

FOCUS:

OPERATING
SMARTER

Cover: top image

Kolomela mine has contributed R9.5 million towards the construction of a new primary healthcare facility in Postmasburg as part of the expansion of the local district hospital.

Cover: bottom image

Richard Smith, a machine operator and Moses Sehako, a haul truck driver doing a pre-shift safety check on a truck outside the fatigue management centre at Kolomela mine.



FOCUS:

OPERATING SMARTER

Top image

Jaco Lambrechts, an environmental specialist at Kolomela mine inspecting rehabilitated soil at the bioremediation facility where the hydrocarbon contaminated soil collected is mixed with organic material which breaks down the hydrocarbons.

Bottom image

Stockpiles of iron ore ready to be railed to the port of Saldanha.

OPERATING SMARTER



Following the decline in iron ore prices in 2014, we reviewed our strategy to ensure our ability to achieve our goals and commitments. In this report we demonstrate how we are doing this.

AT A GLANCE

NUMBER OF EMPLOYEES

(2013: 13,305)

14,040

(including permanent employees, contractors and learners)

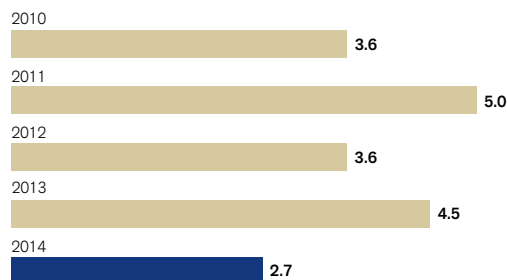
DIRECT SOCIAL EXPENDITURE

(2013: R253.7 million)

R202.3 million

Dividends declared by SIOC to BEE shareholders

(Rand billion)



Regrettably one loss of life

AT SISHEN MINE

(2013: None)

Three-year wage agreement

Dingleton North

SUCCESSFULLY RELOCATED

Supplier development programme launched

Four-fold increase

IN PROACTIVE REPORTING OF SAFETY HAZARDS

CONTENTS

Introduction and approach

- 02 A roadmap to our reporting
- 04 Our business
- 06 Our business model
- Leadership review**
- 09 Committee chairman's report
- 11 Chief executive's review
- 14 Key statistics and value added statement
- 16 Mining Charter scorecard
- 18 Our strategy
- 20 Our approach to sustainability
- 23 Our 2014 material issues
- 24 Governance of sustainability

Performance in 2014

- 28 Engaging with our stakeholders
- 37 Optimising our assets to deliver shared value
- 45 Ensuring the safety of our employees and operations
- 51 Focusing on the health and well-being of our employees and communities
- 59 Developing our employees and communities
- 71 Respecting human rights
- 75 Sharing the benefits
- 87 Responsibly managing the environment

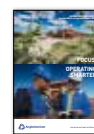
Compliance

- 104 External review panel report
- 105 Independent assurance report
- 108 Global Reporting Initiative content index

Administration and feedback

- 117 Glossary of terms and acronyms
- IBC Corporate information

OTHER SOURCES OF INFORMATION



You can find this report and additional information about Kumba Iron Ore Limited on our corporate website.

For more information visit
www.angloamericankumba.com/investor_fin_reports.php

A ROADMAP TO OUR REPORTING

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

ABOUT THIS REPORT

This report provides an overview of the material economic, social and environmental impacts of our operations in 2014, what we have done to minimise negative impacts while capitalising on opportunities, and how we performed against our objectives and targets in these areas. The process that we followed to identify our material issues can be found on page 21 of this report.

The report is aimed at the broad range of our stakeholders: those individuals, groups or organisations that affect and/or could be affected by our activities, products and associated performance, including our employees, shareholders, local communities, investors, customers, business partners, NGOs and government. We consulted extensively with representatives of these stakeholder groups to ensure that their concerns and interests are taken into account as we compiled this report.

Our core values of safety, care and respect, integrity, accountability, collaboration and innovation guide all that we do, including the compilation of this report.

We have reported, for the second year, in line with the requirements of the Global Reporting Initiative's (GRI's) G4 guidelines as well as the GRI Mining and Metals

Sector Supplements (MMSS). We report in compliance with the 'core' option. Key information has been assured by PwC. See page 105 of this report for PwC's assurance statement. Our reporting is also aligned with AA1000 stakeholder engagement standard, as well as the sustainable development principles and reporting framework of the International Council on Mining and Metals (ICMM) as well as the United Nations Global Compact (UNGC) principles.

SCOPE

G4-17

G4-20

G4-21

G4-22

The scope of this report includes our mining operations at the Kolomela, Sishen and Thabazimbi mines; our iron ore exporting activities at the Saldanha Bay port; and our corporate, marketing and logistics offices in Centurion, Luxembourg and Singapore. The report covers the financial year from 1 January 2014 to 31 December 2014 and includes historical information for context where appropriate.

OUR REPORTING COMPLIES WITH:

King III	✓	AA1000*	✓
GRI G4	✓	ICMM	✓
GRI MMSS	✓	UNGC	✓
Mining Charter	✓		

* Stakeholder engagement standard.

NAVIGATING OUR 2014 REPORTS



You are here

SUSTAINABLE DEVELOPMENT REPORT

- Detail on material economic, social and environmental performance
- Stakeholder engagement process
- External review panel report
- GRI G4 content index
- Independent assurance report



INTEGRATED REPORT

- Strategy, risks, resource allocation, business model and material issues
- Operational information
- Summarised reserves and resources
- Messages from and information about our leadership team



ANNUAL FINANCIAL STATEMENTS

- Audited group and company annual financial statements



ONLINE

- Kumba reporting portal has direct access to all our reports
- Our website has detailed investor, sustainability and business information

Look for

SD

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AFS

WEB

DIRECTORS' RESPONSIBILITY

The Kumba board has overall accountability for this report. It delegated the responsibility to oversee the reporting process to its social, ethics and transformation committee, which was assisted by a steering committee comprising executive managers and a dedicated reporting team.

The board collectively reviewed the content of this report and confirms that it believes this Sustainable Development Report 2014 addresses our material issues, and is a balanced and appropriate presentation of the sustainability performance of the group. The Kumba board approved this report on 12 March 2015.

Dolly Mokgatle

Chairman: social, ethics and transformation committee
12 March 2015

ASSURANCE

HOW THIS REPORT IS STRUCTURED

The beginning of this report describes Kumba – who we are, who our stakeholders and leadership are, what our strategy is on sustainability, our material issues and how we have responded to these. Materiality remains at the core of our reporting this year and is the lens through which we provide detailed information on our operations, our use of resources, our relationships, our community engagement and our plans for the future.

We then report on our performance during the year on the areas that have been identified as being critical to our business.

Finally, we report on our approach to compliance and various compliance reports.

- An independent external panel reviewed the report. See page 104.
- PwC assured key sustainability information in this report. See the assurance report on page 105 of this report.
- Deloitte and Touche assured the Annual Financial Statements (AFS) 2014. See the assurance report on page 29 of the AFS.
- Quoted reserves and resources estimates are assured through a rolling external audit schedule by Xstract Mining Consultants (Australia), a Calibre Group company.
- The Anglo American plc Group's financial, operating, compliance and risk management controls are assessed by the group's internal audit function, overseen by the audit committee. The audit committee report is on page 16 of our AFS 2014.
- Internal and third-party audits are integral parts of the ISO 14001 and OHSAS 18001 management systems that we have implemented.



COMBINED ASSURANCE

We use a combined assurance model consisting of internal and external assurance providers. Furthermore, this report was also reviewed by an independent panel of stakeholders to ensure that it is a balanced reflection of key topics.

NAVIGATING OUR BUSINESS – OUR RESOURCES

We understand that in order to successfully manage our business we need to successfully manage our resources. This understanding runs through our whole business model, and is also part of all levels of our business – from how we measure our strategic pillars to how we manage our material issues. An explanation of these resources is below.

Our people: Kumba could not create value without our employees. Everything we do comes back to the people in our business – their ideas, their effort and ingenuity are the building blocks of this business. In order to attract and retain the best people for the job we try to create a place that people want to work in, with fair and competitive remuneration and scope for development. We remain focused on our goal of zero harm - ensuring all our employees return home each day safely. For more on this see pages 45 to 51.

Our relationships: Partnerships are one of the cornerstones of our success. By engaging with employees, with national, provincial and local government and with communities, we are able to not only secure our social licence to operate but also contribute to improving the lives of people who make our business possible. By maintaining good relations with our suppliers and customers we are able to both stimulate business and strengthen our supply chain. We also ensure that we spend sufficient time keeping shareholders informed about the latest developments in the business. For more on this see pages 28 to 37.

Our financial performance: We create value by being an efficient and financially sound business. By managing costs, responding to our external environment, ensuring consistent operational performance, building and maintaining close relationships with customers and appropriately sharing profits we are able to ensure a sustainable future for Kumba – a future from which shareholders and stakeholders derive benefits. For more on this see page 48 of our Integrated Report 2014.

Our assets: Mining is a large-scale and capital-intensive business that requires extensive infrastructure and investment. Utilising our assets competitively to our advantage helps us ensure we make the most of our resources. For more on this see page 81 of our Integrated Report 2014.

Our innovation: A sustainable business needs to perform in the best way possible – whether that is through new ways of operating or finding better ways to do what we already do. In the current challenging market conditions, we have had to rethink how we do business and find innovative ways to retain a competitive advantage. For more on this see page 65 of our Integrated Report 2014.

Our environment: The duality of environmental resources is a challenge for all mining companies. On one hand, our business depends on access to natural resources – most notably ore reserves, water and energy. However, the extraction of these resources depletes them, and affects the environment in which our stakeholders live and work. Our use of natural resources forms an integral part of the way in which we manage our business, and account for its performance. For more on this see pages 87 to 101.



OUR BUSINESS

OUR VISION

A leading value-adding iron ore supplier to the global steel industry

WHO WE ARE

Kumba is a supplier of high-quality iron ore to the global steel industry and is focused on creating and sharing value with a range of stakeholders. We operate primarily in South Africa, with mining operations in the Northern Cape and Limpopo provinces, a head office in Centurion, Gauteng, and a port operation in Saldanha Bay, Western Cape. Kumba has a 73.9% interest in Sishen Iron Ore Company (SIOC), an entity which we control. SIOC, in turn, owns the operation assets of the company. The remaining 26.1% interest in SIOC is held by our partners, Exxaro Resources Limited, a leading black economic empowerment (BEE) company listed on the JSE, SIOC Community Development Trust (SIOC-CDT, a trust that funds projects in local communities) and Envision (an employee share participation scheme).

LISTED ON THE JSE LIMITED

EMPLOYED **14,040 PEOPLE** IN 2014
(2013: 13,305)

CUSTOMERS IN CHINA, INDIA, JAPAN,
SOUTH KOREA, EUROPE AND
THE MIDDLE EAST

DOMESTIC SALES
(2013: 4.6Mt)

4.8Mt

EXPORT SALES
(2013: 39.1Mt)

40.5Mt

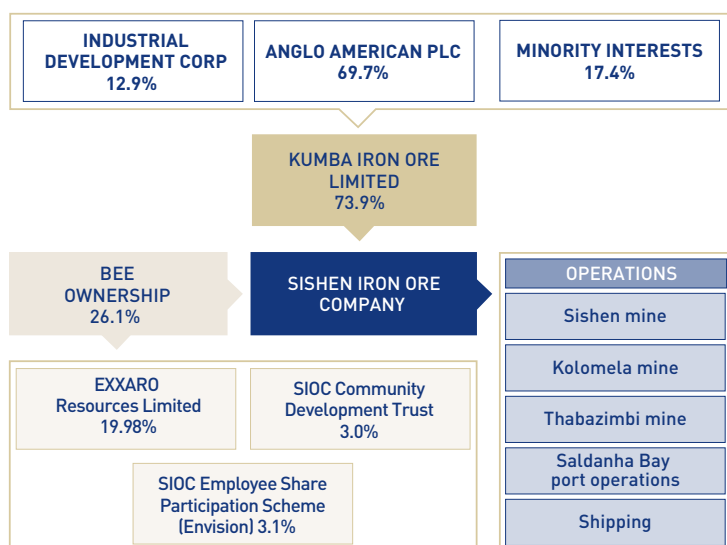
ORE PRODUCTION
(2013: 42.4Mt)

48.2Mt

WASTE PRODUCTION
(2013: 241.0Mt)

274.3Mt

Kumba Iron Ore Limited group structure



BEING A PARTNER OF CHOICE



Building lasting beneficial relationships is central to what we do. We are a significant employer in the regions in which we operate, and we work with communities and local governments to create lasting change in these areas. At the end of 2014 we employed 14,040 people – 8,191 permanent employees, 4,987 contractors and 862 learnerships. For more on these relationships see page 59 to 69 of this report.

86% OF EMPLOYEES DRAWN FROM LOCAL COMMUNITIES (2013: 84%)

COMMUNITY ENGAGEMENT AND DEVELOPMENT (CED) SPEND IN 2014:
R202.3 MILLION (2013: R253.7 MILLION)

R5.4 BILLION PAID IN TAXES AND ROYALTIES IN SOUTH AFRICA IN 2014
(2013: R8.3 BILLION)

WHAT WE DO

We produce a high-grade iron ore, with a lump-to-fine ratio of 67:33 in 2014. This ore is mined at our three operations, all of which are owned by SIOC. Export ore is shipped to customers across the globe from our port operation in Saldanha Bay. We have a marketing office in Singapore in partnership with Anglo American plc Group, and one in Luxembourg, wholly owned by Kumba. In total, 11% of our product comprises domestic sales and 89% is exported. The revenue generated from these sales is used to grow and sustain the business, which shares its success with various stakeholders in many ways.

WHERE WE OPERATE

Corporate office

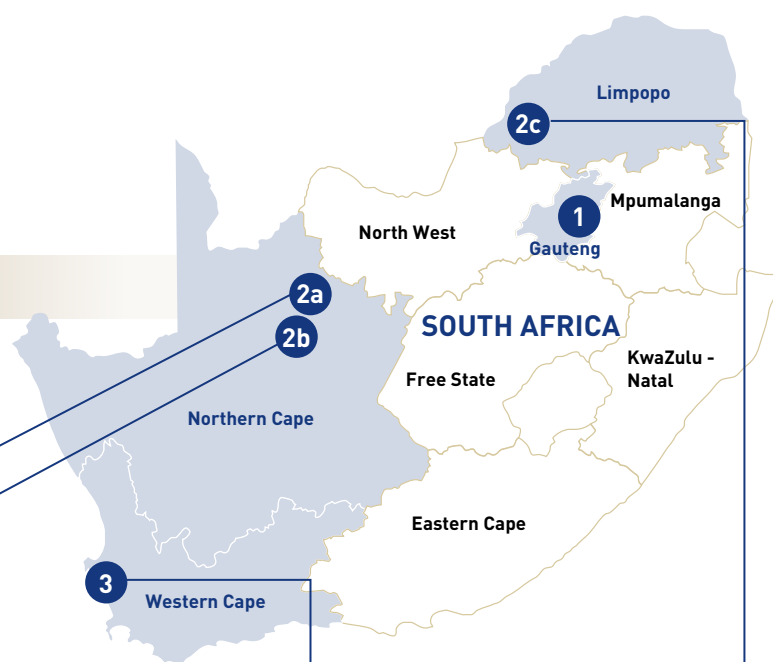
- 1 Centurion

Mining operations

- 2a Sishen mine
- 2b Kolomela mine
- 2c Thabazimbi mine

Port operations

- 3 Saldanha Bay



SISHEN MINE

- Near Kathu, Northern Cape province
- Our largest operation
- Opened in 1953
- Life of mine: 16 years
- Production design capacity: 37Mtpa
- Undergone a revised mining strategy that included operation optimisation and redesigned waste mining

KOLOMELA MINE

- Near Postmasburg, Northern Cape province
- Our newest operation
- Opened in 2012
- Life of mine: 21 years
- Production design capacity: 11Mtpa

SALDANHA BAY PORT

- In Saldanha Bay, Western Cape province
- Connected to Sishen and Kolomela mines by rail, the Sishen/Kolomela-Saldanha iron ore export channel (IOEC)
- Iron ore exported from here to Asia-Pacific, European and Middle East and North Africa (MENA) markets
- Owned and operated by Transnet, a state-owned entity

THABAZIMBI MINE

- Near Thabazimbi, Limpopo province
- Our oldest operation
- Opened in 1931
- Life of mine: nine years
- Future under review

IN 2014

- 229.9Mt total tonnes mined of which 35.5Mt final product and 187.2Mt waste
- 31.7Mt railed on the IOEC
- ISO 14001, ISO 9001, OHSAS 18001 certified
- Number of staff: 5,736 permanent full-time employees and 2,582 full-time contractors
- Total investment in social and community projects: R81.3 million
- Safety performance: LTIFR of 0.20, with one fatality
- Unit cash cost: R272/tonne
- Stripping ratio: 4.4

IN 2014

- 70.4Mt total tonnes mined of which 11.6Mt final product and 55.5Mt waste
- 10.5Mt railed on the IOEC
- ISO 14001 and ISO 9001 certified
- OHSAS 18001 compliant
- Number of staff: 1,205 permanent full-time employees and 1,955 full-time contractors
- Total investment in social and community projects: R48.1 million
- Safety performance: LTIFR of 0.34, with no fatalities
- Unit cash cost: R208/tonne
- Stripping ratio: 3.7

IN 2014

- Total volumes railed to Saldanha Bay: 42.2Mt
- Export sales: 40.5Mt
- Total shipping volumes: 40.1Mt
- ISO/IEC 17025 accredited QC laboratory
- Total investment in social and community projects: R6.5 million
- Safety performance: LTIFR of zero with no fatalities

IN 2014

- 33Mt total tonnes mined of which 1.1Mt final product and 31.6Mt waste
- 0.97Mt railed domestically to ArcelorMittal SA
- ISO 14001, ISO 9001, OHSAS 18001 certified
- Number of staff: 829 permanent full-time employees and 437 full-time contractors
- Total investment in social and community projects: R9.5 million
- Safety performance: LTIFR of 0.20, with no fatalities
- Unit cash cost: R682/tonne
- Stripping ratio: 25.4

OUR BUSINESS MODEL



EXPLORATION

WHAT IT IS

In South Africa exploration is focused on the Northern Cape, close to current operations, where we can leverage off existing infrastructure and experience. Greenfield exploration is done in prospective mineral belts such as west and central Africa. In addition, on-mine exploration and resource definition drilling is conducted to increase confidence in the geological models, which are updated annually in support of life-of-mine and long-term planning.

MINING

We extract our iron ore from mining the valuable iron ore bodies within our various mining leases. Mining is currently done by open pit methods.

For more information visit pages 86 to 109 of our Integrated Report 2014

BENEFICIATING

Beneficiation is the processing of ore for the purposes of regulating the physical properties of the finished product, removing impurities and improving product quality. We use dense-medium processing and jigging technologies to achieve this.

Further beneficiation

Kumba supports the South African government's objectives to maximise the developmental impact of the minerals sector, aware of the important role that mining companies have to play in this space.

KEY RESOURCES IT REQUIRES

For details on these icons visit page 03



WHAT RESOURCES IT PRODUCES

INCLUSIVE MINERAL RESOURCES
2,238Mt

EX-PIT ORE MINED
59.0Mt

WASTE MINED
274.3Mt

TOTAL PRODUCTION
48.2Mt

WHAT EFFECTS IT HAS ON RESOURCES

- Requires funding
- Increases innovation
- Improves geological confidence in existing mineral resources

For more information visit pages 86 to 109 of our Integrated Report 2014

- Controlling costs and optimising production impacts revenue
- Relationships with employees
- Natural resources; both our mineral resources and the land we mine
- Our safety performance

- Quality of our product, which has an impact on the prices we can achieve

For more information visit pages 86 to 109 of our Integrated Report 2014

WHY THIS IS IMPORTANT TO KUMBA

In order to ensure the long-term success of Kumba we are focused on increasing and replenishing our mineral resource portfolio through both targeted South African growth and exploration in west and central Africa.

Mining is the core of what we do – by improving our performance in it we are able to improve, and sustain, our entire business.

We beneficiate our ore to sell niche products domestically and at a premium to international markets.

SP Strategic pillar

SP Delivery on growth projects
SP Optimising value of current operations

SP Optimising value of current operations
SP Organisational responsibility and capability

SP Capturing value across the value chain
SP Organisational responsibility and capability



BLENDING AND OUTBOUND LOGISTICS

Blending allows us to utilise products from our operations to provide niche specification products to our markets. Products are screened and sized to match customer requirements, and then transported through our outbound logistics chain.

For more information visit pages 86 to 109 of our Integrated Report 2014



RAILED
42.2Mt

- Agreement with Transnet relies on both parties meeting contractual obligations
- Relationship with customers

For more information visit page 76, 84 and 85 of our Integrated Report 2014

Blending is an important consideration for satisfying the demands of the market and ensuring supply of our product, while our outbound logistics chain allows us to integrate mining, processing and blending facilities with the market, making us more efficient.

SHIPPING, MARKETING AND SELLING

As a group we sell iron ore domestically and internationally. Export customers are in a range of geographical locations around the globe, including China, Japan, India, South Korea and countries in Europe and MENA. Domestically, we sell ore to ArcelorMittal SA.

For more information visit pages 48 to 50 of our Integrated Report 2014



EXPORT SALES
40.5Mt

DOMESTIC SALES
4.8Mt

- Improves our relationships with customers
- Increases revenue

For more information visit page 85 of our Integrated Report 2014

Shipping is the link between our operations and our customers, allowing us to turn what we mine into profit and support the sustainability of the business.

REHABILITATION AND ENVIRONMENTAL MANAGEMENT

The whole life cycle of the mine needs to be carefully managed, from an environmental perspective, to ensure the least disruption to our natural resources while operations are ongoing and to restore the land as close as possible to its original state, or the approved closure plans when we leave.

For more information visit page 56 of our Integrated Report 2014



REHABILITATED
53ha

- Decreases financial liability
- Improves the environment
- Improves relationships with communities through both skills development and leaving a lasting legacy

Rehabilitation is a key component of our integrated business model and reinforces our ideal of being a responsible corporate citizen.



STRATEGIC APPROACH TO OUR BUSINESS AND EXTERNAL ENVIRONMENT

Top image

Process controllers Dean Hurter and Frederick Motsiele working at the primary crusher at Kolomela mine.

Bottom image

Load and haul operations at Kolomela mine. The mine produced 11.6Mt of direct-shipping ore for the export market in 2014.



COMMITTEE CHAIRMAN'S REPORT



Dolly Mokgatle
Chairman: social, ethics and transformation committee

Safety remains integral to our value system, and Zero Harm the objective to which we are steadfastly committed

DEAR STAKEHOLDER

It gives me great pleasure to present this report of the social, ethics and transformation committee for the year ended 31 December 2014.

Our social, ethics and transformation committee, which I am honoured to chair, is mandated to ensure that Kumba attains its sustainable development goals encompassing responsible safety, health, environment, social, transformation, ethical and compliance management. This report looks at our material issues and relates how they are being addressed.

Kumba's operating landscape continues to present challenges as we continue our transformation journey. We are cognisant of the impacts associated with mining operations, and remain committed to acknowledging and addressing them. We also continually strive to remain a developmental partner of choice to our stakeholders and realise that, to achieve this, we all require open and ongoing consultation to identify mutually beneficial outcomes.

SAFETY ... OUR PRIMARY CONCERN

Safety remains integral to our value system, and Zero Harm the objective to which we are steadfastly committed. Our employees are one of our key stakeholder groups and are entitled to work in a safe environment.

Unfortunately incidents occur, which alert us to the ongoing need to be vigilant in respect of the safety of our employees.

I regret to inform you that in April we lost one of our colleagues, Andre Muller, a contractor at Sishen mine. Andre was fatally injured in a fall when the grating on an elevated walkway he was walking on gave way. Our sincere condolences go to his family, his friends and his colleagues. This tragic event led to considerable reflection on safety. Resultant actions have focused on improving risk identification and mitigation processes, structural integrity inspections, contractor engagement and employee training. We remain committed to ensuring that everyone is safe from harm each and every day in our workplaces.

Safety awareness has been improved by the introduction in 2014 of proactive reporting of situations or conditions that could lead to undesirable incidents.

We continue to invest in safety improvements, with innovative interventions being developed and piloted at our operations. Sishen mine's pioneering haul-truck safety initiative merits special mention – see page 49.

HEALTH ... OUR PEOPLE'S WELL-BEING

A healthy workforce remains at the heart of our success. Our wellness programmes have again enjoyed overwhelming support from our people, with the vast majority participating in voluntary counselling and testing for a broad range of chronic conditions such as HIV/AIDS, hypertension, tuberculosis (TB) and diabetes. We have a comprehensive disease-management programme, which includes anti-retroviral treatment (ART). The rapid uptake of HIV counselling and testing (HCT) provided inputs for a fact-based review of our HIV and TB programmes, with renewed efforts prescribed for 2015. Components of a holistic healthy living programme targeting chronic conditions were defined and will be launched in 2015. Our employee assistance programme provides support for social needs.

Beyond the mine gates, our fatigue management efforts extend to our communities with educational campaigns aimed at teaching families how to help breadwinners get adequate rest so as to minimise fatigue, a contributory factor to many work-related safety incidents.

Regrettably, we saw increases in incidences of TB and noise-induced hearing loss (NIHL) among our employees. This may be partly attributable to improvements in our detection and reporting systems and active case finding. We are confident that the comprehensive holistic health improvement plans introduced in 2014, and that continue in 2015, will deliver marked improvements in occupational health. We have made considerable progress, including the elimination of all noise exposures above 110dB(A) at source and the phasing out of non-cabin drill rigs at Kolomela mine, thereby also eliminating dust exposure.

ENVIRONMENT ... OUR PLACE IN THE WORLD

We are cognisant of the impacts our activities can have on the natural environment, on our host communities and on our broader range of stakeholders. We therefore set and track measurable goals for our performance in this important area. The goals include targets on energy use, greenhouse gas (GHG) emissions and water-use efficiency. In 2014, we continued to pursue concurrent rehabilitation of areas disturbed by mining, and rehabilitation targets were set for each operation. On the whole, we were satisfied with our 2014 environmental management performance. We exceeded our water-savings targets and made significant progress on energy use, on reducing GHG emissions and on concurrent rehabilitation.

I am particularly delighted with the progress of the Aquifer Recharge Project, introduced at Kolomela mine during 2014. It enables us to return some of the ground water that has to be extracted to ensure safe mining. This helps to reduce the impact of our operations on underground water. A similar project is envisaged for Sishen mine in 2015.

COMMITTEE CHAIRMAN'S REPORT continued

OUR PEOPLE ... OUR FOUNDATION

Our business cannot survive without an engaged workforce, and we purposefully cultivate positive relationships with our people. In 2014, we successfully concluded a three-year wage agreement with our recognised trade unions in a period of challenging external market conditions and volatile labour relations countrywide. We take a positive and open approach to collective bargaining.

We have consistently enjoyed global recognition by the Top Employers Institute, which bodes well for the continued enhancement of our employment practices. We also readily acknowledge and reward talented employees through our annual Laurel Awards.

At the end of 2014, we started with a significant organisational restructuring process, which will see a reduction in head office employee numbers by about 40%. We understand the impact this has on employee morale and we are pursuing these efforts rigorously, transparently and fairly.

TRANSFORMATION ... OUR JOURNEY TO CHANGE

We remain focused on our strategy to transform and empower Kumba and its stakeholders. The key areas emphasised in the committee's work plan include employment equity; skills development; preferential procurement; enterprise development; community development; and housing and living conditions.

Management, with the support of the committee and the board, is focusing particularly on our women-in-mining initiatives, which is the one area where our targets have proved to be challenging. For further detail on this, see pages 66 to 67 of this report.

THE BROADER KUMBA FAMILY

Our concern for the challenges faced by our host communities remains, and we continue to assist in alleviating them. We spent 1% of our profit after tax on community development projects and are increasingly confident that our projects are making their intended positive impacts. Our education interventions, together with those of the SIOC-CDT, contributed to the Northern Cape and Limpopo provinces' improved matric pass rates.

It remains a reality, though, that as iron ore prices and consequently profitability have declined, so have the funds available for community development. This is in the face of continually rising expectations from communities and government for mining companies to deliver social change.

We launched the Supplier Development Pilot Programme during the year to help black enterprises from our host communities benefit from procurement opportunities at our operations. We are very excited about the project, since it will further enable local communities to participate in the economic opportunities presented by the mines, develop local entrepreneurs, create jobs and, as a result, alleviate poverty. In addition, we funded 25 entrepreneurs in partnership with Anglo American plc Group Zimele, through our enterprise development hubs. This augurs well for our strategy of helping build communities that are self-reliant and sustainable beyond the life of our mines.

STAKEHOLDER RELATIONS ... BUILDING AND STRENGTHENING

Enhancement of our relationships with all our stakeholders is showing its value. We have introduced Stakeholder Days that deliver better understanding of mutual stakeholder positions. For example, during 2014 we devoted time to understanding and addressing the concerns of the Department of Mineral Resources (DMR). This contributed to us being timeously granted mining and environmental authorisations, crucial for our mines. We also saw a reduction in our safety and environmental stoppages.

Our response to structural changes in the global iron ore industry that led to a sharp decline in iron ore prices, also resulted in initiatives such as the company restructuring to ensure that the company remains resilient and successful. This has required vigorous consultation and engagement with internal and external stakeholders.

An important 2014 milestone was the Dingleton North community relocation, bringing us closer to meeting our targets of increased production at Sishen mine. I would like to particularly thank the Dingleton residents, the Northern Cape government, the Gamagara Local Municipality and the Dingleton Resettlement Committee for their contributions to the success of the relocation. See page 34.

OUR PLANS FOR 2015

In the coming year, the committee will continue to concentrate on Kumba's obligations in relation to the various pieces of legislation and best practices that guide us. Of greater importance and focus for us as an organisation will be to ensure that we position ourselves to be able to respond effectively to the socio-economic and environmental challenges we will continue to face, not least the impact of our current restructuring process on our employees. The key focus areas include our drive towards Zero Harm, improving and sustaining constructive relations with our stakeholders and balancing the performance of the business with our role as an employer and responsible corporate citizen. At the heart of what the business does is its commitment to do no harm.

We look forward to working with the DMR in finalising our application for the 21.4% share of the Sishen mining right, and in the finalisation of the Mineral and Petroleum Resources Development Act (MPRDA) Amendment Bill and the Mining Charter, as they will shape the industry in the decades to come.

WITH THANKS

Let me conclude by thanking the board for its wholehearted support, and the executives for their hard work as they execute Kumba's commitments in the areas under review. I would also like to convey my appreciation to all those stakeholders whose sound advice, counsel and support are invaluable in charting Kumba's success.

Dolly Mokgatle

Chairman: social, ethics and transformation committee

12 March 2015

CHIEF EXECUTIVE'S REVIEW



Norman Mbazima
Chief executive

The year under review was a challenging one – like others in our industry, we have had to deal with the effects of a decline in iron ore prices. However, the challenges we faced in 2014 have sharpened our focus on creating resilience and ensuring the overall sustainability of our business. I believe we will emerge a more resilient company.

While I am glad that we successfully delivered on our operational targets this year, the decline in iron ore prices translated into lower revenues. This in turn means that, in many cases, the contributions that we are able to make to our stakeholders will be less than those made in prior years. However, we have built solid relationships with our stakeholders and will continue to engage and communicate to them the implications and our planned responses to this tough environment. I am confident we will continue to deliver value.

Our efforts in 2015 will remain focused on safety, driving efficiencies, sustaining sound relationships with stakeholders – including employees, labour unions, communities, government and shareholders – and managing our resources responsibly for the future. In our Integrated Report and in this Sustainable Development Report, we seek to provide insight and clarity into our approach.

SAFETY AND HEALTH ARE PARAMOUNT

Regardless of the trying times our operating environment presents, we will not compromise our commitment to the safety and well-being of our employees and host communities. Our aspiration towards Zero Harm is unwavering – we are committed to ensuring that, each and every day, all our people shall work and return to their loved ones unharmed and well. Thus, it is with sadness that I report on the death of one of our colleagues, Andre Muller, in April of last year. Andre was a crane technician working for contracting company Crane Aid at Sishen mine. He fell eight metres when the grating on which he was standing gave way. Let me again convey my heartfelt condolences to Andre's

family, his friends and colleagues – their personal loss is enormous. This tragic incident has had a profound effect on the entire company.

Following this incident, all walkways and ladders were thoroughly inspected at all our operations and where necessary, repairs and improvements were promptly made ensuring structural integrity.

Despite everyone's best efforts and the continuing emphasis placed on safety, the number of lost time injuries (LTIs) increased from 33 in 2013 to 44 in 2014. We continue monitoring high-potential hazards and incidents that have caused injuries to learn from them and improve safety behaviour and conditions. Analyses have shown that material handling, and trips and falls were the greatest contributors to injuries during the year. Through our safety improvement plans, we have focused our efforts on these causes to reduce our injury rate in 2015. We shall continue to work with our employees and with the regulatory authorities to address risks and improve our safety performance.

In addition to safety, the health and well-being of our people remains high on our agenda. Due to the positive influence sound health has on safety, job satisfaction and our employees' ability to be productive members of society, we strive to go beyond regulatory compliance, in addressing both exposure reduction and overall wellness.

Exposure reduction, in particular to noise and dust, remains our top occupational health priority. Our efforts are primarily aimed at reducing the sources of undesirable noise and dust exposure. Through our exposure reduction plans, we continued to reduce noise through engineering controls. For example, we commissioned new closed-cabin drills at Kolomela mine's Kapsteveld pit, the last of our operations to undergo this upgrade, to reduce exposure to both noise and dust.

In 2014 we saw an increase in newly-identified cases of both noise-induced hearing loss (NIHL) and tuberculosis. While this concerns us, it is also important to consider the context. The cases we identify now are a result of past exposure, and the initiatives we have put in place in 2014 will prove their value in years to come. We have also improved our medical surveillance over the last few years, this has contributed to the increase in cases but also sets us up to better manage the occupational risks and address the legacy issues.

We have adopted a holistic approach to health, our employees now have access to periodic wellness screening which assists all to prevent and manage common lifestyle or chronic conditions including diabetes, hypertension and high cholesterol. I am pleased by the inroads we have made in this area. Our voluntary HIV-testing programme exceeded its target of 90% participation. In addition, our fatigue-management programme at Kolomela mine was recognised by the Global Alliance, receiving an Award of Distinction for public service at the Alliance's international COMM PRIX awards in September.

CHIEF EXECUTIVE'S REVIEW continued

A STRONG OPERATIONAL PERFORMANCE

The production recovery plan at Sishen mine was successfully executed during 2014, allowing us to exceed our production target of 35Mt. All of the key technical work was completed, and further ore was exposed. We are continuing to implement the new pushback design and are on track to increase production at Sishen mine to 36Mt in 2015.

We also exceeded our production targets at the Kolomela and Thabazimbi mines, which produced 11.6Mt and 1.1Mt respectively. Technical studies at Kolomela mine have confirmed that the mine's capacity is now 11Mtpa, allowing us to sustain this increased production for the remainder of the mine's life.

This increase in production at all three operations led to an increase in sales, with our export sales rising by 4% to 40.5Mt. I would like to extend my personal thanks to each and every employee who helped us meet these targets.

MANAGING CHANGE

The greatest challenge Kumba faced this year was the change in the iron ore market. The iron price was \$71.75/dmt (62% Platt IODEX, CFR China) at 31 December 2014, which is almost half of the \$134.50/dmt recorded at the end of 2013. This kind of change is indicative not of a dip in the price but of a structural change in the market, which impacts the way we work. Very few companies can survive a close to 50% drop in prices, and the effect it has on profitability. We continue to tirelessly pursue resilience and I believe that by adapting our operating plans to reduce costs, protect quality and increase volume we can ensure our sustainability and safeguard shared value.

To understand the changes we have made to our business, it is important to first understand what has caused the change in the market. The biggest contributing factor is the significant increase in iron ore supply from the major producers. In 2014, Australian production alone increased by 24%, or 139Mt. This growth is unlikely to stop – the major producers have made it clear that they expect to continue increasing production in 2015 and beyond. At the same time, the rate of growth of demand for iron ore in China, the most important global market, has slowed by 2% in 2014, from 6.5% to 4.5%. It is expected that this growth will slow down further to less than 2% in 2015. The combination of these factors has been an oversupplied market, causing prices to decline – a situation that is here to stay. This change in the market has resulted in many producers ceasing production. However, others, although undergoing some stress have continued to produce, as they consider their options – the so-called 'sticky production'.

Since it is unlikely that prices will return to the heady days of 2010/2011, it is our responsibility to ensure that Kumba remains resilient in the new price environment by: reducing capex, reconfiguring operating plans to focus on lowest cost production to fill rail capacity, and reducing spend on exploration, technology and projects. In addition, now is a time to play to our strengths – we have always positioned ourselves in the market as a high-quality ore producer and intend to keep our product quality above 64% Fe and our lump:fine ratio around 67:33 in order to maintain this market position.

We have also needed to review the internal structure of our business and make some difficult decisions to ensure our sustainability at these prices. The first of these difficult decisions was an organisational restructuring that saw a 40% reduction in the number of our corporate head office employees. This equates to about 140 people, 70 of whom have already taken voluntary separation packages. In a company such as Kumba, where employee relations are so central to our business, this has been a very trying time for everyone. We have ensured that this process has been guided by our core values of integrity, care and respect, in ensuring that the affected employees are treated with dignity and fairness.

The fall in ore prices has also made us re-examine our plans for extending the operational life of the Thabazimbi mine. Following the conclusion of a new supply agreement with ArcelorMittal SA in 2013, we reported that we would examine how we might reconfigure the mine and further extend its life. However, a combination of the low-price environment and the cost of developing and operating the low-grade technology needed to process the mine's lower-grade ore means that this route is less viable than previously imagined. At this stage, the options available to the company are to see whether there is a viable way to mine, placing the mine on care and maintenance, closing the mine or selling it. We appreciate the impact of any of these options on our stakeholders and we are committed to making a decision as quickly as possible. I assure our stakeholders that we will keep you updated on further developments and on the final outcome of the review.

WAGE AGREEMENT

In 2014 we signed a three-year wage agreement with our representative unions, and I am confident that this will contribute further to the sound understanding that characterises labour relations at our operations. Our approach to labour relations and collective bargaining is one of openness. As such, we continue to proactively engage with all unions that are active on our mines.

WORKING WITH COMMUNITIES

Our contributions to society are reported extensively elsewhere in this report, and I only mention some of them briefly in this review. We at Kumba are proud of what we have achieved, particularly in our host communities. Our approach has been to engage with our communities on their needs, concerns and aspirations and to seek to balance fairly what we are able to contribute and how those contributions are effectively managed.

Collaborative relationships with our host communities are, perhaps, best shown by the manner in which the resettlement of the people of Dingleton is being implemented and managed. Together with the people of Dingleton, the Gamagara Local Municipality and the Northern Cape Provincial Government, we spent a great deal of time discussing how the resettlement might best be achieved. In implementing the first phase of this relocation, we resettled 71 families in improved housing in 2014, and ensured that this was done to the satisfaction of the community.

ENGAGEMENT WITH GOVERNMENT

In keeping with our collaborative approach, we strive to maintain sound relationships with government and our industry's regulators. Our interactions with the Department of Mineral Resources (DMR) have improved during 2014, following increased engagement.

Following the Constitutional Court decision in 2013 we applied for the remaining 21.4% of the Sishen mining right in early 2014. This has not yet been granted and we continue to engage with the regulatory authorities in this regard.

We had expected that amendments to the MPRDA, which had taken into account the mining sector's views, as approved by parliament in 2014, would have been signed into law by the State President in the year under review. However, early in 2015, the president returned the Amendment Bill to parliament for reconsideration. This, it seems, was intended to separate regulation related to the oil industry from the mining industry and other adjustments. The Minister of Mineral Resources has suggested that the tenets contained within the Bill that have come about as a result of discussions between the authorities and the industry will be observed, and we support this move.

2014 also saw the initial 10-year period of the Mining Charter draw to a close. I am proud of the work we did to bring the Mining Charter to life in Kumba and believe that any review will reflect this. While this Charter period has come to an end, transformation within our business and, indeed, our country, has not, and we remain committed to bringing about

meaningful change. In addition, we will engage with government in developing a new Charter going forward.

THE WAY FORWARD

2015 is shaping up to be a challenging year. I am confident though that the solid base built over the past year will enable us to continue to deliver value to all our stakeholders.

The combination of factors I described above means that a major recovery in ore prices is unlikely, and we will continue to adapt our business to take this into account. The decisions that are being made now will not only help Kumba withstand the current changes in the market, but are all decisions that will make this business more resilient and sustainable well into the future.

Ultimately, we will continue with our aim of operating at the best possible level in all that we do, be it relationships or operations, and will work to manage our costs and return benefits to all our stakeholders.

APPRECIATION

I am personally grateful for the support Kumba has received from its stakeholders, particularly from its employees, who have risen to the challenges of adapting to the requirements of an increasingly difficult market. With a strong, focused, cohesive team I believe that we can face the future with confidence and renewed vigour.

In closing, I express my appreciation to the boards of Kumba and SIOC for their continued guidance. Their diversity of experience and views has been invaluable during a very challenging year.

Norman Mbazima
Chief executive

12 March 2015

KEY STATISTICS AND VALUE ADDED STATEMENT

KEY STATISTICS

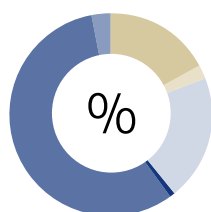
	2014	2013	2012	2011	2010
Number of employees					
Sishen mine					
Employees	5,736	5,104	5,303	4,412	4,173
Contractors	2,582	3,099	2,910	3,425	4,217
Total	8,318	8,203	8,213	7,837	8,390
Kolomela mine					
Employees	1,205	1,065	1,030	771	534
Contractors	1,955	1,649	811	640	28
Total	3,160	2,714	1,841	1,411	562
Thabazimbi mine					
Employees	829	791	852	815	806
Contractors	437	269	470	889	974
Total	1,266	1,060	1,322	1,704	1,780
Production (Mt)					
Sishen mine	35.5	30.9	33.7	38.9	41.3
Kolomela mine	11.6	10.8	8.5	1.5	–
Thabazimbi mine	1.1	0.6	0.8	0.9	2.0
LTIFR (per 200,000 hours worked)					
Sishen mine	0.20	0.21	0.10	0.08	0.15
Kolomela mine	0.34	0.20	0.04	–	–
Thabazimbi mine	0.20	0.14	0.10	0.1	0.25
Health and well-being					
New occupational NIHL cases	11	7	3	17	1
New pulmonary TB cases	35	27	19	16	2
Total number of HCTs	7,869	6,966	6,546	6,856	5,570
Estimated number of HIV-positive employees	651	557	535	532	671
Employees on HIV wellness programmes	333	478	432	273	371
Employees on ART	322	127	177	178	148
Direct social expenditure at the mines (Rand million)					
Sishen mine	81.3	105.3	72.3	73.6	72.1
Kolomela mine	48.1	51.7	77.9	30.9	38.9
Thabazimbi mine	9.5	8.9	14.9	9.2	16.8
Amount spent on construction of housing for employees (Rand million)					
Sishen mine	605	551.8	398.1	181.0	44.0
Kolomela mine	–	–	511.0	403.0	–
Thabazimbi mine	–	–	9.0	10.3	7.1
Number of houses constructed/converted (units) for employees					
Sishen mine	737	310	1,166	172	39
Kolomela mine*	–	103	335	280	–
Thabazimbi mine	–	–	–	–	–
Environment					
Energy used (million GJ)	10.8	9.34	7.59	7.05	6.36
Carbon emissions (Mt CO ₂ e)					
Scope 1	0.67	0.56	0.43	0.39	0.32
Scope 2	0.54	0.52	0.52	0.36	0.52
Water used for primary activities (000m ³)	8,734	8,590	8,819	8,178	8,778
Potable water extracted from external source (000m ³)	121	116	247	390	51
Water used/recycled in processes (000m ³)	4,901	4,593	4,040	4,622	38

* Spend for housing at Kolomela mine in 2014 is included in the expansion project capital expenditure.

VALUE ADDED STATEMENT

	2014		2013		2012	
	Rand million	%	Rand million	%	Rand million	%
Value added						
Value added by operating activities	26,528	99.7	35,677	99.7	29,532	99.7
Revenue	47,597		54,461		45,446	
Less: Cost of material and services	(21,069)		(18,784)		(15,914)	
Value added by investing activities						
Interest income	84	0.3	117	0.31	102	0.3
Total value added	26,612	100	35,794		29,634	
Value distributed						
Distributed to employees	4,580	17.2	3,674	10.3	3,466	11.7
Salaries, wages, medical and other benefits	3,937		3,039		2,709	
Share-based payments	643		635		756	
Distributed to providers of finance	519	2	278	0.8	329	1.1
Finance costs	519		278		329	
Distributed to the state	5,330	20	8,782	24.5	6,272	21.2
Income tax	4,154		6,625		4,186	
Secondary tax on companies	–		–		959	
Mineral royalties	1,176		2,157		1,127	
Distributed to communities						
Community engagement and development	202	0.8	254	0.7	276	0.9
Distributed to shareholders	15,178	57	13,707	38.3	18,006	60.8
Dividends to owners of the company	11,450		10,500		13,428	
Dividends to non-controlling interests	3,728		3,207		4,578	
Value reinvested	1,833	6.9	2,506	7.0	2,836	9.6
Depreciation, amortisation and impairment	3,075		2,039		1,535	
Deferred stripping costs capitalised	(1,838)		(832)		(518)	
Net discounting finance cost	141		118		76	
Share of losses of associates and joint ventures	5		46		0	
Deferred taxation	450		1,135		1,743	
Value retained/(distributed)	(1,030)	(3.9)	6,593	18.4	(1,551)	(5.2)
Attributable to owners	(797)		4,946		(942)	
Minority shareholders' interest	(233)		1,647		(609)	
Total value distributed	26,612	100	35,794		29,634	

Value distributed in 2014



Employees	17.2
Providers of finance	2.0
Governance	20.0
Community spend	0.8
Shareholders	57.0
Value reinvested	3.0

MINING CHARTER SCORECARD

Indicator		2014 compliance target		Performance			Page
				Sishen mine	Kolomela mine	Thabazimbi mine	
Human resource development							67 to 69
Human resource development expenditure as a percentage of the total annual payroll (excluding the mandatory skills development levy)	5%	5%	5%	5%	8%		
Employment equity							66
Top management	40%	50%	50%	50%			
Senior management	40%	38%	45%	62%			
Middle management	40%	53%	59%	59%			
Junior management	40%	60%	67%	57%			
Core and critical skills	40%	89%	92%	84%			
Housing and living conditions							69
Employees in hostels (one person per room)	Occupancy rate of one person per room	100%	100%	100%			
Employees in family units	Family units by 2014	All employees reside in family units					
Mine community development							75 to 85
Local economic development (LED) programmes	Implement approved community projects	100%	100%	75%			
Development forums in major labour sending areas		N/A	N/A	N/A			
Procurement							38 to 40
Percentage of procurement spend allocated to black owned or empowered companies	Capital goods: 40%	54%	68%	80%			
	Services: 70%	82%	83%	81%			
	Consumable goods: 50%	74%	75%	74%			
HDSA ownership							4
Employee share scheme	26% in total	3.1% allocated to Envision Share Scheme					
Community-owned		3% owned by the (SIOC – CDT)					
HDSA-owned		20% owned by Exxaro					
Reporting							
Submit reports to the DMR	Report to the DMR	Annual Mining Charter reports submitted					

Sustainable development and growth	Target	Sishen mine	Kolomela mine	Thabazimbi mine
Implementaion of approved EMPs	100%	100%	100%	100%
Implementation of the tripartite action plan on health and safety	100%	100%	100%	100%
Percentage of samples analysed in South African facilities	100%	98%	100%	100%

* Up to 29% empowerment achieved with the rollout of the second phase of Envision.

**Top image**

In 2014, Sishen mine held a stakeholder day in Kathu to facilitate interaction and promote dialogue between Kumba and its stakeholders. As part of the programme the stakeholders visited one of the employee housing projects in Sesheng.

Bottom image

The Deputy Minister of Mineral Resources Godfrey Oliphant, MEC for Social Development in the Northern Cape Province, Mxolisi Sokatsha, members of the board and other stakeholders representing local and district municipalities,

national and provincial government, organised labour, business, development partners, communities and civil society, participated in the stakeholder day held at Kathu in 2014. The Kolomela housing project was one of many projects showcased at this event.



OUR STRATEGY



STRATEGIC PILLAR ONE

OUR MISSION

To be a sustainable, effective business that adds value to all our stakeholders.

STRATEGY REVIEW

In 2014 we sought to cement the strategy we had revised in 2013. While we remained focused on delivery, the sudden drop in iron ore prices in 2014 meant that we needed to review our strategy further, to ensure that we are able to secure our strategic goals, while preserving margins. For more on what the company is doing to ensure sustainability in the face of falling prices, see page 65 of our Integrated Report 2014.

We, as Kumba, are also shaped by Anglo American plc Group's targets and strategy. Kumba remains a key component of Anglo American plc Group's portfolio and its ambition to be a leading diversified miner. Anglo American plc Group aims to invest the right resources in the right processes at the right time in each of its business units. A consequence of Anglo American plc Group's strategy review has been the development of a revised operating model, which is being piloted at our Sishen mine. This process supports and adds impetus to our own drive for efficiency and increased production.

A CHANGE IN STRATEGY

Our strategic redesign entailed a shift from fixed production within a specific time period, to a more flexible strategy that envisages the achievement of three goals within three time horizons:

- System and asset optimisation in the short term (one to two years) to increase margins and increase productivity
- Growth in South Africa in the medium term (up to five years)
- The development of a second footprint in Africa (outside of South Africa) in the long term (longer than five years)

Our revised strategy was evaluated in the first quarter of 2014 through a consultative process involving the executive committee and heads of departments. This strategy was then reviewed by the board at a workshop at the end of May.

In support of the strategic priority to ensure the long-term sustainability of Kumba's current operations, especially in the current price environment, a Programme Support Office was set up to support strategy implementation. The Programme Support Office reports directly to the chief executive.

The strategic objectives were broken down into different initiatives, each with its own sponsor who reports on the process regularly to the executive committee.

Our overall strategy is supported by four strategic pillars, each with its own timeline and set of deliverables. These are explained in more detail on the right.

Optimise the value of current operations through business performance improvement programmes, along with a system-operations approach to manage the marginal cost of production.

Key initiative:

Optimising the value of existing operations through the execution of plans to increase Sishen mine production to 38Mtpa (including the modular plant) and grow Kolomela mine to 13Mtpa. Another key initiative has been the implementation of the new Operating Model.

Which objectives does this support?

System and asset optimisation

Related material issue:

Delivering a resilient business

What resources do we need to achieve this?

- Financial
- Assets
- People
- Relationships
- Environment

How do we measure success?

Safety and health
Costs
Production
Environment

For more on our KPIs see page 26 of our Integrated Report 2014



STRATEGIC PILLAR TWO

Capture value across the value chain by tailoring the product portfolio to best suit customer requirements, maintaining a balanced customer portfolio across geographies, continuously developing new customers, adapting pricing mechanisms to market developments, and by minimising the cost of freight through a combination of spot and long-term freight options

Key initiative:

Product development to match customer needs against resource capabilities. Continuous monitoring of price performance by measuring all sales prices achieved against a quality-adjusted reference price. Optimisation of logistics to maximise port throughput while minimising demurrage. Customer development in new geographies and continuous adaptation of the customer portfolio. Development of a portfolio of shipping instruments, including Contracts of Afreightment (COAs), spot charters, time charters.

Which objective does this support?

System and asset optimisation

Related material issues:

Responding to changes in the iron ore market

Delivering a resilient business

What resources do we need to achieve this?



People



Innovation



Relationship



Assets

How do we measure success?

Performance against reference price

Average realized prices

Shipping cost

Export sales volume



For more on our KPIs see page 26 of our Integrated Report 2014



STRATEGIC PILLAR THREE

Deliver on growth projects to realise growth in South Africa that adds value while facilitating an expansion of the iron ore export channel. This includes developing options for our operations in the Northern Cape. In addition, we plan to consider growth in west and central Africa by developing entry options into those regions.

Key initiative:

Deliver growth through the execution of high-priority growth projects in the Northern Cape, while developing exploration and low-grade opportunities, to find the best way to secure growth and sustain operations. In the long term, find and secure low cost, value accretive options in west and central Africa.

Which objectives does this support?

South African growth

Second footprint in Africa

Related material issues:

Responding to changes in the iron ore market

Delivering a resilient business

What resources do we need to achieve this?



Financial



Innovation



People



Relationship



Environment

How do we measure success?

Financial returns

Costs

Production

Resources and reserves

Technical implementation



For more on our KPIs see page 27 of our Integrated Report 2014



STRATEGIC PILLAR FOUR

Ensure organisational responsibility and capability, allowing us to be a responsible corporate citizen and deliver on our safety, health and environment imperatives as well as our corporate social development objectives.

Key initiative:

Maintain our licence to operate and improve business efficiencies. This will be done through a number of programmes, including creating a safe, healthy and secure working environment for all employees, engaging in meaningful communication with all stakeholders, and aligning Kumba to Anglo American plc Group's driving value initiative.

Which objectives does this support?

System and asset optimisation

South African growth

Second footprint in Africa

Related material issues:

Shifting stakeholder expectations

Delivering a resilient business

What resources do we need to achieve this?



Financial



People



Relationship



Innovation

How do we measure success?

Safety and health

Environment

People

Socio-economic



For more on our KPIs see page 27 of our Integrated Report 2014

OUR APPROACH TO SUSTAINABILITY

Sustainability is integral to the way we operate and is the cornerstone of our existence. It means being able to operate profitably and sustainably creating value for all our stakeholders while providing social, economic and environmental opportunities for future generations. We do this by taking positive action to prevent harm to our employees, visitors to our operations, surrounding communities and the environment; seeking and implementing sustainable ways of sharing benefits with our employees and host communities; seeking to continually improve local education standards and skills; nurturing small businesses and other local suppliers thereby creating employment; and making social and infrastructure investments to facilitate the creation of sustainable economies that last after the end of our mining operations. In addition, we continuously engage with all our stakeholders to ensure that we consider their interests when we set our strategies and priorities.

OUR COMMITMENT TO THE AA1000 ACCOUNTABILITY PRINCIPLES

We are committed to constant engagement with our stakeholders and to taking their views and interests into consideration in our decision-making processes. This is in line with the three principles of inclusivity, materiality and responsiveness set out in the AA1000 AccountAbility Principles Standard 2008.

Inclusivity

We are committed to being accountable to our stakeholders: those individuals, groups of individuals or organisations that affect or could be affected by our performance, activities or products. To realise that commitment, we have developed and implemented robust formal stakeholder identification and engagement strategies, policies and procedures. These enable us to effectively involve stakeholders in identifying, understanding and responding to material sustainability issues and concerns as well as giving them opportunities to hold us accountable for our decisions, actions and performance. Engagement platforms vary depending on the issues and on the stakeholders involved, but include periodic meetings, official correspondence, stakeholder engagement days and workshops, and participation in dedicated forums such as local and regional environmental management forums.

Our inclusive stakeholder engagement approach, details of which are given on page 29 of this report, is the cornerstone of how we identify materiality.

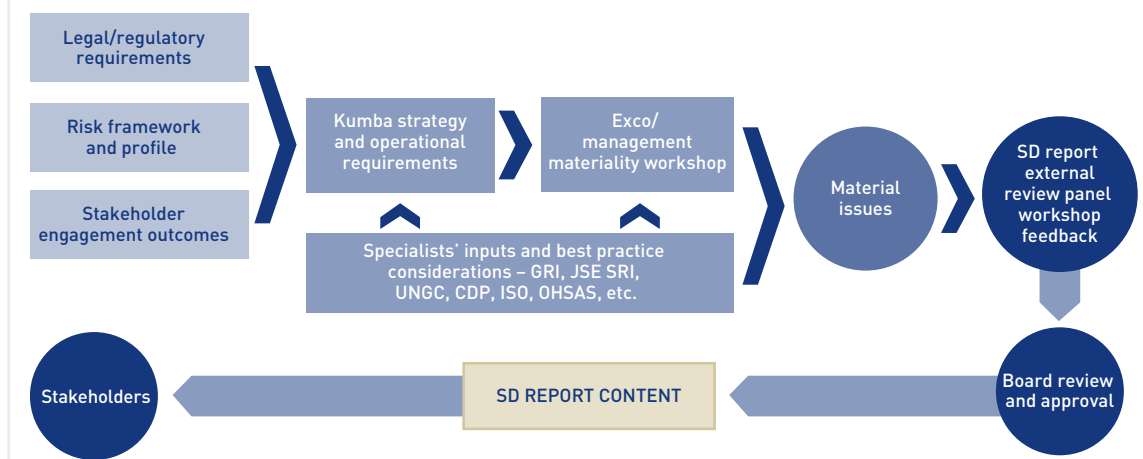
Materiality G4-18

We define a material issue as one that can influence our decisions, actions and performance and those of our stakeholders. Our processes for determining materiality are integrated into the way we work. These procedures and their outcomes influence and are also influenced by our strategy and risk management practices and outcomes, and draw

Image
Operators, Saule Mofammere, Gordon Koopman and Alistair Titus during a pre-shift safety meeting at the fatigue management centre at Kolomela mine.



Kumba materiality determination process



strongly on our stakeholder feedback. The diagram above summarises our materiality determination process and the interdependencies between materiality determination and some of our other business processes and their outcomes.

In addition to the defined annual materiality determination activities, such as the annual Exco workshop and the external review panel workshop, inputs and other information received throughout the year are reviewed at monthly Exco and quarterly board meetings, and is incorporated into material issues for external reporting when necessary.

Our 2014 material issues are discussed in further detail on page 23 of this report.

Responsiveness

In addition to our stakeholder engagement strategy, policies and procedures described above and on pages 29 to 30 of this report, we have entrenched management systems, policies, procedures and processes that help to ensure that we respond appropriately to stakeholder inputs, concerns and complaints. Response approaches differ according to the nature of the issues at hand and the stakeholders concerned, among other considerations. This report is a significant part of our response strategy and aims to provide our stakeholders with feedback on our performance on material issues identified. Other ways in which we respond to our stakeholders include:

- Ongoing consultative and information exchange meetings with trade unions, communities, suppliers and various other stakeholder groups
- Complaints and grievance procedures
- Written responses and face-to-face meetings in response to specific requests or questions

- Formal consultations as part of permit application and environmental impact assessment processes
- Press releases and interviews
- Ongoing discussions with employees and management e.g. during performance reviews
- Incorporating changes into the way we operate e.g. through amendment of operating procedures and production processes to manage undesirable outcomes

We respond to all issues that are brought to our attention, not only to material issues. Our performance in this regard is reviewed regularly through internal and external audits that form part of our management systems.

In 2014, for the first time since we started our reporting, an external review panel provided us feedback on whether our sustainable development report had addressed all our key sustainability issues. We incorporated some of their inputs into this report and will use the rest of their recommendations to improve our reporting going forward. **G4-23**

EXTERNAL REVIEW PANEL REPRESENTATION

- Centre for Sustainability in Mining and Industry, University of the Witwatersrand
- Tshiping Water Users Association
- Solidarity Workers' Union
- Kagiso Asset Management
- Department of Mineral Resources
- SIOC Community Development Trust (SIOC-CDT)

FOCUS:

MATERIAL ISSUES

Top image
Obakeng Khutlang, operator and Terrence Jordaan, mining manager in the Leeuwfontein pit at Kolomela Mine.

Bottom image
The main Leeuwfontein pit at Kolomela mine is currently at a depth of 110m and the pit will reach a depth of 380m below surface at its deepest point.

OUR 2014 MATERIAL ISSUES

G4-19

Our material issues this year all speak to one another and are aligned to timelines that indicate how they affect our ability to create value in the short, medium and long term. In addition, these material issues are tied closely to our strategic objectives. For more on our strategy see page 18.

Short term



RESPONDING TO CHANGES IN THE IRON ORE MARKET

This year has been challenging, not only for Kumba but for all companies in the iron ore market, as the price fell to a five-year low. This decline in prices has caused a margin squeeze within the company – while production and sales increased in 2014 the 47% decrease in iron ore prices (62% Platt IODEX, CFR China) since the start of the year meant that the company had to make some difficult decisions in order to be resilient. Low prices affect not just our revenue but also our investment case, our project pipeline, our overall contribution to the fiscus, and has had a direct impact on our people. In response to this, we have streamlined our project portfolio, focused on controlling costs and improving efficiencies, and reviewed our organisational structure.

01



Image 01

The Tom Selmer is a German registered ore carrier loading ore at the Saldanha port terminal. The ship is capable of carrying 172 000 tonnes of ore and the loading process takes about 36 hours to complete.



For more on this material issue see page 65 of our Integrated Report 2014

Short term to medium term



SHIFTING STAKEHOLDER EXPECTATIONS

Historically, Kumba has delivered on its promises and, in many cases, exceeded them. However, in the current market conditions, it is no longer guaranteed that we can deliver what we used to – there are, unfortunately, fewer benefits to share. With this in mind, we have had to take into consideration what our stakeholders expect from us and how best to align these expectations with what we can deliver at this time. The decisions we make are in order to both maintain strong stakeholder relations and remain a sustainable company. This has involved extensive communication and stakeholder engagement, as well as a solid understanding of our own business.

02



Image 02

Learnership students at the Tshipi skills development centre. Here they are learning plumbing skills.



For more on this material issue see the Engaging with our stakeholders section on page 29 of this report, the Sharing our benefits section on page 75 of this report and page 74 of our Integrated Report 2014

Long term



DELIVERING A RESILIENT BUSINESS

While the company must deal with its short-term issues it also needs to keep its future in mind – the long-term sustainability of Kumba is the basis of our strategy. We want to ensure that we safeguard the future of the company despite the difficult market. While this is a long-term issue, it is one that we need to consider continually while making short-term decisions, and is supported by a threefold approach. Firstly, we focus on our people – see pages 59 to 73; keeping employees safe and healthy – see pages 45 to 57, and working with our local communities and other stakeholders to ensure long-term success – see pages 45 to 49. Secondly, we focus on our product by using technology and efficient production methods to ensure we continue producing high-quality products and on developing a growth plan that secures resources for years to come. Finally, we focus on our performance: operational, social and environmental – see pages 87 to 101 for our environmental performance.

03



Image 03

Kolomela mine's fleet of haul trucks ensures the efficient hauling of waste and ore.

GOVERNANCE OF SUSTAINABILITY

We believe that regular individual and overall evaluations enhance the performance of directors and the board

Kumba believes that a strong and focused approach to corporate governance is imperative for the realisation of sustainable value for all our stakeholders. The board is thus committed to ensuring that the highest levels of corporate governance are incorporated into the daily activities of Kumba and strives to continuously improve existing structures, policies and procedures that regulate our governance environment.

In line with Kumba's board charter and Memorandum of Incorporation, we have a unitary board headed by an independent, non-executive chairman, Fani Titi. Our board has not changed during the year under review and comprises two executive and nine non-executive directors. Six of the non-executive directors are independent, while four are black women. A total of six directors are historically disadvantaged South Africans (HDSA).

Although the board retains overall accountability, it has delegated responsibility for the governance of sustainability to its social, ethics and transformation committee, which comprises three independent non-executive directors. The chief executive and executive heads of safety, health and environment, public affairs and human resources attend the committee's meetings as invitees.

The social, ethics and transformation committee's responsibilities include developing sustainable development policies and guidelines to manage social, economic, safety, health and environmental matters (including climate change, energy and water usage); monitoring performance against key indicators and facilitating participation, cooperation and consultation on key issues. In 2014, the committee met three times and focused on the following main areas:

- The review of performance on safety, health, environment (including climate change, energy and water usage); community engagement and development; and transformation
- Oversight of the Dingleton resettlement project
- Ensuring full implementation of our stakeholder engagement strategy
- Overseeing our annual sustainable development reporting process
- Reviewing our HIV/AIDS policy and the committee's terms of reference, and recommending them to the board for approval

We believe that regular individual and overall evaluations enhance the performance of directors and the board. Our board performance and review approach is aligned with that

of Anglo American plc Group, and requires that board performance be measured against set targets. Board and committee members are therefore evaluated through an externally facilitated biennial process, and through annual peer-appraisals and self-appraisals.

For a detailed discussion on corporate governance at Kumba, please see pages 112 to 119 of our Integrated Report 2014. In particular, our codes of conduct and approach to ethics, corruption and bribery are discussed. Performance against our sustainability governance requirements is discussed in detail in the respective sections of this report under the main heading Performance in 2014 from page 28.

MANAGING SUSTAINABILITY RISKS

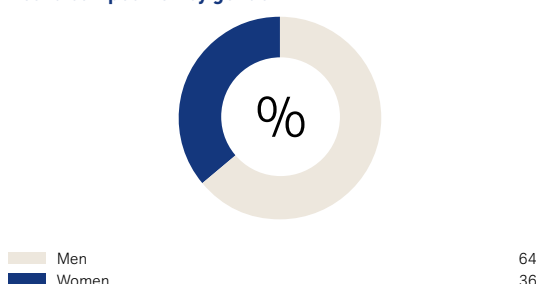
Our approach to sustainability, a key component of our strategy (see strategic pillar four on page 19 of this report), is driven by our belief that effective management of sustainability makes us competitive and enables us to attract and retain skills, to safeguard the health and safety of our employees, to proactively respond to changes in the legislative, social and political environment, to minimise our environmental footprint and to secure our social licence to operate.

Our chief executive and the executive committee (Exco) are accountable for the day-to-day management and performance of sustainability and all other aspects of our overall strategy. All members of Exco are measured and remunerated based on performance against sustainability indicators (including safety, health, water management and climate change-related indicators), among other measures. The executive heads of safety and sustainable development, public affairs, human resources and technical services carry the majority of specific responsibilities for sustainability performance. Refer to the Remuneration section on page 122 of our Integrated Report 2014 for more information on our remuneration practices.

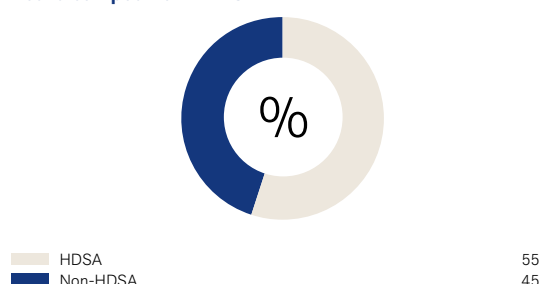
RISK MANAGEMENT, SYSTEMS AND THE PRECAUTIONARY APPROACH

Ongoing identification and management of safety, health and environmental risks is done within the ambit of internationally recognised management systems which we have successfully implemented at all our mines. All our mines are certified to the requirements of ISO 14001, the environmental management systems standard. The Sishen and Thabazimbi mines are also certified to the requirements of OHSAS 18001,

Board composition by gender



Board composition – HDSA



the occupational health and safety management systems standard. Kolomela mine complies with the requirements of OHSAS 18001 but has not yet applied for certification.

Integrated risk identification, evaluation, prioritisation, escalation and management processes are integrated into our management systems, as are performance measurement, monitoring and reporting processes, internal and external audits, compliance verification processes, and the comprehensive handling of communication of an external origin, such as stakeholder complaints and suggestions. These systems enable us to ensure continual compliance to legal requirements and to honour our commitment to the precautionary approach – enunciated in Principle 15 of the Rio Declaration on Environment and Development – when there is possibility of unauthorised irreversible environmental damage. These risk management processes also facilitate accurate monthly and quarterly performance reporting and enable management and the board to make informed decisions on the management of sustainability.

For a detailed discussion on risk management within Kumba, please refer to page 28 of our Integrated Report 2014.

ETHICS AND PREVENTION OF CORRUPTION

Kumba has a zero-tolerance approach to unethical and corrupt practices, and every member of our organisation is accountable for ensuring that our values are always upheld in all we do. Our ethics and prevention of corruption efforts are led by an internal ethics committee which is made up of ethics champions from each of our operations and representatives from internal audit and supply chain. The committee meets quarterly, and reports directly to Exco and to the board's audit and social, ethics and transformation committees. Its main responsibility is to oversee the implementation of the board's ethics policies and procedures.

In 2014, all ethics committee members received in-depth ethics and anti-corruption training. All new employees are trained on ethics and the prevention of corruption as part of their induction training. Several refresher training sessions are delivered across all operations throughout the year, targeting areas flagged by risk assessment outcomes and other considerations such as the period since the last training. In 2014, 51 employees underwent ethics and corruption prevention training.

RESPONSIBLE SUPPLY CHAIN POLICIES AND PRACTICES

Our strict ethics and prevention of corruption requirements apply equally to our suppliers, contractors and other business partners as they do to our employees, wherever we work. In line with our parent company, Anglo American plc Group, we have enforced sustainability requirements covering, among others, suppliers' management of safety, health, the environment, employment and labour rights, human rights and business integrity. Policies and procedures that have been implemented across our value chain to ensure uniform understanding of requirements include the following which are available at <http://www.angloamericankumba.com/sustainability/approach-and-policies.aspx> and at <http://www.angloamerican.com/>

development/approach-and-policies/policies-standards-commitments/sustainable-development.aspx:

- Sustainable development in the supply chain policy
- Supplier sustainable development code
- Business integrity policy
- Good citizenship: our business principles

Our business integrity performance standard provides a framework for employees and contractors to identify and interpret situations of actual or potential corruption and gives guidance on how to deal with them. Suppliers' and business partners' willingness to accept these standards is an important factor in our decisions to enter into, and remain in, partnerships with them.

We endorse and comply with all applicable anti-corruption laws and conventions, including:

- The Organisation for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions 1997 (OECD Convention)
- The United Nations Convention against Corruption 2003
- The US Foreign Corrupt Practices Act of 1977 (FCPA)
- The UK Bribery Act of 2010 (UK Bribery Act)

Methods of monitoring supplier compliance with these requirements include formal assessments and audits prior to and after contract awards, and are discussed in more detail on pages 38 to 41 of this report.

DONATIONS AND MANAGING CONFLICTS OF INTEREST

Kumba does not make donations in cash or in kind to individual public officials or to any political party, whether voluntarily or as a result of solicitation, under whatever circumstance. We prohibit facilitation payments and we prohibit our employees from soliciting or receiving gifts and entertainment that might give rise to conflicts of interest, including favours, goods, gratuities and services. Our employees are obliged to avoid actual or perceived conflicts of interest and to draw any potential conflict to the attention of their line managers, including declaring any gifts offered or received. All our departments complete monthly gift registers which are filed with the ethics officer. Annual declarations were completed by all employees in 2014.

Kumba did not make any donations to political parties or their representatives in 2014.

Our Trading in Company Securities Policy sets out requirements to ensure compliance with the relevant laws and regulations. All directors' dealings in company's securities are declared and published on the stock exchange news service (SENS) in line with listing requirements. Employees are required to obtain company approval to trade in the company's securities. Neither our directors nor our employees may trade in the company's securities during periods when they are likely to have access to price-sensitive information.





Performance in 2014

FOCUS:

PERFORMANCE IN 2014

Top image

Dimpho Sephiri, Makofa Mahloane and Gomolemo Comoletiale are all plumbing students at the Tshipi Skills development centre at Sishen mine.

Bottom image

Kolomela mine, which began commercial production in 2011, is expected to achieve annual design capacity of 11Mtpa in 2015.



ENGAGING WITH OUR STAKEHOLDERS

G4-26

IN THIS SECTION

- Our approach
- Our performance in 2014
- Stakeholder groups
- Stakeholders' needs and concerns
- Objectives for 2015
- **Case study:** Relocating Dingleton
- **Case study:** Stakeholder Day at Kathu – engaging with our stakeholders

WHY THIS IS A PRIORITY

To achieve our business strategy we rely on a stakeholder engagement framework that supports the company's goals and objectives, maintains and improves our reputational value, and is in the interest of the company's long-term sustainability and growth. Our relationships with stakeholders play an important role in achieving the company's strategic objectives.



ACHIEVEMENTS

- Approval of crucial mining authorisations
- Relocation of Dingleton North residents
- IOEC tariff agreements concluded with Transnet
- Three-year wage agreement reached with labour unions
- Successful Stakeholder Day hosted at Kathu
- Supplier Development Programme launched



CHALLENGES

- Structural changes in the iron ore market
- Reviewing all aspects of the company to ensure it becomes resilient and sustainable



IMPROVEMENTS

- Relationship with the regulator
- Number of section 54 notices reduced
- Mining Charter targets largely met
- Enhanced sales diversity due to increased engagements with India
- Improved technical engagements with Japan and Korea



DISAPPOINTMENTS

- Sishen mine fatality and high safety incidents
- Granting of 21.4% share of Sishen mining right not finalised
- MPRDA promulgation delayed
- Mining Charter review not finalised
- Decline in iron ore prices

OUR PHILOSOPHY ON STAKEHOLDER ENGAGEMENT

- Seek to collaborate and to become a development partner of choice
- Make a concerted effort to understand and recognise stakeholder needs, concerns and expectations
- Always demonstrate respect for stakeholders, no matter who they are
- Work to achieve mutually beneficial outcomes with stakeholders
- Engage with integrity, fairness and good faith
- Act with considered intent, be proactive, have results-oriented objectives and evaluate results



OUR APPROACH

We recognise that our mining operations are located in areas where sustainable social and economic development is most needed. Our goal is to go beyond compliance with legal requirements as we strive for excellence and best practice in development.

Kumba's stakeholder engagement strategy takes cognisance of various business risks faced by the company, and responds to concerns, issues and expectations articulated by all our stakeholders. Our stakeholder engagement strategy aims to:

- position Kumba as the iron ore mining partner of choice in sustainable development and long-term growth
- be a preferred employer with an attractive employee value proposition
- ensure we are experienced as a valued and engaged partner by the South African government
- secure well-managed strategic business relationships
- be compliant, and be viewed as responsive to related stakeholder concerns
- inspire stakeholder confidence in our ability to execute our vision and strategy

We review our stakeholder map and issues annually to account for new stakeholders, as well as shifting interests and concerns, and to set new performance indicators. Stakeholder interests are collated from our regular interactions with stakeholders, using diverse platforms including meetings, workshops, inspections, investor days, complaint registers, SHE forums, socio-economic assessment toolbox (SEAT) processes and Stakeholder Days. Prioritising issues is important as it aligns our strategy with the company's business objectives. The primary issues identified for focus in 2015 are closely related to our 2014 material issues. See the section on Identifying our material issues on page 20.

We also monitor the complex environment within which we operate and identify emerging issues, in order to allow for proactive interaction. Two of the most significant issues that surfaced during the reporting period were the structural changes in the iron ore market and the rise in demand for local supplier opportunities in mining. Our engagement strategy is also governed by a number of international standards and practices as well as various Anglo American plc Group policies. Internally, we have developed guidelines that support the implementation of the engagement strategy, and adhere to internal policies that regulate stakeholder engagement.

At the heart of our Stakeholder Engagement Framework is our stakeholder management policy which describes:

- Our stakeholder engagement objectives
- The strategy we will implement to achieve these
- The indicators that we will use on an annual basis to measure and evaluate our performance

PERFORMANCE IN 2014

We continued to implement our stakeholder engagement strategy, focusing on improving stakeholder engagement planning, execution and evaluation, which allowed for structured and constructive engagements at various levels of the organisation. Our engagement approach has increased the level of trust between Kumba and its key stakeholders, although more work remains to be done. In particular, our relationship with the DMR, Department of Water and Sanitation (DWS) as well as the Northern Cape provincial and local governments, communities, unions and employees benefited from this effort.

Critical 2014 mining and environmental authorisations were secured at Sishen mine, including the allocation of a railway properties mining right, renewal of some prospecting rights, environmental amendments for waste rock dumps and the Dingleton relocation. These authorisations were critical for the mine to reduce operational costs and reach its future production targets. Regrettably, while continuous engagement with the DMR on conditions for granting the 21.4% Sishen mining right, this application is yet to be concluded.

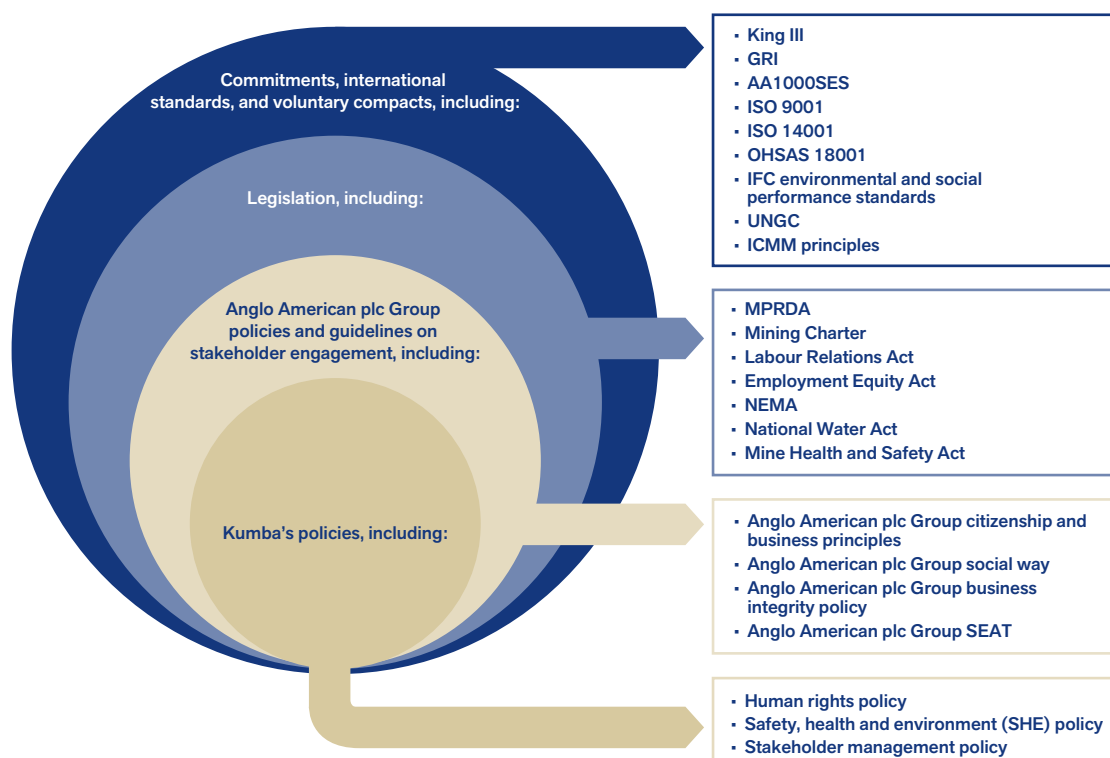
Engagements with the relevant authorities on environmental and safety compliance issues were also undertaken, with the intention of ensuring mutual control and collaboration in finding long-term solutions. This, together with measures taken to mitigate environmental impacts and enhance safety, led to improved incident reporting and a decrease in the number of findings against Kumba operations, in relation to sections 54 and 93 of the Mine Health and Safety Act (MHSA) and the MPRDA respectively.

Communicating our performance against Mining Charter targets was another significant undertaking during this reporting period, in light of the 10th anniversary of the Charter and the review that started during the latter part of 2013. Kumba is largely compliant with these targets and has notably gone beyond compliance on ownership, preferential procurement, housing and human resource development elements. We continuously promote transformation and monitor compliance to ensure that we secure and maintain

ENGAGING WITH OUR STAKEHOLDERS

continued

Kumba's stakeholder engagement governance framework



our licence to operate. See page 16 on our Mining Charter compliance, and page 66 for some details on our transformation efforts.

Through rigorous engagement, the industry and government managed to resolve a number of contentious issues that were contained in earlier drafts of the 2013 MPRDA Bill. Although the Bill was passed by Parliament in 2014, its enactment has been delayed. The Bill has been returned to Parliament for further work. Neither did the anticipated review of the Mining Charter commence, which is anticipated to be undertaken in 2015. These delays lead to regulatory uncertainty, as targets are not clear, and performance cannot be measured.

With regard to the IOEC, all tariff negotiations with Transnet were concluded during the year. This is a positive step in securing future growth in capacity. Kumba also continued to facilitate access for emerging miners on the IOEC, while at the same time protecting the efficiency of the system.

Despite the volatile labour relations climate that has prevailed throughout the South African mining industry in recent years, Kumba concluded a three-year wage agreement without industrial action. See page 62 for detailed discussions on the labour relations climate.

STAKEHOLDER GROUPS G4-24 G4-25

Stakeholders (individuals and groups) are important to Kumba's success, and the achievement of our strategic objectives. Our stakeholders are those impacted by the organisation, or with the potential to impact the organisation, and those that are interested in the organisation. Critical stakeholder groupings include:

- **Internal stakeholders**, including employees, unions, management, Kumba and SIOC boards, and Anglo American plc Group.

G4-24

- **Government and political groups**, including national, provincial and local government, major political parties and relevant parliamentary portfolio committees.
- **Civil society** comprising community groups, traditional leadership, church leaders, non-governmental organisations (NGOs) and community-based organisations (CBOs).
- **Business partners and business organisations**. This includes suppliers comprising both large **suppliers** and local small-scale enterprises
- **Customers**, who buy our products on the basis of Kumba's reputation for quality, consistency and reliability.
- **The investment community** comprising shareholders, potential investors and financiers, whose interests are in the

value, growth and sustainability of the company, with a growing awareness of social development imperatives.

- The **media**, who can rapidly influence the reputation of the company.

STAKEHOLDERS' NEEDS AND CONCERNS

During 2014, we tracked stakeholders' concerns raised during our interactions with them and through SEAT. This enabled us to acknowledge their material needs and provided us with a platform from which to effectively respond to them.

Image



Proceedings at the Kumba stakeholder day held at Kathu in 2014 included a question and answer session, Boitumelo Matlhape from the Tsantsabane Black Business Chamber posing his questions and concerns to the Kumba chief executive.







ENGAGING WITH OUR STAKEHOLDERS

continued

G4-27

Stakeholder group	Stakeholder concerns	Impact on Kumba	Impact on stakeholder	Kumba's response
Government, regulatory and political role players (national, including the DMR, DWS and Department of Environmental Affairs (DEA); provincial and local government, parliament) 	Safety and environmental impacts	Safety-related operational stoppages and environmental non-compliance findings affect production and reputation	Increasing safety and environmental investigations	Technological innovations to enhance safety Mitigate environmental impacts and maintain compliance
	Compliance with regulatory requirements	Lack of compliance will result in loss or suspension of mining rights	Government unable to meet transformation objectives	Revise Social and Labour Plan (SLP) targets and maintain compliance Demonstrating excellence in compliance and reporting
	Domestic supply and pricing of iron ore and Kumba's support for government's beneficiation strategy	Kumba seen as not contributing to local beneficiation	Government unable to meet industrialisation objectives	Role in supply of 6.25Mt at locally agreed prices Partner with government in beneficiation technology and skills development Work with the DMR through Anglo American plc Group to co-create investor-friendly legislation
	Kumba's role in community development given current prices Capability and capacity of municipalities to provide for needs of communities and growing local industry	Ability to meet community expectations Capacitated municipalities delivering service and enabling Kumba to deliver on SLPs	Pressure exerted by local mining operations on basic infrastructure Lack of development Increased activism by communities	Build partnerships with suppliers to maintain existing projects and implement planned projects Focus on implementing high impact projects Demonstrate commitment to developing communities Implement municipal development programme Partner with municipalities and assist with delivery on developmental projects
Civil society (impacted communities, farmers, development partners) 	Providing opportunities for employment and skills development	Dissatisfaction among these stakeholders affects company's social licence to operate Community unrest	Communities not benefiting from the mineral resources extracted in their areas	Form business partnerships to implement high-impact developmental projects identified Information sharing on progress and challenges
	Impact of mining operations on environment	Potential for reputational damage	Potential impact on farming livelihood	Ensure responsiveness to stakeholder enquiries and concerns and effectively manage complaints and grievances through existing mechanisms

G4-27

Stakeholder group	Stakeholder concerns	Impact on Kumba	Impact on stakeholder	Kumba's response
	Benefit sharing Financial compensation for Dingleton community	Scrutiny by regulators and potential suspension of licences Some homeowners refusing to move, impacting on production Potential litigation Disruption at operations	Lack of service or municipal infrastructure Miss the opportunity to move to new modern houses close to amenities Missed opportunities for skills development and employment Procurement opportunities	Continue to engage and partner with local authorities to address local needs Continue to demonstrate value of relocation to the new site (new and modern houses, proximity to amenities and job opportunities) Demonstrate that fair compensation has been received
Business and industry:  <ul style="list-style-type: none"> Suppliers Local businesses Customers 	Expansion of IOEC Lack of procurement opportunities for local suppliers Product quality Pricing Security of supply	Availability of rail to export ore through Saldanha port Not giving local suppliers opportunities causes instability and unrest which affects production Retain customers Retain niche market	Additional revenue from expanded rail infrastructure Local businesses not able to thrive Loss of customers if not happy with price or product	Continued engagements and support on achieving additional allocation Progress supplier-development programme Revised processes to eliminate fronting Stringent, certified quality assurance process
Investment community (analysts, financiers, shareholders including BEE shareholders) 	Sishen mine constraints Costs, growth and sustainability of the company Dividend Progress on mining rights applications Other regulatory issues Litigations and labour relations	Loss of confidence in the company Decline in investment, share price and market capitalisation	Value erosion	Continue to implement initiatives for cost containment and asset optimisation, growth strategy, and the Sishen mine turnaround plan Continue compliance and improving stakeholder relations Maintain sound labour relations policies and practices
Employees/unions 	Restructuring Housing Progression opportunities Developments in the company Wages	Low productivity levels Loss of revenue Safety compromised Labour unrest Strained relations	Job dissatisfaction Injuries Loss of income during unprotected strikes	Address identified issues Emphasise and prioritise safe working practices Improve communication
Media 	Company's operational and financial performance Good corporate citizenship Labour relations Regulatory and legal issues Transparency	Reputation and brand enhanced or negatively affected	Publishing of good or negative news	Transparent engagements Ensure stakeholders have an objective and balanced view

ENGAGING WITH OUR STAKEHOLDERS

continued

More work also needs to be done to reinforce a positive stakeholder engagement culture that promotes meaningful partnerships and sustainable growth

OBJECTIVES FOR 2015

During 2015, in addition to another review, we aim to continue with the implementation of our strategy and effectively manage the company's primary issues, while also monitoring emerging issues.

More work also needs to be done to reinforce a positive stakeholder engagement culture that promotes meaningful partnerships and sustainable growth. We will seek to enhance existing relationships and build new ones to ensure resilience as the company navigates current headwinds. Particular emphasis will be made on further improving dialogue

with affected stakeholders; enriching partnerships to deliver on socio-economic development, promoting empowerment and transformation; and maintaining relationships with authorities, labour and communities. We aim to align our systems to plan more efficiently and obtain authorisations from government timeously.

It is envisaged that the Mining Charter audits undertaken by the DMR to determine the mining industry's level of compliance will be concluded in 2015. The review that will follow will require us to participate effectively to shape the provisions of the revised Mining Charter.

CASE STUDY:

RELOCATING DINGLETON

The approved Sishen Western expansion into the 500m buffer zone between the Dingleton town and the mine has necessitated a solution to relocate the Dingleton community to Kathu, some 30km away. Negotiations with the community, businesses and government have taken place over seven years and will continue until the relocation has been completed in 2016. Cognisant that the project involves people's homes, we have addressed the liaison with sensitivity, and our aim is for this project to be an example of best practice while ensuring social cohesion.

The resettlement has taken into account 513 households accommodating approximately 3,500 people. Some 71 households have already been relocated successfully. However, 16% of the residents have not yet agreed to the relocation and negotiations involving local and provincial government continue.

The scope of the R4.2 billion project covers:

- 309 privately owned houses
- 91 Kumba houses
- 51 Transnet houses
- 49 Reconstruction and Development Programme (RDP) houses
- 13 South African National Defence Force (SANDF) houses
- Business premises
- Churches (currently six legal church buildings)
- Outbuildings/garages
- A pre-primary, primary school (600 learners) and sports and recreation facilities
- Expansion of the existing high school at Kathu

- A satellite police station, office block and accommodation
- Municipal buildings (town hall, offices, libraries, community centre and clinic)

The new homes in Kathu have water reticulation, sewerage and modern amenities. We are assisting residents with the move, and covering the costs of any capital gains tax due as well as the difference in property rates for a 25-year period.

Although the new settlement has been constructed by major contractors, local businesses have been contracted for smaller jobs such as electrical reticulation, paving and landscaping.

In 2014, Kumba trained 266 Dingleton local residents and employed 199 of them. A total of 21 SMMEs also received contracts on the project. Kumba has specific processes and strategies to contract and further develop Dingleton-based SMMEs.

Image 01
An important 2014 milestone was the Dingleton North community relocation, bringing the company closer to meeting targets of increased production at Sishen mine. This is one of the houses before the relocation.

Image 02
One of the new homes in Kathu provided to a homeowner of the Dingleton North community. Kumba moved the residents and is covering the costs of any capital gains tax due as well as the difference in property rates for a 25-year period.



CASE STUDY:

STAKEHOLDER DAY AT KATHU – ENGAGING WITH OUR STAKEHOLDERS

On 18 September 2014, Sishen held a Stakeholder Day in Kathu to facilitate interaction and promote dialogue between Kumba and its stakeholders. One of the key objectives was to stimulate thinking about how participative sustainable development might best be promoted across Kumba's operations and its host communities. The programme for the event was designed to encourage stakeholders to present their positions, policies or plans, to make contributions and to question or challenge the performance of the company on transformation and sustainable development.

To achieve the objectives of the event, it was imperative to have participation by a broad range of stakeholders whose influence and opinion ultimately affects our social licence to operate. More than 182 stakeholders, representing local and district municipalities, national and provincial government, organised labour, business (including neighbouring mining companies, suppliers and business forums), development partners, communities and civil society, participated.

Kumba was represented by our chairman, members of the board and executive. Representatives from Anglo American South Africa, and the SIOC-CDT also attended.

The key messages that emerged included a first-hand view of government's development priorities at local, regional and national levels. This was balanced by Kumba's acknowledgement of developmental needs and our commitment to supporting sustainable development. All speakers emphasised the need for collaboration and for working in partnership with each other so as to deliver on shared value for employees and communities. The need to address current challenges such as service delivery, beneficiation, capacity development, local procurement, workers' living conditions, safety and concurrent rehabilitation were important messages from the speakers.

Kumba's presentation on the impact of declining iron ore prices on profits and on our ability to create future value for stakeholders added a fresh perspective to discussions during and following the event. In particular, the relevance of the impact of the decline in iron ore prices to communities and government, and of managing expectations was raised. In addition, we gave feedback on the company's transformation and sustainable development programmes and this spurred ensuing discussions.

Proceedings included a stakeholder feedback session, and a panel was selected to represent a wide range of Kumba stakeholders objectively. Panel members pointed to value in the jobs created by operations; the value created through Envision; opportunities generated for local small business development; and for community development partnerships with local municipalities. However the panel's members also expressed concerns over local suppliers' participation in procurement opportunities, their wish for Kumba to grow, to provide more jobs and to collaborate more on service delivery.

Initial indications are that the Stakeholder Day interactions promoted a deeper understanding of the challenges the company faces, and served to encourage collaboration.

Concerns with regard to local procurement, housing and safety will be incorporated into the way we operate and into our Stakeholder Engagement Strategy. Compliance with the Mining Charter will also be elevated as a priority issue given the Charter's imminent review. The new broad-based black economic empowerment (BBBEE) Amendment Act and our belief in what it stands for will also be high on the agenda.

Kumba intends hosting this event every two years.

Image 01

The Rekgarathile Honey Bee Project from Kolomela mine showcasing their project to the Deputy Minister of Mineral Resources Godfrey Oliphant and Norman Mbazima, Kumba's chief executive at the stakeholder day held at Kathu in 2014.

Image 02

Vusani Malie, CEO of the SIOC-CDT with the organising committee of the stakeholder day held at Kathu in 2014.





FOCUS:

OPTIMISING OUR ASSETS

Top image

Contractors, Joseph Ditsele, George Appiah, and Herbert Tause at the Thabazimbi water reticulation system doing repairs. Kumba commissioned a team of contractors to repair the main reservoir, supply pipes, pumps and chlorination systems to supply the town with a reliable and safe supply of water.

Bottom image

Sishen mine's fleet of mega-size haul trucks ensures the efficient hauling of waste and ore.



OPTIMISING OUR ASSETS TO DELIVER SHARED VALUE

IN THIS SECTION

- Our approach
- Performance in 2014
- Procurement and supply chain
- Community and infrastructure development

- Envision continues to deliver
- Empowerment through SIOC-CDT
- Beneficiation
- Our approach to tax

WHY THIS IS A PRIORITY

In 2014, we continued to focus on our strategic pillar of business sustainability which has always been central to our business. A key initiative of this strategy is providing a safe, healthy and secure working environment; aligning the expectations of all our stakeholders – including employees, contractors, government, communities and shareholders – to our corporate objectives, and ensuring we deliver on our obligations in all areas of operation. As our performance depends on various intrinsic and extrinsic factors, our strategy considers significant short-term challenges such as rising stakeholder and union activism, increasing regulation and declining iron ore prices.



ACHIEVEMENTS

- Increased production and sales volumes
- Envision continues to deliver – paid R169 million to employees
- R464 million to SIOC-CDT's community development projects in 2014



CHALLENGES

- Responding to declining iron ore prices
- Volatile market conditions



IMPROVEMENTS

- Sishen mine 2014 turnaround plan executed



DISAPPOINTMENTS

- Decrease in operating profit

OUR APPROACH

We recognise the importance of partnering with stakeholders at each phase of our business life cycle, from exploration through development, and construction right through to mine closure. This collaboration is built on the enabling environment provided by government, on investors' expectations that we shall deliver acceptable returns on capital, and on communities' confidence in a sustainable future even when mining has ceased.

We have rationalised our project portfolio as part of our long-term strategy which includes three focus areas: the expansion of our growth projects in the Northern Cape; the development of a second footprint strategy in west and central Africa in the medium to long term at relatively low cost; and extensions at Sishen mine.

In delivering on our long-term business sustainability objective, and given that the ore we extract cannot be directly replaced, we aim to mine efficiently and generate sufficient revenues to finance the exploration, development, growth and expansion of our projects and operations.

PERFORMANCE IN 2014

Our value creation process centres on the export and domestic sales of iron ore. In 2014, we produced a total of 48.2Mt of iron ore, 40.5Mt of which were exported, generating revenue of R47.6 billion. A detailed account of our operating and financial performance may be found in our Integrated Report 2014.

OPTIMISING OUR ASSETS TO DELIVER SHARED VALUE continued

The efficiency of our supply chain underpins our business performance

Adding value

Revenue from ore sales created value for our various stakeholders during the year, distributed as follows:

Value distributed in 2014

	Rand million	%
Employees	4,580	17.2
Providers of finance	519	2.0
Government	5,330	20.0
Community spend	202	0.8
Shareholders	15,178	57.0
Value reinvested	1,833	6.9
Value (distributed)/retained	(1,030)	(3.9)

Returns to shareholders

Delivery to shareholders is dependent on operating and financial performance, and can be viewed at two levels:

- Through its listing on the JSE Limited, Kumba's primary shareholders are Anglo American plc Group 69.7% and the Industrial Development Corporation of South Africa (IDC) 12.9%. The balance of the company's shares 17.4% are held by both institutional shareholders and retail investors.
- Through the contribution of SIOC, which is controlled by Kumba, and whose ownership structure is as follows: 73.9% held by Kumba, and 26.1% owned by BEE shareholders. SIOC's BEE shareholders received dividends of R2.7 billion in 2014 (2013: R4.5 billion).

PROCUREMENT AND SUPPLY CHAIN

The efficiency of our supply chain underpins our business performance. In 2014, Kumba spent R25 billion with 2,502 big and small suppliers. This includes expenditure with parastatal entities. The vast majority of these suppliers are South African based entities. 19.7% of the total suppliers are based in and around our host communities.

Mining companies have large capital footprints and require capital streams to fund operational maintenance and routine expenditure at existing businesses (stay-in-business (SIB) capital) on the one hand, and to finance expansion and

growth, or to replace depleted ore reserves. In 2014, Kumba's SIB capex, including deferred stripping, absorbed R7.1 billion, while growth and expansion accounted for R1.4 billion, bringing the total capital invested in the business to R8.5 billion (2013: R6.5 billion).

Transforming our supply chain

Compliance with the Mining Charter's BEE supply chain targets remained a focus area for management. The BEE targets are pegged at:

- 40% of capital goods
- 50% of consumer goods
- 70% of services

Given that procurement transformation contributes substantially to securing our social and legal licence to operate, we seek to go beyond compliance.

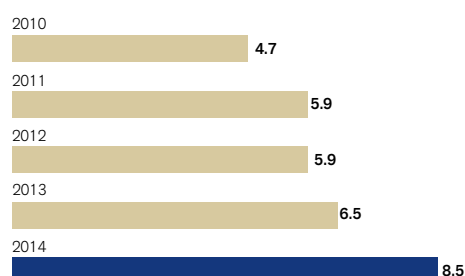
In 2014, we added an important BEE weighting in our supplier selection criteria, and our preferential procurement policy now encourages innovation when contracting BEE suppliers.

Our preferential procurement policy follows a systematic supply chain procedure that:

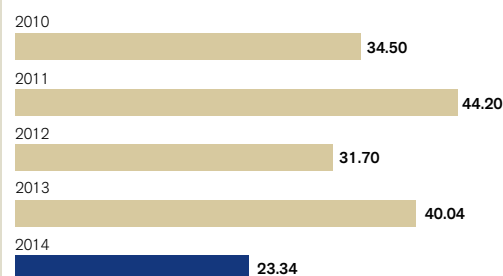
- Gives preference to BEE suppliers in the submission of tenders and quotations for goods and services
- Requires significant suppliers and contractors to sub-contract a percentage contract value directly to a BEE supplier or through an alternative arrangement
- Makes available negotiable payment terms options and post-tender negotiation
- Ensures transformation takes place within the specified period as per agreement through monitoring
- Blocks suppliers from future procurement opportunities who do not timeously submit their annual verification documents

Our approach to the allocation of business contracts is aligned with the terms of the Mining Charter, and is focused on positively supporting our host communities as well as small and medium enterprises (SMEs).

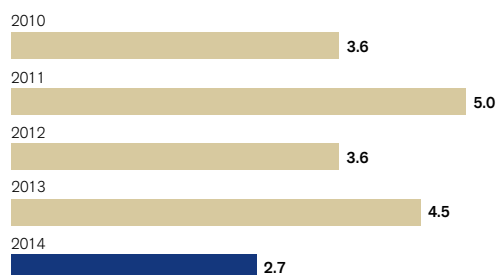
Capital expenditure (Rand billion)



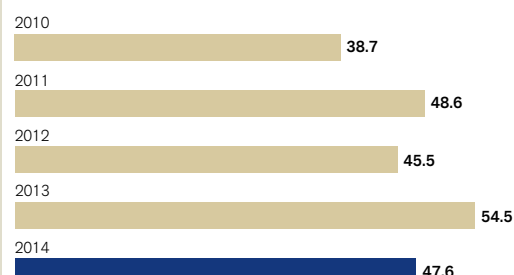
Dividends declared to ordinary shareholders (Rand per share)



Dividends declared by SIOC to BEE shareholders (Rand billion)



Revenue (Rand billion)



Since 2012 Kumba has encouraged non-BEE service suppliers to commit to a transformational plan, resulting in an 18% improvement in the performance related to service type procurement to date. In addition, Kumba, in collaboration with Anglo American plc Group, embarked on an initiative to identify and encourage our multinational suppliers to transform. This initiative resulted in the successful transformation of three multinational companies with a material impact on our capital procurement spend. Kumba, together with other Anglo American plc Group business units, is in ongoing talks at the Chamber of Mines regarding government's proposal that a social fund to be financed by multinational companies be established to support small businesses.

Further, in 2014 we revised our preferential procurement policy to include preference for black woman-owned entities, and unbundling of contracts to encourage SMEs to tender for opportunities. Guidance on how Kumba will deal with issues related to fronting was also incorporated in this policy review.



SUPPLIER DEVELOPMENT PROGRAMME TO FURTHER TRANSFORMATION

Another 2014 milestone for Kumba was the launch of a two-year supplier development programme in which a team of specialised mentors will work closely with 24 entrepreneurs to unlock their business potential. This programme aims to use a practical, face-to-face and proven learning methodology to assist each entrepreneur in building systems and processes that will in turn spur business growth in a sustainable manner. The main focus of the programme is to perform an in-depth diagnosis of each respective business's capabilities with regard to systems, strategy, technology, funding dependency and access to markets. This will form the basis of a business improvement plan that will detail goals and actions to be implemented over an agreed period of time. We believe that this is the start of promoting the sustainability of local businesses beyond Kumba.

Image

Civil engineers, Francois Hattingh and Mary Ngogtjane demonstrating a training module that was developed for the inspection of metal walkway systems to identify the hazards in the Sishen mine plant.



OPTIMISING OUR ASSETS TO DELIVER SHARED VALUE continued

BEE procurement in 2014 (Rand billion)

	Consumables	Capital	Services	Total
Corporate	0.01	0.70	0.80	1.51
Saldanha	0.00	0.00	0.04	0.04
Sishen mine	3.76	2.27	3.33	9.36
Kolomela mine	0.92	0.30	1.46	2.68
Thabazimbi mine	0.37	0.10	0.31	0.78
Group total	5.06	3.37	5.94	14.37
Percentage of total procurement	20	13	24	57

BEE expenditure in 2014 (% of total discretionary spend per site)

	Consumables	Capital	Services	Total
Corporate office	29.2	62.9	69.2	65.7
Saldanha	76.5	0.0	54.5	50.7
Sishen mine	74.2	54.4	81.8	70.3
Kolomela mine	74.9	67.6	83.0	78.1
Thabazimbi mine	73.6	80.3	80.5	77.1
Group	74.1	57.5	79.8	71.4

Procurement performance summary (Rand billion)

	2014	2013	2012	2011	2010
Total payments	25.2	23.7	19.8	17.3	12.3
Discretionary payments	20.2	18.4	15.1	13.2	9.5
BEE payments	14.4	11.1	9.0	6.0	3.9
BEE as a % of discretionary spend (%)	71.4	60.6	60.2	45.6	40.7

Pursuing local procurement

Our local procurement focus is aimed at developing sustainable, responsible local entrepreneurs that make a positive contribution to a resilient supply chain and the economic and social development of the communities in which we operate. To effect this, we seek to enable access by local businesses to supply chain opportunities that arise from the presence of our projects and operations. Local procurement is of strategic importance to us as it plays a key role in securing and maintaining our right to mine, developing thriving and healthy host communities, creating efficiencies in our supply chain and ensuring reliable access to critical supplies.

Opportunities for local procurement exist throughout our supply chain, from the exploration stage to the post-closure stage of our operations. These prospects are available for small to large multinational suppliers. We work in close partnership with local suppliers to help them achieve the high governance standards we set for ourselves.

COMMUNITY AND INFRASTRUCTURE DEVELOPMENT

Kumba's approach to CED is founded on the principle that we aim to develop economically vibrant and sustainable communities in the areas in which we operate through our community engagement and development efforts. For further information on our CED projects see pages 77 to 81.

ENVISION CONTINUES TO DELIVER

Kumba's broad-based employee share ownership scheme, Envision, continued to pay healthy dividends to employees in 2014. For the 2014 financial year, the Envision trust received a dividend of R478 million, of which R169 million was paid out to eligible employees.

Since the launch of the second phase of Envision in 2012, employees have received a total dividend payment of on average R80,128 before tax (R70,794 after tax). This is over and above the initial cash payment in December 2011 at the conclusion of the first phase when each permanent employee

below management level who had been with the company since inception received R576,045 (R345,627 after tax) on average. This was a life-changing event for many employees who used the money to pay off their debts, buy property and provide for their children's education.

EMPOWERMENT THROUGH SIOC-CDT

Our empowerment programme includes the SIOC Community Development Trust (SIOC-CDT) which targets community growth and poverty alleviation through the investment and support of local projects for health, education,

enterprise development and more. The Trust's work is aligned with our own SLPs and our partnership with Exxaro, one of South Africa's most significant black-controlled and economically empowered companies.

For the 2014 financial year, SIOC paid to SIOC-CDT R464 million, which was spent on 27 community development projects, which included 10 new approved projects this year. SIOC-CDT benefits around 360,000 people in the communities around our mines, seeking to help communities become empowered and economically active in a way that will be sustainable long after mining ends.

IMPLEMENTING OUR SUPPLIER SUSTAINABLE DEVELOPMENT CODE

Anglo American plc Group's supplier sustainable development code guides our sourcing and supply chain management. The code covers employment and labour rights, safety and health, environmental management, HIV/AIDS, and business integrity and ethics.

See <http://www.angloamerican.com/development/approach-and-policies/policies-standards-commitments/sustainable-development.aspx>

Through its implementation, we aim to reduce risk to both Kumba and our suppliers while raising sustainable development awareness and performance throughout the value chain.

Implementation

In selecting suppliers, Kumba applies robust evaluation criteria that gives preference to those suppliers that demonstrate commitment to sustainable development including, but not limited to, responsible climate change-related initiatives, water efficiency, occupational health and safety management and broader environmental management issues. Suppliers are responsible for ensuring the implementation of this code within their organisation as well as cascading it into their own supply chains. Suppliers are also obliged to maintain effective management systems that are based on sound business and scientific principles, including establishing appropriate objectives and targets, regularly assessing performance, and pursuing continual improvement.

When engaging with suppliers, Kumba takes into consideration the size and maturity of the supplier.

Assessment

Suppliers may be required to complete a self-assessment questionnaire based on the code, provide proof of statements made and demonstrate that the code is

followed. We may conduct site visits and audits to verify compliance with the code. During 2014, the Responsible Sourcing initiative was implemented by creating awareness of its principles to more than 470 suppliers and also assessing their compliance with those principles. This included training of suppliers through workshops, sessions with individual companies and group sessions aimed at businesses in the communities surrounding our mines. A self-assessment questionnaire was developed to assist suppliers to evaluate their performance in the areas of labour, health and safety, business integrity and HIV/Aids. These were sent out to 36 suppliers who had been engaged on the Responsible Sourcing initiative, of whom 13 returned their results to us.

Non-conformance

Where elements of this code are not met, the suppliers are required to prepare, document and implement corrective action plans that correct the non-compliance and prevent recurrence. We may collaborate with or assist suppliers to become compliant, but we reserve the right to disengage from suppliers who fail to comply with the sustainable development code.

We encourage suppliers to take personal responsibility for ensuring that all business conduct complies with the principles of the code and report any inappropriate business practices, including inappropriate behaviours exhibited by Kumba employees, through "Speak Up" that is independently managed by Deloitte Tip-offs Anonymous whistle-blowing service.

2014 performance

In 2014, eight assessments were conducted on suppliers. These identified areas for improvement in aspects related to labour (e.g. working hours) and health and safety (e.g. use of PPE). Non-compliant suppliers have since developed corrective measures to address their shortcomings and are implementing them. Follow up re-assessment will be conducted in 2015.



OPTIMISING OUR ASSETS TO DELIVER SHARED VALUE continued

We are the world's only major iron ore producer that beneficiates and upgrades its ore prior to sale

BENEFICIATION

South Africa's strategy

We are the world's only major iron ore producer that beneficiates and upgrades its ore prior to sale (see our Business Model on page 6 for more). South Africa, like many countries, would like to ensure that it benefits from being involved in a downstream industry of the steel industry. These benefits can include employment, technology development, skills development and a variety of locally produced goods supporting infrastructure development – all important benefits to an emerging market. There has been some discussion in the last few years regarding South Africa's beneficiation strategy, and we have been part of these discussions with government, as changes to this strategy can change our business. In addition, through our supply agreement with ArcelorMittal SA, we will continue to contribute to sustaining and developing the local steel industry.

Internal Kumba strategy

At Kumba, we are committed to supporting local beneficiation and its positive impacts on the local economy. With the supply agreement that we signed with AMSA in 2013, Kumba will continue to supply ore to the local industry at mutually beneficial prices well into the future.

We are the world's only major iron ore producer that beneficiates and upgrades most of its ore prior to sale. In 2014, we beneficiated approximately 76% of our ore. We have an active technology development programme in which various technologies are evaluated and tested to improve safety and production efficiency, reduce mining and processing costs and maximise product value. In 2014, we completed testing the ultra-high density medium separation (UHDMS) technology at Sishen and Thabazimbi mines, where we have pilot plants. We will be moving into project development in the short to medium term.

Our research and support of further research activities will continue, with the objective of expanding economic utilisation of the various types of iron ore available in the country, using the types of coal available here to make steel, and using less electricity. In 2014 we invested R63 million in research and development to advance this work.

OUR APPROACH TO TAX

Kumba's approach to tax is influenced by the dynamics of the mining sector, as well as the nature of the mining cycle. Mining is a long-life, high-risk business with significant initial capital investment required before any return on investment is realised.

Our approach to tax is aligned with our business principles and our long-term business strategy. As such, we actively

support the principles of transparency, and active and constructive engagement with our stakeholders.

Our tax strategy is based on respect for the law in each of the jurisdictions in which we operate. We support approaches to tax that foster sustainability over the long term and are not focused narrowly on short-term outcomes. In cases where we transact with other Anglo American plc Group subsidiaries such transactions are undertaken in compliance with relevant legislative requirements and international best practice.

As a relatively high-risk, long-term investment, the business of mining requires significant capital expenditure. Governments and companies need to take a holistic approach to balancing the risks and rewards of responsible investment in this globally competitive environment.

It is particularly challenging to maintain this balance at times such as the year under review, when the mining sector was under pressure from lower commodity prices and rising costs. In addition, the mining sector's domestic and international competitiveness is affected by the tax regime, especially in the face of a global economic downturn.

Our commitment to tax transparency

Since our listing in 2006, Kumba has voluntarily provided information about our tax payments.

Tax transparency has become increasingly important to a range of stakeholders, particularly host governments and communities. This has led to a number of initiatives to introduce mandatory tax disclosure obligations throughout the Anglo American plc Group.

For example, the UK adoption of Chapter 10 of the EU Accounting Directive means that UK-listed extractive companies will be required to disclose payments to governments on a project-by-project level from 2015 onwards. In addition, the G-20-sponsored, OECD-led, base erosion and profit shifting (BEPS) project has been established in an attempt to reshape the international tax landscape to keep in step with modern business practices. One of the OECD working parties is looking at a proposal for companies to report certain tax-related information to authorities on a country-by-country basis; the intention is to provide host governments with a more holistic view of the activities of each company.

Anglo American plc Group has been at the forefront of tax transparency for some time: it was an early supporter of the Extractive Industry Transparency Initiative (EITI) and remains an active participant. More recently it lent its support to the UK adoption of Chapter 10 of the EU Accounting Directive. At Kumba, we will continue to consider appropriate voluntary disclosures that enable us to provide stakeholders with more detailed information upon which to base their assessment of our overall economic contribution.

We believe that tax disclosure requirements should support the reporting of information that is accessible and easy for a range of stakeholders to understand. As such, we hope to eventually see consensus between the various transparency initiatives of governments and regulatory authorities.

Proactive engagement

Together with the Anglo American plc Group, we engage proactively with regulators on the design and implementation of tax policy. Mining is becoming increasingly complex and uncertain amid, inter alia, economic headwinds, regulatory uncertainty and declining ore grades. Economic policy (including tax) decisions by governments have a significant impact on our profitability and investment decisions. Our aim is to work with governments to create policy environments that support long-term investment in mining, which in turn sustains jobs, stimulates economic growth and extends the future tax base.

We engage directly with policy makers when proposed tax reforms are of specific relevance to us. The mining industry takes a collaborative approach, via representative bodies such as the International Council on Mining and Metals and the Chamber of Mines of South Africa, when reforms are of common interest.

In 2014, tax policy in South Africa has been subject to broad review by the Davis Tax Committee, whose terms of reference require a focus on "...the role of the tax system in the promotion of inclusive economic growth, employment creation, development and fiscal sustainability...". Through Anglo American plc Group we have proactively engaged with the committee and we fully support its recognition of the need to consider tax policy as part of a wider social and economic framework.

Tax governance

Kumba is committed to acting in accordance with our business principles and tax strategy. Internal tax policies ensure that the strategy is embedded in the way we do

business. Our tax professionals also strive to maintain a long-term, open and constructive relationship with tax authorities, governments and other relevant stakeholders.

We actively engage with a variety of stakeholders on a range of issues relating to tax, including industry bodies that help bring commercial understanding and experience into debates about tax policy and governance.

Tax matters are regularly presented to our board and audit committee, who take a particular interest in the extent to which our approach to tax meets our commitments to stakeholders and our ambition of good tax governance. In addition, our tax affairs are regularly scrutinised by our external auditors and by tax authorities as part of the normal course of local tax-compliance procedures.

Payments to the South African government

Our payments to the South African government include corporate income tax, mineral royalties, value added tax (VAT) on purchases, duties on imports and exports, payroll taxes and dividend payment withholding taxes. We also pay a skills levy of 1% of our employees' pay to the South African Revenue Service (SARS). SARS distributes this amount to the Skills Development Fund, the government's training initiative, and the relevant sector education and training authorities (SETA).

Payments made and collected on behalf of the South African government (Rand million)

	2014	2013
Corporate income tax	4,165	6,272
Mineral royalties	1,259	2,073
Payroll tax	737	1,020
Skills levy	33	31
Other	76	7
Total	6,270	9,403

Taxes paid and collected in South Africa (Rand million)

		2014	2013
Taxes paid	Corporate income taxes, mineral royalties, import and export duties, and other taxes which are a cost to the group	5,493	8,820
Taxes collected	Payroll taxes, withholding taxes and other taxes that are collected and remitted to government, but are not a cost to the group	777	1,033
Total		6,270	9,853



FOCUS:

IN PURSUIT OF ZERO HARM

Top image

Dudley Fielding, process controller; Johannes Jacobs, foreman; Kelebogile Smok, plant operator; Kopano Kehitlhile, plant operator; Saul Mofammere, operator; Matthews Kikwidi, reclaim operator and Veronica Lepadisa, system administrator all working at the Kolomela mine load out station conducting a pre-shift safety meeting.

Bottom image

Lockers for employees at the fatigue management centre at Kolomela mine.



ENSURING THE SAFETY OF OUR EMPLOYEES AND OPERATIONS

IN THIS SECTION

- Our approach
- Performance in 2014

- Simple safety messages with 'bite'
- Objectives for 2015
- **Case study:** Anti-rollback and speed control system for haul trucks

WHY THIS IS A PRIORITY

Owing to the inherent nature of mining operations, large-scale industrial operations with machinery and people working in close proximity, the safety of our employees, contractors and the communities surrounding our operations can be at risk. It is imperative that we maintain high safety standards and competence to meet our objective of Zero Harm. Deficiencies in safety can result in loss of life or permanent disability. It also affects employee morale, prevents the achievement of production targets as a result of safety stoppages, harms our reputation and threatens our licence to operate.



ACHIEVEMENTS

- Sishen mine achieved four months LTI-free (7.9 million man hours)
- Thabazimbi mine LTI-free for five months
- IABC Gold Quill award for Snakes for Safety programme



CHALLENGES

- Achievement of Zero Harm
- Creating a workplace culture of operational discipline and in which every employee takes responsibility for safety



IMPROVEMENTS

- Improved reporting of high potential hazards (HPH) and visible felt leadership (VFL)
- Reduction in trackless mobile machinery (TMM) incidents
- Improved quality of serious incident investigations
- Reduction in operations stoppages due to section 54 notices



DISAPPOINTMENTS

- Fatality at Sishen mine
- LTIFR deteriorated from 0.18 to 0.23 per 200,000 hours worked

IN MEMORIAM

It is with great regret that we report the loss of Andre Muller, a crane technician with contractor Crane Aid, at Sishen, on 22 April 2014. This was the first fatality at our operations since 2012.

The accident occurred at Sishen's dense medium separation plant when Andre fell approximately eight metres from the access walkway to an overhead crane when the grating on which he was standing collapsed.

Immediately after this tragic incident, structural inspections and audits of all walkways and ladders, were conducted at Sishen, Kolomela, Thabazimbi, Saldanha and head office. Equipment found to be defective was either repaired or barricaded until declared safe for use.

The board and management of Kumba extend their sincere condolences to Andre Muller's family, friends and colleagues.

LIVING SAFER BY CHOICE



The Living Safer by Choice programme was introduced as a one-day workshop at Sishen mine, for attendance by members of a work team, including managers and supervisors. The programme aims to explain in a thought-provoking way why each of us needs to make a personal choice about working and living safely. Participants are challenged to reflect on why their personal safety is important and what the full impact of their death would be. The workshop is facilitated by experienced in-house trainers and many employees have reported that it has had a profound impact on their perception of safety. This initiative will be rolled out to all our other operations in 2015, with workshops being held regularly throughout the year.

ENSURING THE SAFETY OF OUR EMPLOYEES AND OPERATIONS continued

We continually review our safety programmes and place great emphasis on accountability and operational discipline

OUR APPROACH

We remain committed to exceeding regulatory compliance and achieving Zero Harm. We continually review our safety programmes and place great emphasis on accountability and operational discipline. We encourage management and employees not to take shortcuts, but to follow the correct procedures in all tasks. We engage proactively with government in seeking preventative solutions.

We believe that every safety incident is preventable and occurrence points to shortcomings in our systems. We seek to address our risks by improving the identification of hazards and the review of our change management processes, preventing repeat safety incidents, and the disciplined and consistent execution of basic safety principles.

Our safety improvement plans for 2014 focused on three key areas:

- Improving risk management, with a focus on fatality prevention
- Demonstrating leadership and instilling safety conscious behaviour
- Ensuring operating discipline and adherence to simple non-negotiable standards

We invested significant effort in ensuring that critical controls and engineering solutions were developed for our priority risks. To this end, we completed the fitting of anti-rollback and auto-retardation mechanisms on our Komatsu 730 haul trucks, to combat the high rate of transportation incidents. (See case study on page 49.)

Each operation has a safety improvement plan (SIP) in place, supported by the SHE communication strategy, which strives for clear and consistent messaging. These SIPs are communicated to all employees through infographics, internal communication meetings and toolbox talks. Progress on the implementation of the SIP is reviewed during monthly reporting and review meetings.

All sites have formal proactive safety committee and sub-committee structures in place aligned with legal requirements. Union, association and employee representatives are nominated and elected to participate.

Risk management

Among other entrenched measures to identify and control safety risks, we introduced high potential hazard (HPH) reporting in 2014 to encourage proactive identification and effective management of hazards before they are realised as potentially fatal incidents. A target of one report per 100 workers was set initially to encourage implementation. All mines and operations either achieved or exceeded this target. A total of 236 HPHs were recorded, exceeding our overall 2014 target of 200. At the mid-year management review, attended by senior representatives of Kumba,

contractors and unions, HPH reporting was identified as a successful strategy intervention which has also improved reporting of incidents and non-conformances. To further enhance HPH reporting, it has been included as a leading indicator target on which every site must report. As all employees can and are expected to contribute HPH reports, this has been selected as a leading indicator to be used in the bonus calculation of bargaining category employees.

In addition to HPH reporting, we continue to report on high-potential incidents (HPIs) to prevent fatalities. We define HPIs as incidents that could have resulted in serious injury or death but did not. Although activities relating to transportation remain by far the most common contributors to HPIs, falling objects were again the second most common HPI category, followed by release of stored energy and fire/explosion.

In 2014, 57 HPIs were reported, compared to 74 in 2013. We believe that the reduction in HPIs was partly a result of preventative actions taken to address reported HPHs. We do not set HPI reporting targets.

Compliance

We maintain a constructive and collaborative relationship with regulators such as the Department of Mineral Resources (DMR) and the safety inspectorate. We engage with them with a view to ensuring that there is common understanding of issues and challenges, and to collaborate in finding solutions.

In 2014, Kumba received five Mine Health and Safety Act (MHSA) section 54 notices resulting in work stoppages (2013: 12). These notices are issued under the auspices of the Chief Inspector of Mines and may halt work at a section of an operation, certain activities or an entire operation and all activities. Among the most significant of these stoppages was the section 54 notice on structural inspections at Sishen following the loss of life incident in April 2014, and which resulted in a one-day stoppage at the mine. Another four section 54 notices were issued – one for non-adherence to rigging/lifting equipment requirements, one for mobile machinery non-compliance and two following serious incidents relating to unsafe working at heights and unsafe mobile machinery practices. These resulted in localised stoppages which did not have an impact on production.

Repeat occurrence of serious incidents related to trackless mobile machinery (transportation) at Sishen and Kolomela mines led to the detailed evaluation of all incidents. Reports on plans implemented to improve safety performance and prevent repeat incidents were submitted to the DMR. This resulted in a reduction in the number of mobile machinery incidents in 2014.

Addressing our primary risks

Falling, whether from height or the same level, was the most common contributor to lost time injuries (LTIs), followed by material handling incidents, in 2014. An analysis of 2014 LTIs

indicates that, with a few exceptions, lower leg injuries (such as ankle fractures and sprains) and back strains resulted in the most time off work, followed by traumatic finger injuries. A total of 119 medical treatment cases were reported in 2014 (2013: 118).

With a total of 44 lost time injuries recorded in 2014 (2013: 33), our lost time injury frequency rate (LTIFR) rose to 0.23 per 200,000 hours worked (2013: 0.18). Our target LTIFR of 0.1 per 200,000 hours worked was not achieved.

The total recordable case frequency rate (TRCFR) increased slightly from 0.82 in 2013 to 0.87 in 2014 per 200,000 hours worked, mainly due to the increase in LTIs. The target of 0.63 was not achieved.

Reporting and classification of injuries on all sites improved substantially, especially at Sishen, Exploration and corporate office. Reporting and training on leading indicators has enhanced injury reporting.

Performance in 2014

	FIFR	LTIs	LTIFR	TRCFR	Permanent disabilities	LTISR	Days lost due to injury
Sishen mine	0.009	22	0.20	0.98	–	66	904
Kolomela mine	–	12	0.34	0.72	–	55	242
Thabazimbi mine	–	4	0.20	0.69	1	89	227
Projects	–	5	0.49	1.19	–	100	127
Corporate office	–	–	–	0.22	–	–	–
Exploration	–	1	0.29	0.29	–	14	6
Saldanha	–	–	–	1.97	–	–	–
Group	0.005	44	0.23	0.87	1	64	1,506

Definitions:

FIFR – fatality injury frequency rate (calculated) is the number of fatal incidents per 100 employees (assuming that each employee works 2,000 hours per year).

LTI – lost time injury is a work-related injury resulting in the employee/contractor being unable to attend work, or to perform the full duties of his/her regular work, on the next calendar day after the day of the injury, whether a scheduled work day or not.

LTIFR – lost time injury frequency rate (calculated) is the number of lost time incidents per 100 employees (LTIs/total hours worked*200,000).

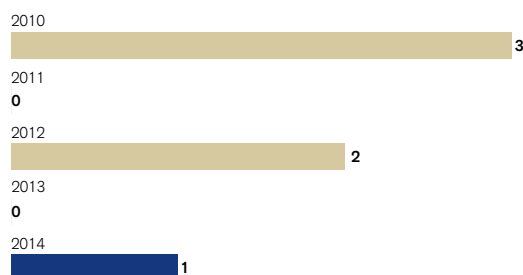
TRCFR – total recordable case frequency rate (calculated) is the number of recordable injuries (fatalities + lost time injuries + medical treatment cases) per 100 employees, assuming that each employee works 2,000 hours per year.

Permanent disabilities – lost time injury where there is a disability of 25% or more (American Medical Association (AMA) Guides to the Evaluation of Permanent Impairment) and/or loss of job or redeployment results as a direct consequence of the injury.

LTISR – lost time injury severity rate (calculated) is the number of hours lost per 100 employees.

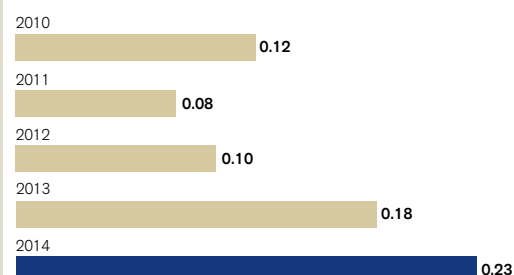
Days lost due to injury – the total number of calendar days (not working days), from the day following that of the injury to the day on which the injured person is able to resume full duties of his/her regular work.

Fatalities



LTIFR

(per 200,000 hours worked)



ENSURING THE SAFETY OF OUR EMPLOYEES AND OPERATIONS continued

HPH and HPI reporting as well as other observations have revealed numerous opportunities for us to prevent incidents, including those associated with high-risk behaviour. With the improved information and in response to the deterioration in our LTIFR, we reviewed our programmes, placed greater emphasis on VFL and line accountability, and enhanced our SHE management resources.

VFL is a commitment by leaders at all levels to undertake site visits on a regular basis and to observe people at work, to discuss unsafe behaviour immediately, to discuss the operational and safety issues they face, and to encourage individuals to play a valuable role in safe production. Senior managers were expected to complete at least four VFL conversations per month. VFL targets will be extended to include more management and supervision levels in 2015.

We continually review our safety programmes and place emphasis on personal accountability and operational discipline to encourage employees to follow safety procedures at all times.

We continued to engage proactively with the DMR in 2014 and benefited considerably from implementing jointly identified safety improvements.

During 2014, incident management and action management software was implemented across the organisation. Full implementation of the tool in 2015, together with the introduction of other risk management, audit and inspection modules, is expected to significantly improve our reporting, monitoring and learning from incidents processes.

Coaching and mentoring of incident investigation facilitators has delivered improvements in incident investigations and also helped us improve and streamline the incident investigation process.

Following the fatality that occurred at Sishen mine in April 2014, our engineers developed a practical training course for all supervisors, managers and safety officers tasked with inspecting walkways, ladders and other steel structures. The training covers what to look for and how to evaluate the severity of identified problems.

Additional training aimed at enhancing supervisor competence and at enabling supervisors to more easily translate legal obligations into practical actions necessary to meet the expectations of their legal appointments was also developed and implemented in 2014.

SIMPLE SAFETY MESSAGES WITH 'BITE'

We continued to use two familiar themes to convey our safety messages in 2014: snakes and soccer.

Snakes Alive, the second phase of the award-winning Snakes for Safety programme, was introduced in 2014. It began at the corporate office as part of our Geared for Safety campaign. While the initial Snakes for Safety programme focuses on safety at work, this programme focuses on safety and health in all aspects of one's life. The need to anticipate change and manage it effectively has also been added. The initial Snakes for Safety programme was successfully rolled out at Thabazimbi during the year and a significant improvement in the understanding and identification of hazards is evident in the improved quality of pre-task stop, look, assess and manage (SLAM) risk assessments.

The Snakes programme was awarded an International Association of Business Communicators (IABC) Africa golden quill of excellence award in 2014. We continue to use the analogy to improve hazard identification.

SLAM was introduced by Anglo American plc Group in 2008 as the tool to use before starting any task to ensure that all hazards are identified and controlled before work can proceed. At Kumba the SLAM booklet was adapted to include the Snakes analogy and incorporate management of operational changes that have limited impact. The inclusion of the Snakes in the SLAM book ensures that the analogy remains alive and continues to encourage workers to "find the snakes before they bite us". A noticeable drop in incidence of 'hazard not identified' as a contributing factor to incident causes was evident after full implementation.



Image

Electrical technicians, Gerrie de Vos and Gideon le Roux testing an anti-rollback system sensor they developed for the haul trucks at Sishen mine. This system won an award at the Anglo American Applaud awards ceremony in 2014.

**OBJECTIVES FOR 2015**

Our 2015 SIP will see an ongoing focus on implementing initiatives to enhance our safety performance and achieve Zero Harm by operating better and through effective safety leadership. The following targets have been proposed:

- Zero fatalities
- LTIFR of 0.20 (10% improvement from 2014)
- TRFCR of 0.78 (10% improvement from 2014)
- HPH reporting of one per 100 employees per year

CASE STUDY:**ANTI-ROLLBACK AND SPEED CONTROL SYSTEM FOR HAUL TRUCKS AT SISHEN MINE**

Accidents or near-accidents are not inevitable and can be prevented. In 2013, when we recorded a 64% increase in HPIs, it was noted that a significant portion of these involved haul trucks. Further, the fatal accident in late 2012 occurred when an out-of-control truck rolled back down a ramp.

To address this, we initiated a programme to prevent haul trucks from rolling backwards after stalling or stopping on an incline. Systems that prevent trucks from moving in a direction different from that which the operator has selected have been retro-fitted to our existing truck fleet and will be standard equipment for all new trucks. The system is designed to assist the operator when pulling away and to limit the truck's downhill speed to 20km/h when loaded or 30km/h when empty.

The anti-rollback system is designed to mitigate human error. A control board monitors how fast and in which direction a truck is moving. The truck's movement is compared with the position of the selector switch, i.e. the direction chosen by the truck's operator. If the truck speed is below 5km/h and movement in the wrong direction is detected, the brake lock is applied. The brake lock cannot be released until the motor is delivering sufficient torque for a smooth pull-away. The torque required is calculated

taking into account the truck's load and the gradient it is negotiating. The steeper the gradient or the heavier the load, the greater the torque required.

For downhill speed assist, the system also determines the required torque for a smooth pull-away. When the required torque is reached, it releases the brake lock, resulting in a smooth pull-away. Should the truck be over- or under-loaded, leading to a situation that could leave the motor delivering insufficient torque for a smooth take-off, with the attendant risk of rollback, the anti-rollback function applies the brake lock.

Once the truck's speed reaches 30km/h, the system will start to adjust a retard pedal input to maintain speed at a steady 30km/h. Greater speeds are not possible.

On the incline assist, should a truck lose speed due, for example, to operator inexperience, the system will start to monitor the state of the selector switch and the direction of the movement of the two front wheels once the truck's speed falls below 5km/h. If the truck comes to a standstill and then starts to roll back, the system will sense movement in the wrong direction and will activate the brake lock immediately.

In short, the aim of the anti-rollback system is to detect any irregular truck movements and to apply safety measures as soon as possible, thereby helping prevent HPIs. The safety measures do not require operator action to be applied, thus eliminating operator error in these scenarios.

FOCUS:

EMPLOYEE AND COMMUNITY HEALTH AND WELL-BEING

Top image

Sister Rose Mashula assisting patients at the Thabazimbi mine clinic that provides treatment and medical care to employees from the mine and the wider community.

Bottom image

The Thabazimbi Wellness Clinic provides free HIV counselling and testing to community members.

FOCUSING ON THE HEALTH AND WELL-BEING OF OUR EMPLOYEES AND COMMUNITIES

IN THIS SECTION

- Our approach
- Performance in 2014
- Health initiatives

- Objectives for 2015

- **Case study:** Kolomela mine donates R9.5 million for hospital expansion

- **Case study:** Community healthcare in 2014

WHY THIS IS A PRIORITY

The World Health Organization (WHO) defines health as a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity. At Kumba we support this view. The overall health and well-being of our employees is of paramount importance. Through our health programmes we provide opportunities for all employees to attain and maintain an optimal state of health throughout employment; and endeavour to prevent the development of occupational diseases. Employee health has an impact on well-being and quality of life, as well as on occupational safety and productivity.



ACHIEVEMENTS

- Kolomela mine fatigue management community project achieves award
- Mine Safety Award – community health leading practice at Batho Pele clinics
- 91% of employees participated in HCT



CHALLENGES

- 35 cases of TB identified (2013: 27)
- 14 new cases of occupational disease



IMPROVEMENTS

- A record 120,000 community members accessing HIV testing through Batho Pele clinics and Ulysses Gogi Modise (UGM) facilities



DISAPPOINTMENTS

- Section 55 notice issued at Sishen mine for late submission of TB cases
- Section 55 notice at Thabazimbi mine for non-reporting of early NIHL cases

HOLISTIC APPROACH TO HIV, TB AND STIs

We are proud of our integrated approach to addressing HIV, TB and STIs. Our programme complies with legal requirements, applies leading practice standards, and provides the resources necessary to ensure effective implementation of our wellness, HIV, TB and STI programmes. We do not discriminate in our recruitment and employment practices.

Our central aim is to curb and, eventually, to halt the spread of HIV, TB and STIs among employees and community members alike. We do this by providing employees and their dependants, as well as contractors' employees, with training on how to prevent infection and how to manage it. We also distribute free condoms and other practical interventions.

The right to confidentiality and privacy is paramount. We however insist that those who voluntarily undergo testing receive pre- and post-test counselling by trained counsellors. This is designed to help them overcome any fears or misapprehensions about HIV and to support them during the treatment that is provided through the company. This also ensures appropriate treatment and support for those who need it.



FOCUSING ON THE HEALTH AND WELL-BEING OF OUR EMPLOYEES AND COMMUNITIES continued

OUR APPROACH

We go beyond legislative compliance in respect of health and occupational health through our tripartite structures, regular employee and community engagement, and relationships with the relevant authorities.

Reducing noise and dust exposure remained a priority in 2014. Our health improvement plans, which are aligned with mining industry milestones, continued to address the key health risks pervasive in our environment.

Our guiding principles are aligned with the Anglo American plc Group Occupational Health Policy which is underpinned by three principles:

- Zero Harm mind-set: we firmly believe that all occupational diseases are preventable
- No repeats: we learn from our occupation hygiene monitoring and occupational medical surveillance data to prevent occupational diseases
- The implementation of common, simple non-negotiable standards that are easily understood by our employees

PERFORMANCE IN 2014

Dealing with noise

Based on occupational hygiene measurements and medical surveillance data, exposure to noise and the resultant NIHL remains a primary health risk. Exposure prevention and management programmes are in place at all operations to mitigate this risk, and our Hearing Conservation Programme is aligned with the requirements of the MHSA.

Our focus remains on controlling noise at source. In 2014, exposure reduction plans continued to tackle any equipment emitting noise above the regulated occupational exposure

limit (OEL) of 110dB(A). Identified equipment was silenced through engineering controls. There are no employees exposed to personal noise levels above 110dB(A).

Employees who are at risk of exposure to noise levels above 85dB(A) are being issued with customised hearing protection devices (HPDs). This process is 95% complete across the group and we aim to complete coverage within the first quarter of 2015. Recognising the limitation of personal protective equipment (PPE) as a control measure, the occupational hygiene programme is continually assessing engineering and administrative controls to eliminate risks associated with noise and thereby preventing NIHL. At-risk employees, as identified by our occupational hygiene risk assessment, undergo medical surveillance annually to detect early changes on the audiogram, thereby preventing further deterioration.

We diagnosed 11 new cases of NIHL in 2014 (2013: 7) (all men).

New cases of employee NIHL identified

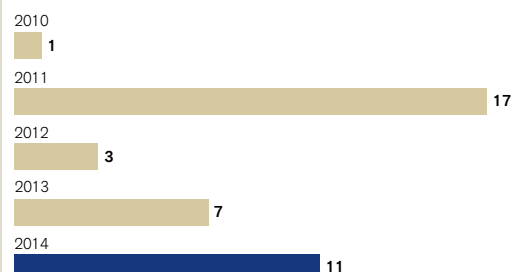


Image
Pharmacist Fransie Douglas providing medicine to a patient at the UGM Wellness Clinic in Kathu.



Dealing with dust

Excessive and extended exposure to dust can lead to occupational lung diseases (OLDs). There are three dust fractions - inhalable, thoracic and respirable – of which respirable dust is of greatest concern to us because of its potential impact on lung functioning.

Occupational exposures to respirable crystalline silica are associated with the development of silicosis, lung cancer, aggravation of pulmonary TB and airways diseases. The OEL for respirable silica dust is currently 0.1mg/m³. The amount of respirable crystalline silica present in the workplace atmosphere is determined by personal and static monitoring.

As part of the exposure reduction plan, Kolomela mine replaced all open cabin drills with closed cabin drills. This has significantly reduced respirable dust exposures from category A to category B classification.

In 2014, 3% of employees (441) (2013: 6.62% or 849) were exposed to respirable silica above the OEL of 0.1mg/m³; 0.12% (2013: 7.25% or 930) were exposed to 50% of the OEL; and 6.13% (2013: 55% or 6,997) were exposed to greater than 10% of the OEL. These exposures reflect an encouraging downward trend from 2013 to 2014.

We diagnosed three new cases of occupational lung disease in 2014 (all men).

Dealing with TB and HIV/AIDS

Kumba recognises the challenges posed by the HIV and TB epidemics, and is concerned about the implications for the company, our employees and their families, for our contractors and for the communities in which we operate. Our vision of Zero Harm aligns with South Africa's long-term vision for:

- Zero new HIV and TB infections
- Zero preventable deaths associated with HIV and TB
- Zero discrimination associated with HIV and TB

- Zero new HIV infections due to vertical (mother-to-child) transmission

If not managed, HIV and TB can have a negative impact on the quality of life, work performance and life expectancy of our employees and communities. We focus on overall wellness management and the need to manage all chronic illnesses. We also acknowledge the links between HIV, TB and STIs.

We believe that informed individuals making the right choices can prevent new infections and improve the management of existing chronic conditions. Our HIV and TB programmes aim to reduce new infections and promote effective disease management in line with South Africa's national strategic plan.

Our HIV and TB policy is made available to all employees, contractors and other stakeholders and is reviewed periodically to ensure that it remains relevant considering the nature and scale of our HIV, STI and TB-related risks, and the overarching health and wellness programmes.

In 2014, we invited a panel of industry health experts to review the TB/HIV programmes to ascertain the effectiveness and the efficacy of our current interventions. Through this process we identified gaps within the programme, for example, the need for continuation of care, referrals and support for employees living with HIV/AIDS. The outcomes of the review will form the basis of the strategy to fight HIV and TB in 2015 and beyond.

Tuberculosis

In 2014, 35 new TB cases were diagnosed among employees, (2013: 27) and 23 among contractors. One TB death was also reported (2013: 0). The increase in cases is attributable to increased awareness, active screening and improved reporting. This upward trend is likely to prevail into 2015 when we implement tighter sick leave controls to mitigate health risks that might affect fitness to work. This initiative will enhance our ability to manage health risks that might have an impact on the ability of employees to work safely. One case of multi-drug resistant (MDR) TB was identified in a contractor (2013: 0).

Employee tuberculosis statistics

	2014	2013	2012	2011
New pulmonary TB cases	35	25	19	16
New extra-pulmonary TB cases	–	2	–	–
Cumulative number of new TB cases	35	27	19	–
TB deaths (proven)	1	–	–	–
New MDR TB* cases	–	–	–	–
New XDR TB** cases	–	–	–	–

* MDR TB – Multi-drug resistant TB.

** XDR TB – Extremely drug resistant TB.

FOCUSING ON THE HEALTH AND WELL-BEING OF OUR EMPLOYEES AND COMMUNITIES continued

HIV/AIDS

The prevalence of HIV within our workforce is estimated to be 8%.

At the end of 2014, 7,869 employees (2013: 6,966), 91% of the permanent workforce (2013: 86.6) and 8,979 contractors (2013: 8,413) had participated in HCT.

A total of 118 new HIV-positive cases were diagnosed, 14 of them new sero-conversion cases. Sero-conversion cases are employees whose HIV status was negative in the previous reporting period and who have converted to being HIV positive during the current reporting period. That this still

happens is of concern and triggered a reassessment of the effectiveness of our education campaigns which are aimed at preventing new HIV infections. A total of 360 employees are registered in our HIV disease management programme of which 322 are on ART. There was a marginal drop in the HIV disease management programme enrolment and an increase in ART uptake in 2014 compared to 2013. This is encouraging in that it demonstrates that employees understand the importance of accessing ART early. Early access to ART is associated with better clinical outcomes, less morbidity and less mortality.

HIV statistics

	2014	2013	2012	2011
Number of employees at the time of the HCT campaign	8,666	8,104	7,579	7,589
Estimated HIV prevalence rate (%)	8	6.9	7.1	7
Estimated number of HIV-positive employees	651	557	535	532
Total number of HCTs	7,869	6,966	6,546	6,856
HCT uptake (%)	91	86	86	90
Total number of new HIV infections	118	109	93	122
Employees on HIV disease management programmes	360	478	432	273
HIV-positive enrolment in HIV wellness programmes (%)	54	86	81	51
Employees on ART	322	127	177	178
HIV-positive on ART (%)	80	23	33	33
Ill-health early retirements	–	–	–	–
AIDS deaths (including TB deaths)	3	–	–	–
Contractor HCT cases	8,979	8,413	7,259	9,539
Number of dependant HCT cases	11	Not reported	Not reported	Not reported
Number of dependants enrolled in HIV wellness programmes	22	9	24	18
Number of dependants on ART	16	8	23	18

Note: The total number of employees and contractors participating in HCT can exceed the number of employees at year end due to fluctuations that take place throughout the year.

A successful programme requires a multi-disciplinary team and approach, combined with individual employee ownership

Addressing fatigue

Fatigue and exhaustion interfere with the safe execution of physical and mental activities. In mining, this escalates the risk of serious injury and damage to equipment. Kumba therefore focuses on fatigue management interventions which include risk assessment and identification of controls, education and training, and monitoring and evaluation for continuous improvement. A successful programme requires a multi-disciplinary team and approach, combined with individual employee ownership.

Kolomela mine is recognised as a leader in fatigue management and was nominated to lead the Northern Cape Tripartite Health and Safety Committee's fatigue management work stream. In September 2014, the mine's fatigue management in the community project implemented in Postmasburg, Northern Cape, received an Award of Distinction for public service communication at the Global Alliance COMM PRIX awards in Madrid, Spain.

Compliance

Two health-related MSHA section 55 notices were issued to Kumba operations in 2014. The first directive was issued in March 2014 at Sishen mine due to delayed reporting of TB cases and the second directive was issued in November 2014 at Thabazimbi mine due to non-reporting of cases of 5% loss of hearing shifts on the audiogram, a requirement of newly amended legislation. In both instances, corrective measures were instituted and presentations made to the regional DMR to outline our remedial plans.

HEALTH INITIATIVES

All employees who participated in our wellness screening were tested for hypertension, diabetes, cholesterol, body mass index (BMI), TB symptoms and HIV (if consent was given). This initiative was well received and helps to overcome the stigma associated with HIV testing. At our Sishen and Kolomela operations, weight reduction programmes were instituted to support employees with high BMIs.



EMERGING OCCUPATIONAL HEALTH AND HYGIENE RISKS

Emerging occupational health and hygiene risks include:

- Alcohol and substance abuse: Our drug and alcohol policy was revised in 2014. The policy allows for random testing of employees and routine testing of all employees in high-risk occupations during medical surveillance.
- Diesel particulate matter (DPM): Also referred to as diesel exhaust particles, DPM includes diesel soot and aerosols such as ash particulates, metallic abrasion particles, sulphates, and silicates. When released into the atmosphere, DPM takes the form of individual, ultrafine particles (UFP) or PM0.1. The main particulate fraction of diesel exhaust consists of fine particles. Because of their small size, inhaled particles may easily penetrate deep into the lungs. The rough surfaces of these particles make it easy for them to bind with other toxins in the environment, thus increasing the hazards of particle inhalation.
- Musculoskeletal disorders: increases in back, neck and ankle injuries have prompted us to investigate the most effective ways of implementing rehabilitation and fitness assessment throughout the organisation.

Outcomes of drug and alcohol testing

	Number of warnings		Number of dismissals	
	2014	2013	2014	2013
Sishen mine	54	42	2	3
Kolomela mine	21	4	2	–
Thabazimbi mine	6	20	–	–
Group	81	66	4	3

The health improvement plan for 2014 focused on four broad categories:

- Reduction of exposure to occupational hazards (noise and dust).
- Fatigue management.
- Wellness in the workplace.
- Musculoskeletal diseases.

Employee assistance programme

Employees have access to a free employee assistance programme (EAP) through on-site services or a 24-hour help line provided by an external service provider. There was a steady increase in the use of the service in the latter months of 2014 due to the restructuring process which has resulted in the retrenchment of employees at our corporate office. The top three problems encountered in counselling were work-related stress, financial problems and relationship/marital issues.

OBJECTIVES FOR 2015

In 2014, a review of our TB/HIV programmes was conducted in an endeavour to enhance our service offerings and to improve clinical outcomes. The review was attended by external medical panellists and medical colleagues from the various business

units across Anglo American plc Group. The outputs of this review will form the basis of the TB/HIV improvement plan for 2015. A sustenance and nutrition assessment was completed at all operations to determine food security and accessibility to healthy nutrition. This will inform the strategy on nutrition supplements and fatigue counter-measures in 2015.

Our 2015 health and hygiene improvement plans focus on exposure reduction, especially noise and dust; prevention and management of musculoskeletal conditions; fatigue management; and wellness and disease management.

Targets for 2015 are:

- Sustaining voluntary HCT uptake at 90% or above
- Increasing the HIV disease management programme enrolment by 20%
- 10% reduction in new TB cases compared to 2014
- Zero equipment emitting more than 107dB(A) for noise exposure reduction (the new Mine Health and Safety Council milestone)
- Zero silica exposure above the OEL

We will implement a multidisciplinary strategy to deal with sick leave utilisation at all our operations.

FOCUSING ON THE HEALTH AND WELL-BEING OF OUR EMPLOYEES AND COMMUNITIES continued

CASE STUDY:

KOLOMELA MINE DONATES R9.5 MILLION FOR HOSPITAL EXPANSION

Kolomela mine contributed R9.5 million towards the expansion of Postmasburg's local district hospital. An expansion was necessary to cope with an influx of people into Postmasburg – an influx that has added to the strains on a fragile public healthcare service and infrastructure. Primary healthcare services are currently being provided at the district hospital in town and in the Postdene and Boichoko residential areas.

According to healthcare staff, patient numbers have risen by approximately 30% in recent years. Most community members are contract workers who are not members of a medical fund, and have to use primary healthcare clinics or the district hospital.

There are only two consulting rooms at the primary healthcare clinic at the district hospital. These provide services to about 5,000 patients each month, a number which continues to grow. Investigations by the mine indicated that the state of healthcare in the Tsantsabane Local Municipality, in which Postmasburg is the main town, is one of the key priorities expressed by the local community. Therefore, to help relieve the additional strain on the healthcare system, Kolomela mine collaborated with the Northern Cape Department of Health (DoH) and the local municipality to build a new primary healthcare facility in Postmasburg.

The clinic project is aligned with the national DoH's goals for the proposed National Health Insurance (NHI) – to provide free access to quality healthcare for all South Africans. It is a 14-year project whose success will depend on significant improvements in the public health system.

To help attract and retain the best possible medical staff for the hospital, Kolomela mine also provides accommodation for medical staff at the Postmasburg Hospital.

The newly constructed primary healthcare facility has four consulting rooms in addition to the previously existing two and will:

- Relieve patient congestion
- Improve turnaround time for patients
- Promote privacy for patients, with enough space for free movement and more ablution facilities

A local BEE joint venture was created to construct the primary healthcare clinic. Construction contributed to boosting local procurement spend. During the construction

phase, 92 jobs were created. Those employed included bricklayers who were trained at the Kolomela Community Skills Training Centre and who now have portable skills.

The Northern Cape DoH provided plans for the new clinic and was responsible for the provision of services and equipment. The Tsantsabane Local Municipality supported the project through the provision of bulk services. Kolomela mine funded and oversaw construction of the infrastructure (including the consultants' fees) and purchased medical equipment and office furniture for the primary healthcare clinic. The total cost to Kolomela mine was R9.5 million.

Services that will be provided by the primary healthcare clinic include ante-natal, post-natal, HIV/AIDS counselling and testing services, and TB management.

Special physical features of the project are a 1,000-litre water tank with pressure pumps to act as a reserve in times of water shortages in Postmasburg; reinforced security at the pharmacy to prevent burglaries; and installation of energy efficient lighting throughout the clinic.

Image 01
Mary Louise Vos, a nurse at the Postmasburg primary health care clinic examining a patient. The clinic was built by Kolomela mine for the community of Postmasburg.

Image 02
The community health care clinic in Postmasburg was built by Kolomela mine.



CASE STUDY:

COMMUNITY HEALTHCARE IN 2014

Kumba, in public-private partnership (PPP) with the Department of Health, delivers primary healthcare in our host communities through two UGM wellness clinics – at Sishen and Thabazimbi mines. We are exploring a similar arrangement for Kolomela mine.

The UGM facilities were initially established to provide HIV-related services. Over the past year, their scope of work has grown to the extent that these clinics are now well placed to provide fully fledged primary healthcare services to contractors and the community at large. The Batho Pele mobile clinics continue to provide primary healthcare to remote communities that do not have access to healthcare facilities.

Kumba spent R22.2 million (2013: R33 million) on community healthcare projects in 2014.

People living with HIV/AIDS around Sishen – mine employees, contractors and the surrounding community – are treated at the UGM clinic in Kathu. Sishen spent R4.8 million (2013: R5.7 million) on this clinic in 2014.

A total of 17,711 community member visits were recorded in 2015 at all our UGM primary health care facilities. Kumba pays for the running costs, provides staff and maintenance while the Department of Health collaborates in providing ART and other medication, and the Gamagara Local Municipality provides the land, water, electricity and services.

Among Kumba's innovative interventions are the Batho Pele mobile clinics, which take healthcare to people in remote rural areas in collaboration with the John Taolo Gaetsewe District Municipality to screen for diseases, and provide dental, ophthalmic and surgical services. Sishen mine spent R8 million (2013: R7.2 million) on the project in 2014 and 19,549 (2013: 22,348) community members benefited from the services.

UGM wellness clinic visits in 2014

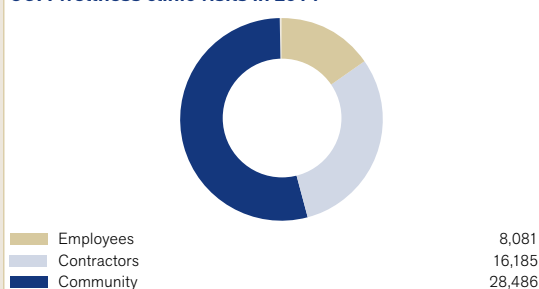
	Employees	Contractors	Community
Sishen mine	6,100	12,554	21,454
Kolomela mine	1,175	2,729	–
Thabazimbi mine	806	902	7,032
Group	8,081	16,185	28,486

Image

Matshediso Makwene, a social worker at the SANCA centre providing information to a group of community members. The SANCA centre in Postmasburg is one of many social projects supported by Kolomela mine.



UGM wellness clinic visits in 2014





FOCUS:

TO BE THE EMPLOYER OF CHOICE

Top image

Itumeleng Maphage, operator; Florencia Bekend, drill operator; Rebaowe Mangope, production operator and Terrence Jordaan, mining manager, inspecting drill holes in the Leeuwfontein pit at Kolomela mine.

Bottom image

Operations in the Kapstevl pit at Kolomela mine.



DEVELOPING OUR EMPLOYEES AND COMMUNITIES

IN THIS SECTION

- Our approach
- Performance in 2014
- Training and development for today and tomorrow
- Community training and development
- Housing and home ownership
- Objectives for 2015

WHY THIS IS A PRIORITY

At Kumba employees are central to the success of our business. Satisfied and fulfilled employees are productive, loyal and innovative contributors. We believe in sound labour relations which contribute positively to the sustainability of the business.



ACHIEVEMENTS

- Three-year wage agreement signed
- Stable labour relations
- Recognised by Top Employers Institute as the premier employer in the mining industry
- R478 million in Envision dividend payments
- R464 million paid to SIOC-CDT



CHALLENGES

- Unavailability rate of operators of primary equipment
- Effective management of sick leave
- Low morale due to the restructuring process



IMPROVEMENTS

- Increased number of operators available to work



DISAPPOINTMENTS

- Impact of adverse market conditions on our labour structures

TAKING TOP HONOURS

In October 2014 Kumba was recognised by the Top Employers Institute, a global organisation, for our exceptional employee benefits. Its research, conducted internationally and annually, recognises leading employers around the world: those that provide excellent employee conditions, nurture and develop talent throughout all levels of the organisation, and which continuously strive to optimise employment practices. We are proud to have been awarded the exclusive Top Employers South Africa 2015 certification. We were also recognised as the number one employer within the mining industry.



DEVELOPING OUR EMPLOYEES AND COMMUNITIES continued

OUR APPROACH

Through continuous engagement, we prioritise the needs of Kumba employees at all levels, as well as those of local and host communities. While employees are at the core of our business we also have a responsibility to operate a sustainable business and deliver returns to our shareholders. This requires management to achieve a balance in all matters affecting stakeholders. At Kumba we strive to empower our employees and communities with knowledge, particularly regarding our ongoing performance results, because we believe that in doing so we can enhance a collective understanding of the business.

The education of our people is fundamental to a sustainable future for all.

We also recognise the responsibilities that face us as a South African business. We are committed to the spirit and intent of the relevant legislation. Although recruiting and retaining historically disadvantaged South Africans (HDSA) – particularly women – at managerial levels continues to pose a challenge, we believe that we have made good progress and have adequate measures in place to address these requirements in the longer term.

PERFORMANCE IN 2014

Creating employment

As at the end of 2014, Kumba employed 14,040 people (2013: 13,305) – 8,191 full-time permanent employees (2013: 7,433 employees), 4,987 full-time contractors (2013: 5,037 contractors) and 862 learnerships (2013: 835 learnerships). In addition 4,662 fixed term contractors were employed at Kumba's construction projects. Kumba is a significant employer, both directly and indirectly, in the Northern Cape and Limpopo provinces where we operate.

The increase in the number of people employed during the year was mainly in the core operation and ramp-up activities at Sishen mine. Labour productivity at Sishen mine continues to improve and the significant growth in mining volumes far outweighs the upsurge in number of people employed.

The decline in iron ore prices necessitated a restructure of the organisation. We have reviewed our current organisational structures at the corporate office to reflect the revised project portfolio, rationalise functions and improve efficiencies. A consultation process in line with section 189 of the Labour Relations Act started in December 2014 and it is anticipated that this will be completed in the first quarter of 2015.

The nature of the review involved a robust and critical assessment of the work conducted at the corporate office to ensure that only improvement work is located there and the majority of the service work is carried out at the operations.

The review of the support functions at the operations will commence in the first quarter of 2015.

As our employees are central to achieving our strategy, we place considerable emphasis on our human resources management, and are mindful of the need not only to attract and retain the right people, but also to develop our employees.

A stable workforce

Kumba continues to enjoy a low labour turnover. The average age of the Kumba employees is 38 years with the average length of service being 10 years.

Kumba's labour turnover was again low in 2014, at 4% (2013: 4.2%), which is well below the industry benchmark of 7.6% as reported by PwC Remchannel.

Employees and contractors in 2014

	Full-time, permanent		Full-time, contractor	
	Total	Women	Total	Women
Corporate office	140	82	–	–
Sishen mine	5,736	915	2,582	138
Thabazimbi mine	829	142	437	10
Kolomela mine	1,205	295	1,955	119
Technical Services	105	34	6	–
Projects	121	61	7	–
Saldanha Bay and other	55	21	–	–
Group	8,191	1,550	4,987	267

Age profile of employees (%)

	Sishen mine	Kolomela mine	Thabazimbi mine	Corporate office	Group
<30	31	37	23	28	30
30 to 50	57	57	51	59	57
>50	12	6	26	13	13
Total	100	100	100	100	100

New employees recruited in 2014

	Full-time, permanent		Full-time, contractor	
	Total	Women	Total	Women
Corporate office	17	8	67	6
Sishen mine	800	171	1,147	60
Thabazimbi mine	54	28	202	5
Kolomela mine	132	15	1,192	85
Technical Services	–	–	–	–
Projects	–	–	–	–
Saldanha Bay and other	–	–	–	–
Group	1,003	222	2,608	156

Staff turnover by operation (%)

	All employees		Women	
	2014	2013	2014	2013
Corporate office	8.5	6.3	5.2	1.3
Sishen mine	3.5	4.2	0.5	1.1
Kolomela mine	3.6	3.8	0.6	0.4
Thabazimbi mine	3.9	3.8	0.7	0.7
Group	3.8	4.2	0.8	0.6

Image

Students, Thabo Letlhogile and Lipelaelo Lebeko with Nicholas Bohitile, the facilitator working on a carpentry project at the Tshipi skills centre at Sishen mine.



DEVELOPING OUR EMPLOYEES AND COMMUNITIES continued

Staff turnover across the group (%)

	All employees	Women
2010	3.1	0.3
2011	3.1	0.3
2012	4.4	0.8
2013	4.2	0.8
2014	3.8	0.8

Working together

Engagement with our employees is an important element of our strategy and provides useful guidance in our approach to remuneration packages, the provision of accommodation, accredited training and development opportunities, and fair dealing.

The right to freedom of association is enshrined in the country's constitution and Kumba upholds employees' rights to collective bargaining with recognised unions. Kumba also maintains constructive partnerships with unions and has done so for many years.

In 2014 Kumba recognised four unions:

- National Union of Mineworkers (NUM)
- Solidarity
- Building, Allied Mining and Construction Workers' Union (BAMCWU)
- Association of Mineworkers and Construction Union (AMCU)

Kumba is multi-unionised and both the NUM and Solidarity have organisational and bargaining rights. For a union to gain organisational rights it needs to represent 5% of all employees at a specific mine while such union will only qualify for bargaining rights once it has 15% of the employees within the bargaining unit as members at a specific mine. AMCU was granted organisational rights at Sishen mine in February 2014, but has not yet reached a level of representation entitling it to bargaining rights.

In 2014, 83.2% of the total workforce was represented by one of the four recognised unions (2013: 84% by one of three recognised unions, that is, excluding AMCU). These figures include non-unionised employees (6.6%) who are covered by the agency shop agreement (2013: 10%). The agency shop agreement requires that the company deduct an agreed agency fee from the salaries of workers in this category because, although they are not fee-paying union members, they benefit from the results of union bargaining. The agency shop agreement is applicable to all non-unionised members in the bargaining category at all our mines but is not applicable

at our corporate office as they are not included in the recognition agreement.

A total of 16.8% employees were not represented by a union and were not covered by an agency shop agreement (2013: 16%).

We have sound and robust engagement structures. In the context of the volatile mining industry labour relations in which a five-month strike took place in the platinum sector in 2014, our labour relations environment was very stable. No days were lost to industrial action since 2012 when we lost 13 days.

In 2014, the NUM referred a dispute to the Commission for Conciliation, Mediation and Arbitration (CCMA) to participate on the interview panels in an attempt to assist their members during interview processes. The CCMA ruled a non-resolution on this demand and issued the NUM with a strike certificate. Mine management has taken steps to determine the motivation for this action. The agreement with the unions is that the company will investigate all reported concerns and address these issues to ensure a fair process to all. The union has not threatened the company with any strike action since.

The negotiating climate was constructive, and the agreement was reached without recourse to industrial action.

The court case of 110 dismissed employees who participated in the 2012 strike is still ongoing and will commence in June 2015. Other programmes implemented to manage the impact of the strike are on target and different training interventions are ongoing. The joint union-management steering committee is addressing issues of concern on a regular basis to prevent a repeat of the 2012 actions.

Bargaining unit employees received increases of between 8.5% and 10% following the salary review which was implemented in August 2014, and backdated to July 2014.

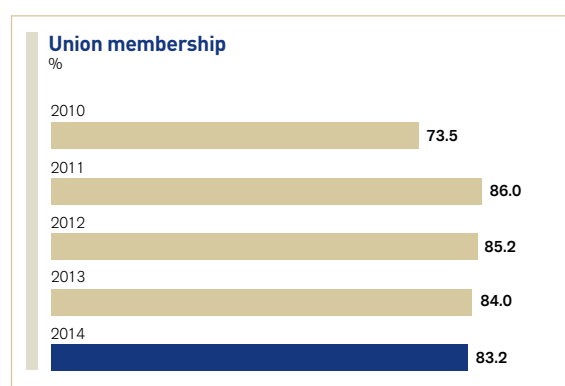
Kumba is a responsible employer. The company's Human Rights Policy calls for universal human rights to be respected, supported, promoted and, in our interactions with employees, communities and other stakeholders, we are guided by the major international declarations and principles as well as the Constitution of the Republic of South Africa. (See page 71.)

For employees, the company has a grievance procedure in place and considers it a necessary channel to address issues, mainly between employees and employer, in a transparent manner. Employees are aware of the grievance procedure and, in most cases, the appropriate reporting channel is through the line manager or, when required, the next level of management.

The right to freedom of association is enshrined in the country's constitution and Kumba upholds employees' rights to collective bargaining with recognised unions

Union membership in 2014 (% of bargaining categories)

	NUM	Solidarity	Agency shop	BAMCWU	AMCU	Non-unionised
Corporate office	7	18	–	–	–	75
Sishen mine	54	18	6	9	13	–
Thabazimbi mine	76	19	5	–	–	–
Kolomela mine	64	25	11	–	–	–
Group	57	19	6	7	10	1



NEW WAGE AGREEMENT REACHED

Negotiations with two recognised unions with bargaining rights, the NUM and Solidarity, culminated in the signing of a three-year wage agreement for bargaining category employees. This agreement came into effect on 1 July 2014 and covers the period until 30 June 2017.

In broad terms, the agreement provides for cost-to-company increases of between 8.5% and 10% in the first two years, and an average of 8.3% in the third year.

The negotiating climate was constructive, and the agreement was reached without recourse to industrial action.



In 2014, 36 labour practice grievances were referred to the CCMA and progress is shown in the table below.

Labour grievances in 2014

	Sishen mine	Kolomela mine	Thabazimbi mine	Corporate office	Projects	Total
Referred to CCMA	21	12	3	–	–	36
Arbitration	3	3	1	–	–	7
Withdrawn	7	5	–	–	–	12
Settled between parties	5	1	1	–	–	7
Referred back to Kumba	2	–	–	–	–	2
Awarded in Kumba's favour	3	3	1	–	–	7
Certificate to strike issued	1	–	–	–	–	1

DEVELOPING OUR EMPLOYEES AND COMMUNITIES continued



AWARDING LAURELS AND APPLAUDING EFFORT

Recognising our people's contribution to the company is a large part of our employment relations. The annual Laurel Awards, launched in 2007, recognise exceptional individual and team achievements by our people. Five strategic elements are represented at these awards and are fundamental to the success of our business: safety, sustainability, partnership, innovation and exceptional achievement.

We recognised the achievement of individuals and teams at our annual Laurel Awards event in July 2014, where there were 88 awards in total (2013: 59). We handed out 43 Achiever awards, 14 for Partnership, 15 for Safety, six for Sustainability and 10 for Innovation.

The Gold Awards in the various categories went to:

- Kolomela mine (Partnership category) for the mine's exceptional productivity, which led to it exceeding the 2013 production target by 20%
- The Value-in-Use iron ore testing facility and pilot plant in Pretoria (Safety category) for operating for 10 years without a single lost time injury

- The SIOC mining rights and AMSA disputes group legal team (Sustainability category) who negotiated the new supply agreement with ArcelorMittal SA
- The Laskas Technicians team at Sishen mine (Innovation category) for installing an anti-rollback system on all the mine's ultra-class haul trucks to improve safety

Individual and team were also selected per category to represent Kumba at the global Anglo American plc Group Applaud Awards that are held every two years. The awards were launched in 2010 to recognise all those people who have achieved excellence by living out the Anglo American plc Group core values through their hard work and help us to make a difference. After a rigorous selection process, the following Kumba employee and teams won in the respective categories:

- Partnership (individual): Nelmarie Schutte, Kolomela mine
- Sustainability (team): The SIOC mining rights and AMSA disputes group legal team
- Innovation (team): The Laskas Technicians Team

The Laurel Award winners do not receive cash prizes but draw the names of charities to which the prize money is donated on their behalf. A total of R360,000 (2013: R300,000) was donated to 12 charities (R30,000 each) in 2014.

Focus on employing local people

Kumba has a policy of employing people from local communities as far as this is possible; we only recruit people from outside the area if a specific skill is not available locally. In 2014, some 86% of employees were deemed to be local (2013: 84%). In the Northern Cape, where our two largest mines are located, our definition of local is quite specific. We

consider employees as locals if their homes fall within a 50km radius of our mines, as the province is sparsely populated and the communities are dispersed. In 2014, 94% of employees at Sishen mine and 65% of those at Kolomela mine were considered to be local.

Some 81% of new employees recruited at Thabazimbi mine in 2014 were from the local community.



GETTING TO GRIPS WITH OPERATOR UNAVAILABILITY

In 2013, a study was undertaken at the Sishen and Kolomela mines, where absenteeism rates were significantly higher than at Thabazimbi mine. The study aimed to understand the causes of absenteeism and to find solutions to address the problem. The study identified that high absenteeism was often experienced in areas with harsher working conditions, such as loading, hauling and mining. Various initiatives were implemented to address the problem, including better supervision (leadership competence of foremen), implementing information management systems enabling individual foremen to have direct access to daily attendance reports, workshop/training foremen on leave planning and manpower management, engaging with

unions on the impact of operator unavailability on the business, improved discipline, incentives and information on health and wellness.

Other issues, such as the shortage of trained medical personnel at local clinics, which resulted in employees needing more time to travel in order to receive the required help, have been addressed by providing access to additional medical care facilities.

Through these initiatives, the unavailability rate of primary equipment operators at Sishen mine declined from an average of 17% in January 2014 to an average of 9% at the end of December 2014. The absenteeism rate at Sishen mine also declined from 14% in 2012 to 11% in 2014.

Employment of locals (%)

	2014	2013	2012
Sishen mine	94	92	88
Thabazimbi mine	61	67	82
Kolomela mine	65	65	56
Group	86	84	75

Family (parental) responsibility leave

	Applications	
	Male	Female
2012	1,803	471
2013	1,828	487
2014	2,120	653

Improving labour availability at our Sishen mine

Absenteeism is an area of concern at Sishen mine because it is directly related to productivity, particularly when primary equipment operators are involved. Absenteeism, or workforce unavailability, covers both planned leave (annual, maternity, study, union) and unplanned leave (sick, unpaid, absent without leave (AWOL), special, family responsibility, injury on duty (IOD), suspension, unprotected strike). Investigations at Sishen mine have revealed many reasons cited for high levels of absenteeism, including:

- Fear of detection of alcohol and substance abuse
- Difficult working conditions (excessive heat, dust and noise)
- Shortage of doctors in close proximity to our operations
- Social construct of the community (social interaction of employees and supervisors causing interdependency and fear of retribution)

- Employees living in rural areas far from Sishen mine who do not return to work after off days to visit family
- Lack of consistent application of consequence management
- Lack of information systems supporting supervisors with absence management

The highest single contributor to absenteeism is sick leave, which often peaks in July and August when chest infections and influenza are more widespread. Wellness awareness programmes were utilised to reduce the incidence of these ailments through prevention.

Due to the active management of employees who are on sick leave through engagement and discussions, the number of employees absent due to illness and injuries declined by 17% in 2014. There was an overall improvement in absenteeism during 2014 and this continues to be an area of focus at Sishen mine. In 2014, Kumba recorded an absenteeism rate of 9.5% (2013: 11%). The major focus during the year was on operator availability at the mine with a holistic approach which included a systems review such as access control/early warning management, leave planning and manpower planning in addition to other initiatives that were implemented.

Image

Chipo Taruona, a sales lady at the Thabazimbi cultural village selling locally created carvings and artifacts to tourists visiting the town.



DEVELOPING OUR EMPLOYEES AND COMMUNITIES continued

Absenteeism statistics (%)

	2014	2013
Corporate office	9	6
Sishen mine	11	12
Kolomela mine	10	12
Thabazimbi mine	8	10
Total absenteeism rate	9.5	11

Transformation provides opportunities

At Kumba, transformation is a business imperative and is core to our licence to operate. We implement a non-discriminatory policy in both our selection and appointment decisions. As a result, our appointments take into account the need to achieve racial and gender diversity.

Kumba supports affirmative action at management levels and strives to surpass the Mining Charter's minimum requirements:

- 40% HDSA in management
- 10% women in mining

We embrace transformation and have made good strides in 2014, at the end of which HDSA made up 83% of employees

(2013: 84%) while 58% of management positions (2013: 55%) were occupied by HDSA. Women made up 19% of the total workforce (2013: 18%), 13% of core mining positions (2013: 13%) and 20% in management roles (2013: 20%). We exceeded all the Mining Charter targets in 2014. Senior management representation at the Kolomela and Sishen mines was a challenge during 2014 with Kolomela mine being compliant but Sishen mine reaching 38%, 2% below the 40% target. This will be a key focus area for 2015.

We have developed and implemented a women-in-mining strategy to promote the integration of women into core mining operations. Aspects that were considered included the provision of appropriate facilities, safe and secure working environments, and development and mentoring opportunities.

To address the complexities of a multiracial workforce operating in the exacting mining environment, we continued to offer diversity workshops during 2014 and the sexual harassment awareness campaign was also extended during the period under review.

No cases of racial discrimination or of sexual harassment were reported in our operations in 2014.

HDSA and women in management in 2014

	Total management			% HDSA in management			% women in management		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Corporate office	290	327	246	58	60	54	33	35	36
Sishen mine	819	875	692	57	53	50	16	15	14
Kolomela mine	202	159	146	63	63	49	18	16	17
Thabazimbi mine	148	208	145	57	50	61	20	18	16
Group	1,459	1,569	1,229	58	55	52	20	20	19

Women in mining (%)

	Women employed		Women in core mining	
	2014	2013	2014	2013
Corporate office	43	45	27	29
Sishen mine	16	15	13	11
Thabazimbi mine	17	16	13	13
Kolomela mine	23	23	19	21
Group	20	18	13	13

Full-time employees by gender (%)

	2014	2013
Women	19	13
Men	81	87

TRAINING AND DEVELOPMENT FOR TODAY AND TOMORROW

We consider employee training and development important, not only because this enhances skills, motivates employees to perform and presents better opportunities and career development plans, but also because it is essential for the sustainability of the business. In response to the ongoing skills shortage faced by the South African mining industry, development of our employees and communities is a practical solution. Further, the Mining Charter and other national legislation also oblige mining companies to provide upskilling opportunities for employees.

Kumba has, over the years, developed a wide range of training and development initiatives. Health and safety training is required by law and is relevant to all employees. Other training interventions for employees included learnerships, leadership development, mentorships, career progression plans (particularly for HDSA), study assistance, e-learning and the adult basic education and training (ABET) programme. Non-employee training includes youth development, portable skills, the professionals in training (PIT) programme, the bridging programme and bursaries.

Kumba employees received, on average, 82 hours of training during 2014 (2013: 72 hours) at a total cost of R285.5 million (2013: R276.7 million). This figure represents 6.9% of the total wage bill (2013: 8.1%). Training expenditure for HDSA employees totalled R233 million, representing 82% of the total training costs (2013: 86%), with 31% of this spent on training women (2013: 29%). A total of 98 employees (2013: 317) who were approaching retirement, as planned and for medical reasons, received portable skills training in welding, plumbing, masonry and carpentry to assist them in finding alternative forms of employment once retired.

Adult basic education and training

South Africa has a high level of illiteracy and this is often a barrier to employment and in career development and progression. ABET is a national programme that has been developed to assist mature learners to acquire literacy and numeracy skills at progressive levels. Despite the fact that approximately 95% of Kumba employees (2013: 95%) are deemed to be functionally literate, ABET continues to be offered to all employees as an option to enable reading, writing and arithmetic to be mastered at various levels.

In 2014, 18 employees (2013: 44) across the company made use of Kumba's ABET facilities.

We understand the importance of education to the broader community and therefore also make ABET classes available to contractors and to members of the communities near our operations. In 2014, 50 community learners and contractors made use of the ABET programme (2013: 52).

Professionals in training

Kumba's PIT programme was created to help address Mining Charter targets for HDSA and women, and to build technical talent. The PIT programme also allows Kumba to develop young talent for future employment in the company and to assist with the management of scarce and critical skills development. In 2014, the PIT group included 56 technical graduates, technicians, technologists and non-technical graduates (2013: 46). The three-year programme also develops various important business-related competencies such as report writing, computer literacy, safety and management. Guidance on personal development is also offered.

In 2014, Kumba invested R 44.7 million in the PIT programme (2013: R 37.7 million). We also appointed 11 PITs who have completed their training successfully into permanent positions within the company. An additional two PITs were redeployed into the Anglo American plc Group in permanent positions.

Learnerships

At Kumba, learnerships provide an opportunity for employees to study while simultaneously acquiring practical, on-the-job technical training. Once completed, a learnership usually results in a recognised qualification that makes the individual more marketable. Kumba spent R73.3 million on 714 learnerships in 2014 (2013: R83.1 million) in the following disciplines: 215 mechanical, 135 electrical, 39 civil and 325 mining and metallurgy.

A total of 528 participants (2013: 557) were recognised as having reached the required levels of proficiency in their areas. A total of 117 artisans (2013: 114) were trained in 2014, of which 91 have been employed by Kumba.

Bridging school

Maths and science are widely recognised as challenging subjects, particularly against the background of underfunded schools and poorly trained educators. Learners who do not pass these subjects in their matric examinations are often unable to gain access to tertiary institutions to pursue careers involving these subjects. Recognising the importance of maths and science as critical learning areas, Kumba sponsored eight students of local communities to attend

DEVELOPING OUR EMPLOYEES AND COMMUNITIES continued

bridging school in 2014 (2013: 10). This provided the students with an opportunity to consolidate their understanding of these subjects and to rewrite matric examinations prior to entering tertiary institutions. In general, the number of female learners is usually 60% or above. Monitoring of this programme's progress during the year indicated that, as a group, maths results improved by an average of 23%, while the science group improved by an average of 17% overall. Kumba views the bridging programme as a feeder pool for the bursary programme even though no students were placed in 2014 (2013: 2). Our sponsorship of the bridging school has been ongoing since 2007 and to date 59 learners have attended. The sponsorship of the bridging school is a requirement of the SLP agreements entered into by some of our mines.

Bursaries

Kumba's bursary and scholarship programme has been in place for almost a decade

Kumba's bursary and scholarship programme has been in place for almost a decade. Aligned to our employment equity plan, the programme enables capable and talented students, many of whom have been recruited from our local communities, to obtain the financial support required to study at tertiary institutions. Kumba offers bursaries for both technical and mining-related qualifications. In 2014 the bursary pool consisted of 60 bursary students. By the end of 2014, 12 final year bursary students confirmed that they had obtained their qualifications and will be employed in January 2015 as graduates (PITs). Of the 12 PITs, six (50%) are female and nine (75%) are black.

In 2014, 25 men and 35 women (2013: 65 total) enrolled at seven tertiary institutions around the country, funded by Kumba. Kumba invested R7.8 million in the bursary programme in 2014 (2013: R9.8 million). The decrease in expenditure between 2013 and 2014 was as a result of streamlining costs and did not negatively affect the students. The cost saving is also a direct link to Kumba sponsoring five fewer students than in 2013.

Students are monitored throughout the year, which includes quarterly visits by administrative staff, managers and heads of departments (HODs). Academic performance is assessed and interviews conducted as necessary to determine vacation placements, suitability for PIT intake and, where necessary, the cancellation of the financial assistance due to consistent underperformance. In 2014, four bursaries were cancelled due to the bursary student's underperformance resulting in the student being excluded by the tertiary institution.

COMMUNITY TRAINING AND DEVELOPMENT

Kumba runs three training centres, at Kathu, Kolomela and Thabazimbi, which offer a variety of short courses to community members. In 2014, 454 community members (2013: 427) benefited from these courses, which included

welding (132), bricklaying (20), plumbing (75), carpentry (67), masonry (74), jewellery-making (39), sewing (37) and upholstery (10).

E-learning

A total of 5,147 employees and contractors completed e-learning during 2014. This included induction, functional and equipment training. The majority – 2,979 – were employees from Sishen mine, followed by 1,356 at Kolomela mine, 743 at Thabazimbi mine and 108 at corporate office.

Kumba's human resources department identified approximately 22,000 employees and contractors who need to complete training in the Voluntary Principles on Security and Human Rights (see details on page 73), excluding approximately 4,000 public order police (POPs), via e-learning. This course is based on classroom training material and is hosted via the Anglo American plc Group website. Feedback from e-learning specialists at Kumba is being incorporated into the programme, which is due to be intensified in 2015 when refresher training, as well as continuous improvement and awareness, will be rolled out to all those who completed the course in 2014.

Youth development programme

In 2013, Kumba initiated a youth development programme to assist unemployed graduates in the John Taolo Gaetsewe district, Northern Cape province. The company recognises that many students graduate from tertiary institutions with gaps in their skill set. Additionally, most employers prefer job candidates with experience and, as a result, new graduates are at a disadvantage.

The programme addressed these knowledge gaps by placing graduates as interns in the appropriate departments at Sishen mine or at one of the other participating employers (e.g. Sishen Intermediate Mine School, Family and Marriage Society of South Africa, Ulysses Gogi Modise Wellness Clinic and the Kalahari Country Club) where they were able to obtain on-the-job training and experience to make them more employable.

The internship program expired on 31 October 2014 and was highly successful in that it yielded good results – graduates managed to acquire or enhance their skills in the following areas:

- Report writing
- Problem solving
- Communication
- Organisational
- Time management

A total of 17 out of 40 interns secured full-time employment during the course of their internship, while one started his own business.

Training and development statistics 2014

Programme	Number of participants		HDSA (%)		Women (%)		Expenditure (Rand million)	
	2014	2013	2014	2013	2014	2013	2014	2013
ABET	68	52	100	100	47	43	3.3	5.7
PIT	56	46	77	76	41	35	44.7	37.7
Engineering learnerships	389	358	87	84	18	21	42.0	40.9
Other learnerships	325	244	98	96	38	24	21.5	42.2
Bridging school	8	10	100	100	63	25	0.97	0.8
Bursaries and scholarships	60	65	80	80	58	49	7.8	9.8
Community training and development	454	427	100	100	26	24	6.5	5.5
Youth development	40	39	100	100	90	59	0.96	1.2
Total	1,400	1,241	93	91	48	32	127.7	142.7

HOUSING AND HOME OWNERSHIP

We continue to experience challenges with housing and accommodation for our employees due to the remoteness of our mines. In an effort to mitigate this challenge, we have implemented a three-pronged housing strategy incorporating:

- Facilitating home ownership
- Offering house rental to support the recruitment and retention of employees
- Expediting accommodation options for employees

In 2014 we made use of our housing subsidy and housing allowance options to promote home ownership, including government programmes like the finance-linked individual subsidy programme which is available to employees earning between R3,501 and R15,000. We have built 4,222 homes

for our employees since 2007, with 737 of these constructed in 2014 (2013: 413) using local developers.

In recognition of the fact that our host communities are integral to our business, and contribute to our achievements, some years ago we decided that Kolomela would assimilate employees into the surrounding communities instead of accommodating them in insular and mine-specific residential areas.

OBJECTIVES FOR 2015

In 2015, we will focus on enhancing the reporting and management of absenteeism. We will also assess the main drivers of absenteeism and address the causative factors as this has an impact on productivity and staff morale. This information is a proxy for monitoring the effectiveness of our Workplace Wellness programmes.

Image 01

The "Thaba Tots" Early Childhood Development (ECD) centre, funded by Kumba, opened in 2014 for children from the Thabazimbi community. The ECD centre provides quality preschool education in a newly built school in the town.

01



Image 02

Sibusiso Tenza, sustainable development manager and Jabu Mthombeni, local economic development practitioner at Kumba with Frans Parsons, the sales person at the Thabazimbi cultural village. This is a commercial centre selling locally made curios to tourists visiting the town.

02





FOCUS:

MEETING OUR TARGETS



Top image
Operators, Taneil Steenkamp and Zenia Esau doing a pre-shift safety check and completing the necessary documentation at Kolomela mine.

Bottom image
Richard Smith, machine operator and Moses Sehako, haul truck driver doing a pre-shift safety check on a truck outside the fatigue management centre at Kolomela mine.

RESPECTING HUMAN RIGHTS

WHY THIS IS A PRIORITY

Respect for human rights underpins our values, and is entrenched within the South African Constitution and various legislation. Lack of respect would undermine the social fabric of our organisation and of our relationships, threaten our licence to operate and damage our reputation.

OUR APPROACH

We recognise the fundamental human rights of our employees, the communities in which we operate and our various business partners and contractors. Our approach is evident in our policies and practices, and is guided by the Anglo American plc Group approach to human rights.

We strive through the conduct of our current business and in the development of new projects, to assess the potential impacts of our operations and activities on all parties responsibly. We do this in an open and transparent manner, and at all stages of our project/operational life cycle. We undertake full investigation of any issues that may arise, and we make all the relevant facts available to the parties concerned.

We consider the economic and social welfare of the communities associated with our operations as significant and we therefore actively pursue opportunities for enterprise development, local procurement, training, employment and other opportunities for previously disadvantaged individuals.

RIGHTS OF LOCAL PEOPLE

Indigenous people in South Africa have a close cultural and spiritual affinity with the land on which they, and their forefathers, were raised, and we respect these sentiments. We also understand that many of these indigenous groups have endured various forms of abuse in the past, which has resulted in sensitivities that today must be recognised. Our commitment is to engage with the communities who have lived and worked the land, sometimes for centuries, with respect and through open dialogue so that they too may reap benefits from the mines that now serve as their neighbours.

RELOCATION A LAST OPTION

We aim to act in accordance with international best practice where community relocation is required. This involves avoiding relocation if possible, as well as free and open

negotiations, ongoing consultation with recognised community representatives, just compensation, procedures for grievance resolution, presumption of collective resettlement and, at least, the restitution of livelihoods. See page 34 for details on the Dingleton relocation.

ADDRESSING DISCORD

We appreciate that the introduction of our business into an area may influence the dynamics and community hierarchies. We work hard to understand the subtleties of these circumstances and aim to prevent conflict as far as possible. We work in partnerships as a means of alleviating and managing the direct and indirect impacts of our activities. As a result, formal human rights grievance mechanisms are in place at all our operations and the corporate office. During 2014, there were no human rights grievances reported in Kumba.

PLACING VALUE ON HUMAN RIGHTS

We are committed to ensuring that the rights of all our employees, shareholders and members of the communities in which we operate are always respected. In that regard, we will speak out should we become aware of violations by third parties, including host governments. We support and endorse principles enshrined in the following, among others:

- The universally recognised rights entrenched in the Universal Declaration of Human Rights adopted by the United Nations in 1948
- The United Nations Global Compact (UNGC)
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Voluntary Principles on Security and Human Rights
- The Global Sullivan Principles
- The Constitution of South Africa

Our group policies which have been in place since 2007 provide further information on these topics. They are available on our website at www.angloamericankumba.com/sd_policies.php.

RESPECTING HUMAN RIGHTS continued

Anglo American plc Group has subscribed to the Voluntary Principles on Security and Human Rights since 2005. This requires adherence to various important principles regarding the actions of security personnel and related contractors with respect to human rights. The principles are dependent on these three pillars:

- Governments which provide enabling legal frameworks
- Companies which implement policies and procedures in line with these principles
- NGOs which raise awareness of significant issues that need to be addressed

Guided by the fundamentals of risk assessment and the voluntary principles for public and private security providers, the company's responsibility is to ensure that it completes a proper risk assessment pertaining to human rights and to ensure that its security services and, where applicable, public security providers comply with the voluntary principles.

The voluntary principles are also applicable to contractors working for the company. It is the company's responsibility to ensure that contractors do not abuse the human rights of employees, members of the community or any other person. As such, the company must ensure that contractors are aware of the company's procedures and requirements in this regard.

The voluntary principles are presented as an international standard developed for all scenarios where security forces may abuse human rights. Kumba complies with the voluntary principles at all its operations.

HUMAN RIGHTS TRAINING

As a means of ensuring human rights are not violated, and in support of those rights, we have an in-house security team, supported by an outsourced company and electronic security systems.

A total of 300 in-house and outsourced personnel received formal training in the company's values, based on human rights. This training included private security industry regulatory authority training courses with modules on legal aspects relating to human rights as prescribed by the Constitution of South Africa and the Criminal Procedure Act, 1977 (Act No 51 of 1977).

At corporate office, a tactical support team of five privately trained members provides specialised security services. Their training includes crowd management and the relevant human rights aspects. Kumba's security training requirements apply to employees, contractors and third parties, including the guard unit, in equal measure.

Image

Johannes Davies, a training officer training students, Haword Gedulo, Heireich Hofmeester, Sylvester Modise, Jan Plaatjie, Gavin Hunter, Tyron Visagie and Bradley Page on bricklaying skills. The students are all part of the Dingleton relocation project and attend the classes to gain additional skills.





IMPLEMENTING THE VOLUNTARY PRINCIPLES

A training course in the Voluntary Principles on Security and Human Rights was rolled out in 2014 with a significant portion of the curriculum dedicated to human rights. Employees and contractors who work in areas where human rights are involved, such as security, HR and investor relations, attended the course. The course began by raising awareness of the content, nature and extent of the voluntary principles among private security forces, employees, contractors and contractor employees and public security services (the South African Police Service, SANDF and municipal police).

A specialist consultant and an advocate were appointed to develop and roll out the training at all Kumba's business units, including at the corporate office in Centurion, and Thabazimbi, Kolomela and Sishen mines. Anglo American plc Group legal experts reviewed the training material before it was implemented.

Development of the training material was completed in January 2014 and the classroom training began in March 2014. Various sessions were held with senior employees of Anglo American plc Group and, after each session, inputs from the delegates were included in the training course content. The content is not static and will be updated as and when required by Anglo American plc Group and Kumba.

A learner database for classroom training is in place. This database provides information per business unit and distinguishes between contractors and employees of

Kumba who attended the course. The database is used as a management tool to identify learners who must attend refresher courses. It will also identify new employees and contractors who have to complete the course and subsequent refresher courses.

In addition, monthly progress reports are presented to Kumba's manager of security services on training interventions, the level of attendance and the number of contractor employees who have attended the course. Records are kept of all Kumba employees, contractors and POPs who have completed the course and a certificate is issued to each learner.

Since the roll-out of the training, awareness levels have increased exponentially. An e-learning intervention has been developed to increase enrolment capabilities. This is in line with Anglo American plc Group's aim to increase awareness of the voluntary principles.

A software package for the monitoring and management of human rights, specifically the voluntary principles, has been acquired from Anglo American Platinum Limited (Amplats) and has recently been placed on a website for testing over a period of three months to 31 March 2015 – in collaboration with the Kumba IT department.

A total number of approximately 300 security staff (including outsourced guarding contractors) at the various Kumba business units were trained in a classroom environment between 1 March 2014 and 30 November 2014. Certificates of attendance have been issued to these attendees.



Top image
Social workers, Seolebaleng and Ruth Phothle working at the local office of FAMSA in Postmasburg, one of many social projects supported by Kolomela mine. They make use of puppets to communicate issues of abuse to local children.

Bottom image
Joseph Kgakatsi, Lukas Kaalman and Florence Dikolenyane represented the Heuningpot Beekeeping primary co-operative, a Sishen funded project at the stakeholder day held in Kathu.

FOCUS:

HARMONIOUS CO-EXISTENCE WITH COMMUNITIES



SHARING THE BENEFITS

IN THIS SECTION

- Our approach
- Performance in 2014
- Major CED projects
- Objectives for 2015

- **Case study:** Trauma centre established in Postmasburg
- **Case study:** Growing Thabazimbi's farmers, food and fortunes
- **Case study:** Partnership with SANCA

- **Case study:** Early childhood development capacity and support programme
- **Case study:** Tshipi skills training at Sishen mine

WHY THIS IS A PRIORITY

Our social licence to operate depends on our harmonious co-existence with the communities in which we operate. This hinges on regular engagement with our stakeholders, fostering relations and forming partnerships. Based on our vision of becoming a developmental partner of choice to these communities, we also seek to understand their traditional rights and cultural heritages. We aim for candid and transparent interactions and to create a positive legacy that will last well beyond the life of our mines. Another objective is to minimise and mitigate any adverse impacts our activities may have on the communities. The effective management of social issues is a necessary element of good overall operational management, and a source of competitive advantage.



ACHIEVEMENTS

- Successful relocation of Dingleton North
- SLP projects successfully implemented
- Municipal capacity development programme launched
- Supplier Development Pilot Programme launched
- 25 small, medium and micro enterprises (SMMs) funded, creating 240 new jobs
- R4.4 billion spent with local BEE companies



CHALLENGES

- Increased activism around benefit sharing
- Increased demands for procurement opportunities by local SMMs
- 14% of Dingleton South homeowners yet to sign resettlement agreements



IMPROVEMENTS

- Increased local preferential procurement
- Improved management of stakeholder complaints and grievances
- Educational interventions showed improvements in early childhood development and matric results



DISAPPOINTMENTS

- Drop in the iron ore price
- Rise in community unrest
- 100% Dingleton homeowners sign-off not yet achieved

ENSURING A POSITIVE IMPACT THROUGH SEAT

As a member of the Anglo American plc Group, we are fortunate to have access to the socio-economic assessment toolbox (SEAT), an award-winning approach to evaluate socio-economic issues and manage impacts on host communities – where our operations are located – and associated communities – those from which we draw our labour. SEAT provides Kumba with international best-practice guidance and tools to develop strategies that ensure that our operations have a positive social impact, while mitigating negative impacts. SEAT is firmly rooted in the practicalities and commercial considerations of our business.

We identify socio-economic issues prevalent in the host communities through SEAT and our regular interactions with community stakeholders. These issues provide the basis for community development initiatives, which form part of our strategy on community development. The initiatives are clustered under the following focus areas:

enterprise development and poverty alleviation, education and skills development, health and welfare as well as infrastructure development.

We ensure that our community development initiatives are incorporated into the integrated development plans (IDPs) of our various host communities as prescribed by law. These are also aligned with the country's National Development Plan (NDP) and the Millennium Development Goals (MDG).

SEATs were undertaken at the Sishen and Kolomela mines during 2014, and the results of these processes will be available in early 2015. The engagements with different stakeholders indicated that the outcomes will mainly be based on some of the following issues: local employment, local business development, contractors' hiring practices, lack of housing solutions and high concentration of unemployed youth. A management plan will be drafted to mitigate the issues raised.



SHARING THE BENEFITS continued

OUR APPROACH

Building a mutually beneficial and sustainable environment for Kumba and communities to co-exist is at the core of our business. The purpose of our CED strategy is to ensure that Kumba leaves a positive legacy that is not dependent on mining and enhances good corporate citizenship. At the same time, we strive to maintain our social licence to operate. The objectives of our strategy are driven by national imperatives

including the Mining Charter, national policies on growth and development, Anglo American plc Group policies on development and our stakeholders' expectations. We aim to be proactive in responding to the social needs of host communities and to capitalise on our ability to deliver value for them during the life of our mines. The successful implementation of the strategy requires effective partnerships.

Community engagement and development drivers and strategy

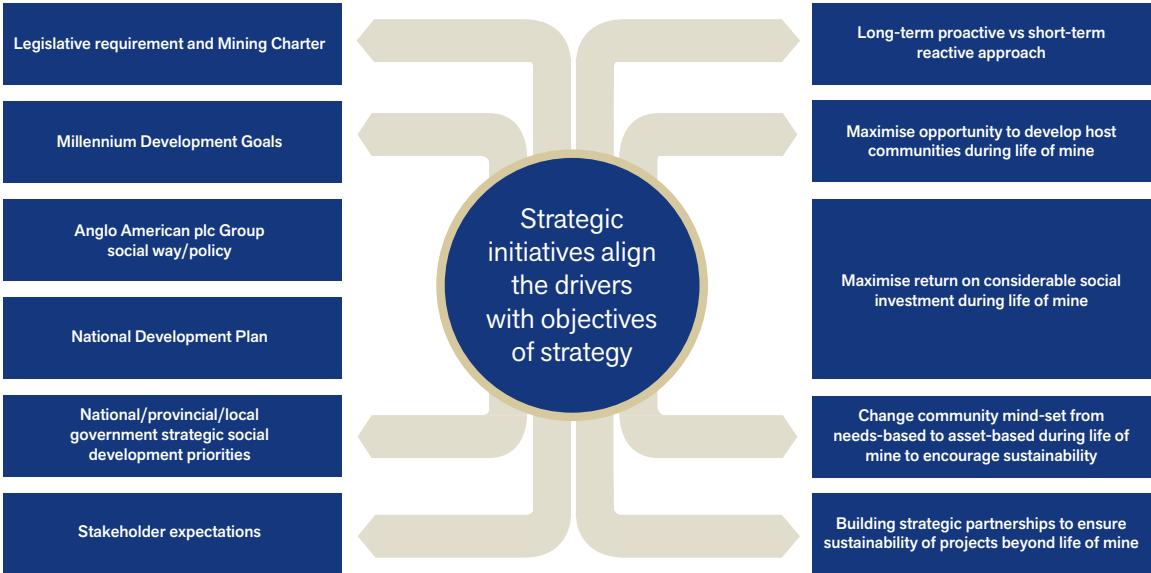
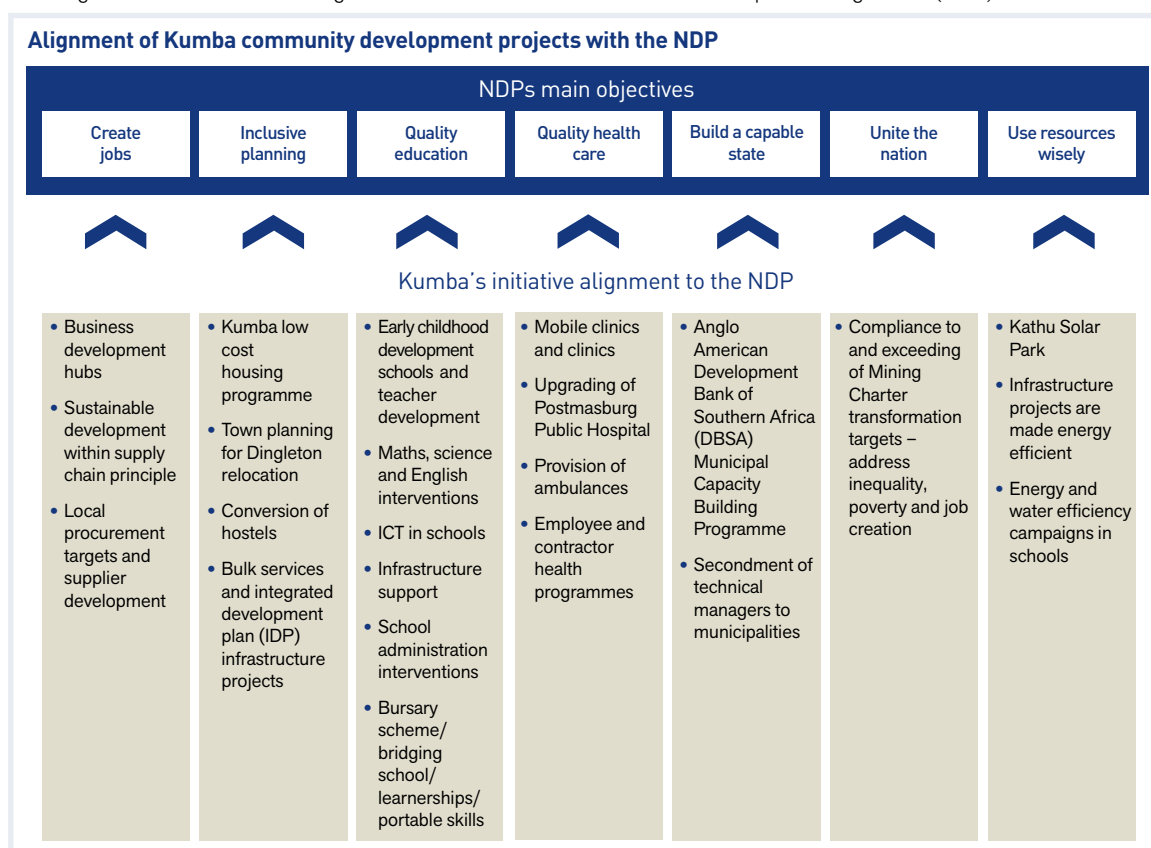


Image
Members representing the Bakotudi farm funded by Kumba in the Thabazimbi area showcased their produce at the stakeholder day held in Kathu. The farm grows and distributes vegetables to markets in the area.



The diagram below illustrates the alignment of our initiatives to the National Development Programme (NDP).



Our aim is to implement these initiatives through strategic partnerships such as government, development partners, SIOC-CDT, Anglo American plc Group Chairman's fund and other like-minded organisations.

COMMUNITY DEVELOPMENT PERFORMANCE

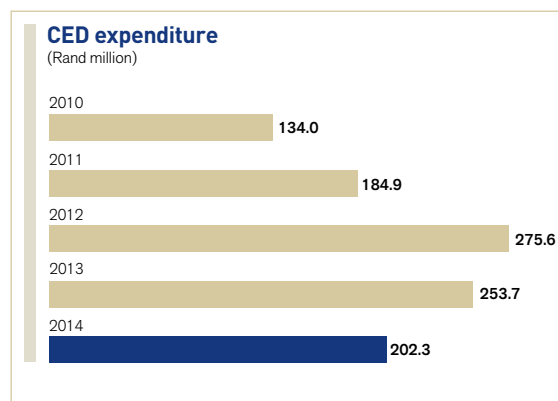
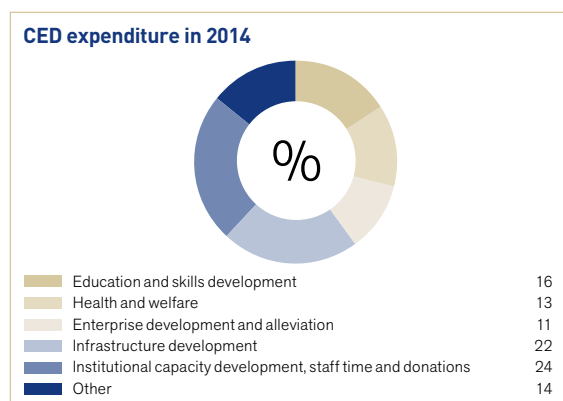
In 2014, we continued to implement and execute our SLP and CSI projects to meet our targets and successfully achieved this within budget. We focused on increased engagement with various stakeholders. This allowed us to improve our stakeholder engagement planning and prepared us to have structured and constructive engagements at appropriate levels in our host communities.

The diagram below illustrates our community engagement approach:



SHARING THE BENEFITS continued

We spent R202.3 million on community development initiatives. A number of these initiatives contributed directly to progressing SLP commitments at all operations. These SLPs are aligned to municipal integrated development plans (IDPs).



CED expenditure (Rand million)

	2014	2013	2012	2011	2010
Corporate office*	63.4	87.8	110.5	71.2	6.2
Sishen mine	81.3	105.3	72.3	73.6	72.1
Kolomela mine	48.1	51.7	77.9	9.2	16.8
Thabazimbi mine	9.5	8.9	14.9	30.9	38.9
Group	202.3	253.7	275.6	184.9	134.0

* Including chairman's fund.

CED expenditure has been decreasing since 2012 as iron ore prices continued to decline. The budget is determined by 1% net profit after tax (NOPAT). This figure therefore depicts the company's performance during a particular financial year.

Areas of CED expenditure (Rand million)

Rand million	2014		2013	
	Amount	%	Amount	%
Education and skills development	32.3	16	40	16
Health and welfare	26.8	13	33	13
Enterprise development and poverty alleviation	19.8	11	10	4
Infrastructure	45.0	22	88	34
Institutional capacity development, and donations	49.3	24	46	15
Other*	29.1	14	37	18
Total	202.3	100	254	100

* Sports, arts, culture and heritage.



ZIMELE BUSINESS DEVELOPMENT HUBS

Kumba's commitment to community upliftment where it operates is to develop and nurture commercially viable, economically sustainable businesses. This is done in conjunction with Anglo American plc Group's enterprise development programme, Zimele, through capacity-building and funding of SMMEs. The entrepreneurs are mentored and coached in bookkeeping, how to access

markets, budgeting, how to expand and how to register with relevant prescribed bodies, amongst others. In 2014, Kumba spent R9.3 million to fund 25 SMMEs who in turn created 240 new jobs.

Some of the challenges associated with the hubs include low recovery rates (57%) and failure to meet targets. To address this, the company is:

- Aligning Kumba processes and structures with Zimele
- Identifying ways to improve efficiency

Kumba's Zimele hub footprint

	Kumba	Kathu hub	Kolomela hub	Saldanha hub	Pretoria hub
Number of transactions	38	12	4	8	14
People employed	369	137	43	86	103
Funding (Rand million)	22.0	10.1	4.0	2.4	5.5
Women entrepreneurs supported (%)	50	17	50	80	67
Youth supported (%)	31	50	0	20	33

MAJOR CED PROJECTS

Some of the major CED projects delivered during 2014 are discussed below.

Name of project	Description
Enterprise development and poverty alleviation projects	
Thabazimbi bamboo plantation and the bio-energy and organic vegetable project	Kumba invested R16 million in a bio-energy and organic vegetable project in the community of Regorogile, near Thabazimbi, Limpopo, in September 2014. The project grows fresh organic vegetables and supplies local and regional retailers such as Spar and Pick n Pay, while exporting some of the produce to overseas markets. More detail is provided in the case study on page 83 of this report.
Education and skills development projects	
Back-to-School campaign	Kumba's Sishen, Thabazimbi and Kolomela mines, as well as its Saldanha Bay port operation, donated schoolbags, including pencil bags filled with stationery, to learners in 52 schools in the Limpopo, Northern Cape and Western Cape provinces in January 2014. The three operations collectively spent R1.2 million to buy the bags and stationery.
Thaba Tots Early Childhood Development Centre	In partnership with the Limpopo Departments of Education, Health and Social Development and the Thabazimbi Local Municipality, Kumba launched this early childhood development (ECD) centre in Thabazimbi, Limpopo. A total investment of R4 million went into the construction of the centre and developing its programmes. The centre was officially handed over to the Limpopo departments in March 2014. It is the first English-medium ECD centre in the greater Thabazimbi area and will accommodate children from three to five years. It also has an aftercare facility.

SHARING THE BENEFITS continued

Name of project	Description
Solar-powered interactive internet-based teaching facility	<p>Kumba officially opened the first of four solar-powered interactive internet-based teaching facilities at Jiyana Secondary School in Tembisa in August 2014. The project included a solar-powered shipping container, with wi-fi and internet-based teaching equipment; a 17m x 30m vegetable garden to support the school's feeding scheme; a bio-digester that produces gas to be used for cooking by the school; a waste recycling station and a revamp of existing buildings.</p> <p>Kumba has committed to delivering three more of these solar-powered facilities in the Tsantsabane and John Taolo Gaetsewe municipalities in the Northern Cape and in the Thabazimbi Local Municipality in Limpopo. The total commitment for the initiative amounts to R10.5 million. The other three schools will be launched in the first quarter of 2015.</p>
Health and welfare projects	
UGM wellness clinic	<p>The UGM wellness clinic in Kathu, near Sishen mine, provides a holistic wellness service to the surrounding community. In 2014, UGM started health education interventions at all the schools in Gamagara Municipality. A total of 6,500 school children attend these on an annual basis.</p> <p>The UGM also assists with emergency deliveries of babies and resuscitations when required.</p> <p>A total of R2.5 million was spent in 2014 on ARV roll-out, HCT campaigns and health awareness as well as the refurbishment of equipment.</p>
Batho Pele health project	<p>Among our innovative interventions is the Batho Pele health project that utilises fully equipped mobile clinics to take healthcare to people in remote rural areas where transport to larger centres is difficult and expensive. In conjunction with the John Taolo Gaetsewe municipal district, people using the mobile facilities can be screened for diseases and receive dental, ophthalmic and surgical interventions. The units have been operational since September 2011. A total number of 68,568 people have benefited from these units since inception; with a total of 19,500 beneficiaries receiving free, quality medical services during 2014. See page 57.</p>
Soccer field public private partnership	<p>Kumba built a new soccer field for the youth at the historical Postmasburg's Newtown soccer field, one of the oldest sports facilities in the town. Previously, soccer was played on a dirt field in Newtown, and the newly developed field now provides local clubs a place to play and for the young people of the area an opportunity to develop their soccer skills.</p> <p>The project, which cost R4 million, was completed in only six months by local contractors and consists of a fenced grass soccer pitch, an irrigation system, goalposts and high nets. There is also an ablution facility with change rooms, showers and a referee room for two teams, as well as two sixty-seat pavilions and two substitute player benches.</p>
Kolomela mine fatigue management community project	<p>This project in Postmasburg, Northern Cape, aims to help address operator fatigue amongst shift workers. Fatigue is a major contributor to mine accidents, and the project extends to employees' homes by teaching their children about the importance of rest and a healthy lifestyle for family members. This is done through a series of specially developed, age-appropriate guides introduced to local schools as part of the life orientation syllabus. More than 1,000 children and teachers have been trained to date, empowering the children to look out for their parents and to help keep them safe.</p> <p>The project received an award of distinction for public service communication at the Global Alliance COMM PRIX awards in Madrid, Spain, in September 2014, under the title, 'Using kids to manage employee fatigue'. It also received the Anglo American plc Group Applaud Award in the Partnership category.</p>

Name of project	Description
Infrastructure projects	
Thabazimbi water supply	<p>The water supply project to upgrade the pump station and pipelines at the Thabazimbi municipality faced some challenges during 2014. This resulted in Kumba terminating the contract with the service provider in the early part of the year with a new service provider being subsequently appointed. The new service provider is working to deliver the project on time by the second quarter of 2015.</p> <p>A total of R9.5 million was spent on this project during 2014.</p>
Roads projects	<p>Kumba mines' host communities are mostly rural, resulting in a large number of the population not having access to infrastructure. The roads are very poor in most of these communities.</p> <p>We spent our 2014 SLP budget of R30 million on building roads, surfacing more than 15km. This stimulated the economy in these rural communities and also solved the dust and mud issues associated with dirt roads. The tarmac roads will also save their road users substantial amounts on vehicle maintenance.</p>

OBJECTIVES FOR 2015

Recognising that current economic challenges are likely to reduce funding available for community development projects, we will, in 2015, focus on improving impact and efficiency.

Our main focus will be as follows:

- Develop strategic partnerships with like-minded organisations and combine resources for the implementation of projects
- Prioritise high impact projects
- Obtain 100% Dingleton sign-off on the resettlement agreements
- Finalise the project development for the Kathu Supplier Park and secure investors for implementation
- Carry out an economic impact assessment of our projects
- Successful implementation of the municipal capacity development programme
- Produce successful entrepreneurs on the Supplier Development Programme
- Increase stakeholder engagements and advocacy by communicating to internal and external stakeholders

Image

Lebogang Daniels, chairperson of the Tsantsabane local football association playing football on the new soccer field that was funded by Kolomela mine.



SHARING THE BENEFITS continued

CASE STUDY:

TRAUMA CENTRE ESTABLISHED IN POSTMASBURG

Kumba has invested R2.8 million in establishing a trauma centre in Postmasburg, the main town in the Tsantsabane Local Municipality, close to the Kolomela mine. The centre, which provides support and sanctuary to the victims of social crimes, has had a positive impact on the community of Tsantsabane with an increase in the number of people who have sought counselling and refuge at the centre.

The need for a trauma centre was identified by the socio-economic impact assessment study conducted by Kolomela mine in the area of the Tsantsabane Municipality. The study, which began in 2012, identified the need to address social problems such as substance abuse, teenage pregnancies, sexual crimes and household violence and that children, women and people with disabilities were particularly vulnerable.

Kumba, in association with the Family and Marriage Society of South Africa (FAMSA), provides professional counselling by qualified staff to victims of rape and family abuse in the

Tsantsabane community and surrounding areas. Other counselling services offered by the centre are: marriage conflict, divorce, suicide cases, family crisis, bereavement, trauma, rape, violence and those who are affected by HIV/AIDS and sexually transmitted diseases. The centre is also used as a temporary safe haven for affected victims who are unable to go back to their homes and families.

For any community-based initiative to thrive and survive, engaging with stakeholders is of utmost importance and so Kumba, together with FAMSA, has partnered with the Northern Cape Department of Social Development, the Tsantsabane Local Municipality and the SAPS to make a success of this programme. To date 8,595 people have been reached through the centre's toll free number, call backs, walk-ins and school campaigns.

This project is aligned with Kumba's social strategy to uplift the communities in which we operate and is aimed at building capacity within communities to deal with their social problems. Kolomela has entered into a five-year agreement with FAMSA to drive this project and to extend its reach to other communities in the area and thus fulfil the centre's slogan: Re a Reetsa! We are listening!

Image

The local FAMSA office in Postmasburg supported by Kolomela mine provides professional counselling by qualified staff to victims of rape and family abuse in the Tsantsabane community.



CASE STUDY:

GROWING THABAZIMBI'S FARMERS, FOOD AND FORTUNES

The Thabazimbi community of Regorogile has benefited enormously from Kumba's approach to sustainable development and the company's donation of R16 million towards a bio-energy and organic vegetable project. The venture grows fresh organic vegetables and supplies produce to local and regional retailers such as Spar and Pick n Pay while also exporting some.

In partnership with Food and Trees for Africa (FTFA), a non-profit organisation, and Farmer Eco-Enterprise Development (FEED), Kumba invited members of the community who were already growing vegetables at their own homes, to participate on a voluntary basis. Together, they formed the Bakotudi Primary Agricultural Cooperative which delivers commercially viable produce of the required quality and in the required amounts. Kumba donated 20ha of land to Bakotudi for a farm with 6ha devoted to growing vegetables and 14ha to bamboo. The farm has a pack house, a delivery truck and administration offices.

The farmers have learnt the basic techniques of organic farming and are now growing more specialised and profitable crops such as spinach, watermelon, cabbage, carrots, tomatoes, peppers and cucumbers. These are sold to local and formal retailers. Bakotudi also regularly supplies Kumba and its staff with vegetables.

This programme provides a "farm-to-fork" organic farming solution through training, mentorship, operational support and marketing assistance to nurture long-term supply to

local outlets and export markets. The farm has created 23 local full-time jobs and has helped to reduce poverty and food insecurity in the area.

In addition, Thabazimbi mine has also planted bamboo trees as part of its social and labour plan commitments to offset carbon emissions and for sustainable development. In partnership with FTFA, Kumba is to develop bio-energy and organic vegetable farming through the FTFA and FEED Africa's programmes.

The bamboo plantation consists of 4,500 Bambusa Balco plants, an exotic bamboo that has become naturalised here in South Africa and is non-invasive. The bamboo will be harvested in the seventh year (2020) and markets are being identified in the manufacturing and cosmetics sectors. Other environmentally friendly projects are being investigated to ensure replication and sound stewardship in these areas.

Thabazimbi mine's general manager, Cornelia Holtzhausen, says, "At Kumba, sustainability is part of our everyday business. How we take care of the environment is at the core of our values and delivers considerable benefits to the company. Kumba's partnership with FTFA speaks to our commitment to sustainable and equitable community development within the areas of our operations. This project will enable community farmers to become commercial farmers."

The project forms part of Kumba's investment in community enterprise development under the company's SLP which aims to provide sustainable economic development in the communities in which Kumba operates.

Image

Doreen, Motaung, Siphon Sekhwela, Pleasure Mahoa, Abraham Nakana and Florence Tembe all farmworkers at the Bakotudi farm in Thabazimbi mine. The farm grows and distributes vegetables to the local markets in the area.



SHARING THE BENEFITS continued

CASE STUDY:

PARTNERSHIP WITH SANCA

Kumba's multi-pronged social and community development interventions focus on improving local infrastructure, and facilitating the establishment and improvement of education and health services.

Given the success of the trauma centre in Postmasburg, Kumba and the South African National Council on Alcoholism and Drug Dependence (SANCA) plan to open a satellite office in Postmasburg to offer counselling to victims of substance abuse.

SANCA is a non-governmental organisation which offers professional help and advice so as to resolve personal or psychological problems. The counselling services offered are free and are accessible to the community of the Tsantsabane municipal area as a whole – Postmasburg being the main town in this local municipality. These services – prevention and awareness programmes, aftercare programmes, referrals to rehabilitation centres – are offered to rape victims, victims of family-related violence, and to those suffering from alcohol and drug abuse. Counselling is also provided to families affected by substance abuse.

Kumba's aim is for this counselling centre to be an independent, high impact centre that will empower the

Tsantsabane community. The centre will be launched in October 2015.

Establishment of this centre is aligned with Kumba's social strategy of educating communities to make the right choices. Using the services that Kumba's outreach programmes offer, and the referral of patients/community members to rehabilitation centres, will help them to regain their dignity, their sense of self-worth and their family values.

As part of Kumba's stakeholder consultation process, Kumba and the Northern Cape Department of Social Development, the Tsantsabane Local Municipality and the SAPS have partnered in fostering this project to make it a success.

Kolomela has invested R5 million in this initiative and 2,100 people have received counselling and remedial help through this holistic intervention to date.

Other programmes associated with this project are: the identification and training of volunteers; prevention and awareness programmes in schools; outreach programmes in the outlying areas of Skeyfontein, Maramane, Groenwater and Jenn Haven; community workshops; the development of advocacy groups; education awareness and community campaigns; individual, group and family sessions; referrals of identified patients to rehabilitation centres; and therapeutic services to community members.

CASE STUDY:

EARLY CHILDHOOD DEVELOPMENT CAPACITY AND SUPPORT PROGRAMME

Comprehensive early childhood development (ECD) programmes are a community resource that promotes the well-being of young children and as such Kolomela and Sishen mines began a three-year programme in 2012 to facilitate and support registered ECD centres in the Tsantsabane and Gamagara Local Municipality areas as part of its support for education and commitment to its SLPs to the DMR. This project was finalised in 2014.

These centres are to be established in partnership with Custoda Trust, an NGO which specialises in ECD that is also supported by Anglo American plc Group. Sishen mine spent R37 million building nine ECD centres in 2013 and provided Gamagara Municipality with an additional R4.5 million to build another such centre.

As community development and stakeholder engagement is the responsibility, on the whole, of Kumba, specifically its public affairs office, Kumba engaged with the Northern Cape Department of Social Development and the Tsantsabane Municipality, on behalf of its mines in the area, to facilitate the establishment of the ECD training centres.

ECD, especially among HDSA, helps with developing pre-school children's intellectual ability and school readiness which in turn may help prevent academic failure during their school careers and unemployment in adulthood.

A focus of Sishen mine is the support of educational institutions to ensure that quality educational programmes and facilities are offered to learners and that teachers receive the necessary training. In 2013, 23 ECD teachers attended the National Qualifications Framework (NQF) Level 4 training which is approved by the South African Qualifications Authority (SAQA). The NQF qualification helps caregivers to more effectively monitor the development of babies, toddlers and young children and to provide them with adequate care and support. First-aid training is also provided as is training on how to participate in ECD centre management committees.

This qualification provides recognition for those who are already practising in the field without formal ECD qualifications as well as for those who wish to enter this field.

Sishen mine's ECD programme also provides learning resources to 17 ECD centres, in accordance with the training the practitioners received.

During 2014, an advocacy programme to persuade parents of the benefits of ECD was rolled out. This enabled children from disadvantaged areas to receive formal education, taught by competent and qualified teachers in improved facilities. In all, 13 ECD centres have been built to date catering for 1,120 children.

Kumba spent R761,000 on this project during 2014, bringing the total spent on the ECD project to R2.6 million.

CASE STUDY:

TSHIPI SKILLS TRAINING AT SISHEN

Kumba believes that it has a role to play to promote development in partnership with its host communities. We appreciate that our social licence to operate is dependent on fostering and enhancing these partnerships. Thus, in 1994, Kumba established the Tshipi (which means iron in Setswana) centre, a training facility that delivers skills training.

At the outset, employees were trained through unaccredited steel construction courses. In 1996, five full-time staff members were employed, allowing accreditation with the Construction Education and Training Authority (CETA) to be secured. Unemployed community members were trained in needs-driven courses such as bricklaying, plastering, masonry, plumbing, carpentry and welding.

So far, more than 6,000 people have been trained at Tshipi. This has helped them progress to either working at Sishen mine or finding jobs in other companies in the region or to starting their own businesses. Some of the beneficiaries include former members of the South African Defence Force. There were 22 members trained in bricklaying, plastering, plumbing, carpentry and welding, ten women trained in house-building in Mpumalanga, 12 women trained to start their own construction company in the Eastern Cape and 35 former prisoners who have also benefited from assistance in making a smooth transition back to civilian life. Training has also been offered through the National Skills Fund.

The European Union, the CETA and the Tshipi centre also started recognition of prior learning initiatives in the Northern Cape. A total of 1,061 people with considerable

work experience but no qualifications were tested against the new approved unit standards of the South African Qualification Authority and were awarded national certificates thereafter.

Sishen mine, in partnership with BHP Billiton, has sponsored a R7.5 million school hostel project initiated by Nelson Mandela at Deben in the Northern Cape. The Deben school hostel project accommodates 320 farm children. Tshipi trained and employed 94 previously unskilled and unemployed community members to work on this project. Kumba also offers full learnerships to unemployed youngsters to provide them with the skills required to become fully qualified artisans.

Several joint ventures between the Tshipi centre, various state departments, the private sector and the community have been established and Sishen mine has received recognition awards for its involvement in improving the lives of its employees and the community in general. Some of the recognition awards include the National Productivity Institute silver award (2000), National Defence Force – Outstanding Achievement in Skills Training Award (2000), the Department of Minerals and Energy – Innovation Project (2003), Department of Education – Adult Learning (2004) and Department of Labour – Good Practice in Skills Development (2008).

Currently, the Tshipi centre trains unemployed people as well as Sishen mine employees as part of the operation's commitment to its SLP agreed upon with the DMR.

Since 2010, Kumba has spent R500 million on general community development skills training projects. This ties in with Kumba's objective that the communities in which the company operates must benefit from its presence.

Image

The SIVOS training centre in Kathu was established and funded by Kumba to train students in technical skills, these students receive a formal training qualification after completing their training.





FOCUS: COMPLIANCE AS A MINIMUM

Top image
Environmental specialists, Karel Page and Werner Voigt are involved in the rehabilitation project at Sishen mine. This project involves the grassing of the slopes and the planting of indigenous trees from the Sishen nursery in Kathu.

Bottom image
Operations in the Kapsteveld pit at Kolomela mine.



RESPONSIBLY MANAGING THE ENVIRONMENT

IN THIS SECTION

- Our approach
- Performance in 2014
- Taking climate change a step further – understanding the impacts
- Waste management
- Water management
- Objectives for 2015
- **Case study:** The Aquifer Recharge Project at Kolomela mine

WHY THIS IS A PRIORITY

To maintain a resilient business we need to minimise and mitigate our environmental impacts in the short and long term to ensure a sustainable future. Failure to effectively manage our environmental footprint will result in conflict with many of our stakeholders, including our host communities and regulators, and could result in us losing our licence to operate.



ACHIEVEMENTS

- Granting of authorisations on a number of urgent projects
- Improved relationship with authorities
- Good progress against our water savings targets and our greenhouse gas emissions reduction targets



CHALLENGES

- Poor close-out of incidents and audit findings
- Difficult conditions in relation to some of our authorisations



IMPROVEMENTS

- Rehabilitation targets set
- Reduction in dust emissions with harmful particle sizes (PM₁₀)



DISAPPOINTMENTS

- One level 3 incident
- Two DMR environmental directives

CREATING ENVIRONMENTAL AWARENESS

In most instances, environmental damage takes a long time to manifest. This presents a challenge when trying to instil urgency in the way environmental issues are generally addressed and in ensuring broad participation in and ownership of environmental management interventions.

In response to this challenge we launched several environmental awareness initiatives across the organisation focusing mainly on encouraging the reporting of environmental incidents. Incident and reporting awareness creation methods included posters and presentations, celebrating important environmental days, toolbox talks, formal training sessions and competitions.

In addition to the above, each of our mines implemented a flagship project aimed at raising general environmental awareness. Thabazimbi mine conducted and published a bird survey which showcased birdlife around the mine. Sishen mine established a nursery exclusively for local indigenous plants that will be used for the revegetation of rehabilitated land. Kolomela mine published and distributed booklets that comprehensively covered plants, reptiles, birds and animals that are found in the mine's surround.

The awareness campaign yielded noticeable improvements in the reporting of environmental incidents across the group, including small spillages that could result in considerable pollution over time, if not addressed.



RESPONSIBLY MANAGING THE ENVIRONMENT continued

Continuous engagement with stakeholders keeps us aware of their concerns and enables us to address them timeously

OUR APPROACH

We are keenly focused on managing our environmental impacts, including preventing pollution, minimising our emissions, using water and other resources efficiently and ensuring legal compliance, among others. To achieve this, we require the full participation of all our colleagues. Environmental awareness creation and maintenance therefore forms a key part of our environmental management approach. We identify and manage risks, including risks of non-compliance, and we continue to drive improvements through certified environmental management systems. Continuous engagement with stakeholders keeps us aware of their concerns and enables us to address them timeously.

PERFORMANCE IN 2014

To improve our environmental performance continuously we have set ourselves Environmental Improvement Plans (EIP) to help us focus on material issues. Performance against these EIPs is assessed twice a year at the management review forum. Our focal areas are:

- Awareness and reporting
- Remediation and pollution prevention
- Energy and carbon dioxide (CO₂) management
- Water management
- Land management (including biodiversity and rehabilitation)

Compliance

South African environmental legislation is undergoing changes with the much anticipated One Environmental Management System having come into effect on 8 December 2014. These changes have aligned the authorisation of all mining-related environmental applications. The DMR is now responsible for issuing all mining-related environmental authorisations, with the exception of the water use licence. We engage regularly with the regulators, directly and through the Chamber of Mines, to ensure that issues that might arise due to this new regulatory environment are addressed.

We are also piloting the Permitting Best Practice guidelines, developed by Anglo American plc Group. The guidelines will ensure that there is better alignment and co-ordination in terms of permitting, examining pre- and post-permitting issues, to minimise delays and improve implementation of permit conditions. Kolomela mine received two section 93 environmental directives from the DMR in 2014, the same number as in 2013, relating to insufficient financial provision, poor hydrocarbon and storm water management among others. While neither of these resulted in stoppages or fines, we strongly believe that we should operate a mine that complies fully with government's requirements.



ENVIRONMENTAL POLICY IN ACTION

Kumba adheres to the Anglo American plc Group policy for environmental management which holds our leaders accountable for the environmental management of group activities. Our line managers and supervisors are expected to provide effective leadership in environmental management while recognising that environmental management is the responsibility of all who work for us. Managers of every business or operation are responsible for the full implementation of the Anglo American plc Group Environmental Management Framework and participation in the Anglo American plc Group Peer Review Programme.

This requires:

- The allocation of appropriate resources and the provision of training, education, consultation and auditing to ensure compliance
- The development, implementation and maintenance of environmental policies, programmes and procedures
- Effective environmental impact identification, assessment and control, designed to achieve proactive management of our activities, products and services

In so doing, we strive to conserve and protect environmental resources through, among others, the efficient use of energy and water, minimising waste and reducing pollution. And we demonstrate our active stewardship of the land, freshwater systems and biodiversity with which we interact with respect for people's culture and heritage.

We comply with environmental legislation and other requirements to which we subscribe, and we uphold a culture of continual improvement with a commitment to open communication with interested third parties such as our employees, local communities, contractors, suppliers, investors and business partners, among others, to encourage an environmentally responsible culture that reflects the intent of this policy.

All our operations have complaint registers where environmental complaints are captured, investigated and closed out after proper corrective action has been taken. There are also various forums such as farmers' meetings and environmental forums that sit regularly. Grievances are also addressed at these forums.

Before appointment, contractors are made aware of all of our environmental policies and expectations. They are also assessed on good environmental performance.

Sishen mine also received a pre-directive from the Department of Water and Sanitation (DWS), related to lack of calibration certificates for flow meters, incorrect numbering of boreholes and storm water management. Responses and action plans were compiled and sent to both the DMR and DWS. None of these directives led to stoppages or fines.

A number of significant outstanding authorisations like the Sishen Western Waste Rock Dump, Protea Waste Rock Dump and the Sishen HME filling station were issued by the DMR. Delays with issuing of water use licences are still concerning, however, although significant progress has been made in progressing these.

Incident reporting

Kumba's environmental reporting mechanisms are aligned with those of the ISO 14001 management system, which promotes environmental awareness at all our operations. We classify environmental incidents in line with guidance provided by our major shareholder, Anglo American plc Group, on five levels:

- **Level 1:** Insignificant, with very little or no impact
- **Level 2:** Of minor significance or impact and able to be addressed by internal personnel
- **Level 3:** Of moderate or medium impact and confined to the individual mine's lease area (incidents that may call for external assistance in cleaning up)
- **Level 4:** Major, high-impact incidents that extend beyond the mine's boundaries and call for extensive clean-up operations requiring external help and resources

- **Level 5:** Catastrophic incidents with potential to cause extensive and long-lasting environmental damage with clean-up requiring considerable external assistance

One level 3 environmental incident occurred in 2014 at Sishen mine. More information on this incident is provided in the table below. Eight level 2 incidents also occurred at our operations in 2014, three at Thabazimbi mine and five at Sishen mine. The incidents involved soil and water pollution by hydrocarbons and contaminated waste or process water from spillages, burst pipes and failure of process equipment. All incidents were investigated, and appropriate corrective action was taken to address the respective root causes.

Four complaints related to contaminated water were recorded at Sishen mine. They were related to pollution after a municipal wastewater treatment plant overflowed at Dingleton, oil-contaminated water in the pipeline that supplies farmers, and red oily water that flowed onto neighbouring farms.

We focused on improving environmental incident reporting in 2014 by increasing our environmental awareness efforts. Thabazimbi embarked on a campaign to promote environmental incident reporting through a competition. The best-performing team was awarded a floating trophy, based on the number and quality of incidents reported.

Our efforts to raise awareness on environmental matters will continue in 2015. There is also more focus on risk management and critical control effectiveness in order to help us adopt a more proactive approach.

Environmental incidents in 2014 (level 3-5)

Site	Level of incident	Incident description	Remedial action taken	Impacted resources
Sishen mine	Level 3	Overflow of oil separator	Contaminated soil removed to on-site bioremediation facility for treatment. Design and maintenance of oil separators reviewed and improved.	Water and Land

RESPONSIBLY MANAGING THE ENVIRONMENT continued

Apart from the four complaints relating to contaminated water discussed, a further 13 complaints were also received in 2014. These related to blasting, vibration, lowered water tables and excessive dust. All complaints are logged in the complaints register and investigated. Findings are presented to the complainants before mitigation measures are put in place.

All our operations currently monitor PM₁₀ (particles smaller than 10µm) and PM_{2.5} and dust fall-out by means of real-time monitors and dust buckets respectively. PM₁₀ dust emission levels at Kolomela and Thabazimbi are still within the legally

allowable limit of 120µg/m³. Sishen mine exceeded the allowable limit at two of its monitoring stations – by eight times at Sesheng and six times at Dingleton. Industrial dust fall-out levels were exceeded twice at Kolomela.

A new and more stringent PM₁₀ standard, to reduce dust to 75µg/m³, became effective from January 2015. At Kolomela and Sishen mines, this standard was exceeded several times in 2014 but additional measures, such as increasing the frequency of dust suppression, are being taken to ensure compliance in 2015. Thabazimbi mine is still within target.

External audits in 2014

Site	Number of external audits conducted	Type of audit	Auditor	Number of major* non-conformances
Thabazimbi mine	8	Regulatory: ISO 14001, OHSAS 18001	Bureau Veritas, DMR	9
Sishen mine	5	Regulatory: ISO 14001, OHSAS 18001	Bureau Veritas, PwC, DMR	8
Kolomela mine	5	Regulatory: ISO 14001	Bureau Veritas, PwC, DEA	2

* Major non-conformances include Section 54 and 55 notices, environmental directives and major non-conformances raised by Bureau Veritas. Corrective action plans to prevent recurrence were implemented and shared with the respective auditors.

Image

The rehabilitation project at Sishen mine involves the grassing of the slopes and the planting of indigenous trees from the Sishen nursery in Kathu.





TAKING CLIMATE CHANGE A STEP FURTHER – UNDERSTANDING THE IMPACTS

Our mission is to supply high-quality iron ore to a global market, while creating value for all our stakeholders, and our strategy upholds seven measures of value, which are all affected by climate change:

- **Safety and health:** Physical climate change has an impact on employee safety and health.
- **Our people** – Response to policy can have an impact on our reputation and hence affect the retention of top talent.
- **Corporate governance:** This is impacted by regulatory developments such as mandatory GHG reporting and mitigation action plans.
- **Footprint management:** As we understand that climate change has a global impact, we subscribe to the reduction of emissions as much as possible to avoid an ongoing increase in global CO₂ emissions.
- **Corporate social investment:** Kumba acknowledges that climate change can amplify existing vulnerabilities within the communities in which we operate. CSI is aimed at improving the resilience of these communities and implementing adaptation projects, such as the Thabazimbi vegetable farm (see page 83), to further enhance this resilience.
- **Innovation and research:** Through innovation and research, Kumba is able to inform customers and create awareness of the carbon emissions of its downstream processes. We do this through research into sintering, pelletising, agglomeration, blending and evaluation of raw materials. Customers of Kumba are informed of this research to help them make informed process optimisation decisions and thus mitigate a portion of their emissions.
- **Production and sales:** Production can be impacted by physical climate events so procedures are in place to mitigate the impact of these events. Kumba operates in a market that is continuously moving towards pricing carbon into the economy. We therefore maintain a view on these climate change-related developments and incorporate them into our strategy.

We continue to manage the short-term strategy and risks associated with climate change in a phased approach. In the short term, we focus on implementing and improving energy, GHG emissions and water management through the ECO₂MAN and WETT processes (see page 92). These focus on achieving usage and emission-reduction targets. WETT is used to improve the mines' management of water that will in turn improve resilience to the risks associated with water scarcity, which is one of the effects of climate change. We continue to use a carbon price model (see page 93) when new projects are planned and

evaluated to ensure that the cost of carbon influences business decisions.

Key elements of the approach to addressing climate change-related issues include:

- Formation of low-carbon technology partnerships with key stakeholders (the IDC and government) and as industry partner in university research projects
- Implementation of carbon offset projects, such as the bamboo plantation, installation of domestic solar water heaters on houses and the camelthorn tree preservation project aimed at creating an offset area to preserve the vegetation (see page 98)
- Investing in energy efficiency and carbon savings projects (see page 92 to 93)



Image

Percy Nxumalo, project engineer and Islay-Jane Sparks, environmental technician working at the aquifer recharge pump station, where water pumped from the mining pits are fed back into an adjacent aquifer at Kolomela mine.

RESPONSIBLY MANAGING THE ENVIRONMENT continued

We manage hazardous waste by sorting it on-site before it is removed by waste-disposal specialists who are monitored for compliance with relevant legislation

WASTE MANAGEMENT

We recognise the importance of proper waste management and all our operations are committed to the principles of waste management hierarchy in line with the National Waste Management Strategy. We ensure that we separate hazardous and non-hazardous waste in terms of regulatory requirements. Hazardous waste is strictly controlled and handled in terms of the Waste Act as well as each mine's waste licence. It is also handled by a reputable waste management service provider, and analysed to determine the hazardous ratings and relevant disposal methods. The mines also record the amount of waste disposed, and associated certificates are retained. Paper and metal waste is also recycled at all our operations. Paper is separated and stored in properly marked bins and collected by an approved services provider for recycling.

We manage hazardous waste by sorting it on-site before it is removed by waste-disposal specialists who are monitored for compliance with relevant legislation. None of our waste is exported outside South Africa.

Energy and carbon management

Our focus is to reduce energy consumption against business-as-usual (BAU) as defined by our energy and CO₂ management (ECO₂MAN) process. Kumba uses the ECO₂MAN methodology as outlined in Group Technical Standard 23 to allocate roles and resources to monitor and track energy and efficiency initiatives within the organisation. We have identified projects that could be eligible for section 12L tax incentive and we are actively engaging with monitoring and verification professionals in our audits.

We capture the savings on all energy efficiency projects in our ECO₂MAN system and will consolidate all savings to form part of the tax relief application.

We have continued to implement energy saving projects in an effort to achieve our ECO₂MAN targets. The ECO₂MAN programme helps to set carbon dioxide equivalent (CO₂e) emission and energy reduction targets, and improves understanding of our energy use and the potential for energy savings. The total estimated annual energy and emissions savings from all new projects implemented at our operations during the year are 105,006GJ and 9,467tCO₂e including diesel savings reported by the Diesel Energy and Emissions Management System (DEEMS). (Savings from electricity only were 7,708GJ and 2,248tCO₂e.)

A recently launched project aimed at encouraging employees to adopt environmentally friendly water heating technologies achieved considerable success, enabling Kumba to offset approximately 40tCO₂e. This was through the installation of subsidised solar water heaters and heat pumps in employees' private homes.

Diesel consumption at Sishen mine increased by 14.2%, by 49.1% at Kolomela mine and by 0% at Thabazimbi mine. See page 94 for the consumption figures.

Total energy consumed by Kumba in 2014 was 10,802,488GJ (2013: 9,340,064GJ), which is 16% higher than it was in 2013, mainly due to 14% higher production at our mines and a 12% increase in waste stripping at Sishen mine, a 38% increase in waste stripping at Kolomela mine and a 19% increase in waste stripping at Thabazimbi mine. For the same reason, GHG emissions were 11.5% higher in 2014 at 1,210,277tCO₂e (2013: 1,083,802tCO₂e). As we mine, the ore goes deeper, and for us to access it we need to strip more waste. The more we strip, the more energy (diesel) we use, which in turn produces more emissions. As a result this increases product's energy and emissions intensity. In comparison with 2013, production was 15% higher at Sishen mine, 7% higher at Kolomela mine and 73% higher at Thabazimbi mine.

Plans to improve energy efficiency were supported by the accreditation of Energy and Combustion Services (Pty) Ltd (ECS) by the South African National Accreditation System (SANAS). ECS is a service provider contracted by Kumba to provide measurement and verification (M&V) services to Sishen and Kolomela mines' diesel efficiency initiatives. ECS's SANAS accreditation will enable us to claim the section 12L tax incentive through the South African National Energy Development Institute (SANEDI). In terms of section 12L of the Income Tax Act, 1962 (Act No 58 of 1962), we are eligible for a tax deduction for our diesel saving initiatives. At the Sishen and Kolomela mines we used the DEEMS to track diesel performance during 2014. DEEMS reported a total saving of 2,624,691 litres (2013: 5,270,785 litres) in 2014. This voluntary initiative helps reduce our Scope 1 emissions.

Energy saving performance from electricity purchased has improved due to an extensive drive to implement energy efficiency initiatives at the Sishen, Kolomela and Thabazimbi mines. A total of 16 new initiatives have been implemented between January 2013 and December 2014 at Sishen, Kolomela and Thabazimbi mines.

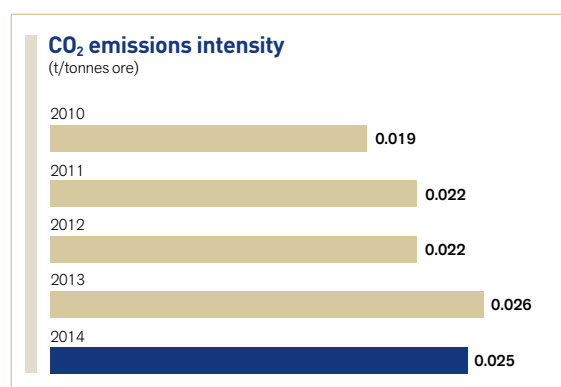
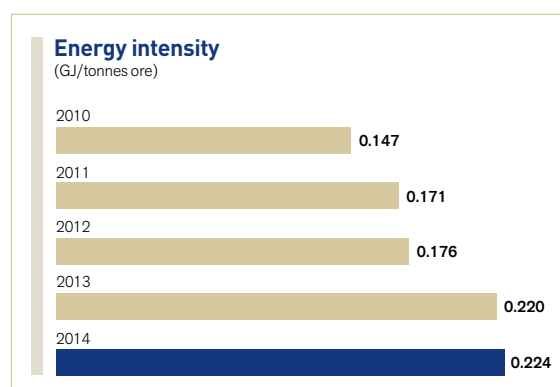
We have integrated emission reduction targets into our strategy to measure and manage our footprint. The impending carbon tax (see page 99) has driven this decision to reduce exposure to carbon tax liability that we may face. The cost of carbon is included in optimisation models to assess the impacts of carbon tax and emission reduction opportunities on projects. Carbon price forecasts are used

in all financial models when projects are assessed for financial viability.

To address the risk of constrained electricity supply by Eskom, Kumba operations keep their load reduction prioritisation schedules and emergency response plans up to date to ensure minimal disruption and to reduce the risk presented when Eskom requires operations to reduce consumption.

Energy saving initiatives undertaken or completed in 2014

Location	Project	Energy saving and/or potential (GJ/year)	Carbon emission saving and/or potential (tonnes CO ₂ e/year)	Project status
Sishen mine	DEEMS - diesel savings from mining interventions	94,804	7,034	Measured and verified
Sishen mine	Change from HID lamps to LED lamps	327	97	Implemented
Sishen mine	Optimise quaternary crusher operation with variation in feed stockpile levels	3,889	1,134	Implemented
Sishen mine	Reduce water usage at reduced plant rate in Washing and Screening plant	828	242	Implemented
Sishen mine	Automate plant start-up and shut-down DMS	1,440	420	Implemented
Sishen mine	Komatsu 860E engine re-power and recalibration	2,494	185	Measured and verified
Sishen mine	Sequential shutdown – In-pit crusher conveyors and stacker	1,224	357	Implemented



RESPONSIBLY MANAGING THE ENVIRONMENT continued

Energy consumption (million GJ)

	2014	2013	2012	2011	2010
Energy consumed from fossil fuels (direct)					
Sishen mine	6.75	5.92	4.51	4.16	3.78
Kolomela mine	1.83	1.23	0.89	0.64	0.34
Thabazimbi mine	0.39	0.39	0.39	0.42	0.52
Group	8.97	7.54	5.79	5.22	4.54
Energy consumed from electricity purchased (indirect)					
Sishen mine	1.54	1.52	1.53	1.64	1.70
Kolomela mine	0.18	0.18	0.16	0.07	0.02
Thabazimbi mine	0.11	0.10	0.10	0.10	0.10
Group	1.82	1.80	1.79	1.81	1.82
Total energy consumed (direct and indirect)					
Sishen mine	8.29	7.44	6.04	5.80	5.48
Kolomela mine	2.01	1.40	1.05	0.72	0.36
Thabazimbi mine	0.50	0.50	0.50	0.53	0.52
Group	10.80	9.34	7.59	7.05	6.36

CO₂e emissions (Mt)

	2014	2013	2012	2011
Total Scope 1 emissions (direct – fossil fuels)				
Sishen mine	0.50	0.44	0.33	0.31
Kolomela mine	0.14	0.09	0.07	0.05
Thabazimbi mine	0.03	0.03	0.03	0.03
Group*	0.67	0.56	0.43	0.39
Total Scope 2 emissions (indirect – electricity purchased)				
Sishen mine	0.46	0.44	0.44	0.31
Kolomela mine	0.05	0.05	0.05	0.02
Thabazimbi mine	0.03	0.03	0.03	0.03
Group*	0.54	0.52	0.52	0.36
Total Scope 1 and 2 emissions				
Sishen mine	0.95	0.88	0.77	0.78
Kolomela mine	0.20	0.14	0.11	0.07
Thabazimbi mine	0.06	0.06	0.06	0.06
Group*	1.21	1.08	0.94	0.91

* Group includes non-mining facilities e.g. head office.

Scope 3 emissions* (tonnes CO₂e)

Source	2014	2013	2012	2011
Purchased goods and services	297,712	300,118	224,205	73,998
Capital goods	8,510	20,460	11,780	—**
Fuel and energy related emissions not included in Scope 1 and Scope 2	164,927	179,093	90,955	—**
Upstream transportation and distribution	5,375	172	—**	—**
Waste generated in operations	8,024	102	187	11,668
Business travel	2,101	1,337	2,183	2,234
Employee commuting	6,517	8,014	—**	—**
Downstream transportation and distribution	3,745,453	4,006,340	3,866,663	2,573,088
Processing of sold products	112,557,984	100,220,022	101,148,881	23,072,870
End of life treatment	719,209	631,486	640,624	—
Total	117,515,812	105,367,144	105,990,704	—**

* Scope 3 emissions not reflected in the table are not applicable.

** Not recorded.

WATER MANAGEMENT

In terms of WETT – used to improve the management of water and thus make Kumba more resilient to the risk of scarce water supply – the 2014 water savings target was set at 2,596,000m³ against the 12,284,732m³ BAU water consumption forecasts. The Sishen and Thabazimbi mines exceeded their targets, while Kolomela mine was marginally below target due to more water being used for dust suppression than anticipated.

Sishen mine

The annual WETT review was conducted on 18 June 2014. Minor discrepancies were identified in water meter readings and will be rectified by the calibration of water monitoring systems to improve and ensure accuracy of the data from the water meters. These discrepancies, however, did not materially affect the overall water balance and savings figures. There is an ongoing programme to calibrate the water monitoring system to improve accuracy.

At certain stages of the operation of tailings dams, large quantities of water are needed to change and start up deposition areas. These large water demands can lead to temporary water shortages which in turn can result in production disruptions as well as too little water being exported to Kathu and Sedibeng Water. Sishen mine is mitigating this risk by carefully managing its water balance and plans to construct additional water storage facilities.

The population growth in Kathu necessitated a substantial upgrade of the town's waste water treatment works, which was completed in 2014 and is now supplying Sishen mine with process make-up water that meets our production specifications. A project to increase pumping capacity,

thereby enabling Sishen mine to import more of the effluent, is underway and will help to minimise the release of effluent into the environment.

A sales agreement between Sedibeng Water and Kumba for bulk water supply to farmers close to Sishen has been negotiated and finalised. The benefit to farmers will be supplementary water to compensate for their losses from private boreholes.

Sedibeng Water supplies water to farmers impacted by the mine's dewatering activities. Kumba supplies water to Sedibeng Water, which distributes it to the affected farmers.

A failure of Sishen mine's life-of-mine pollution control dam liner system was discovered in December 2014. The dam is being emptied to enable repair of the liner, thereby minimising any localised ground water pollution.

SAVING WATER

We have made significant progress towards reducing our demand for water. In 2014, water use reduction targets were set for each of our mines based on projected BAU consumption. Specific projects designed to reduce water consumption were implemented at each mine, resulting in us achieving savings of over 7 million cubic metres of water against our BAU, well above our internal target. This has contributed to our improved water use intensity of 181 litres per tonne in 2014 compared to 203 litres per tonne in 2013.



RESPONSIBLY MANAGING THE ENVIRONMENT continued

Thabazimbi mine

The WETT review was completed in August 2014. The 2015 water action plan includes water management that is specific to the mine's current situation. It contains plans that enable the implementation of the water strategy and contains interventions required to address local water management priorities and applicable legal requirements.

An automated system is used for the management of our water balance. It is linked to our water monitoring points and ensures that we obtain real-time water readings.

Kolomela mine

Kolomela mine's dewatering activities have ramped up significantly in 2014, exceeding the average dewatering rate at Sishen mine. Kolomela mine's dewatering average in 2014 was 1,545m³/h and Sishen's dewatering average in 2014 was 1,522m³/h. Kolomela mine's beneficiation processes are far less water-intensive and, although production activities have increased since commissioning due to increased stripping, water efficiency is performing relatively well.

The 2014 actual WETT water savings were 1,937,000m³, with the majority of the savings realised from dust suppression efforts. The actual savings are projected to full year water savings.

Kumba's permitting and regulatory risks include long delays in obtaining integrated water use licences (IWULs), which leads to delays in executing some of our projects. The large number of pans and wetlands at our operations, especially at Kolomela mine, is a contributing factor. In some cases, the conditions of the issued IWULs are difficult to implement, which makes it difficult to comply, and could lead to environmental directives. We engage regularly with the authorities on these and other related matters.

At Sishen and Kolomela mines, groundwater in excess of operational needs is delivered to Sedibeng Water, the local water service provider, for reticulation to local communities and farmers. Projects are underway to improve the supply of surplus groundwater from the mines to these end users.

Permanent monitoring systems are in place to monitor the quality of the water inside and outside the perimeter of the mines. Electro-coagulation technology is being considered to remove suspended hydro-carbons, calcium and manganese from storm water.

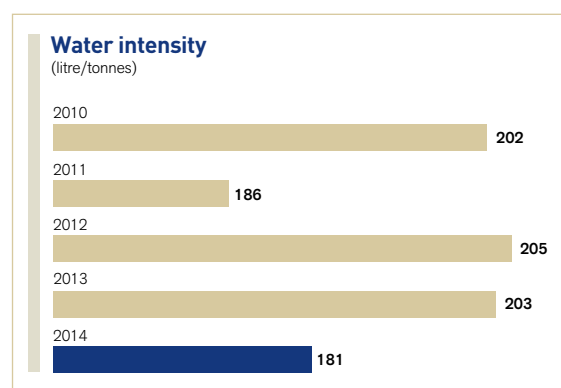
Kolomela mine successfully commissioned its aquifer recharge project as a means of mitigating declines in water tables and their effects on agriculture and the biosphere.

Water consumption

	2014	2013	2012	2011	2010
Water used for primary activities (000m³)					
Sishen mine	6,250	6,145	5,402	5,902	6,232
Kolomela mine	1,194	1,248	2,276	755	416
Thabazimbi mine	1,290	1,197	1,141	1,521	2,130
Group	8,734	8,590	8,819	8,178	8,778
Water used for non-primary activities (000m³)					
Sishen mine	833	1,291	958	633	–
Kolomela mine	–	–	–	–	–
Thabazimbi mine	794	767	258	305	–
Group	1,627	2,058	1,216	938	–
Water reused/recycled in processes (000m³)					
Sishen mine	4,443	4,021	3,491	4,278	–
Kolomela mine	325	448	535	197	38
Thabazimbi mine	133	124	14	147	–
Group	4,901	4,593	4,040	4,622	38
Water intensity (water used in primary activities in litres per tonne of production)					
Sishen mine	176	198	160	152	–
Kolomela mine	103	117	266	–	–
Thabazimbi mine	1,189	1,912	1,386	1,686	–
Group	181	203	205	198	–
Percentage of water re-used/recycled in relation to water used for primary activities (%)					
Sishen mine	71	65	65	72	–
Kolomela mine	27	36	24	26	9.13
Thabazimbi mine	10	10	1	10	–
Group	56	53	46	57	0.43

Water abstraction by source (000m³)

	2014	2013	2012	2011	2010
Potable water from external source					
Sishen mine	32	36	186	181	51
Kolomela mine	–	–	–	209	–
Thabazimbi mine	89	80	61	–	–
Group	121	116	247	390	51
Non-potable water from external source					
Sishen mine	0.06	1	7	49	–
Kolomela mine	–	–	–	–	–
Thabazimbi mine	–	–	–	–	–
Group	0.06	1	7	49	–
Wastewater/second class water					
Sishen mine	1,525	1,410	1,369	1,551	1,408
Kolomela mine	–	–	–	231	–
Thabazimbi mine	26	61	91	–	–
Group	1,552	1,471	1,460	1,782	1,408
Groundwater					
Sishen mine	6,793	7,220	5,555	5,812	6,041
Kolomela mine	5,508	1,265	1	753	1,526
Thabazimbi mine	1,180	1,111	1,042	1,261	–
Group	13,481	9,596	6,598	7,826	7,567
Total					
Sishen mine	8,350	8,667	7,117	7,593	7,508
Kolomela mine	5,803	1,265	1	753	1,526
Thabazimbi mine	1,294	1,251	1,194	1,701	–
Group	15,447	11,183	8,312	10,047	9,034



RESPONSIBLY MANAGING THE ENVIRONMENT continued

Land management

Through the rehabilitation steering committee, Kumba has been trying to accelerate our concurrent rehabilitation efforts in order to deal with backlogs and in the process reduce our closure liability. Internal targets were set to ensure that there is a structured way of rehabilitating and tracking our progress. Even though the set targets for the year were not met, significant progress has been made. The contributing factors to the slow progress of rehabilitation included unavailability of equipment at Kolomela mine and uncertainties with life-of-mine planning at Thabazimbi mine.

There have been increased efforts to address these issues in 2015 and Kolomela mine has procured additional equipment to speed up rehabilitation. Various studies, such as the use of internal versus external equipment for rehabilitation, are also underway to ensure rehabilitation is accelerated. A study on backfilling is also being conducted at Sishen to help us comply with the conditions of the Environmental Management Plan (EMP) approval for the western waste rock dump.

The closure obligation and rehabilitation provisions are reviewed regularly to ensure adequate mitigation of the company's risks.

Our operations are located in biodiversity sensitive areas, which have to be cleared as we expand. Some of these areas have several protected plant species, such as camelthorn and shepherd's trees at Sishen and Kolomela mines. Sishen mine is situated within the southern part of a 4,000ha natural woodland, which is protected in terms of the National Forest Act, 1998 (Act No 84 of 1998) as amended. Permits have been issued to Kumba on condition that an additional biodiversity offset area is provided for long-term conservation purposes. Sishen mine has submitted a proposal to the Department of Agriculture, Forestry and Fisheries to extend its biodiversity offset by another 2,500ha. This will bring the combined proposed offset area to a total of 5,000ha.

All our operations have biodiversity action plans that are used in conjunction with land management plans to manage biodiversity and the mine properties, including management of alien species and bush encroachment, as well as relocation of protected species where possible. Our mines also implement biodiversity monitoring protocols for the habitats in and around them. The results are used to measure long-term biodiversity trends. The control of alien invasive species presents a risk in that some of these species occur on waste rock dumps where they are difficult to reach or on revegetated areas, which has legal implications. Our land management plans are being revised to ensure alignment with the biodiversity objectives of each operation. Revisions are done regularly to ensure alignment with the changing environment.

Thabazimbi mine

Of the three operations, Thabazimbi mine is nearest to closure and rehabilitated 11ha in 2014. In 2014 we reviewed and

updated our closure plans and are in consultation with Anglo American plc Group and external experts to ensure a comprehensive closure plan that goes beyond compliance and takes the interests of all stakeholders into consideration.

Thabazimbi mine's key closure and post-closure risks are associated with:

- Stability and rehabilitation of its rock dumps which have long slopes with negative visual impacts
- The long-term stability of open pits post-closure
- The surface stability and possible formation of sink holes in areas where we used to mine underground
- Water management
- Social closure
- Long-term maintenance and monitoring of areas that have already been rehabilitated (167ha)

Kolomela mine

In 2014, 32ha was levelled, 16ha topsoiled and 10ha grassed at Kolomela mine. Two additional bulldozers were commissioned to address the backlog in the schedule. Sloping of the western sidewall of the Leeuwfontein North waste rock dump was completed, topsoil was applied and trees were planted on the rehabilitated area.

Sishen mine

Rehabilitation efforts focused on the mine's G80 waste dump with a target of 13ha for the year – 10ha were rehabilitated during 2014. Valuable lessons were learnt, re-emphasising the importance of constructing waste dumps to standard and allowing unrestricted access to rehabilitation areas. The target for 2015 is 15ha.

A new nursery was established for the propagation of indigenous trees that will be planted on the area to be rehabilitated. Since 2013, vegetation has begun to grow on the eastern slope of the Sishen G80 waste dump and erosion was minimal when high rainfall was experienced in 2014.

Sishen mine presented its updated backfill and rehabilitation plans to the DMR in 2014. The DMR requires the mine to undertake further work in this respect. A project was initiated to consider alternative strategies that can deliver an optimal balance between backfill, waste dump construction and rehabilitation. The outcomes of this work will be presented to the DMR in 2015.

Kumba negotiated additional financial guarantee facilities of R88 million for environmental rehabilitation and decommissioning obligations in 2014. A change in the estimated environmental rehabilitation provision was made in January 2014. The estimate for decommissioning was also adjusted.

Land (ha) in 2014

	Managed land	Private or state-owned land above company mineral/mining rights	Land altered for mineral extraction activities	Land altered for stand-alone industrial/commercial/service activities	Land fully rehabilitated
Sishen mine	46,638	–	6,193	–	–
Kolomela mine	47,255	–	3,000	–	–
Thabazimbi mine	10,953	–	1,711	–	–
Group	104,846	–	10,904	–	–

Rock mined and ore processed (Mt)

	Total tonnes mined			Waste mined			Final product		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Sishen mine	252.2	208.8	171.6	209.5	167.8	133.5	35.5	31.0	33.7
Kolomela mine	75.4	67.5	43.5	55.5	54.3	33.5	11.6	10.8	8.5
Thabazimbi mine	32.8	27.2	32.2	31.6	26.4	31.1	1.1	0.6	0.8
Group	360.4	303.5	247.3	296.6	248.5	198.1	48.2	42.4	43.0

Process materials purchased

	Diesel (MI)			Explosives (000t)		
	2014	2013	2012	2014	2013	2012
Sishen mine	186.2	163.1	123.4	–	61.0	57.0
Kolomela mine	50.4	33.8	24.5	53.9	41.7	16.6
Thabazimbi mine	10.9	10.9	10.9	4.5	6.1	7.5
Group	247.5	207.8	158.8	58.4	108.8	81.1

	Lubricants (000l)			Tyres (t)		
	2014	2013	2012	2014	2013	2012
Sishen mine	4,867.07	6,095.0	4,830.3	1,929.0	1,890.0	1,785.0
Kolomela mine	1,253.81	500.3	165.9	443.2	241.0	234.8
Thabazimbi mine	–	173.5	305.1	174.0	146.6	23.5
Group	6,120.88	6,768.8	5,301.3	2,546.2	2,277.6	2,043.3

UPDATE ON CARBON TAX

On 29 April 2014, National Treasury published the Carbon Offsets Paper for public comment, outlining proposals for a carbon offset scheme that would enable businesses to lower their carbon tax liability and make investments that would reduce GHG emissions. Kumba, as part of the Anglo American plc Group, submitted comments on this.

The implementation of carbon tax has been postponed by a year to 2016 to allow for further consultation.

Although the introduction of carbon tax is expected in 2016, it is anticipated that potential resultant obligations will have an impact on our activities and revenue.



RESPONSIBLY MANAGING THE ENVIRONMENT continued



ENVIRONMENTAL EDUCATION

Our environmental department teamed up with the public affairs team to launch a solar-powered internet-based educational facility project at Jiyana Secondary School in Tembisa, Gauteng. This included a 17m x 30m vegetable garden to support the school's feeding scheme; a bio-digester project that will use food waste to generate energy for cooking in the school kitchen; a waste recycling

station and a revamp of existing buildings. For further details on this project see the *Sharing the benefits* section on page 80 of this report.

The Thabazimbi bamboo plantation and bio-energy and organic vegetable project continued during the year and for further details on this project see the *Sharing the benefits* section on page 83 of this report.

Image

Farmworkers Doreen Motaung, Sipho Sekhwela, Pleasure Mahoa, Abram Nakana and Florence Tembe harvesting crops at the Bakotudi farm funded by Kumba. The farm grows and distributes vegetables to the local markets in the area.



OBJECTIVES FOR 2015

The 2015 environmental improvement plan will focus on awareness and reporting, remediation and pollution prevention, energy and greenhouse gas emissions management, water and land management (biodiversity and rehabilitation).

Our environmental management targets for 2015 are:

- A water savings of 6,005 million m³
- Energy savings of 385,146GJ on BAU
- Greenhouse gas emissions saving of 63,863tCO₂e on BAU
- Land to be rehabilitated: 61ha

Beyond 2015, our energy and CO₂ saving pilot projects or initiatives will include various pilot projects currently under way, such as:

- An alternative air conditioner for haul trucks is being tested at Sishen mine to develop a business case. The new air conditioner is battery-powered, allowing trucks to be switched off during waiting periods.
- Light weight dump body on haul trucks, currently in opportunity scoping phase
- Engine recalibration on some haul trucks completed in 2014 measured and verified.
- Trials completed, measured and verified in the change of engines in the some haul trucks.

The target emissions saving for 2015 is 5% and the target energy saving for 2015 is 4%, both measured against the BAU baseline.

CASE STUDY:

THE AQUIFER RECHARGE PROJECT AT KOLOMELA MINE

Among Kumba's consistent and important objectives is that of co-existing productively with our mines' neighbours.

Our neighbours are largely farmers in the semi-arid areas of the country and local municipalities. We all have one particular concern in common – water – a concern that can lead to disputes unless it is managed properly and fairly. Farmers need water for irrigation, municipalities require it for sanitary and drinking purposes and it is a necessity at Kumba's mines to pump it from their workings so as to render operations safe.

In a fresh initiative at Kolomela mine, we are succeeding in meeting everyone's needs and expectations by the tried process of recycling – recycling in an innovative manner.

Mine workings at Kolomela mine traverse underground aquifers and reach below the area's water table. The underground water that inevitably flows into the mine has to be pumped out to surface and away from the mine so as to ensure the safety of our people.

Unless the problem is addressed appropriately, an effect of pumping can be to lower the water table and to deplete aquifers on which farmers depend for their livelihood. In the past, this mine water might well have been allowed to escape on surface, either through evaporation or run-off through surface aquifers. A small part could have percolated down to the underground aquifers, but probably hardly enough to prevent a lowering of the water table.

Kolomela mine's innovative artificial Aquifer Recharge Project overcomes the problem and contributes to ensuring that none of the precious water is wasted and that all have access to clean, usable water.

At Kolomela mine fresh groundwater pumped from the operation but which cannot be accommodated by the Vaal-Gamagara water pipeline is channelled to new boreholes located in remote watercourses. They are fully equipped with piping, water-level sensors, air valves and expansion chambers. Water piped from the mine is pumped back underground at rates appropriate to each borehole so as to replenish underground aquifers. The boreholes themselves are sealed and reach to below the normal level of the water table, thereby ensuring that water does not inadvertently escape to where it is of little use to farmers.

Protecting the pit from water ingress is carried out by means of de-watering pumps set on the pit floor. They draw groundwater through boreholes from below the pit bottom thereby ensuring that water ingress is minimised. The de-watering pumps send water to the recharge sites through a fully automated pump station and its control room where water flow is monitored to ensure the capacities of the recharge boreholes are not exceeded.

Following the success of the Kolomela mine aquifer recharge initiative, a similar one is being planned for the Sishen mine in 2015. Having gained experience at Kolomela mine, we are now looking towards extending the benefits of that experience.



Image

Percy Nxumalo, project engineer and Islay-Jane Sparks, environmental technician inside the aquifer recharge pump station, where water pumped from the mining pits is fed back into an adjacent aquifer at Kolomela mine.



FOCUS:



**MORE THAN
COMPLIANCE**



Top image
Tebogo Hartebees, plant operator and Jaco Bruwer, process engineer discussing the status of stockpiles at Sishen mine.

Bottom image
Blast drill rigs drilling blast holes in preparation for blasting in the western pit at Sishen mine.

EXTERNAL REVIEW PANEL REPORT

In line with our commitment to transparently report on the key aspects of our performance, Kumba initiated an external review panel under the guidance of an independent facilitator. Representatives from academia, civil society in the Northern Cape, organised labour, investors, regulators and our key community development partner were invited to participate. Seven panellists (including the independent facilitator) reviewed a draft of the report and participated in a feedback workshop. Two Kumba representatives also attended this session.

In addition to the valuable input gleaned during discussions, the panel facilitator submitted a feedback document to the reporting team, which was considered. Where possible, suggestions made were incorporated into this report and further suggestions will be considered in the 2015 report.

Kumba extends its thanks to the panellists who gave their time and expertise:

Professor Caroline Digby	Centre for Sustainability in Mining and Industry, University of the Witwatersrand
Mr Albertus Viljoen	Tshping Water Users Association
Mr Leigh McMaster	Solidarity Workers' Union
Mr Daryn Munnik	Kagiso Asset Management
Mr Mosa Mabuza	Department of Mineral Resources
Mr Vusani Malie	SIOC Community Development Trust
James Brice	EBS Advisory (Pty) Ltd (panel facilitator)

Our largest workers' union, National Union of Mineworkers (NUM) was also invited and received a draft of the report. They were however not able to attend the workshop due to conflicting engagements on the day.

Each panel participant was requested to nominate a registered charity to which Kumba made a donation of R10,000. No other payment was made to any panel member. Kumba also offered to refund travel and subsistence expenses borne by participants.

THE REVIEW WORKSHOP

Panellists were asked to address three issues, namely:

- Whether Kumba had addressed the company's most important topics in the draft report
- Whether important topics had been covered well enough in the draft report
- How the reporting and review process could be improved

Panel recommendations and our responses

Panel recommendation	Kumba's response
Issues considered to be material but not adequately addressed in the draft report included mine closure, climate change, beneficiation and potential hardship impacts of reduced dividends received by employees.	Kumba reviewed the reporting on these issues and provided more detail where necessary, for example on climate change, see pages 91 to 95.
Inadequate emphasis given to what the company is doing to ensure long-term survival in light of the current depressed iron ore market. The company's positive and proactive response not emphasised strongly enough.	Kumba reviewed and improved reporting on this issue e.g. in the chief executive's review, see pages 11 to 13.
The layout was deemed to be unclear in some areas of the report, particularly the links between strategy, sustainability and the identification of material issues.	The layout of the report was reviewed and adjustments made. The materiality section of the report was revised to clarify our materiality determination process. The sequencing of content was revised. A simplified schematic was added to illustrate the materiality determination, see pages 20 to 21.
There was limited use of benchmarking to facilitate comparisons with peers or with best practice expectations.	This point was noted. Future reports will incorporate more benchmarking results in order to compare our performance with that of our peers and sector.

In addition to the report itself, the company's approach to stakeholder engagement was discussed and, in particular the need to ensure that all stakeholders are included. Further, the panel noted that there is a need to reflect on how material issues are defined and responded to at all levels. Kumba acknowledges that while our stakeholder engagement processes are robust and comprehensive, they are neither exhaustive nor infallible. Flaws and omissions identified in our processes will be addressed.

In conclusion, we found the focused and direct engagement with a range of stakeholders to be extremely valuable to our reporting processes. Issues important to stakeholders were once again brought to the fore, as well as recommendations on how to address these in our reporting. We will take these on board as we continue to seek to improve on how we engage with our stakeholders and respond to their concerns and expectations.

INDEPENDENT ASSURANCE REPORT

INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF KUMBA IRON ORE LIMITED

We have been engaged by the directors of Kumba Iron Ore Limited ("Kumba" or the "Company") to perform an independent assurance engagement in respect of Selected Sustainability Information reported in Kumba's Sustainable Development Report for the year ending 31 December 2014 (the "Report"). This report is produced in accordance with the terms of our contract with Kumba dated 7 October 2014.

INDEPENDENCE AND EXPERTISE

We have complied with the International Federation of Accountants' (IFAC) Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, and professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multi-disciplinary team of health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

SCOPE AND SUBJECT MATTER

The subject matter of our engagement and the related levels of assurance that we are required to provide are as follows:

REASONABLE ASSURANCE

- The following Selected Sustainability Information in the Report was selected for an expression of reasonable assurance:
 - Fatal- injury frequency rate (FIFR) (page 47)
 - Total work-related fatal injuries (page 47)
 - Lost-time injury-frequency rate (LTIFR) (page 47)
 - Total recordable case frequency rate (TRCFR) (page 47)
 - Number of new cases of noise induced hearing loss (NIHL) reported (page 52)
 - Total number of new cases of occupational diseases reported (page 51)
 - CO₂ emissions in kilotonnes (Scope 1) (page 94)
 - CO₂ emissions in kilotonnes (Scope 2) (page 94)
 - CO₂ emissions in kilotonnes (Scope 3) (page 95)
 - Number of level 2, 3, 4 and 5 environmental incidents reported (page 89)
 - Total energy used in terajoules (page 94)

LIMITED ASSURANCE

- The following Selected Sustainability Information in the Report was selected for an expression of limited assurance:
 - Total water used for primary activities in million m³ (page 96)
 - Total water used for non-primary activities in million m³ (page 96)
 - Number of employees participating in voluntary counselling and testing (VCT) (page 54)
 - Total amount spent on community development in ZAR (page 78)
 - Employment Equity per the Mining Charter requirements (page 66)
 - Total BEE expenditure per the Mining Charter requirements (page 40)
 - Company managed land in hectares (Ha) (Kolomela only) (page 99)
- Kumba's description of the application of the AA1000APS (2008) principles of Inclusivity, Materiality and Responsiveness set out on page 20

We refer to this information as the Selected Sustainability Information.

We have not carried out any work on data reported for prior reporting periods, nor have we performed work 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 Selected Sustainability Information.

INDEPENDENT ASSURANCE REPORT

continued

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND PRICEWATERHOUSECOOPERS INC.

The directors are responsible for selection, preparation and presentation of the Selected Sustainability Information in accordance with the criteria set out on page 117 of the Report, referred to as the "Reporting Criteria". The directors are also responsible for designing, implementing and maintaining of internal controls as the directors determine is necessary to enable the preparation of the Selected Sustainability Information that are free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent conclusion, based on our reasonable assurance procedures, on whether the Selected Sustainability Information for reasonable assurance has been prepared, in all material respects, in accordance with the Reporting Criteria.

We further have a responsibility to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Selected Sustainability Information for limited assurance has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This report, including the conclusions, has been prepared solely for the directors of the Company as a body, to assist the directors in reporting on the Company's sustainable development performance and activities. We permit the disclosure of this report within the Report for the year ended 31 December 2014, to enable the directors to demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the Report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

ASSURANCE WORK PERFORMED

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits and Reviews of Historical Financial Information (ISAE 3000), and in respect of greenhouse gas emissions, the International Standard on Assurance Engagements 3410: Assurance Engagements on Greenhouse Gas Statements (ISAE 3410), issued by the International Auditing and Assurance Standards Board. These standards require that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain assurance on the Selected Sustainability Information as per the terms of our engagement.

Our work included examination, on a test basis, of evidence relevant to the Selected Sustainability Information. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Selected Sustainability Information. We planned and performed our work so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the Selected Sustainability Information.

Our work consisted of:

- reviewing processes that Kumba have in place for determining the Selected Sustainability Information included in the Report;
- obtaining an understanding of the systems used to generate, aggregate and report the Selected Sustainability Information including stakeholder engagement;
- conducting interviews with management at the sampled operations and at head office and with senior executives to discuss their approach to stakeholder inclusivity, materiality and responsiveness;
- applying the assurance criteria in evaluating the data generation and reporting processes;
- performing control walkthroughs;
- testing the accuracy of data reported on a sample basis for limited and reasonable assurance;
- reviewing a sample of documents relevant to an assessment of management's application of the AA1000 criteria including minutes from group executive meetings, the materiality assessment workshop, documents from stakeholder engagement activities and stakeholder related policies;
- reviewing the consolidation of the data at head office to obtain an understanding of the consistency of the reporting processes compared with prior years and to obtain explanations for deviations in performance trends; and
- reviewing the consistency between the Selected Sustainability Information and related statements in Kumba's Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the Selected Sustainability Information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the Selected Sustainability Information in order to design procedures that are appropriate in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

INHERENT LIMITATIONS

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

Conversion factors used to derive 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.

CONCLUSIONS

Reasonable assurance

Based on the results of our reasonable assurance procedures, in our opinion, the Selected Sustainability Information for the year ended 31 December 2014, has been prepared, in all material respects, in accordance with the Reporting Criteria.

Limited assurance

Based on the results of our limited assurance procedures nothing has come to our attention that causes us to believe that the Selected Sustainability Information for the year ended 31 December 2014, has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Based on the results of the assurance work performed, nothing has come to our attention that causes us to believe that Kumba's description of the application of the AA1000APS principles of Inclusivity, Materiality and Responsiveness for the year ended 31 December 2014 as set out on page 20, is in all material respects not fairly stated in accordance with the defined Reporting Criteria.

Other matters

The maintenance and integrity of the Kumba Website is the responsibility of Kumba's Directors. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on the Kumba Iron Ore Limited Website.



PricewaterhouseCoopers Inc.

Director: Jayne Mammatt
Registered Auditor

Johannesburg
18 March 2015

GLOBAL REPORTING INITIATIVE CONTENT INDEX



Kumba has once again reported in line with the Global Reporting Initiative's G4 (GRI G4) guidelines, 'in accordance' with the core option, as well as GRI's MMSS. This report was also verified by GRI for 'Materiality Disclosures' – see the GRI 'Materiality Disclosures' icon on this page.

SD See the corresponding pages in this report

IR See the corresponding pages in our Integrated Report 2014

GENERAL STANDARD DISCLOSURES

General standard disclosures	Page	External assurance
Strategy and analysis		
G4-1: Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	SD 9 and 11	–
G4-2: Provide a description of key impacts, risk and opportunities	SD 20 to 25 IR 28 to 35 and throughout this report	–
Organisational profile		
G4-3: Report the name of the organisation	SD 04	–
G4-4: Report the primary brands, products, and services	SD 04, 06 and 07	–
G4-5: Report the location of the organisation's headquarters	SD 04 and 05	–
G4-6: Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	SD 04 and 05	–
G4-7: Report the nature of ownership and legal form	SD 04	–
G4-8: Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	IR 68 and 69	–
G4-9: Report the scale of the organisation, including:		
a. Total number of employees	SD 04	–
b. Total number of operations	SD 05	–
c. Net sales (for private sector organisations) or net revenues (for public sector organisations)	SD 39	–
d. Total capitalisation broken down in terms of debt and equity (for private sector organisations)	SD 38	–
e. Quantity of products or services provided	SD 06	–
G4-10: Report the composition of the workforce, including:		
a. Report the total number of employees by employment contract and gender	SD 60	–
b. Report the total number of permanent employees by employment type and gender	SD 60	–
c. Report the total workforce by employees and supervised workers and by gender	SD 60	–
d. Report the total workforce by region and gender	SD 66	–
e. Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors	SD 60	–
f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	SD 60 to 62	–

General standard disclosures		Page	External assurance
G4-11: Report the percentage of total employees covered by collective bargaining agreements	SD	63	–
G4-12: Describe the organisation's supply chain	SD	38, 39 and 41	–
G4-13: Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including:			
a. Changes in the location of, or changes in, operations, including facility openings, closings, and expansions	SD	04 to 05	–
b. Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organisations)	IR	48 and 58	–
c. Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	SD	38, 39 and 41	–
G4-14: Report whether and how the precautionary approach or principle is addressed by the organisation	SD	24 and 25	–
G4-15: List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	SD	02, 21, 25 and 71	–
G4-16: List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation:			
• Holds a position on the governance body		N/A	–
• Participates in projects or committees	SD	21	–
• Provides substantive funding beyond routine membership dues		N/A	–
• Views membership as strategic		N/A	–
Identified material aspects and boundaries			
G4-17:			
a. List all entities included in the organisation's consolidated financial statements or equivalent documents	SD	02	–
b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	SD	02	–
G4-18:			
a. Explain the process for defining the report content and the aspect boundaries	SD	20 and 21	–
b. Explain how the organisation has implemented the reporting principles for defining report content	SD	20 and 21	–
G4-19: List all the material aspects identified in the process for defining report content	SD	23	–
G4-20: For each material aspect, report the aspect boundary within the organisation, as follows:			
• Report whether the aspect is material within the organisation	SD	02	–
• If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: The list of entities or groups of entities included in G4-17 for which the aspect is not material or	SD	02	–
• The list of entities or groups of entities included in G4-17 for which the aspect is material	SD	02	–
• Report any specific limitation regarding the aspect boundary within the organisation	SD	02	–
G4-21: For each material aspect, report the aspect boundary outside the organisation, as follows:			
• Report whether the aspect is material outside the organisation	SD	02	–
• If the aspect is material outside the organisation, identify the entities, groups of entities or elements for which the aspect is material. In addition, describe the geographical location where the aspect is material for the entities identified	SD	02	–
• Report any specific limitation regarding the aspect boundary outside the organisation	SD	02	–
G4-22: Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements		There were no restatements this year	–
G4-23: Report significant changes from previous reporting periods in the scope and aspect boundaries	SD	21	–

GLOBAL REPORTING INITIATIVE

CONTENT INDEX continued

General standard disclosures		Page	External assurance
Stakeholder engagement			
G4-24: Provide a list of stakeholder groups engaged by the organisation	SD	30 and 31	–
G4-25: Report the basis for identification and selection of stakeholders with whom to engage	SD	30	–
G4-26: Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	SD	28 to 29	–
G4-27: Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	SD	32 and 33	–
Report profile			
G4-28: Reporting period (such as fiscal or calendar year) for information provided	SD	02	–
G4-29: Date of most recent previous report (if any)	SD	02	–
G4-30: Reporting cycle (such as annual, biennial)	SD	02	–
G4-31: Provide the contact point for questions regarding the report or its contents	SD	119	–
G4-32: GRI content index:			
a. Report the 'in accordance' option the organisation has chosen	SD	02 and 108	–
b. Report the GRI content index for the chosen option	SD	108 to 115	–
c. Report the reference to the external assurance report, if the report has been externally assured. GRI recommends the use of external assurance but it is not a requirement to be 'in accordance' with the guidelines	SD	105 to 107	–
G4-33: Assurance:			
a. Report the organisation's policy and current practice with regard to seeking external assurance for the report	SD	03	–
b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided	SD	03 and 105	–
c. Report the relationship between the organisation and the assurance providers	SD	105	–
d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report	SD	02 and 03	–
Governance			
Governance structure and composition			
G4-34: Report the governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	SD IR	24 and 115 to 118	–
G4-35: Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	SD IR	24 and 116	–
G4-36: Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	SD IR	24 and 116	–
G4-37: Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	IR	115	–

General standard disclosures		Page	External assurance
G4-38: Report the composition of the highest governance body and its committees by:			
• Executive or non-executive	SD	24	–
• Independence	SD	24	–
• Tenure on the governance body	IR	20 to 21	–
• Number of each individual's other significant positions and commitments, and the nature of the commitments	IR	20 to 21	–
• Gender	SD	24	–
• Membership of under-represented social groups	SD	24	–
• Competences relating to economic, environmental and social impacts	IR	20 to 21	–
• Stakeholder representation	IR	20 to 21	–
G4-39: Report whether the chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement)	SD	24	–
G4-40: Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including:	IR	114	–
• Whether and how diversity is considered			
• Whether and how independence is considered			
• Whether and how expertise and experience relating to economic, environmental and social topics are considered			
• Whether and how stakeholders (including shareholders) are involved			
G4-41: Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders, including, as a minimum:	SD IR	25 and 114	–
• Cross-board membership			
• Cross-shareholding with suppliers and other stakeholders			
• Existence of controlling shareholder			
• Related party disclosures			
Highest governance body's role in setting purpose, values, and strategy	SD	24 and	–
G4-42: Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	IR	116 to 117	–
Highest governance body's competencies and performance evaluation			
G4-43: Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	IR	116 to 117	–
G4-44:			
a. Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment	SD IR	24 and 114	–
b. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice	SD IR	24 and 114	–

GLOBAL REPORTING INITIATIVE




















CONTENT INDEX *continued*

General standard disclosures		Page	External assurance
Highest governance body's role in risk management			
G4-45:			
a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes	SD	24 to 25	–
b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities	SD IR	24 to 25 and 115	–
G4-46: Report the highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics	SD	24 to 25	–
G4-47: Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	SD	24 to 25	–
Highest governance body's role in sustainability reporting			
G4-48: Report the highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered	SD IR	02 and 116	–
Highest governance body's role in evaluating economic, environmental and social performance			
G4-49: Report the process for communicating critical concerns to the highest governance body	SD	21	–
G4-50: Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	SD	23	–
Remuneration and incentives			
G4-51:			
a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration:	IR	122 to 132	–
• Fixed pay and variable pay:			
– Performance-based pay			
– Equity-based pay			
– Bonuses			
– Deferred or vested shares			
• Sign-on bonuses or recruitment incentive payments			
• Termination payments			
• Clawbacks			
• Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees			
b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	IR	123 to 126	–
G4-52: Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organisation	IR	123 to 127	–
Ethics and integrity			
G4-56: Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	SD IR	25 and 118	–
G4-57: Report the internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	SD IR	25 and 118	–
G4-58: Report the internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	SD IR	25 and 118	–

SPECIFIC STANDARD DISCLOSURES











Material aspects: Disclosures on Management Approach (DMA) and indicators	Page	Omissions	External assurance
Economic			
Economic performance			
G4-EC1: Direct economic value generated and distributed	SD 15	N/A	–
G4-EC2: Financial implications and other risks and opportunities for the organisation's activities due to climate change	SD 91	N/A	–
G4-EC4: Financial assistance received from government	None	N/A	–
Indirect economic impacts			
G4-EC7: Development and impact of infrastructure investments and services supported	SD 75 to 85	N/A	–
G4-EC8: Significant indirect economic impacts, including the extent of impacts	SD 75 to 85	N/A	–
Procurement practices			
G4-EC9: Proportion of spending on local suppliers at significant locations of operation	SD 38 to 40	N/A	Yes, 105
Environmental			
Materials			
G4-EN1: Materials used by weight or volume	SD 99	N/A	–
G4-EN2: Percentage of materials used that are recycled input materials	As a mining company, the potential for using recycled input material is limited. However, we recycle and re-use as far as is possible	N/A	–
Energy			
G4-EN3: Energy consumption within the organisation	SD 92 to 94	N/A	Yes, 105
G4-EN4: Energy consumption outside the organisation	N/A	N/A	–
G4-EN5: Energy intensity	SD 93	N/A	–
G4-EN6: Reduction of energy consumption	SD 93	N/A	–
G4-EN7: Reductions in energy requirements of products and services	SD 92 to 94	N/A	–
Water			
G4-EN8: Total water withdrawal by source	SD 95 to 97	N/A	–
G4-EN9: Water sources significantly affected by withdrawal of water	SD 95 to 97	N/A	–
G4-EN10: Percentage and total volume of water recycled and re-used	SD 96	N/A	–
Biodiversity			
MM1: Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated	SD 98 to 99	N/A	Yes, 105
G4-EN13: Habitats protected or restored	SD 98	N/A	–
G4-EN14: Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	N/A	N/A	–
MM2: The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	SD 98	N/A	–

GLOBAL REPORTING INITIATIVE CONTENT INDEX *continued*

Material aspects: Disclosures on Management Approach (DMA) and indicators	Page	Omissions	External assurance
Emissions			
G4-EN15: Direct greenhouse gas (GHG) emissions (Scope 1)	 94	N/A	Yes, 105
G4-EN16: Energy indirect greenhouse gas (GHG) emissions (Scope 2)	 94	N/A	Yes, 105
G4-EN17: Other indirect greenhouse gas (GHG) emissions (Scope 3)	 95	N/A	Yes, 105
G4-EN18: Greenhouse gas (GHG) emissions intensity	 93	N/A	–
G4-EN19: Reduction of greenhouse gas (GHG) emissions	 91 to 93	N/A	–
Effluents and waste			
G4-EN24: Total number and volume of significant spills	 89	N/A	Yes, 105
G4-EN25: Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention 2 annex I, II, III, and VIII, and percentage of transported waste shipped internationally	 92	N/A	–
G4-EN26: Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff	 95 to 96	N/A	–
Compliance			
G4-EN29: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	 88 and 90	N/A	–
Supplier environmental assessment			
G4-EN32: Percentage of new suppliers that were screened using environmental criteria	 41	N/A	–
G4-EN33: Significant actual and potential negative environmental impacts in the supply chain and actions taken	 41	N/A	–
Environmental grievance mechanisms			
G4-EN34: Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	 89 to 90	N/A	–
Social: labour practices and decent work			
Employment			
G4-LA1: Total number and rates of new employee hires and employee turnover by age group, gender, and region	 60 to 61	N/A	–
G4-LA2: Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	 60	N/A	–
Occupational health and safety			
G4-LA5: Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes	 46	N/A	–
G4-LA6: Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	 46 to 47, 52 to 55 and 64 to 66	Gender information was not always collated during 2013 and this will be reported by 2015	Yes, 105
G4-LA7: Workers with high incidence or high risk of diseases related to their occupation	 52 to 55	N/A	–
Training and education			
G4-LA9: Average hours of training per year per employee by gender, and by employee category	 67 and 69	N/A	Yes, 105
G4-LA10: Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	 67	N/A	–

Material aspects: Disclosures on Management Approach (DMA) and indicators	Page	Omissions	External assurance
Diversity and equal opportunity			
G4-LA12: Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	SD 24	N/A	Yes, 105
Supplier assessment for labour practices			
G4-LA14: Percentage of new suppliers that were screened using labour practices criteria	SD 41	N/A	–
G4-LA15: Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	SD 41	N/A	–
Labour practices grievance mechanisms			
G4-LA16: Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	SD 62 and 63	N/A	–
Social: human rights			
Investment			
G4-HR1: Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	SD 71 and 72	N/A	–
G4-HR2: Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	SD 72 and 73	N/A	–
Non-discrimination			
G4-HR3: Total number of incidents of discrimination and corrective actions taken	SD 66	N/A	–
Freedom of association and collective bargaining			
G4-HR4: Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	SD 62 and 63	N/A	–
Child labour			
G4-HR5: Operations and suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour	SD 71 and 72	N/A	–
Forced or compulsory labour			
G4-HR6: Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour	SD 71 and 72	N/A	–
Security practices			
G4-HR7: Percentage of security personnel trained in the organisation's human rights policies or procedures that are relevant to operations	SD 72 and 73	N/A	–
Indigenous rights			
G4-HR8: Total number of incidents of violations involving rights of indigenous peoples and actions taken	SD 71 – None	N/A	–
MM5: Total number of operations taking place in or adjacent to indigenous peoples' territories, and number and percentage of operations or sites where there are formal agreements with indigenous peoples' communities	SD 71 and 75	N/A	–
Assessment			
G4-HR9: Total number and percentage of operations that have been subject to human rights reviews or impact assessments	SD 71	N/A	–
Supplier human rights assessment			
G4-HR10: Percentage of new suppliers that were screened using human rights criteria	SD 25 and 41	N/A	–
G4-HR11: Significant actual and potential negative human rights impacts in the supply chain and actions taken	SD 41	N/A	–

GLOBAL REPORTING INITIATIVE CONTENT INDEX continued

Material aspects: Disclosures on Management Approach (DMA) and indicators	Page	Omissions	External assurance
Human rights grievance mechanisms			
G4-HR12: Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	 71	N/A	–
Social: society			
Local communities			
G4-SO1: Percentage of operations with implemented local community engagement, impact assessments, and development programmes	 78	N/A	–
G4-SO2: Operations with significant actual or potential negative impacts on local communities	Throughout this report	N/A	–
MM6: Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples	None	N/A	–
MM7: The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes	 71	N/A	–
MM9: Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process	 34 and 71	N/A	–
MM10: Number and percentage of operations with closure plans	 98	N/A	–
Anti-corruption			
G4-SO3: Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	 25	N/A	–
G4-SO4: Communication and training on anti-corruption policies and procedures	 25	N/A	–
G4-SO5: Confirmed incidents of corruption and actions taken	None	N/A	–
Public policy			
G4-SO6: Total value of political contributions by country and recipient/beneficiary	 25	N/A	–
Anti-competitive behaviour			
G4-SO7: Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	None	N/A	–
Compliance			
G4-SO8: Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None	N/A	–
Supplier assessments for impacts on society			
G4-SO9: Percentage of new suppliers that were screened using criteria for impacts on society	 25 and 41	N/A	–
G4-SO10: Significant actual and potential negative impacts on society in the supply chain and actions taken	 25 and 41	N/A	–
Grievance mechanisms for impacts on society			
G4-SO11: Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	None	N/A	–

GLOSSARY OF TERMS AND ACRONYMS

ABET	Adult basic education and training
AGM	Annual general meeting
AMCU	Association of Mineworkers and Construction Union
ArcelorMittal SA	ArcelorMittal South Africa Limited
ART	Anti-retroviral treatment
BAMCWU	Building Allied Mining and Construction Workers Union
BAP	Biodiversity action plan
BAU	Business-as-usual
BEE	Black economic empowerment
CDP	Carbon Disclosure Project
CDT	Community Development Trust
CED	Community engagement and development
CEP	Community engagement plan
Community engagement and development (CED) expenditure	The sum of donations for charitable purposes and community investment (which include cash and in-kind donations and staff time) as well as investment in commercial initiatives with public benefit (such as enterprise development)
Companies Act	The South African Companies Act, No 71 of 2008
Company managed land	Area of land under the direct management of the company, and includes "company-owned land", land managed/ mined on behalf of third parties, land leased from third parties, company land leased to third parties, land under servitude, land set aside for biodiversity offsets, etc., as at the end of the reporting period. The parameter excludes "privately/state-owned land above company mineral/mining rights" areas and undeveloped projects/ prospects where the land does not yet fall under the direct management or ownership of the company. This also excludes prospecting licences and claims, which are captured under a different parameter.
CSI	Corporate social investment
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DWS	Department of Water and Sanitation
ECD	Early childhood development
EMP	Environmental management plan
Employees participating in ART	Number of employees enrolled in the company-approved anti-retroviral therapy programme(s) on the last day of the reporting period. Employees that have discontinued ART during the reporting period, for whatever reason, must be excluded from this figure.
Exxaro	Exxaro Resources Limited
Fatal injury frequency rate (FIFR)	Number of employee and contractor fatal injuries due to all causes per 200,000 hours worked.
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HDSA	Historically disadvantaged South Africans
HPH	High potential hazard
HPI	High potential incident

GLOSSARY OF TERMS AND ACRONYMS

continued

ICMM	International Council on Mining and Metals
IDC	Industrial Development Corporation
IDP	Integrated development plan
IFC	International Finance Corporation
IWUL	Integrated water use licence
JSE	JSE Limited, Johannesburg Stock Exchange
JTG	John Taolo Gaetsewe District Municipality
King III	Code of and Report on Governance Principles for South Africa 2009
Level 2, 3, 4 and 5 environmental incidents reported	Environmental incidents are unplanned or unwanted events that result in negative environmental impacts. A level 1 incident results in minor impact; a level 2 incident results in low impact; a level 3 incident results in medium impact; a level 4 incident is considered to be a significant incident, that results in high impact; and a level 5 incident is considered a significant incident that has a permanent impact on the environment.
Lost-time injury frequency rate (LTIFR)	Rate per 200,000 hours of lost-time injuries (LTIs) due to all causes for both employees and contractors. An LTI is a work-related injury resulting in the employee/contractor being unable to attend work or to perform the full duties of his/her regular work, on the next calendar day. Restricted work cases are therefore counted as LTIs.
LTi	Lost-time injury
LTIFR	Lost-time injury frequency rate
LTISR	Lost-time injury severity rate
MENA	Middle East and North Africa
MPRDA	Mineral and Petroleum Resources Development Act
Mtpa	Million tonnes per annum
NDA	National Development Agency
New cases of noise-induced hearing loss (NIHL) reported	Number of employees diagnosed with NIHL during the reporting period. New cases of NIHL are counted when the rules for diagnostic criteria for occupational disease in Anglo American plc Group have been met, there is a pattern consistent with NIHL on the audiogram, the average hearing loss at frequencies 0.5, 1, 2, 3 and 4kHz for both ears is greater than 25dB(A), there has been a 10dB(A) change in the average hearing loss since the pre-placement audiogram recorded on employment with Anglo American plc Group, and the employee has not previously been counted as NIHL.
New cases of occupational diseases reported	Sum of occupational diseases due to asbestosis, NIHL, silicosis, coal-workers' pneumoconiosis, pneumoconiosis due to other fibrogenic dusts, chronic obstructive airways disease, occupational tuberculosis, occupational asthma, hand-arm vibration syndrome (HAVs), musculoskeletal disorders, dermatitis, occupational cancers and other occupational diseases
NIHL	Noise-induced hearing loss
NUM	National Union of Mineworkers
PIT	Professional in training
PwC	PricewaterhouseCoopers

Scope 1 emissions	Total CO ₂ emissions from fossil fuels – sum of diesel, petrol, liquid petroleum gas, natural gas, heavy fuel oil, light fuel oil, coal for heat and energy generation, coal for metallurgical processes, coal for directly reduced iron, used oil for combustion, paraffin, petcoke, tailgas and non-renewable waste fuel
Scope 2 emissions	Total CO ₂ emissions from electricity purchased
Scope 3 emissions	Total CO ₂ emissions from purchased goods and services, capital goods, fuel and energy related emissions not included in Scope 1 and Scope 2, upstream transportation and distribution, waste generated in operations, business travel, downstream transportation and distribution, processing of sold products and end of life treatment
SEAT	Socio-economic assessment toolbox
SIOC	Sishen Iron Ore Company (Proprietary) Limited
SIOC-CDT	Sishen Iron Ore Company Community Development Trust
SLP	Social and labour plan
SME	Small and medium enterprise
SMME	Small, medium and micro enterprises
Total energy used	Sum of total energy from electricity purchased and total energy from fossil fuels
Total recordable case frequency rate (TRCFR)	The sum of the number of employee + contractor medical treatment cases + lost time injuries + fatal injuries*200,000/employee total number of hours worked
UGM	Ulysses Gogi Modise wellness clinic
VAT	Value added tax
VCT	Number of employees who have participated in voluntary counselling and testing (VCT) during the reporting period and who, through this process, have established or re-established their HIV status
VFL	Visible felt leadership
Water used for non-primary activities	Total new or make-up water entering the operation and used for non-primary activities such as community housing or recreational facilities
Water used for primary activities	Total new or make-up water entering the operation and used for the operation's primary operational activities
Work-related fatal injuries	A fatality is a death resulting from a work-related injury

CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER

2005/015852/06
JSE share code: KIO
ISIN code: ZAE000085346

COMPANY SECRETARY AND REGISTERED OFFICE

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ASSURANCE PROVIDERS

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CORPORATE LAW ADVISORS

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15 Alice Lane
Sandton, 2196
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FEEDBACK FORM

As we review our sustainable development reporting process, we would greatly appreciate any feedback that you may wish to provide.

1. Personal details (optional)

Name _____

Organisation _____

Telephone _____

Email address _____

Postal address _____

2. What is the nature of your interest/association with Kumba?

Employee ☐

Community member ☐

Journalist ☐

Analyst ☐

Shareholder ☐

Registration ☐

Non-governmental or community-based organisation ☐

Student ☐

Supplier or business partner ☐

Other – please specify ☐ _____

3. How did you become aware of our report?

Delivered or posted to you (printed copy) ☐

Via the company website ☐

Email link sent to you ☐

Through the media ☐

From the Integrated Report 2014 ☐

From the Annual Financial Statements 2014 ☐

Other source – please specify ☐ _____

4. In what format did you view the report?

The web-based report ☐

The printed version ☐

5. Have you been aware of/had access to our previous report(s)?

Yes ☐ No ☐

6. Describe the content of the Sustainable Development Report 2013?

Too detailed ☐

Not enough detail ☐

7. Do you think that we have clearly identified the sustainable development issues of concern to the company?

Yes ☐ No ☐

8. After reading the report, were you able to get a clear/better sense of how Kumba is dealing with these issues?

Yes ☐ No ☐

9. Indicate your main areas of interest:

Stakeholder engagement ☐

Governance ☐

Economic performance ☐

Safety ☐

Health ☐

Employment and employees ☐

Human rights ☐

Community ☐

Environmental performance ☐

Other – please specify ☐

10. Did you read the chief executive's review?

Yes ☐ No ☐

11. Does the fact that the report is independently assured provide you with confidence with regard to the accuracy and relevance of information?

Yes ☐ No ☐

12. Do you have any other comments on the report?

Thank you. Please send this feedback form to:

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