

KUMBA IRON ORE LIMITED
SUSTAINABILITY REPORT 2017

BUILDING ON FIRM FOUNDATIONS
DELIVERING A SUSTAINABLE FUTURE
ENHANCING PARTNERSHIPS



OUR APPROACH TO REPORTING

ENHANCING PARTNERSHIPS



Front cover

1. The Kuruman field band performing at a mine visit.
2. Carpentry instructor, Boitumelo Bohitile, taking students, Moabi Tau, Kgomoiso Macuewe, Bophelo Bantseng, Mapule Melokwe and Gerhard Phutang through induction at the Tshipi skills development centre at Sishen mine.
3. Dan Gouws and Michelle Odendaal, dentists at the Batho Pele Mobile Clinic's dental unit doing screening of patient, Rosy Chinyane.

Back cover

4. Alta Buys, Patience Molekew, Lydia Monnatale and Tshipiso Ruiters, nurses working at the UGM Health Clinic in Kathu.
5. Miss Malebolto recently graduated from the Families South Africa (FAMSA) youth internship programme in Kathu.
6. David Fourie, millwright and Shadrack Isaacs, assistant completing compliance and risk assessment paperwork at the mining maintenance workshop at Kolomela mine.

For more information see www.angloamericankumba.com

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Navigating our 2017 reports



SUSTAINABILITY REPORT (SR)

Reviews our approach to managing our significant economic, social and environmental impacts, and to addressing those sustainability issues of interest to a broad range of stakeholders.



INTEGRATED REPORT (IR)

A succinct review of our strategy and business model, operating context, governance and operational performance, targeted primarily at current and prospective investors.



ANNUAL FINANCIAL STATEMENTS (AFS)

Detailed analysis of our financial results, with audited financial statements, prepared in accordance with International Financial Reporting Standards (IFRS).



ORE RESERVES AND MINERAL RESOURCES REPORT (ORMR)

Reported in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code – 2016 edition).



Online

Each of these reports, with additional updated information, is available on our website: www.angloamericankumba.com

Medium-term fluctuations in the iron ore price necessitated Kumba to find innovative ways to deliver social returns with fewer resources. Kumba did this through effective engagement with our key stakeholders to identify projects that will be most effective in addressing priority needs. With a strengthened financial position and continued collaboration, we can now focus on enhancing our partnerships in a sustainable and responsible manner.

ICON NAVIGATION THROUGHOUT THIS REPORT



STRATEGIC FOCUS AREAS



STAKEHOLDERS

PERFORMANCE HIGHLIGHTS

21 high-potential safety incidents 2016: 39 	0.65 total recordable case frequency rate (TRCFR) 2016: 0.78 	0.17 lost-time injury frequency rate (LTIFR) 2016: 0.28 
22% women in management 2016: 21% 	21% women in total workforce 2016: 21% 	R520 million spent on suppliers in host communities 2016: R129 million 
R106.7 million spent on direct social investment 2016: R66.9 million 	R9.4 billion spent on procurement from HDSA businesses 2016: R8.5 billion 	0.02 CO ₂ emissions intensity (t/tonnes ore) 2016: 0.02 
8.94 million GJ energy consumption 2016: 8.45 million GJ 	147 ℓ/tonne water intensity 2016: 139 ℓ/tonne 	45.0 Mt production 2016: 41.5 Mt 

ABOUT THIS REPORT

PURPOSE AND SCOPE OF THIS REPORT

This report is produced in order to provide our key stakeholders – namely our shareholders, employees, local communities, non-governmental organisations (NGOs), investors, customers, partners, suppliers and government – with a transparent account of how we addressed the most material sustainability issues the company faced during 2017. The scope of this report covers our Sishen and Kolomela mines, corporate office in Centurion, the Saldanha port and our marketing activities in Luxembourg and Singapore, for the period 1 January to 31 December 2017.

Our sustainability reporting criteria have been compiled in accordance with the GRI's (formerly Global Reporting Initiative) Sustainability Reporting Standards (core compliance) and their Mining Sector Supplement. Our reporting is also aligned with the AA1000 stakeholder engagement standard, the sustainable development principles and reporting framework of the International Council on Mining and Metals (ICMM), and the principles of the United Nations Global Compact (UNGC).

In addition, we have published an Integrated Report (IR), Annual Financial Statements (AFS), and Ore Reserves and Mineral Resources (ORMR) report. The reporting process for all our reports has been guided by the principles and requirements contained in International Financial Reporting Standards (IFRS), the IIRC's International <IR> Framework, the GRI's Standards, the King Code on Corporate Governance 2016 (King IV), the JSE Listings Requirements and the Companies Act, 71 of 2008.

We use a combined assurance model to provide us with assurance obtained from management and from internal and external assurance providers. PricewaterhouseCoopers (PwC) has provided independent assurance over selected sustainability key performance indicators. PwC's assurance statement is provided on page 86.

Please address any queries or comments on this report to Bheki Masondo (email: bheki.masondo@angloamerican.com).

DIRECTORS' RESPONSIBILITY

The Kumba Board, supported by the Audit Committee, 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 Sustainability Report 2017 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 8 March 2018.

Dolly Mokgatle
 Chairman: Social, Ethics and Transformation Committee
 8 March 2018

OUR VALUES

SAFETY AND HEALTH

Safety and health are always first on our agenda

WE ARE COMMITTED TO ZERO HARM. WE BELIEVE THAT ALL FATALITIES AND INJURIES ARE PREVENTABLE AND THAT BY WORKING TOGETHER WE CAN MAKE SAFETY AND HEALTH



A WAY OF LIFE, INSIDE AND OUTSIDE OF THE WORKPLACE.



Image: Employees performing an isolation and lock-out procedure at the life-of-mine truck workshop at Sishen mine.

CARE AND RESPECT

We always treat people with respect, dignity and common courtesy – regardless of their background, lifestyle or position.

We are building trust through open, two-way communication every single day.



INTEGRITY

Integrity demands taking an honest, fair, ethical and transparent approach in everything we do.

It is not about being popular; it is about always doing the right thing.



INNOVATION

Challenging the way things have always been done is a key priority. By actively developing new solutions, encouraging new ways of thinking and finding new ways of working, we are significantly improving our business.



ACCOUNTABILITY

We take ownership of our decisions, our actions and our results.

WE DELIVER ON OUR PROMISES AND ACKNOWLEDGE OUR MISTAKES. ABOVE ALL, WE NEVER PASS BLAME.

COLLABORATION

NO ONE HERE IS ON THEIR OWN.

We are one company with a shared ambition – all working together to make appropriate decisions and get things done more effectively.

CREATING VALUE FOR STAKEHOLDERS



SHAREHOLDERS AND INVESTORS



Image: Eugene Matlhare, Reginah Konman and Veronica Seleke, all members of the Rerokela Sechaba Primary sewing and beading cooperative in Groenwater situated near Kolomela mine.

EXCEPTIONAL GROWTH IN KUMBA SHARE PRICE from R159 per share at 31 December 2016 to

R379 p/share

at 31 December 2017

DIVIDENDS PAID TO SHAREHOLDERS IN 2017

R6.7 billion

(2016: Rnil)

TOTAL DIVIDENDS PAID TO BEE SHAREHOLDERS SINCE INCEPTION IN NOVEMBER 2006

R26 billion

(2016: R24 billion)



COMMUNITIES

HIV-related services supplied to 17,304 community members through the Ulysses Modise (UGM) Wellness Clinics

TB screening services supplied to 15,930 community members

R106.7 million spent on direct social investment in 2017



EMPLOYEES

* Including professionals in training, artisans, apprentices and mining and plant learners.

Total labour costs of R4,184 billion paid to our employees

Employment of local people

Sishen – 84%
Kolomela – 63%
Thabazimbi – 65%

HDSA and women in management

HDSA in management – 66%
Women in management – 22%

Women in core mining – 17%

Training and development

Number of participants – 1,050
Expenditure – R161.9 million*
% HDSA – 93
% women – 35



GOVERNMENT



TOTAL TAX CONTRIBUTION

Rand million	2017
Corporate income tax	5,883
Mineral royalties	1,160
Payroll tax	980
Skills levy	37
UIF	20
Total	8,080



CUSTOMERS

Reinforce our reputation for quality and consistency

QUALITY

Product quality – average Fe content %

64.1%

Lump:fine ratio

66:34



SUPPLIERS

For more detailed information relating to our employees, communities and suppliers refer to pages 23 to 54.

R520 million spent on suppliers within host communities (2016: R129 million)

R9.3 billion spent on procurement from HDSA businesses (2016: R8.5 billion)

WHO WE ARE

OUR VISION: To be a successful and sustainable African supplier of quality iron ore to global and local markets while delivering superior value to our stakeholders.

OUR AMBITION: We aspire to drive shareholder returns into the top quartile for our peer group through the price cycle, by extracting maximum value from our high-quality asset portfolio.

LISTED ON THE JSE LIMITED

45.0 Mt
PRODUCTION
(2016: 41.5 Mt)

217.3 Mt
WASTE MINED
(2016: 187.3 Mt)

41.6 Mt
EXPORT SALES
(2016: 39.1 Mt)

3.3 Mt
DOMESTIC SALES
(2016: 3.4 Mt)

10,727
EMPLOYEES
(2016: 8,332)

Customers in South Africa, China, India, Japan, South Korea, Europe and the Middle East

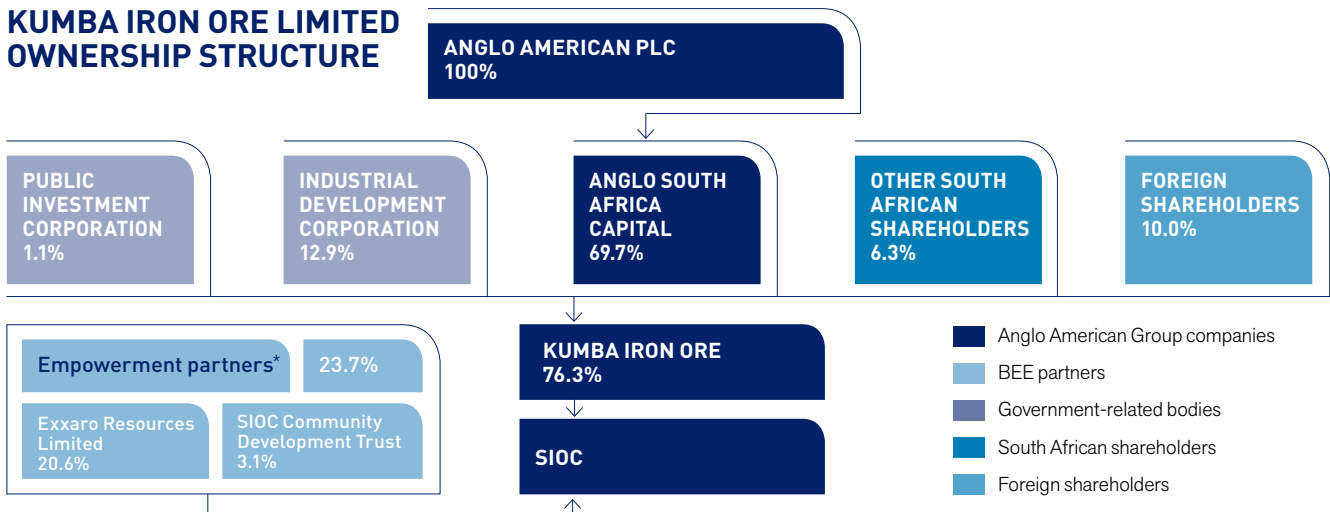
WHO WE ARE: Kumba is a supplier of high-quality iron ore (64.1% average Fe) to the global steel industry. We operate primarily in South Africa, with mining operations in the Northern Cape, a head office in Centurion, Gauteng, and a port operation in Saldanha Bay, Western Cape. Kumba has a 76.3% interest in Sishen Iron Ore Company (Pty) Ltd (SIOC), an entity that we manage. SIOC, in turn, owns the operating assets of the Company. The remaining 23.7% interest in SIOC is held by our black economic empowerment (BEE) partners Exxaro Resources Limited, a leading BEE company listed on the JSE (20.6%), and the SIOC Community Development Trust, a trust that funds projects in local communities (3.1%).

WHAT WE DO: We produce high-grade iron ore, with a lump-to-fine ratio of 66:34 in 2017. This ore is mined at our two operations, which are managed by SIOC. Export ore is shipped to customers across the globe from the port operation in Saldanha Bay. We also have a marketing office in Singapore, integrated with Anglo American marketing BU, and one in Luxembourg, wholly owned by Kumba. In total, around 93% of our product is exported, and around 7% comprises domestic sales. The revenue generated from these sales is used to grow and sustain the business, which shares its success with various stakeholders. To learn more about our operations see pages 58 to 63 of the IR.

BEING A PARTNER OF CHOICE: Building lasting beneficial relationships is core to our success. 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. As at the end of 2017 we had 10,727 people in employment, comprising 5,875 permanent employees, 4,367 contractors and 485 learnerships.

For more on these relationships see pages 35 to 41 of this report.

KUMBA IRON ORE LIMITED OWNERSHIP STRUCTURE



* Total effective Empowerment shareholding of 29.79% consisting of Exxaro Resource Limited (20.6%), SIOC Community Development Trust (3.1%), Envision I (3%, unwound November 2011), Envision II (3.09%, unwound November 2016).

EXPORT RAIL LINE

- Current capacity of 60 Mtpa of which Kumba has a 44 Mtpa allocation

Corporate office

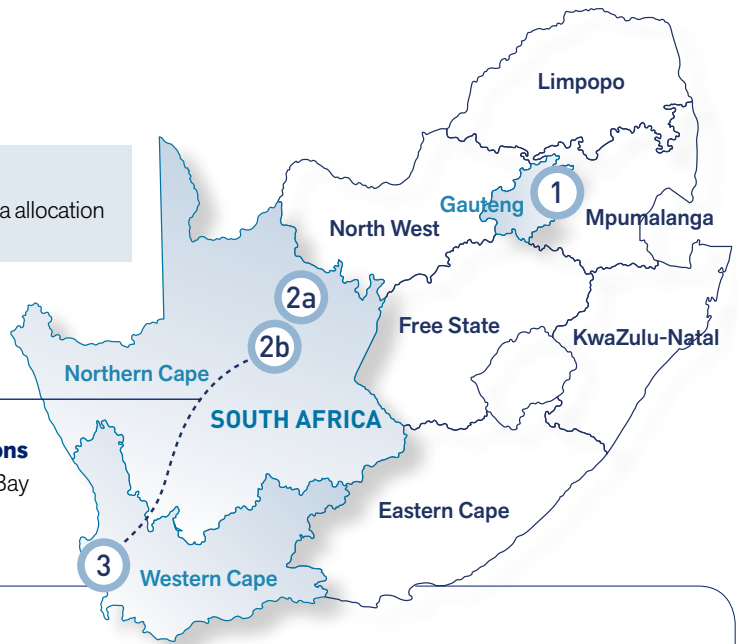
- 1 Centurion

Mining operations

- 2a Sishen mine
- 2b Kolomela mine

Port operations

- 3 Saldanha Bay



WHERE WE OPERATE

SISHEN MINE

2a

- Commissioned in 1953
- Located in Kathu
- Reserve life: 13 years
- Bulk of Kumba's production
- One of the largest open-pit mines in the world
- All mining is done by opencast methods
- Sishen is the only haematite ore producer in the world to beneficiate all its product

2017 PERFORMANCE

- Zero fatalities; LTIFR of 0.16
- Production of 31.1 Mt
- 199.5 Mt total tonnes mined, including ex-pit ore of 37.8 Mt and waste of 161.7 Mt
- 28.5 Mt railed on the Sishen/Kolomela-Saldanha iron ore export channel (IOEC)
- Unit cash cost: R287/tonne
- Stripping ratio: 4.3
- 4,194 permanent full-time employees and 3,112 full-time contractors
- R13 million invested in social and community projects
- ISO 14001, ISO 9001, and OHSAS 18001 certified

For more information on this operation see page 58 of the IR.

KOLOMELA MINE

2b

- Commissioned in 2011
- Mine situated near the town of Postmasburg
- Produces primarily high-grade direct shipping ore (DSO)
- Reserve life: 14 years

2017 PERFORMANCE

- Zero fatalities; LTIFR of 0.26
- Production of 13.9 Mt
- 71.8 Mt total tonnes mined including ex-pit ore of 16.2 Mt and waste of 55.6 Mt
- 13.5 Mt railed on the IOEC
- Unit cash cost: R237/tonne
- Stripping ratio: 3.4
- 1,324 permanent full-time employees and 1,178 full-time contractors
- R21.6 million invested in social and community projects
- ISO 14001, ISO 9001 certified, and OHSAS 18001 certified

For more information on this operation see page 60 of the IR.

SALDANHA BAY PORT

3

- All Kumba export volumes exported through Saldanha Bay port operations, the only dedicated iron ore export facility in South Africa
- Operated by Transnet, a South African state-owned enterprise

2017 PERFORMANCE

- Zero fatalities; LTIFR of zero
- Total volumes railed to Saldanha Bay: 42.0 Mt
- Total shipped volumes: 41.6 Mt
- Export sales: 41.6 Mt
- Total CFR volumes: 28.6 Mt
- 25 permanent full-time employees
- ISO/IEC 17025 accredited QC laboratory

For more information on this operation see page 62 of the IR.

For an update on the transfer of Thabazimbi mine to ArcelorMittal SA see page 20 of this report.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE CHAIRMAN'S REVIEW

It gives me pleasure once again to introduce Kumba's annual Sustainability Report, and to present the Social, Ethics and Transformation Committee (Setco) review. It is our responsibility as Setco to monitor and oversee Kumba's management of, and performance relating to safety, health and the environment, the provision of a positive social contribution, promoting transformation and ensuring sound ethical practices. The Committee also receives feedback from Kumba's human resources team on its activities relating to workforce engagement, managing talent and promoting a strong organisational culture.

In this opening review, I share some high-level reflections regarding Kumba's sustainability performance over the year. A more detailed overview of the Company's highlights, disappointments and challenges is provided in the accompanying Chief executive's review.

As always, I encourage each of you reading this report to please share your views with us, both in terms of Kumba's sustainability performance and the quality of our disclosure. Frank feedback from stakeholders is essential in fostering greater accountability, and in helping the Company to deliver more effectively on its sustainability goals and targets. Recognising the value of external feedback, each year we host an independently facilitated stakeholder panel, in which we receive very constructive input on our reporting activities (see page 88). I look forward to any additional feedback that you, our stakeholder, might have.

SAFETY FIRST, HARM FREE

The Company's safety achievements have been a particular highlight, and reflect the dedicated efforts of the executive, management and employee teams. Kumba has been fatality free since May 2016, and has shown continued improvements in almost all of its leading and lagging safety indicators. This good performance is attributed primarily to the effective implementation of the Company's comprehensive 'elimination of fatalities framework' supported by a strengthening in its reporting, monitoring and learning-from-incidents processes. Setco has been keeping a particularly close watch on the reporting and close out of high-potential incidents (HPIs), each of which represents a potential fatality. Transparent monitoring and reporting of HPHs has helped to increase awareness of potential risks and to ensure the timely implementation of appropriate preventative measures. The Committee will continue to monitor all the safety improvement plans. Please refer to the Chief executive's review for more detailed information.

DELIVERING AND SHARING LONG-TERM VALUE THROUGH COLLABORATIVE ACTION

Kumba's commitment to sustainable development is informed by the understanding that investing in our workforce and communities, protecting the environment, and ensuring ethical governance practices, is essential to ensuring the Company's resilience and longevity. Kumba's success depends on the safety and wellbeing of its employees and contractors, the diversity, skills and commitment of its workforce, the quality of its relationships with communities and other stakeholders, and the availability of the natural resources that its activities depend on. Ensuring effective management of these material sustainability issues, and making a meaningful and visible difference on social

transformation, forms the foundation of the Company's ability to create long-term value, and contributes to a sense of ownership and enhanced motivation among employees.

Given the significant social and economic challenges facing the country, we recognise the importance of adopting a collaborative approach, both through establishing partnerships with others in the mining sector, and by engaging with government, labour, local communities and other stakeholders. Underpinning any collaborative effort is a genuine willingness to work together and share knowledge, based on mutual trust, informed by a common vision of the desired outcomes. If we are to realise the full potential inherent in the country's mineral resources, then we must move beyond the current adversarial approach that has characterised much of the recent engagement between government and the mining sector. In doing so, it is important that we recognise the strength that each potential stakeholder partner brings in identifying and implementing appropriate solutions to our common challenges.

During the year Kumba continued to engage actively in dialogue with its stakeholders, particularly with those communities neighbouring its operations. An important objective of these engagements has been to identify those development initiatives that will be most effective in addressing community needs in a manner that can be sustained beyond our intervention alone. This year, Setco members participated in various roadshows to each host municipality, as well as in Kumba's Stakeholder Day, which was held in November to review the Company's progress on transformation and identify opportunities for further collaboration. The event – which included representatives from the Board and executive team, government, labour, community groups, civil society, business partners and suppliers – provided a useful opportunity for knowledge sharing and to further inform Kumba's strategic response to stakeholder interests.

A YEAR OF POSITIVE PERFORMANCE

This has been a very encouraging year for Kumba, with the Company's strong operational and financial results accompanied by a generally positive sustainability performance.

Balancing Company requirements with community concerns

While we had hoped to reach final agreement regarding the relocation of the few remaining residents from Dingleton to Siyathemba, it was nevertheless encouraging to see the continuing progress that has been made on this issue, with full adherence to international best practice standards. In addition to Kumba's significant R3 billion investment in establishing the housing and

DOLLY MOKGATLE – CHAIRMAN: SETCO



community infrastructure for the Siyathemba community, a concerted effort was made in establishing community representative forums to ensure effective representation of all those in the community, specifically by age and gender.

Beyond transformation targets

At Kumba, we pride ourselves on developing and pursuing meaningful transformation initiatives that go beyond what is expected from us as a mining company.

We have sought to foster opportunities for long-term value creation through the local procurement of goods and services. It has been pleasing this year to see the progress we have made in driving localised and preferential procurement across the group. This year Kumba exceeded our 2017 target of spending R500 million on local procurement, and the Company has set ambitious growth targets of R1 billion and R2 billion spend in 2018 and 2019 respectively. By purchasing from qualifying service providers in our host communities, assisting in the skills development of local entrepreneurs and encouraging other local large companies to do the same, Kumba is making an important contribution to establishing thriving communities with real participation in the local economy, while at the same time enhancing its supplier base.

It has also been pleasing this year to see the successful conclusion of a new three-year wage agreement, which I believe reflects the quality of the relationship that Kumba has developed between its executive team and union representatives, as well as between management and labour more broadly.

Our focus on the empowerment of women has led us to achieve gender diversity at our core mining operations. A clear strategy to create a conducive environment for women to work and thrive in their careers was implemented, including policies to proactively address sexual harassment issues, both at work and in our host communities.

UPHOLDING BUSINESS ETHICS AND INTEGRITY

An important Setco responsibility, undertaken in collaboration with the Audit Committee, is to maintain oversight of the Company's implementation of its ethics and integrity policies and procedures. Our ability to do so is aided by Kumba's independently managed 'Speak Up' facility, a confidential and secure means for employees, contractors, suppliers and other stakeholders to report any concerns about conduct that is contrary to the Company's values and integrity standards. This includes reporting any instances relating to the giving or acceptance of bribes, as well as grievances and allegations relating to labour practices and unfair discrimination. Each Speak Up alert is independently evaluated and where appropriate is investigated by external authorities to ensure that any potential criminal activities are identified and prevented. I applaud the quality work that has been undertaken this year by the internal teams in uncovering and addressing various instances of fraud.

During 2017, we rolled out the new Anglo American Code of Conduct, making it available to all employees at Kumba and implementing initiatives aimed at creating awareness of the code.

LOOKING TO THE YEAR AHEAD

Although this has been a pleasing year, we recognise that Kumba cannot afford to rest on its laurels. Looking to the year ahead, there are various internal initiatives and external trends that Setco will be monitoring closely.

Maintaining our focus on safety and our drive for zero harm will always remain top of mind. We will continue to track implementation of the comprehensive 'elimination of fatalities framework', monitor the roll-out of the Safety Leadership Alignment Day (SLAD) training across the workforce, and keep a close watch over any reported high-potential incidents and subsequent response actions. We will maintain our active engagement on the Dingleton resettlement process, ensuring that all due governance processes are followed, and that global best practice standards on resettlement are applied, as the remaining negotiations are completed. On the environmental side, we will be hoping to see some improvements in dust management at the sites, as well as further positive progress in the Company's rehabilitation and revegetation activities, and a continued drive on energy efficiency and water stewardship.

We will continue to monitor the all important economic development of our host communities through our local procurement initiatives. In addition a key focus will be on developing women and youth in business, which in turn will lead to job creation and will ensure the sustainability of our host communities. I propose through Setco, an analysis of women-owned businesses in our area of operations and the development of strategies to address their advancement in business.

Another important development in the year ahead will be to find an appropriate resolution to the current impasse the sector faces regarding the recent proposed revisions to the Mining Charter. Following the intervention by the office of the President of the Republic of South Africa, we look forward to revisiting the Mining Charter through the Chamber of Mines and to resolving the issue. As the business sector, we look to government to provide a strong enabling environment and a predictable policy framework, with clarity on the commonality of goals that we are seeking to achieve. I believe that Kumba has a demonstrable track record of performance on transformation, and I am proud to be associated with a company that has done so much in this area, by creating a work environment that recognises each individual's contribution irrespective of race and gender.

IN APPRECIATION

In closing, I thank my colleagues on the Committee, the executive team, under the leadership of Themba and Kumba's employees for their work in delivering on Kumba's sustainability commitments, and for their contribution to the encouraging performance that we have seen this year. I wish also to convey my appreciation to the commitment of my colleagues on the Board, as well as to those external stakeholders who have shared their views on Kumba's sustainability performance and who have continued to engage with the Company as it strives to meet its commitments relating to zero harm, transformation, socio-economic development and environmental protection.

Dolly Mokgatle

Chairman: Social, Ethics and Transformation Committee

8 March 2018

OUR BUSINESS MODEL AND INTEGRATED VALUE CHAIN

COMPETING ON REVENUE

OUR REVENUES

Iron ore prices

Iron ore sales volumes

Rand/US\$ exchange rate
(higher US\$ iron ore prices offset by the stronger Rand)

OUR VALUE PROPOSITIONS

CUSTOMER VALUE PROPOSITION

Reliable supply of high-quality iron ore

EMPLOYEE VALUE PROPOSITION

The opportunity to earn, learn and grow in a zero harm environment

SOCIETAL VALUE PROPOSITION

Converting mineral resources into value that supports transformation in the country by providing opportunities for equitable and environmentally responsible economic growth

SHAREHOLDER VALUE PROPOSITION

Provide sustained and growing financial returns and dividends throughout the commodity cycle, through responsible management and good governance

HOW WE CREATE VALUE

OUR ACTIVITIES (See page 8 of the IR)

- Exploration – primarily in the Northern Cape
- Mining – extracting iron ore in the Northern Cape
- Beneficiating – improving the final product quality; ultra-high density media separation (UHDMS)
- Blending and outbound logistics – providing and transporting niche products
- Shipping, marketing and selling to markets in South Africa and globally
- Rehabilitation and environmental management

KEY RESOURCES AND RELATIONSHIPS

- Quality and location of mineral resources
- Concluded prospecting and mining rights from **government**
- Social licence to operate from **communities and their representatives**
- Financial capital from **shareholders and investors**
- Life of assets and infrastructure (including rail and port)
- Positive relationship with **employees and trade union representatives**
- Technical, commercial and managerial skills, experience and leadership in **management team**
- Exploration, mining and processing technology and techniques in **technical team** and contractors
- Key **service providers** (including Transnet) and **suppliers** (with focus on BEE and local supplier base)
- Loyal customer base and customer satisfaction
- **Emerging miners**, supported by skills development and financial assistance
- Strong reputation, including with **media and analysts**

OUR OPERATING CONTEXT: ISSUES IMPACTING VALUE

- Volatility in the iron ore price
- Flattening of the cost curve globally
- Increasing non-controllable costs: inflation, freight, currency
- Challenging regulatory and policy environment
- Heightened stakeholder expectations
- Zero harm drive – elimination of fatalities
- Sustained focus on operational excellence
- Quality of iron ore reserves and life of asset

OUR COSTS

TO MAINTAIN VALUE PROPOSITION

- Distribution (rail, port and freight)
- Labour
- Energy
- Consumables
- Maintenance
- Drilling and blasting
- Beneficiation
- Taxes and royalties
- Mining and non-mining contractors
- Social investments
- Rehabilitation

TO EXPAND VALUE PROPOSITION

- Capital expenditure
- Exploration
- Marketing

COMPETING ON COSTS



POTENTIAL FOR REVENUE DIFFERENTIATION

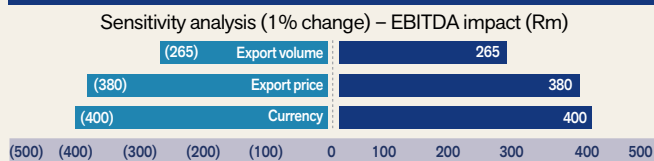
- Ability to achieve quality and lump premium for superior ore quality (64.1% vs 62% benchmark) ✓
- Price differential potential due to higher lump: fine ratio (66:34 vs global average of 30:70) ✓
- Ability to respond more quickly to market volatility due to greater operational flexibility as a result of company size and our superior ore quality ✓
- Stronger price realisation, driven by effective marketing activities ✓

POTENTIAL FOR COST DIFFERENTIATION

- Scope for differentiation through UHDMS technology ✓
- Potential leverage in operating costs through enhanced operating efficiencies ✓
- Ability to deliver costs reductions in the supply chain ✓
- Higher stripping ratio due to inherent characteristics of the ore body resulting in higher mining costs ✗
- Higher costs associated with distance from ports, and Australian competitors closer to key market in China ✗

Sensitivity analysis

1% change to key operational drivers, each tested independently



Change per unit of key operational drivers, each tested independently

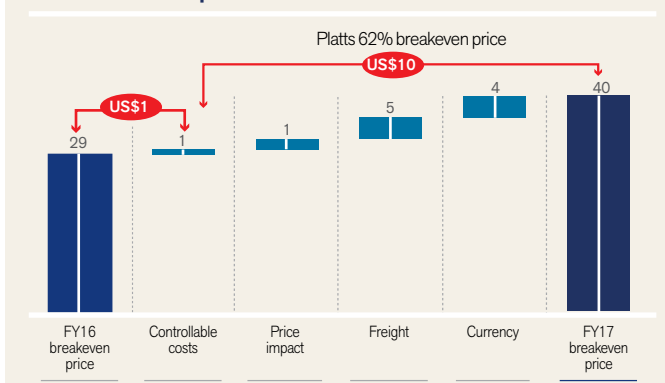
Sensitivity analysis	Unit change	2017 EBITDA impact
Currency (R/US\$)	R0.10/US\$	R300m
Export price (US\$/t)	US\$1.00/t	R535m
Volume (kt)	100 kt	R65m
	Unit change	Breakeven price impact
Currency (R/US\$)	R1.00/US\$	US\$2.75/t

OUR TOP 10 RISKS

- Commodity markets and exchange rate fluctuations
- Safety and health
- Third-party infrastructure
- Mining legislation and regulatory compliance
- Socio-economic governance challenges
- Stakeholder engagement and licence to operate
- SIOC empowerment status
- Cyber risk
- Resource depletion and securing our growth
- Managing change (transformation of the business)

For more information see page 28 of the IR.

Cash breakeven price



Our approach

STAKEHOLDER PERCEPTIONS
THE OPERATING ENVIRONMENT

CHIEF EXECUTIVE'S REVIEW

This has been a very encouraging year for all of us at Kumba. In addition to delivering remarkable turnaround in our financial and operational performance, we made valuable positive progress across our material sustainability issues. I am particularly heartened by our safety performance this year, demonstrating the significant strides we have taken in building a culture of zero harm at our operations.

In this introductory review, I reflect on some of the key highlights and challenges relating to Kumba's sustainability performance over the year, and share some forward-looking perspectives for the year ahead. Underscoring my narrative is a deep appreciation for the quality of leadership and collective commitment across the Company that continues to drive our progress in creating sustainable value for our stakeholders.

DRIVING A CULTURE OF ZERO HARM

Our continued focus on preventing harm in the workplace delivered substantial improvements this year, characterised in particular by the fact that we ended the year without a single fatality, and that we achieved substantial improvements in all our key safety performance indicators. This good progress has been achieved through our implementation since 2016 of a comprehensive 'elimination of fatalities framework', which is designed to facilitate a step change in our management of high-level safety risks. This framework has driven ongoing improvements in our reporting, monitoring and learning from incident processes, including specifically on high-potential hazards (HPHs), high-potential incidents (HPIs), focused visible felt leadership (VFL) and operational risk management (ORM). These will remain priorities in 2018 as we continue to implement our culture of zero harm and safety improvement plans. Kumba's safety results affect the performance-based remuneration of all employees in the business.

In 2017, an escalation in the number of visible felt leadership interventions at Kumba has improved the identification of HPHs and resulted in a pleasing 46% decrease in HPIs, from 39 to 21. We recorded 20 lost-time injuries – representing a 43% decrease on 2016 – of which 90% were low-level incidents, such as slip, trip and fall incidents and finger injuries associated with materials handling. The reporting, investigating and learning from HPHs is an integral part of maintaining a focus on, and thereby ensuring the integrity of, critical controls and behaviours, with the aim of preventing serious injuries and fatalities. We truly believe that zero harm is achievable; this is supported by the fact that Kolomela mine achieved a record 154 injury-free days in 2017.

A personal highlight this year has been my involvement, together with the Exco team, in delivering our internally developed Safety Leadership Alignment Day (SLAD) training across all management levels in 2017. The training is designed to provide an aligned understanding and approach to leadership and safety requirements, roles and responsibilities in managing and leading teams and will be rolled out to supervisors in 2018.

REDUCING OCCUPATIONAL EXPOSURE TO HEALTH HAZARDS

We have continued to make steady progress in reducing occupational exposure – particularly to noise and dust, our two main health risks – supported by a stringent medical surveillance programme.

We have materially improved the effectiveness of hearing protection measures through our employee hearing conservation education initiatives and by issuing custom-made hearing protection devices to all affected employees and contractors. In line with the Mine Health and Safety Council (MHSC) 2025 milestone requirement, we do not have any machinery at our mines that emit noise levels above 107 dB(A). In 2017, 6.13% of the workforce were reported to be potentially exposed to noise over 85 dB(A), as compared to 12.7% of the workforce in 2016. No new cases of NIHL were diagnosed at Kumba, for a second consecutive year. We are confident that the initiatives we have put in place in recent years are helping in effectively managing the risk of exposure to excessive noise levels.

Despite our extensive dust exposure monitoring and control programmes at Kumba, our mines are experiencing ongoing challenges with PM10 dust emissions. We are addressing the need for further reductions to ensure compliance with legal limits through a multi-stakeholder, multi-disciplinary approach and by implementing site-specific health improvement plans. We have significantly improved our understanding of our risk profiles and are driving timely dust suppression initiatives by installing real-time dust monitoring systems at Sishen to detect potential excessive dust concentrations in high-risk areas. It is encouraging that we did not diagnose any new cases of occupational respiratory disease, including occupational TB.

THEMBA MKHWANAZI – CHIEF EXECUTIVE



PROMOTING EMPLOYEE AND COMMUNITY HEALTH AND WELLBEING

Through our wellness programmes, we strive to improve and maintain the health of our people and to reduce absenteeism. Programmes aimed at reducing high levels of long duration sick leave and high-frequency sick leave, especially at Sishen mine, are helping to reduce our total absenteeism rate, which decreased to 3.14% in 2017. Although we continue to see pleasing reductions in levels of non-communicable diseases across our operations, more than 2,000 employees and contractors have chronic diseases. All employees with chronic conditions are monitored regularly through our occupational health clinics.

Kumba continues to deliver on our TB and HIV/Aids programmes in the workplace. The estimated prevalence of HIV infection within our permanent workforce has decreased to 3.8% from 5.9% in 2016. For a second consecutive year, 92% of full-time employees participated in voluntary HIV counselling and testing. We identified 19 new HIV infections within our workforce and continue to strengthen our prevention efforts to bring the incidence rate down. The total number of HIV-diagnosed employees is 243, of which 87% are enrolled on our HIV wellness programme. The uptake of anti-retroviral therapy (ART) by HIV-positive employees increased to 87% from the 2016 baseline of 62%, and 89% of those on ART have achieved viral suppression. During 2017, we diagnosed 16 new cases of TB, all acquired within communities. Our TB incidence rate has substantially decreased to 251 per 100,000 of the employees, remaining well below the estimated South African national rate of 834 per 100,000. Our focus on TB prevention includes active case finding, the provision of isoniazid (INH) for seropositive workers and those with existing silicosis, contact tracing and the 'test and treat' HIV strategy. In 2017, we recorded no employee deaths as a result of HIV or TB infection.

Our health promotion activities in host communities complement our internal health drive and support local socio-economic development outcomes. A long-standing flagship initiative is our provision of HIV-related services and primary healthcare services to mine employees, contractors and host communities through Ulysses Gogi Modise (UGM) wellness clinics, in partnership with the Department of Health. Through these clinics, more than 17,000 community members received HIV-related services this year. Kolomela has boosted its support to communities by developing a high-tech trauma care unit, which is used to accommodate and stabilise the sick and injured before they are transported to medical facilities that can provide definitive care, which are at least 200km away.

EMPLOYEE RELATIONS AND ORGANISATIONAL CULTURE

A significant achievement this year was the self-facilitated negotiation and conclusion of a three-year wage agreement with our unions. The agreement provides for annual cost-to-company increases ranging between a 10% increase on the lowest level and 7% on the highest level of the bargaining category, effective from 1 July 2017 until 30 June 2020. The Company enjoys a very stable industrial relations climate, with no work stoppage experienced since 2012.

Kumba employs 5,875 permanent employees, 4,367 contractors and 485 learnerships, paying out R4.2 billion to employees in 2017. Kumba's staff turnover rate of 4.37% is at its lowest for the past three years.

Throughout 2017 we placed a focus on re-engaging our employees, notably through group discussions and employee engagement surveys. These initiatives yielded critical insights into our desired Kumba culture and how to optimise the employee experience. We aspire to create a sustainable and competitive advantage by developing an organisational culture that fosters safety, diversity, innovation and performance. Strong, accountable, safety-conscious leaders are essential in our effort to drive organisational alignment and a high-performance culture. Every month, we conduct a leadership session, in which management participates in a review of business performance, including a specific focus on safety, health and environmental performance. A principal input towards our culture and leadership work has been the results of an employee engagement survey conducted at Kumba in 2017 as part of a broader Anglo American group-wide survey. The results have provided a better understanding of our cultural strengths, as well as the areas we need to focus on for improvement. We are committed to establish Kumba as the employer of choice.

CHIEF EXECUTIVE'S REVIEW

CONTINUED

During the year we implemented various initiatives to increase productivity at Sishen and Kolomela, which have enabled significant improvements. Key interventions include the successful implementation of an optimised shift roster, which supports a good work/life balance for employees. We provide regular training shifts where management and employees share critical safety awareness, production targets, action plans, general health and wellness aspects. Employees have responded well, demonstrating significantly improved morale. By consistently monitoring and tackling labour efficiencies we have achieved a consistent improvement in attendance and reduction of unplanned leave and sick leave. We introduced a new bargaining unit production bonus scheme, which involves employees working towards monthly targets for specific KPIs including safety, production, productivity and attendance. To promote greater empowerment and accountability at supervisory level, Sishen has rolled out a supervisor scorecard with clear monthly KPIs and a supervisory development programme.

PROMOTING EMPOWERMENT AND DIVERSITY

We have a proud record of promoting transformation within the Company. At year end, the level of representation of historically disadvantaged South Africans remained at 86% of the total workforce, and increased to 66% of management positions, from 62% in 2016. In anticipation of the finalised Mining Charter III setting challenging targets, we are investing in advancing our progress towards internal stretch targets. Progress in 2017 included the appointment of two African males as general managers at Sishen and Kolomela mines. At year end, women continued to constitute 21% of the total workforce, with marginal increases in representation to 17% of core disciplines and 22% of management positions.

In 2017, we invested a total of R161.9 million on training and development, amounting to 5.8% of Sishen's payroll and 5.9% of Kolomela's payroll. Our talent management strategy upholds the importance of fostering diversity. Women currently account for 30% of our talent pool and 20% of short-term successors in our succession planning for leadership and Exco roles. Employees participating in training and development programmes during 2017 were 93% HDSA and 35% women. The selection process for our bursary programme has supported an increase in female and HDSA representation in the bursary pool as from 2018. At year end, we employed 40 people with disabilities, with 13 in managerial positions.

FOSTERING POSITIVE COMMUNITY RELATIONS

We have continued to work on developing strong relationships and fostering trust with our host communities through concerted efforts aimed at community engagement and dialogue. This year, in addition to conducting roadshows in each host municipality, Kumba also held a successful Stakeholder Day early in November 2017 to review the Company's progress in delivering on its transformational goals and to identify opportunities for collaboration in addressing the country's social, economic

and environmental challenges. It was encouraging to see the range of partners who came together at this event, including representatives from the Board and executive team, provincial and local government, labour unions, business and development partners, suppliers, host community groups and civil society.

An ongoing focus this year has been our engagement relating to the relocation of the Dingleton community to Siyathemba, a new purpose-built suburb in Kathu. It is pleasing to report that the legal representatives of the few remaining residents have expressed their satisfaction that the process Kumba followed has been fully aligned with International Finance Corporation protocols, and that the offers we made were fair and sound. Kumba has invested around R3 billion in establishing Siyathemba, building houses and associated infrastructure, and establishing effective community representative forums. These forums play a vital role in our community improvement plans and are well represented from a gender and age demographic.

At Kolomela we have maintained good relations with the community leadership, where there have been social tensions following an influx of job seekers to the area. The operation has established a core task team to address increasing demands for procurement opportunities. In Thabazimbi we submitted the final closure plan for the mine to the DMR in May 2017; we have continued to invest in maintaining public services in Thabazimbi and await formal government approval to transfer the mining right to ArcelorMittal SA.

We record, investigate and respond to all community complaints. Most of these incidents continue to be related to blasting and dust from Sishen operations, and minor damages to infrastructure. Others relate typically to potential impacts on water quality and quantity, limited procurement and employment opportunities. In 2017, we experienced no level 3 to 5 social incidents.

A POSITIVE SOCIAL CONTRIBUTION

Kumba has a strong track record in facilitating social and economic transformation in South Africa, and contributing meaningfully towards the country's objectives relating to broad-based black economic empowerment (B-BBEE). I am particularly pleased with our performance this year in driving localised and preferential procurement, making a tangible difference to the lives and families of emerging black entrepreneurs, and stimulating economic development in our host communities. This year we spent R520 million on procurement from 162 qualifying host community suppliers, exceeding our 2017 target of R500 million. We have set ambitious growth targets for our host communities of R1 billion spend in 2018 and R2 billion by the end of 2019.

In 2017 alone, Kumba contributed R8.1 billion in corporate taxes, mineral royalties and other taxes, R4.2 billion in salaries and wages, R520 million in local procurement expenditure within our host communities. A total of R9.3 billion was spent on black businesses, representing 77% of discretionary spend,

and R106.7 million in direct social investments in community initiatives. Kumba's improved revenues will boost our community development budget for 2018, which is annually determined by 1% net profit after tax.

Kumba aspires to be a trusted partner with key stakeholders and a leader in being a catalyst for collaborative social development. In the face of rising expectations from communities and government for mining companies to deliver social change, we seek to partner and identify innovative solutions to maximise development outcomes with the funds at our disposal. We are pleased to be an active participant in a collaborative process by the leadership of manganese and iron ore companies in the Northern Cape to develop and implement a shared value strategy for socio-economic development in the region. Launched in 2017, the process will involve the identification and selection of projects for joint implementation; strategies for engaging priority stakeholders and developing a shared vision; and implementing a programme management and governance framework.

Legislative and regulatory uncertainty is an ongoing concern and constrains efforts to revive the mining sector and work towards clear objectives. We welcome the intervention by the office of the President of the Republic of South Africa and look forward through the Chamber of Mines to revisiting the Mining Charter. We hope to see a constructive and timely outcome to this process that will more effectively harness the full economic and developmental potential of the mining sector.

RESPONSIBLE ENVIRONMENTAL STEWARDSHIP

In ensuring responsible environmental stewardship, we engage regularly with government at all levels to ensure compliance with environmental authorisations and related requirements, including any instances of environmental incidents or grievances. In line with the Anglo American plc group-wide approach, over the last two years we have rolled out a more comprehensive set of leading environmental performance indicators. This includes reporting on progressive rehabilitation, permitting and compliance indicators, risk management indicators, and high-potential incident and hazard reporting.

As part of our commitment to mitigating greenhouse gas (GHG) emissions, Kumba's performance on energy and carbon is included in my scorecard, the Anglo American Board approved the inclusion of our 2020 energy and carbon targets within the executive long-term incentive plan. Energy and carbon targets for 2020 as proposed in 2015 have been revised due to the significant revisions made to our Sishen and Kolomela mine plans. Our GHG emissions reduction target for 2020 is 10.7% and our energy reduction target for 2020 is 11.7%. Kumba continues to benefit from tax incentives for businesses that demonstrate measurable energy savings. We achieve significant energy savings through a range of emission reduction initiatives across our haulage fleet.

In 2017, Sishen mine encountered asbestos contamination on land transferred from Transnet. The contamination is as a result of historic mining and rail transportation activities by Transnet. To manage the risks, a significant amount of asbestos has been removed by Kumba through a registered asbestos contractor and the waste was transported by road to the Vlakfontein hazardous waste landfill. The health and wellbeing of employees and contractors was ensured throughout the process by medical surveillance, routine monitoring, watering down and covering of contaminated material. The wellbeing of host communities was ensured through the covering of trucks during transportation and decontamination of trucks prior to leaving Kumba's operations. Although the asbestos cleanup is ongoing, I am happy to report that so far no exposure has been identified from the monitoring done.

Our approach to land rehabilitation is increasingly integrated with other mine planning activities, as demonstrated by Sishen's integrated approach to mineral waste management, which involves reducing the operational footprint by optimising the short haul in-pit dumping of pits and available space in existing waste rock piles. Rehabilitating available land concurrently results in significant financial and environmental benefits and can reduce closure liabilities. Kumba sets annual rehabilitation targets. Performance against the revegetation target across the three mines has lagged behind and this is an area that will be given more attention in 2018.

APPRECIATION

This has been a particularly positive year for all of us at Kumba, and provides a strong foundation for our ambitious plans for sustained growth. As Chief executive, my role is to ensure that we further enhance our competitiveness, and that we continue our strong focus on investing in our people and our communities, promoting health and safety, sustaining sound relationships with stakeholders, and ensuring responsible stewardship of the environment. A special thank you to the Setco Chairperson, Dolly Mokgatle, for her guidance and leadership to ensure that Kumba continues to make a positive and impactful difference to all stakeholders. I would also like to thank my colleagues on the Kumba Board and executive for their continued support and advice in charting a way forward for the Company.

My thanks are due also to the entire Kumba team, which continues to demonstrate the teamwork and dedication in the execution of their duties, which is essential for ensuring the Company's continued success. I am looking forward to many years together in realising the Company's full potential.

Themba Mkhwanazi

Chief executive

8 March 2018

MEASURING OUR PERFORMANCE

for the year ended 31 December

VALUE PILLAR	STRATEGIC FOCUS AREAS	KPI
	SAFETY AND HEALTH	SAFETY AND HEALTH
	<ul style="list-style-type: none"> Elimination of fatalities through a culture of zero harm Provide leadership on responsible citizenship Provide extensive support to our employees 	<ul style="list-style-type: none"> Fatal injury frequency rate (FIFR) Total recordable case frequency rate (TRCFR) New cases of occupational disease
	ENVIRONMENT	ENVIRONMENT
	<ul style="list-style-type: none"> Provide leadership on responsible citizenship Proactively engage with key stakeholders Focus on the Northern Cape 	<ul style="list-style-type: none"> Energy consumption (million GJ) GHG emissions (Mt CO₂-equivalent) (for detail refer to page 64 of the SR) Total water withdrawals (million m³) (for detail refer to page 62 of the SR) Number of level 3, 4 or 5 environmental incidents
	SOCIO-POLITICAL	SOCIO-POLITICAL
	<ul style="list-style-type: none"> Provide leadership on responsible citizenship Proactively engage with key stakeholders Provide extensive support to our employees 	<ul style="list-style-type: none"> Social way assessment scores (out of five) (for detail refer to page 43 of the SR)
	PEOPLE	PEOPLE
	<ul style="list-style-type: none"> Provide leadership on responsible citizenship Implement the Operating Model Provide extensive support to our employees 	<ul style="list-style-type: none"> Voluntary labour turnover (%)* Women in management (%) Women in workforce (%) Historically disadvantaged South Africans (HDSAs) in management (%)
	PRODUCTION (Mt)	PRODUCTION (Mt)
	<ul style="list-style-type: none"> Focus on the Northern Cape Extend life of current mines Compete through premium products 	<ul style="list-style-type: none"> Sishen mine Kolomela mine Thabazimbi mine
	COST	COST
	<ul style="list-style-type: none"> Unlock full infrastructure potential Sustainably operate mines at a lower unit cost Use technology to extract maximum value from our ore 	<ul style="list-style-type: none"> Sishen mine free-on-rail (FOR) unit cost Cash cost Rand/tonne US\$/tonne (for detail refer to page 49 of the IR) Kolomela mine FOR unit cost Cash cost Rand/tonne US\$/tonne (for detail refer to page 50 of the IR)
	FINANCIAL	FINANCIAL
	<ul style="list-style-type: none"> Unlock full infrastructure potential Sustainably operate mines at a lower unit cost Use technology to extract maximum value from our ore 	<ul style="list-style-type: none"> Return on capital employed (ROCE) (%) Earnings per share (Rand per share) Attributable free cash flow (Rm)

* Including retrenchments for 2016.

	2017	2016	2015	KPI TREND LINE
	2017	2016	2015	2017 2016 2015
✓	0	0.016	0	
✓	0.65	0.78	0.90	
✓	2	12	28	
✓	8.94	8.45	11.1	
✗	1.00	0.94	1.20	
✗	33.2	24.1	33.1	
✓	0	0	1 (level 3)	
✗	3.1	3.3	3.2	
✓	4.4	49.5	13.0	
✓	22	21	19	
=	21	21	18	
✓	66	62	59	
✓	31.1	28.4	31.4	
✓	13.9	12.7	12.1	
=	N/A	0.4	1.4	
✓	287.3	296.2	310.8	
✗	21.6	20.2	24.4	
✗	236.7	201.1	177.7	
✗	17.8	13.7	13.9	
✓	53	51	27	
✓	38.63	26.98	1.46	
✓	12,338	11,183	5,106	

- ✓ Positive outcome
- = Neutral outcome
- ✗ Negative outcome

OUR STRATEGY














OUR VISION

To be a successful and sustainable African supplier of quality iron ore to global and local markets while delivering superior value to our stakeholders.

AMBITION

We aspire to drive shareholder returns in the top quartile of our peer group through the price cycle, by extracting maximum value from our high-quality asset portfolio.

 <p>Elimination of fatalities through a culture of zero harm</p>	<p>Significantly improve margins to remain globally competitive and sustainable</p>	<p>Extend life of mines post-2030</p>	<p>Consistently supply high-quality products</p>	<p>High-performance culture driven by healthy motivated employees</p>
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WHERE TO PLAY		HOW TO WIN		KEY ENABLERS
 <p>Focus on the Northern Cape, as the region contains the most attractive ore bodies for both current operations and targeted brown fields exploration</p>	 <p>Extend life of current mines through low-grade projects, and business development activities</p>	 <p>Unlock full infrastructure potential to support maximum export volumes over the medium term</p>	 <p>Sustainably operate mines at a lower unit cost to remain competitive through a reduced cost base and a step-up in productivity</p>	 <p>Align marketing and operational activities to ensure product produced efficiently matches customer needs</p>
 <p>Compete through premium products to maximise price premium realised and to maintain differentiated customer relationships</p>	 <p>Identifying and realising opportunities beyond the existing asset base</p>	 <p>Use technology to extract maximum value from our ore. Focus on step-change opportunities</p>	 <p>Implement the Operating Model to ensure the stable and capable processes leading to the delivery of business expectations</p>	 <p>Reinforce our reputation for product quality and consistency</p>
				 <p>Proactively engage with key stakeholders to reinforce our partnership approach</p>
				 <p>Provide leadership through responsible citizenship, displaying care for safety, health and the environment</p>
				 <p>Provide extensive support to our employees to help them through the Kumba transformation journey</p>

GOVERNANCE AND MANAGEMENT APPROACH

Sustainability considerations are entrenched in Kumba's governance structures and we continue to integrate sustainability best practice into core business processes. Our approach to sustainability is underpinned by a well-defined process for identifying and evaluating the risks and opportunities that are most material to the business. This process is reviewed in our Integrated Report 2017 (pages 28 to 34).

GOVERNANCE

The role of the Kumba Board of directors is to promote the long-term success of the business with integrity, ethically, with fairness and transparency, while taking into account the interests of its various stakeholders. The directors steer the Company in the right direction through a combination of strategy, effective leadership and sound corporate governance. Our Board of directors is committed to adhering to the highest standards of corporate governance and ethics as per King IV, the Companies Act, the JSE Listings Requirements, other applicable regulations, and governance frameworks.

The Board delegates responsibility for the governance of sustainability to its Social, Ethics and Transformation Committee (Setco), chaired by Dolly Mokgatle. The Committee is tasked with overseeing that Kumba is seen to be a responsible corporate citizen, ensuring that the Company attains its goals relating to the management of safety, health and the environment, as well as social, transformation and ethics issues across the Company. Its responsibilities include developing sustainable development policies and guidelines to manage these focus areas, monitoring performance against key indicators, and facilitating stakeholder participation, cooperation and consultation on key issues.

In 2017, the Committee met five times and focused on the following critical areas:

- Reviewing performance on safety, through the implementation of the elimination of fatalities framework and the culture of zero harm programme
- The roll-out of the Anglo American Code of Conduct at Kumba
- Overseeing progress with the closure of Thabazimbi mine
- Overseeing progress with the Dingleton resettlement project

The Chief executive and Executive heads of safety, health and environment, public affairs and human resources attend the Setco meetings as invitees.

During 2017, the Committee participated in various roadshows to each host municipality and also in Kumba's Stakeholder Day. These opportunities were utilised to engage with key stakeholders on the Company's performance and socio-economic issues.

Each year, the Board conducts an assessment of its own performance and of the appropriateness and effectiveness of its committees, procedures and processes. In addition, an external assessment is performed every three years that includes personal interviews with individual directors. An external assessment was carried out in 2015. The next external assessment will be carried out in 2018.

Kumba's Chief executive and his Executive management team (Exco) are accountable for the day-to-day sustainability management and performance and all aspects of our overall strategy. Sustainability performance indicators and the achievement of targets influence the performance-based remuneration of senior executives. Responsibility for delivering on our sustainability performance rests with the safety and sustainable development department. For further information on our remuneration practices, refer to the remuneration section of our Integrated Report 2017 (page 81).

A detailed review of Kumba's corporate governance structures and practices is provided in our Integrated Report 2017 (pages 70 to 80). Our performance against our sustainability governance requirements is reviewed in the material issues section of this report (pages 23 to 69).

GOVERNANCE AND MANAGEMENT APPROACH CONTINUED

KUMBA'S SUSTAINABILITY GOVERNANCE FRAMEWORK



MANAGEMENT APPROACH

POLICIES AND PROCEDURES

Our sustainability standards are articulated in the Anglo American Safety, Health and Environment (SHE) Way, as well as the Government Relations and Social Ways. The 'Ways' set out the vision, principles, policies, management-system requirements and performance expectations for managing our core sustainability risks and opportunities. All service providers acting on our behalf are expected to adopt and follow our group standards and policies.

Anglo American Technical Standards define the mandatory minimum requirements we set for managing a wide range of specific issues. In relation to sustainability these include, for example, the management of water, energy, tailings storage facilities, and various technical aspects of mining that relate to safety.

Through our responsible sourcing programme, we aim to ensure that those we do business with follow a set of minimum standards of responsible business conduct that are comparable to what we expect of ourselves. Our approach in this regard is guided by the Anglo American Responsible Sourcing Standard for Suppliers.

RISK MANAGEMENT

The implementation of the Anglo American Operational Risk Management (ORM) process supports integrated risk management by providing operational managers with a means of identifying, prioritising and controlling the risks that threaten their ability to meet objectives. The achievement of targets relating to ORM influences the performance-based remuneration of senior executives.

The process manages operational risk through the implementation of four layers:

Layer 1: Baseline risk assessments are undertaken to systematically identify priority unwanted events (PUE) at operations. A risk and control register is then developed as a record of the identified priority events ranked according to the degree of associated risk, as well as the critical controls for those events. It is developed as a result of a structured site-wide risk assessment exercise.

Layer 2: Issue-based risk assessments are conducted for PUEs that require detailed evaluation. Such exercises evaluate the effectiveness of existing controls, determine whether the risks are acceptable, and recommend control improvements.

Layer 3: Task-based risk assessments are undertaken to develop guidelines and procedures that guide the safe execution of specific tasks.

MANAGEMENT APPROACH continued

Layer 4: Continuous risk management is employed to reduce risks as well as to identify, correct, and report workplace issues. Risk assessments are undertaken before a task is performed, during the performance of a task when a change or unexpected condition is recognised, and at the conclusion of the task so that the work area is safe to hand over to others.

A great deal of focus is placed on critical control management. Critical controls are those controls that significantly influence the likelihood and/or consequence of an event and if removed they will significantly influence the risk rating. They are controls that are critical to the integrity of the overall system.

ASSURANCE

Our Sishen and Kolomela mines are certified to the requirements of ISO 14001, the environmental management systems standard. Sishen is certified to the requirements of OHSAS 18001, the occupational health and safety management systems standard. Kolomela mine is awaiting its certification following a successful audit. Key sustainability data are externally assured.

Various internal and external review and assurance programmes ensure that priority unwanted risks are identified and that adequate controls are in place to manage them. A detailed review of our risk management practices is provided in our Integrated Report 2017 (pages 28 to 34).

BUSINESS CONDUCT

CODE OF CONDUCT

Anglo American launched a new Code of Conduct in 2016, which guides our overall approach to doing business. The Code focuses on four key areas, providing guidance on how to:

- prioritise safety, health and the environment
- treat people with care and respect
- conduct business with integrity
- protect our physical assets, information and interests

During 2017 the new Code of Conduct was made available to all employees at Kumba. A phased approach to creating awareness of the code was implemented by providing training to all employees within Kumba.

BUSINESS INTEGRITY POLICY AND STANDARDS

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. Kumba's Management Ethics Committee, chaired by the Company secretary, is mandated to oversee the implementation of the Board's ethics policies and procedures. It meets quarterly and reports directly to Exco and to the Board's Audit Committee and Setco.

We endorse and comply with all applicable anti-corruption laws and conventions. Our Business Integrity Policy states that we will neither give nor accept bribes, nor permit others to do so in our name. The policy is supported by 11 performance standards that cover various aspects of our business where there is potential risk for corruption. The standards prohibit the Company from making donations to any political party or politician. No such donations were made in 2017.

Bribery risk assessments are conducted periodically and where necessary, an action plan is developed to strengthen the internal controls that manage the risk. Our internal audit team audits the risk assessment process and action planning annually. We provide specific business integrity training to all employees who may be exposed to corruption risks owing to the nature of their work, every two years. In 2017, 238 employees attended business integrity workshops.

WHISTLEBLOWING

Our independently managed 'Speak Up' facility is a confidential and secure means for our employees, contractors, suppliers, business partners and other external stakeholders to report concerns about conduct that is contrary to our values and integrity standards.

GOVERNANCE AND MANAGEMENT APPROACH CONTINUED

BUSINESS CONDUCT continued

We do not tolerate any form of retaliation against employees raising concerns in good faith. Any allegation of harassment or intimidation by others as a result of contacting Speak Up is investigated and, if required, appropriate action is taken.

During 2017, 31 alerts were received (2016: 30), of which about 32% related to HR matters, including grievances and allegations related to labour practices and unfair discrimination, followed by supplier and procurement matters accounting for 29% of alerts. Six alerts were reported internally, of which three were theft and three supplier and procurement related. Procurement irregularities have increased during 2017, illustrative of the increase in unethical business conduct in broader society. Every alert is evaluated and, where appropriate, investigated.

A detailed review of our codes of conduct and approach to ethics, corruption and bribery is provided in the Governance section of our Integrated Report 2017 (pages 70 and 71).

RESPECTING HUMAN RIGHTS

Our approach to respecting the human rights of employees, host communities and business partners

is aligned with the South African Constitution and the 'Protect, Respect and Remedy' Framework of the UN Guiding Principles on Business and Human Rights. We implement the Anglo American plc human rights policy and framework to guide our approach to identifying and addressing our salient human rights risks, which are also integrated into the Social Way and SEAT tools. We conduct operational level due diligence processes to determine salient human rights issues.

Security-related human rights issues present risks and potential impacts at our business and in the broader community. We are a long-standing supporter of the Voluntary Principles on Security and Human Rights (VPs) and comply with the VPs at all our operations. During 2017, 571 employees and contractors who work in areas where human rights could potentially be impacted – such as security, HR and community development, stakeholder relations and supply chain – continued to receive training on human rights and the VPs.

Formal mechanisms for reporting human rights grievances and violations are in place at all our operations and the corporate office. No such incidents were reported at Kumba during 2017.

UPDATE ON THE THABAZIMBI TRANSFER TO ARCELORMITTAL SA

SIOC and ArcelorMittal SA announced in 2016 that they had entered into an agreement to transfer Thabazimbi mine to ArcelorMittal SA, subject to the fulfilment of certain conditions. As the DMR has not yet issued the Section 11 approval, the deadline has been extended to 31 March 2018. If the conditions are not satisfied by this time and there is no agreement by the parties to extend it, the agreement will lapse and SIOC will proceed with the closure of the mine.

The agreement is expected to become effective in the second half of 2018, at which time the employees, assets and liabilities will transfer to ArcelorMittal SA at a nominal purchase consideration plus the assumed liabilities of which 97% is already ArcelorMittal SA's contractual liability. The Thabazimbi mine assets and related liabilities that will transfer have been presented separately in the balance sheet as assets and liabilities of the disposal group held for sale at 31 December 2017 (refer to note 20 in the AFS, page 65).



STAKEHOLDER ENGAGEMENT

We continued to identify and prioritise the material interests of our stakeholders, and we implemented a comprehensive stakeholder engagement strategy and framework to address these interests.

Regular, proactive and meaningful engagements with our key stakeholders remain particularly important and enable us to reinforce our collaborative approach. In keeping with this, the Kumba 2017 Stakeholder Day was held on 8 November, bringing Kumba and Sishen Iron Ore Company (SIOC) boards of directors and the executive together with provincial and local government, our labour unions, business partners, development partners, suppliers, host community groups and civil society, to discuss transformation and sustainability. Constructive feedback received through this event also informed our strategic responses to stakeholder interests.

SCALE FOR STAKEHOLDER ENGAGEMENT

- **To improve**
When Kumba perceives that our engagement on a specific stakeholder interest or issue needs additional attention and we address this in our strategic responses
- **Adequate**
When Kumba perceives that our engagement on a specific stakeholder interest or issue is adequate to reach our common goals but we continue to identify additional strategic responses to improve the level of engagement
- **Excellent**
When Kumba perceives that our engagement on a specific stakeholder interest or issue is both mutually beneficial and progressive through the strategic responses that were identified

STAKEHOLDER GROUP	MATERIAL STAKEHOLDER INTEREST	OUR STRATEGIC RESPONSE	EFFECTIVENESS OF ENGAGEMENT
Government and political groups 	Employee safety	<ul style="list-style-type: none"> – Effective management of occupational health and safety risks within and around our operations – Setting and communicating non-negotiable standards and procedures for reducing injuries and eliminating fatalities – Learning from incidents and sharing the learnings with stakeholders to prevent their recurrence 	■
	Local community development	<ul style="list-style-type: none"> – Strategic focus on partnership and collaboration – Joint local economic strategy for the Northern Cape being developed with other mining operations – Driving localised procurement and youth development through education, training and mentorship 	■
	Social and labour plan compliance	<ul style="list-style-type: none"> – Constructive and transparent engagement with national, provincial and local government to address concerns – Going beyond compliance 	■
	Environmental management	<ul style="list-style-type: none"> – Minimising negative impacts on the environment and preventing irreversible environmental impacts 	■
	Dingleton resettlement project	<ul style="list-style-type: none"> – Collaboration with provincial and local government on the relocation of homeowners, renters and institutions from Dingleton. Donation of 146 stands and completion of rental units – The establishment and training of the post-resettlement working group to ensure the sustainability of the community – Identification of projects to ensure post-resettlement sustainability of the community 	■
Shareholders and investors 	Price environment Ability to control costs and production Political and policy uncertainty in South Africa	<ul style="list-style-type: none"> – Implementing measures to reduce operational costs and enhance efficiencies through, among others, the implementation of the Operating Model, innovation and increased productivity, in order to meet operational targets – Regular investor engagements – Regular engagement with government on policy developments – Transformation journey to ensure the sustainability of the Company 	■

SAFETY AND HEALTH



IN THIS SECTION

Employee safety

Employee and community health

Ensuring the safety and health of employees and contractors at work is one of the most fundamental human rights issues facing Kumba and other mining companies. While protecting our workforce from harm is a moral imperative for us, our focus on 'zero harm' also constitutes a direct investment in the productivity of the business. A safe and healthy workforce contributes to an engaged, motivated and productive workforce that mitigates operational stoppages, and reduces potential legal liabilities.

EMPLOYEE SAFETY

Kumba's intense focus on preventing harm in the workplace is reflected in an encouraging decrease in the number and severity of injuries recorded at our operations in 2017. We have operated fatality-free since May 2016 and achieved all of our safety-related targets for 2017. The good progress in most of the group's safety performance indicators this year is attributed primarily

to the implementation of a comprehensive 'elimination of fatalities framework'. Ongoing improvements in our reporting, monitoring and learning from incident (LFI) processes, including high-potential hazards and incidents, have further helped us to strengthen our critical control management, focused visible leadership and operational risk management.

ENHANCING PARTNERSHIPS

Safety milestones achieved at our operations this year include:

Fatality-free since May 2016

46% improvement in HPis

2017: 21 vs 2016: 39

43% improvement in LTIs

2017: 20 vs 2016: 35



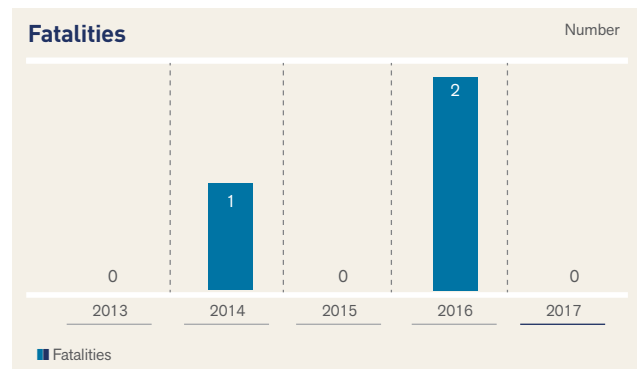
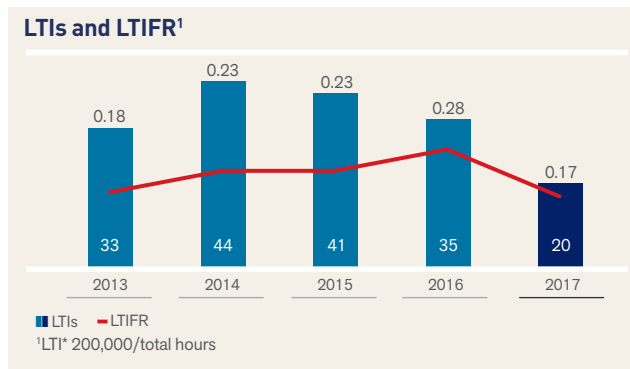
Image: Boitumelo Ruiters, work management planner; Faith Bapela, human resources adviser; Clement Mufamadi, PSO specialist; Jones Galane, planner; and Bonolo Maruping, Operating Model specialist doing Operating Model training specifically on the process flow.

Thabazimbi mine has been fatality free for five consecutive years

Saldanha, Exploration and head office remained LTI-free throughout 2017

In 2017, we were not issued with any Section 54 stoppage instructions (excluding Section 55s). We recorded 128 voluntary, proactive stoppages (2016: 131), and received no non-compliance notices (2016: three).

SAFETY AND HEALTH CONTINUED



This year, we recorded 20 lost-time injuries (LTIs) (2016: 35), resulting in a lost-time injury frequency rate (LTIFR) of 0.17 against a targeted 0.24. Low-level incidents, typically finger injuries associated with materials handling, and slip, trip and fall incidents, accounted for 90% of the LTIs (2016: 66%). We continue to prioritise the prevention of transportation and materials handling incidents. We recorded a total of 77 recordable injuries, resulting in a total recordable case frequency rate (TRCFR), which includes any injury that requires more than first-aid treatment, of 0.65. This represents a 17% improvement (2016: 0.78) and exceeded our targeted 0.66.

The number of visible felt leadership (VFL) interactions and interventions performed totalled 37,268, compared to 27,222 in 2016, exceeding the targeted KPIs for leadership and VFL engagement.

OUR PERFORMANCE IN 2017 AND 2018 TARGETS

	Fatalities	FIFR	LTIs	LTIFR	TRCFR	Permanent disabilities	LTISR	Days lost due to injury
Sishen	0	0	11	0.16	0.78	0	63	551
Kolomela	0	0	8	0.26	0.46	0	251	963
Thabazimbi	0	0	0	0	1.06	0	0	0
Projects	0	0	1	0.18	0.55	0	149	36
Head office	0	0	0	0	0.13	0	0	0
Exploration	0	0	0	0	0.66	0	0	0
Saldanha	0	0	0	0	0	0	0	0
Group	0	0	20	0.17	0.65	0	104	1,550
Group target 2017	0	0	27	0.24	0.66	0	95	1,480
Group target 2018	0	0	17	0.14	0.55	0	88	1,317

Definitions:

FIFR – fatal 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 (LTI* 200,000/total hours).









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.

KUMBA'S TOP TEN PRIORITY UNWANTED EVENTS (PUE)

<p>1</p> <p>MOBILE EQUIPMENT INCIDENTS</p>  <p>Controls:</p> <ul style="list-style-type: none"> – Licensed, in vehicle monitoring – Collision avoidance – Fatigue detection technology – Safety berms – Fire suppression system – Vehicle maintenance and brake testing 	<p>2</p> <p>FALLING FROM HEIGHTS</p>  <p>Controls:</p> <ul style="list-style-type: none"> – Always wear fall arrest harness and use two lanyards – Handrails and safe working platforms 	<p>3</p> <p>UNCONTROLLED RELEASE OF STORED ENERGY</p>  <p>Controls:</p> <ul style="list-style-type: none"> – Isolate/release energy – Lockout and test – Barricades – Guarding, safety devices that secure hoses 	<p>4</p> <p>HIGHWALL BENCH FAILURE (STRATA CONTROL)</p>  <p>Controls:</p> <ul style="list-style-type: none"> – Daily inspection, monitoring (strata movement) and bench height – Standoff rule – Safety berms and water diversion channels 	<p>5</p> <p>FIRES AND EXPLOSIONS</p>  <p>Controls:</p> <ul style="list-style-type: none"> – Separation of ignition source – Barricading – Flashback arresters – Earthing and bonding – Good housekeeping, through ventilation
<p>6</p> <p>LIFTING/LOSS OF LOAD</p>  <p>Controls:</p> <ul style="list-style-type: none"> – Rigging study – Drop zones – Guide ropes – Lifting equipment inspection and colour coding – Overload alarms and wind speed 	<p>7</p> <p>PREMATURE DETONATIONS</p>  <p>Controls:</p> <ul style="list-style-type: none"> – Authorised personnel – Blasting permit – Clearance procedure – Separation of explosives and detonators – Lighting warnings and no contrabands, e.g. cellphone lighters 	<p>8</p> <p>CONTACT WITH MOVING MACHINERY</p>  <p>Controls:</p> <ul style="list-style-type: none"> – Guards, isolation and lock-out – Emergency stops – Tripwire – Nip guards – No loose clothing – Permits 	<p>9</p> <p>ABNORMAL WEATHER CONDITIONS</p>  <p>Controls:</p> <ul style="list-style-type: none"> – Lightning detection system – Wind speed monitoring – Warning SMS system – Evacuation procedure for inclement weather and operate, and drive to weather conditions 	<p>10</p> <p>CONFINED SPACES</p>  <p>Controls:</p> <ul style="list-style-type: none"> – Confined space permit – Atmospheric monitoring – Access control register – Rescue plan – Buddy system – Adequate ventilation

KNOW WHAT CAN GO WRONG AND TAKE CONTROL

SAFETY AND HEALTH CONTINUED

PROVIDING A SAFE WORKPLACE

Operating safely, sustainably and responsibly remains integral to our business strategy. Our aim is to continually build and instil both a company and industry culture that protects people from harm and improves their health and wellbeing.

Our safety management approach is risk-based and focuses on integrating safe working practices into every aspect of what we do. This is founded on three key principles: a mindset of zero harm, no repeats and the application of simple, non-negotiable standards. Throughout 2017, Kolomela and Sishen continued to implement safety improvement plans driven by the elimination of fatalities (EOF), with a focus on effective management of critical controls required to manage significant safety risks, learning from HPIs and HPHs, culture and safe behaviour programmes, and leadership engagement and accountability. These will remain priorities in 2018.

The elimination of fatalities framework consists of six key elements:

- leadership focus
- caring culture
- planning and scheduling
- risk and change management
- monitoring and assurance
- learning organisation

Safety-related training extends to our workforce in various forms, from formal training initiatives to regular or daily safety briefings. We implement a standardised contractor management procedure, which includes safety induction training.

Resilient management systems

During 2017 we started with Anglo American's new SHE Way, which integrates safety, health and environment in guiding our approach to achieving zero harm. The management system framework provides a simpler, more streamlined approach that is aligned to the latest international standards. These internal policy requirements are supported by our SHE policy.

All sites have safety committee and sub-committee structures that are aligned with legal requirements. Representatives of unions, associations and employees are nominated and elected to participate. Sishen mine is certified to the requirements of the occupational health and safety management systems standard OHSAS 18001. Kolomela mine is awaiting its certification following a successful audit. During the required renewal and follow-up reviews, Kumba will transition to the ISO 45001 system requirements.

Effective risk management

Anglo American's Operational Risk Management (ORM) process provides a consistent and effective way of identifying, prioritising and controlling risk. We have implemented interventions aimed at further integrating safety with our Operating Model, thereby improving the planning and scheduling of work and tasks.

Targets relating to the delivery of ORM form part of management incentives and there is a growing recognition that safety and productivity are complementary. Kumba's safety results affect the performance-based remuneration of all employees in the business.

Through risk assessments, including an analysis of incident and HPH trends, we have identified the top 10 priority unwanted events (PUE) at each site. Our principal safety risks relate to transportation, moving machinery, working at heights (falling from heights, falling objects, lifting operations), electrical or release of stored energy incidents, and isolation/lock-out. Fatigue and stress management is another focus area.

Our operations continue to embed ORM processes for safety, with a focus on identifying, implementing and monitoring critical controls for the top 10 PUEs, analysing deficiencies, and incorporating identified controls into task-risk assessments. An external review of critical control management was conducted at Sishen and Kolomela mines and the key findings and learnings were shared.

Operational metrics together with HPH reporting provide a robust set of leading safety indicators to inform interventions. Sharing and implementing safety learnings more efficiently is mitigating repeat incidents. We have placed an emphasis on implementing corrective action plans to mitigate transportation, isolation and electricity-related incidents.

At all our operations, daily sessions are held to inform supervisors of daily critical tasks and controls required to be monitored.

Leadership and accountability

Strengthening leadership and accountability remains a priority. We continue to place an emphasis on improving the quality and impact of our VFL interventions. In 2017 we introduced a more formal approach to managing high-risk work. Senior management is assigned to inspect and review high-risk work activities and provide feedback, sharing learnings and improvements in the daily 'war room' meetings. We continue to strengthen the leadership at the operational level to ensure good work practices.

In 2017, we developed our Safety Leadership Alignment Day (SLAD) training, which is designed to provide leadership members with an aligned understanding and approach to leadership and safety requirements, roles and responsibilities in managing and leading teams. The training is conducted by our Exco team and has been provided across Kumba senior and middle management.

Safety culture

Building a safe, responsible culture requires strong safety leadership, effective supervision and an engaged workforce. We seek to embed positive safety leadership practices as part of daily activities. These initiatives are supported by Anglo American plc's annual Global Safety Day campaign. This year's theme was 'safe, responsible production', which focused on the importance of planning, reporting risks and incidents,

working together to address challenges and opportunities, and recognising each other for working safely. All sites engaged in a series of 'activations' which included the dedicated Global Safety Day, held in October, which once again brought employees and contractors across the group together to reinforce a commitment to shared responsibility for safety.

Our mines implement campaigns and awareness drives to maintain and create heightened awareness around our key safety focus areas. Kumba's PUE hazard map, which provides a simplified illustration of hazards associated with our mining process activities and the associated critical controls required, is widely distributed. The tool conveys key messaging and reinforcement of behaviours and procedures that all need to comply with while in that working area.

SAFETY TRAINING	
Training initiatives in 2017	Percentage of target employees trained
Safety representative training	100
Visible felt leadership (VFL)	100
A3 operational risk management process (ORMP) training	85
A2 ORMP	82
A1.2 hazard ID/SLAM	98
Legal liability training	91
First aid training	100
Fire fighting training	100

Incident investigations

We continue to focus on improving the quality of incident investigations to ensure that root causes are identified and addressed. All future HPIs and significant incidents will be investigated by external LFI facilitators.

In 2017, we implemented the revised Anglo American Learning from Incidents process. The revised process simplifies the incident investigation process, thereby improving its quality and effectiveness.

Compliance, engagement and collaboration

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.

The nine-year-old Anglo American Tripartite partnership with government and labour continues to seek areas for improving safety at South African operations through collaborative and transparent stakeholder engagement. Kumba continues to effectively participate in the tripartite activities. We are firm on our compliance obligations in respect of policy, legislation and practices.

SAFETY AND HEALTH CONTINUED

PROGRESS ON THE CULTURE TRANSFORMATION FRAMEWORK

In keeping with Kumba's sacred covenant with the families of all its employees to ensure that every employee and contractor at our operations goes home unharmed and healthy, we have adopted the Mining Industry's Culture Transformation Framework (CTF). We participate in the industry health and safety forums and report on our performance in the implementation of the Culture Transformation framework, both internally and externally.

We have made significant progress in all the pillars of the framework. Our most significant progress in the year has been in the leadership, risk management, leading practices and technology pillars, where progress has been made in leadership alignment, identifying and managing the priority unwanted events and the use of technology to reduce fatalities.

CTF PILLAR	OUR PROGRESS
Leadership	In 2017, we rolled out the Safety Leadership Alignment Day training for all our managers, which was aimed at aligning the leadership with regards to our focus on health and safety
Risk management	Top 10 PUEs identified for all sites. Critical controls have been identified and are monitored regularly for effectiveness.
Leading practices	Kumba has adopted leading practices in the mining industry for dust and noise exposures. This has resulted on a reduction in the number of employees exposed above the dust OELs
Technology	Kumba is setting a leading example in the use of technology to eliminate fatalities. In the year, good process was made in the development of a solution for autobraking on haul trucks. Implementation will continue in 2018. The use of drones has also been implemented to remove personnel from dangerous situations.
Elimination of discrimination	Ongoing diversity training and audits are carried out as part of human resources procedures.

EMPLOYEE AND COMMUNITY HEALTH

OUR MANAGEMENT APPROACH

Our health-related activities focus on mitigating health risks in the workplace and supporting the overall health and wellbeing of our workforce, and collaborating with partners to drive key community health initiatives in the areas where we operate.

- Our health improvement plans focus on four areas:
- reducing exposure to occupational hazards, with a primary focus on noise and dust
 - fatigue management
 - the prevention of musculoskeletal injuries
 - wellness and disease management in the workplace

OCCUPATIONAL HEALTH

Our primary focus is to eliminate exposures to occupational hazards in the workplace at levels known to cause harm and prevent associated occupational diseases. Our principal occupational health risks relate to occupational exposure to noise, inhalable hazards, musculoskeletal stress and the management of fatigue and psychosocial factors.

In striving for zero harm, our integrated approach is guided by the Anglo American SHE Way, internal policy requirements and supported by our SHE policy and technical standards. The implementation of ORM provides

a consistent approach to identifying, prioritising and controlling risks. Targets relating to the delivery of ORM form part of management incentives. We have ongoing initiatives to educate our employees and reinforce messages around managing health hazards.

During 2017, there were no regulatory or voluntary work stoppages and no non-compliance notices issued for medical or health-related matters.

Controlling occupational exposure

Our occupational hygiene programme targets the elimination of occupational health hazards at source. Our focus on embedding the critical control management process and mitigation measures has resulted in reduced levels of exposure and fewer health incidents at both Sishen and Kolomela. In workplaces where there is a possibility that an occupational exposure limit (OEL) might be exceeded, employees are provided with appropriate personal protective equipment (PPE), such as suitably selected respiratory protection and hearing protection devices. We have intensive programmes in place to ensure that employees and contractors are trained in the appropriate use and maintenance of the PPE provided, and strict control measures are enforced to ensure adherence to requirements in areas where hazards are present and the use of PPE is required. Our drive in 2017 has been the reduction of occupational hazard exposure to below OEL.

Managing noise

Our focus remains on controlling exposure at source and protecting employees who work in environments with noise levels in excess of the eight hour exposure limit of 85 dB(A). We do not have any machinery at our mines that emits noise levels above 107 dB(A), in line with the Mine Health & Safety Council (MHSC) milestone requirement by 2025. Employee hearing conservation education is ongoing and the issuing of custom-made hearing protection devices to all employees and contractors potentially at risk of excessive exposure to noise and potential noise-induced hearing loss (NIHL), has materially improved the effectiveness of hearing protection measures.

We conduct annual and ad hoc (dependent on noise exposure) audiometric screening examinations to detect early hearing deterioration, and implement additional corrective measures where necessary, before permanent NIHL develops.

In line with the industry health milestones' revised formula for calculating NIHL, we incorporate the required Standard Threshold Shift (STS) into our audiogram monitoring and have completed the 're-baselining' of performance data for all our employees and contractors using the new formula. All future cases of hearing deterioration will be measured against this audiogram and early action will be taken.

In 2017, 6.13% of the workforce were reported to be potentially exposed to noise over 85 dB(A), as compared to 12.7% of the workforce in 2016. In line with our sustained progress in mitigating levels of noise exposure over the past three years, we have decreased the proportion of employees working in higher risk categories.

In 2017, no new cases of NIHL (PLH shift > 10%) were diagnosed at Sishen or Kolomela mines for a consecutive year. We are confident that the initiatives we have put in place in recent years effectively manage the risk of exposure to excessive noise levels.

Managing inhalable pollutants

Occupational exposure to airborne pollutants at our operations, such as dust, is associated with the development of occupational lung diseases, notably silicosis, tuberculosis, lung cancer and airway diseases. We implement dust exposure monitoring and control programmes at our operations, the results of which continue to inform the controls and interventions we implement for reducing exposure to dust and other air pollutants. The installation of real-time dust monitoring systems at Sishen to detect potential excessive dust concentrations in high-risk areas of the workplace is significantly improving our understanding of our risk profiles and timeous dust suppression.

Sishen and Kolomela continue to make progress through the implementation of extensive dust improvement plans over the last few years. The mines nonetheless have ongoing challenges with PM10 dust emissions. The operations are addressing the need for further reductions to ensure compliance with legal limits, through a multi-stakeholder/multi-disciplinary approach and site-specific health improvement plans. Our air quality management is further reviewed on page 59.

In 2017, 1.1% of our workforce were reported to be working in environments where they were potentially at risk of exposure to inhalable hazards at levels in excess of the relevant OELs (2016: 3.3%).

We are pleased to report that we did not diagnose any new cases of occupational respiratory disease, including occupational TB, in 2017.

We continue to investigate exposure to carcinogens in the workplace with a specific focus on exposures to trichloroethylene and diesel particulate matter exposures. Monitoring also continues for metal fumes (welding fumes) and hazardous chemical substances, which are all below OEL.

SAFETY AND HEALTH CONTINUED

REAL-TIME DUST MONITORING

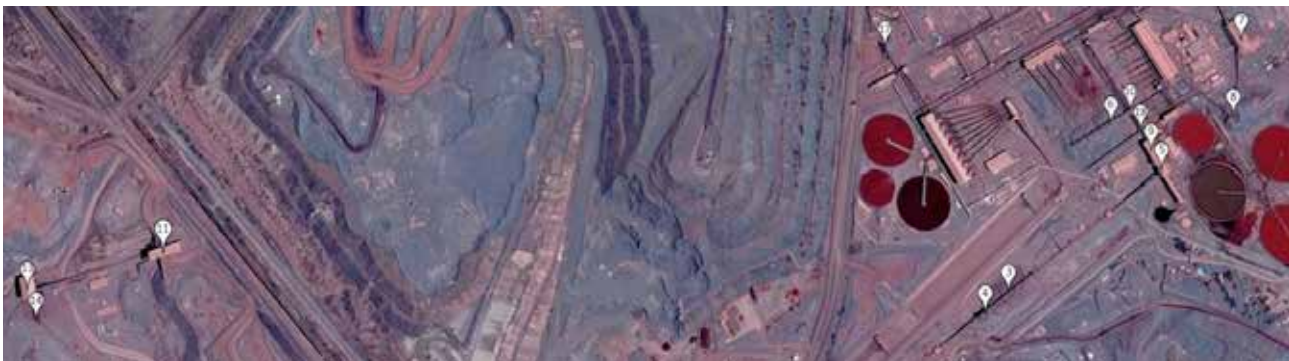
The impact of dust generated during open-cast mining is a natural environmental concern. Exposure to crystalline silica dust is one of our priority unwanted events (PUE). Silica exposure causes silicosis which is cancerous and irreversible. It is therefore necessary that exposure to silica is adequately controlled to prevent the development of silicosis among Kumba employees. According to the Mine Health and Safety Act (MHSA) dust levels in the workplace must be <math><3 \text{ mg/m}^3</math> for respirable dust and <math><10 \text{ mg/m}^3</math> for total inhalable dust. The current dust suppression system at Sishen mine requires enhancements and initiatives are planned to further reduce dust exposure levels.

The need to reduce employee exposure to silica dust prompted the mine to implement real-time dust monitoring, a project which costs about R9 million. This system will give immediate real-time measurement data and track long-term historical information. Data gathered from this system will help the occupational hygienist and line management to

make the right decisions to improve the effectiveness of the current dust suppression system. This in turn will result in a reduction in employee exposures to dust and the number of PM10 dust exceedances recorded at our monitoring stations.

As part of the project, a total of 20 real-time dust monitors were installed in identified locations. Converters were installed to convert dust monitor information into readable data for Sishen's information management system. This data will then be linked up to the programmable logic controller (PLC) which will generate required reports. An alarm system was also installed at each location to notify everyone in the area if the dust levels are higher than occupational exposure limits. This project is still in implementation phase. Once completed, the information provided from the monitoring system will assist management to make the right decision on time to reduce exposure of employees to dust above OEL and to reduce dust exceedances at our PM10 monitoring stations.

Image: Real-time dust sampling points at Sishen mine.



Health incidents

The reporting and investigation of health incidents is an essential part of the process to ensure that the effective control of exposure to health hazards takes place at source. We report five levels of health incidents. A decrease in the number of reported incidents across all levels in 2017 is indicative of improved understanding of the management of health incidents and progress in health-hazard prevention and control measures. In 2017, we defined health high-potential hazards (HPHs) and high-potential incidents (HPIs). A focus in 2018 will be to encourage reporting, to heighten awareness, facilitate organisational learning, and improve controls.

Monitoring the health of employees

Our occupational medical surveillance programme ensures that the baseline health of every employee entering the workforce is

recorded, that their state of health is monitored throughout the duration of their employment, and that focused interventions are made to help the individual sustain and potentially improve their health. Our programmes are designed to detect risk factors and early signs of ill health related to occupational exposures and lifestyle conditions. We implement an advanced electronic health record system that allows health professionals to capture each health visit through a secure electronic medical record system. The employees' online record is linked to their hazard exposure profile and can be accurately tracked and analysed over time.

Musculoskeletal conditions

Following an ergonomic risk assessment conducted for all mobile equipment and tasks involving manual handling, we continue to implement additional corrective measures to mitigate the risk exposure profile at each operation. We have also initiated

vibration studies to identify potential causes, and preventive actions to prevent musculoskeletal disorders. These actions are being tracked and reported to the SHE Steering Committees.

The most common musculoskeletal injuries involve limbs and lower back injuries. We continue to implement an education and awareness campaign relating to correct manual handling, good posture and the periodic use of stretching exercises. Occupational risk exposure profiles have been completed for all risk work at Sishen and Kolomela mines.

In 2017, two cases of work-related musculoskeletal injuries were reported (2016: two).

Fatigue management

Fatigue-related risks are heightened at our mines which experience generally high temperatures, up to 50°C in summer. We have made good progress in managing fatigue-related risks, with fewer incidents recorded in 2017, including only two fatigue-related HPIs at our operations. Our interventions include the implementation of regulator approved fatigue management codes of practice and risk assessments and corrective measures to address high risks identified at our sites. Fatigue committees are in place at all sites and meet monthly. Kolomela and Sishen mines implement fatigue detection and management interventions. These encompass risk mitigation, education and training, application of controls, and monitoring and review for continuous improvement. Our interventions extend beyond the workplace to include community and family education and awareness aimed at mitigating worker fatigue.

EMPLOYEE WELLBEING

Through our wellness programmes, we strive to improve and maintain the health of our people and to reduce absenteeism, which can have a significant impact on the ability of our teams to execute planned tasks safely and effectively.

All our employees are screened for hypertension, diabetes, cholesterol, body mass index (BMI), TB, and, where consent has

been given, HIV, during annual medical surveillance processes and health campaigns. We take an integrated approach to addressing HIV, TB and sexually transmitted infections. We offer all our permanent employees subsidised health insurance. All contractors have access to our HIV, TB and other chronic disease screening and treatment, and to medical surveillance, though their levels of access to our more comprehensive wellness offering vary across the business. In 2017, we opened our first health and wellness clinic at the corporate office in Centurion.

Although we continue to see pleasing reductions in levels of non-communicable diseases across our operations, more than 2,000 employees and contractors have chronic diseases. Based on assessments during 2017, 16% of our workforce are overweight (2016: 10%), 12% have hypertension (2016: 9%), 3% have high cholesterol levels (2016: 0.4%) and 1.6% have diabetes mellitus (2016: 1.3%). All employees with chronic conditions are monitored regularly through our occupational health clinics to minimise risks associated with uncontrolled chronic medical conditions. Sishen and Kolomela operations provide weight reduction programmes.

Our drug and alcohol policy allows for random testing of employees and compulsory testing of all employees in high-risk occupations during medical surveillance.

Kumba's employees and contractors have access to the Company funded employee assistance programme (EAP) through a confidential 24-hour helpline, face to face and email contact, all funded by the Company. In 2017, 985 (16%) of employees sought assistance from ICAS. The top five reasons for seeking EAP assistance were stress (26%), relationship issues (16%), organisational issues (7%), health and lifestyle (14%) and trauma (7%). In addition to the already existing programme offering assistance to those who seek help, in 2018 we have started rolling out specific interventions aimed at addressing the identified common presenting problems. This includes engagement sessions on stress management, identifying the vulnerable employee, mental resilience, tenacity and influence.

Type of issue	2017		2016		ICAS average
	Number of employees	%	Number of employees	%	
Stress	593	26	349	16	13
Relationship	359	16	411	19	14
Health and lifestyle	331	15	106	5	7
Organisational	166	7	269	13	29
Trauma	152	7	96	5	4

The total absenteeism rate (absenteeism owing to injuries on duty, non-work-related injuries, and sickness) decreased to 3.14% in 2017 (2016: 3.62%). We implement programmes aimed at reducing high levels of long duration sick leave and high-frequency sick leave, especially at Sishen mine. Initiatives include

active case management of employees with acute and chronic medical problems, addressing instances of sick leave abuse, improving operational absenteeism monitoring, and streamlining administrative processes that contribute to long-term absenteeism (such as delays in the medical boarding process).

SAFETY AND HEALTH CONTINUED

KATHU PARKRUN EXPLODING WITH HEALTH SEEKING COMMUNITY

The health and wellbeing of our host communities is of utmost importance to Kumba. On Saturday, 23 September 2017, the Kathu parkrun, a brain child of Sishen Mine Health Department, was opened by the Comrades Marathon legend, Bruce Fordyce, and since then young and old have proudly taken part in the weekly timed 5 km run.

The Kathu parkrun is an initiative that is fully supported by Kumba Iron Ore’s Sishen mine. The parkrun is a drive for healthy living and fosters community cohesion as people from all walks of life meet and interact as they run and walk together.

Every Saturday for the past few months, no matter whether it was freezing cold or blazing hot, a group of determined individuals have been meeting in the morning for a jog or walk close to the Eskom Ferrum Substation. Who knew that there were so many runners in Kathu! Walkers, runners, children in prams, bicycles with adult supervision and dogs on a leash have been our common visitors each Saturday.

The motto the runners use is, *‘Kathu parkrun, you can give up on yourself, but we will never give up on you’*. Such is the camaraderie during these runs that when some runners have finished their run, they go back to encourage and fetch the slower runners in the pack. The whole exercise is so much fun and so full of life.

Speaking about the parkrun, Dr Nothando Moyo-Mubayiwa who has been instrumental in setting up the Kathu parkrun commented: “The parkrun is a first for Kathu where people meet and run or walk together and hopefully grow fitter and healthier together. The more we sit and lead a sedentary lifestyle without any exercise the higher the chances of lifestyle-related diseases and complications.” The parkrun is just a 5 km run at the Eskom Ferrum Substation starting at 07:00 in summer and 08:00 in winter. Children and adults are allowed, as well as off-road prams and dogs on a leash. Adult supervision is required at all times.

Currently 158 people take part in the parkrun each Saturday and the attendance is growing by the week. We encourage our employees and community members to all come out each Saturday and make healthy living a way of life. We will be hosting our Biggest Loser Competition dubbed the ‘Ore-some Me’ and all participants are encouraged to also join the parkrun.

Parkruns are a global phenomenon, started in London and New York, and have spread to other places around the world. Every Saturday we wake up in the morning and get on the move. You can give up on yourself but the Kathu parkrun will never give up on you.

Images: Dr Nothando Moyo-Mubayiwa, superintendent occupational health at Sishen mine, has been instrumental in setting up the Kathu parkrun.



Managing TB and HIV/Aids

Kumba is a recognised leader for its TB and HIV/Aids programmes in the workplace, and most of our performance indicators show a steady improvement. This is attributable to ongoing improvements in case detection, reporting and management. There nonetheless remain challenges, such

as early diagnosis, timely enrolment in disease management programmes, and adherence to treatment for HIV and TB. Regrettably, we continue to diagnose new HIV cases each year and we endeavour to strengthen our prevention efforts to bring the incidence rate down.

Building on our strong foundations for improving our management of TB and HIV/Aids, we aim to achieve the UNAIDS 90/90/90 targets for 2020: 90% of our employees should know their HIV status, 90% of identified seropositives should be on anti-retroviral therapy (ART), and 90% of those should have undetectable viral loads.

The estimated prevalence of HIV infection within Kumba's permanent workforce has decreased to 3.8% (2016: 5.9%). In 2017, 92% of full-time employees participated in voluntary HIV counselling and testing (2016: 92%), exceeding our 90% target.

For the year under review, through voluntary testing we identified 19 new HIV infections within our workforce (2016: 29 cases). We continue to strive for zero new infections. The total number of HIV-diagnosed employees is 243, of which 211 (87%) are enrolled on our HIV wellness programme (2016: 72%). The uptake of anti-retroviral therapy (ART) by HIV-positive employees increased to 87%, representing a 25% increase from the 2016 baseline of 62%. Of those on ART, 89% have achieved viral suppression, against a target of 60%. We have intensified our efforts to increase the uptake of ART enrolment, in line with the World Health Organisation HIV/Aids 'test and treat' guideline, and ensuring viral suppression, notably through medical aids and the Ulysses Gogi Modise (UGM) wellness clinics (reviewed below).

During 2017, we diagnosed 16 new cases of TB acquired within communities (2016: 23). None of the cases were occupational TB. At 251 per 100,000 of the employees, our TB incidence rate has substantially decreased (2016: 393 per 100,000 of the employees) and remains well below the South African national rate of 834 per 100,000 (2015 DOH data). The rate of TB/HIV co-infection is 62.5%. Our focus on TB prevention includes active case finding, the provision of isoniazid (INH) for seropositive workers and those with existing silicosis, contact tracing and the 'test and treat' HIV strategy. In 2017, for a consecutive year we recorded no employee deaths as a result of HIV or TB infection. For additional performance tables please refer to page 74 of this report.

Community healthcare

Extending our health promotion activities to the broader community complements our internal health drive, and supports local socio-economic development outcomes. Our activities include investments in strengthening health systems in our neighbouring communities, often in partnership with government. Our aim is to improve access to quality medical and healthcare services and alleviate some of the mounting pressure on health service delivery.

Our comprehensive socio-economic assessments in local communities using the socio-economic assessment toolbox (SEAT) (see page 43), include health considerations that are also

included in social management plans. Kumba spent R8.9 million on community healthcare projects (2016: R13.5 million).

We provide HIV-related services and primary healthcare services to mine employees, contractors and host communities through Ulysses Gogi Modise (UGM) wellness clinics, in partnership with the Department of Health. The clinic at Kathu collaborates closely with the surrounding public health clinics. Individuals registered on the disease management programme are closely monitored on an ongoing basis. The UGM wellness clinic also runs an intensive community health education programme. The UGM wellness clinic at Thabazimbi mine has been closed and the facility handed over to the HUB occupational health service provider to render occupational health services to the Thabazimbi local community. Through the UGM wellness clinics, 17,304 community members received HIV related services and 15,930 community members were screened for TB.

Sishen mine's Batho Pele mobile clinics offer primary 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. Since 2011, more than 134,000 community members benefited from the services. The Department of Health manages the mobile clinics.

During 2017, representatives from the Ministry of Health visited all of Kolomela's community health projects.

Kolomela mine has developed a high-tech trauma care unit which plays a valuable role in being able to accommodate and stabilise the sick and injured before they are transported to medical facilities that can provide definitive care, which are at least 200km away. In 2017, the trauma unit attended to 100 people and 3,500 people visited the primary healthcare clinic next to the trauma unit.

The primary healthcare facility in Postmasburg, which was upgraded, furnished and equipped at Kumba's expense in 2015, continues to provide comprehensive primary healthcare services to communities surrounding Kolomela mine.

UGM WELLNESS CLINIC VISITS IN 2017

Mine	Employees	Contractors	Community members
Sishen	3,936	3,539	17,304
Kolomela	1,305	2,150	0
Thabazimbi	62	232	0
Head office	149	94	0
Saldanha	20	115	0
Total	5,472	6,130	17,304

SAFETY AND HEALTH CONTINUED

ELIMINATING FATALITIES THROUGH INTENSIVE HIGH-RISK MANAGEMENT

Eliminating fatalities at South African mines is an ongoing challenge across the industry. At Kumba, to arrest a trend of fatal incidents occurring every second year at our operations, we intensified our approach with the development and implementation of an 'elimination of fatalities framework' in 2016. The framework is designed to facilitate a step change in the management of high-level (potentially fatal) safety risks. The framework builds on our existing practices, drawing together the essential activities, approaches and processes that must be in place and proactively managed if fatalities are to be eliminated. With an emphasis on effective management of safety-critical controls and safe behaviour, the initiative is delivering material improvements in the management of high-risk work. Implementation of the framework has ensured no fatalities during 2017 and has supported the achievement of almost all of our safety-related targets for 2017, with encouraging improvements across our leading and lagging indicators.

The six focus areas of the framework are: strengthening safety leadership and accountability; embedding a caring culture; improving the planning and scheduling of work; assessing and managing risk and change; safety performance monitoring and assurance; and learning from high-potential incidents (HPIs) and high-potential hazards (HPHs). The framework recognises that everyone at Kumba has a role to play in eliminating fatalities – the Chief executive, every leader and every employee and contractor must understand their role, responsibility and accountabilities.

In strengthening leadership, the number of visible felt leadership (VFL) interactions and interventions at Sishen and Kolomela escalated in 2017, driving an encouraging increase in the number of HPHs reported and decrease in the number of HPIs. HPHs typically

result from a failure of critical controls, hence the reporting, investigating and learning from HPHs, is an integral part of maintaining the focus on and thereby ensuring the integrity of critical controls and behaviours, to prevent serious injuries and fatalities. In 2017, we analysed the 21 HPIs and 2 410 HPHs recorded at Sishen and Kolomela during 2016, identifying the primary causes and weaknesses in our practices. We conducted more than 2 300 critical control monitoring inspections, to assess the level of compliance and to analyse and measure deficiencies relating to critical controls and behaviours. Overall compliance to critical controls was 91%. Achieving and maintaining full compliance is imperative and a goal for 2018.

Across the top HPH/HPI agency areas, consistent trends identified included deficiencies relating to compliance to procedures and standards, supervision, inspection, equipment maintenance, and hazard identification. We have consequently placed an emphasis on implementing targeted corrective action plans to address deviations and shortcomings identified for specific critical risks.

In 2018, we will maintain a very visible focus on high-level (fatal) risk management, driving improvements across the six focus areas of the framework. This includes ensuring that leaders conduct critical control monitoring timeously and thoroughly, and meet targets for HPH reporting, conducting monthly HPI/HPH analysis and close-out monitoring. Our internally developed Safety Leadership Alignment Day (SLAD) training was delivered by our Chief executive and Exco team across all management levels in 2017 and will be rolled out to supervisors in 2018.

Images: Alfred Mathenjwa, production manager; Malcolm Isaaks, specialist; Bongani Buthelezi, plant manager; Anesan Naidoo, general manager logistics; Ivan Smit, geotech section manager; and Andries Walters, risk and safety adviser conducting a war room safety meeting at Kolomela mine.



WORKFORCE ENGAGEMENT

IN THIS SECTION

Effective and efficient organisation design

Enhancing productivity

Managing talent and developing skills

Organisational culture

Workforce movement and availability

To deliver on our business objectives, we rely on a capable and engaged workforce that embrace our values and Code of Conduct. We aim to foster a high-performance culture, through building an organisation structure that is fit for purpose, resourcing this structure with the best capable people and empowered leadership to deliver results.

EFFECTIVE AND EFFICIENT ORGANISATION DESIGN

Kumba has completed the organisational restructuring process undertaken in response to challenging iron ore market conditions. We have built a strong, product-focused organisation that is resourced with the most capable people in the right roles to deliver effectively and efficiently on our strategic objectives. The Company is supported by Anglo American, which provides value-adding expert leadership and ensures effective

governance in order to continuously improve business performance.

Our redesign supports the implementation and effectiveness of the Operating Model, which is underpinned by the discipline of planned work. The Operating Model is an essential enabler in helping deliver on production targets, and reduce operating costs.

ENHANCING PRODUCTIVITY

In 2017 we implemented targeted initiatives to increase productivity at Sishen and Kolomela, which have enabled significant improvements.

- Following an extensive engagement process with organised labour, Sishen mine implemented a new two-shift pattern in Q1, which supports a good work/life balance for employees. This shift roster is a 12-hour shift per day which provides employees with longer off days (13 days per month) to spend time with their families. Once a month there is a training shift on a rotational basis, which creates a platform for management and employees to share critical safety awareness, production targets, action plans, general health and wellness aspects and any initiatives deemed necessary by the mine. Employees have responded well, demonstrating significantly improved morale.
- Sishen added further impetus to reducing levels of absenteeism. This has centred around addressing unwarranted and unplanned leave including sick leave and better leave planning, to mitigate spikes in absenteeism. Through continuous monitoring of attendance and consequence management we have

achieved a consistent improvement in attendance and reduction of unplanned leave and sick leave.

- At Kolomela, emphasis was placed on increasing direct operating hours (DOH) and monitoring of labour efficiencies. In order to achieve this objective the following projects were implemented:
 - Management of absenteeism where weekly meetings were held with mining department management to monitor this risk
 - Staggered shift system for primary load and haul equipment was introduced with good results, i.e. DOH KPI was realised on the Liebherr 996 and the linked 730 trucks. This project is being extended to other shovels in 2018
 - Reduction of time wastage during shift change and fatigue/meal breaks
 - Measuring labour efficiencies on monthly basis and ensuring correct staffing level
 - Projects to encourage work attendance, #present-at-work, was also launched focusing on creating awareness on the impact of absenteeism

WORKFORCE ENGAGEMENT CONTINUED

ENHANCING PRODUCTIVITY continued

- The success of these initiatives is evident in the 2017 operation performance result, which exceeded expectation.
- A revised bargaining unit production bonus scheme was introduced in Q1, which involves employees working towards monthly targets for specific KPIs including safety, production, productivity and attendance. A specific, productivity focused KPI, being the DOH for primary equipment was introduced for the first time, representing 25% of the overall bonus potential to support the Company's operational

- equipment efficiency (OEE) drive. Further to the productivity drive, an attendance focused modifier, penalising absent without permission (AWOP) instances per day, was introduced for 2017.
- To promote greater empowerment and accountability at supervisory level, both Kolomela and Sishen have rolled out a supervisor scorecard with clear monthly KPIs and a supervisory development programme which comprises classroom training and extensive one-on-one coaching.

MANAGING TALENT AND DEVELOPING SKILLS

To resource our structure with the best capability, we need to have the right people in the right roles to meet our business needs now and in the future, and to align workforce aspirations with our organisational goals.

To deliver on these objectives, we implement a talent management strategy which upholds the importance of fostering diversity. We have also developed and applied a robust talent identification process for all levels in the organisation. This approach enables us to assess and calibrate talent in order to map our capability and better understand our risks and readiness for succession and timing, and identify and allocate talent accordingly. In assessing current and prospective employees' capability, we consider: technical skills and knowledge acquired through experience and practice; mental processing ability; social process skills; and the degree of drive and commitment a person displays.

We have taken great strides to increase the representation of women in the talent population. Women currently account for 30% of our talent pool and 20% of short-term successors in our succession planning for leadership and Exco roles.

With regards to the broader workforce, the provision of development and training opportunities supports individual growth aspirations and develops talent from

within the organisation. During 2017 we placed an emphasis on providing training for front line supervisors and implementing a performance scorecard as well as on-the-job training to enhance their supervisory capability. The results have indicated an overall improvement in individual supervisor performance and a positive correlation between supervisor performance and mine production performance.

Our internal training and development interventions include leadership development, learnerships, mentorships, career progression plans (particularly for historically disadvantaged South Africans (HDSAs)), study assistance, e-learning and the adult basic education and training (ABET) programme.

Approximately 98% of Kumba employees are deemed to be functionally literate. We also continue to provide training in skills that are transferable to industries outside mining, for community members as well as employees, to support alternative forms of employment.

Employees participating in training and development programmes during 2017 were 93% HDSA and 35% women. We invested a total of R161.9 million on training and development, amounting to 5.8% of Sishen's payroll and 5.9% of Kolomela's payroll (2016: R209 million; 4.6%).

TALENT PIPELINE

In an increasingly competitive market for scarce and critical skills, we continue to foster a pipeline of future talent, with an emphasis on HDSAs and women. Non-employee training interventions include youth development, portable skills, the professionals-in-training (PIT) programme, the bridging school programme and bursaries.

Developing technical talent for the Company is addressed specifically with our three-year graduate development programme, which offers degree and diploma graduates the opportunity to obtain training and work experience during a fixed-term contract with the Company to cover their bursary debt. Our bursary programme supports the talent pipeline for the PIT programme.

Organisational planning has identified the need to increase the intake of young talent into our pipeline programmes. In 2018, the number of participants in the bridging school programme will increase from six to 20, as potential candidates for bursaries and thereafter the graduate programme. The school focuses on developing students from the direct mining areas around our mines.

The selection process for our bursary programme has supported an increase in female and HDSA representation in the bursary pool as from 2018.

TRAINING AND DEVELOPMENT STATISTICS

Programme	Number of participants	HDSA (%)	Female (%)	Expenditure (Rand million)
Mining and plant learners (operators)	189	99	43	45.4
Engineering learners (artisans and apprentices)	351	81	21	28
ABET training	21	100	62	3.5
Professionals in training	25	84	56	14.5
Bursaries	20	85	55	2.5
Bridging school	6	100	50	0.5
Portable skills training (capacity building of mine communities)	326	99	34	3.3
Internships (administration and engineering)	112	99	56	3.6
Total	1,050	93	35	101.3*

* The remainder of the total training spend (R60.6 million) was for other training initiatives including external courses and seminars.

WORKFORCE ENGAGEMENT CONTINUED

ORGANISATIONAL CULTURE

We aspire to create a sustainable, competitive advantage by developing an organisational culture that fosters safety, diversity, innovation and performance. Our culture is shaped by leaders who demonstrate company values and work interdependently to achieve the best overall outcomes for Kumba.

PURPOSEFUL AND ACCOUNTABLE LEADERSHIP

Strong, accountable, safety-conscious leaders are essential in our effort to drive organisational alignment and a high-performance culture. Every month, we conduct a leadership session, known as a 'Kgatelopele Call', in which management is invited to participate in a review of business performance, including a specific focus on safety, health and environmental performance.

Through our performance management process, we ensure that the objectives of our leaders are consistent and aligned to the Company's goals. As of September 2017, every two months, Exco, general managers and strategic project leaders convene for aligned discussions and decisions on the leadership and culture we aspire to embed at Kumba.

To strengthen our leadership pipeline, we are implementing a leadership framework for developing management and leadership skills.

A principal input towards our culture and leadership work has been the results of an employee engagement survey conducted at Kumba in 2017 as part of a broader Anglo American group-wide survey. The results have provided a better understanding of our cultural strengths, as well as the areas we need to focus on for improvement. (See case study on page 40.) We are taking actions and are developing an approach to better define and promote our organisational culture.

REWARD STRUCTURES

Rewarding successful business outcomes is central to achieving our desire of delivering a high-performance culture. It is critical that we provide appropriate remuneration to attract, retain and motivate the right calibre of employee. To this end we have developed a reward and recognition structure to support the following key employee value proposition areas:

Performance linked remuneration and incentives

Our guaranteed pay packages are designed to be competitive with both the national market and specifically the mining sector. We conduct annual benchmarking exercises to validate our competitiveness. Management

and senior leadership packages are adjusted annually in line with market adjustments and further differentiated on personal performance which is managed through a formal structured performance programme. Formal performance evaluations and development reviews are conducted annually for all non-bargaining and fixed-term employees in the organisation. In 2017, this involved 970 employees, of whom 311 were female. Employees newly appointed or who have moved into a new position (promotion, demotion or lateral move) within the prior five months are rated 'too soon' and excluded.

Business and personal performance are measured against a structured set of key strategic business objectives cascaded throughout the non-bargaining category. The outcomes influence the specifics of the annual short-term incentive. Senior leaders within the organisation are also incentivised with longer-term awards which are provided on meeting predetermined objectives that are in line with the interests of shareholders. Details of Kumba's remuneration practices and performance are provided in our 2017 Integrated Report (pages 81 to 103).

The 2017 short-term incentive for the bargaining category has been aligned with the safety, production and productivity imperatives of the business. In addition, employees can also qualify for a gain share bonus in the event of exceptional business performance substantially exceeding budget parameters. In recognition of the strong business performance in the first half of 2017, a once-off ex-gratia payment was awarded to our bargaining category and first line management employees, in lieu of the unwound Envision employee share ownership plan.

Recognition of exceptional business contribution

During 2017, Kumba reinstated an internal formalised employee recognition programme, the Laurel Awards. This initiative strives to provide formal management as well as peer recognition at an annual gala event to teams or individual employees who have made significant business contributions during the preceding year. Award winners are selected through a rigorous panel screening process from a pool of nominees motivated by line management and peers. Recognition is awarded in the following five categories: safety, sustainability, collaboration, achiever, and partnership.

Employee share ownership

Kumba's broad-based employee share ownership scheme for permanent employees below middle and senior management level, was unwound in November 2016 when its second five-year phase matured. We are designing a replacement scheme to enable employees to continue to share in the Company's performance. The finalisation and implementation of a replacement scheme will occur in the second half of 2018.

AN INCLUSIVE AND DIVERSE ENVIRONMENT

Kumba embraces diversity and inclusion in all its forms and complies with relevant legal obligations. A diverse workforce is a source of competitive advantage, bringing greater variety of thought to tackle the complex challenges we face. We continually develop our workforce to ensure that we have this diversity among our future leaders.

Achieving sustainable and tangible transformation is a business imperative and is core to our licence to operate. We implement a comprehensive human resources transformation strategy. Our employment equity (EE) plans set numerical targets and goals for EE, including affirmative action measures. We are pleased to exceed all the South African Mining Charter II's minimum requirements across the organisation. Our workforce diversity profile is summarised below.

At year end, HDSAs represented 86% of our total workforce (2016: 86%) and held 66% of management positions (2016: 62%). We achieved the Mining Charter's requirement that HDSA

employees make up 40% of each management level and 40% of core and critical skills, at all occupational levels and operations.

We are cognisant that the Mining Charter III, once finalised, will set challenging targets and we are duly investing in advancing our progress towards internal stretch targets. Progress in 2017 included the appointment of two African males as general managers at Sishen and Kolomela mines.

By year end, women made up 21% of our overall workforce (2016: 21%), 17% of core disciplines (2016: 16%), and 22% of management positions (2016: 21%). We implement a women-in-mining (WIM) strategy and intervention plan to promote the integration of women in the workplace, in particular into core functions, which remains a challenge. A WIM Steering Committee oversees performance against objectives. Capacity building is critical and we aim to ensure at least 30% women representation in our talent pipeline programmes. We implement, and monitor adherence to, our personal protective equipment (PPE) standard for women. Kumba has policies and procedures relating to sexual harassment and proactively addresses this issue in the workplace and in host communities. No cases of racial discrimination or of sexual harassment were reported at Kumba's operations in 2017.

Kumba complies with the Department of Labour's target of 1% of the workforce comprising people with disabilities. At year end, we employed 40 people with disabilities (2016: 51), with 13 in managerial positions (2016: 17).

HDSA AND WOMEN IN MANAGEMENT

	Total management			% HDSA in management			% women in management		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Corporate office	234	217	228	62	59	57	34	32	33
Sishen	649	621	777	64	61	58	17	17	14
Kolomela	297	252	219	74	67	63	22	21	20
Group	1,180	1,090	1,224	66	62	59	22	21	19

SUPPORTING LABOUR RIGHTS

As expressed in Anglo American plc's Human Rights Policy, and as signatories to the United Nations Global Compact, we are committed to the labour rights principles set out in the International Labour Organisation core conventions, including the right to freedom of association and collective bargaining, non-discrimination, and the eradication of child and forced labour. Observance of these rights is required of all our operations, as well as all our suppliers.

We have policies and processes in place to ensure that we do not employ any under-age or forced labour. No incidents of employing under-age or forced labour were reported in 2017, and there were no significant incidents of discrimination or grievances regarding labour practices.

WORKFORCE ENGAGEMENT CONTINUED

RELATIONSHIPS WITH EMPLOYEES AND UNIONS

The Company has continued to maintain stable and constructive labour relations and partnerships with unions. We have not experienced any industrial action since 2012.

In anticipation of a three-year wage agreement for the bargaining category which was concluded on 30 June 2017, management actively engaged with Kumba's three recognised trade unions to negotiate and conclude the terms and conditions of a new wage agreement. The negotiation process was self-facilitated and undertaken without disturbance. The three-year wage agreement concluded provides for annual cost-to-company increases ranging between a 10% increase on the lowest level and 7% on the highest level of the bargaining category, effective from 1 July 2017 until 30 June 2020.

The following items have been referred for workgroup deliberation outside of concluding the wage agreement: promoting home ownership through the home ownership subsidy; shifting from calendar day leave to working day leave; medical aid subsidy cap; finalising the medical incapacity process; evaluating the job grade for ultra-truck operators; and engaging on the replacement employee share ownership plan (ESOP).

In 2017, 54 employee grievances were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA) (2016: 57 grievances). The CCMA consultations included the

settlement of the 2017 wages and conditions of employment agreement. The Company ensured that in all matters procedural and substantive fairness was maintained.

We remain mindful that the climate of uncertainty across the industry has implications for employee morale and productivity, safety, and industrial relations. We will continue to engage closely with our employees and organised labour on all matters which could impact negatively or positively on them going forward.

In 2017, 85% of the total workforce was represented by one of the three recognised unions (see table below). The National Union of Mineworkers (NUM) remains the dominant union with 59% representation within the bargaining category. 75% of our workforce is covered by a collective agreement.

UNION MEMBERSHIP IN 2017 (% of bargaining categories)

	NUM	AMCU**	Solidarity	Agency shop
Corporate office*	25	–	75	–
Sishen	59	16	21	4
Kolomela	60	30	4	6
Thabazimbi	97	–	2	–
Group	59	20	17	4

* Corporate office – no organisational rights.

** Association of Mineworkers and Construction Union.

KEEPING IN TOUCH WITH EMPLOYEE PERCEPTIONS

Throughout 2017 we placed a focus on re-engaging our employees, notably through group discussions and employee engagement surveys. These initiatives yielded critical insights about the Kumba culture and how to optimise the employee experience.

We completed three employee engagement surveys that provided a holistic view of employee sentiment across all levels. The surveys tackled various business themes, including company advocacy, performance, communication, leadership, organisational culture and diversity.

The findings of the surveys provided a clear understanding of where we are doing well and where we need to improve. Our strengths include the work we are doing around strategy alignment with our people – there is an understanding of what we are striving to

deliver and how. Safety messaging has also registered well with employees – there is an appreciation of more commitment and personal accountability demonstrated by senior leaders. Generally, a sense of pride and company advocacy rank highly within Kumba – people feel a sense of belonging to, and strong identification with, the Company.

Areas identified for improvement included assistance with career development and progression, adequate and effective communication from managers, and appreciation for diversity and supporting people's differences.

There is a strong recognition that a compelling culture is dependent on inspiring leadership and how leaders 'show up' and inspire people to achieve their personal development goals.

WORKFORCE MOVEMENT AND AVAILABILITY

Kumba has a policy of employing people from communities close to our operations where possible. We only recruit people from outside the Northern Cape area if a specific skill is not available locally. At year end, 91% of employees were local (2016: 91%).

At year end, our workforce totalled 10,727 employees (2016: 8,332): 5,875 full-time permanent employees (2016: 5,560 employees), 4,367 full-time contractors (mining contractors involved with the core processes of the mine) (2016: 2,403 contractors), and 485 learnerships (2016: 369 learnerships). During the year we also employed 948 fixed-term project contractors (contractors with an approved supply chain contract with Kumba to perform capital projects) (2016: 1,504 contractors).

Kumba's employee turnover rate (the number of permanent employee resignations as a percentage of total permanent employees) was 4.37%, well below the 7.6% industry benchmark. New hires amounted to 12.8% of permanent employees.

Absenteeism, or workforce unavailability, covers both planned leave (annual, maternity, study, union) and unplanned leave (sick, unpaid, absent without leave, special, family responsibility, injury on duty, suspension, unprotected strike). The group total absenteeism rate was 13.11% (2016: 13.83%).

EMPLOYEES AND CONTRACTORS IN 2017 (excluding learnerships)

At year end	Full-time permanent (full-time equivalent and permanent employees)		Full-time contractor (mining and non-mining other)	
	Total	Women	Total	Women
Corporate office	213	107	33	8
Sishen	4,194	782	3,112	215
Kolomela	1,324	334	1,178	90
Thabazimbi	61	16	38	4
Technical services	55	14	5	1
Projects	3	1	1	0
Saldanha Bay	25	9	0	0
Total	5,875	1,263	4,367	318

LABOUR AVAILABILITY STATISTICS 2017

	Planned absences		Unplanned absences		Total absences	
	2017	2016	2017	2016	2017	2016
Total number of person days lost due to absenteeism	115,310	159,321	73,601	110,253	188,911	269,574
Percentage of total person days lost due to absenteeism	8.00	8.17	5.11	5.65	13.11	13.83

SOCIAL PERFORMANCE



IN THIS SECTION

Our management approach

Mitigating social risks and impacts

Responsible land access and resettlement

Managing social impacts in our supply chain

Our vision is to partner in delivering sustainable prosperity in our host communities. The first step towards achieving this vision is to avoid or minimise potential negative impacts. We strive to do this by applying robust social performance standards and maintaining constructive relationships with local stakeholders. This lays the foundation for effective socio-economic development initiatives and improves our future prospects with governments seeking responsible partners.

ENHANCING PARTNERSHIPS

R106.7 million
in direct social
expenditure

R8.1 billion
paid in direct and
indirect taxes to
government

R520 million
paid to localised
preferential
procurement



Image: Sydney Ntili, socio-economic development specialist engaging with community members Jacoline Julius and Lebo Gabasie at the small business hub in Kathu.

R9.3 billion
paid to
BEE suppliers

34
community
complaints
resolved

OUR MANAGEMENT APPROACH

Working collaboratively with host communities is an essential part of understanding the issues that matter most to those who live and work in the areas around our mining operations. The performance of our business, as well as our licence to operate, depends on understanding and responding effectively to reasonable stakeholder expectations, which continue to grow.

Kumba's approach to social performance is informed by the Anglo American plc Values and Code of Conduct, and is implemented through a comprehensive set of social performance requirements detailed in the Anglo American Social Way. This is supported by the Anglo American plc industry-leading socio-economic assessment toolbox (SEAT), which is the primary means by which we address practical elements of social impact management and socio-economic development at our operations.

We use SEAT to improve operations' understanding of their positive and negative socio-economic effects,

enhance stakeholder dialogue and the management of social issues, build our ability to support local socio-economic development, and foster greater transparency and accountability. Engagement with local stakeholders identified through operational stakeholder mapping exercises is central to the process.

Operations undertake a SEAT assessment every three years and produce a publicly available report of the outcomes, which includes a social management plan for the following three years to address the identified issues and impacts. Sishen and Kolomela mines undertook SEAT reviews in 2017 and 2015 respectively. The new Sishen SEAT report will be published in the first quarter of 2018.

Our social performance strategy draws on SEAT assessments and aims to bridge the planning gaps between our business objectives, life-of-mine planning and social management plans.

MITIGATING SOCIAL RISKS AND IMPACTS

The Social Way provides clear requirements for our sites to ensure that policies and systems are in place to engage with affected communities, to avoid, prevent and mitigate adverse social impacts, and to maximise development opportunities. Each operation is assessed annually against the Social Way requirements and is required to implement an improvement plan for requirements that are not met in full while the operations worked closely with the Anglo American Government & Social Affairs team to close some of the gaps identified during the 2016 assessment. A gap analysis with clear deliverables and timelines is being implemented. In 2017, only Kolomela managed to retain its 2016 score of 3.2, Sishen's score declined to 2.9 out of five (2016: 3.3). However, Sishen scored very well on two major risk areas, namely socio-economic development and resettlement. Anglo American's group-wide results are included in the Chief executive's quarterly performance scorecard.

COMPLAINTS AND GRIEVANCES

Community complaints and social incidents provide valuable indicators to help our operations to anticipate deeper community concerns and proactively mitigate social risks. We implement the Anglo American group-wide complaints and grievances reporting procedure, which is designed to ensure openness, accountability and respectfulness in our timely handling of any stakeholder complaints. Incidents that are classified as Level 3 to 5 (moderate to significant) are reported to the Board and included in the Chief executive's quarterly performance scorecard.

In 2017, 35 community complaints were submitted through formal procedures at our various operations (2016: 247). All were assessed, and 34 of them were resolved. There were no Level 3 to 5 social incidents.

SOCIAL PERFORMANCE CONTINUED

MITIGATING SOCIAL RISKS AND IMPACTS continued

Most of the incidents continue to be related to blasting and dust, from Sishen mine's operations, and minor damages to infrastructure. Others relate typically to potential impacts on water quality and quantity, limited procurement and employment opportunities, and grievances related to the Dingleton resettlement.

In September 2017, two political parties led a march to present grievances to mining companies in the Postmasburg area. Kumba contributed to an industry response on issues raised, including commitments to employ the local workforce, which was issued to the

parties and published in the local media. Further protest action was interdicted and legal action has been taken against the leaders, due to the intimidation and violence displayed on the day.

Kolomela mine faces ongoing social tensions in its host communities. An influx of job seekers to the area, especially among the youth (individuals younger than 35), contributes to a high local unemployment rate. We have maintained good relations with the leadership in the area. The operation has a core task team to address increasing demands for procurement opportunities.

MANAGING SOCIAL IMPACTS IN OUR SUPPLY CHAIN

The Anglo American Responsible Sourcing Standard for Suppliers articulates easy-to-understand performance requirements. The standard addresses supplier compliance with local and applicable international regulations and with Anglo American requirements regarding safety, wellness, the environment, business integrity, human rights, labour practices and economic development. Our standard contract terms require acceptance of our standard and supplier submission

of self-assessment questionnaires. In addition, we retain audit rights to verify practices.

Our supplier engagement focuses on building awareness of risk, a better understanding of our corporate expectations, and agreeing corrective action plans between suppliers and our procurement teams to better manage risks.

RESPONSIBLE LAND ACCESS AND RESETTLEMENT

Access to land for mining activities and the subsequent displacement and resettlement of people is one of our most material social and business issues. Resettlements can have long-term consequences for the social structures and livelihoods of affected peoples and may present significant risks to our capital projects and operations.

All our resettlement processes are managed in line with the International Finance Corporation (IFC) Performance Standard 5 on Land Acquisition and Involuntary Resettlement and the SEAT tool. Each resettlement is duly planned and implemented in a participatory manner. The main objective is to ensure the improvement of the livelihood and quality of life of the resettled families, by planning and designing new projects in a way that avoids or minimises any resettlement.

We continue to carefully manage the relocation of the Dingleton community to Siyathemba, a new purpose-built suburb in Kathu (30 km away) to facilitate the expansion of Sishen mine. This process has been undertaken in close collaboration with the people of Dingleton, the

Dingleton resettlement working group, the Gamagara local municipality and the Northern Cape provincial government. The resettlement began in 2014 and has involved 517 households accommodating approximately 3,500 people. The project has included building new homes and providing additional schools and public facilities. We have worked with the local municipality and the Northern Cape government to address housing and public service challenges. During 2017, we resettled 10 further households mostly as a result of a facilitated negotiated settlement with a human rights lawyer. A further 14 families have yet to move to their new homes and negotiations are ongoing with the purpose of agreeing on mutually acceptable terms for the resettlement. Sishen mine continues to focus on sustainability and integration issues for the more than 500 homeowners who have already been moved to Siyathemba. To promote social stability and strengthen relations with the affected community we have established a post-resettlement working group for Siyathemba community and continue to work with the Gamagara local municipality. The mine has received the authorisation for the inclusion of Dingleton and other properties in the Sishen mining right.

THE DINGLETON RESETTLEMENT PROJECT – POST-RESETTLEMENT SUSTAINABILITY

The town of Dingleton is situated close to Sishen mine. Current mining activities are nearing encroachment of the buffer between the mine and the town. A decision to relocate the town was made in December 2013, based on the outcome of the feasibility study done earlier, and 92% of households are agreeing to move.

To date, 503 out of 517 households, communal rental units, churches, businesses and public services have been relocated from Dingleton to Siyathemba, complying with IFC Standard 5 of involuntary resettlements. The main premise of the standards is the incorporation of sustainability, and ensuring that the communities are not worse off following their relocation.

Socio-economic benefits from beginning of resettlement to date

During the relocation, Kumba ensured that significant socio-economic benefits accrued to the Dingleton people and the broader Gamagara and John-Taolo Gaetsewe communities:

	VALUE
Contracts allocated to local contractors	R51.9 million
Local purchases around the Kathu area, i.e. buying building material	R301.4 million
Local skills development and training of mainly Siyathemba residents	
Training provided in construction trades such as brick laying, painting, paving, plumbing, electrical and solar systems installation, tendering/commercial, SHE, business compliance, financial planning, computer literacy, ABET, food safety, fieldworker practice, transport/logistics	R2.8 million
546 jobs created of which 197 were SMME positions	R6.2 million

Asset values of the new private properties owned by Siyathemba residents increased more than tenfold.

Post-relocation sustainability initiatives

The Post-Resettlement Working Group (PRWG) was established, composed of representatives from the Siyathemba community, Kumba and the Gamagara local municipality. Its objectives are to ensure livelihood restoration and community integration into Kathu.

In order to ensure credibility, a census was conducted by trained fieldworkers from Siyathemba (fieldworkers also responsible for livelihood monitoring) and the elections of the members of the PRWG were facilitated by the Independent Electoral Commission (IEC). Once the elections had been concluded and members accepted, leadership training was provided to the members to enhance their ability to apply their mandate.

Part of this process includes mitigating any negative impacts on the socio-economic livelihood and sustainability of the relocated community. Structured engagements were therefore facilitated to agree with the community on initiatives, processes and structures required to achieve this. Through these engagements, initiatives around health and wellness, sports and recreation, youth development, education and capacity building, enterprise development and business opportunities, were identified as those that will assist in achieving the livelihood sustainability objectives. Planning for the construction of a clinic is at an advanced stage, while engagements on the establishment of a sports and recreation have started.

An agreement on financial benefit for the households was agreed with the Northern Cape provincial government, and in December 2017, the Kumba Chief executive and the Premier announced a R100 000 cash benefit for the households, and a R60 million commitment by Kumba to be used for the identified projects. The combined total of the above is R100 million.

Negotiations with the 14 remaining homeowners yet to move to their new homes, are continuing.

MAKING A POSITIVE SOCIAL CONTRIBUTION

IN THIS SECTION

Our management approach

Supporting local markets

Supporting institutional capacity

Sharing the benefits of mining

The challenging social context in South Africa highlights the need for sustainable community development as both a commercial and social imperative. Our operations are located in rural areas characterised by limited formal economic activity, high levels of poverty and unemployment, inadequate provision of infrastructure and poor service delivery. Our mines represent a significant centre of socio-economic activity and an important source of welfare for rapidly growing populations. Kumba aspires to be a trusted partner with key stakeholders and a leader in being a catalyst for collaborative social development.

OUR MANAGEMENT APPROACH

Our socio-economic development strategy focuses on leveraging core business activities, improving the productivity of local markets and public institutions, and delivering benefits through partnerships. The aim is to support sustainable job creation and effective public service delivery, to ensure that local economies are able to thrive even after mine closure. In supporting local economies, we place an emphasis on promoting local procurement and enterprise development.

Our approach is also informed by regulatory requirements such as those of the Mining Charter and our social and labour plans (SLPs), which focus primarily on education and skills development, healthcare, community empowerment, infrastructure and partnerships in local municipalities. The five-year SLPs are developed through a consultative process with the respective municipalities and through regular interaction with host communities. They are reviewed and revised where necessary, including prioritisation of projects. Large-scale projects are aligned to municipal integrated development plans and local economic development strategies. Our objectives are aligned with national, provincial and local priorities, and draw from South Africa's National Development Plan and the United Nations' Sustainable Development Goals. We work closely with the Department of Mineral Resources and the provincial and local authorities, and seek their guidance, advice and support on how best to integrate our efforts into their integrated and local development planning for the region.

Many of our initiatives are implemented through strategic partnerships including with local government, development partners, SIOC-cdt, the Anglo American plc Chairman's fund, communities and non-governmental organisations (NGOs). By focusing on leveraging our value chains and skills and implementing programmes systematically, we can have a significantly greater positive impact on host communities at a much lower cost than conventional social investment-led approaches.

We are pleased to be an active participant in a collaborative process by the leadership of manganese and iron ore companies in the Northern Cape to develop and implement a shared value strategy for socio-economic development in the region. Launched in 2017, the process will involve the identification and selection of projects for joint implementation; strategies for engaging priority stakeholders and developing a shared vision; and implementing a programme management and governance framework.

MANAGING EXPECTATIONS

The quality of relationships and levels of trust that we have fostered with our host communities, have enabled us to maintain good relations and communicate effectively about our SLPs and other social commitments.

In the face of rising expectations from communities and government for mining companies to deliver social change, we seek to partner and identify innovative solutions to maximise development outcomes with the funds at our disposal. We engage with community representatives and other key stakeholders to identify priority projects that will best address community needs in a sustainable manner and seek to establish collaborative partnerships informed by a common vision of the desired outcomes. Our longer-term aim is to reduce the dependency of municipalities, communities and small, medium and micro enterprises (SMMEs) on our mines.

Each of our operations has a stakeholder engagement plan that is updated on an annual basis, and functioning community engagement forums that meet at least quarterly. We monitor the quality of our engagement and the structures and communication channels in place, especially at community level, to ensure that these are effective. In 2015/2016 we conducted a social impact assessment study which confirmed that our projects are making their intended positive impacts.

LEGAL COMPLIANCE

Ensuring full compliance with government's policy and legislative requirements is a cornerstone of our commitment to delivering social value and promoting socio-economic transformation. We engage actively with government, both directly as a company and through Anglo American plc, as well as indirectly through representative business organisations, with the aim of

contributing to the development of socially progressive and pragmatic legislation. We also subscribe to various leading voluntary codes and social compacts.

Following are some of the most important socially oriented legislative areas that we have been focusing on:

- implementing our approved SLPs
- participating in the review of the draft Mining Charter III and seeking alignment with the Broad-Based Black Economic Empowerment (B-BBEE) Act and Codes of Good Practice
- working towards compliance to the new B-BBEE Codes
- meeting the objectives of the President's Framework Agreement for a Sustainable Mining Industry
- delivering on our commitments in terms of the Leaders' Declaration – Mining Industry Commitment to Save Jobs and Ameliorate the Impact of Job Losses
- continuing to play a leading role in the Chamber of Mines, helping to ensure that it lobbies on key issues and for a consistent and stable regulatory environment

Legislative and regulatory uncertainty is an ongoing concern and constrains efforts to revive the mining sector and work towards clear objectives. We look forward to the finalisation of the Mineral and Petroleum Resources Development Act (MPRDA) Amendment Bill and the successful negotiation of a Mining Charter that works for all stakeholders, is practical to implement and that preserves and enhances investment and employment.

SUPPORTING LOCAL MARKETS

To stimulate economic growth in communities located around our operations, we promote local and inclusive procurement initiatives, supported through supplier and enterprise development and youth and workforce development.

LOCALISED PREFERENTIAL PROCUREMENT

In 2017 we have placed a major focus on promoting localised, inclusive procurement. Building on the outcomes of a series of round table dialogues in 2016 with host community representatives on procurement opportunities in the Northern Cape, we developed a strategy for preferential and localised procurement which focuses on going beyond compliance.

The strategy focused on:

- increasing host community procurement spend
- effective supplier development
- transformative procurement with strategic partners
- creating a collaborative environment for sustainability
- effective risk and change management

Throughout the year we worked diligently to implement policies, processes and procedures that facilitated a more robust conversation and streamlined approach to localised procurement. Systems implemented included supporting supplier verification, due diligence on BEE deals, and revised clauses in contracts relating to BEE ownership and anti-fronting training.

MAKING A POSITIVE SOCIAL CONTRIBUTION CONTINUED

In 2017 Kumba agreed a target of R500 million procurement with host communities which was exceeded through procurement opportunities with over 160 suppliers from host communities (directly adjacent to operations) with spend just over R520 million. Kumba aims to sustainably increase this to R1 billion in 2018 and R2 billion by the end of 2019.

Other initiatives implemented in 2017 included hosting a workshop in which supply chain representatives and key end-users collaborated to identify opportunities for local suppliers, and supplier open days which provided an opportunity to engage with the local community to identify businesses in the Northern Cape that can potentially render a service to our operations. Our safety department held training sessions for local suppliers to upskill community business owners on awareness of the Company's safety-related requirements. Kumba also sponsored a safety tool to prequalify local suppliers for procurement opportunities at our operations.

In 2017, we spent R9.3 billion on HDSA businesses (2016: R8.5 billion). We continue to make good progress, exceeding the charter targets in all areas: capital goods, services and consumables (see page 49).

All suppliers in the key categories accounting for 80% of our spend – namely fuel (diesel and petrol), contract mining and heavy mining equipment – are BEE compliant and are required to annually submit proof of compliance.

SUPPLIER AND ENTERPRISE DEVELOPMENT

After the successful completion of the 24-month Kumba supplier development in October 2016, lessons learnt from the programme were used to develop the revised supplier development programme which supports Kumba's strategy with a major focus on technical, practical core mining support at an operational level. The technical enablement supplier development structure will support local SMME businesses with a unique supplier development plan according to their core mining contract. Resources appointed under this structure combine technical, mining, people development and safety expertise.

Further supplier engagement initiatives in 2017 included Kolomela's Small Business Development Centre implementing a five-month incubation programme to help recently registered businesses to develop their products and fine-tune their service offering. The programme aimed to support innovative and committed business owners to grow successful and sustainable businesses in and around Tsantsabane.

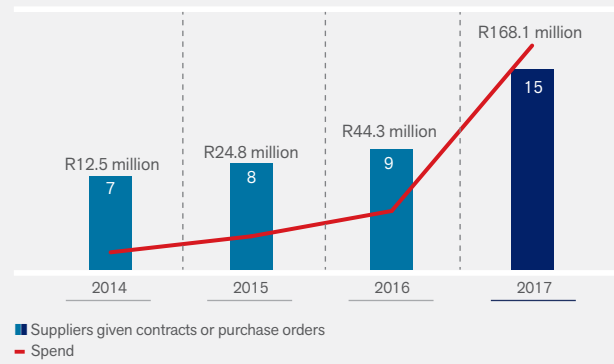
Interconnected with our supplier development initiatives are our enterprise development activities. Through a network of business development hubs that form part of the Anglo American Zimele enterprise development programmes we support SMEs mostly in the mining sector and supply chain by providing equity finance or subsidised loans. The hubs provide support services including coaching, mentoring and financial advice to assist the SMEs in becoming commercially viable and economically sustainable businesses.

Taking supplier development to heart

Kumba understands and appreciates the importance of upskilling local business hence the team supports and tracks all entrepreneurs that successfully graduated through the supplier development programme. A major focus of 2017 was to ensure that these entrepreneurs have access to potential procurement opportunities in order to assist them in growing their business through increased turnover and employment of people.

SPEND WITH ENTREPRENEURS ON OUR SUPPLIER DEVELOPMENT PROGRAMME

Spend/suppliers given contracts or purchase orders



SUPPLIER DEVELOPMENT PROGRAMME PARTICIPANT HIGHLIGHTS

Following is a selection of success stories of entrepreneurs who participated in our 24-month supplier development programme and who provide services to our operations:

- Kele Mining started on the programme with no contracts and very little working capital. After two years they have four contracts: two from Kumba and two from other companies. This has seen this company's turnover increase by more than 9,000% and increase its workforce to 44 employees.
- Jo & D trading provides plant cleaning services to the Kolomela plant. Participation in our programme supported the business in growing its service offerings and the company has completed various other smaller projects at Kolomela mine.
- Kuruman Cleaning Services renders services to Sishen mine and their business has grown substantially by adding more clients to its portfolio outside of Kumba.
- My Idea Gardening Services provides landscaping services at Sishen mine and have expanded its business service offerings, enabling it to secure opportunities with other industries outside of the mining industry.
- Strongs Pest and Weed Control is a female-owned business which is providing weed control services to Sishen mine and continues to thrive outside the mining industry supplying services to other industries and creating more jobs.

BEE PROCUREMENT SPEND IN 2017

Rand billion	Total payments	Discretionary payments*	BEE	BEE spend %
Capital	1.14	1.14	0.66	58
Services	12.45	5.03	4.07	81
Consumables	5.94	5.94	4.60	77
Total	19.53	12.11	9.33	77

* Discretionary payments are all supply chain payments to third-party suppliers, less direct foreign payments, less parastatals.

PROCUREMENT PERFORMANCE SUMMARY

Rand billion	2017	2016	2015
Total payments	19.5	16.5	19.7
Discretionary payments	12.1	11.0	19.4
BEE payments	9.3	8.5	15.3
BEE as a % of discretionary spend	77.0	77.6	78.8

BEE PROCUREMENT IN 2017

Rand billion	Capital	Services	Consumables	Total
Corporate office	0.14	0.34	0.00	0.49
Saldanha	0.00	0.06	0.00	0.06
Sishen	0.37	2.27	3.34	5.99
Kolomela	0.14	1.33	1.26	2.72
Thabazimbi	-	0.07	0.01	0.07
Group total	0.66	4.07	4.60	9.33
Percentage of total	58	81	77	77

MAKING A POSITIVE SOCIAL CONTRIBUTION CONTINUED

BEE EXPENDITURE IN 2017 (% of total discretionary spend per site)				
	Capital	Services	Consumables	Total
Corporate	43	68	58	58
Saldanha	26	92	4	81
Sishen	67	82	77	78
Kolomela	55	82	78	78
Thabazimbi	0	89	44	81
Group total	58	81	77	77

LOCAL WORKFORCE AND YOUTH DEVELOPMENT

Our workforce development initiatives aim to address the skills needs of our operations and the employment needs of the communities around our mines. A strategic focus is on youth workforce development. In addition to developing the skills, competencies and abilities of our employees, we are working with partners to develop non-mining jobs in communities. As we can only offer a limited number of jobs in our workforce, diversifying our skills development initiatives to promote broader employment opportunities enables us to play a more productive role in meeting community expectations. Kumba runs a training centre at Kathu and at Kolomela, providing training in skills outside

the mining sector, such as welding, plumbing and carpentry, to 688 community members (2016: 385).

In 2017 Sishen mine conducted a community outreach initiative for youth in Siyathemba to communicate the opportunities available for youth at the mine in terms of skills and enterprise development and employment. June 2017 was deemed 'youth month' and Kolomela mine supported the Tsantsabane local municipality Youth Summit on sustainable development. The Kolomela community bursary scheme continues to deliver good results and currently supports 10 local students.

CAREER DAY

On 24 July 2017 Kumba in collaboration with Assmang and the Department of Education hosted a career day for high-school learners from the local John Taolo Gaetsewe and Mgcawu districts.

Close to 3,000 learners attended the career day. They were addressed by the local mayor and various motivational speakers. There was a lot of focus on the importance of a good education and making informed choices with regards to their careers. They were also encouraged to make use of career guidance and the opportunities presented to them.

The learners were exposed to different career disciplines with exhibitors from the mining industry,

the Departments of Road and Public Works, Education and the Department of Water and Sanitation. Tertiary institutions including colleges and universities as well as the hospitality industry were also among the exhibitors. Learners also visited the Sishen Mine Technical Training Centre (SIVOS) during the course of the day where they visited the different workshops representing the different trade disciplines.

The event was a huge success with the intention of preparing the youth in the local area for a brighter future and making them believe in themselves.

Image: Kumba in collaboration with Assmang and the Department of Education hosted a career day for high-school learners from the local John Taolo Gaetsewe and Mgcawu districts. Close to 3,000 learners attended the career day.



ANOTHER FIRST IN SHARED VALUE FOR KUMBA

Kumba implemented a new strategy for localised and preferential procurement in 2017. The strategy focuses on going beyond compliance and significantly growing host community procurement spend to create thriving communities, while enhancing supplier development, creating a collaborative environment and effectively managing associated risks.

To support the strategy, specific core mining procurement opportunities were identified from Sishen and Kolomela mines as set asides. A target of R500 million was set for procurement from host community entrepreneurs. The business entities that qualify to participate in these opportunities must have 51% effective, localised black ownership, with participation in management and day-to-day running of the business. The localised businesses must be from Gamagara, Ga-Segonyana, Joe Morolong, Tsantsabane, Kgatelopele and Griekwastad local municipalities.

To achieve the target, we had to do things differently. Constructive engagements played an important role in this regard, ensuring alignment internally and fostering collaboration with relevant external stakeholders, including suppliers, localised business forums and municipalities. Localised supplier open days, and CEO engagements were facilitated to identify potential suppliers, share information and address challenges identified.

As zero harm is a high priority for us, safety training and on-boarding was made freely available to localised entrepreneurs to ensure safety awareness, as well as the readiness of localised enterprises to comply with legal requirements and Anglo American safety standards. A supplier development programme was also put in place. This included business acumen, marketing, sourcing, costing and technical support for practical core mining handholding at an operational level.

To ensure good governance and build credibility, systems to facilitate supplier verification, due diligence on BEE ownership transactions and the revision of contracts were implemented.

The 2017 target was exceeded, with over R520 million spent with 162 host community suppliers.

Kumba aims to sustainably increase this target to R1 billion in 2018 and R2 billion by the end of 2019. The intention is to share the blueprint with other likeminded organisations, to ensure that more companies implement the initiative and increase the pot of opportunities for the previously disadvantaged businesses. Because of the opportunities created by Kumba, these entrepreneurs will in the next two years master their trade, and can then grow their businesses further and seek opportunities from other companies and sectors, to reduce reliance on Kumba and thus remain sustainable.

SUPPORTING INSTITUTIONAL CAPACITY

To support the delivery of public services, we concentrate on delivering social investment that supports those most in need, working with local institutions to strengthen their capacity, and maximising socio-economic benefits from our own infrastructure.

DIRECT SOCIAL INVESTMENT

Our community development budget is determined by 1% net profit after tax. In 2017, we spent R106.7 million (2016: R67 million). Much of our CSI supports vulnerable and marginalised stakeholders who are unable to participate in our value chains, with an emphasis on youth development. This includes investments in areas such as education and skills development, healthcare, SMME supplier development, sports, arts, culture, infrastructure and support to vulnerable women, youth, children and

people living with disabilities. Our long-standing community healthcare activities are a particular highlight; these are reviewed on page 33.

A substantial number of our development initiatives contribute directly to progressing our SLP commitments. During 2017 we spent R25.3 million on SLP projects (2016: R26 million). Some of our SLP projects carry over into the following year. By year end, all planned SLP projects were implemented at Sishen mine and only one of 10 projects at Kolomela mine was not completed. At Thabazimbi mine, we have continued to engage with the DMR on projects that will be implemented to close out the 2013-2017 SLP and an agreement was reached. The DMR will finalise the adjudication on the application to transfer Thabazimbi mine to ArcelorMittal SA.

MAKING A POSITIVE SOCIAL CONTRIBUTION

CONTINUED

CED EXPENDITURE (CSI AND SLP PROJECTS)

Rand million	2017	2016	2015
Corporate office (including Chairman's fund)	71.4*	32.7	62.2
Sishen	13.0	11.4	70.9
Kolomela	21.6	16.1	31.4
Thabazimbi	0.7	6.7	10.1
Group	106.7	66.9	174.6

* R61 million was spent to directly benefit our host communities.

AREAS OF CED EXPENDITURE

Rand million	2017		2016	
	Amount	%	Amount	%
Education and skills development	23.4	22	18.6	28
Health and welfare	9.5	9	13.5	20
Enterprise development and poverty alleviation	46.6	43	3.0	4
Infrastructure	17.0	16	7.5	11
Institutional capacity development, and donations	9.4	9	14.6	22
Sports, arts, culture and heritage	0.8	1	9.7	15
Total	106.7	100	66.9	100

EXTERNAL CAPACITY BUILDING

In 2016, a three-year collaborative capacity building programme between the Development Bank of Southern Africa and Anglo American plc was concluded. The initiative was undertaken in 11 municipalities across five South African provinces, including the Northern Cape and Limpopo. The primary objective was to strengthen institutional capacity to enhance municipal service delivery and promote municipal sustainability in the long term. Key lessons from the programme have informed the development and inception of a second phase of the local municipality capability building programme. The focus areas are spatial development planning, revenue enhancement and maintenance management. Engagements are in progress with Gamagara and Tsantsabane municipalities to align and agree on projects and Anglo American is finalising a Memorandum of Understanding (MOU) with the Department of Corporate Governance. The initiative will include ongoing liaison to support local municipalities.

We invest in strengthening the skills, competencies and abilities of municipal staff. The main purpose is to enhance the capacity of these municipalities to effectively provide services to communities, without taking over their role in the longer term. Facilitating more effective municipal investment in social services can reduce expectations on the business to deliver these services through CSI and SLP projects. This requires engaging with local government and other key stakeholders to determine a strategy for collective efforts to support local capacity building.

HOUSING AND OTHER MINE-RELATED INFRASTRUCTURE

The Company's investment in the accommodation and living conditions of employees is a pillar of our contribution to the wellbeing of our host communities and employees. Since 2007, we have spent R1.9 billion constructing more than 4,200 homes for employees. In 2017, Kumba's housing expenditure (including housing allowances) was R306 million (2016: R300 million). The number of employees accommodated in Company housing is 3,453 (2016: 3,446). Kumba's three-pronged housing strategy encourages home ownership, offers house rentals, and facilitates alternative accommodation options for employees. Affordability presents a challenge for many employees interested in home ownership.

We operate in areas where the infrastructure associated with our mines – such as roads, health facilities and water – can also benefit local communities. By partnering with the Department of Mineral Resources on SLPs, we have been able to invest in infrastructure where it matters most: at local government level.

The Dingleton resettlement to Siyathemba extends beyond the provision of around 500 new homes. The suburb has acquired new infrastructure in the form of well-constructed and maintained roads, well-lit streets, boundary fences, parks, a new water and sanitation system and a new electricity supply.

SHARING THE BENEFITS OF MINING

ECONOMIC VALUE ADDED

It is through our core business activities – employing people, paying taxes to government and procuring from local communities (within 100 km of the operations) – that we make our most significant positive contribution to the South African economy. The value added directly by Kumba in 2017 amounted to R24,650 million (2016:

R24,209 million). For a breakdown of this figure, see the table below.

Through the multiplier effect, the positive economic contribution of our operations extends significantly further than these direct forms of value distribution.

VALUE DISTRIBUTED

	Rand million		%	
	2017	2016	2017	2016
Employees	4,184	4,593	17.0	19.0
Providers of finance	373	496	1.5	2.0
Government	7,042	4,377	28.6	18.1
Community spend	107	67	0.4	0.3
Shareholders	6,742	–	27.4	–
Value reinvested	3,479	2,608	13.9	10.8
Value retained/(distributed)	2,763	12,069	11.2	49.8

COMMUNITY AND EMPLOYEE SHARE PARTICIPATION

Kumba's neighbouring community members own a part of the Company through the Sishen Iron Ore Company community development trust (SIOC-cdt). The SIOC-cdt holds equity on behalf of the communities around Kumba's mines and in line with our SLPs, invests in community development, with an emphasis on education (especially ECD), skills development and infrastructure projects. For the 2017 financial year, SIOC paid R209 million (2016: Rnil) to the SIOC-cdt. SIOC-cdt benefits around 360,000 people in our host communities. Since they operate independently, they are development partners and material stakeholders of our mines, seeking to help communities become empowered and economically active in a way that will be sustainable long after our mine's life has ended.

Kumba's broad-based employee share ownership scheme, Envision, unwound in November 2016 when its second five-year phase matured. We are designing a replacement scheme to enable employees to continue to share in the Company's performance.

PAYMENTS TO GOVERNMENT

The amount of tax we pay to the South African government, and our approach to managing tax affairs, are of considerable interest to many of our stakeholders. Being able to demonstrate the contribution we make to government and our host communities through the payment of taxes is critical for building trust with stakeholders and in supporting our licence to operate.

Our approach to tax is aligned with the principles of business integrity as contained in our code of conduct, our long-term business strategy and our parent company Anglo American plc's vision to be 'Partners in the Future'. Kumba supports the principles of transparency and active and constructive engagement with our stakeholders. Increased transparency can also empower host communities by helping them understand how much income is generated from mining activities in the region.

Our approach to tax management includes the following:

- We respect the law in each of the jurisdictions in which Kumba operates and we comply with our legal obligation for tax, we file our tax returns on time with full and adequate disclosure of all relevant matters and pay taxes on time.
- We do not take an aggressive approach to tax management. This entails that we will not undertake transactions that we are not prepared to fully disclose, and we only engage in transactions that are based on a strong underlying commercial motivation, and which are not (or appear to be) artificial or contrived.
- We conduct intragroup transactions on an arm's-length basis and comply with our obligations under transfer pricing rules in the jurisdictions where we operate. At Kumba, transfer pricing reflects the commercial and economic substance of any related-party transactions, using a consistent approach within the group. We ensure that taxable profits arise in the jurisdictions where the operations create value and is compliant with local law and international best practice.

MAKING A POSITIVE SOCIAL CONTRIBUTION

CONTINUED

- The use of tax haven companies does not form part of our tax strategies.
- All of our entities are tax residents in the countries where we have business operations.
- We seek to maintain a long-term, open and constructive relationship with tax authorities and government.

Tax risk management forms part of Kumba's overall risk management process and ensures that we comply with applicable tax legislation. It also enables the Company to timeously identify and respond to legislative amendments and new taxes. We consider this to be in line with the tax authorities' objective of improving tax compliance and to encourage businesses to adopt best practice tax risk management processes.

We remain an active participant of the Extractive Industries Transparency Initiative (EITI), and are at the forefront of tax transparency. Through Kumba's ultimate parent company, Anglo American plc, we voluntarily provide information about our tax payments in each country. A detailed account of Anglo American's tax payments is available in the Anglo American annual tax and economic contribution report

<http://www.angloamerican.com/investors/annual-reporting>

Since our listing in 2006, Kumba has voluntarily provided information about our tax payments. 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, including government and local communities and our policy 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 and reporting procedures.

Tax risk management forms part of Kumba's overall risk management process and ensures that we comply with applicable

tax legislation. It also enables the Company to timeously identify and respond to legislative amendments and new taxes.

Our tax payments include corporate income tax, mineral royalties, value added tax (VAT) on purchases, duties on imports and exports, payroll taxes and dividend 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).

For calculating mineral royalties, management is required to make certain judgements and estimates. In terms of the Mineral and Petroleum Resources Royalty Act No 28 of 2008 and the Mineral and Petroleum Resources Royalty Administration Act No 29 of 2008, the specified condition for iron ore used to calculate the mineral royalty payable will be deemed to have been extracted at a 61.5% Fe. Kumba extracts iron ore below 61.5% Fe and this requires management to make certain judgements and estimates when determining the gross sales value of the ore extracted at the group's mines.

Tax is a significant element of the overall economic contribution we make to government and our host communities and the following cash payments were made to the jurisdictions in which we operate.

TOTAL TAX CONTRIBUTION BY CATEGORY		
Rand million	2017	2016
Corporate income tax	5,883	3,363
Mineral royalties	1,160	1,014
Payroll tax	980	763
Skills levy	37	31
UIF	20	22
Total	8,080	5,193

TAXES PAID AND COLLECTED IN SOUTH AFRICA			
Rand million		2017	2016
Taxes paid	Corporate income taxes, mineral royalties, import and export duties, and other taxes which are a cost to the group	7,035	4,319
Taxes collected	Payroll taxes, withholding taxes and other taxes that are collected and remitted to government, but are not a cost to the group	1,038	816
Total		8,073	5,135

MANAGING ENVIRONMENTAL IMPACTS



IN THIS SECTION

Our management approach	Biodiversity
Air quality	Mineral residue management
Non-mineral waste management	

Our activities result in the disturbance of land, the consumption of resources such as water and energy, the generation of mineral residue, as well as dust emissions and water pollution. We recognise that we have a legal and social responsibility to minimise our planned impacts on the environment, and to strive to eliminate unplanned events, such as unsanctioned water discharges and exceeded air emission standards. Through the implementation of best-practice standards, we aim to achieve and surpass basic legal compliance.

Ensuring responsible environmental management through the life-cycle stages of an operation can influence our future access to land and capital, improve resource security, and reduce operational risks and mine-closure liabilities.

ENHANCING PARTNERSHIPS

No level 3 to 5
incidents for two consecutive years

Dust emissions
challenges remain an issue at Sishen mine

Zero
paper, plastic, cans and glass to landfill target set for 2020



Image: Samuel Chisanga, a process controller at Kolomela mine sampling and analysing water at the waste water treatment plant.

Energy consumption slightly increased to **8.94 million GJ**

Good progress made against rehabilitation targets

MANAGING ENVIRONMENTAL IMPACTS CONTINUED

OUR MANAGEMENT APPROACH

Our approach to realising our environmental management goals is underpinned by best practice policies, performance standards and business processes, investing in capability and technological innovation, and identifying and realising opportunities for partnerships and collaboration with stakeholders.

Internal policy requirements on water, air quality, mineral and non-mineral waste, hazardous substances, biodiversity, rehabilitation and mine closure, are detailed in the Anglo American plc SHE Way, which was approved in 2017 and will be rolled out in 2018. During project planning, the Anglo American Investment Development Model includes sustainability criteria to ensure that we identify and manage environmental risks from the outset. The Anglo American mine closure toolbox provides a structured approach to closure planning and management. The 'precautionary principle' is integrated throughout our environmental performance standards.

Our approach to environmental risk management is being integrated into the Anglo American Operational Risk Management (ORM) process, which is aligned with the Operating Model. ORM implementation, including for our most significant environmental risks, forms part of performance-based remuneration for senior executives.

In line with the Anglo American plc group-wide approach, over the last two years we have rolled out a more comprehensive set of leading environmental performance indicators. This includes reporting on progressive rehabilitation, permitting and compliance indicators, risk management indicators, and high-potential incident and hazard reporting.

We continue to drive improvements through certified environmental management systems. Regular engagement with our key stakeholders is central to our efforts to identify and address issues and impacts timeously. We engage regularly with government at all levels to ensure compliance with environmental authorisations and related requirements, including any instances of environmental incidents or grievances.

We implement environmental improvement plans (EIPs) that are designed to address material issues, and we review our progress on these twice a year at management review forums. Our EIPs focus on:

- improving levels of environmental awareness and incident management

- pollution prevention and remediation
- energy and greenhouse gas (GHG) emissions management
- water stewardship
- land management – rehabilitation, mine closure and biodiversity

We set and track measurable goals for our performance, including targets on energy use, GHG emissions and water-use efficiency. We measure our progress through structured auditing to ensure compliance and continual improvement.

OUR PRINCIPAL RISKS AND MITIGATION MEASURES

The priority environmental risks facing our business relate to the potential impacts of our activities on communities, biodiversity, water security, climate change and weather variability.

Our priority unwanted environmental-related events are depletion of groundwater resources due to dewatering, inadequate hydrocarbon management (resulting in soil and water contamination), excessive dust generation, and administrative delays in the issuing of environmental permits.

We are implementing critical control improvement plans across our operations. Our risk mitigation controls include: dust suppression, using 'dust-a-side' for roads and mist spraying for ore stockpiles; storage of hydrocarbons in properly designed areas; treatment of hydrocarbon contaminated soil at bioremediation facilities; and an aquifer recharge project at Kolomela mine to minimise the impact of dewatering.

We continue to undertake technical assessments to identify controls and improvement opportunities to help with the management of unwanted events.

LEGISLATIVE DEVELOPMENTS

Regulatory changes and uncertainty continue to present challenges, including delays to authorisations and financial costs associated with managing legal developments.

Implementation of the National Environmental Management Act (NEMA) financial provision regulations has been postponed until February 2019. Annual submissions will be made under the Minerals and Petroleum Resources Development Act (MPRDA).

The regulations prescribe how operations must determine and provide financially for the undertaking and management of their rehabilitation obligations throughout the life of mine. We will continue to review the implications of the regulations and ensure that all our operations are aligned with the new requirements.

We engage regularly with all relevant authorities and neighbouring communities and we participate in the Chamber of Mines of South Africa and other bodies to ensure that we stay abreast of changes and to submit comments on proposed legislation and policies. A number of environmental law reforms were introduced in 2017 and all the developments are being closely tracked.

COMPLIANCE AND CERTIFICATION

We monitor and drive compliance with all relevant legislation regulating the management of environmental impacts. Key areas of legislation include, in particular, the requirements of the MPRDA, the NEMA, and the National Water Act.

In 2017, we were issued two legal pre-non-compliance notices (2016: five). Kolomela received a non-compliance notice

regarding a diesel spillage from a stationary tractor next to the bioremediation facility. The mine implemented the remedial mitigation actions instructed and submitted an appeal/objection to the authorities but received no response from DEA. Sishen received a non-compliance from water affairs, and even though they have resulted in level 1 incidents, hydrocarbon spillages continue to be highlighted during audits and inspections. A root cause analysis has been conducted and an action plan developed.

All Kumba mines are certified to the requirements of the ISO 14001 environmental management systems standard, with compliance assessed annually by an independent certification body, Bureau Veritas. Kolomela mine was one of the first mines in the world to successfully implement the ISO 14001:2015 standards, with certification granted in August 2016.

All our mines completed and timeously submitted air quality reporting for the National Atmospheric Emission Inventory System (NAEIS), as required by the National Atmospheric Emission Reporting Regulations.

REGULATORY AND EXTERNAL AUDITS IN 2017

Site	Auditor	Type	Number of major non-conformances
Sishen	Bureau Veritas	ISO 14001:2004	0
Kolomela	Bureau Veritas	ISO 14001:2004	2
	DMR	Regulatory	1

ENVIRONMENTAL INCIDENTS

Reporting, investigating and sharing lessons learnt from environmental incidents (actual and potential) are an essential part of improving controls to prevent repeats and of integrating environmental consciousness into core business processes.

In line with the Anglo American plc group-wide approach, we report five levels of environmental incident severity according to actual and/or potential consequences on the receiving environment. In 2017, Anglo American revised the existing classification criteria for environmental incidents; the more exacting categorisation aims to enable more learning and sharing opportunities and improve the consistency of reporting across the group. Reporting against the updated classifications will start in 2018.

The reporting and investigation of environmental incidents at our operations is improving and in 2017 we started to report environmental high-potential hazards (HPHs) and high-potential incidents (HPIs), which are valuable leading indicators to inform preventative actions. In addition to the reporting and investigation of incidents, we conduct regular site audits and focus on the close out of audit findings, as well as costing of incidents and sharing of learnings.

During 2017, we recorded 146 incidents (2016: 105), all of which were low impact incidents and have been investigated and closed. As in previous years, most of the incidents related to hydrocarbon spillages, dust and water leaks. We continue to focus on improving our activities to mitigate incidents. For two consecutive years, there were no level 3 to 5 incidents reported, indicating good management of environmental controls across the operations.

MANAGING ENVIRONMENTAL IMPACTS CONTINUED

All environmental-related grievances and complaints are investigated and remedial action taken where required. During 2017, we received 22 complaints at Sishen mine (2016: 23), most of which related to depleting groundwater levels and wild animals from Sishen owned farms killing sheep and goats on the neighbouring farms. There were seven complaints at Kolomela (2016: two). Most of these complaints have been investigated and closed out and, where applicable, actions implemented to mitigate impacts.

Regular forums are held with stakeholders, including meetings with farmers, at which concerns and grievances are raised.

PRODUCT STEWARDSHIP

We seek to create and supply a product of consistent and reliable quality (supported by ISO 9001, 14001 and 17025 laboratory certification). Kumba has the highest average iron (Fe) content (at 64.1%) and lump production ratio (at 66:34) relative to the industry.

We have mandatory product-compliance obligations that stem primarily from two sources. Firstly, implementation of the EU's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation – a leading initiative aimed at improving the protection of human health and the environment from the potential risks associated with chemicals. Secondly, the UN's Globally Harmonised System of Classification and Labelling of Chemicals (GHS), which influences standards for hazard assessment and communication in the global trade of our products as well as setting operational standards in many countries where we operate.

REACH and GHS apply to all chemical substances, including minerals and metals, and failure to comply with these obligations would put our ability to access markets at risk; comprehensive systems are therefore in place to ensure ongoing compliance.

Details of our process materials purchased are provided in the performance data table on page 74.

INVESTIGATING POTENTIAL DUST IMPACTS ON ANIMAL AND PLANT HEALTH

Kumba recognises concerns that our activities, in particular dust pollution as a result of gravel road and mining activities, have potentially negative impacts on animal and plant health in the surrounding environment.

As part of a broader biodiversity project, Kolomela mine has monitored individual animals, including various livestock herds, to determine the probability of dust impacting on grazing patterns and the composition of plant species. Global positioning satellite (GPS) collars were placed on the selected animals and monitoring conducted through a remote sensing survey. Plant samples were collected and dust accumulation percentages were determined through microscope analyses. The findings have provided a baseline of data for future monitoring of both the animals and vegetation.

The results from this study found that at the time of the study, the area selection and avoidance by sheep and cattle was ultimately determined by the availability of palatable vegetation species and not by mine dust. Based on the importance of vegetation in influencing herbivore movement, the results supported expectations that the vegetation of Kolomela mine, rather than dust deposition on vegetation, would ultimately determine area preferences of studied animals.

Although it was found that area preferences of animals were not related to dust deposition, dust may indirectly influence animal movements in the long term. This will most likely be the case if dust plays a role in altering the state of vegetation or the palatability of plant species, particularly in areas preferred by animals. For this reason, future monitoring will focus on the vegetation at Kolomela mine.

Images: *Left:* A springbok at Kolomela mine. *Below:* A view of a water truck in the Leeuwfontein pit used for dust suppression at Kolomela mine.



BIODIVERSITY

Biodiversity loss and ecosystem collapse through habitat degradation and destruction are recognised as among the most significant environmental risks facing the world. Our Sishen and Kolomela mines are situated in the southern part of a protected woodland in Northern Cape province. The region hosts several protected plant species, such as camelthorn and shepherd trees, that may not be damaged or removed without permits. As members of the ICMM, we are committed to the Mining and Protected Areas Position Statement, to respecting legally designated protected areas, and to not exploring or mining at any World Heritage sites.

Given the potential of mining activities to affect habitats through land disturbance, land-use change and pollution, as well as the specific risks and opportunities presented by the biodiversity-sensitive areas where we operate, our Sishen and Kolomela mines implement biodiversity action plans (BAPs). The BAPs seek to balance ecological considerations and community needs. The BAPs are used in conjunction with land management plans to address top risks, including the effects of mine dewatering, alien and invasive species, bush encroachment and the relocation

of protected species to offset areas. Research and biodiversity monitoring protocols are used to understand and measure long-term biodiversity trends. Our operations are in the process of setting targets to deliver positive biodiversity conservation gains, working towards our longer-term goal of achieving no net loss of significant biodiversity and ecosystem services.

Our operations' expansion activities result in large areas of woodland having to be cleared. Permits have been issued on condition that an additional biodiversity offset area is provided for long-term conservation purposes. Sishen received approval in 2016 to extend its mandatory offset requirements by an additional 2,500 hectares. The Department of Nature Conservation has gazetted the Bredenkamp and Brooks' farms as nature reserves. The MPRDA Section 53 application (to allow for sterilisation of minerals) has also been approved pending consultation with a company that currently holds a prospecting right on the earmarked farms. There have been no objections. Sishen is exploring opportunities to purchase additional offset farms as part of our land management strategy.

AIR QUALITY

We strive to minimise the negative impact of our operations on air quality and to keep our levels of emissions to air within legal limits. We mine in arid areas and our most material air quality issue relates to excessive dust (particulate emissions). Prolonged dry periods coupled with increased temperatures and winds increase the amount of dust generated at our operations. Sishen and Kolomela have real-time dust-monitoring and control programmes in place and continue to implement extensive air quality management plans which are regularly reviewed and updated as necessary.

Environmental dust monitoring is undertaken at monitoring stations in the communities surrounding our operations. The monitoring results have shown a steady decrease in annual PM10 (particles smaller than 10µm) concentrations over the last few years. Stricter PM10 standards became effective in 2015. The allowable limit is 75µg/m³ and operations are allowed four exceedances per year per monitoring site. Over the past three years there has been a steady decrease on the PM10 exceedances at Sishen even though the challenges still remain due to high winds and dry conditions. Investigation modelling and dust fingerprinting studies have shown that not all exceedances recorded at our monitoring stations were as a result of Sishen activities.

A detailed dust management action plan has been developed and is being tracked at Exco level. The actions include mitigation measures, such as refurbishment of dust extraction and suppression systems, the planting of trees along the boundary fence between our operations and Sesheng, monitoring wind conditions prior to blasting,

and the regular watering of roads. The operation is reassessing the location of its dust monitoring systems for alignment with air dispersion modelling results. Mine drill cyclones have been installed to reduce dust at the drill rigs, and progress with waste dump rehabilitation has been made through hydro-seeding and moonscaping. Sishen continues to hold on-site dust management workshops, which include participation from technical and operational leadership. In 2018, we will be piloting the use of dust boss (misting system) at the G80 waste dump, which borders the Sesheng community. The results of the air dispersion modelling study will help with the development of a multi-year reduction plan to ensure continual improvement.

Ongoing dust suppression measures implemented at our operations include the usage of 'dust-a-side' and ICAT solutions on our primary and secondary roads, the installation of dust extraction systems in the plant, and water cannons and mist foggers on our stockpiles and conveyor belts. We implement a Trigger Action Response Plan (TARP) to manage daily dust events. We continue to engage with the regulator and are committed to the regional initiatives on air quality management plan development. We also continue to invest in researching new technologies to mitigate dust generation.

Our air quality performance requirements are based on European Union standards and World Health Organisation guidelines, and apply throughout the life-cycle of our projects and operations. We do not use ozone-depleting compounds or persistent organic pollutants at our operations.

MANAGING ENVIRONMENTAL IMPACTS

CONTINUED

MINERAL RESIDUE MANAGEMENT

Mining generates significant quantities of mineral residue, which impacts on land through the establishment of tailings dams and waste rock piles, and may also result in impacts on water if not managed effectively. Where possible, we place mineral residue into mined-out areas or pits. This provides increased containment safety and reduces the overall footprint of the disturbed land, supporting long-term closure planning and implementation.

The integrity of tailings dams is under increasing scrutiny following a number of serious tailings dam breaches in the mining industry in recent years. Tailings storage facilities are classified as a major risk and are subject to a rigorous risk management programme. Anglo American plc's new mineral residue management technical standard for tailings dams and water retaining dams has been rolled out at Sishen and Kolomela mines and implemented for tailings dams and water retaining dams. The new standard raises the bar in the level of care for our mineral residue facilities, as we seek to move beyond compliance and towards best practice. In implementing our internal technical standard we will align with the ICMM position statement on preventing catastrophic failure of tailings storage facilities, which all ICMM member companies are committed to implementing by November 2018.

We classify facilities based on potential consequences of a catastrophic event. Classification criteria include: public

and employee safety; employee health; and environmental, infrastructure, financial, social and reputational consequences of incidents. In turn, the classifications determine: design criteria; the frequency of monitoring and inspection; assignment of appropriately skilled and resourced people; and governance structures to manage, monitor, audit and review facilities.

We have significantly improved the technical stewardship of tailings dam facilities at Sishen mine.

The management of waste is guided by the National Waste Act and the conditions of each mine's waste licence. Legal risks associated with waste management continue to increase. All mine residue deposits and stockpiles are now governed by the National Waste Act, and are subject to a broad range of licensing requirements, regulations and standards. We have demonstrated our compliance with the new provisions and been issued with the required licences.

Waste mined at Kolomela mine was 11% higher at 55.6 Mt (2016: 50.2 Mt), and 18% higher at Sishen mine at 161.7 Mt (2016: 137.1 Mt).

For additional environmental performance tables please refer to pages 74 to 78 of this report.

NON-MINERAL WASTE MANAGEMENT

We apply the 'avoid, reduce, reuse and recycle' management hierarchy to ensure the least possible effects on human health and the environment, during both the operational and post-closure phases.

We have programmes in place to separate our non-mineral waste streams and well-established internal reporting parameters for all key waste streams. Our goal is to achieve zero waste to landfill by 2020, aligned with the national target. We aim to achieve this through waste recovery, reuse and recycling, and alternative disposal technologies. Sishen and Kolomela mines engage Interwaste to manage all their waste. We are working on renewed approaches to waste management and partnership with stakeholders to enhance recycling and reduced waste to landfill. We have previously not set targets. For 2017, we set a target for zero paper, plastic, cans and glass to landfill by the end of 2017, and we have performed well against this. We continue to explore different environmentally friendly methods of waste

minimisation and treatment that will ensure that our target of zero waste to landfill by 2020 is realised.

In 2017 we commenced a supply chain process to identify a solution for the responsible disposal of our legacy tyres, of which we have more than 20,000, to mitigate the tyre stockpile risk and meet legal management requirements. We have selected two tyre processing companies and the solution is likely to involve a combination of shredding tyres and pyrolysis. This process would enable the separation of carbon black from the tyres and the volatile matter released has the potential of renewable energy recovery, to operate the plant. We have authorised waste tyre yards at Sishen and Thabazimbi and have applied to increase the waste storage yard at Sishen.

We have bioremediation facilities at all our operations to treat soil that has been impacted by hydrocarbons and would otherwise be taken to a hazardous landfill site.

The principal sources of contamination are soils from washbays and hydrocarbon spills from the mine and workshops. In 2017, Kumba's operations about 3,141 tonnes of contaminated soil at our bioremediation facilities (2016: 540 tonnes), which would have otherwise gone to the landfill.

The management of hazardous waste is strictly regulated and controlled at our operations. It is sorted on-site and analysed to determine the appropriate hazard ratings and the disposal methods. Waste-disposal specialists remove the hazardous waste and are monitored for compliance. None of our waste is exported outside South Africa. Each mine records the amount of waste disposed, and associated certificates are retained.

Sishen mine is addressing risks of asbestos contamination on land transferred from Transnet, as a result of historic asbestos mining and transportation by Transnet which resulted in contamination in the proximity. Although the mine has removed large quantities of asbestos, we have appointed an asbestos removal contractor to remove the remaining volumes in order to enable us to make way for pit expansion and to protect our employees. This was undertaken by a registered asbestos contractor appointed by Kumba. The waste was transported by road and disposed at the Vlakfontein hazardous waste landfill in the Vaal triangle. The health and safety of employees and contractors was ensured at all times by medical surveillance, routine monitoring, watering down and covering the contaminated material stockpile and trucks during the transportation. A project manager has been appointed to explore alternative methods of disposal/management.

COLLABORATING TO ENHANCE WASTE RECYCLING

In striving to achieve zero waste to landfill by 2020, in line with the national target, Sishen mine has increased its waste recycling activities, achieving a material reduction in waste to landfill. The mine generates non-mineral waste material through diverse processes including supplying and purchasing bulk equipment, operating canteens, using building and construction materials, and managing fleets. Since 2016, waste management practices have been advanced as part of the operation's environmental improvement plan, with improvements made in diversifying waste streams, effectively separating waste, adhering to waste management procedures and improving waste-related resources and infrastructure. The mine has established and improved facilities for collection, recycling, treatment and disposal of solid waste.

In addition to cardboard, paper, cans and bottles are collected. We have introduced waste recycling stations, bailing machines, drum pressers and have improved the measuring of waste data, which had previously been estimated. The appointment of an outsourced waste management service has significantly improved the recovery of recyclable waste and effective waste removal from source.

Progress has been supported by raising awareness that responsible waste management is a joint effort that requires all mine employees to work together in minimising, recovering and recycling waste. Sishen participated in the Northern Cape Mine Managers Association's (NCMMA) Safety, Health and Environment (SHE) Day, held on 21 October 2017, and was the winner of the environmental competition for innovation and/or reuse of waste materials.

In 2017, Sishen mine recovered more than 32% of recyclable material, which has been bailed and sent for recycling. Improvements have also been made to managing Sishen's licensed landfill site, including establishing safety signage, 24/7 surveillance camera, and conducting weekly inspections and leadership interactions on-site.

We continue to investigate new approaches to waste management and to explore opportunities to partner with stakeholders to enhance our recycling activities and reduce our waste to landfill.

Images: Left: The Northern Cape Mine Managers Association (NCMMA) trophy won by Sishen mine. Below: Sishen mine participated in the NCMMA's SHE day held on 21 October 2017, and was named the winner of the environmental competition for innovation and the reuse of waste materials.



WATER

Kumba is heavily reliant on water as an input to mining and processing activities. Our mines are in the water-stressed Northern Cape, where arid conditions and municipal potable water supply constraints underscore the need for responsible water management. To maintain our licence to operate, we take all reasonable steps to ensure that we do not degrade water quality or compromise the access rights of other users.

OUR STRATEGIC APPROACH


In supporting the ICMM's water position statement, we uphold commitments to apply strong and transparent corporate water governance, manage water at operations effectively and efficiently, and collaborate with our partners and our communities to achieve responsible and sustainable water use.

Progress in implementing our water strategy is driven through our water management programme, which is supported by a mandatory group water standard and delivered via operational water action plans. Key objectives include: minimising our use of higher grade water and finding lower grade sources; maximising water reuse; ensuring no spillage of contaminated storm and process water; ensuring no spillage of groundwater and promoting its beneficial use.

Each operation has a dedicated water manager. During 2017 we have been implementing and embedding Anglo American plc's new water management standard and associated reporting requirements. The standard guides a risk-based, regional approach to water management, in line with global best practice and the ICMM water reporting guidelines.

In 2017, we started reporting against a more comprehensive and rigorous set of performance indicators. We implement detailed, dynamic operational water balances that are linked to regional climatic data. Modelling water balance scenarios significantly improves our ability to predict and quantify risks and identify infrastructure requirements to enable timely management responses to climatic variability.

We participate annually in the CDP's water disclosure project and for the third consecutive year we achieved band 'A' performance for leadership in respect of the CDP water programme. Our CDP submission is available at www.cdproject.net and on our

 www.angloamericankumba.com/sustainability/performance.aspx

COMPLIANCE AND INCIDENT MANAGEMENT

The evolving regulatory environment can result in delays in obtaining water licences. We continue to engage with the Department of Water and Sanitation (DWS) to mitigate licensing delays and ensure that all water use licences (WULs) are in place. There are currently no outstanding authorisations for existing activities at our operations.

The principal water-related risks we focus on managing are: the risk of a spillage of dust suppression water, which contains chemicals, with likely contamination of underground water; the risk of spillage of potable water into stormwater channels at Sishen; and Kolomela mine's increase in dewatering resulting in more water being spilled into the environment due to the local water service provider – Sedibeng Water – being unable to accommodate the current excess volumes.

WATER CONSUMPTION, DISCHARGE AND QUALITY

We have continued to make good progress in reducing our water demands. Our water-saving projects have continued in 2017. Water intensity has, however, increased from 139 l/t to 147 l/t due to increased production.

Groundwater is our primary water source, accessed through dewatering boreholes. The deeper we mine, the more groundwater has to be pumped through the ingress from the mine pit to ensure safe working conditions. Kumba also makes use of municipal water for domestic purposes. In some instances, our dewatering activities have led to depletion of underground water on the neighbouring farms. We are currently compensating all affected farmers with water and grazing subsidies.

In addition to making sure that the groundwater in and around Sishen and Kolomela is properly managed and understood we have invested in a pipeline system that

pumps excess clean groundwater from dewatering into the Vaal Gamagara pipeline to support regional water supply. When there is too much water for this pipeline we divert it to a pump station which feeds water into boreholes outside the dewatering zone at a predetermined rate suitable to each specific borehole, thereby recharging the aquifer. A focus in 2017 has been to advance a Gamagara river flow restoration project, which aims to address the negative impacts of Sishen dewatering on the river. This is progressing well and involves ongoing stakeholder engagement, with the main roleplayers like DWS, DMR and farmers already engaged to get inputs and buy-in into our preferred solution.

Operations reduce their dependency on imported fresh water through the use of lower-quality treated sewage water. We minimise water losses by using a closed-loop water system and

capture rainwater for use in dust suppression. Clean and dirty water separation at our mines ensures that there is proper management of stormwater to avoid surface water pollution. The mines effectively recycle mine-affected water for use in the process plant.

The volume and quality of the water that is allowed to be discharged by our operations is predetermined through regulatory processes. Any unplanned discharges that breach legal agreements and/or licence conditions are reportable as environmental incidents and addressed. Kumba discharges most of its water for treatment at local water utilities; no water is discharged to fresh surface water sources. The quality of the water discharged at all of Kumba's operations is closely monitored. Changes in weather and climate extremes can impact on water quality. Our approach to managing climate-related risks is discussed on page 64.

GROUP WATER CONSUMPTION (Mℓ)

	2017	2016	2015	2014	2013
Water from water service providers or municipalities (1)	1.86	0.08	0.08	0.12	1.56
Waste water from other organisations (2)	1.83	1.01	1.32	1.56	1.47
Water from ground water (3)	31.40	24.07	24.87	13.48	9.50
Water withdrawn (1 + 2 + 3)	35.09	25.16	26.27	15.16	12.63
Water internally recycled	3.12	3.54	3.98	4.90	4.59
Total water consumption	38.21	28.70	30.70	20.06	17.22

SUPPORTING COMMUNITY WATER SECURITY

Our Kolomela and Sishen mines pump groundwater, in excess of operational needs, to Sedibeng Water. This water benefits the bigger Northern Cape region. We continue working with the DWS, Sedibeng and other stakeholders to explore maximising this social benefit to an even wider region. Sishen uses treated effluent (grey water) from the Kathu wastewater treatment works, to increase the export of groundwater to the Sedibeng reservoir. A sales agreement has been in place with the water authority since 2014 to supply bulk water to farmers, to compensate for their potential losses from private boreholes. The agreement between Kumba and Sedibeng does not guarantee fixed quantities. Quantities will fluctuate in line with dewatering requirements. The existing sales agreement has expired and we are negotiating revised water tariff rates for a new agreement.

Our Sishen and Kolomela mines continue to manage issues of concern among certain local farmers regarding mine dewatering that potentially affects the availability of groundwater. In 2017 we have been negotiating the purchase of three farms around Sishen in order to create a buffer zone.

Kolomela mine artificially recharges clean mine water to the underground aquifers that its operations traverse, thereby improving groundwater resources for neighbouring farmers and limiting quantities discharged into the environment. The initiative has been in operation for three years, recharging an average of 36,000 m³ a month, approximately 10 to 15% of the excess water from the mine. Local farmers continue to respond positively. Studies are under way at Sishen to enable a similar project.

CLIMATE CHANGE

IN THIS SECTION

Our management approach	Reducing operational emissions
Adaptation	Market risks and opportunities
Policy engagement	

Our operations are vulnerable to extreme weather events and variability associated with long-term climate change. Our climate-change strategy is designed to safeguard the business and host communities against climate-change risks, and to contribute to mitigating greenhouse gas (GHG) emissions.

OUR MANAGEMENT APPROACH

Through implementation of our climate-change strategy we aim to reduce our carbon footprint as part of our voluntary commitment to mitigate our impacts and reduce our exposure to emerging climate change regulation. We also strive to promote greater resilience to the physical impacts of climate change within our business and host communities.

We have implemented the Anglo American plc group-wide energy and carbon management (ECO2MAN) programme at our operations since 2011. The programme is centred on site-level energy and GHG reduction targets, which constitute a reduction against current business plans. The targets take into account variable operating conditions, such as changes to mine plans, production levels, the depth and grade of ore body, and haul distances. Performance is driven

through the implementation of discrete projects that reduce energy and emissions intensity at the operations concerned. Achieving our long-term milestones in energy management hinges on identifying and implementing innovative, step-change technologies.

Performance on energy and carbon is included in Kumba's Chief executive scorecard; in 2017, the Anglo American plc Board approved the inclusion of our 2020 energy and carbon targets within the executive long-term incentive plan, this will be approved at the 2018 AGM. Kumba has aligned its reporting with Anglo American plc group-wide requirements, in response to society expectations for greater transparency around climate change, expressed by initiatives such as the 'Aiming for A' coalition and the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

REDUCING OPERATIONAL EMISSIONS

In 2017, Kumba's operations were responsible for 1.00 million tonnes of CO₂-equivalent emissions (Mt CO₂e) from electricity purchased, the combustion of fossil fuels at operations, and GHGs emitted as a result of industrial processes. This represented an absolute 5.1% increase on the 0.94 Mt CO₂e emitted in 2016. Even though absolute emissions increased, a saving of 8.3% was achieved against the business as usual (BAU) baseline. Kumba's total energy consumption was 8.94 million GJ (2016: 8.45 million GJ), representing an absolute increase of 6%. An energy saving of 9.2% was,

however, achieved against BAU. Fossil fuels account for about 81.7% of our total energy consumption and electricity about 18.3%. The increase in energy consumption and emissions generated is largely owing to increased production at Sishen and Kolomela. The savings against BAU can be attributed to the savings initiatives that were implemented during 2017 focusing especially on diesel efficiencies. Further details on our operations' direct and indirect GHG emissions are provided in the performance table on page 76.

Energy and carbon targets for 2020 as proposed in 2015 have been revised due to the significant revisions made to our Sishen and Kolomela mine plans. Following the completion of diesel and electricity usage forecasts for 2017 to 2020, we have defined a new set of targets. Our GHG emissions reduction target for 2020 is 10.7% and our energy reduction target for 2020 is 11.7%.

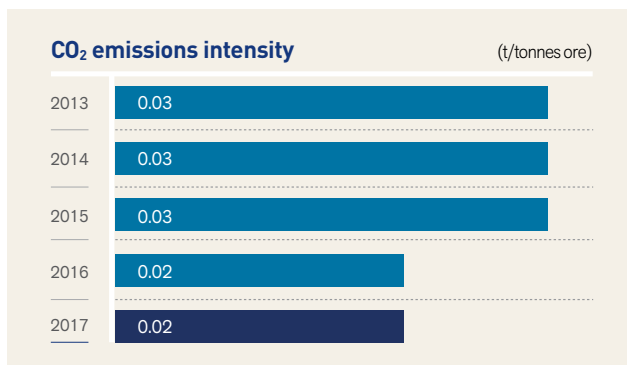
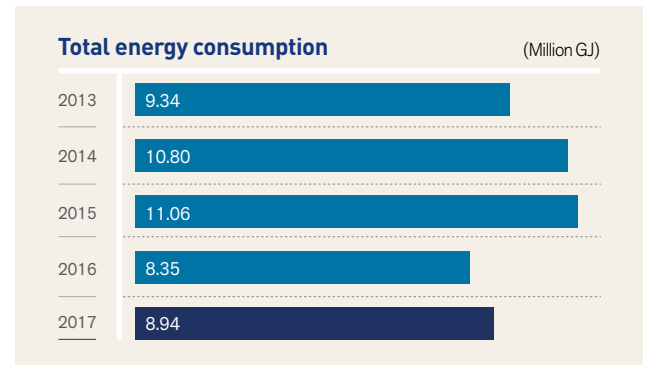
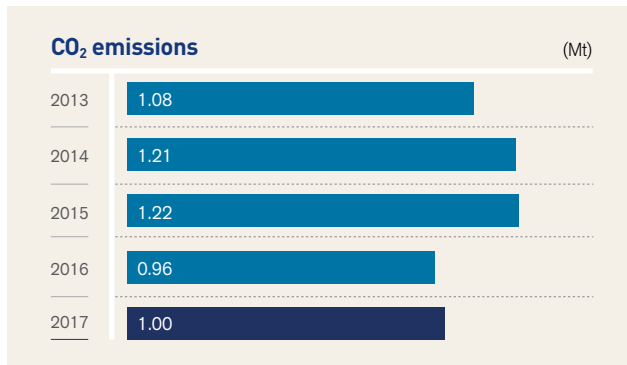
We continue to benefit from tax incentives for businesses that demonstrate measurable energy savings. We achieve significant energy savings through a range of emission reduction initiatives across our haulage fleet. The project savings are mainly in avoided fuel consumption through productivity and business improvement initiatives. These include improving haul truck payloads, traffic management, improvement in direct operating hours, dynamic dispatch implementation and the calibration of engines.

In 2017, we achieved diesel savings of 1.07 million litres at Sishen (2016: 1.9 million litres) and 0.3 million litres at Kolomela (2016: 0.85 million litres). Both operations measure contractor miners' diesel consumption. Total estimated energy savings in 2017 were 0.90 million GJ against a targeted 0.98 million GJ. Emissions saved were 89,100 GJ against a targeted 106,700 GJ. The resultant energy cost savings amounted to approximately R16.5 million and the Company's tax allowance claim exceeded R38.1 million.

In addition to our focus on GHG management, we investigate opportunities for carbon-offset partnerships.

CLIMATE CHANGE INDICATORS

	Unit	2017	2016	2015	2014	2013
Direct CO ₂ emissions	Mt	0.54	0.51	0.69	0.67	0.56
Indirect CO ₂ emissions	Mt	0.45	0.43	0.51	0.54	0.52
Direct energy (mainly diesel) consumed	Million GJ	7.28	6.80	9.40	9.00	7.50
Indirect energy (electrical) consumed	Million GJ	1.63	1.55	1.80	1.90	1.80
Total energy consumption	Million GJ	8.94	8.40	11.10	10.80	9.30



CLIMATE CHANGE CONTINUED

ADAPTATION

Kumba's operations are vulnerable to extreme weather events and we ensure that we have plans in place at our sites to reduce their exposure to climate risks. We have engaged with climate change research teams in the private sector and at academic institutions to assist us in understanding the physical implications of climate change for our operations and neighbouring communities and identifying appropriate adaptation responses. Key elements of our approach include: building climate scenarios using the best available science; using our operating models to identify vulnerability and exposure; and integrating critical controls into operational risk management.

Kolomela conducted a climate and risk adaptation study in 2014, the outcomes of which contributed to informing our improved mine planning. The external consultants engaged for this process are currently updating the report for Kolomela and a similar study is being conducted at Sishen for completion in early 2018. Our approach relies

on data availability and sophisticated climate modelling capabilities in developing substantiated climate scenario projections.

The projections established for Kolomela point to a rise in temperatures (mean, minimum and maximum) across all months and seasons, and suggest more variable precipitation. It is anticipated that there will be longer periods between precipitation events (floods and drought), but precipitation events, when they do happen, will be more intense, increasing the risk of flash flooding.

Recognising that climate change has the potential to alter the rainfall patterns, and potentially cause shortages of easily accessible groundwater or rainwater in our host communities, our Sishen and Kolomela mines provide supporting water infrastructure to build resilience in the communities (see page 63).

MARKET RISKS AND OPPORTUNITIES

Carbon pricing is shifting consumer behaviours and driving the need for good quality iron ore with a high lump-to-fine ratio, as this generates fewer GHG emissions in the steelmaking process. During 2017, Kumba's product maintained a high lump-ore to fine-ore ratio at 66:34. This reduces the amount of sintering required on the product and consequently increases the efficiency in the steelmaking process, enabling a reduction in emissions generated by our clients.

Kumba is one of the largest iron ore producers that beneficiates its ore prior to sale. In 2017, we beneficiated approximately 70% of our ore (2016: 69%). Through beneficiation, the physical properties of the finished product are enhanced, removing impurities and improving product quality, which in turn reduces downstream emissions associated with steelmaking.

We support the development of low-carbon technologies through partnerships, including with the Industrial Development Corporation (IDC) and government and as an industry partner in university research projects. In recent years we have implemented several small-scale carbon-offset projects. These have included donating land for a bamboo plantation, installing domestic solar powered water heaters in houses, and undertaking a camelthorn tree preservation project aimed at creating an offset area to preserve vegetation. Solar powered facilities installed at our Heuningkranz exploration site enable the site to operate 'off the grid'.

We have supported the South African energy market with an independent power project, namely the 100MW Kathu concentrated solar thermal plant with energy storage capability. The Kathu solar project has been transferred to GDF Suez, but Kumba continues to benefit from the carbon credits associated with the project.

POLICY ENGAGEMENT

We participate in policy-engagement processes through Anglo American's membership of the National Business Initiative, Business Unity South Africa and the Industry Task Team on Climate Change.

Our operating sites are prepared for the reporting requirements under the national GHG emission reporting regulations, which came into effect in April 2017. Industry

is challenging aspects of the regulations, in particular, the intention to manage company GHG emissions at the regional level. The government also issued a draft bill on carbon tax in 2016. While certain policy and technical aspects remain outstanding, we are evaluating further opportunities to limit our exposure through reduced energy use and GHG emissions and opportunities to source carbon offset credits.

MINE CLOSURE AND REHABILITATION

IN THIS SECTION

Mine closure

Rehabilitation

Mines generate economic activity for a finite period, while associated environmental impacts, if not managed effectively, may last well after mine closure. Our challenge is to play a meaningful role in helping local stakeholders sustain the socio-economic benefits of mining beyond mine closure, while remediating our environmental footprint. Effective mine closure mitigates financial liabilities, helps secure future access to resources and can have a positive effect on the financial terms of asset disposals.

MINE CLOSURE

Our approach to ensuring responsible mine closure emphasises the importance of designing, planning and operating a mine with closure in mind, and planning for post-closure long-term sustainability in consultation with communities and other stakeholders. In doing so, we aim to reduce long-term risks and liabilities to our business from an environmental and socio-economic perspective, and to ensure that we leave a positive legacy when our mines conclude their operational lives. All our mines are opencast operations. This makes rehabilitating the land we disturb to the level of post-mining land use agreed with stakeholders, a particularly material issue.

The Anglo American Mine Closure Toolbox (MCT) is the primary means through which we seek to achieve a structured approach to closure planning and management. It is aimed at ensuring that the full spectrum of life-of-mine opportunities, risks and liabilities is effectively identified, that plans are fully costed, and that provision is made on the balance sheet for premature closure. The toolbox is designed to be used in conjunction with the Anglo American Social Way and Socio-Economic Assessment Toolbox (SEAT) in order to support an integrated approach to mine closure planning.

Our Sishen and Kolomela mines have current life-of-mine estimates of 13 and 14 years respectively. Both operations have closure plans that are fundamentally aligned with the toolbox requirements.

We initiated closure procedures for Thabazimbi in 2016. The final closure plan for Thabazimbi mine was submitted to the DMR in May 2017. We have continued to invest in maintaining public services in Thabazimbi while awaiting the granting of the Section 11 (transfer of mining right) to ArcelorMittal SA.

INTEGRATED MINE CLOSURE PLANNING

We are progressively integrating mine closure planning with our operational strategies. This involves assessing and identifying opportunities to make operational changes

that require no or modest additional expenditure, and which result in significantly reduced operational costs and closure liabilities. A particular focus is placed on concurrent rehabilitation. For example, at Sishen mine, improvements to waste rock dumps designs are facilitating more efficient concurrent rehabilitation. Our renewed focus on rehabilitation and better planning has ensured that there is a gradual increase in our internal rehabilitation targets year-on-year. Sishen has for the first time exceeded its target of 30 hectares per year in 2017 as opposed to rehabilitating 13 hectares per year for the past three years.

The closure plan for Sishen mine was recently updated with significant improvements in a range of areas including the risk assessment, gap analysis, closure criteria and success criteria. In 2017, we reviewed and identified all current legal commitments (Environmental Management Programme (EMP) and amendments) that do not align with the current closure plan and that are either not achievable, such as 40% backfilling of the pit, or impractical, such as current land use for side slopes and rehabilitation of the inward facing waste rock slopes. We developed and implemented an engagement strategy for the DMR, including a detailed scope of work, action plan and schedule to address the alignment of the closure plan with legal commitments and the expectations of the regulator. As part of efforts to identify and prioritise opportunities, we undertook a benchmarking exercise at mines in the Pilbara region of Western Australia and acted on the learnings identified relating to closure planning and sustainable rehabilitation. Sishen has developed an integrated plan incorporating optimised in-pit dumping, integrated closure planning and commitments to develop and implement sustainable progressive rehabilitation, which has been presented to the regulator to allow more realistic requirements to be approved in an updated EMP, in 2018.

Anglo American plc developed an Integrated Closure Planning System (ICPS) that has been successfully piloted

MINE CLOSURE AND REHABILITATION

CONTINUED

at Kolomela mine over the last two years. The ICPS includes a closure-risk assessment and gap analysis, reviewing the closure vision, identifying detailed closure criteria and tracking closure-opportunity implementation plans. The exercise at Kolomela entailed updating the mine's closure plan, completing a critical control effectiveness review and realising integrated planning opportunities relating to in-pit dumping and rehabilitation activities (see case study below).

The annual update of our closure liabilities was done at the end of 2017 as per MPRDA requirements. At the end of 2017, our

immediate closure costs for the three mines increased from R3.9 billion in 2016 to R4.2 billion. The increase was mainly driven by the normal inflationary rate adjustments as well as waste dump, pit and infrastructure growth verification of rates for earthworks with local contractors. We put a lot of emphasis on how we calculate our financial provision and ensure that every third year we use the services of an external independent consultant to update the provisions. Implementation of the NEMA financial provision regulation has been postponed until 2019. We are aligning our closure liability assessment protocols and methodology accordingly to ensure compliance.

KOLOMELA INTEGRATED MINE CLOSURE PLANNING SYSTEM (ICPS) PILOT

In 2014, Anglo American plc commenced the development of an Integrated Closure Planning System (ICPS) with the aim of ensuring that Anglo optimises the use of its resources and leaves a positive and sustainable legacy for its host communities post-closure. The ICPS combines various mine planning regimes and internal and external requirements, with financial considerations from a people, process and technology perspective, over the life-cycle of its operations. Kolomela mine was chosen as one of the four pilot sites.

The first step in the piloting process involved undertaking a baseline maturity assessment during a site-based workshop. We commenced implementation of the plan in 2016. Key components of the plan included:

- Undertaking a structured process of engagement and analysis to prioritise identified projects.
- Updating the baseline closure risk assessment.
- Re-doing a gap analysis in relation to the requirements of the Anglo American Mine Closure Toolbox.
- Developing and implementing closure-related KPIs for senior leaders.
- Scoping the requirements for a software platform to host the ICPS.
- Developing a closure-specific conditions and commitments register.
- Benchmarking options to mitigate closure risks.
- Developing closure and success criteria.
- Updating the existing closure plan with an action plan to address the identified gaps.

The pilot at Kolomela resulted in some useful observations and lessons:

- Early implementation of the ICPS generated significant improvements, leading to the identification of specific opportunities for protecting and enhancing value.
- The involvement of internal stakeholders in the ICPS is critical to success.
- Taking a project-based approach to implementation of the ICPS provided the necessary rigour to facilitate execution of the plan.
- Regular face-to-face interaction and tightly managed monthly updates are important to maintain the focus on implementation given competing priorities on-site.
- Having mining engineering and planning experience in the project team has assisted in crossing real or perceived functionally based barriers.
- Engagement in the process had an early enlightening effect across the mining business, by sharing knowledge and experience on closure planning across functional boundaries.
- The process has supported planning and actions that are likely to influence closure outcomes, and has resulted in recognised commercial, environmental and social benefits for the mining operation and its stakeholders.

ICPS is addressing the risk that closure planning is often not seen to be a core business activity and thus is only occasionally integrated with other mine planning activities that are considered more relevant to the day-to-day operation of the mine.

REHABILITATION

Our approach to land rehabilitation is increasingly integrated with other mine planning activities, as demonstrated by Sishen's integrated approach to mineral waste management, which involves reducing the operational footprint by optimising the short haul in-pit

dumping of pits and available space in existing waste rock piles. Rehabilitating available land concurrently results in significant financial and environmental benefits and can reduce closure liabilities.

At year end, Kumba had 98,846 hectares of land under its management control (2016: 98,846 hectares). A total of 19,674 hectares has been disturbed by mining, processing and mineral waste disposal, and supporting infrastructure (2016: 16,674 hectares). Where possible, mineral residue is placed into mined-out areas/pits. This provides increased containment safety and reduced overall footprint of the disturbed land.

Kumba sets annual rehabilitation targets. The targets for 2017 were as follows: 30 hectares, 47 hectares and 32 hectares for reshaping at Sishen, Kolomela and Thabazimbi respectively. Good progress was made against the set targets with Sishen exceeding its target by 1.5 hectares. The good performance was attributed to a change in service providers. Moolmans took over from FCE, whose contract expired in May 2017. To date, Moolmans has made good progress with reshaping. Kolomela

reshaped 43.5 hectares, almost achieving its target for the year. During the first half of the year, there were challenges related to equipment availability which resulted in the mine not meeting its target. Thabazimbi made good progress on the concurrent rehabilitation target, with 29.5 hectares reshaped. Performance against the revegetation target across the three mines has lagged behind and this is an area that will be given more attention in 2018.

Further data on our land management, including our operational footprint, rock mined and ore purchased and rehabilitation liabilities, is provided on page 78.

Technical studies to support the Thabazimbi closure plan progressed well and rehabilitation requirements are being managed by dedicated mine closure resources.

PROTECTING BIRD DIVERSITY AT KOLOMELA MINE

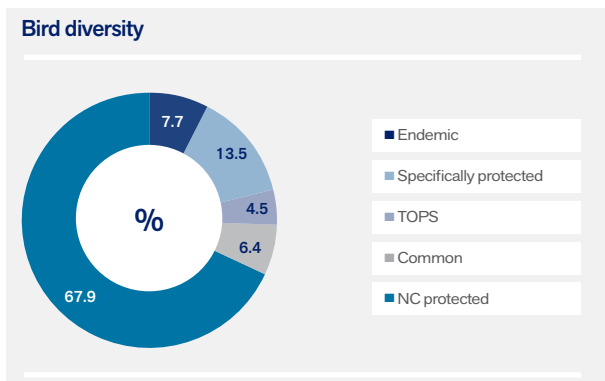
Kolomela mine initiated a biomonitoring programme in 2010 to investigate the occurrence of vulnerable or protected bird species that could potentially be affected by the mining activities, and to compile an extensive species list for future reference. No previous data was available.

Birds were sighted and watched in different habitats at different times of the year over a period of six years. The results have been very pleasing. Since the start of the programme, more than 180 species have been observed on the properties owned by Kolomela mine. It is encouraging that this is 73 more than the number recorded in 2013. The study provided previously unknown information on the distribution patterns of many birds in the Northern Cape.

Kolomela mine has a very healthy, unique and rich birdlife. A number of nationally scarce and protected species were observed such as Ludwig's Bustard, Secretarybird, various raptor species and three vulture species. In total, 20 endemic species have been observed.

Kolomela mine embraces its opportunity to contribute towards the conservation of scarce and protected bird species by maintaining well planned and sustainable conservancies on its property. The mine will continue to make adequate provision for inclusion of the diverse habitats in these conservancies, thereby ensuring that mining activities will not endanger any of the observed bird species. In so doing, a valuable and sustainable biodiversity offset can be maintained.

Image: *Left:* Percentage of birds in the different protection categories that have been observed at Kolomela mine reported in 2013. *Below:* Spur-winged goose. Image courtesy of PC Zietsman.



PERFORMANCE TABLES

ECONOMIC VALUE ADDED

VALUE ADDED STATEMENT

Salient features for the year ended 31 December

Rand million	2017	%	2016	%	2015	%	2014	%
Value added by operating activities	24,013	97.4	23,910	98.8	14,425	98.2	26,605	99.7
Revenue	46,379		40,767		36,138		47,597	
Less: Cost of materials and services	22,366		16,857		(21,713)		(20,992)	
Value added by investing activities								
Finance income	637	2.6	299	1.2	265	1.8	84	0.3
Total value added	24,650	100	24,209	100	14,690	100	26,689	100
Value distributed								
Distributed to employees	4,184	17.0	4,593	19.0	4,666	31.8	4,580	17.2
Salaries, wages, medical and other benefits	4,039		3,946		4,073		3,937	
Share-based payments	146		646		593		643	
Distributed to providers of finance								
Finance costs	373	1.5	496	2.0	876	6.0	520	1.9
Distributed to the state	7,042	28.6	4,377	18.1	949	6.5	5,424	20.3
Income tax	5,883		3,363		594		4,165	
Royalties	1,160		1,014		355		1,259	
Communities								
CED expenditure	107	0.4	67	0.3	175	1.2	202	0.8
Distributed to shareholders	6,742	27.4	–	–	3,301	22.5	15,178	56.9
Dividends to owners of the Company	5,144		–		2,490		11,450	
Dividends to non-controlling interests	1,599		–		811		3,728	
Value reinvested	3,437	13.9	2,608	10.8	1,005	6.8	1,384	5.2
Depreciation, amortisation and impairment	3,027		3,091		3,323		2,636	
Deferred stripping capitalised	(1,194)		(321)		(2,852)		(1,838)	
Net discounting finance cost	198		145		129		141	
Share of profit/(losses) of associates and joint ventures	–		2		6		(5)	
Deferred taxation	1,407		(309)		399		450	
Value retained/(distributed)	2,763	11.2	12,069	49.8	3,717	25.2	(599)	(2.3)
Attributable to owners	2,108		9,281		2,863		(461)	
Non-controlling interest	655		2,788		854		(138)	
Total value distributed	24,650	100	24,209	100	14,690	100	26,689	100

PEOPLE

OCCUPATIONAL LEVELS (permanent, excluding FTEs)

Group	Male				Female				Foreign nationals		Total		Total
	A	C	I	W	A	C	I	W	Male	Female	Male	Female	
Top management	1	0	0	2	2	0	0	0	1	0	3	2	6
Senior management	24	6	2	51	5	2	2	8	0	0	83	17	100
Professionally qualified and experienced specialists and mid-management	103	43	7	157	54	13	8	58	6	2	316	135	451
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	764	536	1	457	147	105	2	126	9	0	1,767	380	2,147
Semi-skilled and discretionary decision making	1,445	499	1	57	382	168	1	36	0	0	2,002	587	2,589
Unskilled and defined decision making	97	24	0	1	41	2	0	0	0	0	122	43	165
Total	2,385	1,058	11	725	631	290	13	228	17	2	4,293	1,164	5,458

A – African
 C – Coloured
 I – Indian
 W – White

WOMEN IN MINING

	Women employed (%)		Women in core mining (%)	
	2017	2016	2017	2016
Kumba Board	38	50	–	–
Corporate office	45	42	21	20
Sishen	18	18	15	16
Kolomela	25	24	22	21
Thabazimbi	57	25	33	–
Group	21	21	17	16

Employment by locals (%)

	2017	2016	2015
Sishen	84	94	90
Kolomela	63	58	62
Thabazimbi	65	74	70

PERFORMANCE TABLES CONTINUED

PEOPLE continued

AGE PROFILE OF EMPLOYEES (%) (permanent, FTEs, mining contractors and learners)

2017	Sishen	Kolomela	Thabazimbi	Corporate office	Group
<30	25	27	2	23	25
30 to 50	66	67	62	59	66
>50	9	5	36	19	9

AVERAGE AGE OF EMPLOYEES (full-time permanent/full-time equivalent)

2017	Age
Corporate office	42
Sishen	37
Kolomela	35
Thabazimbi	49
Group	36

STAFF TURNOVER BY OPERATION (%) (permanent positions, excluding FTEs)

	All employees			Female employees		
	2017	2016	2015	2017	2016	2015
Corporate office	9.5	14.1	51.4	2.4	6.7	21.6
Sishen	3.8	45.0	6.7	0.6	5.2	1.3
Kolomela	4.7	4.7	6.3	1.1	0.6	1.5
Thabazimbi	2.2	737.0	106.2	0	134.8	15.5
Group	4.7	35.9	13.0	0.8	5.4	2.9

EMPLOYEE SEPARATIONS BY TYPE (permanent positions, excluding FTEs)

2017	Corporate office	Thabazimbi	Sishen	Kolomela
Total number of separations	31	3	146	58
Resignations	15	0	64	24
Redundancies	4	0	9	0
Dismissals	3	0	40	24
Other reasons for leaving	9	3	33	10

EMPLOYMENT EQUITY (core mining: permanent, excluding FTEs)

2017	Total in service	Total HDSA employees	% HDSA
Level			
Top management	6	3	50
Senior management	100	49	49
Middle management	451	286	63
Junior management	624	435	70
Core and critical skills	3,837	3,514	92
Total	5,018	4,287	85

PEOPLE continued

GROUP SAFETY PERFORMANCE

	2017	2016	2015	2014
Work-related loss of life	0	2	0	1
Fatal injury frequency rate (FIFR)	0	0.02	0	0.01
Lost-time injuries (LTIs)	20	35	41	44
Lost-time injury frequency rate (LTIFR)	0.17	0.28	0.23	0.23
Total recordable case frequency rate (TRCFR)	0.65	0.78	0.90	0.87
Total first aid cases (FAC)	87	52	130	122
Total medical treatment cases (MTC)	57	60	117	119
Total recordable cases	77	97	158	164

NEW CASES OF OCCUPATIONAL DISEASE

	2017	2016	2015
New cases of noise-induced hearing loss	0	0	7
Chronic obstructive airways disease	0	0	2
Occupational tuberculosis	0	8	8
Occupational asthma	0	1	1
Musculoskeletal disorder	2	2	4
Occupational dermatitis	0	0	2
Occupational cancers	0	0	3
Other occupational diseases	0	1	1
Venous thromboembolism (VTE)	0	0	0
Repeat cases of noise-induced hearing loss	0	0	0
Total	2	12	28

HIV STATISTICS

	2017	2016	2015
Number of employees at the time of the HCT campaign	6,380	5,787	7,991
Estimated HIV prevalence rate (%)	3.8	6	8
Estimated number of HIV-positive employees	243	311	640
Total number of HCTs (employees)	5,875	5,386	7,064
HCT uptake (%)	92	92	90
Total number of new HIV infections	19	29	102
Employees on HIV disease management programmes	190	230	385
HIV-positive enrolment in HIV wellness programmes (%)	78	72	56
Employees on ART	211	194	340
HIV-positive on ART (%)	87	61	49
Ill-health early retirements	0	0	15
Aids deaths (including TB deaths)	0	0	1
Contractor HCT cases	7,642	5,147	5,897
Number of dependant HCT cases	7	0	-
Number of dependants enrolled in HIV wellness programmes	9	0	50
Number of dependants on ART	9	2	50

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

PERFORMANCE TABLES CONTINUED

PEOPLE continued

TB STATISTICS

	2017	2016	2015
New pulmonary TB cases	13	19	11
New extra-pulmonary TB cases	3	4	2
Cumulative number of new TB cases	6	23	21
TB deaths (must be proven)	0	0	1
Annualised TB incidence rate per 100,000 population	251	397	262
New multi-drug resistant (MDR) TB cases	0	0	0
New extremely drug resistant (XDR) TB cases	0	0	0

ENVIRONMENT

PROCESS MATERIALS PURCHASED

	Diesel (Mℓ)			Explosives (000t)		
	2017	2016	2015	2017	2016	2015
Sishen	155.8	138.2	212.3	48.2	59.2	94.7
Kolomela	45.1	49.4	39.1	26.0	25.7	54.6
Thabazimbi	0.3	0.7	4.6	–	–	6.1
Group	201.2	188.3	256.1	74.2	84.9	155.4

	Lubricants (000ℓ)			Tyres (t)		
	2017	2016	2015	2017	2016	2015
Sishen	3,016.8	1,642.8	3,045.6	1,472.0	2,587.8	2,624.7
Kolomela	690.2	801.6	572.0	454.9	514.9	337.0
Thabazimbi	–	–	–	–	575.0	150.5
Group	3,707.0	2,444.4	3,617.6	1,926.9	3,677.7	2,807.0

ENVIRONMENT continued

TOTAL WATER WITHDRAWALS (000 m³)			
	2017	2016	2015
Potable water from third-party supplier			
Sishen	36.00	36.00	36.00
Kolomela	–	–	–
Thabazimbi	–	29.00	37.00
Group	36.00	65.00	73.00
Non-potable water from third-party supplier			
Sishen	1,828.44	16.00	7.00
Kolomela	–	–	–
Thabazimbi	–	–	–
Group	1,828.44	16.00	7.00
Total water from third-party supplier	1,864.44	81.00	80.00
Groundwater abstracted			
Sishen	15,153.77	8,058.00	14,497.00
Kolomela	16,216.27	15,399.00	17,344.00
Thabazimbi	–	610.00	1,180.00
Group	31,370.04	24,067.00	33,021.00
Total water abstracted	33,234.48	24,148.00	33,101.00
TOTAL WATER CONSUMPTION (000 m³)			
	2017	2016	2015
Other consumptive use (dust suppression, facilities, etc)			
Sishen	779.04	N/A	N/A
Kolomela	1,222.12	N/A	N/A
Thabazimbi	–	N/A	N/A
Group	2,001.16	N/A	N/A
Evaporation			
Sishen	–	N/A	N/A
Kolomela	63.84	N/A	N/A
Thabazimbi	–	N/A	N/A
Group	63.84	N/A	N/A
Entrainment (moisture locked up in tailings, products, etc)			
Sishen	761.25	N/A	N/A
Kolomela	409.36	N/A	N/A
Thabazimbi	–	N/A	N/A
Group	1,170.61	N/A	N/A
Total water consumption	3,235.61	N/A	N/A

N/A – New metric previously not reported

PERFORMANCE TABLES CONTINUED

ENVIRONMENT continued

CO ₂ e EMISSIONS (Mt)			
	2017	2016	2015
Total Scope 1 emissions (direct – fossil fuels)			
Sishen	0.42	0.38	0.58
Kolomela	0.12	0.13	0.10
Thabazimbi	–	0.002	0.01
Group*	0.54	0.512	0.69
Total Scope 2 emissions (indirect – electricity purchased)			
Sishen	0.38	0.36	0.42
Kolomela	0.07	0.06	0.06
Thabazimbi	0.01	0.01	0.03
Group*	0.46	0.43	0.51
Total Scope 1 and 2 emissions			
Sishen	0.80	0.74	1.00
Kolomela	0.19	0.19	0.16
Thabazimbi	0.01	0.01	0.04
Group*	1.00	0.95	1.20

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

SCOPE 3 EMISSIONS* (TONNES CO ₂ e)			
	2017	2016	2015
Source			
Purchased goods and services	190,067	228,588	395,718
Capital goods	–	–	3,228
Fuel and energy-related emissions not included in Scope 1 and Scope 2	151,749	167,917	211,949
Upstream transportation and distribution	4,233	350	4,996
Waste generated in operations	11,257	6,764	9,819
Business travel	1,146	1,543	2,120
Employee commuting	3,176	3,993	3,259
Downstream transportation and distribution	5,033,904	3,956,908	3,723,427
Processing of sold products	117,488,180	112,111,166	118,010,122
End of life treatment	3,139,826	2,972,525	759,324
Total	126,023,537	119,449,754	123,152,181

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

ENVIRONMENT continued

ENERGY CONSUMPTION (MILLION GJ)

	2017	2016	2015
Energy consumed from fossil fuels (direct)			
Sishen	5.64	5.09	7.77
Kolomela	1.63	1.79	1.42
Thabazimbi	0.01	0.03	0.16
Group	7.28	6.91	9.35
Energy consumed from electricity purchased (indirect)			
Sishen	1.38	1.28	1.48
Kolomela	0.25	0.22	0.21
Thabazimbi	0.02	0.04	0.08
Group	1.65	1.54	1.77
Total energy consumed (direct and indirect)			
Sishen	7.02	6.37	9.25
Kolomela	1.89	2.02	1.63
Thabazimbi	0.03	0.06	0.24
Group	8.94	8.45	11.12

OPERATIONAL FOOTPRINT (ha)

	Company-managed land	Total land altered for mining and commercial activities, and supporting infrastructure	Land fully rehabilitated but not yet meeting agreed land use objectives	Area available for re-habilitation	Re-habilitation target for 2017	Reshaping completed YTD-2017	Growth medium construction completed YTD-2017	Seeding completed YTD-2017
Sishen	40,620.65	11,963.28	–	1,262	30	31.5	16.0	16.0
Kolomela	47,254.97	3,000	–	14.8	47	43.5	18.1	–
Thabazimbi	10,970.77	1,711.1	159.9	1,699.1	32	29.5	–	10.8
Group	98,846.39	19,674.38	159.9	2,975.9	109	104.5	34.1	26.8

PERFORMANCE TABLES CONTINUED

ENVIRONMENT continued

IMMEDIATE CLOSURE COSTS at 31 December (Rm)

	2017	2016	2015
Sishen	2,373	2,264	2,370
Kolomela	594	520	490
Thabazimbi	1,271	1,161	1,079
Group	4,238	3,945	3,939

ROCK MINED AND ORE PROCESSED (Mt)

	Total tonnes mined		Waste mined		Final product	
	2017	2016	2017	2016	2017	2016
Sishen	199.5	178.3	161.7	137.1	31.1	28.4
Kolomela	71.8	63.9	55.6	50.2	13.9	12.7
Thabazimbi*	N/A	N/A	N/A	N/A	N/A	0.4
Group	271.3	242.2	217.3	187.3	45.0	41.5

* Mining activities at Thabazimbi ceased in September 2015.

MINERAL WASTE (KILOTONNES)

	2017	2016	2015
Mineral waste accumulated			
Tailings dams (active and inactive)	27,273	58,047	136,938
Rock dumps	–	146,602	193,335
Non-mineral waste generated			
Hazardous to landfill	0.47	1.07	1.41
Hazardous bioremediated	3.14	0.54	17.97
Non-hazardous to landfill	1.98	1.66	3.31
Recycled	0.04	0.43	–

B-BBEE SCORECARD

Ensuring full compliance with government's policy and legislative requirements is a cornerstone of our commitment to delivering social value and promoting socio-economic transformation. Kumba is working towards alignment with the Broad-Based Black Economic Empowerment (B-BBEE) Act and Codes of Good Practice.

B-BBEE score per Sishen Iron Ore Company (Pty) Ltd:

ELEMENT	INDICATOR	WEIGHTING	SCORE
Equity ownership	Percentage share of economic benefit	25.00	14.91
Management and control	Percentage black persons in Executive management and/or Board Committees	19.00	11.84
Skills development	Skills development expenditure as percentage of payroll	20.00	14.77
Enterprise and supplier development	Procurement from black-owned and empowered enterprises as a proportion of total assets, as well as the average value of supplier development and enterprise development contributions as a percentage of net profit after tax	40.00	13.11
Socio-economic development	Corporate social investment for the benefit of black persons	5.00	5.00
Total score		109.00	59.63
Outcome		Level eight contributor	

TRANSFORMATION OUTCOMES

Kumba aims to pursue meaningful transformation initiatives that go beyond what is expected from us as a mining company. Below is a summary of these outcomes.

INDICATOR	PERFORMANCE	PAGE
Human resource development		
Expenditure as a percentage of total annual payroll	Sishen = 5.8% Kolomela = 5.9%	36
Employment equity	85	72
Top management	50	
Senior management	49	
Middle management	63	
Junior management	70	
Core and critical skills	92	
Mine community development		
Expenditure on local economic development programmes (1% of NOPAT)	R106.7 million	52
HDSA ownership (percentage)	29.79%	4
Employee share schemes	6.09%	
Community development fund	3.10%	
Exxaro	20.60%	

SUMMARY GRI TABLE

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	DISCLOSURE (PAGE)
GENERAL DISCLOSURES			
Organisational profile	102-1	Name of the organisation	Kumba Iron Ore
	102-2	Activities, brands, products, and services	SR: 8, 9
	102-3	Location of headquarters	SR: Back cover
	102-4	Location of operations	SR: 5
	102-5	Ownership and legal form	SR: 4
	102-6	Markets served	SR: 8
	102-7	Scale of the organisation	SR: 4 to 5
	102-8	Information on employees and other workers	SR: 71
	102-9	Supply chain	SR: 18, 44, 47 to 49, 58
	102-10	Significant changes to the organisation's size, structure, ownership and its supply chain	None
Strategy	102-11	Precautionary principle or approach	SR: 56
	102-12	External initiatives	SR: 1, 18, 47
	102-13	Membership of associations	SR: 18, 47
	102-14	Statement from the most senior decision-maker	SR: 10 to 13
	102-15	Key impacts, risks, and opportunities	SR: 8 to 9, 16
Ethics and integrity	102-16	Values, principles, standards, and norms of behaviour	SR: 2, 19
	102-17	Mechanisms for advice and concerns about ethics	SR: 19
Governance	102-18	Governance structure	IR: 70
	102-19	Delegating authority	SR: 17
	102-20	Executive-level responsibility for economic, environmental, and social topics	SR: 17, 77
	102-21	Consulting stakeholders on economic, environmental, and social topics	SR: 21, 22, 43, 58
	102-22	Composition of the highest governance body and its committees	IR: 14 to 15, 72 to 73
	102-23	Chair of the highest governance body	IR: 14
	102-24	Nominating and selecting the highest governance body	IR: 72, 80
	102-25	Conflicts of interest	SR: 19
	102-26	Role of highest governance body in setting purpose, values, and strategy	SR: 17
	102-27	Collective knowledge of highest governance body	IR: 14 to 15
	102-28	Evaluating the highest governance body's performance	SR: 17; IR: 73
	102-29	Identifying and managing economic, environmental, and social impacts	SR: 17; IR 28 to 34
	102-30	Effectiveness of risk management processes	SR: 18, 28

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	DISCLOSURE (PAGE)
GENERAL DISCLOSURES			
continued			
Governance continued	102-31	Review of economic, environmental, and social topics	SR: 17
	102-32	Highest governance body's role in sustainability reporting	SR: 1, 17
	102-33	Communicating critical concerns	SR: 17
	102-34	Nature and total number of critical concerns	IR: 28 to 34; SR 24 to 65
	102-35	Remuneration policies	IR: 85
	102-36	Process for determining remuneration	IR: 86 to 87
	102-37	Stakeholders' involvement in remuneration	IR: 81 to 82
	102-38	Annual total compensation ratio	IR: 86 to 87
	102-39	Percentage increase in annual total compensation ratio	IR: 100
Stakeholder engagement	102-40	List of stakeholder groups	SR: 21 to 22
	102-41	Collective bargaining agreements	SR: 39 to 40
	102-42	Identifying and selecting stakeholders	IR: 25
	102-43	Approach to stakeholder engagement	IR: 25 to 27
	102-44	Key topics and concerns raised	SR: 21 to 22; IR 26 to 27
Reporting practice	102-45	Entities included in the consolidated financial statements	SR: 1
	102-46	Defining report content and topic boundaries	SR: 1
	102-47	List of material topics	SR: 1
	102-48	Restatements of information	None
	102-49	Changes in reporting	None
	102-50	Reporting period for the information provided	2017
	102-51	Date of most recent report	2016
	102-52	Reporting cycle	1 January to 31 December
	102-53	Contact point for questions regarding the report	SR: 1
	102-54	Claims of reporting in accordance with the GRI Standards	SR: 1
	102-55	GRI content index	SR: 80 to 85
	102-56	External assurance	SR: 86 to 87
MANAGEMENT APPROACH			
	103-1	Explanation of the material topic and its boundary	SR: 1
	103-2	The management approach and its components	SR: 1, 17 to 20, 23 to 40, 43 to 54, 56 to 69
	103-3	Evaluation of the management approach	SR: 1, 17 to 20, 23 to 40, 43 to 54, 56 to 69

SUMMARY GRI TABLE CONTINUED

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	DISCLOSURE (PAGE)
ECONOMIC PERFORMANCE			
	201-1	Direct economic value generated and distributed	SR: 53 to 54, 70
	201-2	Financial implications and other risks and opportunities due to climate change	SR: 66
	201-3	Defined benefit plan obligations and other retirement plans	IR: 86
	201-4	Financial assistance received from government	None
Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	IR: 99
	202-2	Proportion of senior management hired from the local community	SR: 41
Indirect economic impacts	203-1	Infrastructure investments and services supported	SR: 52
	203-2	Significant indirect economic impacts	SR: 47 to 52
Procurement practices	204-1	Proportion of spending on local suppliers	SR: 47 to 52
Anti-corruption	205-1	Operations assessed for risks related to corruption	SR: 19
	205-2	Communication and training about anti-corruption policies and procedures	SR: 19
	205-3	Confirmed incidents of corruption and actions taken	None
Anti-competitive behaviour	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	None
ENVIRONMENTAL PERFORMANCE			
Materials	301-1	Materials used by weight or volume	SR: 74
	MM11	Programmes and progress relating to materials stewardship	SR: 58
	301-3	Reclaimed products and their packaging materials	Not material
Energy	302-1	Energy consumption within the organisation	SR: 64 to 65, 77
	302-2	Energy consumption outside of the organisation	Not material
	302-3	Energy intensity	SR: 65
	302-4	Reduction of energy consumption	SR: 64 to 65
	302-5	Reductions in energy requirements of products and services	SR: 64 to 65
Water	303-1	Water withdrawal by source	SR: 75
	303-2	Water sources significantly affected by withdrawal of water	SR: 62 to 63
	303-3	Water recycled and reused	SR: 63

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	DISCLOSURE (PAGE)
ENVIRONMENTAL PERFORMANCE <i>continued</i>			
Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	SR: 59
	304-2	Significant impacts of activities, products, and services on biodiversity	SR: 59
	MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated	SR: 59, 68, 77
	MM2	The number and percentage of total sites identified as requiring biodiversity management plans, and the number (percentage) of those sites with plans in place	SR: 59
	304-3	Habitats protected or restored	SR: 59
Emissions	305-1	Direct (Scope 1) GHG emissions	SR: 65, 76
	305-2	Energy indirect (Scope 2) GHG emissions	SR: 65, 76
	305-3	Other indirect (Scope 3) GHG emissions	SR: 76
	305-4	GHG emissions intensity	SR: 65
	305-5	Reduction of GHG emissions	SR: 65
	305-6	Emissions of ozone-depleting substances (ODS)	ODS are not used
	305-7	NO _x , SO _x and other significant emissions	SR: 59
Effluents and waste	306-1	Water discharge by quality and destination	SR: 62 to 63
	306-2	Waste by type and disposal method	SR: 60 to 61, 78
	MM3	Total amounts of overburden, rock, tailings, and sludges (in tonnes) and their associated risks	SR: 78
	306-3	Significant spills	None
	306-4	Transport of hazardous waste	SR: 61
Environmental compliance	306-5	Water bodies affected by water discharges and/or runoff	SR: 62 and 63
	307-1	Non-compliance with environmental laws and regulations	SR: 57
	MM10	Number and percentage of operations with closure plans	SR: 67 and 68
Supplier environmental assessment	308-1	New suppliers that were screened using environmental criteria	SR: 44
	308-2	Negative environmental impacts in the supply chain and actions taken	SR: 44

SUMMARY GRI TABLE CONTINUED

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	DISCLOSURE (PAGE)
SOCIAL PERFORMANCE			
Employment	401-1	New employee hires and employee turnover	SR: 41, 72
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SR: 31
Labour/management relations	402-1	Minimum notice periods regarding operational changes	SR: 40
	MM4	Number of strikes and lock-outs exceeding one week's duration, by country	None
Occupational health and safety	403-1	Workers representation in formal joint management – worker health and safety committees	SR: 26
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	SR: 24, 31, 73
	403-3	Workers with high incidence or high risk of diseases related to their occupation	SR: 29
	403-4	Health and safety topics covered in formal agreements with trade unions	SR: 26
Training and education	404-2	Programmes for upgrading employee skills and transition assistance programmes	SR: 36 to 37
	404-3	Percentage of employees receiving regular performance and career development reviews	SR: 38
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	SR: 39; IR: 70 and 72
	405-2	Ratio of basic salary and remuneration of women to men	SR: 38; IR: 86
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	None
Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	None
Child labour	408-1	Operations and suppliers at significant risk for incidents of child labour	None
Forced or compulsory labour	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	None
Security practices	410-1	Security personnel trained in human rights policies or procedures	SR: 20
	411-1	Incidents of violations involving rights of indigenous peoples	None
Human rights assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	SR: 20
	412-2	Employee training on human rights policies or procedures	SR: 20
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Not material

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	DISCLOSURE (PAGE)	
SOCIAL PERFORMANCE continued				
Local communities	413-1	Operations with local community engagement, impact assessments, and development programmes	SR: 43 to 44, 47 to 48	
	413-2	Operations with significant actual and potential negative impacts on local communities	SR: 43 to 44, 47 to 48	
	MM5	Total number of operations taking place in or adjacent to IPs' territories, and number and percentage of operations or sites where there are formal agreements with IPs' communities	None	
	MM6	Number and description of significant disputes relating to land use, customary rights of local communities and IPs	SR: 43 to 44	
	MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and IPs, and the outcomes	SR: 43 to 44	
	MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks	None	
	MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process	SR: 44	
	Supplier social assessment	414-1	New suppliers that were screened using social criteria	SR: 44
		414-2	Negative social impacts in the supply chain and actions taken	SR: 44
Public policy	415-1	Political contributions	None	
Customer health and safety	416-1	Assessment of the health and safety impacts of product and service categories	Not material	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	None	
Marketing and labelling	417-1	Requirements for product and service information and labelling	Not material	
	417-2	Incidents of non-compliance concerning product and service information and labelling	None	
	417-3	Incidents of non-compliance concerning marketing communications	None	
Customer privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	None	
Socio-economic compliance	419-1	Non-compliance with laws and regulations in the social and economic area	None	

INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF KUMBA IRON ORE LIMITED

We have been engaged by the directors of Kumba Iron Ore Limited (the Company) to perform an independent assurance engagement in respect of selected sustainability information reported in the Company's Integrated and Sustainable Development Reports for the year ended 31 December 2017 (the report). This report is produced in accordance with the terms of our contract with the Company dated 13 November 2017.

INDEPENDENCE, QUALITY CONTROL AND EXPERTISE

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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:

- (a) Total work-related fatal injuries, number (page 73)

Limited assurance

The following selected sustainability information in the report was selected for an expression of limited assurance:

- (a) Fatality injury frequency rate (FIFR) (page 73)
- (b) Total recordable case frequency rate (TRCFR) (page 73)
- (c) Total number of new cases of noise induced hearing loss (page 73)
- (d) Total number of level 3, 4 and 5 environmental incidents reported (page 15)
- (e) Total scope 1 CO₂ emissions in Mt CO₂e (page 76)
- (f) Total scope 2 CO₂ emissions in Mt CO₂e (page 76)
- (g) Total energy used in million GJ (page 76)
- (h) Total amount spent on corporate social investment (CSI) projects in ZAR (page 70)

We refer to this information as the 'selected sustainability information for reasonable assurance' and 'selected sustainability information for limited assurance', respectively, and collectively as the 'selected sustainability information'.

We have carried out work on the data reported for the year ended 31 December 2017 only and have not performed any procedures with respect to earlier periods, or any other elements included in the 2017 Integrated Report and Sustainable Development Report and, therefore, do not express any conclusion thereon. We have not performed work in respect of future projections and targets.

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 in the Company's group procedure for sustainable development reporting definitions set out in the report's 'glossary and terms of acronyms' (pages 90 to 92), 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 2017, 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 either reasonable or limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits and Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements (ISAE) 3410: Assurance Engagements on Greenhouse Gas Statements, 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 either reasonable or limited 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 in respect of the selected sustainability information included the following procedures:

- Reviewing the processes that Kumba Iron Ore Limited has 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;
- Conducting interviews with management at head office and selected operations
- Evaluating the data generation and reporting processes against the reporting criteria
- Performing key controls testing and testing of accuracy of data report on a sample basis at head office and the selected operations for the selected sustainability information
- Reviewing the consolidation of data at head office to obtain an understanding of the consistency of the reporting process compared with prior years and to obtain explanations for deviations in performance trends
- Reviewing the consistency between the selected sustainability information and related disclosures in the report

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 (Revised). 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. It is important to read the report in the context of the Company's group procedure for sustainable development reporting definitions set out on the corporate website.

In particular, where the information relies on carbon and other emissions conversion factors derived by independent third parties, or internal laboratory results, our assurance work has not included examination of the derivation of those factors and other third party or laboratory information.

CONCLUSIONS

Reasonable assurance

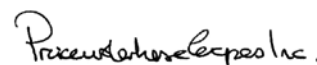
Based on the results of our reasonable assurance procedures, in our opinion, the selected sustainability information for the year ended 31 December 2017, has been prepared, in all material respects, in accordance with the reporting criteria.

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 2017, has not been prepared, in all material respects, in accordance with the reporting criteria.

OTHER MATTERS

The maintenance and integrity of the Kumba Iron Ore website is the responsibility of Kumba Iron Ore 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 website.



PricewaterhouseCoopers Inc.

Director: Jayne Mammatt

Registered auditor

PwC Johannesburg, 4 Lisbon Lane, Waterfall City
8 March 2018

EXTERNAL REVIEW PANEL – SUMMARY REPORT

In striving to foster greater accountability and transparency on the Company’s sustainability performance, Kumba once again convened an independently facilitated External Review Panel. Representatives were invited from organised labour, investors, business peers, regulators, civil society and our principal community development partner.

The external review panel met in Kempton Park on 15 February 2018, with representatives from various external stakeholder groups and from different Kumba sustainability functions.

OBJECTIVES

The panel was convened with the following specific objectives:

- To assess the extent to which a first draft of Kumba’s 2017 sustainability report sufficiently addressed issues of most material interest to the Company’s key stakeholders;
- To identify specific opportunities for improving the 2017 sustainability report; and
- To comment on the nature of the external review process.

This statement constitutes a summary of the outcome of the panel discussion. A more detailed account of the panel discussions is available on request.

EXTERNAL PANEL MEMBERS

Kumba wishes to thank the following individuals, representing a small cross-section of Kumba’s main stakeholder groups, who voluntarily gave their time and expertise:

- Norman Mbazimza – Deputy Chairman of Anglo American plc
- Leigh McMaster – Chamber of Mines
- Paul Mardon – Solidarity Workers’ Union
- Tracey Davies – Centre for Environmental Rights
- Albertus Viljoen – Tshiping Water User Association

Each participant nominated a registered charity to which Kumba made a donation of R10,000. Kumba also offered to refund travel and subsistence expenses borne by participants. No other payment was made to any panel member.

Kumba was represented by: Philip Fourie (Executive head of safety, health and environment), Redges Chikwani (Senior specialist: SHE systems), Lucia Chauke (Principal: environment), Sindiswa Gaven (Principal: stakeholder manager), and Bheki Masondo (Principal: stakeholder engagement): Jonathon Hanks (Incite) facilitated the meeting.

SUMMARY OF KEY RECOMMENDATIONS AND RESPONSE

Panel recommendation	Our response
<p>Panellists agreed that Kumba’s draft sustainability report addressed what they each identified as the sustainability issues of most material interest to them. Various suggestions were provided, however, on how Kumba could enhance its disclosure on some of these issues. It was recommended, among other things, that additional detail should be provided: on occupational health issues. Kumba’s progress in implementing the Culture Transformation framework, the Thabazimbi closure process with specific details on the social closure plan and the arrangements for transferring this to AMSA; aspects of Kumba’s approach to climate change, including in applying the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)</p>	<p>We have provided some additional details on these issues in our revised report.</p>
<p>While panellists found the report to provide a frank and balanced account of the Company’s sustainability performance, demonstrating leadership in the sector in its disclosure, various recommendations were made on elements of the draft report. These included specific requests for further clarity, suggestions for more detailed information and suggestions for improving the design.</p>	<p>We have sought to address as many of these comments in the final draft. Those recommendations that we have not been able to address will inform our future reporting activities.</p>
<p>Panellists expressed their appreciation to Kumba for convening the panel, and agreed that there is continuing value in this process. Various suggestions were made for additional stakeholder representatives. It was advised that Kumba continue to include the participation of company representatives in the panel discussions.</p>	<p>We are committed to retaining the current external review process and will invite additional new members for future panels.</p>

GLOSSARY OF ICONS

Icons throughout this report

STAKEHOLDERS



Government and political groups



Employees and trade unions



Communities, business and development partners, media and civil society (e.g. NGOs)



Shareholders and investors



Industry bodies (e.g. CoM and ICMM)



Suppliers

STRATEGIC FOCUS AREAS



Focus on Northern Cape



Elimination of fatalities through a culture of zero harm



Use technology to extract maximum value



Implement the Operating Model



Reinforce our reputation for product quality and consistency



Proactively engage with stakeholders



Align marketing and operational activities



Provide leadership through responsible citizenship



Extend life of current mines



Unlock full infrastructure potential



Provide extensive support to our employees



Sustainably operate at lower unit costs through world-class operating efficiencies



Compete through premium products



Maintain optionality to grow in West and Central Africa

GLOSSARY AND TERMS OF ACRONYMS

AA1000SES	Global Stakeholder Engagement Standard
ABET	Adult basic education and training
AFS	Annual financial statements
AGM	Annual general meeting
Aids	Acquired immune deficiency syndrome
AMA	American Medical Association
AMCU	Association of Mineworkers and Construction Union
ART	Anti-retroviral treatment
Attributable free cash flow	The cash flow generated from operations less total capital expenditure, cash tax paid, net interest, dividends paid to minority interests and dividends received from associates and joint ventures. The metric also excludes the receipt of disposal proceeds and the payment of Kumba dividend
AWOP	Absent without permission
BAP	Biodiversity action plan
BAU	Business-as-usual
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BMI	Body mass index
BU	Business unit
CCMA	Commission for Conciliation, Mediation and Arbitration
CDP	Formerly Carbon Disclosure Project – now known as CDP
CFR	Cost and freight
CO₂	Carbon dioxide
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
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)
CTF	Culture Transformation Framework
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DoH	Department of Health
DOH	Direct operating hours
DSO	Direct shipping ore
DWS	Department of Water and Sanitation
EAP	Employee assistance programme
EBITDA	Earnings before interest, tax and depreciation
ECD	Early childhood development
EE	Employment equity
EIP	Environmental improvement plans
EITI	Extractive Industries Transparency Initiative
EMP	Environmental management programme
Employees participating in HCT	Number of employees who have participated in HIV voluntary counselling and testing (VCT) during the reporting period and who, through this process, have established or re-established their HIV status. If VCT has been obtained outside of a Company operated or approved facility, then reasonable proof of compliance with the Company definition of VCT must be produced. Participation in VCT includes those who are known to be HIV positive and participate in HIV wellness programmes, regardless of whether they actually test or not. Individuals of unknown status who refuse testing should not be counted. Employees who no longer work at the Company must be removed from statistics
EOF	Elimination of fatalities
ESOP	Employee share ownership plan
Exco	Executive Committee
FAC	First-aid cases
FIFR	Fatal injury frequency rate

FOR	Free-on-rail
FTE	Full-time equivalent employee
GHG	Greenhouse gas
GHS	Globally harmonised system of classification and labelling of chemicals
GPS	Global positioning satellite
GRI	Formerly Global Reporting Initiative – now known as GRI
HCT	HIV counselling and testing
HDSA	Historically disadvantaged South African
HIV	Human immunodeficiency virus
HPH	High-potential hazard
HPI	High-potential incident
HR	Human resources
ICMM	International Council on Mining and Metals
ICPS	Integrated closure planning system
IDC	Industrial Development Corporation
IEC	Independent Electoral Commission
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
INH	Isoniazid
IOEC	Iron ore export channel
IR	Integrated Report
ISAE	International Standard on Assurance Engagement
ISO	International Organisation of Standardisation
JSE	Johannesburg Stock Exchange
KPI	Key performance indicator
Level 3, 4 and 5 environmental incidents	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
LFI	Learning from incident
LTI	Lost-time injury
LTIFR	Lost-time injury frequency rate
LTISR	Lost-time injury severity rate
MCT	Mine closure toolbox
MDR	Multi-drug resistant
MHSA	Mine Health and Safety Act
MHSC	Mine Health and Safety Summit
MOU	Memorandum of understanding
MPRDA	Mineral and Petroleum Resources Development Act
MTC	Medical treatment cases
Mt CO₂e	Million tonnes of CO ₂ equivalent
Mt	Million tonnes
NAEIS	National atmospheric emission inventory system
NCMMA	Northern Cape Mine Managers Association
NEMA	National Environmental Management Act
New cases of occupational diseases	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
NGO	Non-governmental organisation
NIHL	Noise-induced hearing loss
NUM	National Union of Mineworkers
OEE	Operational equipment efficiency
OEL	Occupational exposure limits
OHSAS	Occupational Health and Safety Assessment Series
ORM	Operational risk management

GLOSSARY AND TERMS OF ACRONYMS

CONTINUED

ORMP	Operational risk management process
ORMR	Ore reserves and mineral resources
PIT	Professional in training
PLC	Programmable logic controller
PLH	Percentage loss of hearing
PM10	Particles smaller than 10 µm
PPE	Personal protective equipment
PRWG	Post-resettlement working group
PUE	Priority unwanted event
PwC	PricewaterhouseCoopers
QC	Quality control
REACH	Registration, evaluation, authorisation and restriction of chemicals
ROCE	The return on adjusted capital employed and calculated as annualised EBIT divided by adjusted average capital employed
SAMREC	South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SARS	South African Revenue Service
SEAT	Socio-economic assessment toolbox
SENS	Stock Exchange News Service
SETA	Sector education and training authorities
Setco	Social, Ethics and Transformation Committee
SHE	Safety, health and environment
SIOC	Sishen Iron Ore Company Proprietary Limited
SIOC-CDT	Sishen Iron Ore Company community development trust
SLAD	Safety leadership alignment day
SLAM	Stop and think, look for and identify hazards, assess the effect of hazards, manage the hazards so that they are eliminated or controlled
SLP	Social and labour plan
SME	Small and medium enterprise
SMME	Small, medium and micro enterprise
SR	Sustainability report
STS	Standard threshold shifts
TARP	Trigger action response plan
TB	Tuberculosis
Total CO₂ emissions – Scope 1	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
Total CO₂ emissions – Scope 2	Total CO ₂ emissions from electricity purchased
Total energy used	Sum of total energy from electricity purchased and total energy from fossil fuels
Total water withdrawals	Total water withdrawals by source, reported in line with the International Council on Metals and Mining (ICMM) guidance, includes: surface water, ground water, third-party potable water and third-party non-potable water
TRCFR	Total recordable case frequency rate
UGM	Ulysses Gogi Modise (wellness clinics)
UHDMS	Ultra-high density media separation
UIF	Unemployment Insurance Fund
UN	United Nations
UNAIDS	United Nations Programme on HIV/Aids
UNGC	United Nations Global Compact
VAT	Value added tax
VCT	Voluntary counselling and testing
VFL	Visible felt leadership
VPs	Voluntary principles on security and human rights
VTE	Venous thromboembolism
WIM	Women-in-mining
Work-related fatal injuries	A fatality is a death resulting from a work-related injury
XDR	Extremely drug-resistant

ADMINISTRATION

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2005/015852/06

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FORWARD-LOOKING STATEMENTS

Certain statements made in this report constitute forward-looking statements. Forward-looking statements are typically identified by the use of forward-looking terminology such as 'believes', 'expects', 'may', 'will', 'could', 'should', 'intends', 'estimates', 'plans', 'assumes' or 'anticipates' or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of, for example, future plans, present or future events, or strategy that involves risks and uncertainties. Such forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statement. No assurance can be given that future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company and its subsidiaries. The forward-looking statements contained in this report speak only as of the date of this report and the Company undertakes no duty to update any of them and will not necessarily do so, in light of new information or future events, except to the extent required by applicable law or regulation.



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