are embedded in the mines' approved Social and Labour Plans (SLPs). The three primary focus areas of the SLPs are poverty alleviation, community development and the provision of infrastructure. These focus areas are aligned with local municipalities' Integrated Development Plans.

In 2009, Kumba spent R37.8 million on development interventions – the vast majority was spent by the Kolomela Mine on the upgrading of infrastructure in the Tsantsabane Local Municipality. This amount does not include other investments made that are not part of SLP commitments. Kumba also provides support through donations and voluntary work by conducted by Kumba employees.

Applying lessons learnt

Kumba is aiming to ensure that it delivers on all commitments made in the SLPs. During 2009, Kumba only spent R37.8 million of the R55 million committed. The reason for this was attributed primarily to the unsuitability of the allocated site for bulk water storage facility in Kuruman, Northern Cape. The geotechnical studies revealed that the area is situated on dolomite which is not suitable for the construction of the facility. Subsequently, a new site was identified and construction postponed until 2010. Other challenges which delayed the implementation of SLP projects include the finalisation and sign-off of a memorandum of agreement between various sponsors, availability of land and local government capacity to expedite project implementation. In addressing some of these challenges, Kumba seconded some of its employees to support local government and has availed its excess land to implement SLP projects. Lessons learnt from each project were shared across the mines and action plans were developed to manage and mitigate similar risks in future projects. Kumba also offers support to the local municipalities where it operates on an ad hoc basis.

SPEND ON INFRASTRUCTURE

KOLOMELA
R13,219,489

THABAZIMBI
R500,000

SISHEN
R278,584



Kumba recognises the importance of engaging with its regulator, the DMR, on an ongoing basis and to inform it of progress made against SLP commitments and challenges experienced during implementation. In addressing its legal obligations, Sishen and Kolomela mines submitted their first annual SLP compliance reports to the DMR during 2009. Thabazimbi Mine is scheduled to report during 2010.

How does Kumba give back to communities?

In addition to SLP commitments, Kumba's ability to build mutually beneficial long-term relationships is enhanced by additional support in the form of Corporate Social Investment (CSI) projects that simultaneously provide lasting community benefits and direct business value. This approach involves working closely and cooperatively with government, communities, and non-governmental organisations to assess and understand the socio-economic conditions of host communities. Sishen Mine, situated in the John Taolo Gaetsewe District, initiated a research programme within rural communities with the aim of understanding the development needs of local people. The outcomes of the research will be used by local mining companies and the provincial authorities to inform future strategies designed to uplift local people.

The CSI programmes include enterprise development, health, education, sports and recreation, public safety and health, educational and environmental management interventions. Community interventions are administered and implemented by the Social

and Community Development Department. Additionally, Kumba also provides technical support to community development projects funded through the SIOC Community Development Trust, which owns 3% of the Sishen Iron Ore Company. Kumba's host communities also benefit from Kumba's contribution to the Anglo Chairman's Fund. During 2009, Kumba contributed R10 million to the fund.

Kumba recognises the overlap between SLP, CSI and Community Development Trust interventions and is looking to streamline partnerships with the beneficiaries of the trust and the manner in which projects are selected and managed so that greater impact can be achieved with larger projects through economies of scale.

Enabling education and training

In 2009, Kumba approved R2.7 million to fund Maths Centres to provide a mathematics and science teacher and learner support programme within host communities. Beneficiaries are from 30 rural schools located in Thabazimbi, Tsantsabane and John Taolo Gaetsewe Municipalities. Negotiations and agreement with the national Department of Education and local government to identify participating schools were completed in 2009 and implementation will begin in 2010.

Kumba, in partnership with the SIOC Community Development Trust, invested R8 million to upgrade the Environmental Centre at Marakele National Park, near Thabazimbi.

SPEND ON COMMUNITY DEVELOPMENT

SISHEN

R17,115,536

THABAZIMBI

R513,422

Providing comfort and meeting basic needs

Thabazimbi Mine donated a building for the establishment of a community wellness centre. The building has been upgraded to meet legal standards. The community wellness centre will be fully operational during 2010. The total cost for the upgrade was R900,000.

In support of public health and safety interventions, Thabazimbi Mine established the victim empowerment centre in partnership with the local South African Police Service and the Department of Social Welfare. The centre caters for victims of abuse. It serves as a temporary accommodation facility before victims are taken back to their families.

The mine made its emergency services available to the municipality on a continual basis to deal with emergency situations in the area. The mine is also actively involved in the local Fire Prevention Association.

In support of food security, Sishen Mine established a distribution centre to distribute fresh food, dry commodities, clothing and blankets to needy people in the Gamagara Local Municipality. An average of 1,331 beneficiaries is reached per month.

These prefabricated buildings will house a local business and the maintenance office of the fuel cell business.

This centre will provide environmental and nature conservation education to all schools visiting the park. The centre also provides accommodation facilities for school children and teachers.

Computer literacy is essential to compete in today's global economy. In 2009, Kumba's new Kolomela Mine invested R1 million to upgrade five computer rooms at Postmasburg Primary School.

In the Gamagara Local Municipality, Kumba spent R4.2 million during 2009 to support educational opportunities for children in the Kathu, Olifantshoek, Debeng, Sesheng and Dingleton communities. In 2009, in partnership with the National Business Initiative, the Education Quality Improvement Programme was revised. The programme includes teacher and learner support, remedial support, upgrade and maintenance of computer centres and the provision of learning material.

Ongoing support of the Bana Early Childhood Development Centre (ECD) and the construction of a Grade R facility was completed and officially opened during 2009. Sishen Mine also granted bursaries to three class assistants to enrol at the University of South Africa for a formal ECD qualification. Upon completion, the assistants will be employed at Bana.

Kumba offers internship, bursaries and learnership opportunities to local people based in other municipal areas to further their studies. The bursaries and learnership programmes are managed by the Human Resource Department and discussed in the Employee Review section of this report.

Small enterprise development

Since the launch of Sishen Mine's small business start-up hub, 23 businesses have been created. Funding of the businesses is provided by Anglo Zimele and amounts to R10 million. These businesses were able to generate a turnover of R54 million over the past 20 months. The hub has made a difference to 250 local community members who benefited through permanent employment. Sishen Mine partnered with a mentoring company to provide additional business support and mentorship to individual entrepreneurs. Informative workshops in all relevant fields of business are also conducted. Since October 2009, 220 people attended the workshops which addressed human resources management, financial management, marketing and business planning.



Empowering women

Kumba embraced the Celebration of Women's Month by launching, in partnership with Thabazimbi Local Municipality, its second rural women empowerment initiative "Bomme Itsoseng" in Thabazimbi. After the success of the first initiative that was launched in 2008 in Kuruman, Northern Cape, the Mayor of Thabazimbi echoed his interest to roll-out the initiative in Thabazimbi. Bomme Itsoseng is a Setswana phrase which means "Women rise and do it for yourselves". This annual event aims to empower, motivate, provide information and to understand the needs of women in mining communities. The event also enables the municipality and local businesses to identify and implement development programmes which are aligned with the needs of the community.

Kumba believes that there is a lot more that can be achieved if women are empowered to make decisions and raise their voices in community development interventions. Through this initiative, Kumba believes that empowering women will truly empower families, children, future generations and the nation at large. The Mayor of Thabazimbi, councillors and senior government representatives attended the workshop sessions and listened attentively to the needs and priorities identified by ordinary women of the community. The topics of discussion included housing, education and skills development, social support, healthcare, security, economic empowerment opportunities and basic services.

Local development organisations and businesses also exhibited their services and shared information with the community. Thabazimbi Mine's Itireleng Community Skills Development Centre was also present to show-off some of the skills its attendants acquired at the centre.

A key project aligned with the Bomme Itsoseng initiative in Kuruman is the implementation of a renewable energy project using zinc fuel cells. This project started in 2009 in two rural villages identified by the JTG District Council. Ten community members were identified and are currently working and receiving training from the company implementing the technology. These community members will be responsible for running the service shop and future implementation of the technology in the area. The completion of the project is scheduled for 2010 and will enable 250 households to have access to renewable energy.

New Horizons entrepreneurial award

Launched in 2007, Grade 10 learners of schools in the Northern Cape were tasked to develop and submit business plans for evaluation by a committee with entrepreneurial expertise. Viable business plans were supported with start-up capital.

Selected entrepreneurs received training on financial skills, marketing skills and customer care. Of the initial 24 selected businesses, 11 survived, and three winning businesses were selected.

The young entrepreneurs gained substantial experience in business management while still busy with their schooling. They received business management training at no cost to them and were able to source start-up capital without surety.

The three winning businesses were selected by an independent panel against set criteria. The criteria included financial management, environmental impact and social investment.

Hencor Scrap Metals from Hartswater, belonging to two boys from Hartswater High School, walked away with the first prize of R80 000. They buy and sell scrap metal. In second place was Future Creations from Springbok, a sandblasting business initiated by a young girl from St Anna Private School, who received R50 000 in prize money. The third prize of R30 000 was awarded to Smulhoekie from Loeriesfontein. This is a catering and bakery business run by three scholars from Loeriesfontein High School.

Dingleton

The resettlement of the Dingleton community is a key element in Kumba's Sishen West Expansion Project (SWEP).

The relocation will proceed only if the following criteria are satisfied:

- The overwhelming majority of Dingleton's residents support the relocation.
- All tiers of government approve the conditions for the resettlement.
- Kumba is satisfied that the resettlement is feasible.

If the resettlement goes ahead, then Kumba guarantees that the process will follow the letter and spirit of the International Finance Corporation's (IFC) Performance Standard 5: Land Acquisition and Involuntary Resettlement and the Anglo Social Way. The central tenet of the performance standard is that, where resettlement is unavoidable, the client will offer displaced persons and communities compensation for loss of assets at full replacement cost and other assistance to help them improve their livelihoods.

All prefeasibility planning that has taken place to date has followed the requirements of the standard. The prefeasibility work's intention is to establish the degree to which the residents of Dingleton would be prepared to resettle, the conditions under which resettlement would be feasible, and the associated costs. The sensitivity of resettlement demands that the consultative aspect enjoys priority. The following milestones are thus relevant:

- A meeting held in January 2009 to obtain consent from the community to appoint a consultant.
- A meeting held in February 2009 to agree the need to establish a Resettlement Working Group (RWG).
- A meeting held in March 2009 to nominate representatives from Dingleton for election onto the working group. A total of 399 votes were counted from a community of 550 households and 92 dwelling units. The independent observers, ESIA, declared the process to be free and fair.
- Six RWG meetings held to date.
- A number of meetings held to inform residents what has been discussed at the working group meetings and which recommendations have been agreed to by the RWG. The most recent of these was held in September 2009.

640

HOUSEHOLDS

2,886

PEOPLE LIVING IN DINGLETON

98.8%

IN FAVOUR OF RELOCATION

The working group comprises the following members:

- Six from Dingleton (three men and three women).
- Four from the Gamagara Local Municipality including two ward councillors and the Technical Manager.
- Three from the Northern Cape Provincial Government.
- Two from Kumba.
- The appointed consultants acting in an advisory capacity.

The RWG is constituted as an advisory panel. As such its recommendations are not binding but these are recorded and become a matter of the public record.

In addition to the working group meetings a series of formal Joint Steering Committee meetings with provincial and local government took place. These meetings discussed progress and also ensured that relevant government departments were informed of developments.

A key component of the process revolves around the collection of data from households as part of the Baseline Census and Asset Survey. Households were interviewed and the fixed assets belonging to each household described and measured. As per the IFC standard, the following information was collected:

- Household demographic data.
- Household and secondary structures.
- Number of fruit trees within the site.
- Economic activities undertaken from the site.
- The incidences of disease or illness amongst household members in the last six months.
- Deaths and births in the past year.
- Household income and expenditure.
- Material possessions.
- Economic access, focusing on any economic disruption that may occur due to the project.
- Use of social infrastructure.

The majority of people support the move provided the replacement housing is the same standard as that lost and that the same facilities are available.

There is also suspicion of Kumba's true reason for initiating the resettlement. The belief amongst some residents is that Kumba wants to mine beneath Dingleton which provides sufficient reason for some to claim the right to royalties.

At the time of writing, Kumba's resettlement team is compiling the prefeasibility study report, updating the project charter and completing all documentation necessary for the project to move to the feasibility stage.

48%

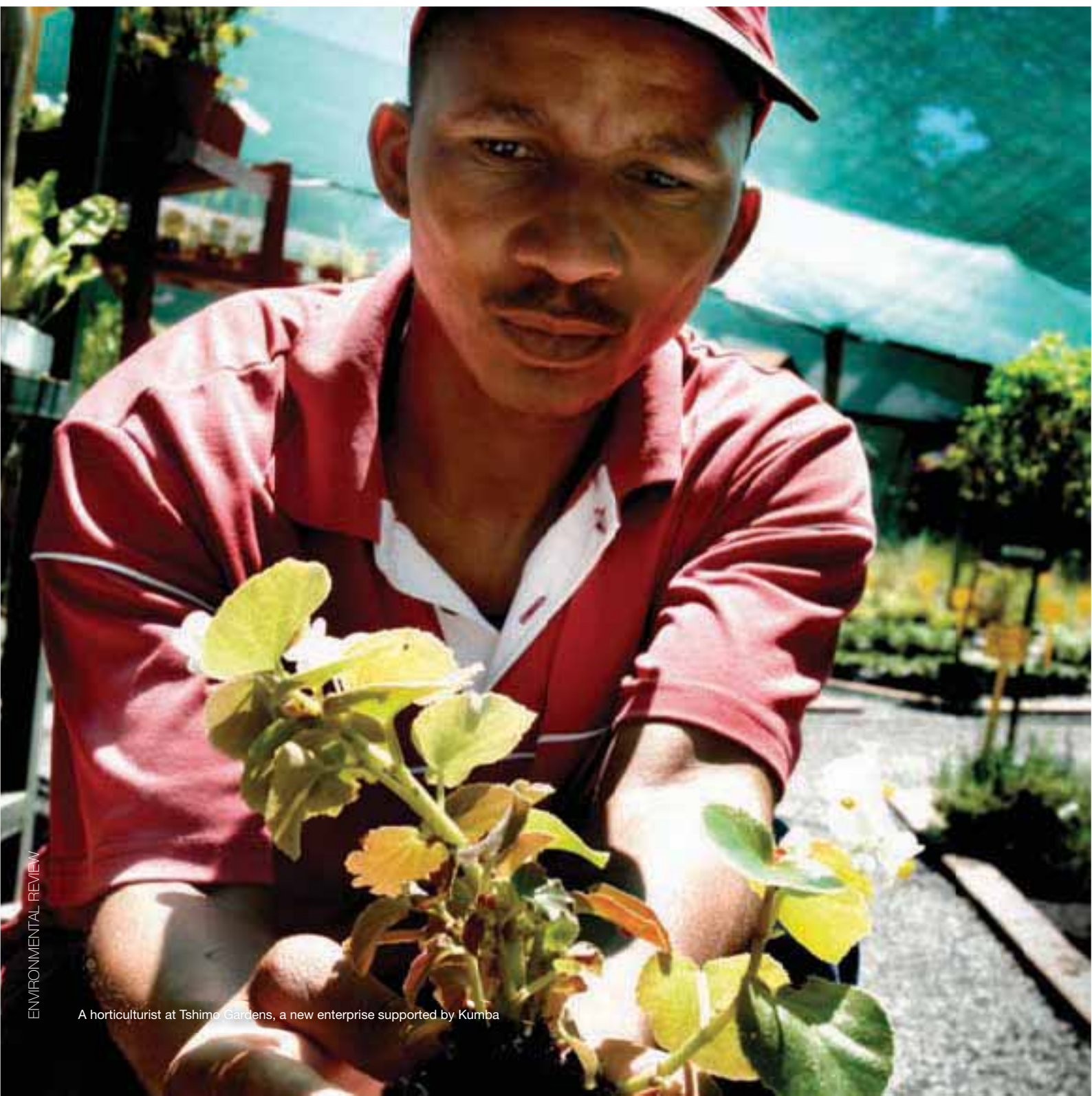
FORMALLY EMPLOYED

6%

PENSIONERS

R6,500
per month

AVERAGE HOUSEHOLD INCOME



ENVIRONMENTAL REVIEW



Kumba aims to minimise the environmental impact of its operations by taking a systematic and disciplined approach and applying sophisticated risk assessment techniques that directly inform its strategic initiatives and plans. During 2009, Kumba focused on the management of six environmental aspects, namely: energy, water, air quality, non-mineral waste, land and compliance to legal and other requirements. Within these, Kumba identified nine key risks for attention: water consumption and quality, dewatering, energy consumption, waste rock dump rehabilitation, managing farms owned by the company, dust emissions, hydrocarbon pollution, the generation and reduction of non-mineral waste and legislative compliance (refer to the summary table overleaf).

Environmental management is not confined to a single department within Kumba. For example, energy and water consumption and efficiency, plus greenhouse gas emissions, are championed by the Engineering Department. Coordinating environmental management is an intra- and inter-company affair with many internal engagements taking place. A strong connection with Anglo American also exists through which best practices, lessons and ideas are shared.

In the following pages, Kumba's strategy and performance with regards to environmental management are discussed.

ENERGY CONSUMED (GIGAJOULES)

5,063,745

GREENHOUSE GAS EMISSIONS (TONNES)

701,250

WATER CONSUMED (M³)

7.5 x 10⁶

STRATEGY

land management
strategy **finalised**

Environmental performance summary

Priorities	Focus area and initiatives	Performance
water	Dewatering	
	Sink structure repair	☹️
	Internal reviews on all work done on dewatering	😊
	Ongoing assistance to farmers	😊
	Geohydrological studies (Sishen and Kolomela mines)	😊
	Geotechnical studies (Sishen and Kolomela mines)	☹️
	Long-term strategy to manage and mitigate the impact	😊
	Consumption and quality	
	Implementation of licence conditions (Sishen Mine)	😊
	Governance (structures, roles and responsibilities)	😊
	Efficiency or saving initiatives	😊
	Water balance, water targets and footprint model	😊
	Contractual agreements with municipality (supply and quality)	😊
	Ongoing monitoring	😊
	Consumption	
energy	Energy savings and initiatives	😊
	Governance (structures, roles and responsibilities)	😊
	REDUCE model	😊
land	Rock waste dump rehabilitation	
	Rehabilitation strategy approved by DMR (Sishen Mine)	😊
	Shade netting trials (Sishen Mine)	😊
	Concurrent rehabilitation (Sishen Mine)	☹️
	Tyre pit rehabilitation (Thabazimbi Mine)	😊
	Kumba owned farms	
	Land management strategy	😊
	Identify biodiversity opportunities	😊
air quality	Identify enterprise development opportunities	😊
	Dust emissions	
	Finalise (Thabazimbi Mine) and implement (Sishen Mine) AQMP	😊
	Ongoing monitoring	😊
non-mineral waste	Upgrade of monitoring equipment and frequency	😊
	Hydrocarbon pollution	
	Construction (Thabazimbi Mine) and permitting (Sishen Mine) of treatment sites	☹️
	1st phase: rehabilitation of hydrocarbon polluted areas (Sishen Mine)	☹️
	Reduction methods for polluted soil (Sishen Mine)	😊
	Generation and reduction	
	Waste reduction targets	😊
	Waste recycling plants	😊
legislation	Integrated waste and water management plans	😊
	Opportunities for reuse of treated soil	☹️
	Compliance	
	External legal compliance audits	😊
	Internal review on all permits and licences	😊
	Closure of waste site	☹️
	Thabazimbi Mine water licence authorisation	☹️
	Authorisations	😊

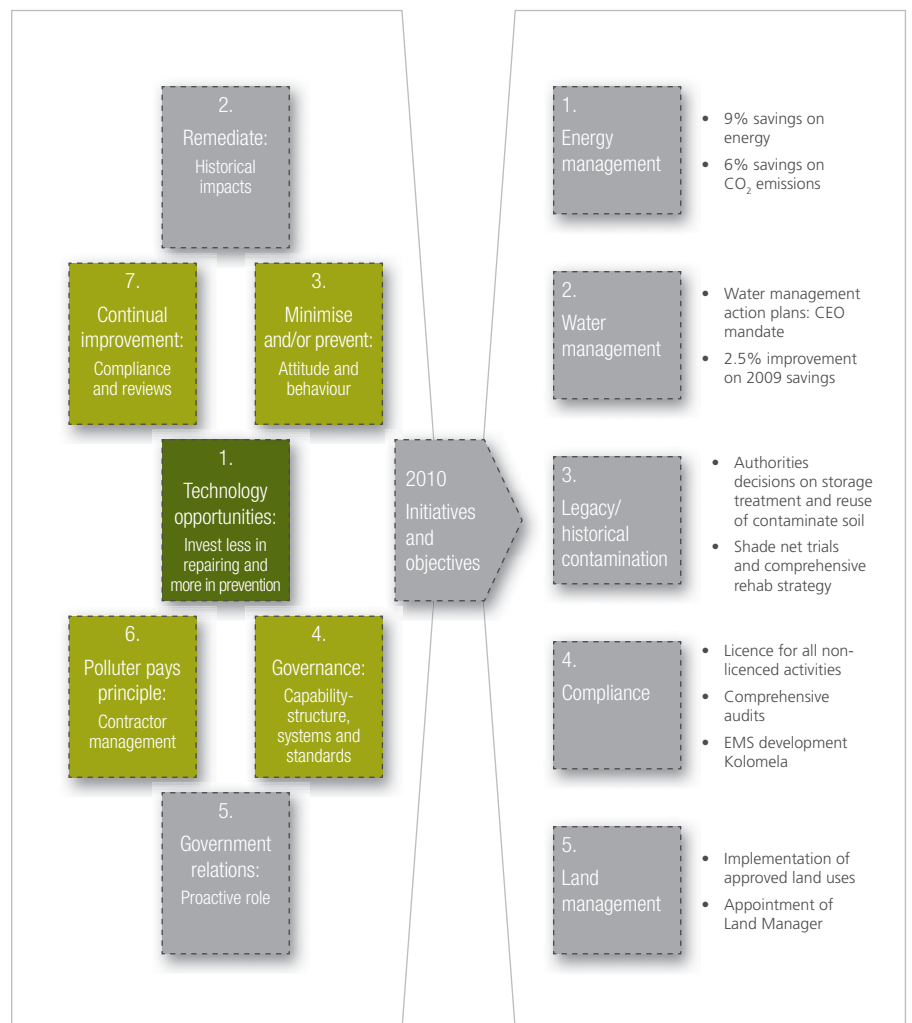
😊 Target achieved 😊 Significant progress made: target likely to be achieved ☹️ Significant progress made: target likely not to be achieved ☹️ Target not achieved

Strategy

Kumba believes that a well conceived and executed environmental strategy will provide a competitive advantage by strengthening its position on current and future licences to operate. Its environmental strategy aims to position the company as a proactive responsible corporate citizen and to act beyond legislative compliance. This will be achieved through the strategic approaches shown in the figure to the right.

Environmental management programme

Sishen, Thabazimbi and Kolomela mines have approved Environmental Management Programmes (EMPRs) issued by the Department of Mineral Resources (DMR). As and when activities are changed or new activities added, the EMPRs are amended and submitted to the DMR for approval. In order to satisfy the requirements of Regulation 55 of the Mineral Petroleum and Resource Development Act (MPDRA, 2002) and Regulation GN 704, the mines undertake annual performance assessments of the commitments made in the EMPRs for submission to the DMR. As part of the mine closure plans, an extensive physical and financial assessment is also done to address the requirements of the MPRDA in relation to financial provisioning for mine closure. A key development during 2009 was the finalisation of shortfall arrangements for both Sishen and Thabazimbi mines.



Energy

Kumba's energy management programme is an extensive effort designed to understand how much energy Kumba uses, where this energy is used, how efficiently it is being used and then designing interventions to reduce overall consumption and to use energy more efficiently. The principles used to understand and manage energy consumption are also applied to water use.

Energy consumption

Kumba is a signatory to the National Energy Efficiency Accord and aims to reduce its energy consumption to 15% of the 2004 baseline by 2014. This implies a 1.5% reduction in energy consumption each year for the ten-year period which started in 2004. Thus for 2009, Kumba was required to have reduced its overall energy consumption by 7.5% since the 2004 baseline year (for 2010 the target is 9%).

During 2009, Kumba produced 42,298,046 tonnes of ore (2008: 36,265,639 tonnes). Energy consumed in 2009 was 5,063,745 GJ. This was higher than the 4,265,218 GJ consumed in 2008 – refer to graph below.

Energy efficiency

It is important to note that the more tonnes of iron ore Kumba mines the more energy it uses. There are also other factors that cannot be controlled that will result in higher energy consumption such as longer haul distances, lower quality ore and a deeper ore body. It is thus impossible to reduce absolute consumption relative to the 2004 baseline, but it is possible to use energy more efficiently (the concept of the adjusted baseline).

The adjusted baseline is calculated for each specific section or department of a mine.

The energy that a section or department will consume in 2009 by 2004 standards is calculated for that section by adjusting its 2004 consumption to its primary production variables for 2009 (e.g. tonnes mined or tonnes processed) and a secondary variable which cannot be controlled (e.g. haul distance or ore quality). The baselines for the different sections are added to determine the energy that the mine should have consumed in 2009 under conditions similar to 2004 and that is the adjusted baseline. The actual consumption for 2009 is then compared to the adjusted baseline and if the actual consumption is less it means the mine has used energy more efficiently. Kumba therefore determines in advance how much energy it will require for a given year based on 2004 standards and then calculates savings measured against this number.

Kumba's product intensity decreased marginally for 2009 compared with 2008. Kumba calculated that it would require 5,509,194 GJ for 2009 by using the adjusted baseline; it only consumed 5,063,745 GJ, a saving of 8.09 % which is 91.91 % of the adjusted baseline.

Energy saving initiatives

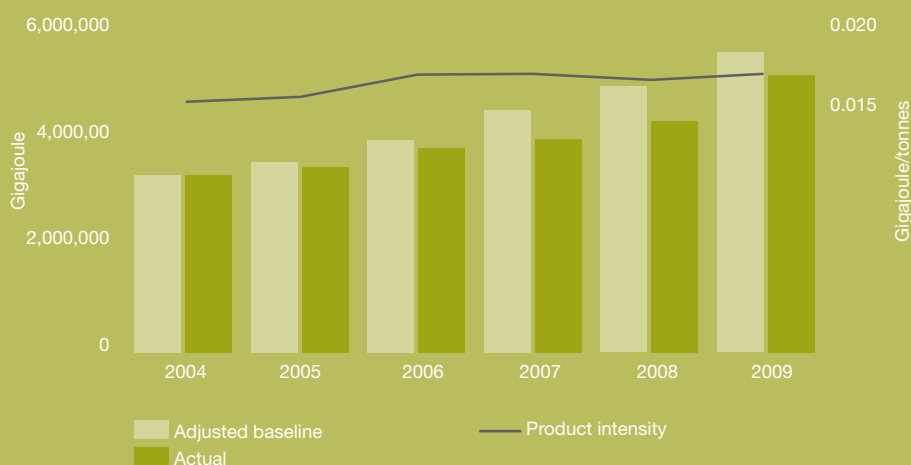
Kumba is pursuing several initiatives designed to reduce the amount of energy it uses:

- Project REDUCE: this is the data management and modelling platform which Kumba uses to manage energy and emissions. REDUCE is also used to calculate the adjusted baseline.

ENERGY CONSUMPTION AND TONNES ORE PRODUCED



ENERGY EFFICIENCY



Several corrections and improvements to the system were effected during 2009.

- DEEMS (Diesel Energy Efficiency Management System): DEEMS is a unique system that monitors and analyses fuel efficiency in a complex and dynamic production environment by matching fuel usage to work done in comparison to a chosen baseline period. The key output of the system is energy and carbon emissions reduction amounting to between 10% – 15% in four years.
- Solar water heating: Sishen Mine is installing solar water heaters as part of its hostel conversion project.
- Heat pumps: The water heaters at Sishen Mine's change house are to be replaced

with more energy efficient heat pumps. A heat pump project also began at Thabazimbi Mine.

- Dust extraction systems: Kumba initiated a programme to replace its existing dust extraction systems with mist systems to save on electrical energy.
- Brute force feeders: Kumba replaced its electromechanical feeders with brute force feeders which are less energy intensive.

Electricity supply security

Securing the supply of electricity to Kumba remains a key focus. Whilst South Africa focuses on building new generation capacity,

urgent action is required to manage current power demand. One of the key initiatives in this regard is Eskom's Power Conservation Programme (PCP), which, along with Demand Side Management (DSM) and cogeneration, form the pillars of the country's demand management strategy. PCP provides a short to medium-term solution to South Africa's electricity shortage and is designed to meet the country's energy needs. Kumba has been working with Eskom to ensure that it contributes to the national effort whilst simultaneously ensuring that power to its mines is guaranteed. The PCP consists of a range of elements, the most relevant to Kumba being the Energy Conservation Scheme (ECS). The ECS requires that all participating consumers achieve energy savings targets, with associated incentives, or face penalties for failing to do so. Kumba has agreed ECS allocations with Eskom for all its operations.

The establishment of Kolomela Mine posed several challenges in terms of the ECS because it is a new mine with no Eskom baseline consumption. In order to receive the required electricity supply from Eskom, the mine is being designed to be as energy efficient as possible utilising the best energy efficiency technologies as a trade-off to further electricity reduction targets. Kumba also negotiated with Eskom that any electricity savings made on municipal connections will be accepted by Eskom and as a result the project is installing solar water heating systems in all of the houses that are currently being built to accommodate employees.

Climate change and greenhouse gas emissions

The tonnes of CO₂ equivalent generated by Kumba are a direct result of its use of primary and secondary sources of energy. Primary sources are diesel, petrol and explosives consumed; the sole secondary source is the electricity purchased from Eskom.

Climate change is a major global issue, one which justifies precautionary action in pursuit of a long-term goal of reduced greenhouse gas emissions. Public debate and government policy development concerning climate change intensified in the run-up to the December 2009 United Nations conference on climate change in Copenhagen, Denmark.

Although no new legally binding global treaty was agreed to, the participants, including the US and China, agreed to the Copenhagen Accord to set the world on a path towards greater climate security.

This requires deep cuts in emissions to limit the increase in global temperature to below 2°C. South Africa will take nationally appropriate mitigation action to enable a 34% deviation below the 'business as usual' emissions growth trajectory by 2020, and a 42% deviation below the 'business as usual' trajectory by 2025.

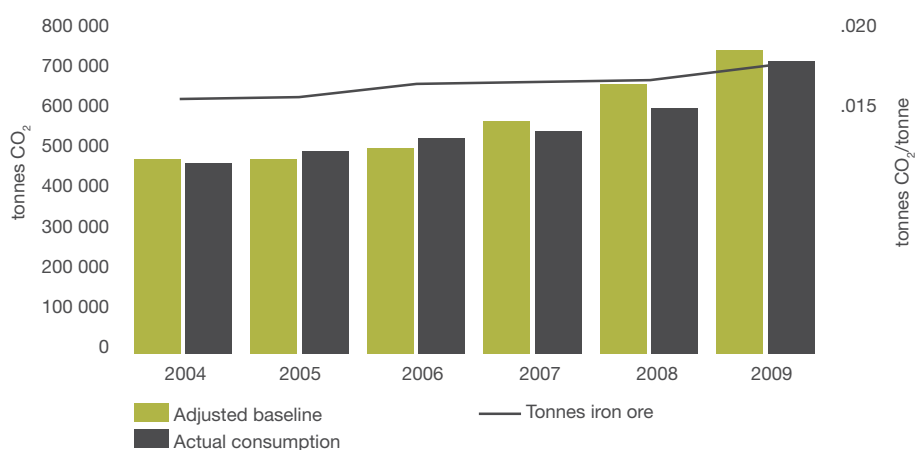
Given that Kumba's emissions stem from its energy use, reducing energy consumption and improving energy efficiency will limit greenhouse gas emissions. The increase in Kumba's mining activities will however mean that emissions targets cannot be met through efficiency improvements alone therefore opportunities for using renewable sources of energy are being investigated.

In particular, the Northern Cape, with its abundant sunlight, and where Sishen and Kolomela mines are located, lends itself an opportunity to using solar for energy generation and water heating.

Emissions and emissions intensity
Kumba's target with regards to greenhouse gas emissions, as stipulated in the Energy Efficiency Accord, is a 1% reduction each year for the period 2004 to 2014, or a 10% reduction in emissions for that period.

Greenhouse gas emissions increased slightly against the adjusted baseline figure (719,870 tonnes CO₂ equivalent). The emissions target of 683,876 tonnes was not met with 701,250 tonnes emitted. Product intensity (expressed as tonnes CO₂/tonne ore) increased to 0.017 (2008: 0.016).

CO₂ EMISSIONS (TONNES) AND INTENSITY (TONNES PER CO₂ PRODUCT)



Dust particulate emissions

Kumba's primary concern with regards to air quality is the amount of dust generated by its activities – at the plant (transfer points, extraction systems, open areas and roads) and mining areas (mine and contractor haul roads).

Kumba's primary concern with regards to air quality is the amount of dust generated by its activities. The main sources of dust are the plants (transfer points, extraction systems, open areas and roads) and mining areas (mine and contractor haul roads).

To manage its impacts and to ensure that it fulfils its legal obligations in regards to air quality, particularly dust emissions, Kumba has implemented a monitoring programme which measures total suspended particulate (nuisance dust) and PM10 (particulate matter not exceeding 10 µg/m³ of inhalable dust).

Air quality management plans (AQMP) are in place at Sishen and Thabazimbi mines. Oversight for the implementation of the plans rests with operational Dust Task Teams.

In 2010, the focus will be on implementing the recommendations made in the AQMP, which mainly entail the upgrade of monitoring equipment, increasing the frequency of monitoring, and improving dust control mechanisms in priority areas. Kolomela Mine will also develop its AQMP during 2010.

Kumba regularly tests and implements new dust suppressant systems and compounds. Thabazimbi Mine has successfully implemented a chemical dust suppression product on its roads as a means to combat dust. During 2009, Sishen Mine tested two chemical dust suppression products for use on haul roads. These products are added to water at low concentrations and improve the penetration capacity of the water, thus resulting in improved wetting efficiency. Through ongoing monitoring and improvement, and investment into dust control measures, Kumba is confident that it will position its operations in line with legislative requirements.

Land

Land management at Kumba encompasses three interconnected elements: waste rock dump rehabilitation, the management of land other than that used for mining, and closure planning and financial provision.

Waste rock dump rehabilitation
A key milestone achieved was the DMT's approval of Sishen Mine's rehabilitation strategy. The strategy motivated for rehabilitation to be undertaken at 24 degree slope angles as opposed to the 18 degree slope angle committed to in the approved EMPR. The strategy further motivated that shade net trials be undertaken over a five-year period to determine if rehabilitation can be achieved at 37 degree slope angles and that ongoing care and maintenance be carried out to address any issues related to safety, stability, dust and erosion that may arise during the remaining life of mine.

Management of land reserved for future mining
Kumba owns land associated with its mining and prospecting operations, much of which is reserved for future mining. Most of the land surrounds areas in which Kumba is actively mining and in many instances the land forms part of Kumba's mining rights areas. The use of this land was identified as one of the key operational risks mainly due to employee and public safety, legal obligations

associated with the land, illegal occupants and possible land degradation from overgrazing. On this basis, a decision was made to develop a land management strategy for Kumba.

The land management strategy, which was developed in 2009, provides an integrative framework in which Kumba can effectively manage its landholdings, including the legal liabilities associated with them in order to leave behind a legacy of sustainable development. Kumba's land management strategy further sets out the criteria for land management and provides decision-support tools to enable land managers within Kumba to identify viable land use options.

Mining activities are inherently transient. The implication of this is that Kumba will rehabilitate its land in an effort to create a viable land end use and obtain a mine closure certificate once mining is completed, thereby divesting itself of further responsibilities in relation to the land. It seems reasonable therefore that any interim land use that is applied must not undermine Kumba's mining interests, must be undertaken in support of a mine's closure objectives and should have the potential to reduce mine closure costs. It is for this reason that the land management strategy provides direction to the mines to ensure that any interim land use must not create unnecessary legal liabilities for Kumba and such land uses should, where possible, make a contribution towards sustainable development, conservation and the protection of the environment.

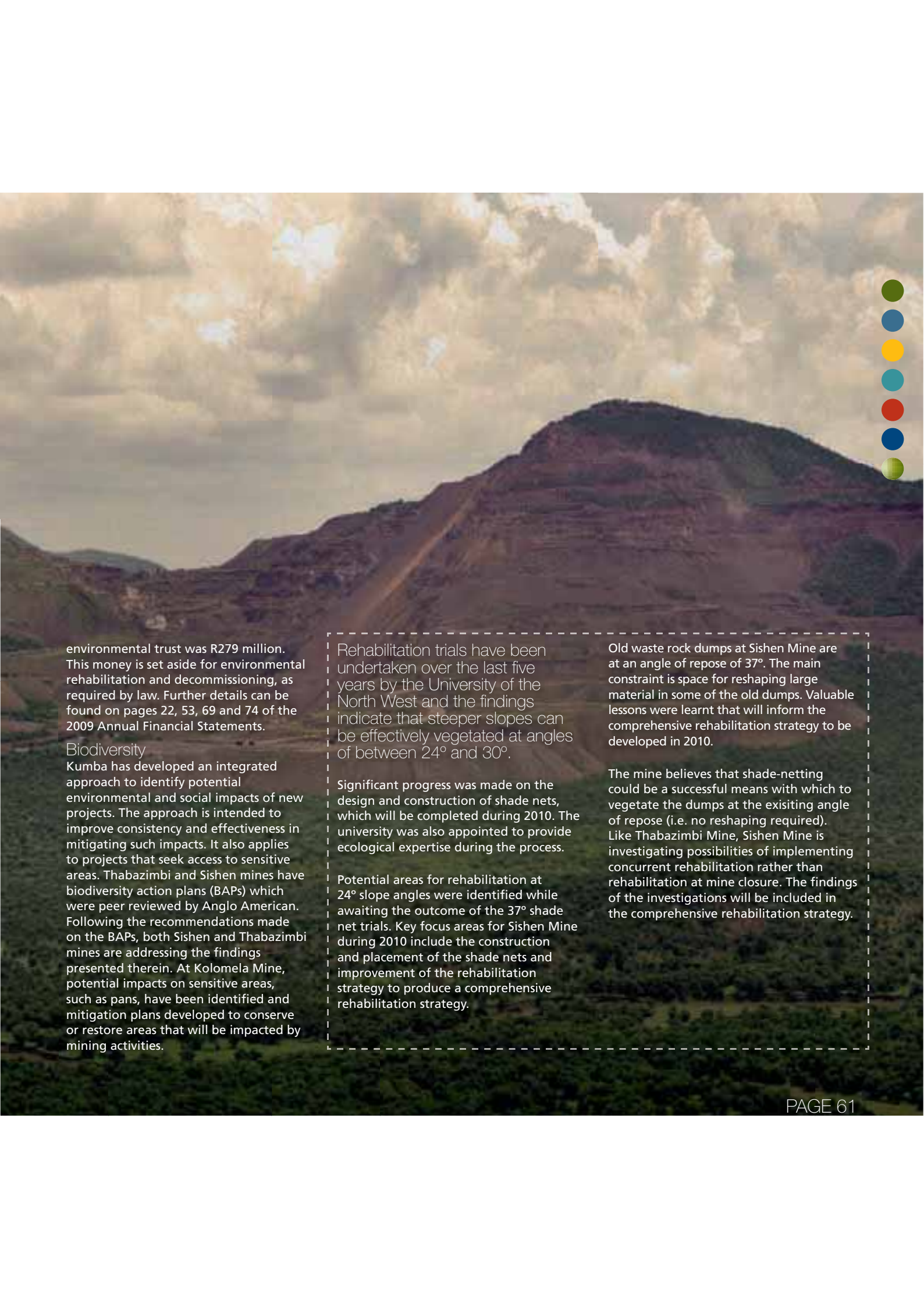
Outcomes of Kumba's land management strategy are as follows:

- The development of a proper governance methodology for overall land use management;
- The minimisation of legal risks and liabilities;
- The optimal use of particular land holdings based on their environmental constraints and opportunities;
- The identification of opportunities for community development projects;
- The conservation of ecologically sensitive habitat and species.

An example of the direction provided by the strategy is the recent opening of a bed and breakfast at the Ben Alberts nature reserve near Thabazimbi Mine.

Closure planning and financial provision

Sishen and Thabazimbi mines developed their preliminary closure plans which are in line with the Anglo Closure Toolbox. Closure cost estimates are reviewed on an annual basis and quarterly contributions are made by the mines into the Rehabilitation Trust Fund. A key milestone during 2009 was the provision of the shortfalls for both Thabazimbi and Sishen Mines, and the calculation of the closure cost estimates for Kolomela Mine. Closure cost estimates for Thabazimbi and Sishen Mines were audited by KPMG and action plans were developed to address areas of improvement. As at 31 December 2009, the total investments held by the



environmental trust was R279 million. This money is set aside for environmental rehabilitation and decommissioning, as required by law. Further details can be found on pages 22, 53, 69 and 74 of the 2009 Annual Financial Statements.

Biodiversity

Kumba has developed an integrated approach to identify potential environmental and social impacts of new projects. The approach is intended to improve consistency and effectiveness in mitigating such impacts. It also applies to projects that seek access to sensitive areas. Thabazimbi and Sishen mines have biodiversity action plans (BAPs) which were peer reviewed by Anglo American. Following the recommendations made on the BAPs, both Sishen and Thabazimbi mines are addressing the findings presented therein. At Kolomela Mine, potential impacts on sensitive areas, such as pans, have been identified and mitigation plans developed to conserve or restore areas that will be impacted by mining activities.

Rehabilitation trials have been undertaken over the last five years by the University of the North West and the findings indicate that steeper slopes can be effectively vegetated at angles of between 24° and 30°.

Significant progress was made on the design and construction of shade nets, which will be completed during 2010. The university was also appointed to provide ecological expertise during the process.

Potential areas for rehabilitation at 24° slope angles were identified while awaiting the outcome of the 37° shade net trials. Key focus areas for Sishen Mine during 2010 include the construction and placement of the shade nets and improvement of the rehabilitation strategy to produce a comprehensive rehabilitation strategy.

Old waste rock dumps at Sishen Mine are at an angle of repose of 37°. The main constraint is space for reshaping large material in some of the old dumps. Valuable lessons were learnt that will inform the comprehensive rehabilitation strategy to be developed in 2010.

The mine believes that shade-netting could be a successful means with which to vegetate the dumps at the existing angle of repose (i.e. no reshaping required). Like Thabazimbi Mine, Sishen Mine is investigating possibilities of implementing concurrent rehabilitation rather than rehabilitation at mine closure. The findings of the investigations will be included in the comprehensive rehabilitation strategy.

ISO 14001 certification

Thabazimbi and Sishen mine's environmental management systems were audited by external independent auditors against the ISO 14001 standard for re-certification. Two major findings were raised at Thabazimbi Mine and zero major findings at Sishen Mine. Thabazimbi Mine's major findings were related to training and training records and emergency response. Corrective actions were implemented to the satisfaction of the external auditors. Thabazimbi and Sishen mines retained their ISO 14001 Certification.

Incidents

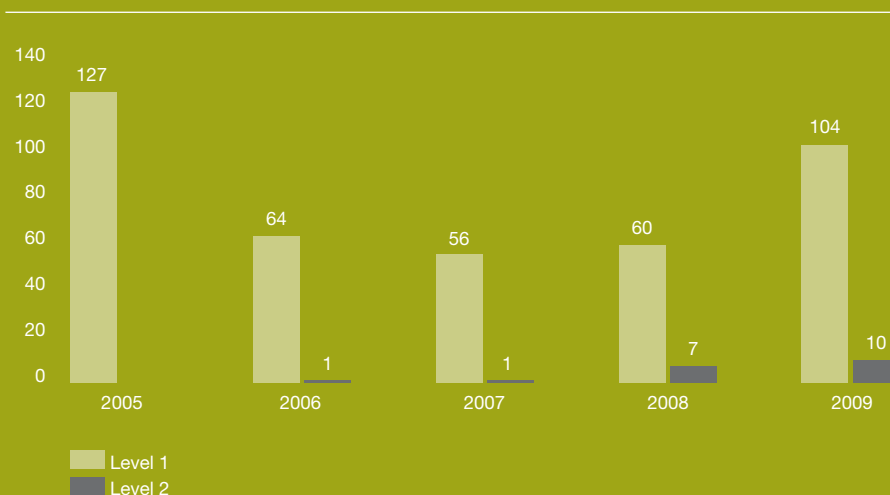
A total of 104 level 1 environmental incidents were reported during 2009 (2007: 57; 2008: 60). Sishen Mine reported 57 of these, Thabazimbi Mine reported 47. During 2009, ten level 2 (2008: 7) incidents were recorded at Sishen Mine, zero were reported from Thabazimbi Mine. There were no level 3 incidents reported (2008: 0).

Compliance

In August 2009, Kumba Iron Ore was issued with a directive to pay an administrative fine of R218 500 for commencing listed activities on the Sishen South Project without authorisation from the relevant authority. This administrative fine was paid as part of the regulatory rectification process. Kumba is committed to ensuring that such non-compliance does not recur and has since enhanced its resources and associated operational processes.

Kumba conducts regular internal and external audits to get an independent opinion on the performance of its operations against legislative requirements. All Kumba operations are based in South Africa, and the assessment is limited to South African legislative requirements and Kumba's own policies, procedures, and guidelines. Self-assessments using the Anglo Environmental Way were also conducted during 2009. The following table summarises the outcomes of the audits conducted at all Kumba operations and management plans developed to address areas of improvements.

INCIDENTS



Summary of key audit findings

Audit	Auditor	Key issues	Reasons for any non-compliance	Management actions
Legal compliance and peer review at all operations including explorations.	MSA and Anglo American	<ul style="list-style-type: none"> Non-compliance with new NEMA: Waste Management Act Compliance with some of the conditions of licences such as timeous reporting to authorities on significant incidents and other reports. Lack of environmental technical expertise in full-filling the obligations of the prospecting rights conditions 	<ul style="list-style-type: none"> Primarily due to recent changes to the legislation which led to confusion between MPRDA and NEMA scheduled activities Various amendments to the EMP and Record of Decisions on new activities led to minor slippages in implementing all licence conditions. Lack of resources to conduct EMP performance assessments for exploration. 	<ul style="list-style-type: none"> An application was lodged with the provincial and national authorities to license activities Compliance registers were developed to track and monitor compliance to license conditions An Environmental Manager for Projects and Exploration was appointed in 2010.
Governance and assurance on sustainable development and Mining Charter	ABAS	<ul style="list-style-type: none"> Lack of a central governance process and functional ownership in respect of Mining Charter compliance 	<ul style="list-style-type: none"> Different departments were responsible to manage and implement elements of the Mining Charter and SLP commitments without central coordination. 	<ul style="list-style-type: none"> Company Secretary is now a central point of contact. His responsibility entails liaising with different owners of the process to ensure that all documentation required in support of the various acts are centrally accessible
Water audit at Thabazimbi Mine in line with the National Water Act	MSA: Water Licence Specialist	<ul style="list-style-type: none"> Incorrect application forms submitted 	<ul style="list-style-type: none"> Misinterpretation of the Act with respect to water use classification and registration. 	<ul style="list-style-type: none"> Revised licence application forms submitted to the authority. The mine received its draft licence for comment in 2010.

Waste generation and reduction

Kumba's aspiration is to achieve zero waste at all operations in support of the Polokwane Declaration.





Pollution prevention

The declaration set a national goal of reducing waste generation and disposal by 50% and 25% respectively by 2012 and further aims to develop a plan for South Africa to achieve zero waste by 2022. We continue to investigate various options to reduce the quantity of waste disposed at landfill sites.

During 2009, the mines developed waste management objectives and targets. The focus was on reducing the waste disposed of at landfills through implementing waste reduction and recycling initiatives. A 2% target was set by each mine for the reduction of waste being disposed of at landfill sites. Sishen Mine generated 6,643 tonnes of non mineral waste during 2009 of which 70% (4,623 tones) were reused/recycled.

This was achieved through a strong recycling drive. During 2010, Sishen Mine will maximise its recycling initiative by investigating other waste streams that can be recycled. Thabazimbi Mine developed a recycling plan during the last quarter of 2009, for implementation during 2010. This will include an investigation into the feasibility of a waste separation and sorting plant.

Potential soil and water contamination by hydrocarbon oil, diesel, petrol) spillages and leakages was identified as a key operational risk at Kumba's operations.

The risk is actively monitored by means of groundwater sampling to determine the presence and extent of hydrocarbon contamination. Various technologies were investigated to treat contaminated soil at Sishen and Thabazimbi mines. During 2009, samples of treated soil were taken to independent laboratories to test the effectiveness of these technologies, the results of which will be reported in 2010. Capital was allocated to remediate the affected areas during 2010. Investigations are under way to identify possible means of reducing contaminated soil at source. Negotiations with authorities for licensing the storage, treatment and reuse of contaminated soil commenced in 2009. If successful, this will mean that the mines will reuse approximately 30,000 tonnes of treated soil which could have been disposed of at landfill sites – this demonstrates an initiative implemented in support of the Polokwane Declaration.

Water

Kumba's sources of water include groundwater, treated effluent and an unquantified amount of rainwater entering the system through open dams that are connected to the primary water system.

Primary water consumed

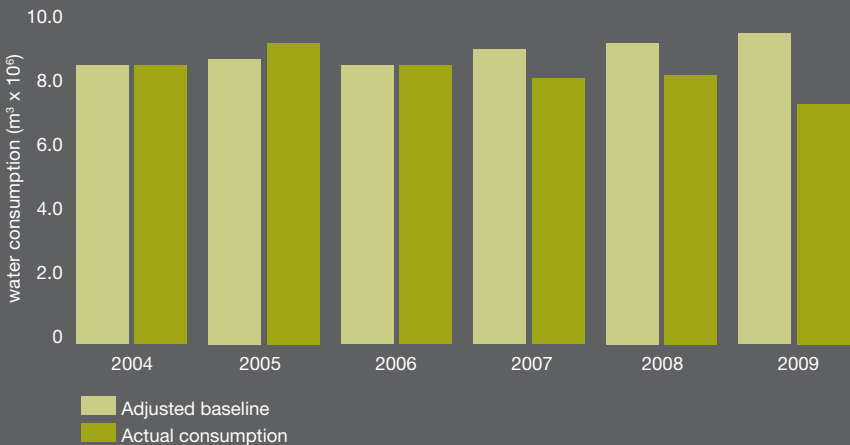
The concept of basing the targeted water consumption on the production for the particular year was introduced in 2008. This expresses the water use intensity in terms of volume of water per tonne of total product produced. A lowering of the water intensity reflects improvements in water efficiency. Increases in production inevitably lead to increases in water consumption.

Kumba's total iron ore production increased in the period 2004 to 2009 from 30.2 million tonnes per annum to 41.4 million tonnes per annum. This was mainly attributed to the commissioning of the new JIG plant at Sishen Mine. Therefore, theoretically, the

amount of water that should have been used in production should have increased from $8.7 \times 10^6 \text{ m}^3$ in 2004 to $9.7 \times 10^6 \text{ m}^3$ in 2009. However, in 2009, the consumption figure was only $7.5 \times 10^6 \text{ m}^3$, which indicated a 23% saving on the theoretically predicted amount for 2009.

The original target (before the concept of correcting for production was introduced) set in 2004 was to save 1% on net water consumption per annum. The target for 2009 was therefore to achieve a total saving of 5% on the net use. The actual saving, despite the increase in production, amounted to 14%. This means that the original target of a 14% saving set for

KUMBA TOTAL WATER CONSUMPTION FOR PRIMARY WATER USES





2014 has already been achieved, despite the higher production to date.

In future, new water consumption targets, based upon the production-corrected figures will be set for each year. The water consumption target for 2010 is set at an improvement in water use efficiency of 2.5%, and will be based upon production targets for 2010. The amount of water required to produce a tonne of iron ore product at Sishen and Thabazimbi mines combined is 188 litres.

Efficiency and savings initiatives

At both Sishen and Thabazimbi mines, the focus for 2010 will be to improve water use in the following areas:

- Water recovery from the general site, from the plant and from the slimes dams
- Improve dust suppression techniques to reduce water usage
- Consider process improvements to reduce water requirements
- Consider the increased use of treated effluent from municipal waste water treatment works.

Water quality

Surface water quality, including drinking water, and groundwater quality are monitored on a monthly and quarterly basis, respectively. During 2009, water quality tests did not detect any significant deviations from water quality targets specified by DWAF and DMR for drinking water.

High concentrations of nitrate were encountered in certain groundwater monitoring boreholes at Sishen Mine, in particular at the explosives plant. This historical pollution is due to the improper design of the nitrate store. Measures were put in place to prevent recurrence.

Dewatering

A conceptual model of the region's hydrogeology was completed and the process for evaluating claims has been tested on two farms in the Kathu area.

As part of the hydrogeological studies, 15 of the 18 planned boreholes on Sishen Mine property were sunk. The data from these is in the process of being interpreted and will be communicated as the information becomes available. The remaining 26 holes fall outside Kumba property and will be drilled on completion of the Sishen Mine drilling.

During 2009, an audit of the main water supply line to the farmers was conducted. It revealed that the pipe burst frequently resulting in an unsustainable water supply to the farmers. A contractor was appointed to rectify the main water supply line.

Water discharge

Kumba operations applies a zero effluent discharge philosophy. We are not aware of any water discharges which occurred outside the boundaries of our operations.

GRI Index

G3 Indicator	Description	Page/comments
1.	Strategy and Analysis	
1.1	Statement from senior decision-maker	2, AR 12 – 19
1.2	Description of key impacts, risks, and opportunities	2 – 17, AFS 20 – 21
2.	Organisational Profile	
2.1	Organisation's name	AR IFC
2.2	Major products	AR 41
2.3	Operational structure and major divisions	AR 4
2.4	Location of headquarters	AR 5
2.5	Countries of operation	AR 5
2.6	Nature of ownership http://www.kumba.co.za/reports/kumba_ar07/glance_structure.php	
2.7	Markets served including geographic breakdown/sectors served/customers	19, AR 5
2.8	Scale of organisation including number of employees, net sales/revenues, total capitalisation	19, 35, AR 11
2.9	Significant changes during reporting period	IFC
2.10	Awards	13
3.	Report Parameters	
3.1	Reporting period	January – December 2009
3.2	Date of previous report	April 2009
3.3	Reporting cycle	annual
3.4	Contact point	AR IBC
3.5	Process for defining report content	5
3.6	Boundary of the report	5
3.7	Limitations on the scope or boundary of the report	5
3.8	Basis for reporting on joint ventures, etc.	N/A
3.10	Restatements of information	none
3.11	Significant changes from previous reporting periods	4
3.12	GRI Content Index table	68
3.13	Policy and practice for seeking independent assurance for report	4

G3 Indicator	Description	Page/comments
4.	Governance, Commitments and Engagement	
4.1	Governance structure including committees	AFS 15
4.2	Indicate whether chair of highest governance body is also an executive officer	AFS 15
4.3	Percent of independent directors	50%
4.4	Mechanisms for shareholders and employees to provide recommendations/direction to highest governance body http://www.kumba.co.za/contact_investor.php	Employees are routinely engaged and their opinions sought through surveys, performance appraisals and via committees and informal discussions.
4.14	List of stakeholder groups	9, 11
4.15	Basis for identification and selection of stakeholders with whom to engage	Stakeholders selected based on involvement with material issues
	Economic Performance Indicators	
EC1	Direct economic value generated and distributed	19 – 23
EC3	Coverage of the organisation's defined benefit plan obligations	AFS 93, 94
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	23
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	35 – 39
EC8	Development and impact of infrastructure investments and services provided for public benefit	46 – 49
EC9	Indirect impacts	20 – 21, 46 – 49

G3 Indicator	Description	Page/comments
Environmental Performance Indicators		
EN3	Direct energy consumption by primary source	3, 428, 969 GJ
EN4	Indirect energy consumption by primary source	1, 634, 776 GJ
EN8	Total water withdrawal	primary only 66
EN9	Water sources and related habitats significantly affected by withdrawal of water	impacts addressed 66 – 67
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Biodiversity is protected and managed through actions plans designed to mitigate the impacts of land degradation associated with mining. Land not used for mining is conserved.
EN13	Habitats protected or restored	60 – 61
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	60 – 61
EN16	Total direct and indirect greenhouse gas emissions by weight	direct: 247, 145 tonnes indirect: 454, 104 tonnes
EN17	Other relevant indirect greenhouse gas emissions by weight Kumba does not emit other greenhouse gasses.	zero
EN24	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 Kumba does not transport hazardous waste.	zero
EN28	Compliance	62
Social Performance Indicators		
LA1	Total workforce by employment type, employment contract, and region full-time vs. part-time employees not indicated	36 – 37
LA2	Total number and rate of employee turnover by age group, gender and region	36 – 37
LA3	Benefits	38 – 41
LA4	Percentage of employees covered by collective bargaining agreements	41
LA7	Health and safety rates	25 – 33
LA8	Programmes to assist employees, families, or community members regarding serious diseases	31 – 33
LA9	Elements of occupational health and safety management approach	25 – 33
LA10	Average hours of training per year per employee by employee category	40 – 41
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	40 – 41

G3 Indicator	Description	Page/comments
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	zero, refer pg 13
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour Kumba believes that child and forced labour (HR7) do not pose risks to its operations given the protection afforded by the South African legal environment.	zero
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	zero
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	zero
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	43 – 51
SO6	Total value of contributions to political parties, politicians, and related institutions	zero
SO7	Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes	zero
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	zero
PR1	Lifecycle 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	zero
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their lifecycle, by type of outcomes	zero
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	zero
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	zero
AFS	Annual Financial Statements	
AR	Annual Review	
IBC	Inside back cover	
IFC	Inside front cover	

Safety, health and environmental management policy

SAFETY, HEALTH AND ENVIRONMENTAL MANAGEMENT POLICY

OUR VISION

Zero Harm

Our vision is to achieve Zero Harm through effective management of safety, health and environment by designing, operating and closing all our operations in a responsible manner.

We believe our people are our key asset and we do not accept that it is necessary for people to be injured whilst working for us. All employees should be able to return home fit and well at the end of each shift.

We believe that one injury is one too many.

OUR PRINCIPLES

Zero Harm

All injuries and occupational illnesses are preventable.

We shall apply the mitigation hierarchy of avoiding, minimizing and mitigating environmental impacts arising from our activities, products and services.

No repeats

All necessary steps are taken to learn from incidents, surveillance of diseases audit findings and non-conformances in order to prevent recurrence.

Simple non- negotiable standards

Safety, health and environmental non-negotiable standards and rules are consistently applied throughout the Group.

OUR POLICY

At Kumba Iron Ore we actively care for the health and safety of our people, the environment and our resources by ensuring sustainable safety, health and environment (SHE) conditions in all our activities, products and services.

Kumba Iron Ore – across our operations and companies - is active in mining and mineral-related operations and is committed to:

- Consultation with employees, representatives and other stakeholders in appropriate forums to **develop, communicate and review responsible and innovative policies, programmes and guidelines** that provide safeguards for the community, employees, contractors and the environment, while providing flexibility to meet the needs of our businesses;
- **Achieving high standards of environmental care** and providing a safe and healthy workplace for employees, contractors and other relevant persons;
- **Ensuring a proper organisational structure and resources** to manage safety, health and environmental matters, including sustainable development and compliance with legislation;
- **Implementing internationally accepted standards** for safety, occupational health and environmental management systems;
- **Complying with all applicable SHE legislation, other requirements and relevant international obligations** as a minimum requirement and implementing company standards, programmes and processes to achieve greater protection against risks;
- **Maintaining continuous hazard and aspect identification and risk assessment** regarding safety, health and environmental impact;
- **Establishing competence and awareness** regarding relevant safety, health and environmental matters of employees and contractors through effective training, mentoring and communication;
- **Conserving natural resources and reducing the environmental burden** of waste generation and emissions to the air, water and land through strategies focusing on reducing, reusing, recycling and safe deposit of waste;
- **Establishing objectives/targets and continuously improve operations** regarding safety, health and environmental performance and management systems;
- **Ensuring that all employees report** potential safety, health and environmental hazards and impacts and are involved in the planning and implementing of solutions;
- **Ensuring that all incidents** leading to an environmental impact, injury, occupational disease, damage to property or process losses **are reported and analysed thoroughly** and participatively in order to determine all contributing factors and promptly implement corrective and preventive action;
- **Establishing and maintaining appropriate controls**, including periodic audits and reviews, to ensure that this policy is implemented and updated; and
- **Maintaining a high level of emergency preparedness and response** to manage any potential emergency.
- **Ensuring that the policy is available to the public.**
- **This policy will be reviewed annually where necessary to keep it current.**



KUMBA IRON ORE

Assurance report



Independent Assurance Report to the Directors of Kumba Iron Ore Limited

Introduction

We have been engaged by the directors of Kumba Iron Ore Limited ("Kumba") to perform an independent assurance engagement in respect of selected Identified Sustainability Information included in Kumba's Sustainable Development Report for the year ended 31 December 2009 ("the Report").

Scope and subject matter

The following Identified Sustainability Information was selected for an expression of *reasonable* assurance:

- Number of fatalities (Page 14, 25, 27)
- Lost Time Injury Frequency Rate (LTIFR) (Page 2, 14, 25, 28)
- Number of New Cases of Occupational Disease (NCOD) (Page 14, 31)
- Total CO₂ emissions from electricity purchased, processes and fossil fuels in 1,000 tonnes (Page 53, 58)
- Total energy consumed in GJ (Page 53, 56)
- Total number of level 2 & 3 environmental incidents reported (Page 62)

The following Identified Sustainability Information was selected for an expression of *limited* assurance:

- Number of employees participating in anti-retroviral treatment (ART) (Page 31)
- Number of employees participating in Voluntary Counselling and Testing (VCT) (Page 31)
- Total water used for primary activities in 1,000 m³ (Page 53, 66)
- Total amount spent on socio-economic development projects in South African Rand (Page 43)
- Kumba's assertion that it has achieved a C⁺ Global Reporting Initiative (GRI) application level (Page 5)

Our responsibilities do not extend to any other information.

Responsibilities of the directors

Kumba's directors are responsible for the content of the Sustainable Development Report and for the preparation and presentation of the Identified Sustainability Information in accordance with the Global Reporting Initiative's (GRI) new generation (G3) guidelines.

Responsibility of the independent assurers

Our responsibility is to express, to the directors, an opinion on the Identified Sustainability Information contained in the Report, for the year ended 31 December 2009, based on our assurance engagement.

Summary of work performed

We have conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance engagements other than audits or reviews of historical financial information* issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain assurance on the Identified Sustainability Information as per the terms of our engagement.

The defined procedures by which Kumba's Identified Sustainability Information is generated and aggregated and the GRI new generation (G3) guidelines have been applied as assurance criteria. Definitions for the Identified Sustainability Information applied are those determined by Kumba and provided in the glossary (page 70).

Our work consisted of:

- reviewing processes that Kumba have in place for determining the Identified Sustainability Information included in the Sustainable Development Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Identified Sustainability Information at the sampled operations;
- conducting interviews with management at the sampled operations and at corporate head office;
- evaluating the data generation and reporting processes against the reporting criteria;
- performing key controls testing and testing the accuracy of data reported on a sample basis;
- reviewing the consistency between the Identified Sustainability Information and related statements in Kumba's Sustainable Development Report; and
- reviewing the validity of Kumba's self declaration of the GRI (G3) application level in the report.

Inherent limitations

The accuracy and completeness of sustainability data is subject to inherent limitations given the nature and methods for determining, calculating and estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

The evidence gathering procedures for *limited* assurance are more restricted than for *reasonable* assurance and therefore less assurance is obtained with *limited* assurance than for *reasonable* assurance.

Conversion factors used to derive CO₂ emissions and energy used from fuel and electricity consumed, is based upon information and factors derived by independent third parties. Our assurance work has not included an examination of the derivation of those factors and other third party information.

We have not carried out any work on data reported for prior reporting periods, nor in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the Identified Sustainability Information.

Conclusion

Reasonable assurance

Based on our work performed, the Identified Sustainability Information selected for *reasonable* assurance, for the year ended 31 December 2009, is free from material misstatement.

Limited assurance

Based on our work performed, nothing has come to our attention causing us to believe that the Identified Sustainability Information selected for *limited* assurance, for the year ended 31 December 2009, is materially misstated.

PricewaterhouseCoopers Inc.
Director: Wessie van der Westhuizen
Johannesburg
19 April 2010

Glossary

Term	Description
ABAS	Anglo Business Assurance Services
AIDS	Acquired immune deficiency syndrome
ART	Anti-retroviral therapy
BBBEE	Broad-based black economic empowerment; including women, workers, youth, people with disabilities and those living in rural areas through integrated socio-economic strategies
CO ₂ emissions: from fossil fuels	Carbon dioxide emissions calculated by applying conversion factors to fuel usage volumes
CO ₂ emissions: from electricity	Calculated quantity of carbon dioxide emitted in the generation of electricity, which is subsequently purchased by a business unit
CO ₂ e	Carbon dioxide equivalents, which enable the comparison of the impact of various greenhouse gases using CO ₂ as a benchmark, thereby facilitating impact assessment and trading
dB	Decibel
DME	Department of Minerals and Energy
DMR	Department of Mineral Resources
DWAF	Department of Water Affairs and Forestry
Employment equity	Legislation assisting the elimination of discrimination and encouraging equitable representation of employees from designated groups by means of affirmative action
EMPR	Environmental management programme report
Fatal injury	A work-related injury that results in the death of an employee or contractor
G3	Third Generation Guidelines; foundation upon which GRI reporting is based, outlining reporting principles, guidelines and standard disclosures
GJ	Gigajoules
HDSA	Historically disadvantaged South Africans – African, 'coloured' and Asian men and women
HEF	High-energy fuel plant
HPI	High-potential incident
ISO 14001	An environmental management system standard published by the International Organisation for Standardisation
Level 1 incident	An incident that resulted in a minor impact.
Level 2 incident	An incident that resulted in a moderate impact.
Level 3 incident	An incident that resulted in a significant impact.
LTI	Lost-time injury (any occupational injury which renders the person unable to perform his/her regular duties for one full shift or more following the day on which the injury was incurred, whether a scheduled work day or not)
LTIFR	Lost-time injury frequency rate (the number of lost-time injuries, including restricted work cases, per 200,000 man hours worked)
Mining Charter	The South African Mining Charter; states that 15% of mining industry ownership should be in black economic empowerment (BBE) in five years of the Mineral and Petroleum Resources Development Act coming into force, rising to 26% in 10 years.
Mtpa	Million tonnes per annum
NEMA	National Environmental Management Act
Noise-induced hearing loss	New cases of noise-induced hearing loss diagnosed and compensated amongst employees during the reporting period
OHSAS 18001	An occupational health and safety management system standard created by a number of the world's leading standards bodies
RoM	Run of mine
SEAT	Socio-economic assessment toolbox
Total energy used	Calculated from electricity purchased, biomass, charcoal and fossil fuels consumed
TRCFR	Total recordable case frequency rate
VCT	Voluntary counselling and testing
Water used for primary activities	Total new or make-up water entering the operation and used for the operation's primary activities. Primary activities are those in which the operation engages to produce its product and include dust suppression within the operational area

Key sustainable development contacts

Feedback and queries on this report should be directed to:

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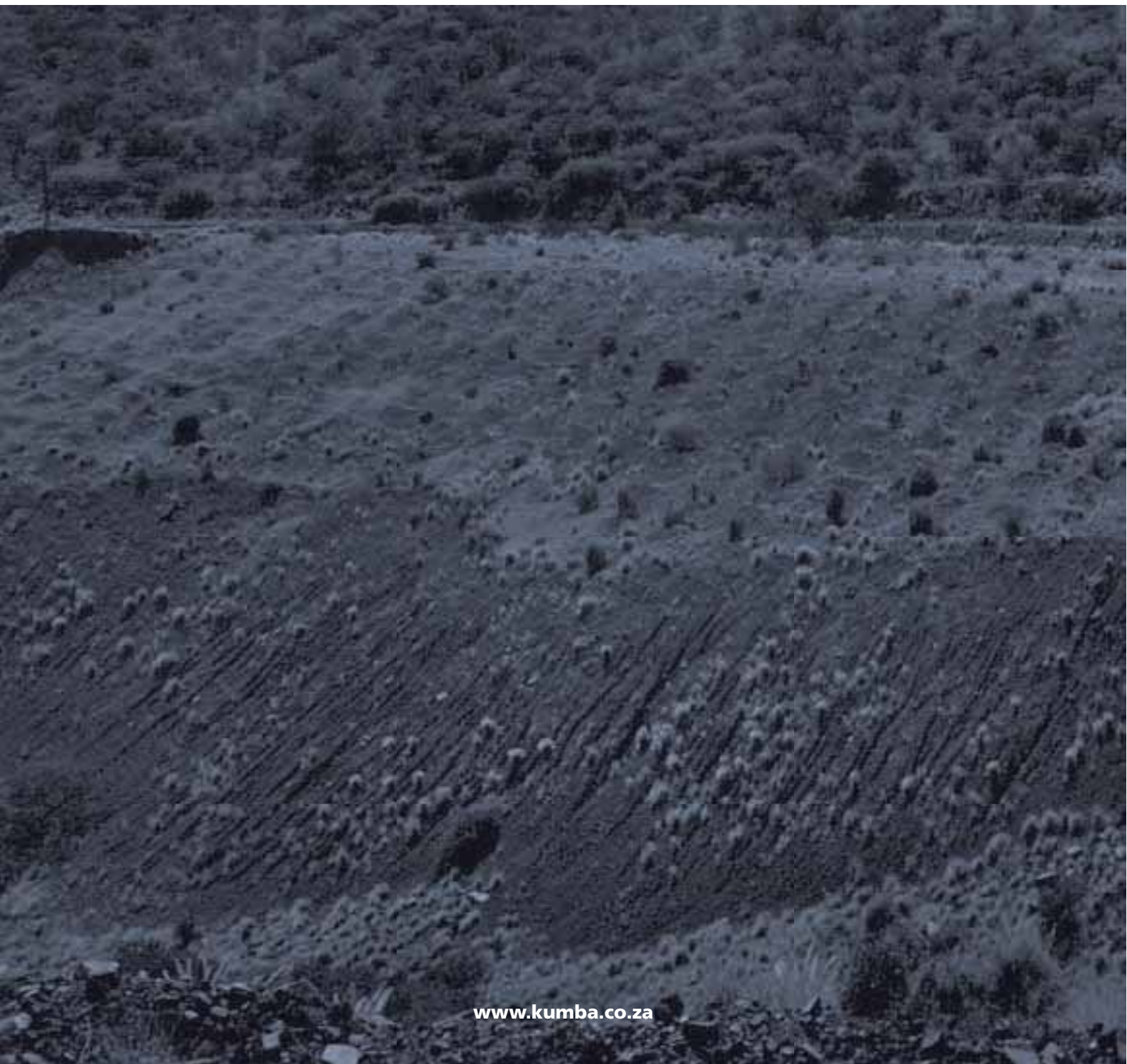
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