



**KUMBA IRON ORE LIMITED  
INTEGRATED REPORT 2019**

**RE-IMAGINING  
MINING TO  
IMPROVE  
PEOPLE'S LIVES**



**AngloAmerican**

**Real Mining. Real People. Real Difference.**

# KUMBA'S HISTORY



## 1931

Iscor's first mine established at Thabazimbi in the Limpopo province – mainly underground mining operations

## 1942

Open-pit operations commenced at Thabazimbi

## 1953

Sishen, our flagship operation, established in the Northern Cape province

## 1976

The South African government invested in the infrastructure to enable the export of iron ore from Sishen mine via the Sishen-Saldanha rail link and port facility. This opened up a new era of growth for the iron ore business.

## 1989

Iscor is privatised

## 2001

Iscor unbundled into two separate companies, namely Kumba Resources and Iscor

## 2002

Sishen achieved ISO 14001 Environmental Management and OHSAS 18001 Health and Safety system certifications

## 2006

Unbundling of Kumba Resources' iron ore assets and the re-listing of Kumba Resources as Exxaro Resources and a new Company Kumba Iron Ore, fully empowered with BEE ownership of 26%

## 2008

Sishen JIG Plant (previously Sishen Expansion project) formally opened in November 2008  
Construction started on Kolomela

## 2011

Kolomela, first ore produced five months ahead of schedule and within budget  
Maturity of the first phase of Envision (broad-based employee scheme) with 6,209 employees each receiving R576,045 (pre-tax)

## 2012

Unprotected strike at Sishen in the fourth quarter of 2012

## 2013

Finalisation of the new supply agreement with ArcelorMittal SA  
UHDMS pilot plant commissioned at Sishen in fourth quarter of 2013  
Approval of the Dingleton relocation project

## 2014

Kumba granted the mining right for the rail properties at Sishen  
47% decline in iron ore prices during the year

## 2015

Further 42% decline in iron ore prices – revised strategy from volume (increasing waste and production tonnes) to a value-based (cash-generating) strategy  
Dividends suspended and restructuring of head office and support services at the mines  
Slope failure at Thabazimbi, Board approves closure of the mine  
Kumba achieved A-listing on the Global Climate Disclosure projects for water and climate change

## 2016

Sishen 21.4% residual mining right awarded to SIOC  
Agreement reached to transfer ownership of Thabazimbi to ArcelorMittal SA  
Restructuring of Sishen and significant reconfiguration of the Sishen pit  
Bottoming out of the iron ore price  
Maturity of Envision II, paid R75,000 per employee (after tax) in dividends, no capital pay out due to decline in Kumba share price

## 2017

Kumba best performing share on the JSE  
Reinstate dividends  
Introduce three transformation horizons to enhance our competitive position  
Largely completed the relocation of the Dingleton community, with only a small number of community members refusing to leave  
Kolomela achieved ISO 14001 Environmental Management and OHSAS 18001 Health and Safety system certifications

## 2018

**Tswelopele strategy with three horizons to achieve US\$10/tonne margin enhancement and extend the life of our assets beyond 20 years**

**Transfer of Thabazimbi, including employees, assets and liabilities as well as the mining rights to ArcelorMittal SA, effective 1 November 2018**

**Kolomela mining right amended to include Heuningkrans prospecting right**



# APPROACH TO REPORTING

## RE-IMAGINING MINING TO IMPROVE PEOPLE'S LIVES

This integrated report, written primarily for current and prospective shareholders, seeks to demonstrate that Kumba has the appropriate strategy to implement the transformation that focuses on delivering value to all stakeholders in a responsible and sustainable manner.

With our Tswelopele programme guiding us across the three time horizons, we aim to radically transform our business and improve our competitiveness over the short, medium and long term.



### TSWELEPELE PROGRAMME

As outlined throughout this report, our strategy and management practices are informed by a sound appreciation of the critical relationships and resources that Kumba depends on to create value.

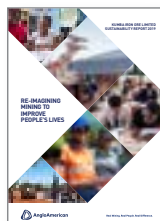
### Navigating our 2019 reports

Our integrated reporting suite comprises the following reports:



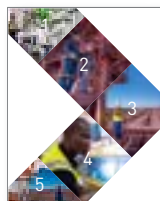
### Integrated Report (IR)

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



### Sustainability Report (SR)

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



### Cover images

1. Environmental adviser, Izak Gous from Kolomela, at the aquifer recharge project where water from the mine's dewatering programme is artificially recharged in an underground aquifer to preserve water in the area. The project consists of three control rooms and 19 boreholes that is equipped for recharge.
2. Werner Pieterse; an Engineer and Beatus Mamogale; a Metallurgist at the Kolomela load out station.
3. Process controller, Jacob Petrus Lotter pictured at the Sishen load out station, from here iron ore is loaded onto trains and transported to the Saldanha port.
4. Operations controller, Oneetswe Mosala pictured in the Sishen load out station control room.
5. Load and haul mine supervisor Moses Sehako at the Kolomela Klipbankfontein pit slope stability radar. The radar continuously monitors any movement in the pit walls, giving an early warning should there be any movement.



### Annual Financial Statements (AFS)\*

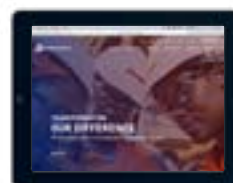
Detailed analysis of our financial results, with audited financial statements, prepared in accordance with International Financial Reporting Standards (IFRS).



### Ore Reserve (and Saleable Product) and Mineral Resource 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).

\* Published on 18 February 2020.



### Online

Each of these reports, with additional updated information, is available on our website:

[www.angloamericankumba.com](http://www.angloamericankumba.com)

More specific information can be found with our page reference throughout this report

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# ABOUT THIS REPORT

## REPORTING SCOPE AND BOUNDARY

This report presents Kumba's strategic framework for creating value over the short, medium and long term, and provides a concise review of how the Company's performance and governance over the past year is delivering on this strategy. The report provides information relating to Kumba's business model, operating context, material risks and opportunities, and governance and operational performance for the period 1 January 2019 to 31 December 2019. It covers the activities and impacts of the following operations over which we have direct control: our Sishen and Kolomela operations, our corporate office in Centurion, our operation at Saldanha port, and our marketing division. We also consider the risks, opportunities and outcomes of our business activities on the various stakeholders who are affected by what we do. These stakeholders and their interests are described on page 30 and an overview of the principal outcomes of our activities is provided on pages 16 to 19. In addition, we have published annual financial statements (AFS), a sustainability report (SR), and an Ore Reserve (and Saleable Product) and Mineral Resource (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 Sustainability Reporting Standards, the King IV™ Report on Corporate Governance for South Africa 2016 (King IV™), the JSE Listings Requirements, and the Companies Act No 71 of 2008.

## OUR APPROACH TO MATERIALITY

This report provides information that we believe is of material interest to current and prospective investors, and to any other stakeholder who wishes to make an informed assessment of Kumba's ability to generate value over the short, medium and long term. We have sought to ensure that all the information in this report relates to matters that have a material bearing on value creation at Kumba. Understanding our business (page 8 and 9), our business model (page 12) and our activities and impacts on the capitals across our value chain (page 14), form the basis for appreciating how Kumba creates value, and for identifying those issues impacting value. Our ability to create value is determined by the quality of our response to our operating context (page 23), the material risks and opportunities facing our business (page 34), and the material interests of our key stakeholders (page 30). Making an informed assessment of the

quality of our strategic response requires an appreciation of our strategy (page 4), our performance (page 6), our leadership team (page 74), and our governance and remuneration practices (page 96).

## Our materiality process

To identify the material matters for inclusion in our integrated and sustainability reports, each year we run an independently facilitated materiality discussion with around 15 members of our executive and senior management teams, including our Chief Executive and Chief Financial Officer. The annual three-hour workshop includes detailed consideration of the following five issues: (i) Our business model: how Kumba creates value; (ii) Outcomes: the significant impacts and influence of our activities on the six capitals; (iii) The external environment: the material risks and opportunities impacting value; (iv) Stakeholders: the material interests of our key stakeholders; and (v) Strategy: the implications of (and for) our strategy. The results of this materiality process inform the content and structure of our annual reports. A separate report of the outcomes of the materiality process is available on request.

## ASSURANCE

We use a combined assurance model that includes assurance obtained from management and from our internal and external assurance providers. Deloitte & Touche assured our 2019 AFS (see page 24 of AFS), while PwC assured key sustainability information in our 2019 SR (see page 122 of the SR). Both of those processes inform our 2019 IR, which contains both financial and non-financial indicators. During the year, an independent external due diligence audit was conducted on the Ploegfontein Mineral Resources and estimation processes at Kolomela, the next audit is scheduled in 2020.

Our Audit Committee provides internal assurance to the Board on an annual basis on the execution of the combined assurance plan. The group's financial, operating, compliance and risk management controls are assessed by the group's internal audit function, overseen by the Audit Committee. The Audit Committee report is on pages 19 to 23 of the AFS.

## DIRECTORS' RESPONSIBILITY

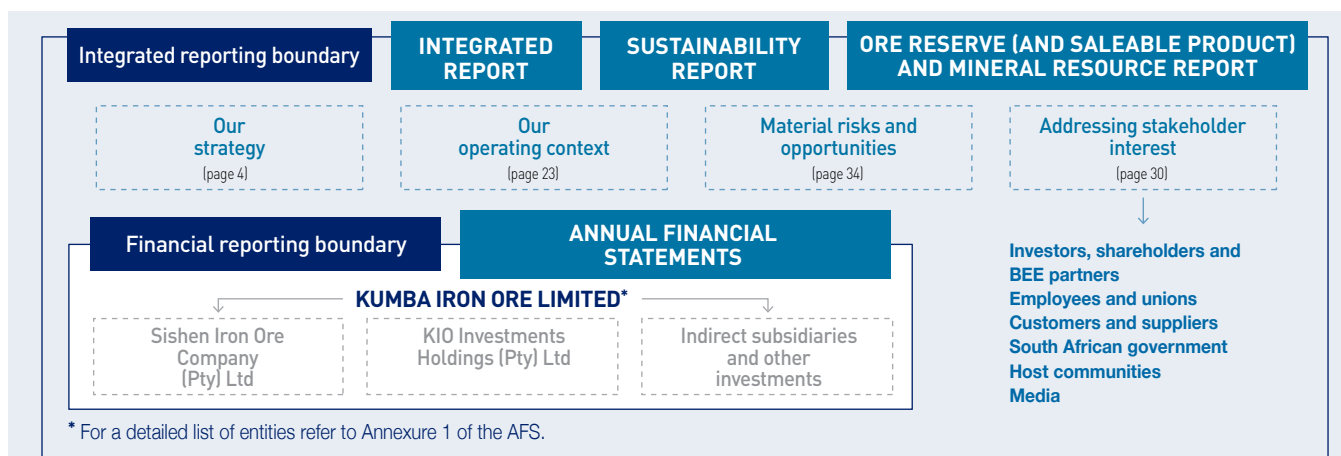
As members of the Kumba Board, supported by the Audit Committee, we acknowledge our responsibility for ensuring the integrity of this report. Executive management, assisted by a dedicated reporting team, was responsible for drafting this report. As members of the Board, we have applied our collective mind to the preparation and presentation of the information contained in Kumba's 2019 integrated report. We believe that the report is presented in accordance with the IIRC's International <IR> Framework, and that it provides a balanced and appropriate presentation of those matters that have or could have a material effect on Kumba's ability to create value in the short, medium and long term. The report presents Kumba's strategic framework for creating value over the short, medium and long term, and provides a concise review of the Company's performance and governance over the past year.

We invite Kumba's stakeholders to review this report and to provide feedback on the Company's performance and its disclosure on delivering stakeholder value.

13 March 2020

<b>Dr Mandla Gantsho</b> Chairperson and independent non-executive director	<b>Themba Mkhwanazi</b> Chief Executive and executive director	<b>Bothwell Mazarura</b> Chief Financial Officer and executive director	<b>Buyelwa Sonjica</b> Independent non-executive director Chairperson of the Social, Ethics and Transformation Committee
<b>Terence Goodlace</b> Lead independent non-executive director Chairperson of the Strategy and Investment Committee	<b>Sango Ntsaluba</b> Independent non-executive director Chairperson of the Audit Committee	<b>Ntombi Langa-Royds</b> Independent non-executive director Chairperson of the Human Resources and Remuneration Committee	<b>Michelle Jenkins</b> Independent non-executive director
<b>Mary Bomela</b> Independent non-executive director	<b>Seamus French</b> Non-executive director	<b>Duncan Wanblad</b> Non-executive director	<b>Nonkululeko Dlamini</b> Non-executive director

## OUR REPORTING BOUNDARIES





# GLOSSARY OF ICONS

## ICONS USED THROUGHOUT THIS REPORT

### OUR CAPITALS

To demonstrate how utilisation and trade-offs in the capitals lead to value creation



For more information on our capitals see page 16.

### HOW WE MEASURE THE VALUE WE CREATE

Our seven pillars of value underpin everything we do. Each pillar has defined key performance indicators (KPIs) and targets that we set for the business and against which we measure our financial and non-financial performance:



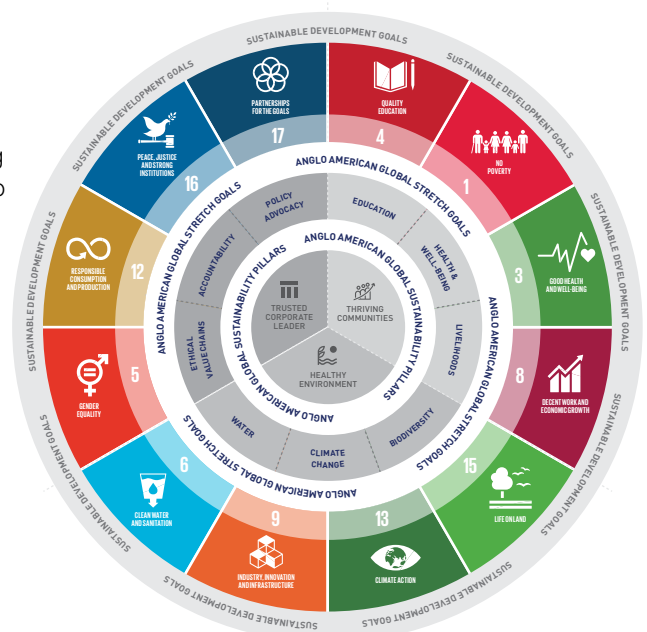
For more information on our KPIs, see page 6.

### CONTRIBUTING TO THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS THROUGH OUR PURPOSE

Kumba's purpose is to "re-imagine mining to improve people's lives", using innovative thinking, enabling technologies and collaborative partnerships to shape an industry that is safer, more sustainable, and better harmonised with the needs of our host communities and society.

We are delivering on this purpose through our active engagement in Anglo American's FutureSmart Mining™ programme and sustainable mining plan (SMP). Developed through extensive internal and external engagement, and informed by an analysis of opportunities and risks, the strategy includes ambitious long term targets, aligned with the UN Sustainable Development Goals (SDGs), that relate to three global sustainability pillars: being a trusted corporate leader, building thriving communities, and maintaining a safe and healthy environment.

A review of our performance in contributing to the UN SDGs is provided in our separate sustainability report, and summarised in the table on page 132.





# STRATEGY

In 2017, Kumba embarked on its “Tswelopele” (Ore to Awe) transformation journey aimed at unlocking our full potential and delivering sustainable value for all our stakeholders. To make Kumba more competitive within the context of volatile global markets, our strategic ambition is to ensure that we eliminate fatal incidents through a culture of zero harm, increase the life of mines to 2040, unlock an additional US\$10/tonne margin improvement by 2022 and that we again become the employer of choice in South Africa. To protect the longer-term sustainability of the Company, we are also exploring opportunities to build high-impact ventures that leverage Kumba’s capabilities and resources, while operating in a circular economy and remaining relevant in a de-carbonising world.

## PURPOSE

Re-imagining mining to improve people's lives

## 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

## STRATEGIC AMBITIONS

Achieve our goal of zero fatalities

Improve margins by US\$10/tonne by 2022 to breakeven at US\$35/tonne (2017 real terms)

Sustainably extend the life of our Northern Cape operations to 2040

Become the employer of choice in South Africa

We deliver our strategy over three time horizons through our Tswelopele programme

### HORIZON 1 (1 to 3 years)

Operating our assets at their full potential

### HORIZON 2 (3 to 5 years)

Leveraging our endowment

### HORIZON 3 (5 to 7 years)

Optimising competencies and assets to sustain and expand the business

## STRATEGIC FOCUS AREAS



Sustainably operate mines at a **lower unit cost** to remain competitive through a reduced cost base and a continued step-up in productivity



Compete through producing **premium products** to maximise price premia realised and to maintain differentiated customer relationships



**Implement the Anglo Operating Model** to ensure stable and capable processes leading to the delivery of business expectations



**Extend life of current assets** through UHDS technology and business development activities



**Focus on the Northern Cape**, South Africa as the region contains the most attractive ore bodies for both current operations and targeted brown fields exploration



**Unlock full infrastructure potential** to support maximum export volumes over the medium term



**Use technology** to extract maximum value from our ore, focusing on step-change opportunities



**Identifying and realising opportunities** beyond the existing operations, based on our asset base and competencies

## KEY ENABLERS



Aligned **marketing and efficient operational activities** to ensure product matches customer needs



Reinforce **product quality and consistency**



**Proactively engaging with key stakeholders** to reinforce our partnership approach



**Leadership and culture**, embedding a culture that fosters safety, health, diversity, innovation and organisational effectiveness



Provide leadership through **responsible citizenship**, displaying care for **safety, health and the environment**

## CREATING VALUE OVER THE SHORT, MEDIUM AND LONG TERM

TO DELIVER ON OUR FOUR STRATEGIC AMBITIONS WE HAVE STRUCTURED OUR STRATEGY AROUND THREE TIME-BASED TRANSFORMATION HORIZONS, EACH OF WHICH HAS A SET OF KEY STRATEGIC FOCUS AREAS. THESE ARE COLLECTIVELY UNDERPINNED BY KEY STRATEGIC ENABLERS.

### HORIZON 1 (short term): Operating our assets at their full potential

We have identified various short term initiatives aimed at improving productivity and enhancing product quality as efficiently as possible. These strategic initiatives, which require limited capex investments and use current available technologies, include:

- **operating assets at their full potential** – by improving equipment efficiency and further enhancing labour productivity at our mines
- **reducing external spend** – through a mixture of commercial levers (driving price and supplier consolidation improvements) and technical levers (optimising specifications, demand management and total cost of ownership)
- **improving organisational effectiveness** – optimising our Anglo Operating Model and driving efficiencies through a leaner and more effective head office and shared services function
- **optimising our product portfolio** – thereby maximising price premia

We believe that these initiatives could deliver a US\$7/tonne margin improvement over a one to three-year time frame.

### HORIZON 2 (medium term): Leveraging our endowment

In addition to improving the performance of our current assets, we have identified selected opportunities to leverage our endowment, grow our core business and further extend life-of-mine. These opportunities include:

- **unlocking our logistics capacity** to reach 100% of the current rail and port capacity
- **beneficiating in situ and stockpiled/discard materials** through ultra-high dense media separation (UHDMS) technologies
- **realising various life-extension projects** around Kolomela through exploration
- **identifying specific business development initiatives** to consolidate the Northern Cape region
- **reducing the carbon footprint** at our operations

These opportunities are more complex to deliver than Horizon 1, require higher capital investment and time, and are largely dependent on successful negotiations with external stakeholders or on external factors such as technology development. We are confident, however, that they could deliver a further US\$3 per tonne in margin improvements and potentially extend the life of our Northern Cape operations to 2040.

### HORIZON 3 (long term): Optimising competencies and assets to sustain and expand the business

While Horizons 1 and 2 focus on core business activities, Horizon 3 involves identifying a wide range of potential business extension opportunities that fit well with Kumba's strategic direction, while operating within a circular economy and remaining relevant within a de-carbonising world.

These opportunities seek to leverage Kumba's capabilities and resources, including its access to the broader Anglo American group, and its agility as a mid-tier player.

**TSWELELOPELE**  
ORE TO AWE  
**THREE TRANSFORMATION HORIZONS**

## DELIVERING ON STRATEGIC AMBITIONS

We recognise that achieving our strategic ambitions will require a significant shift in how Kumba has traditionally operated, ensuring that we have more rapid decision-making and simplified governance and approval processes, underpinned by a high-performance culture across our workforce. Our performance during 2019, reviewed throughout this report, indicates that the Company is up to this challenge. A high-level summary of the Company's performance on each of its strategic ambitions is provided below.

A more detailed review of our performance in terms of the strategic focus areas and key enablers is provided on pages 44 to 49.

#### Eliminate fatal incidents through a culture of zero harm

- ✓ More than 3.5 years fatality-free
- ✓ Achieved 90:90:90 health target
- ✓ Fourth consecutive year with no level 3 to 5 environmental incidents
- ✗ Total recordable case frequency rate (TRCFR) of 2.06 against a target of 2.55 (2018: 1.80)
- ✗ 12 high-potential incidents (2018: 7)

#### Improve margins by US\$10/tonne to remain globally competitive and sustainable

- ✓ Cost savings of R920 million achieved, above market guidance of R700 million, bringing the total savings from our programme to R1.9 billion
- ✓ A review of operating expenses during the year identified additional savings and we aim to improve our cost competitiveness and capture these long term benefits through the increase of our cumulative savings target beyond R2.6 billion
- ✗ Platts 62% breakeven price contained at US\$45/tonne, despite higher operating costs caused by increased on-mine SIB capex, offset by stronger price premiums and currency gains
- ✗ Increase in the cost of production, due to the utilisation of WIP stock at Sishen and higher maintenance costs, related to unscheduled maintenance activities caused by equipment and plant breakdowns
- ✗ Total capex of R5.6 billion, above guidance due to higher deferred stripping, owing to the geological areas we are mining in

#### Sustainably extend the life of our Northern Cape operations to 2040

- ✓ Progress with mine life extension: exploration drilling and geometallurgical testing 65% completed at Ploegfontein; 90% of the drilling programme completed at Heuningkranz
- ✓ Initial engagements with Transnet to review options to extend longevity of logistics network
- ✓ Regulatory compliance and social licence to operate
- ✗ The value proposition of the UHDMS project was re-evaluated taking into consideration logistical constraints that have been exacerbated by the lower domestic off-take from ArcelorMittal SA. Kumba has identified that optimal value will be achieved through life-of-mine extension and leveraging the ability of the UHDMS technology to increase our overall product quality. This further enhances our key differentiator of being a niche product producer. As a result, the feasibility study has been extended until the second half of 2020

#### Become the employer of choice, through a high-performance culture driven by healthy motivated employees

- ✓ New Team+ performance management approach, adopted from 2019, a team-based performance approach that moves away from an individual performance approach
- ✗ A number of employees in key positions left the company to pursue new opportunities
- ✗ Good progress in rolling out the leadership and culture programme, but desired outcome not yet achieved



# MEASURING PERFORMANCE

for the year ended 31 December

KPI	OUTCOME	2019	2018	2017
<b>SAFETY AND HEALTH</b>				
Fatal injury frequency rate (FIFR)	✓	0	0	0
Total recordable case frequency rate (TRCFR)	✗	2.06	1.80	3.23
For detail refer to page 34 of the SR.				
New cases of occupational disease	✗	8	5	2
For detail refer to page 43 of the SR.				
<b>ENVIRONMENT</b>				
Energy consumption (million GJ)	✓	8.78	8.85	8.94
GHG emissions (Mt CO <sub>2</sub> -equivalent)	✗	1.00	0.96	1.00
For detail refer to page 88 of the SR.				
Total water withdrawals (million m <sup>3</sup> )	✓	30.0	30.8	33.2
Number of level 3, 4 or 5 environmental incidents	✓	0	0	0
<b>SOCIO-POLITICAL</b>				
Compliance with Social Way (% compliance)	✓	100	76	79
<b>PEOPLE</b>				
Voluntary labour turnover (%)	✓	3.4	4.1	4.4
Women in management (%)	✓	25	24	22
Women in workforce (%)	—	23	23	21
Historically disadvantaged South Africans (HDSAs) in management (%)	✓	71	68	66

✓ Positive outcome

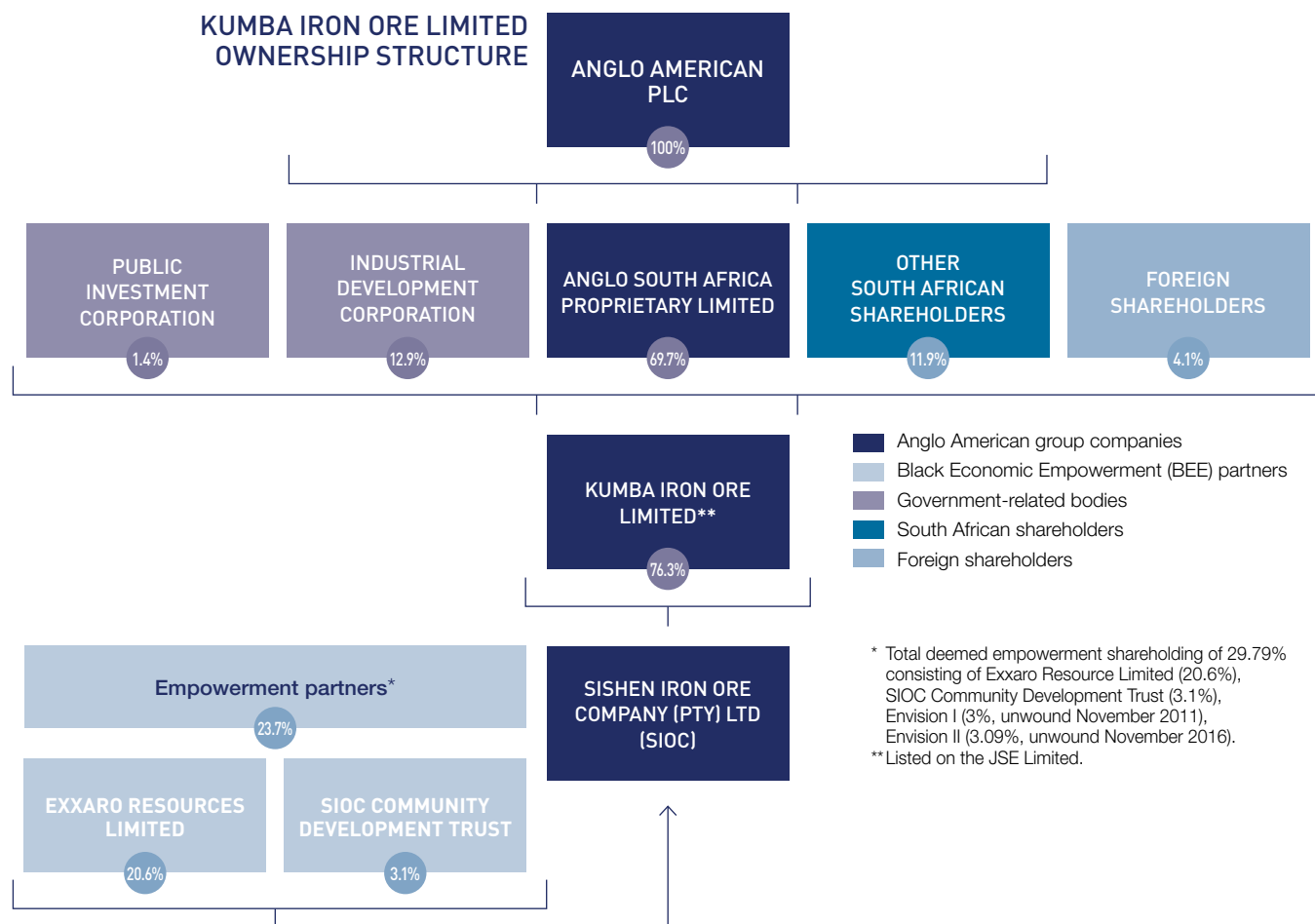
— Neutral outcome

✗ Negative outcome

KPI	OUTCOME	2019	2018	2017
<div> <b>PRODUCTION</b> </div>				
Sishen (Mt)	—	29.2	29.2	31.1
Kolomela (Mt)	×	13.2	13.9	13.9
<div>  For detail refer to page 64 of the IR. </div>				
<div> <b>COST</b> </div>				
<b>Sishen free-on-rail (FOR) cash unit cost</b>				
Rand/tonne	×	345.1	290.0	287.3
<div>  For detail refer to page 64 of the IR. </div>				
US\$/tonne	×	23.9	21.9	21.6
<div>  For detail refer to page 64 of the IR. </div>				
<b>Kolomela FOR cash unit cost</b>				
Rand/tonne	—	270.4	248.1	236.7
<div>  For detail refer to page 65 of the IR. </div>				
US\$/tonne	—	18.7	18.8	17.8
<div>  For detail refer to page 65 of the IR. </div>				
<div> <b>FINANCIAL</b> </div>				
Return on capital employed (ROCE) (%)	✓	83	49	53
Earnings per share (Rand per share)	✓	50.73	30.08	38.63
Attributable free cash flow (Rm)	✓	17,130	7,817	12,338



# WHO WE ARE



## AT A GLANCE

### PRODUCTION

# 42.4 Mt



### EXPORT SALES

# 40.0 Mt



### EMPLOYEES

# 12,217



### TOTAL TONNES MINED

# 297.9 Mt



### DOMESTIC SALES

# 2.2 Mt



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





# WHERE WE OPERATE



1

## Corporate office

Re-imaging mining to improve people's lives, with our corporate office located in Centurion, Gauteng

For more information see [www.angloamericankumba.com](http://www.angloamericankumba.com).

2a

## SISHEN

Our flagship operation in the Northern Cape province

- Commissioned in 1953
- Located in Kathu
- Life-of-mine: 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

### 2019 PERFORMANCE

- Zero fatalities; LTIFR of 0.82
- Production of 29.2 Mt
- Lump:Fine ratio of 71:29
- 218.8 Mt total tonnes mined, including ex-pit ore of 37.7 Mt and waste of 181.1 Mt
- 27.8 Mt railed on the Sishen/Kolomela-Saldanha iron ore export channel (IOEC)
- Unit cash cost: R345/tonne
- Stripping ratio: 4.8
- 4,370 permanent full-time employees and 4,306 full-time contractors
- R62.1 million invested in social and community projects
- ISO 14001, ISO 9001, and OHSAS 18001 certified

For more information on this operation see page 64 of this report.

2b

## KOLOMELA

Our newest operation, currently producing well above original name-plate capacity of 9 Mtpa

- Commissioned in 2011
- Mine situated near the town of Postmasburg
- Produces primarily high-grade direct shipping ore (DSO)
- Dense media separation (DMS) modular plant commissioned in 2017
- Life-of-mine: 13 years

### 2019 PERFORMANCE

- Zero fatalities; LTIFR of 0.45
- Production of 13.2 Mt
- Lump:Fine ratio of 58:42
- 79.0 Mt total tonnes mined including ex-pit ore of 15.8 Mt and waste of 63.2 Mt
- 14.2 Mt railed on the IOEC
- Unit cash cost: R270/tonne
- Stripping ratio: 4.0
- 1,426 permanent full-time employees and 1,206 full-time contractors
- R53.5 million invested in social and community projects
- ISO 14001, ISO 9001 certified, and OHSAS 18001 certified

For more information on this operation see page 65 of this report.

3

## SALDANHA BAY PORT

Iron ore export facility, our high-quality iron ore is exported to markets in Asia-Pacific, Europe, Americas and the Middle East

- 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

### 2019 PERFORMANCE

- Zero fatalities; LTIFR of zero
- Total volumes railed to Saldanha Bay: 42.0 Mt
- Total shipped volumes: 40.0 Mt
- Export sales: 40.0 Mt
- Total cost and freight (CFR) volumes: 27.3 Mt
- 24 permanent full-time employees
- ISO/IEC 17025 accredited QC laboratory

For more information on this operation see page 66 of this report.



# CHAIRPERSON'S REVIEW

Dr Mandla Gantsho  
Chairperson  
Kumba Iron Ore



2019 was another eventful year in our operating environment, both globally and locally. On a positive note, export commodity prices continued to recover in the face of continuing uncertainty and volatility in global markets. The year was characterised by the ongoing US-China trade dispute, sluggish economic growth in China worsened by the recent coronavirus, heightened tensions in the Middle East, and growing popular concern regarding the impact of climate change. Companies, particularly in the resources sector, faced significant investor and public pressure regarding environmental, social and governance (ESG) issues. Kumba has a long tradition of demonstrating leadership in addressing sustainability challenges, both in its own right and as part of the Anglo American group. Kumba has embarked on a strategic journey to re-imagine mining to improve people's lives – and has made a commitment to FutureSmart Mining™, an innovation-led approach to promoting sustainable “climate-smart” mining.

On the domestic front, the optimism generated by the recent changes in the country's political leadership, and the reassurance regarding wide-ranging economic reforms remains, but will require evidence of concrete progress if such optimism is to be sustained. Investors and civil society will need to see effective implementation of the government's announced economic policies and a commitment that they will remain in place over the longer term. This will provide the regulatory and policy certainty that investors require to allocate the much-needed capital to our country. Unfortunately, energy and transportation infrastructure remain constrained, and there is no predictability about when challenges in these critically important sectors will be resolved. Under these circumstances, the mining sector is unable to sufficiently capitalise on the many opportunities that exist in South Africa.

Kumba has been encouraged, however, by the significantly improved levels of collaboration and support received from the Department of Mineral Resources and Energy (DMRE) regarding permitting and licensing, as well as by the very positive response from Transnet in improving rail efficiencies. The recent leadership appointments at Transnet and Eskom, a commitment to deal decisively with other state-owned enterprises, give cause for some optimism that further positive change will be forthcoming.

Kumba has laid a strategic foundation to operate within an uncertain and volatile environment and the Company is well prepared to remain resilient in the face of ongoing future global and domestic uncertainty.

## STRONG FINANCIAL, OPERATIONAL AND SUSTAINABILITY PERFORMANCE

It is pleasing to report that Kumba delivered another year of strong financial performance, aided by the increase in the iron ore price and by the Company's realised cost savings of R920 million, ahead of its targeted R700 million. EBITDA was up by 62% to a record R33.4 billion, with the EBITDA margin increasing to 52% and cash flow from operations up 84% to R34.7 billion. Given Kumba's strong performance and robust balance sheet, the Board declared a final cash dividend of R15.99 per share. Combined with the interim dividend of R30.79 per share, this represents a total payout ratio of 92% of headline earnings per share for 2019, in excess of our 50 to 75% dividend payout policy. In total, this year the Company paid more than R19.6 billion in value to shareholders, and R31 billion of value for employees, the fiscus and BEE suppliers.

Operationally, the Company also saw generally pleasing results, despite some unexpected challenges at both Sishen and Kolomela. Total tonnes mined increased by 2% year-on-year, with production ending the year within the revised guidance of 42 Mt to 43 Mt. We continue working towards extending the Company's life-of-mine to 2040. This is testament to management's focus and commitment, as well as the use of technology.

Kumba is proud to report a third consecutive year with zero fatalities. This bears tribute to the focus and commitment of Kumba's leadership team and employees to delivering on its

“zero harm” strategy, and it reflects the successful infusion of a culture of safety at all levels within the Company. Kumba is similarly proud to be recognised as an industry leader in the area of employee health. Environmental sustainability remains a key imperative, and it is reassuring that the Company has once again reported no significant environmental incidents. While Kumba continues to make good progress in delivering on its environmental performance, scope exists for improvement in certain areas, particularly on managing noise and dust emissions.

During the year, a delegation of the Kumba Board visited Sishen and Kolomela to inspect the tailings dams and to ensure that we comply with tailings dam management requirements. We appreciated the well organised visit and robust discussions with the management team, however, areas of improvement are required to ensure optimum risk mitigation and management has taken measures to address these issues.

Addressing climate change remains a key aspect of our sustainability strategy, we are working towards achieving the 2030 stretch targets of a 30% net reduction in absolute greenhouse gas emissions and a 30% improvement in energy intensity against the 2016 baseline.

On social and transformation issues, Kumba has long been at the forefront of initiatives to facilitate B-BBEE and local economic empowerment through focused strategies to promote affirmative and preferential procurement, local and inclusive enterprise development, and the enhanced involvement of women in the sector. Internally, the Company's employment equity strategies have met objectives, and Kumba can be viewed as an example of best practices in the industry. Further progress is needed to accelerate employee share ownership, which is currently at less than 1%.

## ENSURING GOOD GOVERNANCE

Kumba continues to drive high standards of governance at all levels. I am satisfied that the current Board brings the right balance of experience, skills and diversity of perspective needed to provide the governance, oversight and strategic direction to ensure Kumba's continued resilience. During the reporting period there have been various changes to the Board membership. In May 2019, Mr Stephen Pearce, Group Finance Director of Anglo American, resigned as the Anglo American representative and was replaced by Mr Duncan Wanblad, Group Director of Strategy and Business Development of Anglo American. Ms Dolly Mokgatle stepped down in May 2019 as an independent non-executive director, following 12 years of valued service. Ms Michelle Jenkins was appointed as an independent non-executive director with effect from November 2019.

In January 2019, we appointed the Institute of Directors in Southern Africa to facilitate our annual Board appraisal process. Through this independently facilitated self-appraisal process, the Board was assessed as performing very well in most areas. The governing body was deemed to have a strong underlying culture, characterised by mutual respect and frank discussion, underpinned by a deep appreciation of the merits of a stakeholder-inclusive approach and for the business to be managed across the “six capitals”.

## OUTLOOK

I believe that the Company is well positioned to face the challenges of the future. The Board-approved strategy aimed at ensuring resilience within a volatile market environment remains relevant, and I am confident that it will safeguard the Company's interests in an operating environment that will remain volatile, both globally and locally. At a national level, government has a crucial responsibility to address the multiple policy issues that are hampering the development of the mining sector. Kumba will continue to engage actively with government, both individually as well as through sectoral organisations, in identifying and implementing solutions to harness the full developmental potential of the country's mining and mineral resources.

## APPRECIATION

In my own name and on behalf of the Board, I extend our sincere appreciation to Themba Mkhwanazi and the executive team for their leadership in maintaining the Company's strong performance. Kumba's employees have been exemplary in rising to the many challenges in delivering on the Company's strategic agenda. I also wish to thank my colleagues on the Board for their commitment and contributions in ensuring effective stewardship of the Company and in providing ongoing guidance and leadership to our management team. I wish to provide a commitment to shareholders and stakeholders that Kumba will remain well equipped to continue to deliver on its responsibilities and to play a meaningful role in contributing to the wellbeing and positive transformation of the country and its people.

**Dr Mandla Gantsho**  
Chairperson

13 March 2020





# BUSINESS MODEL

## OUR VALUE PROPOSITION



### OUR CUSTOMER VALUE PROPOSITION

The reliable supply of high-quality iron ore



### OUR EMPLOYEE VALUE PROPOSITION

The opportunity to earn, learn and grow in a zero-harm environment, supported by a high-performance culture



### OUR SOCIETAL VALUE PROPOSITION

Improving people's lives through our innovation-led approach to sustainable mining that converts mineral resources into long term value, contributes to socio-economic transformation, and fosters inclusive and environmentally responsible economic growth



### OUR SHAREHOLDER VALUE PROPOSITION

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

## OUR VALUE CHAIN ACTIVITIES

#### Exploration:

Identifying potential new resources, primarily in the Northern Cape

#### Mining:

Extracting iron ore in the Northern Cape

#### Beneficiation:

Improving the final product quality, using dense media separation (DMS), jig technology and ultra-high density media separation (UHDMS)

#### Blending and outbound logistics:

Providing and transporting niche products

#### Shipping, marketing and selling:

Servicing markets in South Africa and globally

#### SHE management and rehabilitation:

Managing safety, health and environmental (SHE) issues across all stages of the production process

## KEY RESOURCES

- Access to natural resources (including iron ore, land, energy and water)
- Prospecting and mining rights
- Regulatory permits and licences
- Social licence to operate
- Financial capital
- Infrastructure and support services, including especially rail and port services
- Positive relations with employees and trade unions
- Technical, commercial and managerial skills and experience
- Exploration, mining and processing technology and techniques
- Reliable, cost efficient and representative supplier base
- High levels of customer satisfaction and loyal customer base
- Positive engagement with industry peers
- Strong reputation

## KEY RELATIONSHIPS

- Utilities suppliers (especially Eskom), service providers, including Transnet and contractors
- National, provincial and local government
- Communities, their representatives and NGOs
- Equity investors and loans from banks
- Employees and trade unions
- Management and leadership teams
- Technical teams and contractors
- Customers
- Mining company peers and industry bodies
- Media, analysts and institutions
- Banks and lenders

For more information see page 14.

For more information on capital inputs see pages 16 to 19.

For more information on stakeholders see page 30.

## OUR TOP 10 RISKS

1

Commodity markets and foreign exchange rate fluctuations

2

Safety and health

3

Third-party infrastructure (IOEC operating efficiency)

4

Operational performance (current year)

5

Managing change (transformation of the business)

6

Socio-economic challenges

7

Cyber risk

8

Current South African governance and political challenges

9

Legislation and regulatory compliance

10

Resource depletion and securing growth

For more information see page 34.

## REVENUE DRIVERS

### Iron ore prices

We secure a premium for higher quality ore

### Iron ore sales

Volumes were lower due to demand from a local customer

### Rand/US\$ exchange rate

A weaker Rand boosted local revenues for US\$-based iron ore prices

## POTENTIAL FOR REVENUE DIFFERENTIATION

- ✓ Ability to achieve quality and lump premia for superior ore quality (64.2% Fe versus 62% Fe benchmark)
- ✓ Price differential potential due to higher lump:fine ratio (67:33 versus global average of 20:80)
- ✓ Ability to diversify customer portfolio with sales in regions utilising direct-charge materials
- ✓ Stronger price realisation, driven by effective marketing activities
- ✓ Benefits from reduced exposure to Chinese market, as a result of increased presence in traditional markets
- ✗ Challenges in terms of reduced volume and productivity, and reduced sales to local customer

## COST DRIVERS

To maintain the current value proposition

DISTRIBUTION (rail, port and freight)	LABOUR
ENERGY (liquid fuel and electricity)	CONSUMABLES
CAPITAL EXPENDITURE	MAINTENANCE
DRILLING, BLASTING AND HAULING	BENEFICIATION
MINING AND NON-MINING CONTRACTORS	CORPORATE OVERHEADS
SOCIAL INVESTMENTS	REHABILITATION

To expand the value proposition

CAPITAL EXPENDITURE	EXPLORATION	MARKETING
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## POTENTIAL FOR COST DIFFERENTIATION

- ✓ Scope for differentiation through UHDMS technology
- ✓ Further leverage in operating costs through enhanced operating efficiencies
- ✓ Cost savings programme targeting over R2.6 billion by 2022
- ✗ Challenges in delivering cost 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 the key market in China

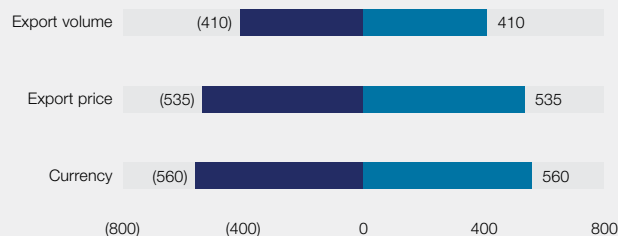
## OPERATING CONTEXT: ISSUES IMPACTING VALUE

- Iron ore price volatility
- Flattening of the producer cost curve globally
- Increasing investor and civil society focus on business
- A strong sector-based commitment to eliminate fatalities, including a specific recent focus on tailings dam safety
- Group-wide drive for operational excellence and sustainable development
- Maintaining the quality of iron ore reserves and life of asset, and third-party assets we rely on, such as the Transnet life of asset
- Policy uncertainty and governance challenges in South Africa
- Announcement from ArcelorMittal SA to wind down operations at the Saldanha Steel plant

For more information see page 23.

### SENSITIVITY ANALYSIS

1% change to key operational drivers, each tested independently  
EBITDA impact (R million)



### CHANGE PER UNIT OF KEY OPERATIONAL DRIVERS, EACH TESTED INDEPENDENTLY

Sensitivity analysis	Unit change	2019 EBITDA impact
Currency (R/US\$)	R0.10/US\$	R390m
Export price (US\$/t)	US\$1.00/t	R585m
Volume (kt)	100 kt	R100m
	Unit change	Breakeven price impact
Currency (R/US\$)	R1.00/US\$	US\$3.00/t

## OUTPUT

42.4 Mt (2018: 43.1 Mt) high-quality haematite iron ore, with a lump-to-fine ratio of 67:33 (2018: 68:32). This year, Sishen produced products with an average Fe content of 64.3%, and Kolomela averaged 64.1%. Our product portfolio includes niche lump products, as well as standard fines and standard lump. In terms of waste outputs, we produce rock, tailings and process water which is largely recycled.



# VALUE CHAIN:

## ACTIVITIES AND IMPACTS

PRIMARY INPUTS	EXPLORATION	MINING	BENEFICIATION	
<b>ACTIVITIES ACROSS THE FULL VALUE CHAIN*</b>	<p>Our ability to generate value is dependent on access to financial capital, skilled people, quality relationships and various natural and mineral resources, supported by the right Company culture and by access to necessary infrastructure, plant and equipment.</p> <p> A more detailed review of material inputs by capital stock is provided on page 16 to 19.</p>			
	<p>Exploration in South Africa is focused on the Northern Cape, close to our existing operations at Sishen and Kolomela. We are conducting on and near-mine exploration and resource-definition drilling to increase confidence in our geological models; these models are updated annually in support of life-of-mine and long term planning.</p>	<p>We extract iron ore by mining the ore bodies within our mining leases using open pit methods. We are implementing a technology roadmap that aims to accelerate the adoption of technology to improve safety, quality, efficiency and resource utilisation.</p>	<p>We use DMS and UHDS processing and jigging technologies to regulate the physical properties of the finished product, removing impurities and improving product quality. We also support the South African government's objectives to maximise the developmental impact of the minerals sector.</p>	
<b>KEY OUTCOMES</b> Implications of our activities on value in each stage of the value chain	<ul style="list-style-type: none"> <li>✓ Enhancing Kumba's long term financial viability (FC)</li> <li>✓ Developing intellectual capital through enhanced technologies and techniques (IC)</li> <li>✓ Building stakeholder relationships in the Northern Cape (SC)</li> <li>✓ Positive contribution to junior miners and government stakeholders (SC)</li> <li>✓ Contributing to tax base throughout the value chain (SC)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Zero fatalities and a 19% reduction in LTIs (HC)</li> <li>✓ Strengthened skills development and assistance to emerging miners (HC)</li> <li>✓ Community upliftment, enhanced service provision and infrastructure investment (SC)</li> <li>✓ Investment in innovation (IC)</li> <li>✓ Improved water supply through dewatering and water provision activities in a water-stressed environment (NC)</li> <li>✓ Introducing vehicle and personnel detection systems within blast clearance activities (SC and MC)</li> <li>✓ Impact of change in shift patterns on labour productivity and efficiency (FC)</li> <li>✗ Influx of informal settlements around our operations (SC)</li> <li>✗ Competition over land use with communities (SC)</li> <li>✗ Dust emissions (HC)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Securing market premium and build financial capital through enhanced quality product (FC)</li> <li>✓ Enhanced intellectual capital and technology development (IC)</li> <li>✓ Contribution to government beneficiation objectives (SC)</li> <li>✓ Unlocking low-grade potential with UHDS technology (FC)</li> <li>✗ Dust emissions (HC)</li> </ul>	
<ul style="list-style-type: none"> <li>✓ Positive outcome</li> <li>➔ Neutral outcome</li> <li>✗ Negative outcome</li> </ul>				
	<b>STRATEGIC FOCUS AREA</b>			<b>OUTPUT</b>
	<ul style="list-style-type: none"> <li> Focus on the Northern Cape</li> <li> Extend life of current mines</li> <li> Use technology to extract maximum value</li> <li> Proactively engaging with key stakeholders</li> </ul>	<ul style="list-style-type: none"> <li> Extend life of current mines</li> <li> Sustainably operate mines at lower unit costs</li> <li> Use technology to extract maximum value</li> <li> Provide leadership through responsible citizenship</li> </ul>	<ul style="list-style-type: none"> <li> Compete through premium products</li> <li> Extend life of current mines</li> <li> Use technology to extract maximum value</li> <li> Provide leadership through responsible citizenship</li> </ul>	



## BLENDING AND OUTBOUND LOGISTICS

## SHIPPING, MARKETING AND SELLING

## REHABILITATION AND ENVIRONMENTAL STEWARDSHIP

\* Our business needs responsible safety, health and environmental (SHE) management, as well as continued stakeholder engagement across all the activities in the value chain.

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

We sell iron ore domestically and internationally. Our export customers are situated in China, Japan, India, South Korea and countries in Europe and the Middle East and North Africa (MENA) region. Domestically, we sell to ArcelorMittal SA.

The life-cycle of the mine needs responsible environmental management practices to ensure minimal disruption to our key capital inputs both during and after our operations.

- ✓ Maximise value from the resource investment in technologies and techniques (FC)
- ✓ Contribution to tax base (SC)
- ✓ Significantly improved rail performance (FC)
- ✓ Increased efficiency at our load out stations, improving turnaround times (FC)

- ✓ Enhanced financial returns through product differentiation in sales (FC)
- ✓ Price risk management used to mitigate price volatility (FC)
- ✓ Quality of products and flexibility to respond to market demand (FC)
- ✗ Lost sales opportunities due to reduced local demand from ArcelorMittal SA and some logistical challenges (FC)
- ✗ Cost challenges from significant increases in shipping costs due to increased emission regulations (FC)

- ✓ Minimising longer-term safety, health and environmental impacts and decreased longer-term liabilities (HC) (SC) (NC)
- ✓ Securing authorisations and licences (SC) (FC)
- ✓ Enhanced reputation (SC)
- ✓ Positive biodiversity impacts in set-aside and off-set areas (NC)
- ✓ Continuous mine rehabilitation and responsible mine closure (NC)
- ✓ Progress with zero waste to landfill at Kolomela (NC)
- ✗ Increased financial costs (FC)
- ✗ Potential challenges around longer-term land rights (SC)

42.4 Mt (2018: 43.1 Mt) high-quality haematite iron ore with a lump-to-fine ratio of 67:33 in 2019. Sishen produced products with an average Fe content of 64.3% and Kolomela averaged 64.1% for 2019. Our product portfolio includes niche lump products, as well as standard fines and standard lump. In terms of waste outputs, we produce rock, tailings and process water which is largely recycled.



Compete through premium products



Unlock full infrastructure potential to support maximum export volumes



Align marketing and operational activities



Compete through premium products



Align marketing and operational activities



Reinforce product quality and consistency



Provide leadership through responsible citizenship



# CREATING VALUE:

## INTERDEPENDENCIES WITH THE CAPITALS

### CAPITALS



#### PEOPLE

Everything we do depends on the wellbeing, skills, knowledge, expertise, productivity, motivation and behaviour of our employees, the leadership team, contractors and service providers.

### NECESSARY INPUTS

- Employees and contractors operating within an environment fostering a zero-harm, performance-based culture (2019: **6,107** permanent employees, **5,596** contractors and **514** learnerships)
- An **experienced and sufficiently diverse leadership team**, demonstrating values-driven behaviour
- Service providers, **delivering on agreed terms and conditions**, and facilitating our drive for transformation and local development

#### Challenges in securing these inputs:

There remain significant competitive pressures in attracting and retaining top skills and diverse talent. This year, some employees in key positions left the company; we have promoted from within and have also attracted skilled talent from the market to fill these positions.



#### OUR RELATIONSHIPS

Trusted relationships with stakeholders is essential to maintaining our licence to operate and reputation, and to enabling us to deliver on the Tswelopele strategy.

- **Positive** engagement with unionised and non-unionised workforce
- Constructive **relationship** with representatives from government and regulators
- Continued **confidence** from our shareholders, investment community and customer base
- **Diversified customer portfolio**, with the quality of our products supporting our competitive advantage
- **Trusted reputation** with host communities, civil society bodies, NGOs and media
- **Effective** service delivery and engagement from suppliers and contractors
- **Conducive** local, national and global operating environment, founded on mutual trust

#### Challenges in securing these inputs:

Declining levels of trust in institutions globally, particularly with multinational corporations, has heightened the importance of developing strong relationships. The challenging iron ore price environment has required us to take actions that have tested some of our relationships. Managing occasionally competing interests of different stakeholder groups can necessitate some difficult decisions and trade-offs. These challenges are heightened by the continuing high levels of inequality and some long-standing constrained stakeholder relationships in South Africa.



#### NATURAL RESOURCES

Our business model involves converting natural and mineral resources into social and economic value; doing so has some unavoidable environmental impacts.

- Inclusive mineral resources: **1,262.0 Mt**
- Water: Total withdrawal of **30.5 million m³** (1% decrease year-on-year)
- Energy: Total consumption of **8.78 million GJ** (1% reduction year-on-year)
- Diesel: **197.8 Mℓ** purchased (2% reduction year-on-year)
- Land: **92,094 hectares** land under management; 2,500 hectares set aside for biodiversity offsets

#### Challenges in securing these inputs:

We are 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. We continue to increase the water reuse rate at our operations with the aim of achieving an 85% reuse rate by 2030.

- ✓ Positive outcome
- Neutral outcome
- ✗ Negative outcome

Our ability to create value over time – and any assessment of the “value” we have created, undermined, and/or shared – is determined by how we interact with the resources and relationships that our business model depends on.

## ACTIONS

### To enhance EMPLOYEE contribution

Our activities and investments in providing a safe, healthy and engaged working environment, promoting employee training and development, ensuring fair labour and contracting practices, and encouraging local employment opportunities, provide the foundation for optimising value creation. A review of our activities is provided in the following sections of our 2019 reports:

- **Leadership and culture** (IR – p 49)
- **Provide leadership through responsible citizenship** (IR – p 48)
- **Our people** (SR – p 32)
- **Building social capital** (SR – p 58)

### To enhance our RELATIONSHIPS

A review of our activities aimed at strengthening stakeholder relations is provided in the following sections of our 2019 reports:

- **Addressing stakeholder interests** (IR – p 30)
- **Provide leadership through responsible citizenship** (IR – p 48)
- **Building social capital: Making a positive social contribution** (SR – p 64)
- **Our People: Workforce culture and capability** (SR – p 49)
- **Stakeholder engagement** (SR – p 30)

### To minimise ENVIRONMENTAL impacts

In addition to mitigating the direct impacts of our activities, we seek to offset any remaining impacts through the provision of energy and water services to the local community, and the responsible sharing of the socio-economic benefits deriving from our mining activities. A review of our activities to reduce our environmental impacts is provided in the following sections of our 2019 reports:

- **Provide leadership through responsible citizenship** (IR – p 48)
- **Environmental impacts** (SR – p 76)

## OUTCOMES

### The effect of our activities on EMPLOYEES

- ✓ Sustained **strong** safety and occupational health performance
  - **Zero** employee and contractor fatalities (2018: zero)
  - Total recordable case frequency rate of **2.06**, against a target of 2.55 (2018: 1.80)
  - **No** new cases of noise-induced hearing loss or occupational respiratory disease
- ✓ Enhanced employee **skill-set, wellbeing, diversity and commitment**, through key initiatives:
  - **R5.0 billion** spent on employee salaries and benefits (2018: R4.6 billion)
  - **R289.0 million** invested on training and development (2018: R232.0 million)
  - **Leadership and culture initiatives** to support employees through the Tswelelopele journey
  - Diversity: **71%** HDSA in management (2018: 68%); 23% women in total workforce (2018: 23%)
- ✓ **Job satisfaction** and personal development
- **31** employee grievances referred to Commission for Conciliation, Mediation and Arbitration (CCMA) (2018: 53)

### The effect of our activities on our RELATIONSHIPS

- ✓ Continued to maintain strong employee relations:
  - **3.37%** employee turnover rate, well below the industry benchmark
  - **No** industrial action since 2012
  - **Implementation** of new employee share ownership scheme, Karolo
- ✓ Constructive relationship with national, provincial and local government through regular engagement, strong regulatory compliance, and encouraging performance on transformation and developmental objectives
  - **Positive** delivery in terms of Mining Charter and National Development Plan (NDP) expectations
  - **No** material fines for non-compliance during the year
  - **R11.9 billion** total tax contribution (2018: R6.2 billion)
- ✓ Significantly improved relationship with Transnet throughout the year as a result of focused bilateral engagements
- ✓ Sustained confidence from shareholders and investment community through strong financial performance
- ✓ Long term, stable customer base
- ✓ General encouraging relationship with communities, enhanced by active engagement and provision of economic opportunities, infrastructure and services:
  - **91%** of Kumba employees recruited from local areas
  - **R2.4 billion** spent on more than 300 suppliers from our host communities (2018: R1.4 billion)
  - **R13.9 billion** B-BBEE procurement spend (2018: R11.8 billion)
  - **R170.9 million** social investment, including in health, education and infrastructure (2018: R120.5 million)
  - **Carefully managed** relocation of the Dingleton community to a new purpose-built suburb, in accordance with IFC standards
- ✗ **46** community complaints, relating mainly to environmental impacts
- ✗ Some **frustrations** expressed by local business forums regarding unmet expectations on economic opportunities

### The effect of our activities on NATURAL RESOURCES

- ✓ **No** serious (level 3 to 5) environmental incidents for fourth consecutive year
- ✓ **No** water source or habitat materially negatively affected by our extraction and use of water
- ✓ **Clean** mine water recharged into underground aquifers neighbouring Kolomela (roughly 36,000 m<sup>3</sup>/month)
- ✓ **65 hectares** rehabilitated during the year
- **Progress** in mitigating dust emissions at our mining operations
- ✗ **Limited increase** in total greenhouse gas emissions over the year (to 1.00 million tonnes CO<sub>2</sub>e)
- ✗ **Decrease** in overall Ore Reserves of 6% (41.1 Mt), as a result of annual production and decrease of 46% (490.7 Mt) in Mineral Resources, due to the removal of the Zandrivierspoort project from Kumba's resource portfolio in 2019
- ✗ **20** environmentally-related community grievances relating mainly to groundwater levels and dust (2018: 20)
- ✗ **14,838 hectares** disturbed by mining, processing and mineral waste disposal



# CREATING VALUE:

## OUR INTERDEPENDENCIES WITH THE CAPITALS CONTINUED

### CAPITALS



#### FINANCIAL CAPITAL

Access to cost-effective financial capital – such as equity, debt, reinvestment and other financial instruments – is an essential basis for sustaining and creating further value across all capital stocks.

### NECESSARY INPUTS

- Market capitalisation: **R91 billion** at end of 2018
- Capital expenditure to execute growth projects: **R537 million**
- Robust balance sheet
- Cash generated from operations: **R34.7 billion**
- **Debt-free** since March 2017
- Good track record

#### Challenges in securing these inputs:

Our ability to generate financial capital for reinvestment in the Company is a function of various internal and external factors reviewed in more detail throughout this report. Access to external financial capital is determined by Company fundamentals, investor sentiment, the status of the mining sector, country risk and the global economy more generally. Current bleak prospects regarding South Africa's economic outlook and fiscal sustainability – compounded by concerns with the public sector wage bill, poor performance of state-owned enterprises, corruption and political uncertainty – are negatively impacting fundamentals and investor sentiment. A potential downgrade by ratings agencies would raise the cost of financial capital.



#### MANUFACTURED ASSETS

Our substantial financial investment in the purchase, development and maintenance of property, plant and equipment has given us the capacity to generate longer-term returns.

- Well maintained and functional property, plant and equipment: 2019 book value of **R39.4 billion**
- Opportunities for growth: **Exploration, development and production** operations in the Northern Cape province
- **Reliable** provision of services from service providers and contractors

#### Challenges in securing these inputs:

Ensuring continued access to reliable manufactured assets at our operations requires targeted investment in the acquisition, maintenance and/or replacement of property, plant and equipment. Key challenge in securing necessary inputs include competing demands for access to financial capital, unexpected events contributing to equipment failure, and potential delivery and other delays from service providers.



#### INTELLECTUAL CAPITAL

Delivering on our strategy and business model requires a strong performance-based ethical culture, effective management systems and continuing innovation in processes and technology to produce the most efficient and effective outcomes.

- **Values-driven** performance-led Company culture
- Anglo Operating Model providing a sequenced and repeatable set of work steps to **deliver** the intended purpose of our teams' work in the most efficient manner
- **R331 million** invested in technology roadmap

#### Challenges in securing these inputs:

Retaining and enhancing intellectual capital is linked to our ability to attract and retain top skills and diverse talent, our effectiveness in instilling a performance-based ethical culture that drives innovation, and our continuing investment in R&D and skills development. Key potential constraints include the increasing competition for talent (both within and external to the mining sector), and competing interests for investment of financial capital.

✓	Positive outcome
—	Neutral outcome
✗	Negative outcome

## ACTIONS

### To optimise FINANCIAL capital

Through the Tswelopele strategy we are focusing on making Kumba more competitive by enhancing the performance and efficiency of our current assets to deliver a substantial improvement in margins and sustainably extend the life of our assets.

To optimise our cost of financial capital and build long term investor relationships while ensuring timeous, transparent and relevant disclosure to enable the fair valuation of Kumba and manage our reputational risks.

Through our commitment to “re-imagine mining to improve people’s lives” we are seeking to make a meaningful positive contribution to the country’s socio-economic transformation.

A review of our activities is provided in the following sections of our 2019 reports:

- **Chief Executive’s review** (IR – p 20)
- **Review of our strategic focus areas** (IR – p 44)
- **Provide leadership through responsible citizenship** (IR – p 48)
- **Building social capital: Making a positive social contribution** (SR – p 64)

### To enhance MANUFACTURED assets

A review of our activities is provided in the following sections of our 2019 reports:

- **Chief Executive’s review** (IR – p 20)
- **Chief Financial Officer’s review** (IR – p 50)
- **Review of our strategic focus areas** (IR – p 44)

### To enhance INTELLECTUAL capital

A review of our activities aimed at enhancing is provided in the following sections of our 2019 reports:

- **Review of our strategic focus areas** (IR – p 44)
- **Our People: Workforce culture and capability** (SR – p 49)

## OUTCOMES

### The effect of our activities on FINANCIAL capital

- ✓ **Strengthened** balance sheet with no debt
- ✓ Improvement in return on capital employed from **49%** in 2018 to **83%** in 2019
- ✓ Ended the year with a net cash position of **R12.3 billion**
- ✓ Earnings before interest, tax, depreciation and amortisation: **R33.4 billion**
- ✓ Total dividend of **R46.78 per share**
- ✓ **47%** increase in share price from R283 per share at end of 2018 to **R417 per share** at end of 2019
- ✓ Increased market capitalisation of **R134.3 billion** at end of 2019

### The effect of our activities on MANUFACTURED capital

- ✓ Manufactured assets enhanced through **R5.6 billion** investment of capital expenditure in plant and equipment
- ✓ **Acquisition of new mining** fleet including haul trucks, drills, shovels, ground engagement tools and secondary support equipment in line with LoM requirement
- ✓ **Construction** of buildings and infrastructure in support of mining and production processes
- ✗ **Loading equipment** breakdowns and weather delays impacting access to logistical support services

### The effect of our activities on INTELLECTUAL capital

- ✓ Sustained growth in the Company’s intellectual capital through various investments and activities
  - Investment in skills development: **R289 million**
  - Investment in technical studies: **R51 million**
  - Rolling out mobile devices and applications as part of our “**connected worker**” initiative that includes an electronic permitting system and using augmented reality for training purposes
  - Introducing **vehicle and personnel detection systems** within blast clearance activities





# CHIEF EXECUTIVE'S REVIEW

**Themba Mkhwanazi**  
Chief Executive



**Consistent implementation of Kumba's ambitious "Tswelolepele" strategy, and a relentless focus on safe and responsible production, has helped us deliver exceptional earnings growth and further strengthen the resilience of the business. This year's strong financial results have been underpinned by pleasing safety and health performance, with a third consecutive year in which we delivered on our commitment to remain fatality-free.**

Despite a challenging operating environment, earnings before interest, tax, depreciation and amortisation (EBITDA) was up 62% to a record R33.4 billion, aided by higher iron ore prices, improved operational efficiencies and cost savings of R920 million, ahead of our R700 million target, offset by cost inflation and higher maintenance costs. Kumba ended the year with a net cash position of R12.3 billion, after generating attributable free cash flow of R17.1 billion, an increase of 119% year-on-year. Headline earnings increased 68% to R16.3 billion. Attributable and headline earnings per share for the year were R50.73 and R50.88 (2018: R30.08 and R30.28), respectively. Through our activities, we created more than R50 billion of value for employees, shareholders, the fiscus and BEE suppliers.

## DELIVERING ON OUR PURPOSE AND STRATEGIC AMBITIONS

In 2017 we developed and approved our Tswelolepele strategy, aimed at unlocking full potential and providing value for all our stakeholders through the following four strategic ambitions:

- achieving our goal of zero fatalities
- improving margins by US\$10/tonne by 2022 (2017 real terms)
- sustainably extending the life of our Northern Cape operations to 2040
- becoming the employer of choice in South Africa

Realising these strategic ambitions over three time-based transformation horizons, will enable us to fulfil the Company's core purpose: to re-imagine mining to improve people's lives. Our performance this year, reviewed throughout this integrated report and briefly summarised below, gives me confidence that Kumba is up to this challenge.

## Achieving our goal of zero fatalities

Our commitment to instilling a culture of zero harm underpins everything we do. We have maintained a fatality-free track record since May 2016, a significant accomplishment that demonstrates the value of having the right safety leadership, mindset, staff commitment and processes. Although our total recordable case frequency rate increased this year to 2.06, (2018: 1.80), our lost-time injury frequency rate reduced to 0.69 (2018: 0.92), reflecting an important decrease in the severity of incidents. Of some concern, however, is that we had 12 high potential incidents, up from seven in 2018. Although these numbers are significantly down on levels three years ago, reflecting the positive impact of embedding our "elimination of fatalities framework", it is clear that we cannot let up on our efforts.

The catastrophic tailings dam incident at Vale's operations in Brazil have heightened public scrutiny of the management of tailings and storage of mineral residue. Kumba conducted an analysis of the learnings from the incident to help us understand where we can improve, and we conducted a comprehensive assessment of the tailings storage facility (TSF) risks, management and control. In response to requests from global institutional investors the current status information on all four of our TSFs was published on the website.

In addition to driving safety within our own operations, we have been active in strengthening the South African mining sector's pursuit of zero harm, playing an important role in supporting the Minerals Council South Africa's "Khumbul'ekhaya" initiative, a CEO-led health and safety strategy aimed at eliminating mining fatalities within two years. At the centre of this initiative is the recognition that safety and health in the industry starts with, and depends on, the industry's leadership.

## Driving margin enhancement

Since embarking on our margin enhancement strategy in 2017, Kumba's return on capital employed has improved from 49% to 83%. Our margin enhancement strategy proved its worth this year in offsetting some significant cost headwinds, with Kumba successfully delivering an EBITDA margin of 52%, up from 45% in 2018. Continued excellence from our integrated sales and operations team contributed to a 35% increase in the average realised FOB iron ore price of US\$97/tonne, more than compensating for the 2% decrease in total sales volumes due to lower domestic off-take. Delivery of high product quality was maintained at similar levels to the comparative period at an average Fe of 64.2% and the lump-to-fine ratio at 67:33, while premium products made up 19.3% of sales in the period. Significant margin benefits were realised through improved operational efficiency of 68%, a 9% depreciation in the Rand, and cost savings of R920 million, R220 million above the 2019 target.

The various margin benefits were instrumental in containing the breakeven price to US\$45/tonne (2018: US\$41/tonne), in the context of higher maintenance costs and inflationary pressures, increased royalty charges and higher work-in-progress utilisation arising from various operational challenges, including unscheduled maintenance at Sishen and the temporary closure of Kolomela's dense media separation (DMS) plant. Although the costs related to the operational challenges are not expected to continue, we anticipate further cost pressure from increased mining depth and hauling distances, increasing maintenance activities and higher input costs, highlighting the need to sustain our cost containment efforts.

## Extending the life of our mines

Our strategy of leveraging our endowment in the Northern Cape is unchanged. The value proposition of the UHDMs project was re-evaluated taking into consideration logistical constraints that have been exacerbated by the lower domestic off-take from ArcelorMittal SA. We have identified that optimal value will be achieved through life-of-mine extension and leveraging the ability of the UHDMs technology to increase the overall product quality. This further enhances our key differentiator of being a niche product producer. Given this, the feasibility study has been extended until the second half of 2020 to re-calibrate a significant portion of the detailed engineering design and to include new value-add items. At Kolomela, 65% of the geo-metallurgical and infill drilling programme for Ploegfontein, targeting ~73 Mt mineral resources for conversion to ore reserves, has been completed. We have also completed 90% of the drilling programme on the Heuningkrantz property. Furthermore, we have secured access to explore neighbouring properties situated between Sishen and Kolomela with the option to take up a shareholding in the deposits should our exploration activities prove successful.

Kumba's estimated Mineral Resources in addition to Ore Reserves realised a 46% (490.7 Mt) decrease from 2018 to 2019. This relates to the exclusion of the Zandriverspoort project (ZRP) Mineral Resources of 419.1 Mt from the Kumba resource portfolio as the prospecting right, held by SIOC, expires in March 2020, with Kumba's strategy focused on the Northern Cape, we are in discussions with the joint venture partner on possible future options.

## Becoming the employer of choice

In delivering on our ambition of becoming the employer of choice in the South African mining sector, we have been taking steps over the last two years to embed an organisational culture that fosters safety, diversity, innovation and performance, underpinned by our commitment to employee engagement and support. We continued to make progress this year with our leadership and culture programme, with many employees and managers participating in immersive leadership and team development processes. We have maintained a strong focus on driving diversity and inclusion, and we are pleased with the progress we are making in improving female representation across the business towards our target of 33% representation of women at management levels by 2022. This year, we launched our living with dignity programme to oppose gender-based violence, as part of an Anglo American initiative across its South African operations. We continue to enjoy a stable and productive industrial relations environment; we made important strides this year in engaging with organised labour in outlining a pathway to address challenges associated with the complex home ownership and employee housing issues. In August 2019 the second award of three tranches of our new broad-based employee share ownership scheme, Karolo, was processed, with a very high initial acceptance rate of 99.4%.

## Improving people's lives

In making progress on the strategic ambitions, we delivered significant value across the various stakeholder groups.

- We enabled a meaningful contribution to government's national development priorities, by paying income tax of R7.8 billion (2018: R4.1 billion) and mineral royalties of R2.6 billion (2018: R983 million).
- Our employees, who are at the heart of our business, received R5.0 billion in salaries, benefits and share-based payments.
- We distributed R19.6 billion in dividends to shareholders (2018: R12.5 billion).
- We continued to promote local businesses, with R13.9 billion of products and services procured from BEE suppliers, of which R2.4 billion was spent on businesses within our host communities.
- Host communities in the Northern Cape also benefited from R170.9 million in social investment projects.
- We spent capital expenditure of R5.6 billion (2018: R4.5 billion), enabling us to sustain and grow the business, and continue to create and share future value.



# CHIEF EXECUTIVE'S REVIEW CONTINUED

## OPERATIONAL PERFORMANCE

Despite some mining and plant operational challenges, total tonnes mined increased by 2% to 297.8 Mt, with our overall operating efficiency improving from 65% last year to 68% in 2019. Total production volumes, however, were down 2% to 42.4 Mt (2018: 43.1 Mt) as a result of the unscheduled maintenance at Sishen and temporary closure of Kolomela's DMS plant. Pleasingly, production ended the year within guidance of 42 Mt to 43 Mt, reflecting a good recovery at Sishen and a ramp-up in production at Kolomela following the restarting of the DMS plant in the fourth quarter. At the mine level, Sishen delivered 29.2 Mt and Kolomela 13.2 Mt of production.

Total sales volumes of 42.2 Mt (2018: 43.3 Mt) were within guidance of 41.5 Mt to 42.5 Mt. The 2% decrease in sales volumes was primarily driven by lower domestic sales following ArcelorMittal SA's decision to wind down operations at its Saldanha Steel plant. With the logistics channel being an important potential constraint in our business, we had a dedicated focus this year on improving the load out station performance at both operations. We saw a pleasing improvement in rail performance this year, with iron ore railed to port increasing by 3% to 42.0 Mt from 40.6 Mt in 2018. An improved working relationship and more collaboration with Transnet has been fundamental to the improvement in rail performance this year and we continue to build on the success achieved. Despite severe weather disruptions and repairs to a stacker reclaimer at Saldanha port in June 2019, as well as the refurbishment of the second ship loader in the second half of 2019, the total volume shipped for the period was similar at 40.0 Mt.

## SUPPORTING THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

As part of the Anglo American group, Kumba shares the group's commitment to FutureSmart Mining™, an innovation-led approach aimed at delivering step-change innovations that will transform the mining sector, ensuring that we are better harmonised with the needs of our host communities and society as a whole. Kumba's sustainability strategy is guided by Anglo American's Sustainable Mining Plan (SMP). Launched in March 2018, following extensive internal and external engagement and an analysis of critical opportunities and risks, the strategy has ambitious stretch goals targets aligned with the UN Sustainable Development Goals. This year, Kolomela commenced implementation of the initial phases of its five-year SMP that was developed towards the end of 2018 as part of the pilot processes led by Anglo American. We have been conducting baseline assessments in the social, health and environmental space where Kolomela operates, to establish baseline data that will assist in identifying and prioritising the potential options to implement the SMP requirements in the most effective, efficient and sustainable way. Sishen will be developing its five-year plan in 2020. A detailed review of the progress in delivering on our strategic commitment to sustainability and FutureSmart Mining™ is provided in the sustainability report.

## OUTLOOK

Recognising that the non-controllable elements of our business – such as price, currency, freight and shipping costs, and geological and cost inflation – have the potential to significantly impact earnings, we will be continuing with our focus on delivering our Tswelelopele strategy of operating assets at full potential. With safety our core value, we will be maintaining an unwavering commitment to further drive a culture of safety and health across the organisation. We will be deepening our collaboration with Transnet, working with them to further improve operational efficiency and ensure that rail and port capacity is optimised. We will continue to work collaboratively with all affected parties to resolve the few remaining issues related to the Dingleton resettlement.

In terms of the full year 2020 performance guidance, Kumba's production guidance is between 41.5 and 42.5 Mt, and total sales guidance is between 42 and 43 Mt, with domestic sales volumes of around 1 Mt due to the winding down of ArcelorMittal SA's operations at Saldanha Steel. Due to the elevated closing finished stock level of 6.4 Mt for 2019, projected total sales for 2020 is above that of the production guidance. Based on production volume guidance, unit cost is projected to be between R355/tonne and R370/tonne for Sishen and between R280/tonne and R290/tonne for Kolomela. Cost pressure from fuel, labour and maintenance are expected to continue, although maintenance costs are likely to be less than the R21/tonne incurred in 2019. We are targeting R960 million of cost savings in 2020, which will result in total savings in excess of our original 2022 cumulative target of R2.6 billion.

## APPRECIATION

The encouraging performance of Kumba reflects the dedication and teamwork of the incredible people at all levels across the Company. I wish to thank each and every one of Kumba's employees and contractors for this commitment and that provides the foundation for ensuring the Company's continued success. I extend my appreciation also to my colleagues on the executive team and Kumba Board and for their support and guidance in delivering on Kumba's strategic ambitions. Given the quality of Kumba's employees, I believe the Company is well placed to deliver on its long term strategic ambitions and its core purpose.

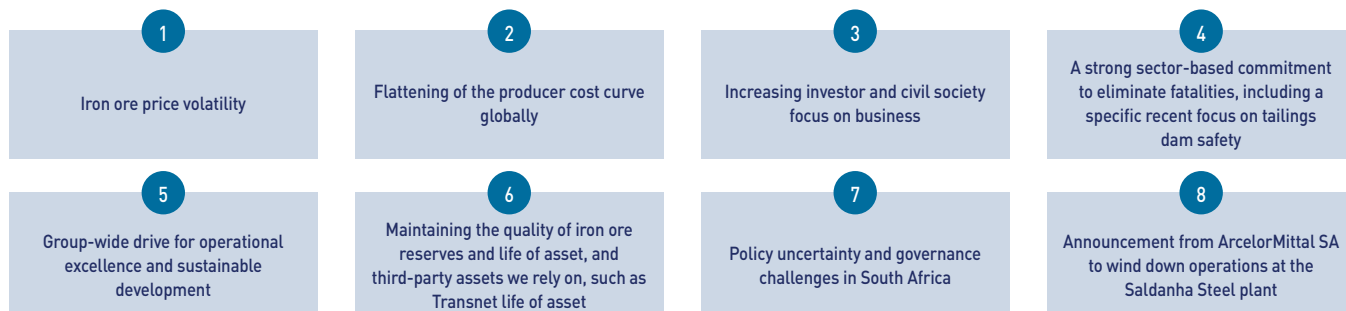
**Themba Mkhwanazi**  
Chief Executive

13 March 2020



# OPERATING CONTEXT

THIS YEAR WE HAVE IDENTIFIED EIGHT PRIORITY ISSUES IN THE EXTERNAL ENVIRONMENT THAT HAVE A MATERIAL IMPACT ON KUMBA'S ABILITY TO CREATE VALUE. MOST OF THESE ISSUES, LISTED BELOW IN NO PARTICULAR ORDER, WERE PRIORITISED IN PREVIOUS YEARS.



## 1 IRON ORE PRICE VOLATILITY

### Global supply and demand dynamics suggest ongoing volatility amid a possible “flight to quality”

During 2019, iron ore prices averaged US\$93.4/dmt CFR, up 34% on the prior year. Although a material increase year-on-year, and well above the record low price levels of 2015 when iron ore averaged around US\$56/dmt CFR, the 2019 prices are still considerably short of the annual average price of US\$169/dmt CFR reached in 2011. Broader economic stimulus measures in China provided firm investment support for the property sector which rose by 9% as Chinese steel production reached a new record high of 988 Mt, up 6.5% from the prior period. Global supply disruptions due to the tragic tailings dam incident in Brazil, took out approximately 90 Mt of exports and Australian shipments were impacted by cyclones and operational challenges. Higher iron ore prices, however, have brought back marginal producers into the market including an estimated 20 Mt from domestic concentrate mines in China.

With Chinese steel prices down 6%, high iron ore prices precipitated a 32% fall in mill margins during 2019, lowering the demand for high-grade products. The Platts65/Platts62 differential almost halved to US\$11.2/dmt for the year, while the lump premium normalised to an average of US\$0.27/dmt after falling from a record first half-year average of US\$0.34/dmt (equivalent of US\$21/dmt). The lower margin environment and tight seaborne supply resulted in steel mills procuring in smaller parcels with shorter lead times as the iron ore stocks at 45 Chinese ports fell by 16 Mt during the year to 127 Mt.

In a rail constrained environment, we will continue to maximise iron ore quality and lump premium. Despite short term cyclical factors affecting market premia, structural factors supporting quality premia in the long term remain. We achieved a lump premium of US\$11.9/dmt. Combined with an Fe premium of US\$3.2/dmt and a US\$1.9/dmt marketing premium for marketing effort, we delivered a total price uplift of US\$18.0/dmt to US\$97.4/dmt FOB Saldanha, an increase of 35% against the US\$72/dmt achieved for the comparative period. The increasing premium in higher quality iron ore has been driven by more stringent environmental regulations in China in response to climate change commitments and in an effort to combat smog as part of the country's “blue skies” policy; the emissions trading scheme and other climate change regulations in the EU have further contributed to this trend.

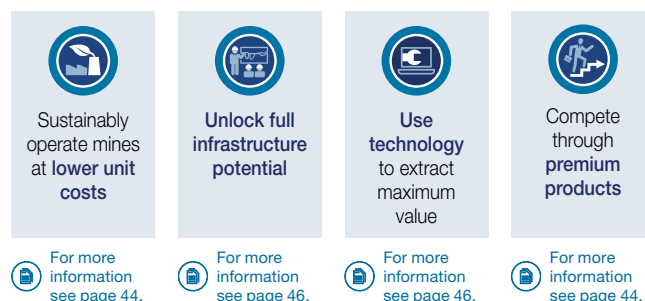
### IMPLICATIONS FOR VALUE

As a price-taker in the global iron ore market, Kumba is impacted by the volatility and uncertainty in prices. The growing premium for higher quality iron ore is an increasingly important positive differentiator for the Company. The Wuhan coronavirus outbreak in 2020 has affected demand and iron ore prices have come under pressure. This volatility is expected to continue over the next few months while China's stimulus measures will offer support for commodity demand.

#### Strategic response

Given continuing price volatility, and subdued expectations regarding the likelihood of a material increase in global iron ore prices, we are continuing to focus our actions on making Kumba more competitive by significantly improving margins through the Tswelelopele programme. We have identified various opportunities to optimise our product portfolio to realise the price premium associated with our higher quality iron ore. During 2019, as a direct result of the Tswelelopele programme, our premium products made up 19.3% of sales.

### STRATEGIC FOCUS AREAS

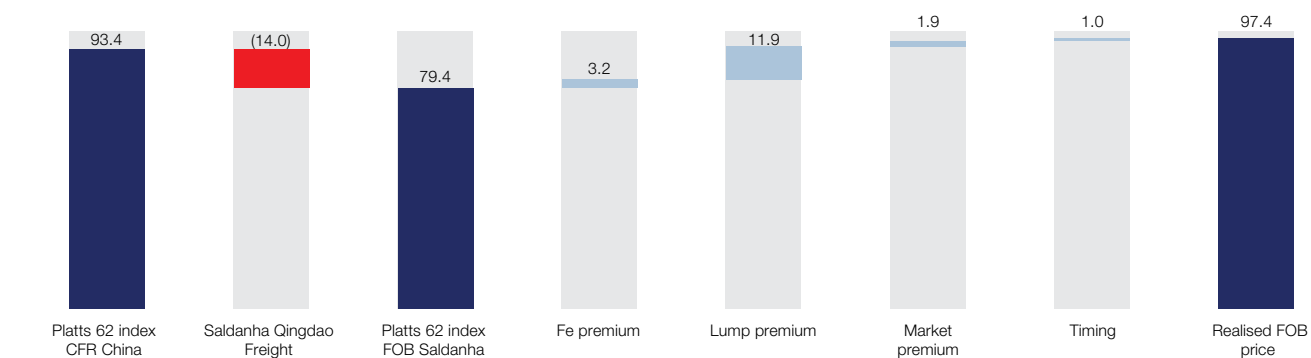




# OPERATING CONTEXT CONTINUED

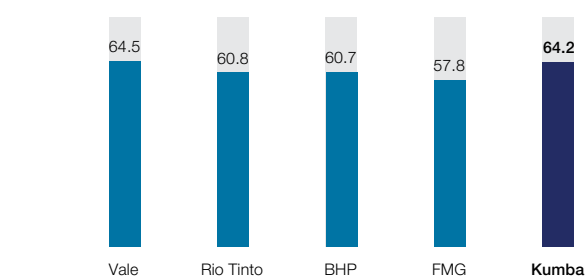
## KUMBA 2019 REALISED FOB PRICE

(US\$/dmt)



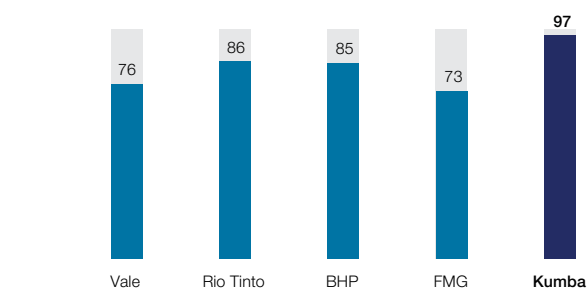
## 2019 AVERAGE Fe CONTENT, PEER COMPARISON

(%)



## 2019 ACHIEVED PRICE, PEER COMPARISON

(US\$/dmt, FOB)





## 2 FLATTENING OF THE PRODUCER COST CURVE GLOBALLY

### Sustained reductions in competitors' cost curves heightens the need to drive operational efficiencies

The significant downward trend in global iron ore prices experienced between 2011 and 2015 has motivated a strong efficiency drive across iron ore producers, contributing to a general flattening of the production cost curve across the sector. This has been achieved through new low-cost supply opportunities, weaker currencies in some producer markets, and enhanced efficiencies among most producers, aided in some instances by mining technology innovations. With our key competitors bringing lower-cost production online, Kumba has moved from the third quartile on the cost curve to the fourth quartile, with a breakeven price of US\$45/tonne placing Kumba in the third quartile. This year, our total non-controllable costs increased by US\$4/tonne year-on-year, mainly due to higher maintenance costs and increased on-mine SIB capex. Controllable cost remained constant due to higher lump premium and currency gains, offset by higher input cost inflation and increased mining royalties.

#### IMPLICATIONS FOR VALUE

Increased cost competition from competitors, most of whom have a greater capacity to reduce costs, has obvious implications for Kumba. Coupled with a volatile price environment, and increased cash costs, this is placing pressure on margins, heightening the need for a concerted cost efficiency focus.

#### Strategic response

Responding to this competitive pressure has been a key driver behind the Tswelelopele strategy, which seeks to enhance the performance of our current assets and deliver a substantial margin improvement of US\$10/tonne by 2022, with our cost saving initiatives targeting R2.6bn cumulatively over this period. During 2019 we delivered R920 million of cost savings, R220 million above market guidance. We continue to see ongoing cost pressure from rising geological inflation and higher input costs, as well as higher royalty charges from increased profitability. We therefore still need to do a lot more work on our controllable costs to ensure that we remain sustainable in a lower price environment. Consequently, a review of operating expenses was conducted during the year and we have identified areas where we can save more from, and aim to extend our cumulative savings target beyond R2.6 billion. These initiatives will focus on our fixed cost base and further optimisation of outside services.

#### STRATEGIC FOCUS AREAS



Sustainably operate mines at lower unit costs

For more information see page 44.



Unlock full infrastructure potential

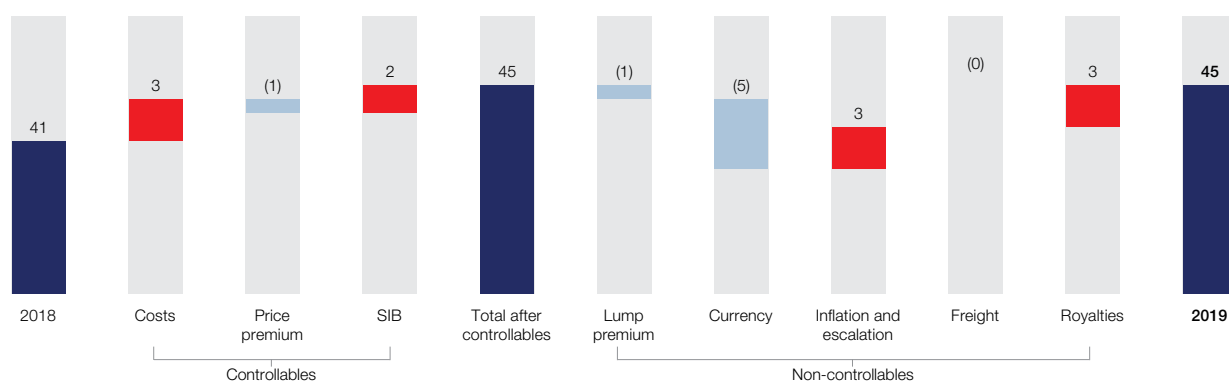
For more information see page 46.



Compete through premium products

For more information see page 44.

#### BREAKEVEN PRICE (US\$/tonne)





# OPERATING CONTEXT CONTINUED

## 3 INCREASING INVESTOR AND CIVIL SOCIETY FOCUS ON BUSINESS

### Growing expectation on companies to deliver a “social purpose”

Trust is a fundamental component of social capital, and a critical contributor to our ability to create value. Recent attitudinal surveys suggest that globally there are low levels of trust in key institutions to act ethically and responsibly, with the 2020 Edelman Trust Barometer finding particularly low levels of trust in South Africa. Across most countries, there are evident concerns with the current form of capitalism, and growing expectations on companies and chief executives to take the lead in driving positive social change, including in particular on issues relating to climate change, the circular economy, and the protection of jobs in the context of the fourth industrial revolution. Increasingly, leading companies are committing themselves to deliver a social purpose, as a broader suggested shift to “stakeholder capitalism”. While companies across all business sectors are coming under increasing scrutiny from different stakeholders, the mining sector faces particularly strong expectations: shareholders and the investment community are demanding improved ESG performance and disclosure; governments are looking to the resource sector to assist in service delivery; NGOs are becoming more vocal in driving corporate accountability and social responsibility; host communities have heightened expectations on mining companies to contribute to improved economic opportunities, infrastructure and social services. In South Africa, the structurally high levels of unemployment, continuing challenges in government service delivery and corruption, and increasing youth and populist activism, are placing particular pressure on mining companies to engage proactively with host communities to maintain their social licence to operate.

#### IMPLICATIONS FOR VALUE

Building social capital, by developing and maintaining trusted relationships with our key stakeholders, is the foundation for our ability to create value. Heightened expectations, and sometimes competing stakeholder interests, are testing the quality of some of our relationships. Maintaining a collaborative approach, and finding the right balance between competing expectations, requires proactive engagement and responses.

#### Strategic response

Our core purpose is to “re-imagine mining to improve people’s lives”. We are committed to using innovative thinking, enabling technologies, and collaborative partnerships to shape an industry that is safer, more sustainable and efficient, and better harmonised with the needs of our host communities and society as a whole. Providing leadership through responsible citizenship, and adopting a partnership approach through proactive stakeholder engagement, are two key strategic enablers. For details on how we created value for our partners, refer to page 4 of the SR.

#### STRATEGIC ENABLERS



Proactively engaging with key stakeholders



For more information see page 48.



Provide leadership through responsible citizenship



For more information see page 48.

## 4 A STRONG SECTOR-BASED COMMITMENT TO ELIMINATE FATALITIES

### Driving a culture of zero-harm remains a key sector-wide priority, with an added recent focus on tailings dam safety

Following a period of sustained focus on improving safety and health in the South Africa mining sector, which contributed to an 88% reduction in fatalities between 1993 and 2016, the sector saw a tragic and unacceptable increase in fatalities in 2017, the first regression in a decade. This prompted deep introspection across the industry, and resulted in a significantly strengthened collaborative focus on changing behaviour and improving the organisational safety culture to accelerate the elimination of fatalities. This enhanced effort between companies, unions and government has contributed to the gratifying reduction in mining fatalities in the country, from 90 in 2017 to 51 in 2019. At a global level, however, 2019 started with the devastating tragedy at Vale’s operations in Brazil in which 270 people died. This provided a very sobering reminder of the risks associated with mining activities and heightened the sector’s focus on the management of tailings dams. To further strengthen the sector’s pursuit of Zero Harm, in October 2019 the Minerals Council South Africa launched the “Khumbul’ekhaya” initiative, a CEO-led health and safety strategy aimed at eliminating mining fatalities within two years. Khumbul’ekhaya is an Nguni word for “remember home”, recognising the devastating impact that work-related deaths have on families. At the centre of this initiative is the recognition that safety and health in the industry starts with, and depends on, the industry’s leadership.

#### IMPLICATIONS FOR VALUE

Protecting our workforce from harm is a moral imperative, a fundamental human right, and a non-negotiable aspect of doing business. Promoting a culture of zero harm is also a direct investment in the productivity of the business: safe and healthy employees contribute to a more motivated and productive workplace, protect the organisation’s reputation and social licence, and minimise the potential for legal liabilities and operational stoppages.

#### Strategic response

Entrenching a culture of zero harm and eliminating fatalities is our first strategic ambition, driven under the personal leadership of our Chief Executive, Themba Mkhwanazi, and implemented through our comprehensive “elimination of fatalities framework”. Kumba is pleased to report that this was our third consecutive year operating fatality-free and we have continued to see improvements across most leading and lagging indicators. This year there were 12 safety-related high potential incidents (HPIs); although a significant improvement on 21 HPIs in 2017 and 39 in 2016, it was an increase on seven in 2018; each incident could have resulted in a fatality, and remains a source of concern.

#### STRATEGIC ENABLERS



Provide leadership through responsible citizenship



For more information see page 48.



Proactively engaging with key stakeholders



For more information see page 48.



Elimination of fatalities



For more information see SR page 37.

5

## GROUP-WIDE DRIVE FOR OPERATIONAL EXCELLENCE AND SUSTAINABLE DEVELOPMENT

### Delivering on ambitious group-wide targets to enhance efficiency and contribute to the UN SDGs

In the context of commodity price volatility, heightened competitive pressure to improve productivity and drive efficiencies, and growing stakeholder expectations to deliver a social purpose, our parent company, Anglo American, has been driving a radical restructuring process that started in 2013. This has involved a significant change in its mining portfolio, a sustained group-wide drive on operational excellence. Through its FutureSmart Mining™ programme and sustainable mining plan, Anglo American is looking to deliver a step-change across the entire mining value chain, with the aim of driving business efficiencies, resilience and agility. Developed through extensive internal and external engagement, and an analysis of critical opportunities and risks, the strategy includes ambitious long term commitments and targets, aligned with relevant UN Sustainable Development Goals (SDGs), relating to three global sustainability pillars: being a trusted corporate leader, building thriving communities, and maintaining a healthy environment. The Anglo American Sustainability Integration Team is supporting Kolomela and Sishen with developing and implementing bespoke five-year plans that are aligned with the global sustainability pillars, stretch goals and targets, but responsive to the local context, priorities and opportunities.

#### IMPLICATIONS FOR VALUE

Anglo American's group-wide focus on operational excellence and sustainable development has been an important additional driver behind our concerted efforts to improve operational efficiencies and enhance our societal contribution. Our operations have continued to benefit from implementing the Anglo Operating Model, which had a direct positive impact on safety, productivity, and improved efficiencies. Our Tswelelopele programme has delivered material financial benefits and maintained our viability in an increasingly competitive and volatile commodity-price environment, driving change in a coordinated manner, simplifying our governance processes, and building a high-performance culture.

#### Strategic response

The Tswelelopele strategy, which includes commitments to operate our mines at lower unit costs, unlock the full infrastructure potential, and implement the Anglo Operating Model, is fully aligned with the group-wide drive for operational excellence, while our long-standing drive to provide leadership through responsible citizenship provides the foundation for delivering on the group's FutureSmart Mining™ programme and sustainable mining plan. Kolomela has developed and is successfully implementing the initial phases of its five-year sustainable mining plan; Sishen will be developing its five-year plan in 2020.

#### STRATEGIC FOCUS AREAS



Sustainably operate mines at lower unit costs

For more information see page 44.



Unlock full infrastructure potential

For more information see page 46.



Implement the Anglo Operating Model

For more information see page 45.



Use technology to extract maximum value

For more information see page 46.



Compete through premium products

For more information see page 44.

#### STRATEGIC ENABLERS



Provide leadership through responsible citizenship

For more information see page 48.



Leadership and culture

For more information see page 49.



Proactively engaging with key stakeholders

For more information see page 48.



# OPERATING CONTEXT CONTINUED

## 6 MAINTAINING THE QUALITY OF IRON ORE RESERVES AND LIFE OF ASSET, AND THIRD-PARTY ASSETS WE RELY ON, SUCH AS TRANSNET LIFE OF ASSET

### Extending iron ore reserves and life of asset remains a top priority

As of 31 December 2019, Kumba, from a 100% ownership reporting perspective, had access to an estimated haematite ore reserve of 691.7 Mt at an average unbeneficiated or feed grade of 59.0% Fe from our two mining operations: Kolomela (172.4 Mt at 63.1% Fe, against a 50% Fe cut-off grade) and Sishen (519.4 Mt at 57.6% Fe, against a 40% Fe cut-off grade). Kolomela realised a year-on-year net decrease in ore reserves of 15.8 Mt (down 8%), while Sishen's ore reserves decreased by 25.3 Mt (down 5%) year-on-year. Kolomela has an estimated 12 years of reserve life in total from 2019, while Sishen has an estimated 13 years of reserve life. Further details are provided in the Ore Reserve (and Saleable Product) and Mineral Resource report, summarised on pages 67 to 73.

### IMPLICATIONS FOR VALUE

Reliable and cost-effective access to quality iron ore reserves is the foundation of our ability to generate revenue. With our life-of-mine ending in 2032, it is critical that we identify and realise new opportunities to maintain our current levels of production beyond the remaining life-of-mines. For Kumba to realise the value from its high-quality products, it requires stable and reliable rail and port infrastructure over the life of its assets.

### Strategic response

Through the Tswelelopele Horizon 1 activities we are working to drive our operations to reach their full potential by achieving benchmark productivities, maximising the resource utilisation (increasing yield and lump: fine ratio), further improving cost control and obtaining the maximum price for our superior iron ore products. In Horizon 2, we are seeking to extend the life-of-mine through incorporating the operational improvements realised in Horizon 1, as well as by implementing low-grade beneficiation technologies and undertaking further exploration in the Northern Cape. To ensure we have an effective logistics chain to move these volumes to market, we (together with Transnet and other industry players) are in the process of establishing an industry forum to monitor and promote a stable and reliable Iron Ore Export Channel that will be able to service the needs of its users over time.

### STRATEGIC FOCUS AREAS



Use technology to extract maximum value

For more information see page 46.



Extend life of current assets

For more information see page 45.



Focus on the Northern Cape

For more information see page 45.



Unlock full infrastructure potential

For more information see page 46.

7

## POLICY UNCERTAINTY AND GOVERNANCE CHALLENGES IN SOUTH AFRICA

### Despite some recent positive developments, structural challenges in South Africa remain a concern

South Africa's depressed economy, high unemployment, electricity load-shedding and persistent concerns with the viability of state-owned enterprises, are having a profoundly negative impact on business, consumer and investor sentiment. A recent World Bank report has reduced its forecasts for South Africa's economic growth, identifying various "overlapping constraints", including a continuing lack of a clear policy direction, significant infrastructure challenges, the country's high debt burden, and glaring energy challenges. The Business Confidence Index (BCI) in the first quarter of 2020, of the South African Chamber of Commerce and Industry averaged its lowest level in more than 30 years, suggesting reduced levels of fixed investment over the short term. From a policy and regulatory perspective, although the revised 2018 Mining Charter has provided more clarity on certain provisions, and addressed some of the mining sector's concerns on earlier drafts, significant uncertainties remain regarding the application of certain key provisions, as well as on the implications of the government's support for the expropriation of land without compensation. In this context, South African business leaders have been calling for a clearer policy direction, and more decisive political action, to address what has been described as an "unprecedented economic crisis".

#### IMPLICATIONS FOR VALUE

Policy and regulatory certainty, strong governance and effective institutions, are essential to encourage long term investment, enable local competitiveness and boost economic growth, all of which are critical to addressing the country's profound socio-economic challenges and contribute to a stable operating environment. Low investor sentiment and poor global credit ratings increase the cost of capital and further undermine efforts to address the structural challenges in education, healthcare and inequality. Uncertainty in the interpretation and application of legal and policy requirements impact the way we mine, increase compliance-related costs, and can negatively affect the quality of the relationship between business and government.

#### Strategic response

Kumba has a strong track record of contributing to South Africa's development and transformation objectives, and remains fully committed to delivering in this area, including through the ambitious FutureSmart Mining™ and sustainable mining plan commitments made in partnership with Anglo American. We will continue to engage constructively with government and other stakeholders to identify solutions aimed at optimising the distribution of value inherent in the country's mineral resources, and contributing to a more stable policy and governance environment.

#### STRATEGIC ENABLERS



Proactively engaging with key stakeholders

For more information see page 48.



Provide leadership through responsible citizenship

For more information see page 48.

8

## ANNOUNCEMENT FROM ARCELORMITTAL SA TO WIND DOWN OPERATIONS AT THE SALDANHA STEEL PLANT

### Kumba investigating options to increase export sales capacity to compensate for lower domestic sales

On 11 November 2019, ArcelorMittal SA announced that after due deliberation and consideration the decision was made to undertake an orderly and commercial wind down of steel operations at Saldanha Works. As part of the wind down, ArcelorMittal SA is reviewing its iron ore off-take footprint in South Africa, which will impact our domestic sales and stock levels. In the current rail constrained environment, we are investigating several options to increase the export sales capacity.

#### IMPLICATIONS FOR VALUE

Following the announcement from ArcelorMittal SA to wind down its steel operations at Saldanha, Kumba's total sales for 2019 decreased by 2%, mainly driven by the 34% decline in domestic sales due to the lower off-take by ArcelorMittal SA.

#### Strategic response

Kumba will continue to assess the effect of ArcelorMittal SA's strategic asset footprint review on domestic sales and will update the market in due course. Importantly, export sales contribute 95% towards the company's total sales and Kumba's high-quality iron ore products are well positioned in global markets with ongoing customer demand and a stable export order book.

#### STRATEGIC ENABLERS



Unlock full infrastructure potential

For more information see page 46.



Proactively engaging with key stakeholders

For more information see page 48.



Provide leadership through responsible citizenship

For more information see page 48.





# ADDRESSING STAKEHOLDER INTERESTS

## BUILDING TRUSTED RELATIONSHIPS WITH OUR STAKEHOLDERS IS CRITICAL TO DELIVERING ON OUR GOAL OF CREATING AND SHARING PROSPERITY ACROSS OUR VALUE CHAIN.

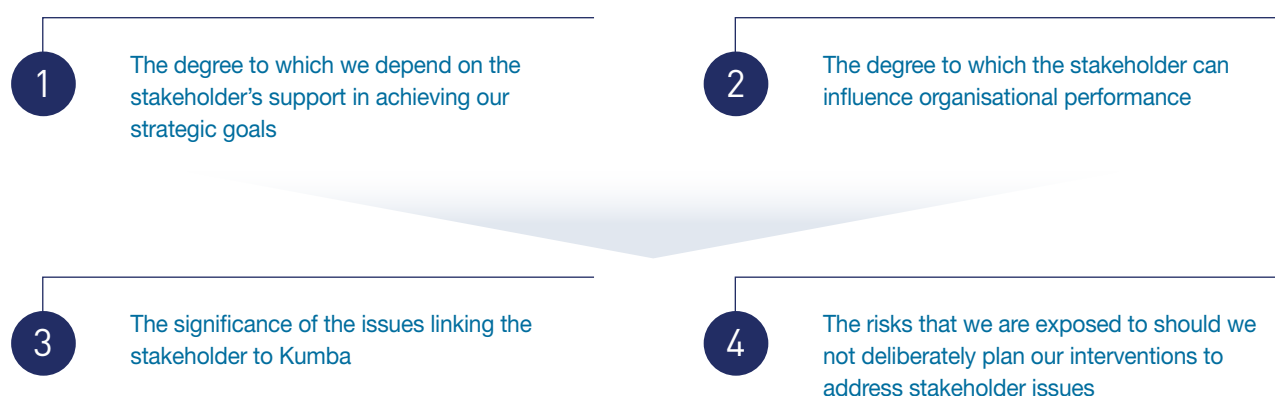
Our stakeholder strategy is based on regular, proactive and meaningful engagement with our stakeholders to identify their priority interests, concerns and expectations, and to ensure that we address issues affecting our business in a collaborative manner that is aligned with society's wider goals. We are committed to implementing an integrated approach to engaging stakeholders that promotes a shared vision amid dynamically changing stakeholder positions, and that maintains Kumba's reputation as a partner of choice in creating long term value.

Our improved stakeholder engagement planning allows for structured and constructive engagements at appropriate levels of

the organisation, and leads to increased levels of trust between Kumba and our stakeholders. We host stakeholder days every two years, in which we bring the boards of directors and executive teams from Kumba and Sishen Iron Ore Company (SIOC) together with national, provincial and local government representatives, labour unions, host community groups, civil society representatives, suppliers, and business and development partners, to discuss the company's performance on sustainability and transformation. Our next stakeholder day is scheduled for the first half of 2020. Feedback received through these events informs our strategic response.

## IDENTIFYING OUR PRIORITY STAKEHOLDERS

We use the following criteria to prioritise the many individuals and organisations that have a stake in Kumba:



## ENGAGING OUR KEY STAKEHOLDERS

Informed by the criteria, we have grouped our stakeholders as outlined in the table on pages 31 to 33. Through our interactions, we identified their priority interests, concerns and expectations. We review carefully the associated impacts on the capitals to identify the most effective trade-offs to ensure that we reach our common goals in a sustainable manner.

For more information on how Kumba responds to material stakeholders' interests, please refer to page 30 in our SR.

STAKEHOLDER	ENGAGEMENT CHANNEL	KEY INTERESTS, CONCERNS OR EXPECTATIONS	IMPACT ON CAPITALS
<b>Investment community, shareholders, BEE partners</b>  Shareholders/investors (Anglo American plc, IDC and PIC), including our BEE partners (Exxaro and SIOC CDT)  Sell-side and buy-side analysts	<ul style="list-style-type: none"> <li>Investor days and roadshows</li> <li>SENS announcements</li> <li>Website</li> <li>Results reporting presentation</li> <li>Mine visits</li> <li>Analyst round table</li> <li>Individual meetings</li> <li>Investor conference</li> <li>Board meetings</li> </ul>	<ul style="list-style-type: none"> <li>Impact of coronavirus on sales and supply of critical equipment and capital spares</li> <li>Management of costs and mining inflation</li> <li>Impact of unscheduled maintenance on production, costs and capital expenditure</li> <li>Securing mining rights and other regulatory issues</li> <li>Transformation and empowerment status</li> <li>Payment of dividends</li> <li>Dingleton resettlement</li> <li>Managing logistical constraints on Iron Ore Export Channel</li> <li>Environment, social and governance issues</li> <li>Technology roadmap</li> </ul>	
<b>Unions</b>  NUM, AMCU, Solidarity and UASA  <b>Employees</b>	<ul style="list-style-type: none"> <li>Ongoing dialogue through established channels</li> <li>Operational leadership teams</li> <li>Visible felt leadership (VFL)</li> <li>Tripartite Health and Safety Initiative</li> <li>Future forums</li> <li>Managers/team dialogues – surveys and employee presentations</li> <li>Focus groups</li> <li>Company intranet and newsletters</li> <li>Electronic notice boards/public display, Mobi App</li> <li>Stakeholder days</li> <li>Executive roadshows</li> </ul>	<ul style="list-style-type: none"> <li>Conditions of employment</li> <li>Wages and benefits (wage negotiations)</li> <li>Housing and living conditions</li> <li>Changes in shift patterns</li> <li>Safety and health</li> <li>Employee share ownership scheme</li> <li>Job grading and career progression</li> <li>Productivity, production and performance</li> <li>LoM and/or strategic direction</li> <li>Transformation</li> </ul>	



# ADDRESSING STAKEHOLDER INTERESTS CONTINUED

STAKEHOLDER	ENGAGEMENT CHANNEL	KEY INTERESTS, CONCERNS OR EXPECTATIONS	IMPACT ON CAPITALS
<b>South African government</b>  National departments: Mineral Resources and Energy, Water and Sanitation, Environmental Affairs, Cooperative Governance and Traditional Affairs, Public Works, Public Enterprises, National Treasury and SARS  Northern Cape provincial government  District municipalities (DM) and local municipalities (LM) where Sishen and Kolomela operate – John Taolo Gaetsewe DM, Gamagara LM, Tsantsabane LM, GA Segonyana LM, Joe Morolong LM and ZF Mgcawu LM	<ul style="list-style-type: none"> <li>• Mine visits</li> <li>• Stakeholder days</li> <li>• Meetings</li> <li>• Presentations</li> <li>• Workshops</li> <li>• Press releases</li> <li>• Annual reports</li> <li>• Website</li> <li>• Rehabilitation trust</li> <li>• Regulatory audits/inspections</li> <li>• Integrated development programme forums</li> <li>• Working groups</li> <li>• Council presentations</li> <li>• Local economic development forums</li> </ul>	<ul style="list-style-type: none"> <li>• Legal compliance, especially on safety, health and environmental performance</li> <li>• Transformation and B-BBEE delivery</li> <li>• Community development and progress on the implementation of social and labour plans</li> <li>• Licensing authorisations</li> <li>• Creating jobs through growth</li> <li>• Sustained contribution to national tax base</li> <li>• Contribution to local infrastructure and service delivery</li> <li>• Ensuring responsible governance practices and respect for human rights</li> <li>• Dingleton resettlement (relocation of remaining homeowners and institutions, and the sustainability and integration of Siyathemba, demolishing and deproclamation of Dingleton)</li> <li>• Municipal capacity development</li> <li>• Timely resolution of tax-related matters</li> </ul>	
<b>Host communities</b>  Tsantsabane and John Taolo Gaetsewe community groups, and our labour sending communities	<ul style="list-style-type: none"> <li>• Complaints and grievance procedure</li> <li>• Socio-Economic Assessment Toolbox (SEAT) and other community engagement sessions</li> <li>• Website, Facebook and Twitter</li> <li>• SMME workshops and Chief Executive engagements with business forums</li> <li>• Stakeholder days</li> <li>• Advertorials, radio interviews, flyers and notices</li> <li>• Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>• Localised preferential procurement and employment opportunities</li> <li>• Enterprise development</li> <li>• Community investment initiatives</li> <li>• Nature of engagement structures</li> <li>• Management of environmental impact</li> <li>• Transparency and engagement measures</li> <li>• Financial compensation for Dingleton community</li> <li>• Education</li> <li>• Host stakeholder days every two years</li> </ul>	

STAKEHOLDER	ENGAGEMENT CHANNEL	KEY INTERESTS, CONCERNS OR EXPECTATIONS	IMPACT ON CAPITALS
<b>Media</b> National and local media	<ul style="list-style-type: none"> <li>Holding statement</li> <li>Press releases</li> <li>Results presentations</li> <li>Mine visits and media day</li> <li>Interviews</li> <li>Annual reports</li> <li>Advertorials</li> </ul>	<ul style="list-style-type: none"> <li>Company performance</li> <li>Dingleton resettlement</li> <li>Good corporate citizenship</li> <li>Mining rights and regulatory issues</li> <li>Strategy and company sustainability</li> <li>Labour relations</li> <li>Transformation</li> <li>Technology roadmap</li> <li>Markets and products</li> </ul>	
<b>NGOs</b> Action Aid Family South Africa Raising leaders foundation Love life	<ul style="list-style-type: none"> <li>Mine visits</li> <li>Stakeholder days</li> <li>Annual report</li> <li>Website</li> <li>Meetings</li> <li>Round tables</li> </ul>	<ul style="list-style-type: none"> <li>Funding for community development</li> <li>Collaboration on community projects</li> <li>Human rights</li> <li>Dingleton resettlement</li> <li>Transparency in environmental disclosures</li> <li>Responsible mining</li> </ul>	
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Direct supplier engagements</li> <li>Annual reports and website</li> <li>Meetings with local community business forums</li> <li>Workshops</li> <li>Contractor days</li> </ul>	<ul style="list-style-type: none"> <li>Procurement opportunities, even beyond Kumba</li> <li>Contract terms and performance</li> <li>Promoting localised procurement</li> <li>Development of an industrial park in Kathu</li> <li>Iron Ore Export Channel tariffs and penalties and efficiencies/optimisation</li> <li>Collaboration with junior miners</li> <li>Safety</li> </ul>	
<b>Political parties</b> African National Congress; Democratic Alliance and Economic Freedom Front	<ul style="list-style-type: none"> <li>Meetings</li> <li>Annual reports</li> <li>Website</li> </ul>	<ul style="list-style-type: none"> <li>Similar to South African government issues above</li> </ul>	
<b>Business peers</b> Minerals Council of South Africa Neighbouring mining companies (Northern Cape Mining Leadership Forum) Other businesses operation in local municipalities	<ul style="list-style-type: none"> <li>Meetings and presentations</li> <li>Leadership forums</li> <li>Annual reports</li> <li>Website</li> <li>Safety tripartite sessions</li> </ul>	<ul style="list-style-type: none"> <li>Mining Charter review and its impact on the industry</li> <li>Local preferential procurement</li> <li>Education and career development and critical skills</li> <li>General knowledge sharing on our approach to managing material issues</li> <li>Shared Value and Shared Vision (a joint socio-economic development strategy for the Northern Cape)</li> <li>Safety</li> </ul>	
<b>Customers</b>	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Website</li> <li>Technical conferences</li> <li>Mine visits</li> <li>Industry conferences</li> <li>Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>Product/service quality and consistency</li> <li>Security of supply</li> <li>Contracts/price</li> <li>Performance reliability</li> </ul>	



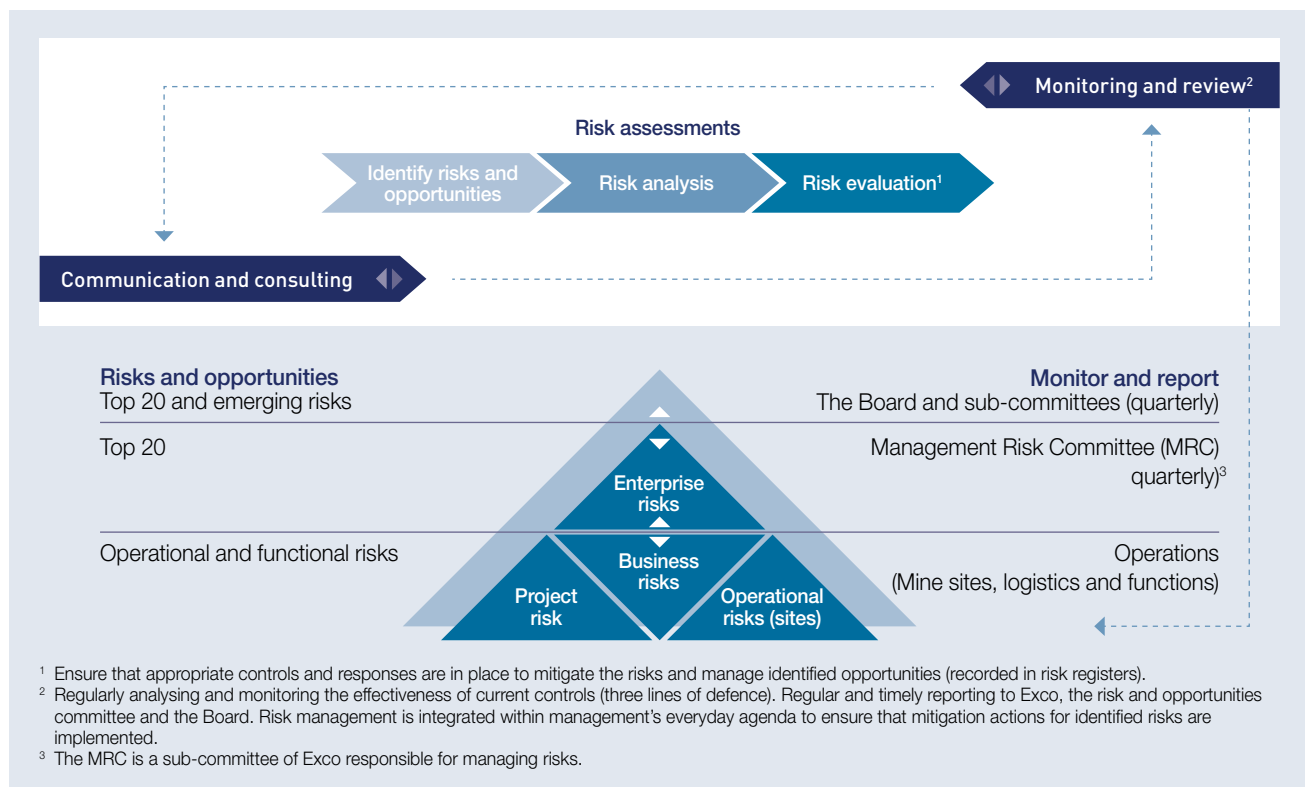
# MATERIAL RISKS AND OPPORTUNITIES

**THE MINING INDUSTRY FACES NUMEROUS RISKS, MANY OF WHICH ARE VOLATILE AND UNCERTAIN, REQUIRING AGILE DECISION-MAKING AND EFFECTIVE RISK MANAGEMENT STRATEGIES THAT MITIGATE EXPOSURE AND HARNESS AVAILABLE OPPORTUNITIES.**

Kumba's Board sub-committees oversee the integrated risk management process and receives regular feedback from management on all risk-related activities. The Board sub-committees continually assess all risk governance structures and lines of defence to ensure that roles, responsibilities and accountabilities for identifying, managing, mitigating, reporting and escalating risks and opportunities within the Company are defined.

**THE BOARD SUB-COMMITTEES AND KUMBA'S MANAGEMENT TEAM PROMOTE A CULTURE OF RISK GOVERNANCE AND AWARENESS THROUGHOUT THE ORGANISATION**

## KUMBA'S RISK MANAGEMENT PROCESS



## RISK APPETITE AND TOLERANCE

Kumba defines risk appetite as the nature and extent of the risk the Company is willing to accept in the pursuit of its objectives; risk tolerance refers to the organisation's strategic capacity to accept or absorb risk.

Risk appetite and tolerance are high on the Board's agenda and are a core consideration of our enterprise risk management approach. Risk appetite and tolerance consider the relationship between the potential consequences of key risks and the actual condition of the controls or management actions that mitigate those consequences. In the context of the accelerated implementation of the Tswelelope programme and a continuously changing operating environment, we regularly review our risk appetite and tolerance to ensure that our decision-making is aligned with the Company's strategy. The Board reviews and approves the risk tolerance and appetite on a quarterly basis.

To measure risk appetite, we have developed a matrix that combines an assessment of the consequences of our risks with the status of management actions and/or internal controls that prevent or mitigate that risk. Risks that have significant consequences will be within appetite if controls or management actions are in place. Risks can only exceed appetite if a significant consequence is not sufficiently controlled or management actions have not yet been implemented to an extent that the risks can be described as being effectively managed.



## PURSuing OPPORTUNITIES

Our risk management process includes specific provision for identifying and realising business opportunities. We define an opportunity as a set of exploitable circumstances with uncertain outcome, requiring commitment of resources and that may involve exposure to risk.

In alignment with our Tswelopele programme aimed at securing Kumba's "Transformation to full potential", we have committed resources to realising the following opportunities:

<p><b>Opportunities:</b> Significantly improving margins (by US\$10/tonne) through various initiatives that will optimise our production portfolio to deliver the price premium associated with higher quality ore</p> <p><b>Capitals enhanced:</b> </p>	<p><b>Opportunities:</b> Enhancing the performance of our current assets by improving overall equipment efficiency, reducing external spend and optimising the Anglo Operating Model</p> <p><b>Capitals enhanced:</b> </p>	<p><b>Opportunities:</b> Leveraging our endowment and growing our core business to further extend our life-of-mine to 2040</p> <p><b>Capitals enhanced:</b> </p>	<p><b>Opportunities:</b> Partnering with national/ international donor organisations and implementing agencies to improve impact on our surrounding communities</p> <p><b>Capitals enhanced:</b> </p>	<p><b>Opportunities:</b> Unlock and identify Horizon 3 opportunities</p> <p><b>Capitals enhanced:</b> </p>
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## CATASTROPHIC EVENTS/RISKS

These are high severity, low likelihood events that could result in multiple fatalities or injuries, an unplanned fundamental change to strategy or the way we operate and have significant financial consequences. We do not consider likelihood when evaluating these risks as the potential impacts classify these risks as a priority:

CATASTROPHIC EVENTS/RISKS	MITIGATION
<p><b>Failure of infrastructure or key equipment on the logistics channel:</b> A major failure of infrastructure or key equipment on the logistics channel could result in prolonged rail or port disruption and unavailability</p>	<ul style="list-style-type: none"> <li>• Business continuity plan</li> <li>• Contingent business interruption insurance cover</li> <li>• Oversight on infrastructure or key equipment maintenance programmes for the logistics channel</li> </ul>
<p><b>Slope failure or dump failure:</b> A sudden and unexpected failure of a slope could lead to loss of life, injuries, environmental damage, reputational damage, financial costs and loss of production</p>	<ul style="list-style-type: none"> <li>• Geotechnical design</li> <li>• Slope stability monitoring</li> <li>• Geotechnical inspections</li> <li>• Emergency response plans and emergency preparedness plans</li> </ul>
<p><b>Tailings storage facility failure:</b> A release of waste material leading to loss of life, injuries, environmental damage, reputational damage, financial costs and production impacts with potential loss of licence to operate</p>	<ul style="list-style-type: none"> <li>• Inspections and regular audits by Manager technical services and the Operational Risk Assurance process</li> <li>• Automated warning system</li> <li>• Emergency response plans and emergency preparedness plans</li> </ul>
<p><b>Fire and/or explosion:</b> Fire and explosion risks are present at all mining operations and processing facilities</p>	<ul style="list-style-type: none"> <li>• Event risk reviews identify key fire and explosion risks and provide mitigation recommendations</li> <li>• Emergency response plans and emergency preparedness plans</li> </ul>



# MATERIAL RISKS AND OPPORTUNITIES CONTINUED

## EMERGING RISKS

Emerging risks are risks that should be monitored as they may become significant risks in due course. Following are some of the emerging risks that Kumba has identified:

<b>WIND DOWN OF ARCELORMITTAL SA SALDANHA STEEL</b>  ArcelorMittal SA's decision to wind down its steel operations at Saldanha, and to review their iron ore off-take footprint in South Africa, will impact Kumba's domestic sales and stock levels. We continue to assess the effect, including the social impact on the Saldanha community.	<b>TIMELY DELIVERY OF STRATEGIC PROJECTS</b>  In response to the rapidly changing mining and economic environment, we have embarked on various strategic projects to sustain and expand the business. Any delays or cost escalation in delivering these projects will impact our business case.	<b>BUSINESS IMPACT OF NOVEL CORONAVIRUS OUTBREAK</b>  China is the largest customer base for Kumba, there is a potential impact should shipping and sales activities be suspended in China. We are closely monitoring any new developments concerning the coronavirus outbreak and where business could be impacted, managing the potential impact. Due to the considerable uncertainty around the impact of the virus, it is important that all impact and trigger points be considered and that we are ready to react quickly.
<b>CONTINUED BUSINESS RESILIENCE</b>  The non-controllable elements (price, currency, geological and cost inflation and freight cost) of our business have the potential to significantly impact our earnings. We therefore remain focused on delivering our Tswelelopele strategy of operating assets at full potential and achieving a 20-year life of asset by 2022 to mitigate the risks we face in order to deliver sustainable value to our stakeholders.	<b>IMPACT OF PRICE VOLATILITY ON PROJECTS</b>  The volatility of long term iron prices as well as the fluctuating Rand/US\$ exchange rate, impacts the feasibility of certain capex projects, which could impact the growth of the business. All key capex projects are being evaluated and assessed to determine how best to mitigate or defer these projects.	<b>NEW LARGE-SCALE GLOBAL IRON ORE DEPOSITS</b>  New large-scale global high-grade iron ore deposits totalling more than two billion tonnes are being developed, the largest integrated mining and infrastructure development currently planned. This will impact the market dynamics when these projects come online in ~ 2030. We are currently assessing the implications on our business.

## OUR TOP 10 RESIDUAL RISKS

The following heat map shows the residual rating for the top 10 material risks facing Kumba in 2019. A residual risk refers to the remaining risk exposure after all identified mitigation measures have been applied. The impact of external factors beyond management's control are key contributors to the current high residual risk ratings.






### RESIDUAL RISK RATINGS

	Consequence type				
Likelihood	Insignificant	Minor	Moderate	High	Major
Almost certain			8 9	4 5	1 2 3
Likely				6 7	
Possible				10	
Unlikely					
Rare					

### RISK







1	Commodity markets and exchange rate fluctuations	↑	6	Socio-economic challenges	↓
2	Safety and health	↑	7	Cyber risk	↓
3	Third-party infrastructure (IOEC operating office efficiency)	↓	8	Current South African governance and political challenges	↓
4	Operational performance (current year)	New	9	Legislation and regulatory compliance	↓
5	Managing change (transformation of the business)	↑	10	Resource depletion and securing growth	→






The following table presents the top 10 risks that we have identified as having a potential impact on our ability to mine safely and achieve our strategic imperatives. In prioritising these risks, we have considered both internal and external risks; we have designed and implemented appropriate mitigation strategies depending on the severity of impact and likelihood of occurrence of each risk.










1 COMMODITY MARKETS AND EXCHANGE RATE FLUCTUATIONS			INCREASE IN RISK (2018: 2)
ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
<p>Demand for Kumba's products is strongly influenced by world economic growth, particularly in Europe and Asia (notably China). The anticipated ramp-up in low-cost iron ore supply from the majors, and the shift in the Chinese economy from infrastructure-led to consumer-led growth, is expected to maintain downward pressure on current price levels. Increased environmental restrictions in China, particularly in the context of worsening air quality, continue to curtail capacity of sinter plants, shifting the demand toward direct charge inputs products such as pellets and lump ore, which results in favourable lump premiums</p> <p>As Kumba's iron ore export prices are determined in US Dollar, we negotiate iron ore prices in this currency with customers. By contrast almost all of our costs are incurred in Rand</p>	<ul style="list-style-type: none"> <li>As a price taker, changes in iron ore prices significantly impact Kumba's revenues, profitability and cash flow</li> <li>Revenue is in US Dollar. While some capital and other expenditures are incurred in US Dollar, the majority of our costs are denominated in Rand</li> <li>A fluctuating currency can have both positive and negative impacts on our revenue and cash position</li> </ul> <p><b>Capitals at risk</b></p> 	<ul style="list-style-type: none"> <li>Key iron ore market indicators and trends are constantly monitored, providing real time and robust market insights to support agile decision-making and action from production to market</li> <li>We employ price-risk management mechanisms to mitigate exposure and impact of price volatility</li> <li>We are maximising the Fe units of product sold to customers to take advantage of the higher index prices for high-grade products</li> <li>Our continuous focus on cost stewardship and production efficiency improvements help to protect margins and improve cash flow</li> <li>Our policy is not to hedge currency risk. A natural hedge is achieved through our foreign sales that are denominated in US Dollar</li> <li>Regarding capital expenditure exposure, our currency risk is managed by ensuring that the foreign exchange movements do not materially increase the budgeted foreign exchange capital cost</li> </ul>	<p>Market fundamentals for iron ore remain uncertain. Although current iron ore prices remain within a reasonable range, the shift in Chinese market drivers and additional supply from low-cost producers creates further uncertainty on the longer-term sustainability of current prices</p> <p>The Rand/US\$ exchange rate is anticipated to remain volatile due to its sensitivity to global markets and continuing political and macro-economic challenges in South Africa</p> <div> <p><b>STRATEGIC FOCUS AREAS</b></p> <div>  <p>Compete through premium products</p> </div> <div>  <p>Operate mines at lower unit cost</p> </div> <div>  <p>Unlock full infrastructure potential</p> </div> <p><b>KEY ENABLERS</b></p> <div>  <p>Reinforce product quality and consistency</p> </div> </div>



# MATERIAL RISKS AND OPPORTUNITIES CONTINUED

2 SAFETY AND HEALTH			INCREASE IN RISK (2018: 3)
ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
<p>There are inherent safety risks associated with mining activities across the value chain. A continuously changing operating environment and conditions can heighten these risks</p> <p>Key priority unwanted events (PUEs) with the potential to cause harm to employees and contractors include: transportation risk; release of uncontrollable energy (electricity and other forms of energy); moving machinery interacting with people; working at heights; and uncontrolled ignition of combustible material such as explosives</p>	<ul style="list-style-type: none"> <li>Apart from physical harm to employees and contractors, failure to maintain high safety levels may impact negatively on employee morale, the achievement of production targets and our licence to operate</li> </ul> <p><b>Capitals at risk</b></p>   	<p>Various initiatives have been implemented as part of our commitment to zero harm:</p> <ul style="list-style-type: none"> <li>Sacred covenant code with employees and families to do our utmost to minimise harm</li> <li>Implement safety improvement plans and elimination of fatalities framework</li> <li>Risk and change management systems in place</li> <li>Focus on priority unwanted events and critical controls</li> <li>Preventing repeat incidents through effective learning from incidents</li> <li>Driving disciplined and consistent execution of the basics and compliance with safety standards</li> <li>Scheduled visible felt leadership (VFL) interventions with employees</li> </ul>	<p>We will maintain our strong focus on reinforcing safety practices that eliminate harm and fatalities, and harness a culture of heartfelt leadership to influence and entrench the right safety culture</p> <p><b>STRATEGIC AMBITION</b></p>  <p>Eliminate fatal incidents through a culture of zero harm</p> <p><b>KEY ENABLERS</b></p>  <p>Provide leadership through responsible citizenship</p>  <p>Leadership and culture</p>

3 THIRD-PARTY INFRASTRUCTURE (IOEC OPERATING EFFICIENCY)			DECREASE IN RISK (2018: 1)
ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
<p>We export our ore to customers through the Sishen/Kolomela-Saldanha iron ore export channel (IOEC) that is owned and operated by Transnet. We require a stable rail and port infrastructure network that operates reliably at design capacities</p> <p>Any incidents on the IOEC (such as derailments) affect business continuity</p> <p>Ageing infrastructure requires significant maintenance to improve reliability and efficiency and maintain capacity, particularly as we extend our life of mine</p> <p>There is pressure from new market entrants, including manganese producers, to gain access to the IOEC, as well as requests from Transnet to allow BEE players access to the IOEC</p>	<ul style="list-style-type: none"> <li>An adverse impact on logistical capabilities and failure to obtain supporting facilities may pose a business continuity risk</li> <li>Unavailability of key infrastructure affects delivery of products to customers and impacts revenue</li> <li>IOEC challenges can also increase freight costs</li> </ul> <p><b>Capitals at risk</b></p>   	<ul style="list-style-type: none"> <li>Ongoing engagement with Transnet to optimise the channel throughput. Joint Executive Steering Committee established</li> <li>Agreement with Transnet on access to alternative facilities, such as the multi-purpose terminal (MPT) and back-of-port solution creates access to capacity when required</li> <li>Improved operational flexibility at our operations to maximise Fe units/quality of the ore to take advantage of higher prices for premium ore</li> <li>Improved on-mine operating parameters: optimised loading, reduced loading variability and improved turnaround times</li> <li>Proactively seek solutions to introduce BEE players on the IOEC to limit operational risk</li> </ul>	<p>Anticipate continued engagement with Transnet to explore opportunities to improve the stability of the network and to deliver enhanced efficiencies to achieve targeted throughput</p> <p><b>STRATEGIC FOCUS AREAS</b></p>  <p>Unlock full infrastructure potential</p> <p><b>KEY ENABLERS</b></p>  <p>Proactively engaging with key stakeholders</p>

4 OPERATIONAL PERFORMANCE (CURRENT YEAR)			NEW RISK
ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
<p>Our ability to meet current year production targets and contain costs of production can be hampered by various factors including: non-adherence to mine-to-plan; failure of key equipment; limited exposed ore; feed strategy not executed to plan; high stripping ratios; change management fatigue; and non-retention of key employees</p>	<ul style="list-style-type: none"> <li>Higher than budgeted unit cost due to lower than budgeted production</li> <li>Higher mining cost due to additional contractor capacity as well as trucking-in of additional finished product</li> <li>Compliance to plan not achieved, posing a risk to following years</li> <li>Increased safety risks</li> <li>Reduced profit margins</li> </ul> <p><b>Capitals at risk</b></p> <div>    </div>	<ul style="list-style-type: none"> <li>Continuous focus on OEE improvement and execution schedule compliance</li> <li>Feed strategy to increase product quality impact and production tons</li> <li>Budget execution plans to prioritise high-risk areas and drive performance</li> <li>Monitoring compliance to mine to plan and mine to design</li> </ul>	<p>Targeted efforts to significantly improve operational efficiencies to drive achievement of operational targets and utilisation of current equipment fleet Focused equipment maintenance to improve availability and reliability</p> <p><b>STRATEGIC FOCUS AREAS</b></p> <div>  <b>Implement the Anglo Operating Model</b> </div> <div>  <b>Use technology to extract maximum value</b> </div> <div>  <b>Operate mines at lower unit cost</b> </div> <div>  <b>Unlock full infrastructure potential</b> </div> <p><b>KEY ENABLER</b></p> <div>  <b>Reinforce product quality and consistency</b> </div> <div>  <b>Leadership and culture</b> </div>

# MATERIAL RISKS AND OPPORTUNITIES CONTINUED



5

## MANAGING CHANGE (TRANSFORMATION OF THE BUSINESS)

**INCREASE IN RISK  
(2018: 8)**

ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
<p>Kumba's ability to remain competitive in the global seaborne iron ore industry is at risk over the medium to long term due to various factors:</p> <ul style="list-style-type: none"> <li>uncertain iron ore price outlook</li> <li>potential market downturn</li> <li>increases in cost inflation</li> <li>competitive impact of the higher comparative stripping ratio and transport costs</li> <li>peak production tapering by 2032</li> <li>inability to drive change and rapidly adapt to the external environment to achieve the targeted breakeven price</li> </ul>	<ul style="list-style-type: none"> <li>Potentially unprofitable business in the short to medium term</li> <li>Declining asset/market value impacting future cash flow</li> <li>Reduced future ability to acquire new footprint, due to capital intensive nature of iron ore operations</li> </ul> <p><b>Capitals at risk</b></p>	<ul style="list-style-type: none"> <li>Multi-year programme in place to increase our margin by 2022, touching every part of our business</li> <li>Evaluating options to sustainably extend our Northern Cape footprint to 2040</li> <li>Safety improvement plans, including the elimination of fatalities prevention framework, have been developed and are in place</li> </ul>	<p>Maintaining a committed focus to improve margins by US\$10/tonne by 2022, extend the life of our Northern Cape operations to 2040, and achieve zero fatalities</p> <p><b>STRATEGIC FOCUS AREAS</b></p> <ul style="list-style-type: none"> <li> <b>Identifying and realising opportunities</b></li> <li> <b>Use technology to extract maximum value</b></li> <li> <b>Unlock full infrastructure potential</b></li> <li> <b>Compete through premium products</b></li> </ul> <p><b>KEY ENABLERS</b></p> <ul style="list-style-type: none"> <li> <b>Leadership and culture</b></li> <li> <b>Reinforce product quality and consistency</b></li> </ul>





6 SOCIO-ECONOMIC CHALLENGES			DECREASE IN RISK (2018: 5)
ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
<p>Low levels of economic growth in South Africa exacerbate the current challenges of poverty, inequality and unemployment that are prevalent in the host communities where Kumba operates</p> <p>Poor socio-economic conditions in these communities increase expectations for employment and other socio-economic benefits</p> <p>Governance and political challenges could impact the key stakeholders on whom we depend</p>	<ul style="list-style-type: none"> <li>Increased reliance and growing expectations on mining companies by local government and communities</li> <li>Community activism and lack of local service delivery may cause disruptions at operations</li> <li>Increased cost of living on our host communities</li> <li>Negative impact on investor confidence in South Africa and higher cost of doing business</li> <li>Instability within municipalities in our host communities and lack of municipal capacity</li> </ul> <p><b>Capitals at risk</b></p>  	<ul style="list-style-type: none"> <li>Develop a shared vision and shared value journey with communities, youth, municipality, provincial government, NGOs, religious organisations, peer mining companies and local business</li> <li>Localised preferential procurement targets have been set</li> <li>Implement municipal capacity development programme (MCDP)</li> <li>Partnerships with like-minded organisations for maximum impact being pursued</li> <li>Anglo American education programme</li> <li>Workforce recruitment targeted at local communities</li> <li>Community development programmes</li> <li>Supplier development programme</li> <li>Localised procurement opportunities</li> </ul>	<p>Structural challenges in the South African economy and broader political environment anticipated to persist at least into the short term, impacting business and investor confidence and further raising community expectations</p> <p>We will continue our support of localised supplier development with increased spend of R3 billion in 2020</p> <p><b>KEY ENABLERS</b></p> <div>  <p>Provide leadership through <b>responsible citizenship</b></p> </div> <div>  <p><b>Proactively</b> engaging with key stakeholders</p> </div>



# MATERIAL RISKS AND OPPORTUNITIES CONTINUED

7 CYBER RISK			DECREASE IN RISK (2018: 6)
ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
<p>With increased use of technology and integration of operating technology platforms, there is enhanced exposure to cyber attacks</p> <p>These attacks have become increasingly frequent and sophisticated globally, with attractive returns for criminals</p>	<ul style="list-style-type: none"> <li>Cyber attacks can lead to financial loss, access to commercially sensitive information, intellectual property or disruption to operations, as well as negatively impacting reputation</li> <li>Safety risk as a result of loss of control of operating systems due to cyber attacks</li> </ul> <p><b>Capitals at risk</b></p>	<ul style="list-style-type: none"> <li>Identify IT assets and understand vulnerabilities</li> <li>Protective measures in place include restricting access to servers and PCs, reducing use of portable media, and extending awareness</li> <li>Detect security incidents on our network, firewall and cloud services through rollout of IBM's QRadar system</li> <li>Respond rapidly to incidents by integrating our security tools with our IT service management platform</li> <li>Recovery measures include risk assessments, mitigation plans and incident scenarios</li> <li>Ongoing security awareness campaigns to raise appreciation of information security threats</li> </ul>	<p>Cyber crime is an ever-evolving and increasingly sophisticated threat requiring increased monitoring and investment in security capability</p> <p><b>STRATEGIC FOCUS AREAS</b></p> Use technology to extract maximum value <p><b>KEY ENABLERS</b></p> Leadership and culture

8 CURRENT SOUTH AFRICAN GOVERNANCE AND POLITICAL CHALLENGES			DECREASE IN RISK (2018: 5)
ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
<p>Continuing governance challenges and political uncertainty in the country can impact key stakeholders that we depend on in our business, including in particular within critical state-owned enterprises such as Eskom and Transnet</p> <p>A failure to resolve critical country-specific issues such as low economic growth, policy uncertainty, quality education, healthcare and infrastructure challenges, and persistent corruption negatively impacts Kumba and our host communities</p>	<ul style="list-style-type: none"> <li>A challenging political and macro-economic environment negatively impacts investor confidence and raises the cost of capital</li> <li>Unstable communities and workforce can impact production and safety</li> <li>Potential impact on quality of relationships with regulators, communities and other stakeholders</li> </ul> <p><b>Capitals at risk</b></p>	<ul style="list-style-type: none"> <li>Ongoing stakeholder engagement with government and regulator through Anglo American and development of social compact</li> <li>Scenario planning and analysis on South Africa's direction as a country and identify actions through Anglo American plc</li> </ul>	<p>Structural challenges in the South African economy and broader political environment are anticipated to persist at least into the short term, impacting business and investor confidence and further raising community expectations</p> <p><b>KEY ENABLERS</b></p> Provide leadership through responsible citizenship  Proactively engaging with key stakeholders  Leadership and culture

9 LEGISLATION AND REGULATORY COMPLIANCE			DECREASE IN RISK (2018: 7)
ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
<p>There has been an increase in legislation covering the broad spectrum of activities across the business value chain, in particular on the nature of mining rights, transformation, and safety, health and environmental performance</p> <p>With the gazetting of Mining Charter 2018 (MC 2018), the current mining rights are secured based on the once empowered always empowered principle</p> <p>New acquisitions and new mining rights will require empowerment to align with MC 2018</p> <p>The National Council of Provinces (NCOP) has approved a constitutional review process to consider amendments to s25 of the constitution to allow the state to expropriate land in public interest without compensation</p> <p>The uncertainty relating to the land situation will impact security of property rights</p>	<ul style="list-style-type: none"> <li>Changes in the regulatory environment could require changes to the way we mine, and/or increase production costs</li> <li>Failure to comply could result in the suspension of necessary authorisations, licences and rights. A lack of regulatory certainty impacts our ability to take long term investment decisions</li> </ul> <p><b>Capitals at risk</b></p>	<ul style="list-style-type: none"> <li>Monitor regulatory developments and ensure readiness to comply with new legislation</li> <li>Monitor and report on our compliance with all applicable legislation and legislative changes</li> <li>Addressing any gaps arising from adoption of MC 2018</li> <li>Proactively engage government to explore progressive ideas and models to resolve the land question</li> </ul>	<p>Implementation of Minimum Permitting Requirements (MPR) to ensure integrated monitoring of all licences and conditions to ensure compliance</p> <p><b>KEY ENABLERS</b></p>  Provide leadership through <b>responsible citizenship</b>  Proactively engaging with key stakeholders

10 RESOURCE DEPLETION AND SECURING GROWTH			NO CHANGE IN RISK (2018: 10)
ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
<p>With the life of our mines ending in 2032, it is critical that we identify and realise new opportunities to maintain the current levels of production</p> <p>The prospecting right landscape in the Northern Cape is highly fragmented and access to prospective ground is challenging</p> <p>Challenges remain to develop new operations with sufficient quantities to grow the current levels of Kumba's Reserves</p>	<ul style="list-style-type: none"> <li>Business sustainability at risk</li> <li>Declining asset or market value</li> <li>Declining employee value proposition</li> <li>Reduced ability to acquire new footprint, due to the capital-intensive nature of iron ore operations</li> </ul> <p><b>Capitals at risk</b></p>	<ul style="list-style-type: none"> <li>Implement resource development plan to explore life-extension opportunities at the operations</li> <li>Ensure capital availability and prioritise the growth portfolio</li> <li>An ore replacement strategy is in place and accelerated exploration continues in South Africa</li> <li>Technology development projects under way to investigate the potential beneficiation of lower grade material</li> </ul>	<p>Continue with the Northern Cape exploration programme, with access secured to explore neighbouring properties close to Kolomela with the option to take up shareholding in the deposits should the exploration activities prove successful</p> <p><b>KEY ENABLERS</b></p>  Use technology to extract maximum value  Focus on the Northern Cape  Extend life of asset  Identifying and realising opportunities



# DELIVERING ON THE STRATEGY

Kumba's financial performance in 2019 benefited from strong iron ore prices and the Tswelelopele strategy that aims to unlock our full potential and deliver value for all our stakeholders by enhancing our margins, extending the life of our assets to 2040, eliminating fatal incidents, and becoming the employer of choice in South Africa.

This year, we made further progress on our safety culture, remaining fatality-free for the third successive year. Our EBITDA margin improved seven percentage points to 52%, aided by stronger ore prices, the weaker Rand and higher premia. We progressed work on various mine life extension initiatives, have begun to engage with Transnet to review options to extend the longevity of the logistics network, and have continued to drive the leadership and culture change programme.

Operationally, 2019 was a challenging year. Sishen experienced unscheduled plant maintenance, while the dense media separation (DMS) plant at Kolomela was closed for an infrastructure upgrade. To improve the reliability and performance of our key equipment and plant, we revised our asset management planning practices, bringing forward some maintenance and SIB projects.

## STRATEGIC FOCUS AREAS



**Sustainably operate mines at a lower unit cost** to remain competitive through a lean support and core cost base and a step-up in productivity

To enhance competitiveness in the context of volatile global markets and heightened cost competition, we are driving an ambitious programme to lower the unit cost at our mines. We are committed to securing efficiencies across our operations by reducing our core cost base, implementing a lean support structure, and delivering a step-up in productivity. In 2019, we delivered efficiency improvements in both equipment and people through our various cost discipline measures. We continue to implement the Anglo Operating Model throughout our business, and this is the foundation for shifting the benchmark efficiency closer to P101, a best-in-class industry benchmark, as part of driving operations to full potential.

A focused efficiency drive contributed to overall cost savings this year of R920 million, R220 million above market guidance of R700 million. These margin benefits were instrumental in containing the breakeven price at US\$45/tonne (2018: US\$41/tonne).

Cost of production increased this year, due to the operational challenges related to equipment breakdown. Sishen incurred higher maintenance costs of R36/tonne, and mining feedstock constraints resulted in higher WIP stock utilisation of R50/tonne. Unit costs for the mine ended the year at R345/tonne, an increase of 19% and above the guidance of R325 to R335/tonne. When compared to unit costs at half-year of R370/tonne, Sishen's unit costs improved by 7%. At Kolomela, lower production volumes of 5%, following the temporary closure of the DMS plant as well as higher mining costs as we moved more waste, led to unit costs increasing to R270/tonne, slightly above the guidance of R255 to R265/tonne.

We need to step up the rate of cost savings if we are to offset mining inflation. The target for 2020 is a further R960 million of savings, through initiatives focused on our fixed cost base and further optimisation of outside services. This should mitigate the increase in maintenance costs and other cost escalations.



**Compete through premium products and differentiated customer relationships**

Due to the geographical location of our operations and the geological nature of our ore body, we are not able to compete effectively with the large iron ore producers globally in terms of volume. We have thus chosen to compete by maximising the price premium through the provision of premium quality products and differentiated customer relationships. By understanding and responding to the specific technical needs of different customers, we are able to offer niche products.

Kumba has the unique advantage of being primarily a lump producer with a product that has a recognised exceptional chemical and metallurgical quality. The highest quality and most important iron ore for steel-making are haematite ( $\text{Fe}_2\text{O}_3$ ) and magnetite ( $\text{Fe}_3\text{O}_4$ ). Haematite is the more sought-after ore and the preferred raw material in efficient steel-making mills. It accounts for approximately 95% of South Africa's iron ore production. Our iron ore reserves are all of high-quality haematite allowing us to produce both high-quality lump and high-grade sinter fines for the domestic and export markets.



Further details on the quality of Kumba's iron ore, and the resulting price premium, are provided on page 47 (see the strategic enabler relating to reinforcing product quality and consistency).



**Implement the Anglo Operating Model** to ensure stable and capable processes leading to the delivery of business expectations

This year, we continued to place a strong emphasis on rolling out the Anglo Operating Model, a structured management system that provides a sequenced and repeatable set of work-steps guiding employees to achieve the intended purpose of their team's work in the most efficient manner. By promoting stability, reducing variation and providing clarity, the Anglo Operating Model is a critical element of our cost-cutting drive across the Company.

Sishen's operations were impacted by unscheduled maintenance on primary moving equipment (4100 shovel fleet) and single line failure at the plant in the first quarter, as well as the breakdown of the primary crusher at the DMS plant in the third quarter. To address the reliability challenges faced this year, we have revised our asset management planning practices. We have brought forward certain scheduled maintenance and SIB projects in order to improve the performance of our key equipment and plant. Although completion of the projects are only expected at the end of 2020, to date we have seen improvements in shovel availability and plant reliability.

Sishen's owner fleet efficiency increased from 65% to 68%. While availability of the 4100 shovels was challenging, the 2800 shovel fleet continued to perform well throughout the year, with the overall equipment efficiency achieved already exceeding expected benchmark performance for 2023. This gives us confidence that our efficiency improvement projects like truck payload, tempos and speed are bearing fruit. We will apply the lessons learned from the 2800 fleet to the remainder of the equipment to lift overall performance.

At Kolomela, the owner fleet efficiency increased to 67% (2018: 66%). The main contributors to this improvement was the temporary benefit of shorter cycle times to exploit an in-pit dumping opportunity in the main Leeuwfontein pit and the uplift in truck DOH from 14.5 to 16.1 hours following the implementation of a more streamlined shift system.



**Extend life of current mines** through UHDMS technology and business development activities

During 2019, we continued to make progress in identifying and potentially realising opportunities to extend the life of current mines to 2040. At Sishen, we are planning to use ultra-high density medium separation (UHDMS) production technologies to optimise value through life-of-mine extension and leveraging the ability of the UHDMS technology to increase our overall product quality. We are also exploring opportunities to realise the valuable potential for DMS or direct shipping ore (DSO) in the Northern Cape area.

The value proposition of the UHDMS project was re-evaluated taking into consideration rail logistical constraints that have been exacerbated by the lower domestic off-take from ArcelorMittal SA. The project is now focused on life-of-mine extension and leveraging the ability of the UHDMS technology to increase our overall product quality. The feasibility study has been extended until the second half of 2020 to re-calibrate a significant portion of the detailed engineering design and to include new value-add items. First production is expected to be achieved in the first half of 2023. The capital guidance for the project remains at approximately R3 billion.



**Focus on the Northern Cape** as the region contains the most attractive ore bodies for both current operations and targeted brown fields exploration

The strategy of leveraging our endowment in the Northern Cape is unchanged. We continue to target a 2040 life-of-mine ambition, through efficiency and optimisation, the UHDMS project and the Northern Cape exploration programme. Our commitment to capital discipline means that we will only invest in high return projects and at the right time of the cycle.

At Kolomela, 65% of the geometallurgical and infill drilling programme for Ploegfontein, targeting ~73 Mt mineral resources for conversion to ore reserves has been completed. We have also completed 90% of the drilling programme on the Heuningkranz property. Furthermore, we have secured access to explore neighbouring properties between Sishen and Kolomela with the option to take up shareholding in the deposits should our exploration activities prove successful.



Further details on the 2019 performance of our Sishen and Kolomela operations is provided on pages 64 and 65 (operational performance).



## DELIVERING ON THE STRATEGY CONTINUED



**Use technology** to extract maximum value from ore focusing on step-change opportunities

The use of technology provides Kumba with some exciting game-changing opportunities. We have been investigating and realising various opportunities to accelerate the uptake of technologies at our operations; these include using technology to achieve our zero-harm target, maximise current and future resource utilisation through low-grade beneficiation technology, and drive down costs by improving productivity and efficiencies.

Recent technology initiatives at Sishen and Kolomela include:

- rolling out of autonomous braking solutions on our haul trucks
- upgrading our haul trucks with the latest payload management systems
- upgrading two drills at Sishen to autonomous
- implementing vehicle tracking and detection systems within blast clearance areas
- trailing remote dozers to reduce musculoskeletal injuries
- implementation of real time condition based monitoring on the Kolomela plant
- automation of the valve system on the Sishen DMS wash and screening plant
- drone technology that uses scanners and cameras to create three-dimensional images of ore to calculate volume



**Unlock full infrastructure potential** to support maximum in export volumes over the medium term

Kumba faces higher rail costs and increased associated logistical challenges than our competitors due to the distance of our mining operations from the Saldanha port.

We have been collaborating with Transnet to unlock the full potential of our third-party infrastructure and deliver value for all stakeholders involved.

This year the volume railed to Saldanha increased by 1.4 Mt compared to 2018, aided by 24.5 trains/week at 95.3% of contractual capacity. Shipments were in line with 2018 partly due to the delayed start following the maintenance shutdown in September 2019, breakdowns in loading equipment, and weather-related delays.

Specific areas of focus for 2020 will be managing the port refurbishment planned in the second half of 2020 and logistics constraints due to the lower off-take from ArcelorMittal SA.



**Identifying and realising opportunities** beyond the existing operations, based on our asset base and competencies

To secure our longer-term growth, we are identifying a range of potential growth opportunities that fit well with Kumba's current strategic direction, and that operate within a circular economy and remain relevant within a decarbonising world.

These opportunities will seek to leverage our core capabilities and resources, including both our access to the broader Anglo American group and our agility as a smaller mid-tier player.

These "close-to-core" opportunities are being actively pursued, form part of our longer-term time horizon and are expected to deliver value within the next five to seven years.



## STRATEGIC ENABLERS

Underpinning our strategic ambition is a sustained focus on our key strategic enablers: aligning our marketing and operational activities; reinforcing our reputation for product quality and consistency; engaging proactively with stakeholders; providing leadership through responsible citizenship; and providing support to our employees.



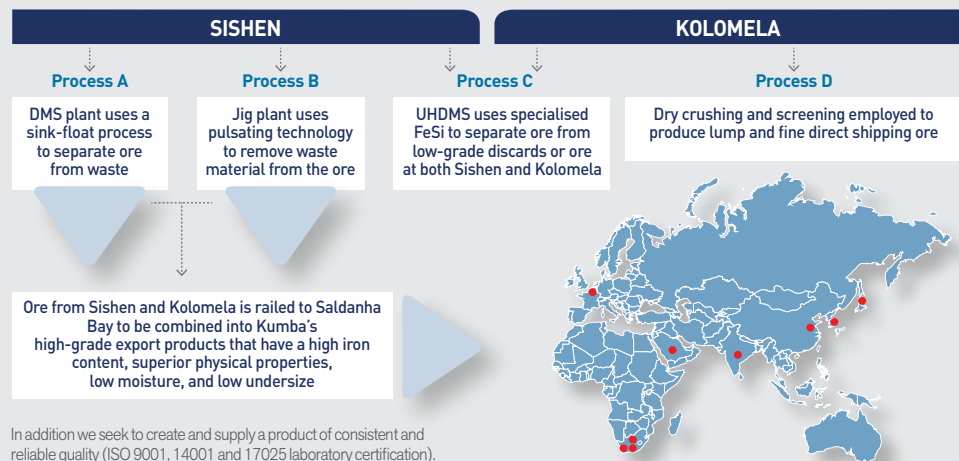
**Align marketing and operational activities to ensure that product produced efficiently matches customer needs**

To consolidate our position in an increasingly competitive market, we place a strong focus on developing a thorough understanding of our clients' expectations; this enables us to deliver high-quality products and strengthen relationships with clients. We regularly undertake customer segmentation studies to identify which customers value particular physical and/or chemical properties in our products, and we use this information, together with mine planning information, to tailor our product specifications to match customer demands.

This year our total export sales of 40.0 Mt were in line with 2018. Domestic sales of 2.2 Mt to ArcelorMittal SA were 1.1 Mt lower than the prior year as a result of lower demand.

Our approach to producing ore for the export market at our Sishen and Kolomela operations is outlined in the following diagram:

### PRODUCING ORE FOR THE EXPORT MARKET



**Reinforce product quality and consistency**

As we cannot compete with the large iron ore producers in terms of volume and proximity to China, we recognise the need to reinforce our reputation for product quality as a critical source of competitive differentiation. Since 2012 we have been driving a strong focus on consistently delivering a high-quality product and on increasing the lump ratio; both of these features attract premia against the standard product sold in the market.

Our high average Fe content of 64.2% Fe, and our lump:fine ratio of 67:33, enables us to sell our product in an over-supplied iron ore market and to attract Fe and market premia relative to standard products. The quality of our products remains competitive and is broadly flat at 64.2% (versus 64.5% in 2018), further diversifying the customer portfolio with increasing sales in regions utilising direct-charge materials and increasing the share of premium products to 30% of total sales.

This year China represented 56% of our export sales portfolio (2018: 56%) with sales to Europe/MENA increasing to 25% (2018: 20%) and sales to Japan and South Korea reduced slightly, to 18% (2018: 20%). Contractual sales comprised 78% (2018: 77%) of export sales; 68% of sales (2018: 66%) were on a CFR basis with the remainder sold free on board.



## DELIVERING ON THE STRATEGY CONTINUED



### Proactively engaging with key stakeholders to reinforce our partnership approach

Regular, proactive and meaningful engagements with our stakeholders is essential to developing trusted relationships, a critical foundation for delivering on our strategic focus areas. During 2019, we undertook various initiatives across the organisation aimed at further increasing the level of trust between Kumba and our key stakeholders.

Specific stakeholder initiatives undertaken during the year include inter alia:

- engaging with provincial and local government on the relocation of homeowners, renters and institutions from the Dingleton community to Siyathemba;
- partnering with various stakeholders – including government, traditional leaders, the private sector, local communities, and faith organisations – to develop a shared vision for the Northern Cape region, as part of implementing Anglo American's Collaborative Regional Development Programme;
- engaging with employees on the broad-based employee share ownership scheme (Karlo), including holding the first annual general meeting of trustees in October 2019;
- hosting a collaborative discussion with organised labour representatives, management and subject matter experts on promoting home ownership
- working closely with Transnet to optimise the performance of the iron ore export channel, and enhance its longevity given our plans to extend the life of our mines



Further details on our stakeholders and stakeholder engagement activities are provided on page 30.



See also the stakeholder engagement section in our SR: <https://www.angloamericankumba.com/investors/annual-reporting>.



### Provide leadership through responsible citizenship displaying care for safety, health and the environment

Providing leadership through responsible corporate citizenship and ensuring effective management of safety, health and the environment (SHE), delivers material competitive benefits for Kumba: it protects the safety, health and productivity of our employees; assists us in attracting and retaining talent; reduces potential legal liabilities; protects the natural resources we rely on; delivers valuable resource efficiencies; and is essential in maintaining our social licence to operate.

Following is a brief summary of our 2019 performance on material SHE issues and activities and aim building social capital:

- Remaining fatality-free since May 2016
- Total recordable case frequency rate (TRCFR) of 2.06 against a target of 2.55 (2018: 1.80)
- Fourth consecutive year of no new cases of noise-induced hearing loss (NIHL)
- Achieved our 90:90:90 health target (90% of our permanent employees should know their HIV status, 90% of identified seropositives should be on antiretroviral therapy, and 90% of those should have undetectable viral loads)
- Fourth consecutive year with no level 3 to 5 environmental incidents
- 65ha rehabilitated in 2019 (2018: 130ha)
- R13.9 billion procurement on HDSA businesses (2018: R11.8 billion); R2.4 billion on host community suppliers (2018: R1.4 billion)
- R170.9 million direct social investment (2018: R123.5 million)
- 25% women in management (2018: 24%); 23% women in total workforce (2018: 23%)



A more detailed review of our sustainability performance is provided in our SR: <https://www.angloamericankumba.com/investors/annual-reporting>.



**Leadership and culture**, embedding a culture that fosters safety, diversity, innovation and organisational effectiveness

To deliver on our strategic ambition of becoming the employer of choice in the South African mining sector, we have been taking decisive steps over the last two years to develop and embed an organisational culture that fosters safety, diversity, innovation and performance, underpinned by our commitment to employee engagement and support. This year we continued our focus on implementing the leadership and culture “architecture” comprising the following five pillars and interventions:

- **Employee engagement:** We have continued to socialise our desired “way of being” through creative branding and multichannel communications mechanisms, including a story-telling approach that illustrates the desired behaviours and codes in a practical and understandable way for our teams. These have been supported by quarterly focus groups and interviews to monitor progress.
- **Leadership assessment:** The outcomes of a 360-degree leadership survey conducted last year have provided a baseline measure of how Kumba leaders are “showing up” in terms of the Leadership Code, and have informed specific actions to address the identified weaknesses.
- **Leadership and culture initiative:** Last year we launched the Kumba Expeditions Leadership Programme, an “immersive” learning experience aimed at developing leaders with the right capabilities to deliver on our Leadership Code. To date, all leadership employees (Band 6 and above) have participated; the course will continue into 2020, being rolled out to further leadership and supervisory teams.
- **Team development:** In April 2018 we introduced a revitalised team development process to build team cohesiveness and effectiveness. Thirty-three teams across Kumba are currently engaged in team development workshops, realising valuable shifts in team dynamics and interpersonal relationships across the Company.
- **Focus on diversity:** By the end of 2019, approximately 2,500 Kumba employees across all levels had participated in the Diversity Institute’s Winning Work Behaviours, a powerful workshop that utilises a narrative methodology to convey concepts and promote our desired inclusive culture.

In July 2018, we introduced our new broad-based employee share ownership scheme, Karolo, for permanent employees below middle and senior management level. In August 2019 the second award of three tranches was processed, with a very high initial acceptance rate of 99.4%.

 Further information on our activities in supporting employees – including details on promoting diversity, managing talent, engaging employees and investing in skills development – is provided in our SR: <https://www.angloamericankumba.com/investors/annual-reporting>.



# CHIEF FINANCIAL OFFICER'S REVIEW

Bothwell Mazarura  
Chief Financial Officer



## ENHANCING SHAREHOLDER RETURNS AND MAXIMISING VALUE

Kumba's Tswelelopele strategy delivered a return on capital employed of 83%, up from 49% in the previous year. While delivering robust earnings, our margin enhancement strategy proved effective in offsetting increased cost pressure from operational challenges and delivered R920 million of cost savings for 2019. Notwithstanding the challenges in 2019, we ended the year with a net cash position of R12.3 billion (2018: R11.7 billion) after generating operating cash flow of R34.7 billion, representing an increase of 84% from the prior period. This, together with a resilient balance sheet, allows us to sustainably create value for our shareholders.

## ENHANCING SHAREHOLDER RETURNS

Record EBITDA growth of 62% to R33.4 billion

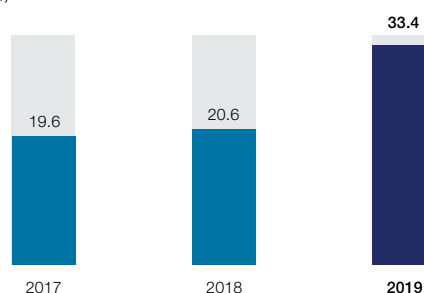
Delivered cost savings of R920 million against a target of R700 million

Achieved a 35% higher average realised FOB export price of US\$97/tonne

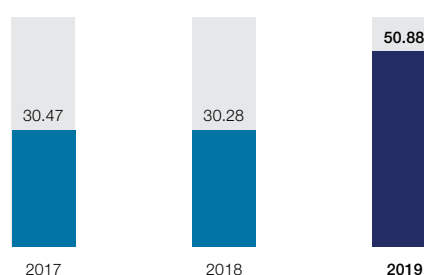
Exceptional headline earnings of R16.3 billion, translating into R50.88 per share

Final cash dividend of R15.99 per share, with total cash dividend of R46.78 per share

EBITDA  
(Rand billion)



HEADLINE EARNINGS PER SHARE  
(Rand per share)



## DELIVERY AGAINST KEY FOCUS AREAS:

Our three strategic levers continued to support Kumba's strategy of unlocking its full asset potential and delivering shareholder returns:

1

### FOCUS ON MARGIN ENHANCEMENT

Through our ongoing commitment to margin enhancement, Kumba successfully delivered an EBITDA margin of 52%, up seven percentage points from 45% in the prior period. Our integrated sales and operations team contributed to a 35% increase in the average realised FOB iron ore price of US\$97/tonne (2018: US\$72/tonne). Further margin benefits came from a 9% weakening in the Rand/US\$ exchange rate as well as cost savings of R920 million – above our R700 million target for 2019, realised by improved operational efficiency, variable cost optimisation across the value chain and overhead cost reductions. These margin benefits were instrumental in containing the break even price at US\$45/tonne (2018: US\$41/tonne). The break even price was impacted by higher on-mine operating expenses and SIB capex. This was over and above higher royalty charges, and ongoing increases in mining inflation and cost escalation. There is still a lot more to do in order to reduce costs and increase premia and remains a key focus of our margin enhancement programme.

Our product portfolio ranges from standard and premium lump and fines to super-premium lump with an average quality of 64.2% Fe (2018: 64.5% Fe) and a lump:fine ratio of 67:33 (2018: 68:32), we successfully captured a US\$17/tonne uplift from the lump, Fe and market premia captured in the higher average realised price of US\$97/tonne for 2019.

In line with our enhanced product portfolio, we continued to grow our market share in geographic regions that utilise premium iron ore, such as Europe/MENA/Americas, which has increased from 20% in 2018 to 25% in 2019 of the client portfolio. This resulted in the share of premium products increasing to 19.3% of total sales.

2

### STRONG FINANCIAL DISCIPLINE

With ongoing cost pressure from the rising geological inflation, increasing maintenance costs and higher input costs, we need to double our efforts in managing our controllable costs to ensure our business is resilient in a lower price environment. Consequently, we are implementing further initiatives to optimise costs across the business, allowing us to extend our cumulative savings target beyond our cumulative target of R2.6 billion. These initiatives will focus on our fixed cost base and further optimisation of outside services.

The increase in deferred stripping costs is a result of mining through higher strip ratio areas at both mines. The average strip ratio expected over the remaining life of mine is lower, due to further operational optimisation. This has resulted in total capex finishing above revised guidance, while SIB and expansion capex spend was kept within revised guidance.

3

### DELIVERING SUSTAINABLE RETURNS

Kumba's balance sheet remains robust, with continued strong cash generation providing flexibility in a volatile market environment. Through our capital allocation framework, cash generated from operating activities services our tax commitments, SIB capital and dividends to shareholders in line with our dividend policy. Excess discretionary cash flow is deployed in the best long term interests of shareholders with consideration of further investment in the business and incremental returns to shareholders. Throughout the cycle, we aim to retain a net cash balance to ensure that we remain in a position of strength and maintain flexibility against potential headwinds.

For 2019 Kumba delivered a return on capital employed (ROCE) of 83% (2018: 49%) and solid attributable earnings of R16.3 billion (2018: R9.6 billion).

Our dividend policy targets a payout range of between 50 and 75% of headline earnings to shareholders. Shareholder returns are prioritised while maintaining a strong flexible capital structure that protects the balance sheet form market volatility and ensures that an appropriate level of capital is allocated to life extension projects and long term growth prospects.

With Kumba's strong cash flow generation of R34.7 million, demonstrating the success of our Tswelopele strategy, the headline earnings per share for the year were R50.88 (2018: R30.28). The Board declared a final cash dividend of R15.99 per share (2018: R15.73), resulting in a total dividend for the year of R46.78 per share (2018: R30.24). This equates to 92% of headline earnings for 2019.



# CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

## 2019 FINANCIAL PERFORMANCE

The analysis of our performance drivers should be viewed together with the strategy on pages 4 and 5 of this report.

The results booklet and AFS on our website [www.angloamericankumba.com/investors/annual-reporting.aspx](http://www.angloamericankumba.com/investors/annual-reporting.aspx).

### Revenue – driven by market price and currency gains

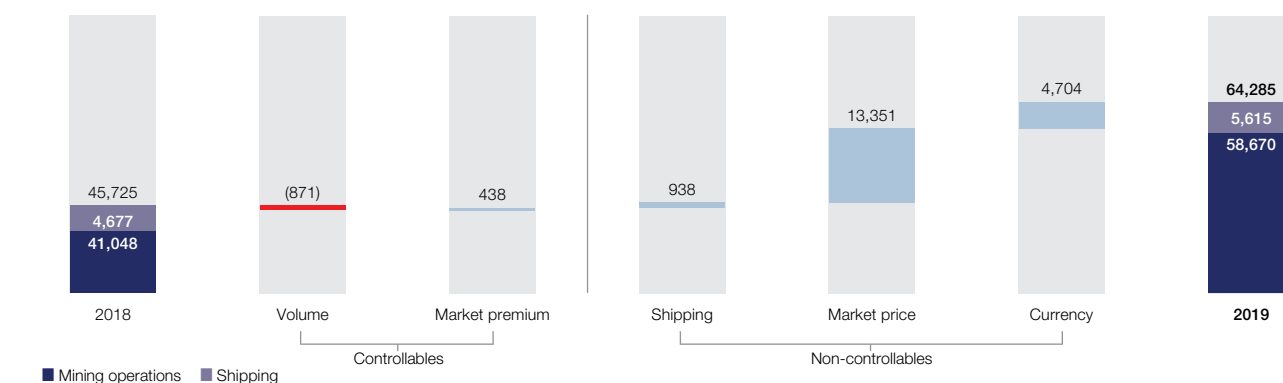
Total revenue increased by 41% to R64.3 billion compared to R45.7 billion for 2018, mainly as a result of a 35% increase in the average realised iron ore price of US\$97/tonne (2018: US\$72/tonne) and weakening of the average Rand/US\$ exchange rate to R14.45/US\$1 (2018: R13.24/US\$1). This was offset by a 2% decrease in total sales volumes compared to 2018. Shipping revenue increased by R938 million benefiting from the weaker currency and higher volumes.

Kumba's higher average achieved FOB price was driven by higher lump and Fe premia. On average, the 62% Platts index increased by US\$23.8/tonne to US\$93.4/tonne, whilst the achieved lump, Fe and market premia increased by US\$1.4/tonne to US\$18.0/tonne. Freight rates were marginally lower at US\$13.8/tonne from US\$13.9/tonne in 2018.

Total sales decreased 2% to 42.2 Mt (2018: 43.3 Mt), driven by local sales decreasing 34% to 2.2 Mt (2018: 3.3 Mt), as a result of lower off-take by ArcelorMittal SA due to the decision to wind down its Saldanha Steel plant. For the year, 68% of sales were on a cost and freight (CFR) basis compared to 66% in the prior period. Contractual sales amounted to 78% of total export sales volumes (2018: 77%). China represented 56% (2018: 56%) of Kumba's total exports, while the share of the EU/MENA/Americas region increased to 25% (2018: 20%), and Japan and South Korea decreased slightly to 18% (2018: 20%).

## REVENUE

(Rand million)





### Operating expenditure – input cost escalation and higher maintenance, partly offset by cost savings

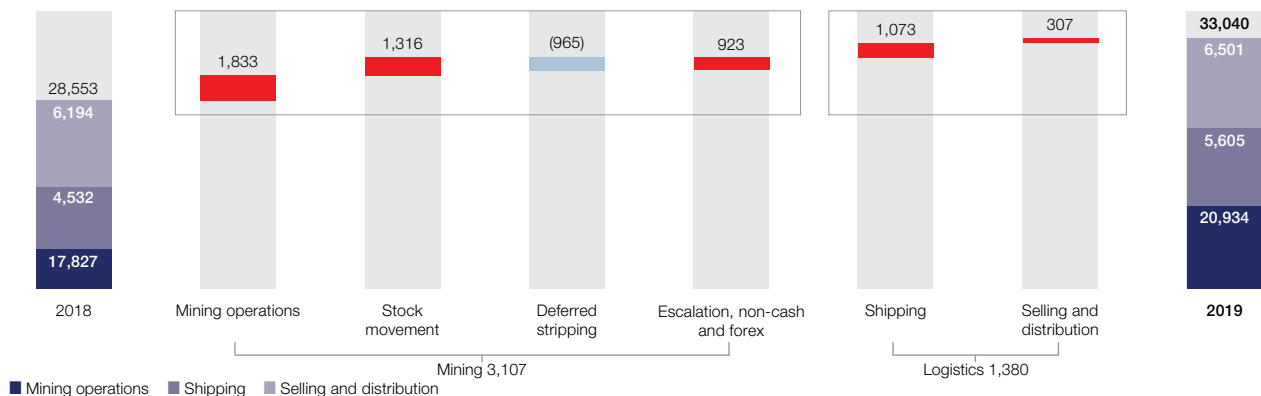
Operating expenses (excluding mineral royalties and impairment) increased by 16% to R33.0 billion, compared to R28.6 billion in the prior year, largely due to R3.1 billion higher operational costs and a R1.4 billion increase in logistics costs. The escalation in operational cost are primarily attributable to R1.5 billion from the utilisation of WIP stock at Sishen and R1.3 billion higher maintenance cost caused by equipment breakdowns, of which R655 million related to unscheduled maintenance activities caused by equipment breakdowns.

Selling and distribution costs increased by 5% to R6.5 billion largely due to higher demurrage costs caused by port constraints and above-inflation increases in Transnet tariffs. Freight costs of R5.6 billion were R1.1 billion up on the prior period driven by higher average freight rates, including fixed index-linked rates (COAs) and currency movements.

Good cost stewardship across the value chain coupled with our cost savings initiatives, aimed at offsetting inflation-related costs and reducing controllable cost, delivered savings of R920 million, ahead of our 2019 target of R700 million.

### OPERATING EXPENDITURE

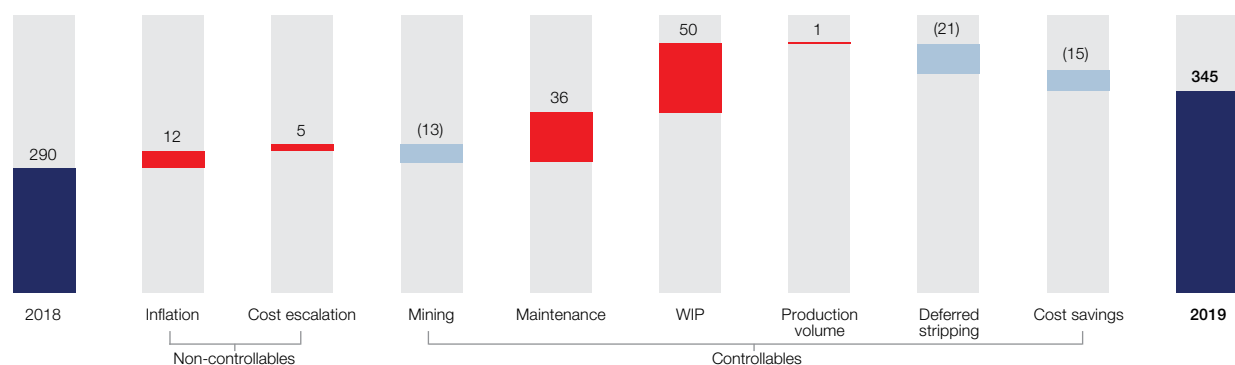
[Rand million]



Sishen's unit cash costs increased by 19% to R345/tonne (2018: R290/tonne). This was predominantly as a result of higher WIP stock utilisation caused by mining feed constraints in the first half of 2019, and increased maintenance costs from breakdowns, partially offset by increased capitalisation of deferred stripping costs, R446 million of cost savings and operating efficiency improvements.

### SISHEN UNIT CASH COSTS

[Rand/tonne]



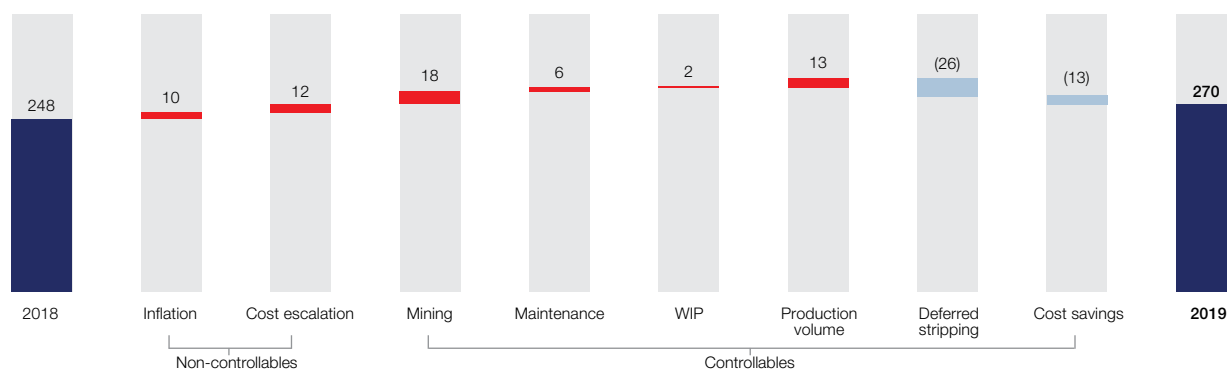


# CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Kolomela's unit costs increased 9% to R270/tonne (2018: R248/tonne), owing to above-inflation mining input cost escalation from geological changes and lower production volumes. Similar to Sishen, this was partially offset by increased capitalisation of deferred stripping costs and cost savings of R170 million.

## KOLOMELA UNIT CASH COSTS

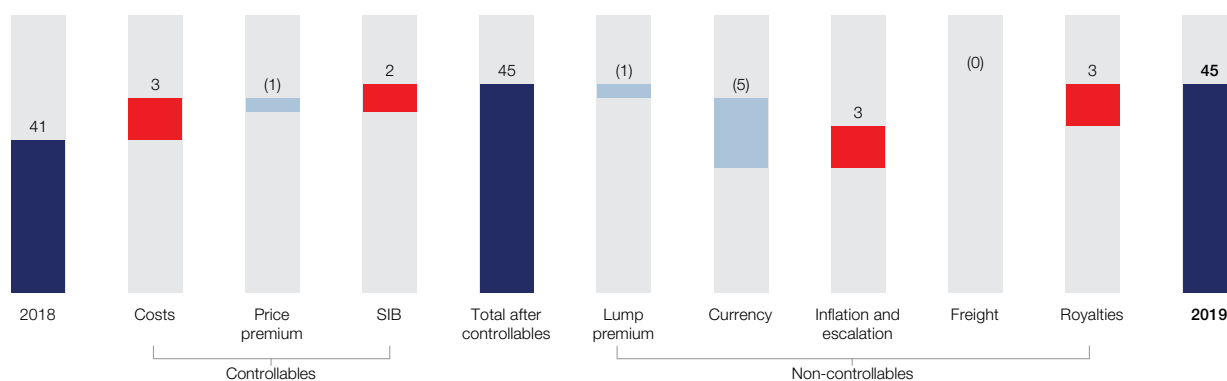
(Rand/tonne)



## Breakeven price – increased on-mine cost and SIB capex

### BREAKEVEN PRICE

(US\$/tonne)



Kumba's breakeven price increased to US\$45/tonne, US\$4/tonne above 2018 due to US\$5/tonne higher on-mine operating expenses and SIB capex, US\$3/tonne increase in royalties from stronger prices and US\$3/tonne mining inflation-related escalation. This was partially offset by US\$5/tonne from currency gains and US\$2/tonne higher lump and price premia.

## EBITDA reflects higher revenue, partially offset by cost increases

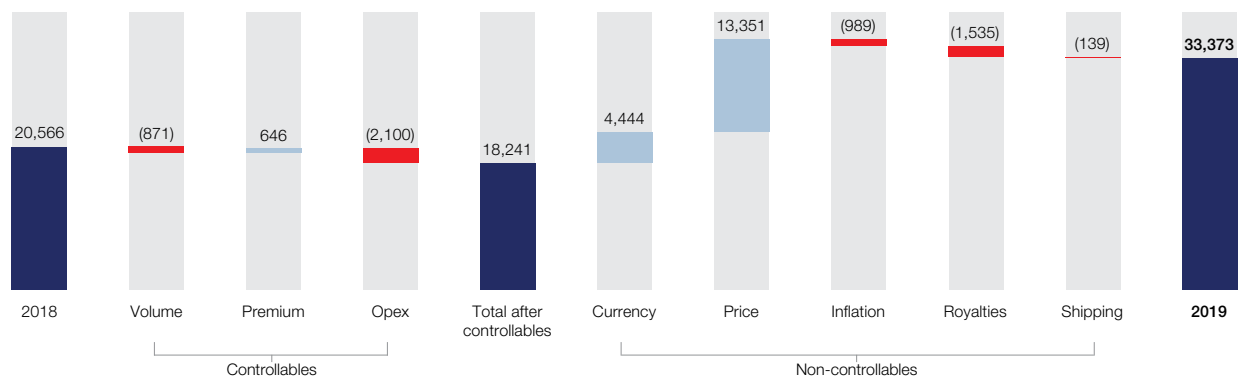
Kumba delivered an EBITDA of R33.4 billion, representing an increase of 62% compared to R20.6 billion in the previous year. Growth was primarily driven by the 35% increase in the average realised FOB export iron ore price to US\$97/tonne (2018: US\$72/tonne), resulting in market premia of R646 million. Cost savings of R920 million and currency gains from a weaker Rand of R14.45/US\$ (2018: R13.24/US\$) contributed towards mitigating

higher mining and logistics costs, as well as the 2% decline in sales volumes.

Kumba's EBITDA margin increased by seven percentage points to 52% (2018: 45%), the group's mining operating margin improved to 49% (2018: 39%), excluding the net freight profit incurred on shipping operations. Net profit increased by 69% to R21.3 billion (2018: R12.6 billion), notwithstanding operational challenges.

### EBITDA

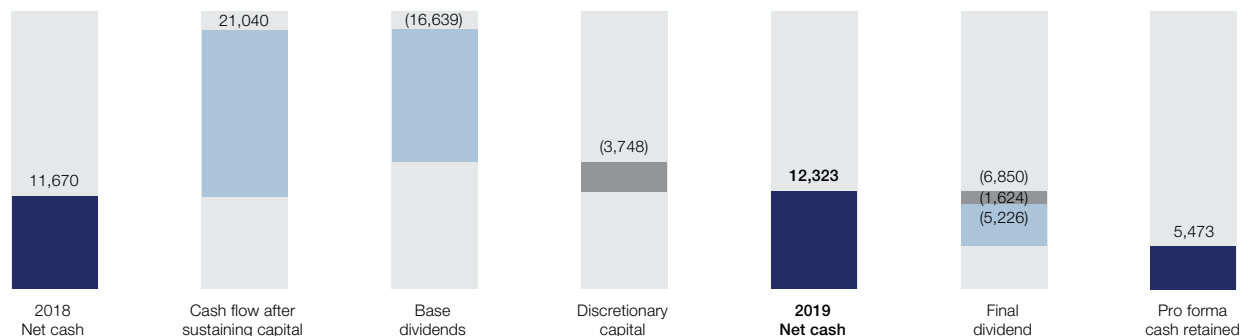
[Rand million]



## Disciplined capital allocation supports shareholder returns

### CAPITAL ALLOCATION

[Rand million]



Kumba ended the year with a net cash position of R12.3 billion (2018: R11.7 billion), after cash flow from operations, tax paid, capex and dividends. Cash flow from operations increased by 84% to R34.7 billion (2018: R18.9 billion), due to higher EBITDA and lower working capital requirements. Reduced working capital largely related to lower receivables with the collection period improving to 14 days (2018: 23 days) and higher payables due to provisions and accruals. This was partially offset by higher inventories as finished stock increased to 6.4 Mt (2018: 5.3 Mt).

We created stakeholder value by paying income tax of R7.8 billion (2018: R4.1 billion) and mineral royalties of R2.6 billion

(2018: R983 million) to government, providing capex of R5.6 billion (2018: R4.5 billion), and distributing dividends to shareholders of R19.6 billion (2018: R12.5 billion).

Kumba replaced its R12 billion committed credit facility, maturing in February 2020, with an R8 billion revolving credit facility that matures in 2024. Financial guarantees issued in favour of the DMRE in respect of environmental closure liabilities were R3.0 billion. The annual revision of closure costs reflected a further shortfall of R363 million in respect of the rehabilitation of Sishen and Kolomela. Guarantees for the shortfall will be issued in due course.

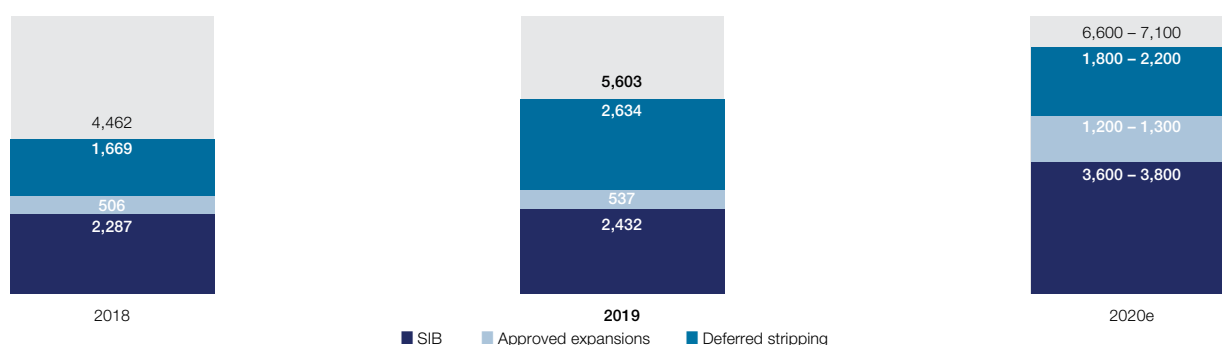


# CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

## Capital expenditure to sustain and grow our business

### CAPITAL EXPENDITURE

(Rand million)



Kumba's capital expenditure for 2019 was R5.6 billion (2018: R4.5 billion). The total spend consisted of the following:

- R2.4 billion from stay-in-business (SIB) activities, mainly spent on capital spares, infrastructure upgrade and our mining fleet management programme.
- R0.6 billion of expansion capex includes R138 million of spend on our Dingleton project, R70 million for the UHDMS feasibility study and capex for the P101 efficiency programme.
- R2.6 billion in deferred stripping due to the increase in the stripping ratio at Sishen to 4.8 from 4.7 and at Kolomela to 4.0 from 3.5

by strong cash generation supported by higher EBITDA and lower working capital requirements. In view of the volatile price environment, currency fluctuations, ongoing cost pressure and a logistics constrained environment, Kumba remains committed to maintaining a strong balance sheet.

Taking all these factors into account coupled with our dividend policy of a 50 to 75% payout ratio of headline earning the Board declared a final cash dividend of R15.99 per share with a total dividend for 2019 at R46.78 per share. This ensures that we remain in a position of strength and that we will be well placed to continue with appropriate, value-creating and disciplined investment in our business.

### Stakeholder value created

Kumba has built a strong track record of delivering sustainable returns through the cycle. Our balance sheet remains stable driven

### KUMBA CLOSING SHARE PRICE

(Rand)



## KEY FINANCIAL RISK FACTORS AFFECTING PERFORMANCE

The primary financial risks to which Kumba is exposed are market, counterparty credit and liquidity risk. These are rigorously monitored by management according to the oversight and risk management framework, while the Board oversees the process.

For further information refer to the review of our risks and opportunities on page 34.

### Risk management policy

#### COMMODITY PRICE

Exposure to future price movements occur as the selling price is based on quoted market prices stipulated in the contract that is provisionally determined between 30 and 180 days after delivery to the customer. Risk is managed through iron ore swaps and futures contracts that enable closer alignment between sales prices and reference prices set by the group.

For more detailed information on financial risk management refer to the AFS pages 79 to 86.

EBITDA impact of R585 million per US\$1/tonne change in export iron ore price.

#### CURRENCY

For exposure to foreign currency movements it is group policy to use only derivatives for hedging purposes and not to engage in speculative transactions. Hedging is only considered in very limited circumstances and in strict compliance with the Company's treasury risk policy.

EBITDA impact of R390 million per R0.10/US\$ change in the exchange rate.

#### EXPORT SALES VOLUME

Export sales volumes are exposed to various operational risk factors which are mitigated on a case by case basis.

For more details refer to the review of risks and opportunities on page 34.

EBITDA impact of R100 million per 100 kt change in sales volumes.

#### COUNTERPARTY CREDIT

Counterparty credit risk exposure is diversified among high-quality financial institutions with acceptable daily settlement limits. Kumba also relies on letters of credit to limit the risk of financial loss from our customers.

For more information refer to note 34 of AFS.

#### INTEREST RATE

Kumba's policy is to borrow at floating rates and minimise the after-tax cost of debt for the group. Board approval is required for fixed rate debt.

For more information refer to note 34 of AFS.

#### LIQUIDITY

Adequate cash and credit facilities are maintained to meet all short term obligations and to ensure that the group can meet all known forecast strategic commitments using the appropriate debt instruments.

For more information refer to note 34 of AFS.

#### TAX

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 seek to maintain a long term, open, constructive relationship with tax authorities and government in relation to tax matters.

For more information refer to page 58 and page 74 of the SR.

#### INCREASED PRODUCTION COST PRESSURE

Continued cost pressure from the rising geological inflation, higher input costs together with rising mineral royalties from higher iron ore prices, places pressure on margins and necessitates a concerted effort to further reduce costs. A review of operating expenses conducted during the year identified additional cost savings from our fixed cost base and the optimisation of outside services.

For more information refer to page 44.




# CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

## OTHER SPECIFIC ITEMS AND EVENTS DURING THE YEAR

### IFRS 16 Leases

In adopting IFRS 16 *Leases*, the group recognised lease liabilities and right-of-use assets for leases which were previously classified as operating leases under the principles of IAS 17 *Leases*, excluding leases of low-value items, those with remaining lease terms of less than 12 months (i.e. short term leases) or variable lease payments. These liabilities were measured at the present value of the remaining lease payments and discounted using the group's incremental borrowing rate as of 1 January 2019. The lease liability recognised for 2019 was R401 million.

 For more information regarding standards, amendments to published standards and interpretations, which were adopted by the group refer to page 28 and 29 of the AFS.

### Changes in estimates to environmental rehabilitation and decommissioning provision

The measurement of the environmental rehabilitation and decommissioning provisions is a key area where management's judgement is required. The closure provisions are measured at the present value of the expected future cash flows required to perform the rehabilitation and decommissioning. Estimates and assumptions are employed in determining the amount and timing of the future cash flows and the discount rate.

The life-of-mine plan (LoMP) on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Kumba's 2019 annual ore reserves and mineral resources statement. The most significant changes in the provisions for 2019 resulted from changes in estimates, the unwinding of the discount and inflationary changes in the expected cash flows for both mines, partially offset by the utilisation of prior year provisions.

The effect of the change in estimate of the rehabilitation and decommissioning provision is detailed below:

	31 December 2019
<b>Rand million</b>	
Increase in environmental rehabilitation provision	133
Increase in decommissioning provision	62
Decrease in profit attributable to the owners of Kumba	73
<b>Rand per share</b>	
Effect on earnings per share attributable to the owners of Kumba	0.23

### Taxation

Kumba contributes economic value to the government of South Africa and to the host communities in the Northern Cape with taxes paid through the life-cycle of our operations and across our value chain. Our tax contribution of R11.9 billion for 2019 reflects corporate income tax of R7.8 billion, mineral royalties of R2.6 billion and indirect taxes of R1.6 billion.

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.

The Company's tax contribution represents a significant portion of the economic value delivered to the government and our host communities. The following cash payments were made to the jurisdictions in which the group operates:

### TOTAL TAX CONTRIBUTION BY CATEGORY

Rm	2019	2018
Corporate income tax	7,783	4,078
Mineral royalties	2,572	983
Payroll tax	1,495	1,093
Skills levy	48	42
UIF	22	22
<b>Total</b>	<b>11,920</b>	<b>6,218</b>


### Carbon Tax Bill

The final rules and forms for the implementation of the carbon tax bill were released by SARS on 23 December 2019. Based on the initial tax rate for the period 1 June 2019 to 31 December 2019, the carbon tax to be paid through the fuel levy on 31 July 2020 is estimated at approximately R11.5 million. The estimate excludes scope 2 emissions from electricity which were postponed to 2023.

## OUTLOOK FOR 2020

### 2020 guidance

Our financial guidance for 2020 is set out below.

 The delivery of these key metrics is subject to the aforementioned key risk factors affecting our performance as described on page 57.

- **Unit cash costs:** guided for Sishen between R355 and R370/tonne and Kolomela between R280 and R290/tonne. Cost pressure from fuel, labour and maintenance are expected to continue. Our 2020 cost savings target is R960 million; this will be driven by ongoing initiatives such as optimisation of mining and production costs as well as improvements in operational efficiency.
- **Capital expenditure:** is expected to be in the range of R6.6 billion to R7.1 billion. The increase is driven by:
  - Higher SIB capex through-the-cycle of R3.6 billion to R3.8 billion due to critical heavy mining equipment life-cycle change requiring increased investment in capital spares, as well as capital investment to maintain the plants.



- Deferred stripping capex will reduce to between R1.8 billion and R2.0 billion, in line with a lower stripping ratio at both mines.
- Expansion capex increases to between R1.2 billion and R1.3 billion, which includes the UHDMS project, funds to begin the implementation of the Kapstevél South mine project, and P101 efficiency programme. The Kapstevél South pit is expected to incur, including pre-stripping, a total of R5 billion in capex until 2023.

To ensure optimal value is achieved from our UHDMS project in the context of lower domestic off-take and a logistically constrained environment, a decision was taken to focus on mine life extension and enhance product quality instead of increasing production volumes. We expect total capital for the project to be approximately R3 billion. We will leverage the ability of the UHDMS technology to increase our overall product quality, further differentiating Kumba as a niche product producer.

Shareholders are advised that these forecasts have not been reviewed, approved or reported on by our auditors.

## ACKNOWLEDGEMENT

In closing, I would like to acknowledge our finance team for their commitment, smart work and integrity in supporting the business to unlock further value. As key business partners across the value chain, our team is adding value by ensuring cost and capital discipline, while maintaining a high standard of governance, compliance and financial reporting.

**Bothwell Mazarura**  
**Chief Financial Officer**

13 March 2020



## SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

Rand million	31 December 2019	31 December 2018	
<b>ASSETS</b>			
Property, plant and equipment	38,953	37,723	
Right-of-use assets	482	—	1
Biological assets	17	3	
Investments held by environmental trust	652	621	2
Long term prepayments and other receivables	206	216	
Deferred tax assets	1	—	
Inventories	3,670	2,410	
<b>Non-current assets</b>	<b>43,981</b>	<b>40,973</b>	
Inventories	5,995	6,236	
Trade and other receivables	3,737	4,157	4
Contract assets	—	9	
Current tax assets	363	6	
Cash and cash equivalents	12,865	11,670	3
<b>Current assets</b>	<b>22,960</b>	<b>22,078</b>	
<b>Total assets</b>	<b>66,941</b>	<b>63,051</b>	
<b>EQUITY</b>			
Shareholders' equity	36,230	35,260	
Non-controlling interest	11,294	10,927	
<b>Total equity</b>	<b>47,524</b>	<b>46,187</b>	
<b>LIABILITIES</b>			
Lease liabilities	513	—	
Provisions	2,486	2,239	5, 6
Deferred tax liabilities	9,313	8,805	
<b>Non-current liabilities</b>	<b>12,312</b>	<b>11,044</b>	
Lease liabilities	29	—	1
Provisions	94	72	
Trade and other payables	6,676	5,460	4
Contract liabilities	306	288	
<b>Current liabilities</b>	<b>7,105</b>	<b>5,820</b>	
<b>Total liabilities</b>	<b>19,417</b>	<b>16,864</b>	
<b>Total equity and liabilities</b>	<b>66,941</b>	<b>63,051</b>	



### 1. FINANCIAL CAPITAL

In the past, the group only recognised lease assets and lease liabilities in relation to leases that were classified as "finance leases" under IAS 17. The assets would have been presented in property, plant and equipment and the liabilities as part of the group's borrowings. There were no financial leases at 31 December 2018, therefore no adjustments recognised on adoption of IFRS 16 on 1 January 2019.



### 2. NATURAL RESOURCES

These investments may only be utilised for the purposes of settling decommissioning and rehabilitation obligations.



### 3. FINANCIAL CAPITAL

Kumba ended 2019 with net cash of R12.3 billion.

Total debt facilities at year end amounted to R16.2 billion, all of which was undrawn at 31 December 2019.

Kumba replaced its R12 billion committed credit facility, maturing in February 2020, with an R8 billion credit facility that matures in 2024, and amended key financial covenants which allowed us to achieve better pricing and reduce the overall quantum of the facilities. The new covenants, which are balance sheet linked, recognise the cyclical nature of our business and provide better access to the facilities through the cycle. The group also had undrawn uncommitted facilities of R8.2 billion at 31 December 2019.

Kumba was not in breach of any of its financial covenants during the year.



### 4. MANUFACTURED ASSETS

The group's working capital position remained healthy, ensuring sufficient reserve to cover short term positions. Net working capital decreased by R2.0 billion from 31 December 2018 to R2.9 billion. This decrease is mainly due to a decrease in trade receivables, with the collection period improving to 14 days (2018: 23 days) and higher payables of R1.2 billion due to provisions and accruals. This was partially offset by higher inventories as finished stock increased to 6.4 Mt (2018: 5.3 Mt).



### 5. NATURAL RESOURCES

The total rehabilitation and decommissioning provision of the group was R2.5 billion at the end of 2019 (2018: R2.2 billion). The measurement of this provision is a key area where management's judgement is required. The closure provisions are updated at each balance sheet date for change in future cash flows and the discount rate. The LoM plan on which accounting estimates are based only included proved and probable ore reserves as disclosed in the ORMIR.



### 6. NATURAL RESOURCES

The group has issued financial guarantees in favour of the DMRE in respect of its environmental rehabilitation and decommissioning obligations to the value of R3.0 billion (2019: R2.9 billion).

As a result of the annual revision of closure costs, a shortfall of R363 million arose. Guarantees in respect of the shortfall will be issued in due course.

## SUMMARISED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended

Rand million	31 December 2019	31 December 2018	
Revenue	64,285	45,725	7
Operating expenses	(35,319)	(29,365)	8
Expected credit losses on financial assets	(155)	—	
<b>Operating profit</b>	<b>28,811</b>	<b>16,360</b>	9
Finance income	792	499	10
Finance costs	(351)	(179)	
Profit before taxation	29,252	16,680	
Taxation	(7,936)	(4,026)	11
<b>Profit for the year from continuing operations</b>	<b>21,316</b>	<b>12,654</b>	
<b>Discontinued operation</b>			
(Loss)/profit from discontinued operation	—	(59)	
<b>Profit for the year</b>	<b>21,316</b>	<b>12,595</b>	
<b>Attributable to:</b>			
Owners of Kumba	16,259	9,615	
Non-controlling interests	5,057	2,980	
	21,316	12,595	
<b>Basic earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)</b>			
From continuing operations	50.73	30.22	
From discontinued operation	—	(0.14)	
<b>Total basic earnings per share</b>	<b>50.73</b>	<b>30.08</b>	
<b>Diluted earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)</b>			
From continuing operations	50.58	30.01	
From discontinued operation	—	(0.14)	
<b>Total diluted earnings per share</b>	<b>50.58</b>	<b>29.87</b>	



### 7. NATURAL RESOURCES

The group's total revenue increased by 41%, mainly as a result of the 35% increase in the average realised iron ore export price to US\$97/tonne (2018: US\$72/tonne), offset by a 2% lower sales.



### 8. MANUFACTURED ASSETS

Operating expenditure (excluding royalties and impairment) of R33.0 billion increased with 16%, principally as a result of R3.1 billion higher operational costs and a R1.4 billion increase in logistics costs. The rise in operational cost are primarily attributable to R1.5 billion from the utilisation of WIP stock at Sishen and R1.3 billion higher maintenance cost of which R655 million related to unscheduled maintenance activities caused by equipment breakdowns. Cost increases were partially offset by cost savings of R920 million from operating efficiency improvements and overhead cost reductions.

Sishen's unit cash costs increased by 19% to R345/tonne (2018: R290/tonne). This was mainly as a result of higher WIP stock utilisation caused by mining feed constraints in the first half of 2019 and increased maintenance costs from breakdowns, partially offset by increased capitalisation of deferred stripping costs and R446 million of cost savings and operating efficiency improvements.

Kolomela's unit costs increased 9% to R270/tonne (2018: R248/tonne), owing to above-inflation mining input cost escalation from geological changes and lower production volumes. Similar to Sishen, this was partially offset by increased capitalisation of deferred stripping costs and cost savings of R170 million.



### 9. MANUFACTURED ASSETS AND NATURAL RESOURCES

Operating profit of R28.8 billion increased by 77% (2018: R16.3 billion), mainly due to the 35% increase in the average realised FOB export iron ore price to US\$97/tonne, resulting in market premia of R646 million and currency gains from a weaker Rand of R14.45/US\$ (2018: R13.24/US\$). Cost savings of R920 million mitigated higher mining and logistics costs, as well as the 2% decline in sales volumes.



### 10. FINANCIAL CAPITAL

Finance income relates to interest earned on short term deposits, finance costs were paid on finance leases and commitment fees.



### 11. TAXATION

The group's effective tax rate increased to 27% (2018: 24%)

## SEGMENT ANALYSIS

Rand million	Products <sup>1</sup>			Services			Total <sup>3</sup>
	Sishen	Kolomela	Thabazimbi	Logistics <sup>2</sup>	Shipping operations	Other	
<b>For the year ended 31 December 2019</b>							
Revenue from external customers	40,698	17,972	—	—	5,615	—	64,285
EBITDA	28,695	12,513	—	(6,500)	1	(1,337)	33,372
Depreciation	3,174	1,241	—	10	—	113	4,538
Staff costs	2,942	1,011	—	40	—	960	4,953
Impairment charge	23	—	—	—	—	—	23
<b>For the year ended 31 December 2018</b>							
Revenue from external customers	29,383	11,665	—	—	4,677	—	45,725
EBITDA	20,261	7,443	(63)	(6,184)	145	(1,036)	20,566
Depreciation	3,096	1,136	—	10	—	27	4,269
Staff costs	2,855	955	—	40	—	776	4,626

<sup>1</sup> Derived from extraction, production and selling of iron ore.

<sup>2</sup> No revenue is reported for this segment as its performance is viewed with reference to volumes railed and rail tariffs.

<sup>3</sup> The amounts in the total column are inclusive of the Thabazimbi amounts. These amounts are not included in each line item on the statement of profit and loss as Thabazimbi as a discontinued operation has been disclosed separately.



## SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended

Rand million	31 December 2019	31 December 2018
<b>Total equity at the beginning of the year</b>	<b>46,187</b>	45,546
<b>Adoption of IFRS 16 on 1 January 2019</b>	<b>(52)</b>	—
Retained earnings	(40)	—
Non-controlling interest	(12)	—
<b>Total restated equity at the beginning of the period</b>	<b>46,135</b>	45,546
<b>Changes in share capital and premium</b>		
Treasury shares issued to employees under employee share incentive schemes	412	73
Purchase of treasury shares <sup>1</sup>	(324)	(112)
<b>Changes in reserves</b>		
Equity-settled share-based payment	128	94
Vesting of shares under employee share incentive schemes	(412)	(73)
Total comprehensive income for the year	16,189	10,014
Dividends paid	(14,983)	(9,505)
<b>Changes in non-controlling interest</b>		
Total comprehensive income for the year	5,036	3,104
Dividends paid	(4,657)	(2,954)
<b>Total equity at the end of the year</b>	<b>47,524</b>	46,187
Comprising		
Share capital and premium (net of treasury shares)	(5)	(93)
Equity-settled share-based payment reserve	183	203
Foreign currency translation reserve	1,242	1,312
Retained earnings	34,810	33,838
<b>Shareholders' equity</b>	<b>36,230</b>	35,260
Non-controlling interest	11,294	10,927
<b>Total equity</b>	<b>47,524</b>	46,187
<b>Dividend (Rand per share)</b>		
Interim	30.79	14.51
Final <sup>2</sup>	15.99	15.73

<sup>1</sup> The average price paid for the purchase of shares was R408.27 per share (2018: R284.12).

<sup>2</sup> The final dividend was declared after 31 December 2019 and has not been recognised as a liability in these summarised financial statement. It will be recognised in shareholders' equity in 2020.



### 12. FINANCIAL CAPITAL

Total shares in issue were 322,085,974 and treasury shares held were 1,411,944 (2018: 2,565,164). All treasury shares are held as conditional awards under the Kumba bonus and retention share plan and the SIOC employee benefit scheme.

## SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended

Rand million	31 December 2019	31 December 2018
<b>Profit for the year</b>	<b>21,316</b>	12,595
<b>Other comprehensive income for the year</b>	<b>(91)</b>	523
Exchange differences on translation of foreign operations <sup>1</sup>	(91)	523
<b>Total comprehensive income for the year</b>	<b>21,225</b>	13,118
Attributable to:		
Owners of Kumba	16,189	10,014
Non-controlling interest	5,036	3,104
	<b>21,225</b>	13,118

<sup>1</sup> There is no tax attributable to items included in other comprehensive income and items subsequently reclassified to profit or loss.

The consolidated financial statements from which this extract was derived, have been prepared under the supervision of BA Mazarura CA(SA), Chief Financial Officer. The summarised financial statements are prepared in accordance with the requirements of the South African Companies Act No 71 of 2008 applicable to summary financial statements and minimum requirements of IAS 34 *Interim Financial Reporting*.

The summarised consolidated financial statements for the year ended 31 December 2019 are derived from the audited consolidated financial statements which Deloitte & Touche expressed an unmodified opinion thereon. A copy of the auditor's report together with the consolidated financial statements are available for inspection at the Company's registered office.

## SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended

Rand million	31 December 2019	31 December 2018
Cash generated from operations	34,657	18,906
Finance income received	781	513
Finance expense paid	(267)	(108)
Taxation paid	(7,781)	(4,077)
<b>Cash flows from operating activities</b>	<b>27,390</b>	<b>15,234</b>
Additions to property, plant and equipment	(5,603)	(4,463)
Proceeds from the disposal of property, plant and equipment	6	17
Increase in financial asset at fair value through profit or loss	(207)	—
<b>Cash flows utilised in investing activities</b>	<b>(5,804)</b>	<b>(4,446)</b>
Purchase of treasury shares	(324)	(112)
Dividends paid to owners of Kumba	(14,983)	(9,505)
Dividends paid to non-controlling shareholders	(4,657)	(2,954)
Payment of financial lease liabilities	(82)	—
<b>Cash flows utilised in financing activities</b>	<b>(20,046)</b>	<b>(12,571)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,540</b>	<b>(1,783)</b>
Cash and cash equivalents at beginning of year	11,670	13,874
Foreign currency exchange (losses)/gains on cash and cash equivalents	(345)	(421)
<b>Cash and cash equivalents at end of year</b>	<b>12,865</b>	<b>11,670</b>



### 13. FINANCIAL CAPITAL

The group's cash generated from operations increased 84% to R34.7 billion compared to R18.9 billion in 2018. The cash was used to pay income tax of R7.8 billion (2018: R4.1 billion), mineral royalties of R2.6 billion (2018: R1.0 billion). Dividends to shareholders totalling R19.6 billion (R15.0 billion to owners of Kumba and R4.7 billion to non-controlling shareholders) was paid out.

In 2019 R5.6 billion (2018: R4.5 billion) was spent on capital.



### 14. FINANCIAL CAPITAL

#### Contingent liabilities

As previously reported, on 29 June 2018, the South African Revenue Service (SARS) issued the group with additional income tax assessments relating to a tax audit on the deductibility of certain expenditure incurred, covering the 2012 to 2014 years of assessment. The group objected against these assessments after consultation with external tax and legal advisers. On 11 December 2018, SARS advised that it has disallowed the objection. On 21 February 2019, the group submitted an appeal against this outcome and is currently in discussions with SARS as part of the alternative dispute resolution (ADR) proceedings in an attempt to resolve the matter and as such, no further information which may prejudice the group's position on this matter has been disclosed.

Based on the external legal and tax advice obtained, the group believes that these matters have been appropriately treated in the results for the year ended 31 December 2019.

## HEADLINE EARNINGS

for the year ended

Rand million	31 December 2019	31 December 2018
<b>Reconciliation of headline earnings</b>		
Profit attributable to owners of Kumba	16,259	9,615
Impairment reversal	23	—
Net loss on disposal and scrapping of property, plant and equipment	66	86
Net loss on disposal of discontinued operations	—	18
	<b>16,348</b>	<b>9,719</b>
Taxation effect of adjustments	(23)	(23)
Non-controlling interest in adjustments	(16)	(19)
<b>Headline earnings</b>	<b>16,309</b>	<b>9,677</b>
<b>Headline earnings (Rand per share)</b>		
Basic	50.88	30.28
Diluted	50.73	30.06



# OPERATIONAL PERFORMANCE

## SISHEN

Challenging year, but improved safety performance, with recovery demonstrated in the second half of 2019

### ABOUT SISHEN

Sishen is our flagship operation, producing around 69% of our annual iron ore production. Located close to the town of Kathu in the Northern Cape province, the mine has been in operation since 1953 and is a large open-pit mine. All our mined ore is transported to the beneficiation plant where it is crushed, screened and beneficiated. We are the only haematite ore producer in the world to fully beneficiate its product, made possible through our dense medium separation (DMS) and jig technology. At year end, the mine had 4,370 permanent full-time employees and 4,306 full-time contractors.

### OUTLOOK

- LoM stripping ratio of ~3.4 over the LoM, to exceed 4.4 in 2020
- Waste performance anticipated to remain ~170 Mt to 180 Mt in 2020
- Reserve life decreased to 13 years (from 14 years in 2018), mainly attributable to annual production
- Unit costs expected to be between R355/tonne to R370/tonne for 2020
- Negotiations continuing with six remaining Dingleton households
- Gained access to two new prospective targets situated between Sishen and Kolomela

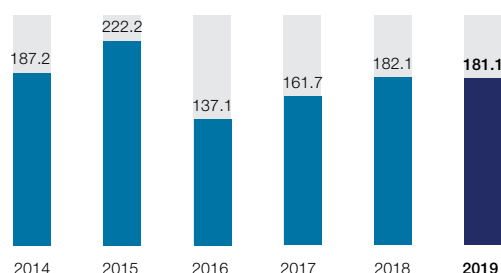
### SISHEN PERFORMANCE SUMMARY

We continue to implement the Anglo Operating Model throughout the business, and this is the foundation for shifting benchmark efficiencies closer to P101, a best-in-class industry benchmark, as part of driving operations to full potential. Sishen owner fleet efficiency increased from 65% in 2018 to 68% in 2019. While we were challenged on the 4100 shovels from an availability perspective, the 2800 shovel fleet continued to perform well throughout the year, with the overall equipment efficiency achieved already exceeding expected fleet performance planned for 2023. This gives us confidence that our efficiency improvement projects like payload, tempos and vehicle speeds are bearing fruit and will apply the lessons learned from the 2800 fleet to the remainder of the equipment to lift overall performance.

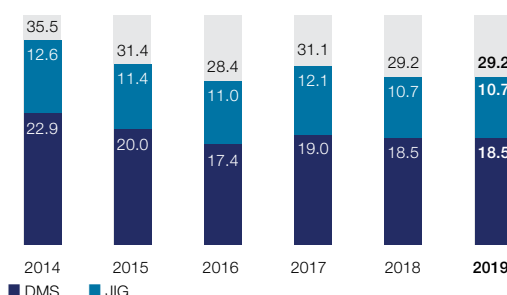
- ✓ A reduction in LTIs of 14% compared to 2018, with zero fatalities (2018: zero)
- ✓ Solid performance from 2800 shovel fleet
- ✓ R62.1 million investment in social and community projects, up from R48.7 million in 2018
- ✓ ISO 14001, ISO 9001, OHSAS 18001 certified
- Production of 29.2 Mt, in line with 2018 levels, in line with market guidance
- Waste removal of 181.1 Mt, down 1.0 Mt compared to 2018, impacted by unscheduled maintenance on primary moving equipment (4100 shovel fleet)
- Slight decrease in product quality from 64.6 Fe% in 2018 to 64.3 Fe% in 2019
- ✗ Unit costs of R345/tonne: R55/tonne higher than 2018, driven by higher WIP stock utilisation and increased maintenance costs from breakdowns, partially offset by increased capitalisation of deferred stripping costs, R446 million of cost savings and operating efficiency improvements

- ✓ Positive outcome
- Neutral outcome
- ✗ Negative outcome

### SISHEN WASTE (Mt)



### SISHEN PRODUCTION (Mt)





## KOLOMELA

Driving mining performance while targeting P101 benchmark efficiencies

### ABOUT KOLOMELA

Kolomela commenced production in 2011. Situated near the town of Postmasburg in the Northern Cape province, the mine produces lump ore with excellent physical strength that allows us to meet a niche market demand. The mine produces above the name-plate capacity of 9 Mtpa and with improved efficiencies will deliver ~14 Mtpa over its reserve life. Kolomela was the first mine to successfully introduce automated drilling technology in South Africa. At year end, the mine had 1,426 permanent full-time employees and 1,206 full-time contractors.

### OUTLOOK

- Waste mining is expected to be in the range of ~55 to 60 Mt in 2020
- Stripping ratio to exceed 4.0 in 2020, with LoM stripping ratio of ~3.8
- Reserve life of 12 years, mainly attributable to annual production
- Expected production for 2020 is ~ 13 Mt
- Unit costs expected to be between R280/tonne to R290/tonne for 2020
- Drilling programme for the exploration phase at Ploegfontein 65% completed

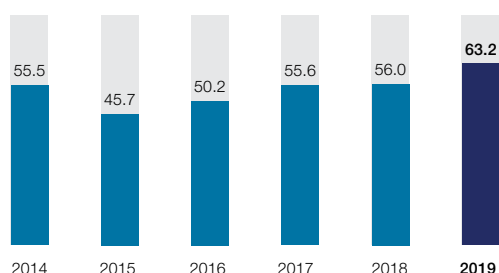
### KOLOMELA PERFORMANCE SUMMARY

This year, our efficiency improvement projects were aimed at increasing truck cycle-time and payloads, through our truck exchange programme, payload management and smart roads. These have yielded positive results, with good progress seen in our truck direct operating hours (DOH), payloads and shovel tempo. Improved owner fleet efficiency increased to 67% (2018: 66%), the main contributors were the temporary benefit of shorter cycle times to exploit an in-pit dumping opportunity in the main Leeuwfontein pit and the uplift in truck DOH from 14.5 to 16.1 hours following the implementation of a revised shift system.

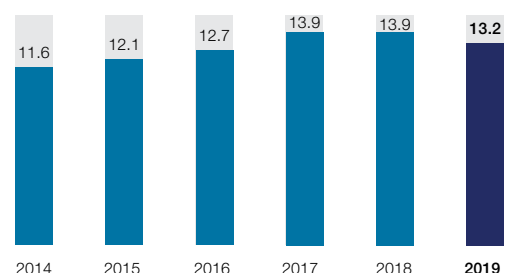
- ✓ A substantial reduction in LTIs of 40%, compared to 2018, with zero fatalities (2018: zero)
- ✓ Waste volumes of 63.2 Mt, 7.2 Mt higher than 2018 levels, due to improved owner fleet efficiency, with stripping ratio of 4.0
- ✓ R53.5 million investment in social and community projects up from R47.1 million in 2018
- ✓ ISO 14001, ISO 9001 certified; OHSAS 18001 compliant
- Slight decrease in product quality to 64.1 Fe% in 2019 compared to 64.3 Fe% in 2018
- ✗ Production of 13.2 Mt, a 5% reduction from 2018, due to the temporary closure of the DMS plant for an infrastructure and technology upgrade in the first quarter. In line with our flexible production plan, the closure was partly mitigated by a step-up in the direct shipping ore production underpinned by improved DOH and tempos through the plant
- ✗ Unit costs of R270/tonne were R22/tonne higher than 2018, owing to above-inflation mining input cost escalation through geological changes and lower production volumes. Similar to Sishen, this was partially offset by increased capitalisation of deferred stripping costs and cost savings of R170 million

- ✓ Positive outcome
- Neutral outcome
- ✗ Negative outcome

KOLOMELA WASTE  
(Mt)



KOLOMELA PRODUCTION  
(Mt)





# OPERATIONAL PERFORMANCE CONTINUED

## SALDANHA BAY RAIL AND PORT

Rail performance significantly improved, continued collaboration with Transnet

### ABOUT SALDANHA BAY RAIL AND PORT

Located in Saldanha Bay in the Western Cape province, the Saldanha Bay port is owned and operated by Transnet, a state-owned entity. The port is connected to Sishen and Kolomela by Transnet's Sishen/Kolomela-Saldanha iron ore export channel (IOEC) railway line. Iron ore is exported from the port to markets in the Asia-Pacific, Europe and the Middle East and North Africa.

Continued focus on improved blending strategies, striving to further improve the quality consistency of our products. Closely monitoring performance delivery through a joint executive steering committee with Transnet.

### OUTLOOK

- Total sales are expected to be between 42 Mt and 43 Mt in 2020, due to lower domestic sales volumes of around 1 Mt from the winding down of ArcelorMittal SA's operations at Saldanha Steel and elevated opening stock levels, given the closing finished stock level of 6.4 Mt for 2019
- Market uncertainty around the potential implications of the coronavirus for China and the commodity industry are weakening confidence and affecting commodity markets. Kumba is cautious about the short term outlook, but remains positive about the outlook for the industry in the long run
- The refurbishment of the ship loading equipment by Transnet will take place in the second half of 2020 at the Saldanha port
- Kumba continues to collaborate with Transnet to improve the operational efficiency and ensure that rail and port capacity is optimised

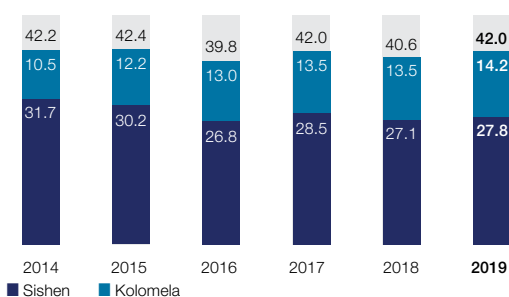
### SALDANHA BAY AND PORT PERFORMANCE SUMMARY

- ✓ 42.0 Mt railed to Saldanha Bay port, increase of 1.4 Mt on 2018 due to optimising the loading of the trains and reducing variability of the loads, as well as improving turnaround times at our load out stations at the mines
- ✓ Improved working relationship and collaboration with Transnet
- 40.0 Mt shipped from Saldanha port, in line with 2018
- Export sales of 40.0 Mt, in line with 2018
- ✗ High finished product stock of 6.4 Mt at the end of 2019 compared to 5.3 Mt in 2018

- ✓ Positive outcome
- Neutral outcome
- ✗ Negative outcome

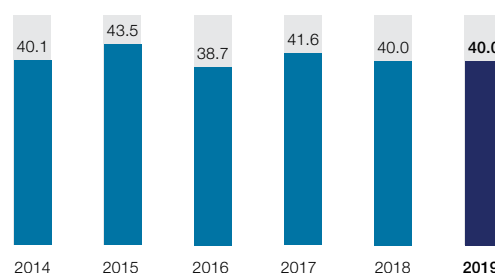
### VOLUMES RAILED

(Mt)



### VOLUMES SHIPPED

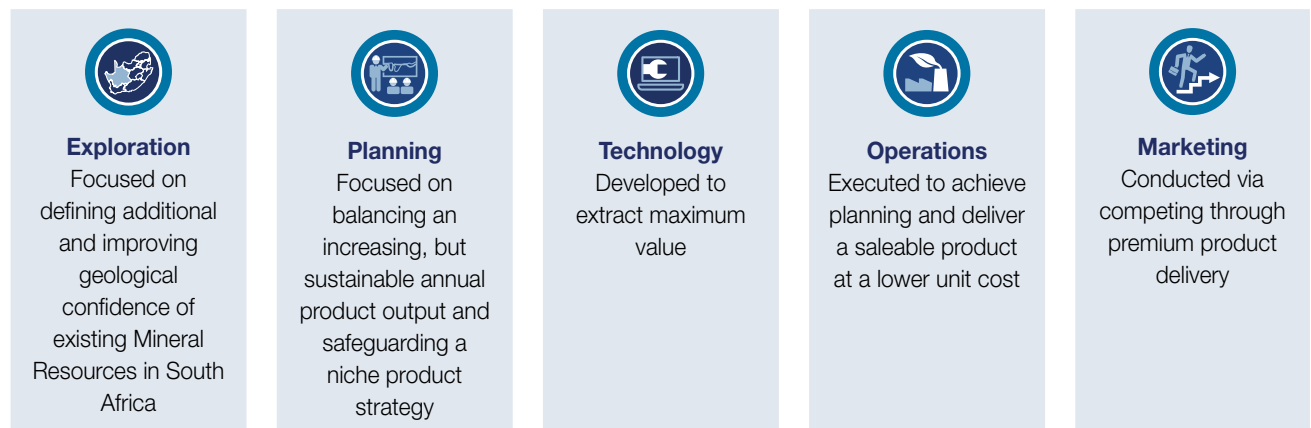
(Mt)



# ORE RESERVES (AND SALEABLE PRODUCT) AND MINERAL RESOURCES

KUMBA'S ABILITY TO CREATE VALUE FOR ALL ITS STAKEHOLDERS IS DEPENDENT ON ITS KEY NATURAL RESOURCES AND THE CONTINUOUS IMPROVEMENT OF ITS ABILITY TO MINE AND BENEFICIATE THESE RESOURCES AT ITS SISHEN AND KOLOMELA MINING OPERATIONS TO EXTRACT NICHE IRON ORE SALEABLE PRODUCT. AS AT 31 DECEMBER 2019, THE COMPANY'S REPORTABLE MINERAL ENDOWMENT STATUS IS SUMMARISED AS FOLLOWS:

Kumba's mineral endowment (all South African based) forms the foundation of its business with the following key focus areas in place to sustainably extract value over the Company's combined mine life:



SALEABLE PRODUCT – CURRENT VALUE	ORE RESERVES (INCLUSIVE OF SALEABLE PRODUCT) – CURRENT VALUE	EXCLUSIVE MINERAL RESOURCES (IN ADDITION TO ORE RESERVES) – POTENTIAL FUTURE VALUE
KOLOMELA: 163.0 Mt at 64.3% average Fe	KOLOMELA: 172.4 Mt at 63.1% average Fe (against 50% Fe cut-off grade)	KOLOMELA: 150.0 Mt at 62.6% average Fe (against 50% Fe cut-off grade)
SISHEN: 387.7 Mt at 63.9% average Fe	SISHEN: 519.4 Mt at 57.6% average Fe (against 40% Fe cut-off grade)	SISHEN: 420.3 Mt at 54.6% average Fe (against 40% Fe cut-off grade)
TOTAL: 550.7 Mt at 64.0% average Fe	TOTAL: 691.7 Mt at 59.0% average Fe	ZANDRIVIERSPOORT PROJECT: 0 Mt
KUMBA SALEABLE PRODUCT REDUCED BY 7% TO 44.1 MT	TOTAL KUMBA ORE RESERVE COMPARED TO 2018 REDUCED BY 6% TO 41.1 MT	TOTAL: 570.3 Mt at 56.6% average Fe
		OVERALL, THE EXCLUSIVE MINERAL RESOURCE BASE SHOWED A MATERIAL DECREASE OF 46% (490.7 MT) YEAR-ON-YEAR, LARGELY DUE TO EXCLUDING THE ZANDRIVIERSPOORT PROJECT

This statement is an abridged version of the more comprehensive Kumba Iron Ore 2019 Ore Reserve (and Saleable Product) and Mineral Resource Report, which can be accessed at: <https://www.angloamericankumba.com/investors/annual-reporting/reports-archive/2019>.



# ORE RESERVES (AND SALEABLE PRODUCT) AND MINERAL RESOURCES CONTINUED

## INTRODUCTION

The 2019 Kumba Saleable Product, Ore Reserves and Mineral Resources estimated at 31 December 2019 as stated in this report, is an abridged version of the online Ore Reserve (and Saleable Product) and Mineral Resource Report, which in turn is a condensed version of the full 2019 in-house Kumba Resource and Reserve Statement and Audit Committee Report, derived from detailed site-specific Reserve and Resource Statements; these are structured to address all aspects listed in the SAMREC Table 1 checklist of reporting and assessment criteria as per the SAMREC Code (2016 Edition).

## SALIENT FEATURES

Reflecting on progress in 2019, the reserve and resource drive to support the Kumba full potential business transformation programme (Tswelelopele programme) remained on track.

- **Horizon 1:** significantly improve the Company's income margin through achieving benchmark productivities, maximising our resource utilisation (increasing yield and lump:fine ratio), cost control and obtaining the maximum price for our superior iron ore products.

*2019 progress – through a focused pit optimisation project, the overall stripping ratio at Kolomela was reduced from 4.1 to 3.8 by targeting and optimising high stripping ratio pushbacks. In total 54 Mt of waste was removed from the LoM at the expense of only 3 Mt of ore (stripping ratio of 10:1).*

- **Horizon 2:** grow and sustain our core business which is the mining and beneficiation of high-grade ore bodies in the Northern Cape province of the Republic of South Africa. The focus in this horizon is extending our life-of-mine through incorporating the operational improvements realised in Horizon 1, development of low-grade beneficiation technologies and exploration in the Northern Cape.

*2019 progress – the feasibility study of the Sishen ultra-high dense media separation (UHDS) project has been postponed for completion from 2019 to 2020 due to the re-evaluation of the project to operate within a 100% rail constraint and the resultant capital optimisation process. The project focus moved from producing an additional 2 Mtpa to further increasing the Sishen product quality and realising value through exploiting the market premia as well as extending the life-of-mine.*

*On the exploration front, Sishen Iron Ore Company Proprietary Limited (SIOC)\* secured access to explore neighbouring properties close to Kolomela through an option agreement with the current title holders. If the properties are prospective, and meet our expected criteria, we will have the right to take up 70% of the ownership in the assets.*

- **Replenishing Ore Reserves (and Saleable Product) without compromising income margins and safety:** Kumba's ambition, set in 2018, was to extend our life-of-mines to 20 years through efficiency improvements, resource utilisation and exploration. At that stage ~390 Mt of exclusive Mineral

Resources was targeted for conversion in the near term (2018 to 2022) to ore reserves thereby extending the life-of-mines.

*In line with this strategy we have successfully increased the ore reserve by 124.9 Mt (before depletion) since 2018 as follows:*

- +112.1 Mt in 2018 (before depletion); and
- +12.8 Mt in 2019 (before depletion), as a result of improved resource to reserve conversion.

The following year-on-year movements are highlighted:

- **Saleable Product** decreased by 7% (-44.1 Mt) year-on-year, primarily as a result of annual production.
- **Ore Reserves** decreased by 6% (-41.1 Mt) year-on-year, mainly due to annual production.
- **Mineral Resources** realised a material 46% (-490.7 Mt) decrease from 2018 to 2019, mainly due to the removal of the Zandriverspoort project (ZRP) Mineral Resources (419.1 Mt) from the Kumba resource portfolio as the prospecting right, held by SIOC, expires in 2020. The ZRP project is a 50:50 joint venture between SIOC and ArcelorMittal SA. SIOC and ArcelorMittal SA are still in discussions regarding the future of the project.

Other salient features of the 2019 Reserve and Resource statement:

- **The Saleable Product contaminant grades** – an optimisation of the plant feed scheduling strategy, implemented in the 2019 life-of-mine plans has improved scheduled Saleable Product contaminant grades; there are, however, still periods where some of the contaminant grades slightly exceed the current Client product grade specifications. This remains an area of focus for 2020.
- **Finalisation of mining right amendments** – various executed mining right amendments were registered at the Mineral and Petroleum Titles Office: Pretoria in 2019 with all the SIOC amended mining rights now being fully registered.

\* Sishen Iron Ore Company Proprietary Limited (SIOC), the mining right holding company, is 76.3% owned by Kumba Iron Ore.

## SALEABLE PRODUCT

### 2019 SALEABLE PRODUCT STATEMENT (REFERENCED AGAINST 2018)

The reporting format has been changed to distinguish between Saleable Product, where plant feed originates from the pit versus plant feed originating from run-of-mine buffer stockpiles.

Saleable Product figures listed represent the planned beneficiated product derived only from Proved and Probable Ore Reserves as per the 2019 life-of-mine plans and excludes beneficiated Inferred Mineral Resources.

Operation/project	Saleable Product category	2019	2018	2019		2018			
		Yield (%)	Yield (%)	Tonnage (Mt)	Average Grade (% Fe)	Tonnage (Mt)	Average Grade (% Fe)		
MINING OPERATIONS									
Kolomela <sup>1, 2, 3, 4</sup>									
Saleable Product (from pit)	Proved	94.6	95.2	101.3	64.4	Not separately tabled in 2018			
	Probable			54.3	64.2				
	Sub-total			155.5	64.3				
Saleable Product (from run-of-mine buffer stockpiles)	Proved			0.0	0.0	Not separately tabled in 2018			
	Probable			7.5	64.5				
	Sub-total			7.5	64.5				
Total Saleable Product	Proved					101.3	64.4	114.8	64.6
	Probable					61.8	64.2	64.3	64.6
	Total					163.0	64.3	179.1	64.6
Sishen <sup>1, 2, 3, 4</sup>									
Saleable Product (from pit)	Proved	74.6	76.3	229.7	63.7	Not separately tabled in 2018			
	Probable			148.5	64.2				
	Sub-total			378.1	63.9				
Saleable Product (from run-of-mine buffer stockpiles)	Proved			0.0	0.0	Not separately tabled in 2018			
	Probable			9.5	64.6				
	Sub-total			9.5	64.6				
Total Saleable Product	Proved					229.7	63.7	248.4	64.8
	Probable					158.0	64.2	167.2	63.9
	Total					387.7	63.9	415.6	64.4
COMPANY									
Kumba									
Grand total Saleable Product	Proved	79.6	81.2	330.9	63.9	363.3	64.7		
	Probable			219.7	64.2	231.5	64.1		
	Grand total			550.7	64.0	594.8	64.5		

<sup>1</sup> Operational status – Steady-state.

<sup>2</sup> Mining method – Open-pit.

<sup>3</sup> Ore type – Haematite iron ore.

<sup>4</sup> Owned by Kumba Iron Ore Limited – 76.3%; owned by Sishen Iron Ore Company Proprietary Limited – 100%.

#### Kolomela's Saleable Product decreased by 16.1 Mt (-9%) from 2018 to 2019.

The overall decrease in the remaining Saleable Product is primarily due to production, with a smaller contribution as a result of a refined dilution (less dilution) determination methodology as well as a revised mine design of the Kapstevl North pit (one of three actively mined pits at Kolomela). These were partially offset by a higher medium-grade resource to reserve and subsequent Saleable Product conversion rate when comparing the 2019 LoM plan with the 2018 LoM plan.

#### Sishen's Saleable Product decreased by 28.0 Mt (-7%) year-on-year.

The net annual decrease is mainly due to annual production.

The Sishen products are co-stockpiled with the Kolomela products at the Saldanha export harbour to deliver to the following Saleable Products:

- Premium Lump @ 65.2% Fe
- Premium 20mm Lump @ 64.0% Fe
- Standard Fines @ 63.5% Fe



# ORE RESERVES (AND SALEABLE PRODUCT) AND MINERAL RESOURCES CONTINUED

## ORE RESERVES

### 2019 ORE RESERVE STATEMENT (REFERENCED AGAINST 2018)

The reporting format has been changed to distinguish between Ore Reserves scheduled from the pit and from existing run-of-mine buffer stockpiles.

Ore Reserve figures listed represent the planned (scheduled) run-of-mine derived through modification of Measured and Indicated Mineral Resources only as per the 2019 life-of-mine plans and excludes modified Inferred Mineral Resources.

Operation/project	Reserve category	2019			2018								
		Tonnage (Mt)	Grade (%Fe) Average	Cut-off	Reserve life (years)	Tonnage (Mt)	Grade (%Fe) Average	Cut-off	Reserve life (years)				
MINING OPERATIONS													
Kolomela <sup>1, 2, 3, 4</sup>													
Ore Reserves (from pit)	Proved	103.9	63.5	50.0	12	Not separately tabled in 2018							
	Probable	55.4	64.0										
	Sub-total	159.3	63.7										
Ore Reserves (from run-of-mine buffer stockpiles)	Proved	0.0	0.0			Not separately tabled in 2018							
	Probable	13.1	55.4										
	Sub-total	13.1	55.4			50.0	14						
Total Ore Reserves	Proved	103.9	63.5			117.964.3							
	Probable	68.5	62.4					70.463.2					
	Total	172.4	63.1							188.263.9			
Sishen <sup>1, 2, 3, 4</sup>													
Ore Reserves (from pit)	Proved	299.8	58.5	40.0	13	Not separately tabled in 2018							
	Probable	207.3	56.2										
	Sub-total	507.1	57.6										
Ore Reserves (from run-of-mine buffer stockpiles)	Proved	0.0	0.0			Not separately tabled in 2018							
	Probable	12.2	58.7										
	Sub-total	12.2	58.7			40.0	14						
Total Ore Reserves	Proved	299.8	58.5			323.058.7							
	Probable	219.5	56.3					221.355.6					
	Total	519.4	57.6							544.657.5			
COMPANY													
Kumba													
Grand total	Proved	403.7	59.8	440.960.2									
	Probable	288.0	57.8			291.957.5							
Ore Reserves	Grand total	691.7	59.0	732.959.1									

<sup>1</sup> Operational status – Steady-state.

<sup>2</sup> Mining method – Open-pit.

<sup>3</sup> Ore type – Haematite iron ore (including run-of-mine stockpiles).

<sup>4</sup> Owned by Kumba Iron Ore Limited – 76.3%; owned by Sishen Iron Ore Company Proprietary Limited – 100%.

#### Kolomela realised a year-on-year net decrease in Ore Reserves of 15.8 Mt (-8%).

The overall decrease in Ore Reserves is primarily a result of annual production with smaller contributions as a result of a refined dilution (less dilution) determination methodology as well as a revised mine design of the Kapstevl North pit (one of three actively mined pits at Kolomela). These were partially offset by an improved resource to reserve conversion rate when comparing the 2019 LoM plan with the 2018 LoM plan.

For Kolomela mine a 12-year remaining reserve life (13-year mine life), at an average 13.6 Mtpa Saleable Product output for 12 of the 12 years of reserve life has been quoted in 2019. The reserve life is one year less than the mine life as the reserve life definition as applied by Kumba requires that Proved and Probable Ore Reserves estimated per year should make up >25% of the average annual run-of-mine of the long term production schedule. The reserve life is derived from an average 14.4 Mtpa plant feed, which includes 2% modified Inferred run-of-mine ore.

To define the risk of having low confidence modified Inferred Mineral Resources in the LoM plan, Kolomela valued a long term mine plan scheduling scenario excluding the modified Inferred Mineral Resources. The plan remained economically viable, although at a 4% lower net present value (at 8% real discount rate).

#### Sishen's Ore Reserves decreased by 25.3 Mt (-5%) year-on-year.

Most of the annual decrease can be attributed to annual production, partially offset by a higher resource to reserve conversion rate when comparing the 2019 LoM plan to the 2018 LoM plan.

For Sishen mine, a 13-year reserve life (13-year mine life) at an average 31.1 Mtpa Saleable Product output for 12 of the 13 years of reserve life (ramp-down in last year) has been quoted in 2019. It is derived from an average 41.8 Mtpa plant feed, which includes 2% modified Inferred run-of-mine ore.

To define the risk of having low confidence modified Inferred Mineral Resources in the LoM plan, Sishen valued a long term mine plan scheduling scenario excluding the modified Inferred Mineral Resources. The plan remained economically viable, although at a 3% lower net present value (at 8% real discount).



## MINERAL RESOURCES

### 2019 EXCLUSIVE MINERAL RESOURCE STATEMENT (REFERENCED AGAINST 2018)

The reporting format has been changed to distinguish between in situ and long term stockpiled Mineral Resources.

The Mineral Resources are reported in addition to Ore Reserves. Kumba's 2019 Mineral Resources are not an inventory of all mineral occurrences drilled or sampled regardless of cut-off grade, likely dimensions, location, depth or continuity. Instead they are a realistic record of those, which under assumed and justifiable technical and economic conditions, may be economically extractable in future.

Operation/project	Resource category	2019				2018			
		Average Grade				Average Grade			
		Tonnage (Mt)	(%Fe)	(%Fe <sub>3</sub> O <sub>4</sub> )	Cut-off Grade (% Fe)	Tonnage (Mt)	(%Fe)	(%Fe <sub>3</sub> O <sub>4</sub> )	Cut-off Grade (% Fe)
MINING OPERATIONS									
Kolomela <sup>1, \$</sup>									
In situ Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	34.1	63.2	Not applicable	50.0	Not separately tabled in 2018	Not applicable	50.0	
	Indicated (outside LoMP)	77.9	62.4						
	Total Measured and Indicated (outside LoMP)	112.0	62.6						
	Inferred (considered in LoMP)	4.5	66.1						
	Inferred (outside LoMP)	29.3	62.7						
	Total Inferred	33.7	63.2						
	Sub-total	145.7	62.7						
Long term Stockpiled Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	0.0	0.0						
	Indicated (outside LoMP)	4.2	55.7						
	Measured and Indicated (outside LoMP)	4.2	55.7						
	Inferred (considered in LoMP)	0.0	0.0						
	Inferred (outside LoMP)	0.0	0.0						
	Total Inferred	0.0	0.0						
	Sub-total	4.2	55.7						
Total Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	34.1	63.2						
	Indicated (outside LoMP)	82.1	62.1						
	Measured and Indicated (outside LoMP)	116.2	62.4						
	Inferred (considered in LoMP)	4.5	66.1						
	Inferred (outside LoMP)	29.3	62.7						
	Total Inferred	33.7	63.2						
	Total	150.0	62.6						
						36.4	63.2		
						96.1	61.8		
						132.5	62.1		
						5.3	64.7		
						33.8	62.5		
						39.1	62.8		
						171.6	62.3		



# ORE RESERVES (AND SALEABLE PRODUCT) AND MINERAL RESOURCES CONTINUED

Operation/project	Resource category	2019				2018			
		Average Grade				Average Grade			
		Tonnage (Mt)	(%Fe)	(%Fe <sub>3</sub> O <sub>4</sub> )	Cut-off Grade (% Fe)	Tonnage (Mt)	(%Fe)	(%Fe <sub>3</sub> O <sub>4</sub> )	Cut-off Grade (% Fe)
MINING OPERATIONS									
Sishen <sup>2, §</sup>									
In situ Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	107.3	56.4	Not applicable	40.0	Not separately tabled in 2018		Not applicable	40.0
	Indicated (outside LoMP)	266.3	54.8						
	Measured and Indicated (outside LoMP)	373.7	55.3						
	Inferred (considered in LoMP)	11.0	57.1						
	Inferred (outside LoMP)	13.4	48.2						
	Total Inferred	24.5	52.2						
	Sub-total	398.1	55.1						
Long term Stockpiled Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	0.0	0.0			Not separately tabled in 2018		Not applicable	40.0
	Indicated (outside LoMP)	22.2	43.9						
	Measured and Indicated (outside LoMP)	22.2	43.9						
	Inferred (considered in LoMP)	0.0	0.0						
	Inferred (outside LoMP)	0.0	0.0						
	Total Inferred	0.0	0.0						
	Sub-total	22.2	43.9						
Total Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	107.3	56.4			113.7	56.3	40.0	
	Indicated (outside LoMP)	288.5	54.0			325.2	53.4		
	Measured and Indicated (outside LoMP)	395.8	54.7			438.9	54.2		
	Inferred (considered in LoMP)	11.0	57.1			11.8	57.2		
	Inferred (outside LoMP)	13.4	48.2			19.6	47.9		
	Total Inferred	24.5	52.2			31.4	51.4		
	Total	420.3	54.6			470.3	54.0		
KUMBA – MINING OPERATIONS									
Operations’ Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	141.4	58.0	150.1	58.0				
	Indicated (outside LoMP)	370.6	55.3	421.3	55.3				
	Measured and Indicated (outside LoMP)	512.1	56.4	571.4	56.0				
	Inferred (considered in LoMP)	15.5	59.7	17.2	59.5				
	Inferred (outside LoMP)	42.7	58.1	53.3	57.2				
	Total Inferred	58.2	58.5	70.5	57.7				
	Total	570.3	56.6	641.9	56.2				

<sup>§</sup> Ore type: Haematite; owned by Kumba Iron Ore Ltd: 76.3%; owned by Sishen Iron Ore Company: 100%.

## 1 Kolomela quotes a 21.6 Mt (-13%) decrease in exclusive Mineral Resources from 2018 to 2019.

The overall decrease is primarily the result of the application of updated long term economic assumptions resulting in smaller resource shells defining reasonable prospects for eventual economic extraction.

Of the 29.3 Mt Inferred Mineral Resources (outside the LoM plan), 19.8 Mt is extrapolated.

## 2 The Sishen exclusive Mineral Resources showed a material 11% decrease of 50.0 Mt year-on-year.

The material year-on-year decrease is mainly due to the re-categorisation of a portion of the low-grade Mineral Resource (informing the Sishen UHDMS Project) as ore not having reasonable prospects for eventual economic extraction. This re-categorisation does not impact the business case of the Sishen UHDMS project as the Mineral Resources in question were not considered for conversion to Ore Reserves in the pre-feasibility and the latest feasibility study.

Of the 13.4 Mt Inferred Mineral Resources (outside the LoM plan), 1.0 Mt is extrapolated.

## 2019 EXCLUSIVE MINERAL RESOURCES STATEMENT (REFERENCED AGAINST 2018) continued

Operation/project	Resource category	2019				2018			
		Average Grade				Average Grade			
		Tonnage (Mt)	(%Fe)	(%Fe <sub>3</sub> O <sub>4</sub> )	Cut-off Grade (% Fe)	Tonnage (Mt)	(%Fe)	(%Fe <sub>3</sub> O <sub>4</sub> )	Cut-off Grade (% Fe)
PROJECTS									
Zandrivierspoort <sup>3, #</sup>									
In situ Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	0.0	0.0	0.0		95.1	35.5	41.4	20.2
	Indicated (outside LoMP)	0.0	0.0	0.0		178.8	35.5	39.9	
	Measured and Indicated (outside LoMP)	0.0	0.0	0.0		273.9	35.5	40.5	
	Inferred (considered in LoMP)	0.0	0.0	0.0		0.0	0.0	0.0	
	Inferred (outside LoMP)	0.0	0.0	0.0		145.2	35.2	37.6	
	Total Inferred	0.0	0.0	0.0		145.2	35.2	37.6	
	Sub-total	0.0	0.0	0.0		419.1	35.4	39.5	
COMPANY									
Kumba									
Mineral Resources (in addition to Ore Reserves)	Measured (outside LoMP)	141.4	58.0			245.2	49.2		
	Indicated (outside LoMP)	370.6	55.8			600.1	49.4		
	Measured and Indicated (outside LoMP)	512.1	56.4			845.3	49.4		
	Inferred (considered in LoMP)	15.5	59.7			17.2	59.5		
	Inferred (outside LoMP)	42.7	58.1			198.5	41.1		
	Total Inferred	58.2	58.5			215.7	42.5		
	Grand total	570.3	56.6			1,061.0	48.0		

<sup>#</sup> Ore type: Magnetite (and Haematite); owned by Kumba Iron Ore Ltd: 38.2%; owned by Sishen Iron Ore Company Proprietary Limited: 50%.

### 3 The Zandrivierspoort project exclusive Mineral Resources decreased by 419.1 Mt (-100%) from 2018 to 2019.

The SIOC-ArcelorMittal SA 50:50 joint venture Zandrivierspoort project's exclusive Mineral Resource of 419.1 Mt as declared in 2018 has been removed from the Kumba Mineral Resource portfolio in 2019 since security of tenure (renewed prospecting right) expires on 21 March 2020.

The Zandrivierspoort project is managed by the Polokwane Iron Ore Company Proprietary Limited (PIOC), a 50:50 joint venture between SIOC and ArcelorMittal SA. The partners are still in discussion about the future of the project.



# OUR LEADERSHIP

## BOARD

### Dr Mandla Gantsho (57)

Chairperson, independent non-executive director



PhD, MPhil, MSc, BCom (Hons), CA(SA)

Joined the Board on 1 August 2017

#### VALUE ADDED TO THE BOARD:

Strategic leadership, governance and financial acumen

### Themba Mkhwanazi (49)

Chief Executive and member of Exco



BEng (Chemical), BEng (Hons)

Joined the Board on 1 September 2016

#### VALUE ADDED TO THE BOARD:

Represents Kumba at Anglo American plc group management committee (GMC)

### Bothwell Mazarura (46)

Chief Financial Officer and member of Exco



BCompt (Hons), CA(SA), ACA, CA(Z)

Joined the Board on 1 September 2017

#### VALUE ADDED TO THE BOARD:

Governance, financial acumen and leadership

### Buyelwa Sonjica (69)

Independent non-executive director



BA, BA (Hons)

Joined the Board on 1 June 2012

#### VALUE ADDED TO THE BOARD:

Transformation best practice, stakeholder engagement and sustainability best practice

### Terence Goodlace (60)

Lead independent non-executive director



BCom, MBA, HND (Metalliferous mining)

Joined the Board on 24 March 2017

#### VALUE ADDED TO THE BOARD:

Mining strategy and operational experience, occupational safety, health and risk management

### Sango Ntsaluba (59)

Independent non-executive director



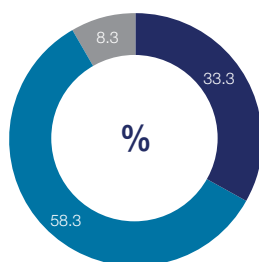
BCompt (Hons), MComm (Dev Fin), HDip in Tax law, CA(SA)

Joined the Board on 5 June 2017

#### VALUE ADDED TO THE BOARD:

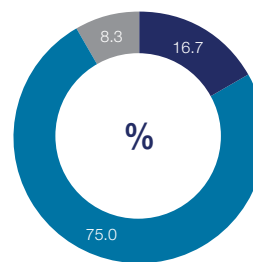
Governance, financial acumen and tax expertise

## BOARD DIVERSITY – AGE



■ <50 years  
■ 50 to 60 years  
■ >60 years

## BOARD DIVERSITY – TENURE



■ 1 year  
■ 2 to 5 years  
■ 6 years and longer

**Mary Bomela (46)**  
Independent non-executive director



BCom (Hons), CA(SA), MBA

**Joined the Board on 1 December 2017**

**VALUE ADDED TO THE BOARD:**

Strategy, financial acumen and governance

**Michelle Jenkins (59)**  
Independent non-executive director



BSc Geology (Hons), BAcc (Hons), CA(SA)

**Joined the Board on 1 November 2019**

**VALUE ADDED TO THE BOARD:**

Resource industry risk management and strategic leadership

**Ntombi Langa-Royds (57)**  
Independent non-executive director



BA (Law), LLB

**Joined the Board on 1 December 2017**

**VALUE ADDED TO THE BOARD:**

Human resources, legal and regulatory competence and governance

**Seamus French (57)**  
Non-executive director



BEng (Chemical)

**Joined the Board on 24 March 2017**

**VALUE ADDED TO THE BOARD:**

Mining and technical expertise, commercial and business acumen and strategic leadership

**Duncan Wanblad (52)**  
Non-executive director



BSc (Eng) Mech, GDE (Eng Management)

**Joined the Board on 31 May 2019**

**VALUE ADDED TO THE BOARD:**

Mining expertise, business development and strategic leadership

**Nonkululeko Dlamini (46)**  
Non-executive director



BCom (Accounting), CA(SA)

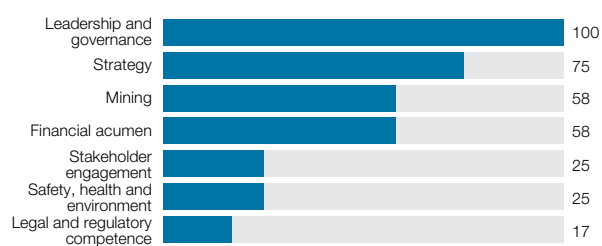
**Joined the Board on 1 November 2016**

**VALUE ADDED TO THE BOARD:**

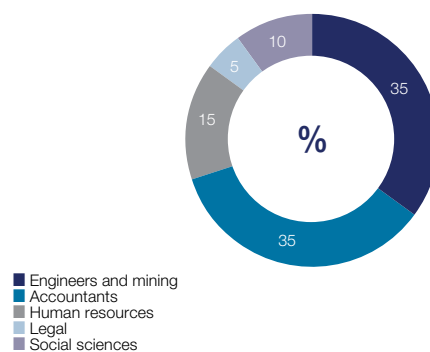
Financial acumen and governance

For more information on the Board refer to:  
[www.angloamericankumba.com/about-us/leadership-team/internal-board](http://www.angloamericankumba.com/about-us/leadership-team/internal-board)

**BOARD DIVERSITY – SKILLS AND EXPERIENCE**  
[%]



**BOARD DIVERSITY – FIELD OF KNOWLEDGE**



# OUR LEADERSHIP CONTINUED

## EXECUTIVE COMMITTEE (EXCO)

**Darrin Strange (51)**  
Chief Operating Officer



BSc, Mineral Science (Extractive Metallurgy)

**Joined Exco on 1 April 2018**

### VALUE ADDED TO EXCO:

Operational, mining and engineering expertise

**Yvonne Mfolo (52)**  
Executive head of public affairs



BA (Communications), Advanced Journalism Certificate

**Joined Exco on 1 August 2011**

### VALUE ADDED TO EXCO:

Public affairs, community relations, stakeholder management and regulatory competence

**Virginia Tyobeka (53)**  
Executive head of human resources



BAdmin, BAdmin (Hons), MAP

**Joined Exco on 4 January 2010**

### VALUE ADDED TO EXCO:

Human resources, industrial relations and stakeholder management

**Philip Fourie (57)**  
Executive head of safety and sustainable development



BTech (Safety Management), MBA

**Joined Exco on 1 May 2017**

### VALUE ADDED TO EXCO:

Health and safety management, environmental management and regulatory knowledge

**Glen Mc Gavigan (43)**  
Executive head of technical and projects



BSc (Geology), MEng (Mining), GDE (Rock Engineering), PrSciNat

**Joined Exco on 1 August 2016**

### VALUE ADDED TO EXCO:

Technical expertise, engineering and mining

**Timo Smit (51)**  
Executive head of marketing and seaborne logistics



MSc (Applied Physics), PhD (Materials Science and Engineering)

**Joined Exco on 1 September 2007**

### VALUE ADDED TO EXCO:

Marketing, logistics and macro-economic insight

**Sam Martin (48)**  
Executive head strategy and business development



BCom, BCompt (Hons), CTA, CA(SA)

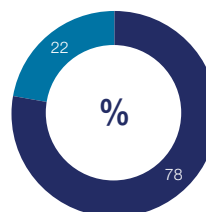
**Joined Exco on 16 July 2018**

### VALUE ADDED TO EXCO:

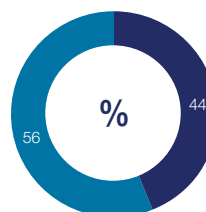
Acquisitions, finance acumen and strategy

*Including:  
Themba Mkhwanazi and Bothwell Mazarura*

## EXCO COMPOSITION



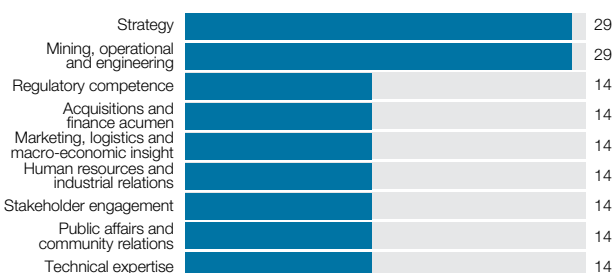
■ Male  
■ Female



■ HDSA  
■ Non-HDSA

## SKILLS AND EXPERIENCE

(%)





# CORPORATE GOVERNANCE

The Board's value creation lies in driving outcomes that support the Company's vision of re-imagining mining to improve people's lives

## GOVERNANCE FRAMEWORK

Our governance framework provides role clarity by clearly delineating roles and areas of accountability and recognises the independent roles and duties required to effectively govern the Company. The governance framework, practices and processes enabled the Board to create value through:

- a diverse and transformed Board – that approved and implemented the Board race and gender diversity policy
- skills and experience for the future – developing and approving a Board succession plan
- independent thinking – as evidenced by the annual review of independence
- engaged and committed members – demonstrated through active participation and attendance in meetings
- focused and informed discussions – with dedicated committees operating under clear terms of reference and work plans

It is the Board's philosophy that authority and responsibility be delegated to the lowest prudent level and management is expected to always act in accordance with the Company's values. The Board approved a delegated authority framework (DAF) to provide for the various authority levels across the Company and its subsidiaries.

Governance at Kumba takes into account that its main operating subsidiary, Sishen Iron Ore Company (Pty) Ltd (SIOC), has a shareholding structure that reflects the B-BBEE requirements of the Mining Charter and the MPRDA. Our governance framework is structured in a manner that ensures that the two entities are legally independent and have fully operational but separate boards, with clearly defined responsibilities and authority. The Company's DAF regulates the approval levels of each board.

The SIOC Board comprises non-executive directors representing entity's minority shareholders, executive directors from Kumba, and an independent non-executive director.

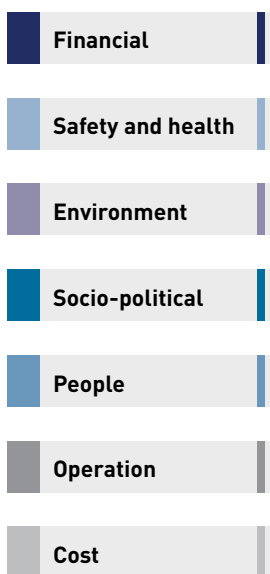




# CORPORATE GOVERNANCE CONTINUED

## GOVERNANCE

### PILLARS OF VALUE



### GOVERNANCE UNIVERSE



### GOVERNANCE OUTCOMES



### GOVERNANCE ELEMENTS OF THE BUSINESS MODEL AND VALUE-CREATION PROCESS

The SIOC Board has full authority over matters pertaining to SIOC. It does, however, take into account recommendations and suggestions from SIOC's shareholders, including its majority shareholder, Kumba. In its governance of SIOC's operations, the SIOC Board is supported by Kumba's Board committees and feedback on deliberations of Board committee meetings are provided at each SIOC Board meeting.

## OUR GOVERNANCE APPROACH

### ROLE OF THE BOARD

In keeping with the spirit of sound leadership, the Board promotes strong principles of integrity within the Company, which aids in entrenching excellence in every facet of the business. The Board is the overall custodian of good corporate governance and is fully committed to the four governance outcomes (as described in King IV™), namely: an ethical culture, good performance, effective control and legitimacy.

The Board plays a key role in setting the strategic direction of the Company. The Board also provides continuous oversight of material matters, acting as an independent check and balance for the executive management team, whose main responsibility remains the management of the business.

The directors are diverse in their academic qualifications, industry knowledge, experience, race and gender. This diversity encourages

robust debate at Board and committee level to ensure that appropriate and effective judgement and guidance are provided to management in delivering on the Company's strategic objectives.

The Board charter regulates the parameters within which the Board operates and ensures the application of the principles of good corporate governance in all its dealings. The charter sets out the roles and responsibilities of the Board and individual directors, including its composition and relevant procedures of the Board. The charter is aligned with the provisions of the Companies Act No 71 of 2008, as amended (the Companies Act), the JSE Listings Requirements, King IV™ and the Company's Memorandum of Incorporation (Mol).

While retaining overall accountability, the Board has delegated authority to the Chief Executive to manage the day-to-day affairs of the Company. The Chief Executive and the Chief Financial Officer have monthly performance reviews with all executives to obtain feedback relating to key initiatives and agreed KPIs. The Executive Committee meets bi-weekly to discuss overall performance of the business, progress on strategic initiatives and top risks. Governance matters and approvals in line with the Delegation of Authority Framework are also dealt with.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

## POWER, CONTROL, SUPPORT AND APPOINTMENTS

Dr Mandla Gantsho, an independent non-executive director, is the Chairperson of the Board. In accordance with King IV™, the Board appointed Mr Terence Goodlace as the lead independent non-executive director. The lead independent non-executive director's role includes acting as a sounding board for the Chairperson, chairing Board meetings in the absence of the Chairperson and leading the performance appraisal of the Chairperson.

The responsibilities of the Chairperson and the Chief Executive are clearly defined and separated, as set out in the Board charter. While the Board may delegate authority to the Chief Executive in terms of the Board charter, the separation of responsibilities is designed to ensure that no single person or group can have unrestricted powers and that appropriate balances of power and authority exist on the Board. The Chairperson is responsible for leading the Board and for ensuring the integrity and effectiveness of the Board and its committees. In contrast, the Chief Executive is responsible for the effective management and running of the Company's business in terms of the strategies and objectives approved by the Board and is accountable to the Board through regular reports.

The Board considers whether there is an appropriate balance of knowledge, skills and expertise among the non-executive directors. The non-executive directors are considered to have the required skills and experience to have objective judgement on matters of strategy, resources, transformation, diversity and employment equity, financial and operational performance and policies impacting the business.

The Board has adopted a procedure in terms of which any director may take independent professional advice, at the expense of the Company, where there is doubt as to whether a proposed course of action is consistent with his/her statutory and/or fiduciary duties and responsibilities. All directors have access to the Company Secretary for advice and guidance on governance matters and compliance with applicable legislation and procedures. Directors also have direct access to Kumba's external and internal auditors, and members of the executive management team, at all times.

In compliance with JSE Listings Requirements, independent non-executive directors do not participate in any share incentive schemes of the Company.

## APPOINTMENTS AND DIVERSITY

The Nominations and Governance Committee recommends the appointment of new directors for approval by the Board according to a strategy and succession plan adopted by the Board. The Board charter details the procedure for appointments to the Board. The Board diversity policy also applies to the appointment of new directors. The Nominations and Governance Committee in applying the diversity policy will make the Board appointment recommendations on merit and will consider candidates against objective criteria with due regard to the benefits of diversity, including gender, and the contribution that the candidate will bring

to the Board. There is ongoing commitment from the Board to strengthen female representation.

Comprehensive induction programmes over a number of days are conducted for all newly appointed directors and includes site visits to the operations.

## Changes to the Board of directors

Mrs Dolly Mokgatle retired as an independent non-executive director at Company's AGM on 10 May 2019, after serving 12 years on Kumba's Board. During her tenure, Mrs Mokgatle chaired the Risk and Opportunities Committee and the Social, Ethics and Transformation Committee. She also served as a member of the Audit Committee, the Human Resources and Remuneration Committee and the Nominations and Governance Committee.

Mr Stephen Pearce, Anglo American Group Finance Director, stepped down as non-executive director of the Board and member of the Human Resources and Remuneration Committee, effective 31 May 2019. Mr Duncan Wanblad, Anglo American Group Director – Strategy and Business Development, joined the Board as a non-executive director, effective 31 May 2019, representing the Anglo American group. He serves as member of the Strategy and Investment Committee and the Social, Ethics and Transformation Committee.

Ms Michelle Jenkins was appointed as an independent non-executive director with effect from 1 November 2019 and was appointed as a member of the Audit Committee and the Strategy and Investment Committee following her appointment.

The Chief Executive, Mr Themba Mkhwanazi, has been appointed as a member to the Strategy and Investment Committee and the Social, Ethics and Transformation Committee.

Mr Bothwell Mazarura, Chief Financial Officer, was appointed as a member of the Strategy and Investment Committee.

## Term of office, rotation and retirement

Non-executive directors are subject to a tenure of nine years, which may be extended by a further period of no more than three years, where after those non-executive directors who have served for a period of 12 years must retire at the following annual general meeting and will not be eligible for re-election. Notwithstanding the aforementioned, a director shall cease to hold office should any event as contemplated in clause 26 of the Company's Memorandum of Incorporation occur.

The Memorandum of Incorporation (Mol) further stipulates that one-third of the Board members will retire from office at the annual general meeting and will be eligible for re-election. The directors to retire are those who have been in office longest since their last election or who were appointed during the year. The Chief Executive and the Chief Financial Officer are excluded in determining the rotation of retiring members.



## CORPORATE GOVERNANCE CONTINUED

The Board has robustly tested, through an independent evaluation, the independence of all non-executive directors in the year under review. The following non-executive directors are retiring and being eligible will be recommended for reappointment at the 2020 AGM: Dr Mandla Gantsho, Mr Seamus French, Mr Sango Ntsaluba. Mr Duncan Wanblad and Ms Michelle Jenkins will be nominated for election by shareholders as they were appointed after the 2019 annual general meeting.

### Skills and diversity

The Board approved a Board diversity policy which includes race and gender diversity in line with the requirements of the JSE Listings Requirements. The Board agreed that no voluntary targets be set for 2019 with the undertaking that the policy will be reviewed annually to assess whether or not to set voluntary targets. The Board currently has HDSA representation of 58%.

The Board agreed to a target of 50% female representation and currently has female representation of 42%. The Board diversity policy applies to the appointment of new directors and has been taken into account for purposes of succession planning for the Board.

Details of all Board members can be found on pages 74 and 75.

The Board, with the support and guidance of the Nominations and Governance Committee, ensures that the promotion of gender diversity is given credence within the framework of the Board succession strategy.

### Directors' independence and conflicts of interest

The Nominations and Governance Committee is responsible for assessing the independence of the directors on an annual basis. Independence is determined according to the Companies Act, JSE Listings Requirements and the recommendations of King IV™,

which takes into account, among others, the number of years a director has served on the Board.

The Board has adopted a policy dealing with directors' tenure in excess of nine years. Best practice requires the Board to consider whether that director continues to be independent, in executing his/her fiduciary duties. The Board, upon recommendation from its Nominations and Governance Committee, has adopted the policy of annually reviewing directors' independence if their tenure has reached nine years or more (subject to a maximum tenure of 12 years), and recommending to shareholders that they be reappointed.

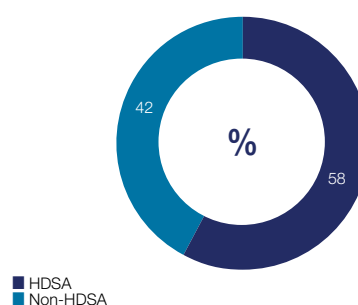
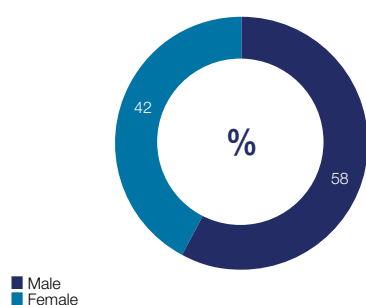
Based on the results of the evaluation the Board will consider whether there is any evidence of any circumstance and/or relationship that would impair their judgement, to the extent that their independence is compromised.

The Chairperson of the Board is also subject to reappointment by the Board and an annual evaluation of his independence and performance is carried out during the annual Board evaluation process. The lead independent director provides the Chairperson with feedback from the annual evaluation process.

The Board was satisfied that all its independent non-executive directors met its independence criteria for the 2019 financial year.

Directors are required to avoid a situation where they may have a direct or indirect interest that conflicts with the Company's interests. Directors disclose conflicts of interest at every meeting in terms of section 75 of the Companies Act. Directors present an updated list of their directorships and interests to the Company Secretary on a quarterly basis. The comprehensive list is tabled at each quarterly Board meeting.

### BOARD COMPOSITION



The Board has approved policies governing the management of conflicts of interest, the protection of confidential information, and dealing in the Company's shares that provides relevant guidance to Board members.

#### **Directors' induction and development programme**

The Company's induction programme for new directors and training plan for existing Board members aim to holistically address all aspects of being a director, including an understanding of the JSE Listings Requirements, the legal and regulatory framework of the industry, the Kumba operations, and other matters deemed important in ensuring that the directors are able to adequately exercise their fiduciary duties. Each newly appointed director is inducted through a tailor-made "induction plan", which plan specifically focuses on their individual needs and areas of interest.

The training programme is also designed to meet the existing and emerging needs of the Board. For the year under review, the Board undertook training on changes to IFRS standards, carbon tax and conflicts of interest.

#### **Board and Executive Committee succession planning**

Succession planning is important in ensuring continuity and strengthening of the collective skills and experience set of the Board. The Nominations and Governance Committee continually assesses the Board and its sub-committees' composition. This year the Nominations and Governance Committee, in applying the Board diversity policy in conjunction with the Board succession plan, was of the view that a Board member with global mining and exploration experience as well as exposure to mergers and acquisitions was required resulting in the appointment of Ms Michelle Jenkins and Mr Duncan Wanblad.

The Board is satisfied with the current Board and sub-committee compositions.

In November 2019, the Nominations and Governance Committee reviewed the succession planning for the Chief Executive and the Chief Financial Officer. Similarly, the Human Resources and Remuneration Committee reviewed the succession planning for executive management and senior management in the Company. These succession plans identified emergency successors and development plans are in place for successors where readiness levels of three to five years were indicated. Emphasis was also placed on strengthening the female pipeline. The committees will continue to monitor progress in this regard.

#### **BOARD AND COMMITTEE EVALUATIONS**

In October 2018, the Institute of Directors in Southern Africa was appointed to facilitate the annual Board appraisal process. This was an independently facilitated self-appraisal process that solicited each director's views on the performance of the Board as a whole, as well as the performance of individual directors, committee members and committee chairmen. It is pleasing to report that the Board was assessed as performing very well in most areas, receiving an overall score of 5.4 out of 6.0. The Board performed exceptionally well in the governance areas relating to roles and responsibilities, and Board committees. The culture of the Board was considered to be very good, characterised by excellent leadership, high levels of mutual respect and frank discussion, underpinned by a deep appreciation of the need for a stakeholder inclusive approach and for the business to be managed across the "six capitals". Specific mention was made by the Board members of the Chief Executive's deep knowledge of the business, including ESG, the stakeholder aspects and the inclusive and integrated approach required. Suggested areas for improvement include: further strengthening the level of insight of certain Board members through enhanced induction, training and mentoring; improving communication of the group governance requirements and delegation of authority in alignment with King IV™.

#### **Company Secretary**

The Company Secretary's primary role is to ensure that the Board is cognisant of its fiduciary duties and responsibilities. The Company Secretary plays a key role in providing guidance to the Board members on the execution of their duties, keeping the board aware of relevant changes in legislation and corporate governance best practice. Other key performance areas of the Company Secretary include overseeing the induction of new directors, orientation and ongoing education of directors. The Company Secretary is also secretary to the Board committees and Board members have unfettered access to the services of the Company Secretary. The Company Secretary is a prescribed officer and the Company's Ethics Officer.

The role has expanded to include executive oversight over other areas, including insurance, business integrity, management of the Company's intellectual property and regulatory compliance.



## CORPORATE GOVERNANCE CONTINUED

During the year under review, Ms Celeste Appollis resigned as Company Secretary with effect from 31 July 2019. Mrs Isabella Crafford was appointed as acting Company Secretary and continued in the role until the appointment of Ms Fazila Patel on 7 January 2020.

An assessment of the Company Secretary and secretarial function was carried out by the Nominations and Governance Committee on behalf of the Board. The results confirmed that the Company Secretary had the requisite level of knowledge and experience to discharge her duties and maintains an arm's length relationship with the Board.

The Board processes are managed by the Company Secretary with the support of the governance, risk, compliance and ethics functions. The team is adequately resourced and has the necessary skills, experience and attributes to effectively support the Board and its committees in discharging its duties.

### STANDING BOARD COMMITTEES

The Board established six standing committees, namely: the Audit Committee; Risk and Opportunities Committee; Social, Ethics and Transformation Committee (Setco); Human Resources and Remuneration Committee (Remco); Strategy and Investment Committee (Stratco); and Nominations and Governance Committee (NomGov). In July 2019, the Board dissolved the Risk and Opportunities Committee and each committee assumed responsibility for risk as it related to its mandate. The Strategy and Investment Committee was established in July 2019 to focus on strategy and capital management. Each committee consists of a minimum of four members, as contained in the terms of reference.

Each committee, including the Board, promotes strong principles of integrity within the Company and the Board remains the overall custodian of good corporate governance. Sound corporate governance provides a critical foundation, both for safeguarding stakeholder value and for achieving the Company's key strategic focus areas. Independent Board oversight and guidance in relation to the operations and activities are key in driving compliance and embedding the highest levels of integrity and transparency throughout the Company. Through our governance structures and committees, decisions are made and responses generated to ensure value is created for the Company and its stakeholders.

The following applies to Board committees:

- the Chairperson and lead independent director attend all Board committee meetings, either as a member or as an invitee
- the Chief Executive has a standing invitation to attend all committee meetings where he is not a member
- other Company executives attend meetings where appropriate and on invitation
- at the discretion of the committee chairmen, in-committee discussions are occasionally conducted without invitees
- all members of Board committees are directors of the Company
- where committee membership is prescribed by the Companies Act 2008 or the JSE Listings Requirements, or is recommended by King IV™, Board committees are constituted in accordance with such requirements or recommendations
- committee chairmen report on proceedings of committee meetings to the Board, and minutes of all Board and committee meetings are included in Board papers



## KUMBA BOARD

The Board is the custodian of good corporate governance and sets the tone for ethical leadership. Its role and responsibilities include setting the Company's strategic direction, providing continuous oversight of the Company's performance on material matters, and holding the executive management team accountable to provide ethical and effective leadership.

The Board charter sets out the composition, scope of authority, responsibilities and powers and functioning of the Board. The Board believes that its combined skills and experience are appropriate for the effective execution of its duties.

The table below sets out the composition of the Board and attendance by the directors at Board meetings:

Board	15 February 2019	15 March 2019 (IR sign-off)	2 May 2019 (Auditor rotation)	10 May 2019	31 May 2019 (Strategy)	19 July 2019	29 November 2019	Total meeting attendance
MSV Gantsho	✓	✓	✓	✓	✓	✓	✓	7/7
TM Mkhwanazi	✓	✓	✓	✓	✓	✓	✓	7/7
BA Mazarura	✓	✓	✓	✓	✓	✓	✓	7/7
DD Mokgatle*	✓	✓	✓	Retired	Retired	Retired	Retired	3/3
BP Sonjica	✓	✓	✓	✓	✓	✓	✓	7/7
SG French	✓	Apology*	Apology	✓	✓	✓	✓	5/7
NS Dlamini	✓	Apology*	✓	✓	✓	✓	✓	6/7
TP Goodlace	✓	✓	✓	✓	✓	✓	✓	7/7
ST Pearce <sup>#</sup>	✓	Apology*	✓	✓	Resigned	Resigned	Resigned	3/4
SS Ntsaluba	Apology	Apology*	✓	✓	✓	✓	✓	5/7
NB Langa-Royds	✓	✓	✓	✓	✓	✓	✓	7/7
MS Bomela	✓	Apology*	✓	✓	✓	✓	✓	6/7
D Wanblad <sup>^</sup>	Not appointed	Not appointed	Not appointed	Not appointed	✓	✓	✓	3/3
MA Jenkins <sup>~</sup>	Not appointed	Not appointed	Not appointed	Not appointed	Not appointed	Not appointed	✓	1/1

\* Comments submitted ahead of the meeting.

\* Mrs Dolly Mokgatle retired at the annual general meeting on 10 May 2019.

<sup>#</sup> Mr Stephen Pearce resigned as non-executive director on 31 May 2019.

<sup>^</sup> Mr Duncan Wanblad was appointed as non-executive director on 31 May 2019.

<sup>~</sup> Ms Michelle Jenkins was appointed as independent non-executive director on 1 November 2019.



# CORPORATE GOVERNANCE CONTINUED

The material issues deliberated on by the Board are determined by assessing the external environment, the needs and expectations of key stakeholders and other significant topics and/or events. Deliberations of the various committees enable the Board discussions to be more focused on strategic matters.

This year, presentations from senior management provided the Board with an opportunity to interrogate matters under discussion in more detail and to engage with senior management on material issues.

The following were key activities and outcomes from the Board in 2019:

- contributed to, reviewed and approved the strategy of the Company presented by management and the budgets and business plans necessary for the implementation of the approved strategy

- satisfied itself that all material risks in the strategy and business plans have been duly considered and addressed by management through defined mitigating strategies
- updated the Board's skills and diversity matrix in line with resignations and appointments during the year
- approved the appointment of the Company Secretary

The Board is satisfied that it has fulfilled its mandate as set out in the Board charter as required in terms of King IV™ Principle 8 during the period under review.

The Board is happy to confirm that it has achieved the actions identified to further enhance governance outcomes set out for 2019. Actions for implementation in 2020 have been identified and agreed by the Board.

ACTIONS TO FURTHER ENHANCE GOVERNANCE OUTCOMES IN 2019	HOW THIS WAS ACHIEVED	ACTIONS FOR 2020
Conduct King IV™ assessment	A detailed assessment by principle was conducted and the Board charter was extensively reviewed to ensure alignment with the recommendations set out in the King IV™ code	Ongoing oversight of stakeholder relationship management, in particular the management of stakeholder risk
Conclusion of external Board evaluation commenced with in October 2018 and drafting of action plan based on the outcomes of the evaluation	The external Board evaluation was concluded and an action plan drawn up to address areas identified in the assessment requiring attention	Monitoring of the implementation of the initiatives within the Tswelelope programme
Review the implementation of the Company's approved strategy and provide feedback and guidance to management on possible further enhancements	The Board held a workshop on 31 May 2019 to consider and approve the Company's strategy. Management provided quarterly updates on progress, inclusive of possible risks, mitigating strategies and opportunities	Conducting of internal Board evaluation
Continuous monitoring of independence and actual or potential conflicts of interests are dealt with in such a way that the independence of non-executive directors is not adversely affected	Based on the independence assessments, the Board was satisfied that the independent non-executive directors remain independent and there were no potential conflicts of interest which impacted their independence. This will be continually monitored	Review progress of 2019 Board and Committee evaluation action plan in conjunction with the Nominations and Governance Committee
	The independence of non-executive directors who have served on the Board for longer than nine years is assessed annually	Review the governance framework for the Company

## AUDIT COMMITTEE

The role of the Audit Committee, in addition to its statutory duties in line with the Companies Act 2008, as amended, is to provide independent oversight of the effectiveness of the Company's financial, operating, compliance and risk management controls. In addition, the Audit Committee assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors. This assists the Board in monitoring the integrity of the Company's annual financial statements (AFS) and related external reports.

The Committee comprises independent non-executive directors who collectively have the necessary financial literacy, skill and experience to perform the committee role and functions effectively.

 The Committee executed its duties in terms of paragraph 3.84(g) of the JSE Listings Requirements as reported in the Audit Committee's report in the AFS (refer to pages 19 to 23 in the AFS).

The table below sets out the composition of the Audit Committee and attendance at the meetings by its members for 2019:

Member	Number of meetings: 5
SS Ntsaluba (Chairperson)	5/5
DD Mokgatle*	3/3
TP Goodlace	5/5
MS Bomela	4/5

\* Mrs Dolly Mokgatle ceased to be a member of the Committee following her retirement as director on 10 May 2019.

Meetings of the Audit Committee were aligned with the key reporting and regulatory timelines. The Chairperson of the Audit Committee met with internal audit and external auditors separately between Audit Committee meetings. The agenda also provided for meetings solely with members of the Audit Committee.

The following were key activities and outcomes from the Audit Committee in 2019:

- reviewed and approved the 2018 annual financial statements and the press and SENS announcements
- reviewed legal and regulatory matters that could have a significant impact on the Company's financial statements
- assessed the impact of the general control environment on the statutory audit, and reporting to executive management any areas of perceived weaknesses
- assessed the Company's finance function to ensure that the Company has established appropriate financial reporting procedures and that those procedures are operating effectively
- reviewed the appropriateness of the expertise and experience of the Chief Financial Officer
- reviewed the Committee's terms of reference and annual work plan and made recommendations to the Board in terms of ensuring its continued effectiveness

- held a technical training session where members were updated on: IFRS: key judgements in mining, amendments to the JSE Listings Requirements, carbon taxes and the role of non-executive directors
- assessed, as required by paragraph 3.84(g)(iii) of the JSE Listings Requirements, the suitability of the external auditor and lead audit partner for recommendation to shareholders for approval
- discussed audit firm rotation, audit partner rotation and audit quality indicators
- considered the JSE's guidance on proactive monitoring of the AFS

The Committee is satisfied that it has fulfilled its mandate as set out in the Committee's terms of reference and work plan as required in terms of King IV™ Principle 8 during the period under review.

The Audit Committee is pleased to confirm that it has achieved the actions identified to further enhance governance outcomes set out for 2019. Actions for implementation in 2020 have been identified and agreed by members of the Committee.

 Also refer to the Audit Committee's report in the AFS pages 19 to 23.



# CORPORATE GOVERNANCE CONTINUED

ACTIONS TO FURTHER ENHANCE GOVERNANCE OUTCOMES IN 2019	HOW THIS WAS ACHIEVED	ACTIONS FOR 2020
Continued focus on ensuring that the Company's financial systems, processes and controls are operating effectively, are consistent with the Company's complexity and are responsive to changes in the environment and industry	A risk-based audit approach was followed and through the combined assurance framework which encapsulates all the internal and external assurance providers, assurance was provided that the Company's financial systems, processes and controls were operating effectively throughout the intended period of reliance, and there were no significant breakdown of controls	Continued focus on governance and the control environment
Consideration of the JSE's guidance on proactive monitoring	<p>The updated JSE report on proactive monitoring issued on 20 February 2019 was tabled and minuted at the Audit Committee meeting held on 7 May 2019</p> <p>Having considered the important findings and focus areas identified by the JSE in the JSE report, the Audit Committee was satisfied that all such findings and focus areas are adequately addressed by the Company and no further remedial action is necessary</p>	Ensuring the robustness of the control framework to support the Chief Executive and Chief Financial Officers' responsibility statement
Continuous monitoring of the independence of external auditor and lead independent audit partner	The Committee considered and assessed the independence of both the external auditor and the lead independent audit partner and was satisfied that engagements were conducted at arm's length	External auditor transition
Consideration of the implications of the practices recommended in King IV™ Code relating to the five lines of defence of combined assurance	The Committee, with the assistance of the Company Secretary, continuously assessed that activities were carried out in line with the recommendations as per the King IV™ Code	IT governance
Rotation of audit firm The Company initiated a formal process for the appointment of a new external auditor for the 2020 financial year. The tender process was finalised by May 2019	Following the conclusion of a formal tender process, the Audit Committee has nominated and the Board has recommended the proposed appointment of PricewaterhouseCoopers LLP (PwC) as its external auditor. The appointment will take effect from, and including, the year ending 31 December 2020, and will be recommended to shareholders for approval at the Company's annual general meeting in 2020	

## RISK AND OPPORTUNITIES COMMITTEE

The Risk and Opportunities Committee was established to understand, mitigate and manage key risks and ensure recognition of opportunities in an integrated manner. The Company operates a risk management framework and policy which integrates risk management into the core business strategy and functions. This encompasses both opportunities and associated risks when developing strategy within the Board-approved risk tolerance and appetite levels. This Committee reviewed the management of risks and monitored the effectiveness of compliance efforts in conjunction with the Audit Committee. In July 2019, the Board dissolved the Risk and Opportunities Committee and risks and opportunities were allocated to the respective Board committees where material risks within the respective committees' mandates are being dealt with on a quarterly basis. These risks and opportunities are then consolidated at Board level as the Board remains ultimately responsible for the management of risks and associated opportunities.

The Committee comprised three members of the Audit Committee, three additional non-executive directors and one executive director. Although not members of the Committee, the Chief Financial Officer, together with the heads of internal audit, information management, risk and compliance, were permanent invitees to the meetings of the Committee.

 Refer to page 34 for detail information on how the Company managed its risks and opportunities during 2019.

The table below sets out the composition of the Risk and Opportunities Committee and attendance at the meetings by its members up to 16 July 2019:

Member	Number of meetings: 2
DD Mokgatle (Chairperson)*	2/2
TP Goodlace^	2/2
BP Sonjica	2/2
SG French	2/2
SS Ntsaluba	2/2
NB Langa-Royds	2/2
TM Mkhwanazi	2/2

\* Mrs Dolly Mokgatle ceased to be the Chairperson of the Committee following her retirement as director on 10 May 2019.

^ Mr Terence Goodlace was appointed Chairperson of the Committee following Mrs Mokgatle's retirement.

The following were key activities and outcomes from the Risk and Opportunities Committee in 2019:

- considered and reviewed the effectiveness, quality, integrity and reliability of the Company's risk management processes
- monitored, developed and communicated the processes for clarifying and managing risks across the Company and oversaw the implementation of an effective policy and plan for risk management
- provided guidance to the Board on how to determine what constitutes excessive risk taking and to set the level of risk appetite and tolerance
- ensured that the disclosure regarding risk was comprehensive, timely and relevant
- ensured that in identifying risks, consideration was given to the upside presented by such risks to ensure that possible opportunities are captured in a responsible manner and in the best interest of the organisation
- reviewed the adequacy of the Company's information management systems, processes and policies to ensure that potential threats are appropriately contained and addressed
- reviewed the adequacy of the insurance programme thereby ensuring that the Company is appropriately covered for any risk, damage or loss

The Committee is satisfied that it executed its duties in accordance with its terms of reference up until 16 July 2019 when the committee was dissolved.



# CORPORATE GOVERNANCE CONTINUED

## STRATEGY AND INVESTMENT COMMITTEE (STRATCO)

The Strategy and Investment Committee was formally constituted by the Board on 16 July 2019 following the dissolution of the Risk and Opportunities Committee. The primary purpose of the Committee is to evaluate Company strategy and its implementation, business development opportunities, capital and other investments or divestments and procurement contracts, prior to approval by the Board in terms of the delegation of authority framework.

The Committee comprises two independent non-executive directors, three non-executive directors and one executive director. The Chief Financial Officer, Head of strategy and business development, Head of technical and project and Manager capital finance are permanent invitees to the meetings of the Committee.

The table below sets out the composition of the Strategy and Investment Committee and attendance at the meetings by its members since inception in 2019:

Member	Number of meetings: 2
TP Goodlace (Chairperson)	2/2
SS Ntsaluba	2/2
NS Dlamini	2/2
SG French	2/2
D Wanblad	2/2
TM Mkhwanazi*	1/1

\* Mr Themba Mkhwanazi was appointed as a member of the Committee on 19 July 2019.

The following were key activities and outcomes from the Strategy and Investment Committee in 2019:

- reviewed and monitored the implementation of the Company's strategy and its component parts
- monitored the implementation of approved capital projects and received updates on progress being made on upcoming major projects that will require Board approval
- ensured that in identifying risks relating to the Company's strategy, consideration was given to the upside presented by such risks to ensure that possible opportunities are captured in a responsible manner and in the best interest of the organisation
- reviewed its terms of reference and annual work plan and recommended the terms of reference to the Board for approval.

The Committee is satisfied that it has fulfilled its mandate as set out in the Committee's terms of reference and work plan as required in terms of King IV™ Principle 8 during the period under review.

ACTIONS TO FURTHER ENHANCE GOVERNANCE OUTCOMES IN 2019	HOW THIS WAS ACHIEVED	ACTIONS FOR 2020
Monitor the execution and implementation of Board approved strategic projects and business development initiatives	The Chief Financial Officer and the Manager capital finance provided the Committee with quarterly updates on capital expenditure and progress on Board approved projects and that these align with the Kumba Tswelelopele strategy	Strategic and resource development plan update, including any associate budget and resource requirements
Review and assess progress on Kumba's strategic plans, strategic actions, programmes and initiatives to ensure such progress support Kumba's strategic objectives and the shareholders' interests	Management made quarterly presentations to the Committee on strategy implementation and the progress made in terms of strategic programmes and initiatives in support of Kumba's strategic objectives	New capital project reviews. This includes the Sishen UHDMs project and the Heuningkranz and Ploegfontein potential new open mines
Consideration of the implications of the practices recommended in King IV™ Code relating to the activities of the Committee	The Committee, with the assistance of the Company Secretary, continuously assessed that activities were carried out in line with the recommendations as per the King IV™ Code	Continuous monitoring of the Tswelelopele programme and associated risks and opportunities
Effective monitoring of the risks relating to Kumba's strategic projects and Tswelelopele programme and that potential opportunities are considered as appropriate	The Committee considered and reviewed executive management's reports on the design of appropriate risk responses, overseeing that the risks are managed within the approved levels of appetite and tolerance and the integration and embedding of risk management in the business activities and culture of the Company	Training session on capital cost estimation and project scheduling



## SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE (SETCO)

The Social, Ethics and Transformation Committee, as a statutory committee, plays a pivotal role in exercising oversight of organisational ethics, social and economic development, good corporate citizenship, regulatory compliance, environment, health and safety, stakeholder engagement and labour and employment issues. The purpose of the Committee is to ensure that the Company's activities positively impacts its many stakeholders, including employees, communities, members of the public and the environment and to report on this to its shareholders on an annual basis.

The Committee comprises a majority of non-executive directors. In addition to Committee members, the Chief Executive, and the Executive Heads of safety, health and environment, corporate affairs, and human resources attended Committee meetings.

The Committee is satisfied that it has fulfilled its mandate as set out in the Committee's terms of reference and work plan as required in terms of King IV™ Principle 8 during the period under review.

 The Setco's report (the Sustainability Report 2019) is available on the Company's website at: [www.angloamericankumba.com/investors/annual-reporting/reports-archive/2019](http://www.angloamericankumba.com/investors/annual-reporting/reports-archive/2019).

The table below sets out the composition of the Social, Ethics and Transformation Committee and attendance at the meetings by its members for 2019:

Member	Number of meetings: 4
BP Sonjica (Chairperson)	4/4
DD Mokgatle*	2/2
TP Goodlace	4/4
NS Dlamini	4/4
NB Langa-Royds	4/4

\* Mrs Dolly Mokgatle ceased to be a member of the Committee following her retirement as director on 10 May 2019.

The following were some of the key activities and outcomes from the Social, Ethics and Transformation Committee in 2019:

- received and considered reports on safety, health and environmental performance, achievements and challenges
- monitored non-compliance to the Company's corruption and business integrity policy and the code of conduct to ensure that robust controls remained in force. Among others, this included considering the effectiveness of the Company's ethics policies and processes as well as effective management of the whistleblowing hotline
- monitored the Company's regulatory compliance to ensure the fulfilment of its licence to operate conditions and other regulatory requirements
- considered and reviewed the Company's transformation initiatives
- monitored that there was a healthy balance between transformation activities to ensure adequate skills to maintain stability in the Company
- considered the impact of the Mining Charter III on the Company and determining what further actions would be required for the Company to comply, once implemented
- reviewed the Company's stakeholder engagement strategy and recommended the strategy to the Board for approval
- reviewed the Company's social investment and donations policy and recommended the policy to the Board for approval

The Social, Ethics and Transformation Committee is pleased to confirm that it has achieved the actions identified to further enhance governance outcomes set out for 2019. Actions for implementation in 2020 have been identified and agreed by members of the Committee.



# CORPORATE GOVERNANCE CONTINUED

ACTIONS TO FURTHER ENHANCE GOVERNANCE OUTCOMES IN 2019	HOW THIS WAS ACHIEVED	ACTIONS FOR 2020
Review and consider management's plans in respect of future changes to the Mining Charter	<p>Ongoing monitoring of Mining Charter developments and the Company's position:</p> <ul style="list-style-type: none"> <li>• The Committee monitored developments in the review of the Mining Charter and provided guidance to management in order to meet the Mining Charter obligations;</li> <li>• The Committee through the Board ensured that, during the consultation process, the Company's views on the revised charter were duly considered;</li> <li>• The reviewing and motoring of management's plans was done through considering periodic reports and convening of ad hoc meetings between management and certain members of the Committee</li> </ul>	<ul style="list-style-type: none"> <li>• The Committee will in addition to discharging its statutory responsibility focus on the following key areas:</li> <li>• Monitor the development and implementation of the safety health and environment (SHE) improvement plan;</li> <li>• Monitor the Company's community development activities;</li> <li>• Monitor the Company's efforts toward occupational health and hygiene; and</li> <li>• Continue to promote localised preferential procurement (supplier and enterprise development)</li> </ul>
Continued assessment of King IV™ and ensuring updated requirements are complied with	<p>Through its charter the Committee and as outlined in the Companies Act and in terms of King IV™ has executed its duties to ensure that the Company remains a responsible corporate citizen through monitoring the organisational ethics, sustainable development and stakeholder inclusivity. This was achieved through quarterly reviews of:</p> <ul style="list-style-type: none"> <li>• The safety, environmental and health reports;</li> <li>• Ethics and whistleblowing report;</li> <li>• Stakeholder engagement report;</li> <li>• Transformation report;</li> <li>• Regulatory compliance report</li> </ul>	
Ensuring systems, procedures and policies are in place to enable the Company to comply with applicable statutory and regulatory requirements	<p>The Committee considered the regulatory compliance report in particular the systems and processes in place to ensure compliance with mining permitting requirements.</p>	

## HUMAN RESOURCES AND REMUNERATION COMMITTEE (REMCO)

The purpose of the Human Resources and Remuneration Committee is to ensure that the remuneration policy is fair and reasonable, while remaining compliant with regulatory and governance requirements and that remuneration practices deliver shareholder value. It also ensures the establishment of an appropriate remuneration framework and adoption of remuneration policies which aim to attract and retain top talent, support the Company's long term strategy and drive sustainable performance.

The Committee comprises a majority of non-executive directors. In addition to the Committee members, the Chief Executive, the Executive Head of human resources and the Anglo American Head of reward attend committee meetings.

The Committee is satisfied that it has fulfilled its mandate as set out in the Committee's terms of reference and work plan as required in terms of King IV™ Principle 8 during the period under review.

 The remuneration report for the year under review is on page 96.

The table below sets out the composition of the Human Resources and Remuneration Committee and attendance at the meetings by its members for 2019:

Member	Number of meetings: 4
NB Langa-Royds (Chairperson)	4/4
DD Mokgatlhe <sup>#</sup>	2/2
ST Pearce <sup>*</sup>	2/2
MSV Gantsho	4/4
MS Bomela	4/4
TP Goodlace <sup>^</sup>	3/3

<sup>#</sup> Mrs Dolly Mokgatlhe ceased to be a member of the Committee following her retirement as a director on 10 May 2019.

<sup>\*</sup> Mr Stephen Pearce ceased to be a member of the Committee following his resignation as a director on 31 May 2019.

<sup>^</sup> Mr Terence Goodlace stepped down as a member of the Committee on 19 July 2019.

The following were key activities and outcomes from the Human Resources and Remuneration Committee in 2019:

- determined and approved the remuneration of the Chief Executive, executive directors and prescribed officers
- approved alignment of the Company to a new team driven performance management approach, Team+
- reviewed the compensation base and proposed annual increases for bargaining and non-bargaining employees
- monitored the implementation of the ESOP scheme approved by shareholders on 10 July 2018
- reviewed and recommended fees for non-executive directors
- reviewed and approved the 2019 share allocation awards under the deferred bonus arrangement (DBA) and long term incentive plans (LTIPs) for the executive directors, prescribed officers and senior management
- approved the 2019 performance conditions for the executive directors' LTIP award
- approved the vesting of the 2017 long term incentive awards and the 2017 deferred bonus awards for middle and senior management
- reviewed and approved the 2019 performance assessments for the executive directors and prescribed officers
- monitored the implementation of the three-year wage agreement which became effective on 1 July 2017
- reviewed its terms of reference an annual work plan and recommended the terms of reference to the Board for approval

The Human Resources and Remuneration Committee is pleased to confirm that it has achieved the actions identified to further enhance governance outcomes set out for 2019. Actions for implementation in 2020 have been identified and agreed by members of the Committee.



# CORPORATE GOVERNANCE CONTINUED

ACTIONS TO FURTHER ENHANCE GOVERNANCE OUTCOMES IN 2019	HOW THIS WAS ACHIEVED	ACTIONS FOR 2020
<b>Continued review of the Company's remuneration philosophy and policy to ensure it remains fair and reasonable</b>	Employees were actively engaged on remuneration issues and details of such engagement can be found on page 97 and 98 of this report	Approval of the mandate for the wage negotiations
<b>Review of the BSP and LTIP rules and presentation to shareholders for approval at the May 2019 AGM</b>	The revised BPR and LTIP rules were presented to shareholders for approval at the annual general meeting held on 10 May 2019 and the resolutions were passed with majority votes of 99.41% and 99.85% respectively	Design of an appropriate employee ownership share scheme (ESOP)
<b>Shareholder engagement to ensure that the Company's remuneration policy and philosophy aligns with shareholder expectations</b>	The Chairperson of Remco and the Chairperson of the Board, accompanied by management, had shareholder roadshows during April 2019 during which Kumba's remuneration policy and philosophy were explained and discussed ahead of the May 2019 AGM	
<b>Review of the performance remuneration and succession of executive directors, prescribed officers and senior management</b>	Details of key changes implemented in respect of executive director, prescribed officers and senior management remuneration is contained in the Remco Chairperson's report on page 96 of this report	

## NOMINATIONS AND GOVERNANCE COMMITTEE (NOMGOV)

The Nominations and Governance Committee has an independent role, operating as an overseer and a maker of recommendations to the Board for its consideration and final approval. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management. The Committee comprises independent non-executive directors. The Committee plays a key role in the promotion of sound corporate governance as integral to running of an organisation and delivering governance outcomes such as an ethical culture, good performance, effective control and legitimacy.

The table below sets out the composition of the Nominations and Governance Committee and attendance at the meetings by its members for 2019:

Member	Number of meetings: 5
Dr Mandla Gantsho (Chairperson)	5/5
DD Mokgatle <sup>#</sup>	2/2
TP Goodlace	5/5
SS Ntsaluba	5/5
BP Sonjica <sup>*</sup>	2/2

<sup>#</sup> Mrs Dolly Mokgatle ceased to be a member of the Committee following her retirement as director on 10 May 2019.

<sup>\*</sup> Ms Buyelwa Sonjica was appointed to the Committee on 16 July 2019.

The following were key activities and outcomes from the Nominations and Governance Committee in 2019:

- developed a Board protocol on stakeholder engagement and recommended it to the Board for approval
- reviewed the Board succession plan for recommendation to the Board for approval
- initiated an external evaluation of the Board as a whole, its committees, individual directors and the Chairperson which was concluded by Q1 2019
- assessed the competence of the Company Secretary as required by paragraph 3.84(h) of the JSE Listings Requirements
- considered and recommended changes to important functions of the Board which was communicated to shareholders
- reviewed the Board gender and race diversity policy for approval by the Board
- considered the succession planning and talent management processes in respect of the Chief Executive and Chief Financial Officer
- conducted the annual review of the Board diversity policy and recommended the policy to the Board for approval
- reviewed its terms of reference and annual work plan and recommended the terms of reference to the Board for approval

The Committee is satisfied that it has fulfilled its mandate as set out in the committee's terms of reference and work plan as required in terms of King IV™ Principle 8 during the period under review.

The Nominations and Governance Committee confirms that it has achieved the actions identified to further enhance governance outcomes set out for 2019. Actions for implementation in 2020 have been identified and agreed by members of the Committee.

ACTIONS TO FURTHER ENHANCE GOVERNANCE OUTCOMES IN 2019	HOW THIS WAS ACHIEVED	ACTIONS FOR 2020
Commence recruitment of independent non-executive director	Following an extensive recruitment process, the Board, through the Nominations and Governance Committee, appointed Ms Michelle Jenkins, effective 1 November 2019	Continued development and training of directors
Complete external Board evaluation by end of the first quarter of 2019	The IODSA conducted an independent evaluation process in 2019 and results are reported on page 81 of this report	Succession planning for the Chairperson of the Audit Committee
Review succession of key executives	This is an ongoing process which is reviewed annually	Review of Board policies Succession planning for executive directors



# CORPORATE GOVERNANCE CONTINUED

## EXECUTIVE COMMITTEE (EXCO)

Exco comprises the individuals most closely involved in the Company's operations including:

- The Chief Executive (Chairperson of Exco)
- The Chief Financial Officer
- Executive heads of each material area

Its responsibilities are subject to the provisions of the Delegation of Authority Framework and include:

- executing corporate strategy, as approved by the Board
- prioritising capital expenditure allocations
- establishing and overseeing best management practices
- making senior managerial appointments
- overseeing managerial performance

All members of Exco have also been identified as prescribed officers of the Company in terms of the Companies Act.

## COMMITMENT TO CONTINUED EXCELLENCE

**Our Executive Committee continually reviews the way we work by streamlining meetings, encouraging courageous and constructive discussions and eliminating duplication.**

**We call it "Work Smarter".**

## OTHER GOVERNANCE PRACTICES

### Codes, regulations and compliance

The Board is responsible for the Company's compliance with applicable laws, codes and standards. Compliance is an integral part of the Company's culture in ensuring the achievement of its strategy. The Board has delegated the implementation of an effective compliance framework to management. Supervision of compliance risk management is delegated to the Management Risk Committee, which reviews and monitors compliance. The Company complied with various codes and regulations such as the Companies Act, the JSE Listings Requirements and King IV™. Internal quality audits are performed to assess compliance with legal and industry requirements.

### King IV™

The Board always endeavours to apply good corporate governance practices when executing its fiduciary duties and is fully committed to the four governance outcomes as set out in King IV™. A self-assessment was conducted against the 16 principles and the Board is satisfied that the Company has adopted the principles and is mindfully overseeing the application of the recommended practices.

The JSE Listings Requirements currently require JSE-listed companies to report on the extent to which they apply the principles set out in King IV™. The application of the King IV™ principles and adoption of the various recommendations are more fully detailed in our King IV™ application register, available on the Company's website:

 <https://angloamericankumba.com/investors/corporate-governance>.

The Board developed a matrix allocating responsibilities to the Board committees while retaining overall accountability.

## Ethics

### Ethics and code of conduct

The main role of the ethics function is to promote ethical business conduct through the implementation of the Company's business integrity policy, code of conduct and anti-corruption policy.

The Company is committed to conducting a business that is consistent with its values, principles and leadership code, through guidelines and policies that set out its ethical culture. These policies guide employees, contractors, suppliers and all other stakeholders on how the Company conducts itself and the way it does business.

Kumba has upheld its principle of "zero tolerance" to unethical behaviour throughout its activities during the year under review. This has intrinsically been achieved through exercising rigorous ethics management and monitoring through a systematic and structured framework. Kumba has a clear governance structure charged with ethics management to ensure effective and efficient monitoring. The Board, through the Audit and Social, Ethics and Transformation Committees, is the ultimate custodian of ethics management as outlined in the Companies Act and King IV™. Kumba has a Management Ethics Committee which is responsible for ongoing management of ethics. The Committee meets on a quarterly basis to consider all ethics and integrity-related issues and reports to the Board Committees. An Ethics Steering Committee was established, which meets on a monthly basis and reports to the Ethics Committee. Kumba has a dedicated anonymous tip-offs (whistleblowing) hotline, independently run by a third party.

The Kumba ethics function is led by the Company Secretary as the Ethics Officer who also serves as the Chairperson of the Management Ethics Committee. The Committee made good progress in investigating and closing off reported incidents.



During the year under review, the Ethics Officer created awareness through targeted communication on unethical behaviour which was done through various platforms to reach all employees, suppliers, contractors, and communities. All reported incidents are thoroughly investigated either internally or by external forensic investigators and resolved timeously, depending on the complexity of the matter. During the investigation process, fairness and transparency is exercised and the outcome of each investigation is properly considered to ensure that corrective action is taken to address control failures.

## REGULATORY COMPLIANCE

Kumba recognises the importance of complying with legislation as well as adhering to non-binding rules, codes and standards impacting its mining operations. The compliance process is an important element in embedding a compliance culture at Kumba and providing the board and management with the assurance of compliance with legal and regulatory requirements.

The compliance function is aligned to the Company's strategic objectives and works closely with the risk function and Anglo American internal audit department to ensure the alignment of the combined assurance providers approaches to monitoring and reporting. The regulatory compliance controls and monitoring, that were introduced during the previous financial year, were continued throughout 2019. The outcome of the risk-based compliance monitoring of controls and mining activities, resulted in the Company adopting appropriate remedial and/or mitigating steps, where necessary, to comply with the spirit and letter of the findings.

During the year the compliance function provided reports to the Management Risk Committee and the Social, Ethics and Transformation Committee on the level of regulatory compliance by the Company to the applicable mining and related legislation, regulations, standards, best practices and codes that have been identified to be of importance.

The compliance function reports operationally to the Company Secretary and has regular direct contact with the Chief Financial Officer, Chief Executive and senior management. In addition, the compliance function attends key management and governance meetings.

## Annual compliance certificate

The annual compliance certificate confirming the Company's compliance with the JSE Listings Requirements for the period was completed and will be submitted to the JSE on 15 April 2020.

## Trading in securities

Kumba has a defined trading in securities policy, which is in alignment with the JSE Listings Requirements, and sets out provisions as to how trading is to be conducted by Kumba's directors, Directors of Kumba's major subsidiaries, the Company Secretary and relevant employees when dealing in the Company's securities, to prevent the misuse of inside information.

The Kumba policy and JSE Listings Requirements prohibit directors and employees from trading in any securities relating to Kumba without obtaining prior approval from the Chairperson of the Board or other designated directors.

Directors are also required to publicly disclose any dealings in the Company's securities by themselves or their associates. The JSE Listings Requirements has defined closed periods that prohibit trading in Kumba securities during the following periods:

- the time period from 1 January every year to the date on which the annual financial results are published (1 January 2019 – 19 February 2019)
- the time period from 1 July every year to the date on which interim financial results are published (1 July 2019 – 23 July 2019)
- any period when Kumba is trading under a cautionary announcement

The prohibition applies equally to the directors, executive and designated employees' associates. At the start of a closed period, directors and employees are formally advised of the commencement and duration of the closed period. In addition, ad hoc trading embargoes are imposed on individuals who possess price-sensitive information of a particular nature, at any given time, if it is the opinion of Kumba that there exists a risk of insider trading.

## Sponsor

Kumba fully understands the role and responsibilities of the sponsor stipulated in the JSE Listings Requirements and has cultivated a good working relationship with its sponsor, Rand Merchant Bank (RMB). The Company is satisfied that the sponsor has executed its mandate with due care and diligence for the year under review.



# REMUNERATION REPORT

**Ntombi Langa-Royds**  
Chairperson of the  
Human Resources and  
Remuneration Committee



## LETTER FROM THE CHAIRPERSON OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE (REMCO)

It has been a privilege to serve my first full year as Chairperson of Kumba's Human Resources and Remuneration Committee (Remco). Ensuring effective, adaptive and market dynamic remuneration and incentive policies and practices is fundamental to the long term success of any organisation; understandably it is also an issue of particular interest to many of our stakeholders, including most notably our shareholders. During the year, we have enjoyed some very productive engagements with various stakeholders, and I wish to thank them all upfront for their considered contributions. I am very committed to ensuring continued active engagement with our stakeholders on Kumba's remuneration. In reading our Remco report, I encourage you to please give us any further insights on the Company's remuneration practices.

## OUR RESPONSIBILITIES AS REMCO

One of Kumba's strategic ambitions is for the Company to be the employer of choice in the South African mining sector. Our job as members of Remco is to assist Kumba in delivering on this ambition by ensuring that the Company has the right policies and practices in place to attract, motivate and retain the best talent across the Company and, particularly at the executive level. As Remco, we are committed to ensuring that Kumba provides competitive remuneration that is seen as fair and appropriate in the context of general market conditions and overall employee remuneration, and that provides the right incentives to ensure delivery of the Company's strategic objectives over the short, medium and long term.

The newly implemented **Team+** performance management process measures the Kumba executive team, and overall workforce, collectively against the Kumba business unit scorecard for the performance year, as agreed with Anglo American and sanctioned by this Committee. The executive team are mutually accountable towards the achievement of the scorecard's operational and strategic objectives and are ultimately held accountable by the Chief Executive and the Board on the team objectives and their individual contributions towards achieving the team goals. The Chief Executive is measured against his personal scorecard, which is aligned with the Kumba scorecard. We are also responsible each year for reviewing Kumba's remuneration disclosure in the Company's integrated report to ensure that it is accessible, accurate and complete, and that it is aligned with best

practice governance requirements. Through our annual disclosure, we seek to provide sufficient forward-looking information for shareholders to assess the remuneration policy and to approve a resolution in terms of section 66(9) of the Companies Act, 2008.

## KEY DECISIONS AND ACTIVITIES THIS YEAR

Reflecting back on Remco's activities during 2019, I would like to highlight the following developments:

- We reviewed, approved and implemented the new bonus and retention share plan (BRP), replacing the BSP policy which expired in 2019, as well as the new performance share plan (PSP) policy under which LTIPs are granted. Both policies were updated and renewed to reflect the latest market trends and to remain progressive in the current market environment.
- We agreed changes to Kumba's performance management and short term and long term incentive framework with the aim of driving a team-based performance approach that will enable delivery of our Tswelopele strategic objectives. The revised team-based approach is a departure from the more traditional focus on individual performance, and forms part of Kumba's broader efforts at developing a change in culture needed to deliver on our very ambitious performance targets. Our incentive framework makes clear provision for performance on relevant ESG indicators, including on the elimination of fatalities, the total recordable case frequency rate, environmental incidents, dust and HIV management performance.

- We have reviewed the executive directors' remuneration to ensure it underpins Kumba's strategy and culture, as well as appropriately reflecting developments in remuneration governance and investor expectations and will table the revised principles, for approval, as part of the remuneration report.
- The employee share-ownership scheme, which was successfully launched in 2017, held its first annual general meeting of trustees and elected beneficiary trustees and communicated the newly elected trustees to members. In August 2019 the second award of three tranches were made, with an acceptance rate of 99.4%.
- In reviewing our recruitment strategies and succession planning, we have retained a strong focus on delivering on our goal of attracting women to leadership positions and in core mining activities, underpinned by our employee value proposition and to deliver on our women-in-mining strategy, which remains a priority objective.

## APPRECIATION

Following my first full year as Chairperson of Remco, I wish to thank my colleagues on the Committee for their support and advice in ensuring that we deliver on our mandate in ensuring that Kumba maintains progressive market-related remuneration policies and practices. On behalf of Remco, I extend our collective thanks also to Themba Mkhwanazi and his team for their dedication over the year, as well as to the Company's shareholders and proxies who have given us valuable feedback on our remuneration activities.

### Ntombi Langa-Royds

**Chairperson of the Human Resources and Remuneration Committee**

13 March 2020

## SECTION ONE: KEY REMUNERATION DEVELOPMENTS AND ACTIVITIES OF REMCO

The following are some of the key developments and activities of Remco during 2019:

### CHANGES TO THE MEMBERSHIP OF REMCO

- Mr Stephen Pearce, Anglo American plc's Finance Director, stepped down as non-executive director of the Board and member of Remco, effective 31 May 2019. He joined the Kumba Board as non-executive director on 24 March 2017 and as a member of the Remco on 6 June 2017.
- Mrs Dolly Mokgatle retired as an independent non-executive director on 10 May 2019, after joining the Kumba Board on 7 April 2006. During her tenure, Mrs Mokgatle chaired the Social, Ethics and Transformation Committee (Setco) and of late she was the Chairperson of the Risk and Opportunities Committee. She has also served as a member of the Audit Committee, Remco and the Nominations and Governance Committee since 6 June 2017.
- Mr Seamus French, Chief Executive of Anglo American's Bulk Commodities business, joined Remco, on 29 November 2019, representing the Anglo American group.

### KEY MANAGEMENT CHANGES DURING 2019

- Mr Duncan Wanblad, Group Director – Strategy and Business Development, joined the Board as a non-executive director, effective 31 May 2019, representing the Anglo American group.
- Ms Michelle Jenkins joined the Kumba Board as an independent non-executive director, effective 1 November 2019.

- Ms Celeste Appollis resigned as the Company Secretary, effective 31 July 2019. She was appointed as Company Secretary on 1 December 2017.
- The Board approved the appointment of Fazila Patel as the Company Secretary on 29 November 2019 with an effective start date of 7 January 2020.

For all key decisions made by the Committee, please refer to page 91 and 92 of the governance section.

### KEY DECISIONS IMPLEMENTED DURING 2019

- **Changes to the performance management and short term incentive (STI) framework:** In 2019, Anglo American launched the new performance management approach referred to as the **Team+** Performance Management approach. This is a team-based performance approach and will move away from an individual performance management approach model. This approach is underpinned by the achievement of business results and team objectives (financial, production, cost, safety, health and environment) and driving business transformation through a number of strategic pathways.

Kumba, through its Human Resources and Remuneration Committee and Board, has aligned with and adopted the team-based performance approach and requisite culture change which also encompass changes to the incentive scheme structure, design and implementation.



# REMUNERATION REPORT CONTINUED

- **Revisions to the long term incentive model:** The 2019 long term incentive model has remained relatively unchanged, with the exception of the forfeitable share plan (FSP) grants. The annual FSP forfeitable share grant has been replaced with a conditional, long term incentive plan (LTIP) share grant for the prescribed officers and general manager level (Band 4) employees from 2019 onward.
- **Outperformance award:** A one-off, cash-settled award to executive committee members, excluding the Chief Executive, which vests in early 2024 on achievement of the Company attaining a 2023 free cash flow target of US\$717 million (set at 50% fixed price and exchange rate and 50% actual price and exchange rate). In addition, the award only vests if highly stretching targets measured at Anglo American, to which the Company contributes, are also achieved. The maximum outperformance award for the Chief Financial Officer and for the prescribed officers is 150% of basic employment cost.
- **Review and market adjustment of the Chief Financial Officer's remuneration package:** As part of the annual salary benchmarking review performed by the Committee during November 2018, specific consideration was given to the total reward package of the Chief Financial Officer, compared to his mining industry comparator peer group review. Based on the benchmarking guidance and aligned with the Company's policy, the Committee decided to align the package of the Chief Financial Officer to the median of his comparator peer group.
- **Progress of Karolo, a broad-based ESOP scheme:** Kumba's Envision phase II ESOP was unwound in November 2016 and the Committee commissioned the design of a replacement ESOP scheme. The replacement scheme, branded as Karolo (meaning "part of"), was communicated to employees during mid-2018. The first tranche awards was made on 6 August 2018, subject to a 30-day acceptance period. Beneficiaries who accepted their award also participated in the Company's interim dividend payment, corresponding to the share quantum awarded. The 2019 Karolo award is the second of three award tranches, awarded over three years.  
  
The first Karolo annual general meeting of the trustees took place on 31 October 2019. The Karolo beneficiary trustees were elected and communicated to the Kumba operations.
- **Multi-year wage agreement (2017 to 2020):** In 2017, a multi-year collective bargaining agreement was concluded between Kumba and the representative trade unions, for the period 1 July 2017 to 30 June 2020. The agreement regulates the adjustment percentage; for 2019, a total negotiated increase

of 7.1% was granted, applicable to basic salaries, housing allowances, thirteenth cheques and fixed allowances for all bargaining unit employees.

- **Changes to the executive directors' remuneration policy for 2020:** The executive directors' remuneration policy was approved by advisory vote by shareholders at the Kumba 2018 AGM. Remco, in alignment with Anglo American, has reviewed the current policy to ensure it underpins Kumba's strategy and culture, as well as appropriately reflecting developments in remuneration governance and investor expectations. The current policy, approved by a shareholder majority in 2018, continues to be effective, however, appropriate revisions to further align with our strategic priorities over the next three to five years horizon and investor expectations, were identified.

 The key changes for 2020 onward are set out on page 114 and 115.

- **Renewed Kumba bonus and retention share plan (BRP) and the performance share plan (PSP) rules:** The original Kumba bonus share plan (BSP) rules were approved and adopted by shareholders on 20 March 2009. In line with the provisions of the rules, the Remco may decide within its discretion as to how the BSP may be operated and the shareholder mandate for the award of forfeitable deferred bonus arrangement (DBA) and forfeitable share plan (FSP) share awards is limited to a duration of ten (10) years from the date of approval of the rules, i.e. until 20 March 2019.

Kumba utilised the opportunity to renew the BSP rules award mandate for the 2020 awards by renewing and aligning both the BSP and LTIP rules, under the guidance of an external advisory service provider. During the rules review, a new naming convention for both rule sets were adopted to better relate the rules and underlying instruments to the functional incentive application intent. The rule name changes adopted are as follows:

- The BSP rules are renamed to the bonus and retention share plan (BRP) rules. The BRP rules are intended to govern all bonus and ad hoc attraction and retention long term incentive share awards from 2019 onward. The original BSP rules will run in parallel with the BRP rules until all awards made under the original rules have vested in 2023 (Chief Executive 2018 DBA awards), when it will be unwound. No new awards will be made under the original BSP rules.
- The long term incentive plan (LTIP) rules are renamed to the performance share plan (PSP) rules. The PSP rules are intended to encompass the award of all performance-related conditional, long term incentive share awards.


## SECTION TWO: REMUNERATION PHILOSOPHY AND POLICY

### THE HUMAN RESOURCES AND REMUNERATION COMMITTEE OF THE BOARD (REMCO)

#### Role of Remco and terms of reference

Remco guides the Board by ensuring that Kumba's remuneration-related decisions and policies are aligned to its overall goals, while remaining fair and equitable both to employees and shareholders. The Committee's interests and activities are geared towards developing and maintaining a strong human resources environment. The Remco terms of references can be accessed on Kumba's website:

 <https://www.angloamericankumba.com/investors/corporate-governance>.

 For details on the membership of Remco and attendance of meetings refer page 91 of the governance section.

#### Remuneration philosophy

The principles of our remuneration philosophy serve as a foundation to our employment ethos and underpin our company strategy. The objectives of our reward strategy are as follows:

- maintain Kumba as a preferred employer
- attract and retain top talent and critical skilled employees by providing adequate and fair compensation structures and reward schemes
- engage continuously with employees, motivating them towards a higher degree of commitment that will translate into increased levels of individual and combined performance and productivity
- align with the market median in respect of fixed pay, with variable performance-related pay, both short and long term, included in the total reward offering to ensure market competitiveness
- ensure the fair, equitable and consistent application of our remuneration principles and policies, guided by the King IV™ principles relating to fair and responsible remuneration
- allow employees to share in the performance and success of the business

Remco is firmly committed to its overarching responsibility of ensuring that the principles of accountability, transparency, sustainability and good governance are enacted in all

remuneration-related matters. This includes the critical link between executive remuneration and performance against set strategic objectives, with the ultimate aim of creating executive engagement and shareholder value.

In the event that the remuneration policy or implementation report, or both, have been voted against by 25% or more of the voting rights exercised by shareholders in the non-binding advisory vote, the Board will delegate representatives to actively engage with dissenting shareholders to address and collate the substantive objections and concerns, and to adapt the policy and/or report as appropriate, taking cognisance of the shareholder feedback and proposals resulting from the engagement and as approved by the Board.

#### Fair and responsible remuneration

The main principles and practices that drive our commitment to fair and responsible remuneration are:

- adhering to legislative requirements and prescriptions relevant to remuneration and benefits
- undertaking an annual, external benchmark of our remuneration package competitiveness across grading and job function/ category
- reviewing and adjusting accordingly any salary anomalies lying below the comparable market median within a predetermined threshold
- applying structured policies on appointment and salary movement (promotions, demotions and lateral moves), while linking salaries to functional peer-group medians to address equal pay for equal work and any income disparities based on gender, race or other demographics
- ensuring that all permanent and fixed-term employees in the Company are eligible to participate in a short term incentive scheme, as appropriate
- designing and executing HR strategic initiatives to enhance the overall employee work experience and improve the EVP offering to our employees



# REMUNERATION REPORT CONTINUED

## Elements of remuneration

The key elements of our remuneration framework and structure, which guides payments to all employees, are shown below, with a focus on executive directors and prescribed officers. The following colour scheme is employed throughout the remuneration report to denote the following components pertaining to the composition of our remuneration framework:

**Table A – remuneration framework composition**

	TOTAL GUARANTEED PAY (TGP)			
	BASE SALARY	STANDARD BENEFITS	CONDITIONAL BENEFITS	
<b>Strategic intent</b>	<ul style="list-style-type: none"> <li>Attract people with the necessary competencies (knowledge, skill, experience and attitude) to add value and discretionary effort to our business               <ul style="list-style-type: none"> <li>Retain competent, high-performing employees who are engaged and live the Company values</li> <li>Ensure that our pay is competitive in the industry and market-related</li> <li>Comply with legislative provisions and negotiated contractual commitments</li> <li>Support high-performing individuals and teams by aligning reward with performance</li> <li>Reinforce and enhance the principle that employees are key assets of our Company</li> </ul> </li> </ul>			
<b>Delivery mechanism</b>	Monthly payments	<ul style="list-style-type: none"> <li>Employer contribution to selected retirement funds</li> <li>Subsidised medical aid</li> <li>Life and disability insurance</li> <li>Housing allowances (bargaining unit employees only)</li> <li>Five-year mortgage subsidy plan (up to middle management)</li> <li>Study assistance for formal education</li> </ul>	<ul style="list-style-type: none"> <li>Seven-day production allowance</li> <li>Shift allowance</li> <li>Standby allowance</li> <li>Call-out allowance</li> <li>Government certificate of competency (GCC) allowance</li> <li>Occupational medical practitioner (OMP) allowance</li> <li>Position allowance</li> <li>Artisan allowance</li> <li>Acting allowance</li> </ul>	
<b>Eligibility</b>	All our employees		<ul style="list-style-type: none"> <li>Job-specific requirements</li> <li>Scarce skills</li> <li>Legislative requirements</li> </ul>	



VARIABLE PAY (VP)							
SHORT TERM INCENTIVES					LONG TERM INCENTIVES		
	PRODUCTION BONUS	GAIN SHARE BONUS	TEAM+ PERFORMANCE BONUS WITH CASH DEFERRAL	TEAM+ PERFORMANCE BONUS WITH SHARE DEFERRAL	EMPLOYEE SHARE OWNERSHIP SCHEME (ESOP)	LONG TERM INCENTIVE PLAN (LTIP) – PRESCRIBED OFFICERS AND GENERAL MANAGER	LONG TERM INCENTIVE PLAN (LTIP) – EXECUTIVE DIRECTORS
	<ul style="list-style-type: none"> <li>Aimed to align the achievement of financial, production, safety, productivity and overall equipment effectiveness (OEE) targets at an operational level</li> <li>Encourage the achievement of stretch targets at a Company, business unit, functional and team level</li> <li>Align management and shareholder interest</li> <li>Allow our employees to participate in the gains attributed to strong to exceptional Company performance during the financial year</li> <li>Longer-term retention (deferred bonus component)</li> </ul>				<ul style="list-style-type: none"> <li>Retention of skills and direct alignment with shareholder interest</li> <li>Reward employees for their contribution to long term, sustainable Company performance</li> <li>Attract and retain key talent</li> <li>Incentivising employees towards the achievement of ambitious business transformation through the Tswelelopele strategy and culture programme</li> </ul>		
	Cash bonus paid on a quarterly or bi-annual basis, depending on the arrangement pertaining to each operation or site	Top-up cash bonus paid out on an incremental scale to a maximum of one month's basic employment cost only on achieving and exceeding the Company's annual EBIT target. The bonus is paid out in March of the following year, following the announcement of the annual results	The incentive is delivered in two parts: i. an annual cash incentive; and ii. a deferred cash bonus with a holding period of one year before vesting	The incentive is delivered in two parts: i. an annual cash incentive; and ii. deferred bonus shares (deferred bonus award scheme) with a holding period of three to five years (for the Chief Executive) before vesting	Units awarded in terms of the rules of the ownership plan	The LTIP for prescribed officers and qualifying senior managers has replaced the forfeitable share plan (FSP) for 2019  Delivered in conditional shares with specific performance conditions attached to the vesting quantum after a period of three years  No holding period, malus or clawback applies	Delivered in conditional shares with specific performance conditions attached to the vesting quantum after a period of three years  A further two-year holding period applies after vesting, subject to a malus condition
	Bargaining unit employees and front-line management level employees	Bargaining unit employees and front-line management level employees	Middle management level employees	Senior management and above	Bargaining unit employees and front-line management level employees	Prescribed officers and selected senior managers, excluding executive directors	Executive directors





# REMUNERATION REPORT CONTINUED

## EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

When assessing the performance of the company and its prescribed officers, the Committee is mindful of its obligation to our shareholders, as elaborated in our remuneration framework. The remuneration of executive directors and prescribed officers consists of fixed and variable components that are designed to ensure a substantial portion of the remuneration package is linked to the achievement of the Company's strategic objectives, thereby aligning incentives to the creation of sustainable shareholder value.

### Fixed remuneration

The total package per role is compared to levels of pay at the market median in companies of comparable size and complexity within the industry sector. Annual salary benchmark reviews are conducted to ensure market competitiveness.

The Company contributes 12% of pensionable salary to approved retirement funds. Medical aid is subsidised at 60% of the contribution to a maximum amount determined by market comparisons. Risk insurance benefits include life cover and death-in-service benefits, subject to the rules of the approved Kumba retirement funds. The Company provides additional death and disability cover to employees through its insurance risk and compensation for occupational injuries and diseases (COID) underwriting policies.

### Variable remuneration

The variable remuneration of the executive directors and prescribed officers consists of cash (annual performance bonus) and equity instruments (deferred bonus and long term incentives) applied in combination and with the quantum and conditions appropriate to the scope of responsibility and contribution to operating and financial performance of the respective role.

The variable remuneration components of our remuneration framework can be summarised as follows for our executive directors and prescribed officers:

VARIABLE PAY COMPONENT	INSTRUMENT TYPE	PAYMENT/VESTING	ELIGIBILITY
Team+ performance bonus	Cash	Annual cash payment in March	Executive directors, prescribed officers, senior and middle management employees
Deferred bonus arrangement (DBA)	Restricted equity awarded under the BRP rules	Unconditional vesting, subject to employment condition, after three to five years (five years for the Chief Executive only) with award value linked to the current year performance	Executive directors, prescribed officers and senior management employees
Deferred bonus arrangement (DBA)	Cash	Cash deferred for one year	Middle management employees
Long term incentive plan (LTIP)	Restricted equity awarded under the PSP rules	Conditional vesting after three years, with an additional two-year holding period subject to malus provisions for the executive directors	Executive directors, prescribed officers and qualifying senior managers (general management level employees)

### Kumba 2019 changes to our performance management approach and supporting performance incentive underpin

In 2019, Anglo American launched a new performance management approach referred to as the Team+ performance management approach. The Team+ performance management approach is a value delivery pathway for the creation and fostering of a new, purpose-led high-performance culture where everyone is working together as one team to achieve something extraordinary. Underpinning this new, deliberate culture change, is a new approach to performance management and the underlying, supporting performance incentives from 2019 onward.

Kumba, through Remco, has aligned with and adopted the new performance management and incentive scheme approach, design and implementation. The changes to the performance management and incentive scheme regime pertain specifically to the middle management and above employees, being on a global banding framework (GBF) 6 and above grading.

The front-line management employees across Kumba have been aligned to participate in the short term incentive regime (on-target production bonus) applicable to the bargaining category employees for the 2019 performance year. The on-target production bonus regime, based on collective performance objectives specific to an operation or site, remains unaffected by these changes.

### CHANGES TO PERFORMANCE MANAGEMENT AND THE SHORT TERM INCENTIVE (STI) REGIME

#### Performance management and STI – before 2019

Kumba employed an **individual performance management approach** where the Company strategic objectives and targets for the year were broken down and cascaded into **individual performance** contracts, agreed between the employee and their direct line manager. Formal, bi-annual performance discussions and assessments would be performed between an employee and their direct line manager, based on the agreed performance contract, with a further peer group calibration on the full year performance assessment and resultant rating. An individual would be rated on a five point scale, with an associated individual performance modifier (IPM) ranging between zero and two as per the scale depicted in diagram 1.

**Diagram 1: Individual performance modifier (IPM) performance-based distribution**

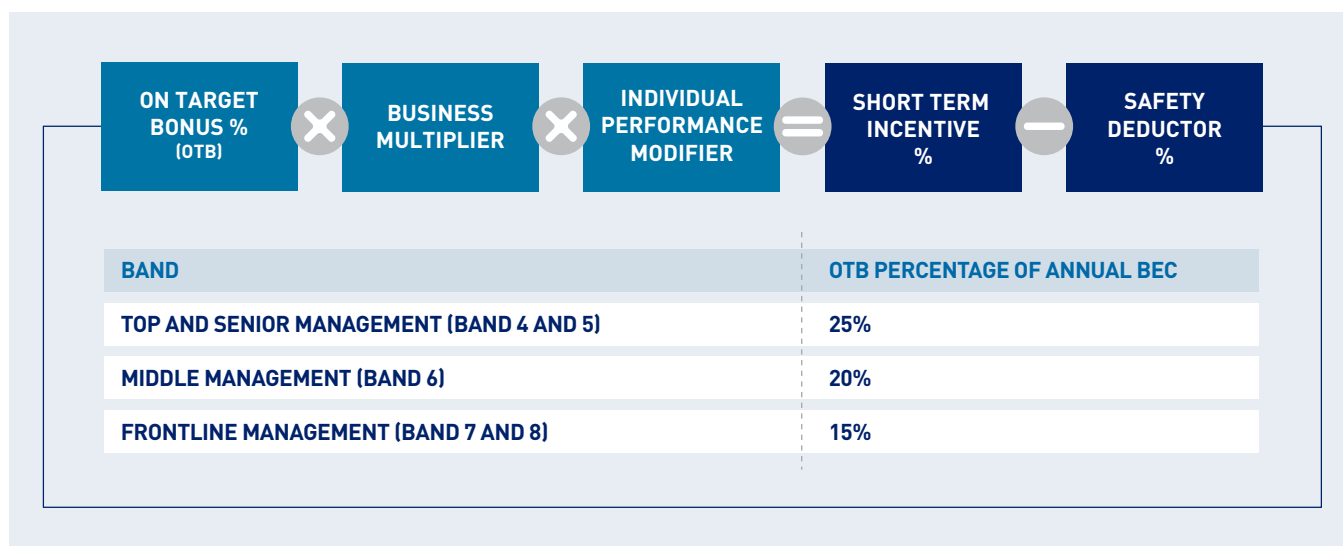
	Unsatisfactory	Does not fully meet expectations	Consistently meets expectations	Frequently exceeds expectations	Creates exceptional value
	Unsatisfactory 1	Satisfactory 2	Good performer 3	High achiever 4	Exceptional 5
Default individual performance modifier	0.0	0.5	1.0	1.5	1.9
Individual performance modifier range	0	0 to 0.7	0.8 to 1.2	1.3 to 1.8	1.8 to 2.0
Guideline distribution	Remaining percentage		At least 50%	Up to 25%	

The underpinning, annual short term incentive scheme calculation was based on a multiplicative formula comprising a grading specific on-target bonus percentage (OTB), an overall business performance-based business multiplier (BM) and the individual performance-based individual performance modifier (IPM), as depicted in **diagram 2**. The on-target bonus percentage is expressed as a percentage of the individual's basic employment

cost (BEC – cost to company less employer retirement contribution). The business multiplier could range between 0 and 1.3 (130%), depending on the underlying business performance against the performance objectives set for the performance year. A safety deductor penalty modifier also applied for all Band 5 and above employees with a bonus penalty ranging from 10% to 20% per fatality, based on a line of sight principle.

# REMUNERATION REPORT CONTINUED

**Diagram 2: Pre-2019 individual performance-based short term incentive model**



## Performance management and STI – 2019 onwards

The new performance management approach adopted from 2019 onwards, referred to as the Team+ performance management approach, is a team based performance approach. The performance teams are broken down into three distinct levels, being:

- **Group** – All Anglo American group functions;
- **Business unit** – Kumba corporate office and SIB projects; as well as
- **Asset level** – being Sishen and Kolomela (mining operations).

Stretching strategic performance objectives are set for the performance year and broken down into two major key result areas (KRAs), with targets cascaded over the three team performance levels. The two key results areas are broken down as follows:

- **Business results** – Measure achievements at the business unit or asset level and at the group level for those in group functions. These are the key output metrics for the performance year – such as financial, productivity, costs, safety and sustainability. This key result area comprises 70% of the short term incentive potential;
- **Critical tasks** – Programmes and initiatives that the business unit, asset or group function must deliver during the performance year in order to be successful in the performance delivery transformation of the business – for the performance year and future years. This key result area comprises 30% of the short-term incentive potential.

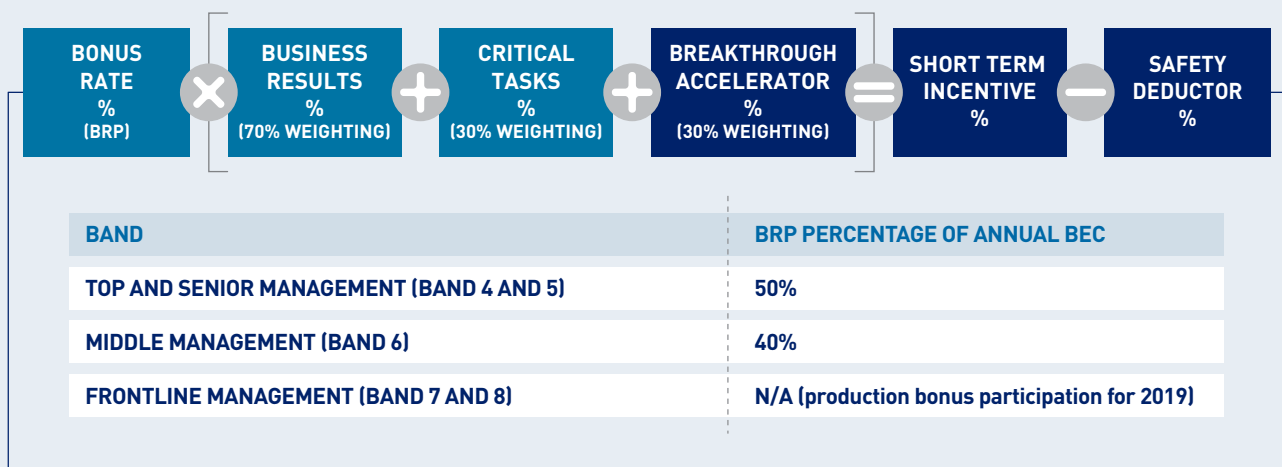
Over and above the two key result areas, a third, highly discretionary transformational award has been introduced, called the breakthrough accelerator. This discretionary award is made for exceptional team performance in bringing forward breakthroughs that accelerate the transformation of the business performance. The award is worth up to an additional 30% bonus potential, based on the bonus rate per grading, which can be paid for outstanding achievements, such as early delivery of transformation programmes, inspired innovation, or development of new performance delivery pathways. The safety deductor penalty modifier has been retained from the previous bonus model with the same penalties applying per fatality, but is now applicable to all participating employees from middle management (Band 6) and above.

Additional changes to the performance management regime are précised as follows:

- Changing from individual only, to **team and individual performance**. The new approach to performance focuses much more on team outputs – with shared team goals set at the asset, BU or group function level only, as stated before. Employees are all still individually accountable for their contribution – making commitments regarding what we will do to drive team success – but success will be defined in terms of team delivery.
- Shifting from cyclical (bi-annual) to **continuous performance** feedback. Instead of reviewing annual objectives and conducting year-end reviews, the shift is to having frequent, ongoing, forward-focused conversations, and feedback about how teams are delivering on their team goals and commitments, what they can do better and what they can learn. These conversations will be both one-to-one and in the wider team context.

- Progressing from performance assessment to **performance optimisation**. Moving from an approach that is focused on looking backwards to assess past performance to one that looks forward to ensure that all participating employees are combining effort to achieve the best outcomes, focused on growth. In support, individual commitments made will be shorter-termed – focused on performance delivery in the next weeks or months rather than on annual objectives.
- Moving from being risk averse to **smart risk for innovation**. A shift in performance delivery will require the setting of bolder performance targets and thinking creatively of new ways to work together as teams to deliver on these goals.
- Transplanting from knowing to **living the Company values** and purpose. That means participating employees continuously testing individual and team decisions and behaviours against the Company values.

The new annual short term incentive scheme, underpinning the Team+ performance management regime, is based on an additive calculation formula, comprising the sum of the newly defined key result areas (business results and critical tasks) as well as the discretionary transformational award (breakthrough accelerator) multiplied by a grading specific bonus rate. The bonus rate replaces the on-target bonus percentage as a percentage of the individual's annual basic employment cost. The bonus rate has been doubled from the original on-target bonus percentage rate, to offset for the dilution effect of moving from a multiplicative to additive bonus model, and to ensure that the maximum, overall bonus potential achievable remained unchanged from the prior bonus model. The short term incentive metrics will be scored and bonus percentages calculated on a team level, as set out in the preceding section. The individual short term incentive payment percentage will only be differentiated by the participative team (group, business unit or asset level), grading and basic employment cost. The newly defined short term incentive model is depicted in **diagram 3**.





# REMUNERATION REPORT CONTINUED

## CHANGES TO THE LONG TERM INCENTIVE REGIME

### Long term incentives – before 2019

Kumba utilised a differentiated long term incentive regime intended to incentivise, attract and retain high-performing employees as part of its employee value proposition. The long term incentive regime before 2019 can be précisised as follows:

- **Deferred cash bonus** – A deferral of 70% of the cash short term incentive value for a period of one year, subject only to the employment condition. The deferred cash bonus is only applicable to middle management (Band 6) employees;
- **Deferred bonus arrangement (DBA) share grant** – A deferral of 140% of the cash short term incentive value in forfeitable shares for a period of three years from grant, subject only to the employment condition. Participants qualify for shareholder rights, including dividend payments, during the three year restricted period. The DBA share grant is only applicable to senior and top management of the Company (Band 5 and above);
- **Forfeitable share plan (FSP) share grant** – The forfeitable share plan long term incentive has been applicable only to qualifying prescribed officer and general manager level employees (Band 4), excluding the executive directors. To qualify for an FSP grant, the participant had to have a performance rating of 3 (good performer) or above on the five point performance scale for the respective performance year. The FSP is an annual grant of forfeitable shares equal to 40% of the qualifying participant's annual basic employment cost, restricted for a period of three years from grant, subject only to the employment condition. Participants qualify for shareholder rights, including dividend payments, during the three-year restricted period.
- **Long term incentive plan (LTIP) share grant** – The long term incentive plan has been applicable only to the executive directors of the Company, being the Chief Executive and the Chief Financial Officer. The annual LTIP grant is in the form of conditional shares equal to 150% of annual basic employment cost for the Chief Executive and 100% of annual basic employment cost for the Chief Financial Officer. The conditional share vesting quantum is subject to performance against a scorecard of performance metrics over a period of three years. The key performance conditions are 70% linked to relative shareholder return (TSR) and 30% to a balanced scorecard of financial and ESG measures. The participants do not qualify for any shareholder rights during the three-year vesting period, including dividend payments. After the three-year vesting period, the realised LTIP shares are subjected to a further two-year holding period, restricted and held in escrow subject to clawback conditions. During the two-year holding period, the participants do qualify for shareholder rights on the realised LTIP shares that vested on meeting the underlying performance conditions.

### Long term incentives – 2019 onwards

The long term incentive regime for 2019 onwards has remained unchanged, with the exception of the forfeitable share plan grants and the addition of a once-off outperformance award long term incentive grant. These changes are summarised in the following section:

- **Forfeitable share plan (FSP) share grant** – The annual FSP forfeitable share grant has been replaced with a conditional, long term incentive plan (LTIP) share grant for the prescribed officers and general manager level employees (Band 4) from 2019 onward.
  - The performance conditions underlying the share vesting after a three-year performance testing period is similar to the performance conditions applicable to the executive directors.
  - The LTIP share grant has doubled from the FSP share grant quantum of 40% to a quantum of 80%. The increase is based on an expected value percentage proxy of 50% for the face value of the conditional shares.
  - The participants will no longer qualify for shareholder rights during the three-year vesting period, due to the grant of conditional shares instead of forfeitable shares. Dividend equivalents with respect to vested shares have been incorporated into the grant for the Band 4 employees as an offset to the loss of dividend rights associated with the conditional share award pre-vesting. Dividend equivalents will be equal to the normal dividends that the Company would have paid in respect of each share during the vesting period, multiplied by the number of vested shares.
  - Remco further approved a once-off transitional allowance in cash to be paid shortly after the 2019 awards were granted to mitigate the cash flow impact of receiving a dividend equivalent payment at the end of the vesting period, rather than dividends, as they are paid with respect to the tax differential between the dividend tax and income tax rate payable.
- **Outperformance award long term incentive** – A one-off, cash-settled award to Executive Committee members, excluding the Chief Executive, which vests in early 2024 on achievement of the Company attaining a 2023 free cash flow target of US\$717 million (set at 50% fixed price and exchange rate and 50% actual price and exchange rate). In addition, the award only vests if highly stretching targets measured at Anglo American plc, to which the Company contributes, are also achieved. The maximum outperformance award for the Chief Financial Officer and for the prescribed officers is 150% of basic employment cost.

## Executive directors' and prescribed officers' 2019 remuneration policy

The following section provides a comprehensive overview of the executive directors' and prescribed officers' remuneration policy applicable to the 2019 financial year.

### Elements of remuneration

The key elements of our remuneration framework and structure, which guides payments to all employees, are shown below, with a focus on executive directors and prescribed officers. The following colour scheme is employed throughout the remuneration report to denote the following components pertaining to the composition of our remuneration framework:

**Table B – remuneration framework composition**

	FIXED REMUNERATION		VARIABLE REMUNERATION		
	TOTAL GUARANTEED PAY (TGP)		SHORT TERM INCENTIVES		LONG TERM INCENTIVES
	BASE SALARY	STANDARD BENEFITS	ANNUAL TEAM+ PERFORMANCE BONUS	DEFERRED BONUS ARRANGEMENT (DBA)	LONG TERM INCENTIVE PLAN (LTIP) PRESCRIBED OFFICERS AND GENERAL MANAGERS
					LONG TERM INCENTIVE PLAN – EXECUTIVE DIRECTORS
Purpose and link to remuneration strategy	Market-related level of remuneration differentiated on the specific requirements of the role, level of complexity and span of control	Benefits appropriate to the market and contributing to the health and wellbeing of employees in support of our employee value proposition (EVP)	<p>The incentive is designed to reward and motivate the achievement of agreed team objectives on a business unit (Kumba corporate) and asset (mining operations) level. The incentive is directly linked to the relevant team performance against financial, productivity, costs, safety and sustainability objectives comprising the business results for the performance year</p> <p>Further to this, the incentive also incentivises performance towards the achievement of the Tswelelopele strategic programme and initiatives driving the transformation of the business, specifically related to beyond benchmark productivity improvements targeted. Through the deferred bonus arrangement, long term sustained performance is encouraged</p>		<p>Motivate prescribed officers and qualifying senior managers to achieve the three-year strategic objectives of the Company pertaining to relative total shareholder return (TSR) and a balanced scorecard of performance metrics, thus aligning top management and shareholder interests</p> <p>Motivate executive directors to achieve the three-year strategic objectives of the Company pertaining to relative total shareholder return (TSR) and a balanced scorecard of performance metrics, thus aligning executive and shareholder interests</p> <p>The additional two-year holding period, subject to a malus condition, ensures an accentuated level of accountability and corporate sustainability</p>



# REMUNERATION REPORT CONTINUED

**Table B – remuneration framework composition** *continued*

	FIXED REMUNERATION		VARIABLE REMUNERATION		
	TOTAL GUARANTEED PAY (TGP)		SHORT TERM INCENTIVES		LONG TERM INCENTIVES
	BASE SALARY	STANDARD BENEFITS	ANNUAL TEAM+ PERFORMANCE BONUS	DEFERRED BONUS ARRANGEMENT (DBA)	LONG TERM INCENTIVE PLAN (LTIP) PRESCRIBED OFFICERS AND GENERAL MANAGERS  LONG TERM INCENTIVE PLAN – EXECUTIVE DIRECTORS
Methodology	Base salary, as part of total guaranteed pay, is reviewed annually to ensure market competitiveness within the mining industry, as well as nationally	<p>The standard benefits, as part of the total guaranteed pay fixed component of remuneration, are as follows:</p> <ul style="list-style-type: none"> <li>Monthly employer retirement fund contribution to selected retirement funds equal to 12% of pensionable earnings</li> <li>Disability cover included in the monthly employer retirement fund contribution</li> <li>Personal accident, life and disability cover as well as travel cover</li> <li>Monthly medical aid subsidy equivalent to the smallest of 60% of the monthly contribution or an annually reviewed subsidy cap</li> <li>Study assistance for position-related formal, further education for qualifying employees</li> </ul>	<p>An annual cash incentive, determined in accordance with the Team+ performance management principles, payable at the end of March of the year following the end of the financial year</p> <p>The quantum of the annual incentive is determined as the multiple of the grading specific bonus rate percentage (between 40% and 60% of annual basic employment cost) and the additive sum of the business results, critical tasks and breakthrough accelerator key result area (KRA) metrics</p> <p>Business results are weighted at 70% and the critical tasks and breakthrough accelerator key result areas at 30% each</p> <p>The overall team performance scorecard (including the discretionary breakthrough accelerator KRA) weighting adds up to 130% of the bonus rate. A safety deduction penalty modifier, ranging between 10% and 20% per fatality, also applies on the overall bonus potential</p>	<p>A deferred bonus arrangement in which a proportion of the cash incentive is matched and awarded as:</p> <p>(i) 140% (150% for the Chief Executive) of the cash incentive in deferred shares, which is awarded after the end of the relevant financial year. These bonus shares are linked to performance during the financial year in the same manner as the annual cash incentive, and are subject to a three to five-year (only for the Chief Executive) holding period before vesting, during which it remains restricted</p> <p>This is applicable to executive directors, prescribed officers and senior management</p> <p>(ii) Participants earn dividends on shares awarded under the DBA</p>	<p>The LTIP consists of conditional awards of shares vesting after three years, subject to the achievement of stretched performance conditions</p> <p>Full voting and dividend rights will only accrue from the vesting date. The LTIP performance measure comprises:</p> <ul style="list-style-type: none"> <li>70% relative total shareholder return (TSR)</li> <li>30% balance scorecard (which consist of attributable free cash flow, rehabilitation and mine closure, TRCFR, attributable ROCE, environmental incidents and PM<sub>10</sub> dust control)</li> </ul>



**Table B – remuneration framework composition** *continued*

	FIXED REMUNERATION		VARIABLE REMUNERATION			
	TOTAL GUARANTEED PAY (TGP)		SHORT TERM INCENTIVES		LONG TERM INCENTIVES	
	BASE SALARY	STANDARD BENEFITS	ANNUAL TEAM+ PERFORMANCE BONUS	DEFERRED BONUS ARRANGEMENT (DBA)	LONG TERM INCENTIVE PLAN (LTIP) – PRESCRIBED OFFICERS AND GENERAL MANAGERS	LONG TERM INCENTIVE PLAN – EXECUTIVE DIRECTORS
Methodology				<p>(iii) 70% of the cash incentive in deferred cash, which is awarded after the end of the relevant financial year</p> <p>The deferred cash is linked to performance during the financial year in the same manner as the annual cash incentive, and is subject to a one-year holding period before vesting, during which it remains restricted</p> <p>This is applicable to middle management level employees</p> <p>The deferred bonus shares as well as deferred cash will be forfeited if the participant leaves employment during the restricted period (except if the participant is a “good leaver” under the DBA scheme rules). Participants earn dividends on the deferred bonus shares</p>	<p>The relative TSR is further split into a 35% weighted JSE/FTSE mining index (this index is compiled by the FTSE but consists of JSE mining companies only) and 35% global iron ore peer group.</p> <p>The global iron ore companies comparator group comprises:</p> <ul style="list-style-type: none"> <li>• IRC Limited (Hong Kong)</li> <li>• Hengshi Mining Investments Limited (Cayman Islands)</li> <li>• Shougang Hierro Peru S.a.a. (Peru), Honbridge Holdings Limited (Cayman Islands)</li> <li>• Ferrexpo plc (United Kingdom)</li> <li>• EVRAZ plc (United Kingdom), Companhia Siderúrgica Nacional (Brazil), NMDC Limited (India), Fortescue Metals group Limited (Australia)</li> <li>• Vale S.A. (Brazil)</li> </ul> <p>Targets are approved by Remco for each allocation and no re-testing of performance conditions is allowed. Shares that do not vest after three years in terms of the performance conditions will lapse. Details of the 2019 performance targets and vesting schedule are presented in the accompanying <b>Table C</b></p>	
					<p>Prescribed officers and qualifying senior managers will qualify for dividend equivalents on vested shares</p> <p>Dividend equivalents will be equal to the normal dividends that the Company would have paid in respect of each share during the vesting period, multiplied by the number of vested shares</p>	<p>The executive directors do not qualify for dividend equivalents on vested shares over the vesting period</p>



# REMUNERATION REPORT CONTINUED

**Table B – remuneration framework composition** *continued*

	FIXED REMUNERATION		VARIABLE REMUNERATION			
	TOTAL GUARANTEED PAY (TGP)		SHORT TERM INCENTIVES		LONG TERM INCENTIVES	
	BASE SALARY	STANDARD BENEFITS	ANNUAL TEAM+ PERFORMANCE BONUS	DEFERRED BONUS ARRANGEMENT (DBA)	LONG TERM INCENTIVE PLAN (LTIP) – PRESCRIBED OFFICERS AND GENERAL MANAGERS	LONG TERM INCENTIVE PLAN – EXECUTIVE DIRECTORS
Opportunity and maximum limit	Base salary is linked to the annual benchmarking of the total reward package against the market median of companies of comparable size and complexity within the industry	The benefits have been designed to support the Company's employee value proposition to a competitive remuneration framework in the market	<p>The values of the annual performance incentive for executive directors and prescribed officers are:</p> <p>Chief Executive: The Chief Executive's annual incentive is determined by measuring performance against his personal scorecard, aligned with the Team+ Kumba scorecard, comprising business results and critical tasks key result areas. The critical tasks key result area has been aligned with the individual objectives for the Chief Executive for 2019. The cash element of the incentive is capped at 100% of annual base salary. The Chief Executive, as a member of the Anglo American GMC, does not qualify for the discretionary breakthrough accelerator component of the Team+ incentive regime</p>	<p><b>Executive directors, prescribed officers and senior management:</b> 140% (150% for the Chief Executive) of the cash incentive in deferred shares, which is awarded after the end of the relevant financial year</p> <p><b>Middle management:</b> 70% of the cash incentive in deferred cash, which is awarded after the end of the relevant financial year</p>	<p>The LTIP award quantum is fixed at 80% of the participant's annual base salary (face value of share award) for qualifying prescribed officers and general management level managers</p> <p>The only exception is for the Chief Operating Officer position for which the quantum is fixed at 100% of annual base salary</p> <p>The prescribed officers and general management level managers qualify for dividend equivalents over the vesting period, based on the number of conditional shares vesting on the vesting date, after performance testing</p>	<p>The maximum annual face value of the LTIP award is 150% of annual base salary for the Chief Executive and 100% of annual base salary for the Chief Financial Officer</p> <p>The executive directors do not qualify for dividend equivalents over the vesting period</p>

**Table B – remuneration framework composition** *continued*

	FIXED REMUNERATION		VARIABLE REMUNERATION			
	TOTAL GUARANTEED PAY (TGP)		SHORT TERM INCENTIVES		LONG TERM INCENTIVES	
	BASE SALARY	STANDARD BENEFITS	ANNUAL TEAM+ PERFORMANCE BONUS	DEFERRED BONUS ARRANGEMENT (DBA)	LONG TERM INCENTIVE PLAN (LTIP) – PRESCRIBED OFFICERS AND GENERAL MANAGERS	LONG TERM INCENTIVE PLAN – EXECUTIVE DIRECTORS
Opportunity and maximum limit continued			<p>Performance scoring, taking into account Kumba business performance against the targets set for the year comprise the maximum cash bonus potential for the Chief Financial Officer of 78% of annual base salary</p> <p><b>Prescribed officers:</b> As with the case of the Chief Financial Officer, prescribed officers participate in the Team + performance management approach and their performance is directly linked to the Kumba business unit scorecard for 2019. The bonus rate for prescribed officers is 50% with a maximum cash bonus potential of 65% of annual base salary</p> <p><b>Chief Financial Officer:</b> The Chief Financial Officer participates in the Team+ performance management approach and his performance is directly linked to the Kumba business unit scorecard for 2019. The Chief Financial Officer may also qualify for the discretionary breakthrough accelerator component (30%) of the Team+ incentive regime. The maximum bonus rate of 60% for the Chief Financial Officer, times the business unit scorecard</p>			



# REMUNERATION REPORT CONTINUED

**Table B – remuneration framework composition** *continued*

	FIXED REMUNERATION		VARIABLE REMUNERATION			
	TOTAL GUARANTEED PAY (TGP)		SHORT TERM INCENTIVES		LONG TERM INCENTIVES	
	BASE SALARY	STANDARD BENEFITS	ANNUAL TEAM + PERFORMANCE BONUS	DEFERRED BONUS ARRANGEMENT (DBA)	LONG TERM INCENTIVE PLAN (LTIP) – PRESCRIBED OFFICERS AND GENERAL MANAGERS	LONG TERM INCENTIVE PLAN – EXECUTIVE DIRECTORS
Performance conditions	The salary adjustment under the Team+ performance regime is no longer linked to individual performance, but to the inflationary outlook, market adjustment benchmarking and individual position salary benchmarking	n/a	The Team+ performance regime short term incentive is linked to a business result area encompassing the following metrics: <b>Financial:</b> <ul style="list-style-type: none"><li>Group earnings per share (EPS)</li><li>Group attributable free cash flow</li><li>Kumba EBITDA</li><li>Kumba attributable free cash flow</li><li>Kumba operating free cash flow</li><li>Kumba return on capital employed</li></ul> <b>Production:</b> <ul style="list-style-type: none"><li>Sishen saleable production</li><li>Kolomela saleable production</li></ul> <b>Cost:</b> <ul style="list-style-type: none"><li>Kumba total (C1) unit cost</li></ul> <b>Safety:</b> <ul style="list-style-type: none"><li>Fatal risks control strategies implemented</li><li>Total recordable case frequency rate (TRCFR)</li><li>Level 3 to 5 environmental incidents</li><li>HIV management performance</li></ul> The business results accounts for 70% of the short term incentive scorecard weighting. The remaining 30% of the scorecard comprises the critical tasks key result area measuring productivity		Two weighted performance metrics measured over a three-year performance period apply to each award being: <ul style="list-style-type: none"><li>70% relative total shareholder return (TSR)</li><li>30% balance scorecard which consists of several financial and ESG measures being:<ul style="list-style-type: none"><li>attributable free cash flow</li><li>financial provision provided for rehabilitation and mine closure</li><li>safety total recordable case frequency rate</li><li>attributable return on capital employed</li><li>level 3 to 5 environmental incidents and</li><li>PM<sub>10</sub> dust control</li></ul></li></ul> The relative TSR is further split into a 35% weighted JSE/FTSE mining index (this index is compiled by the FTSE but consists of JSE mining companies only) and 35% global iron ore peer group  The threshold and stretched targets for the 2019 LTIP award as approved by the Remco is presented in the accompanying <b>Table C</b>	
Eligible participants	Executive directors, prescribed officers, senior and middle management employees		Executive directors, prescribed officers, senior and middle management employees		Prescribed officers and qualifying senior managers (general management level employees)	
Company limits on equity awards	n/a		n/a	The aggregate limit for the DBA and LTIP is 5% of the issued share capital. Shares are purchased in the market and not issued for the purpose of settlement of the DBA and LTIP  The current level of outstanding shares is equal to 0.24% of total issued share capital		

**Table B – remuneration framework composition** *continued*

	FIXED REMUNERATION		VARIABLE REMUNERATION		
	TOTAL GUARANTEED PAY (TGP)		SHORT TERM INCENTIVES		LONG TERM INCENTIVES
	BASE SALARY	STANDARD BENEFITS	ANNUAL PERFORMANCE BONUS	DEFERRED BONUS ARRANGEMENT (DBA)	FORFEITABLE SHARE PLAN (FSP)
Policy changes in 2019	n/a		Please refer to the Kumba 2019 changes to our performance management approach and supporting performance incentive underpin on page 103 to 106		Please refer to the Kumba 2019 changes to our performance management approach and supporting performance incentive underpin on page 103 to 106

**Table C – 2019 LTIP award performance conditions, targets and vesting schedule**

PERFORMANCE INDICATOR	% OF ALLOCATION SUBJECT TO INDICATOR	PERFORMANCE INDICATOR	% OF ALLOCATION SUBJECT TO INDICATOR	BELOW THRESHOLD TARGET	THRESHOLD TARGET	STRETCH TARGET
Total shareholder return (TSR) achieved	70%	Global iron ore comparator group	50%	Below median TSR	Median TSR	Upper quartile TSR ranking
		Vesting schedule		0%	25%	100%
		JSE/FTSE mining index	50%	Below the performance index	Performance at the index	Performance at the index + 9%
		Vesting schedule		0%	25%	100%
Balance scorecard	30%	Attributable free cash flow	33.33%	>100%	100%	143.7%
		Vesting schedule		0%	25%	100%
		Financial provision for the rehabilitation and mine closure of operations	10%	n/a	100%	n/a
		Vesting schedule		n/a	100%	n/a
		Return on capital employed (ROCE)	33.33%	<24.4%	24.4%	33.9%
		Vesting schedule		0%	25%	100%
		Total recordable case frequency rate (TRCFR)	6.67%	>100%	100%	95%
		Vesting schedule		0%	25%	100%
		Level 4 and 5 environmental incidents	10%	> 0	0	n/a
		Level 3, 4 and 5 environmental incidents		n/a	n/a	0
		Vesting schedule		0%	25%	100%
		PM <sub>10</sub> dust daily exceedances per annum	6.67%	> 4	4	3
		Vesting schedule		0%	25%	100%



# REMUNERATION REPORT CONTINUED

## CHANGES TO THE EXECUTIVE DIRECTORS' REMUNERATION POLICY FOR 2020

The current executive directors' remuneration policy continues to be effective. However, some revisions are required to further align with our horizon strategic priorities and investor expectations. Proposed changes are as follows:

### Impact of share price volatility on LTIP award values

For LTIP awards made in 2020 onwards, the Committee proposes to replace the existing cap on vesting value (200% for the Chief Executive Officer as of 2018) with a reduction to the size of award at grant if Kumba's share price declines by 25% or more between consecutive award dates. The operation of the cap creates potential misalignment with shareholders as it penalises (and disincentivises) strong performance post grant rather than addressing the original share price decline. The new mechanism is more appropriate going forward as it brings Kumba in to line with market practice and removes the risk of misalignment. This new

approach better limits the dilutive impact of a share price fall, is more motivational and closely aligns the interests of executives and shareholders.

### Rebalancing the performance measures for LTIP awards

A proposed revision of the policy on LTIP performance measures will allow greater flexibility around measure selection for future award cycles. This revision is intended to ensure that the LTIP awards made during the life of the policy can be structured to remain closely aligned with Kumba's strategic priorities for the relevant three-year period. For awards to be made in 2020, the Committee is proposing a scorecard comprising the same measures as used for 2019 awards, but reducing the weighting on relative TSR from 70% to 50% and up-weighting our balanced scorecard of strategic KPIs. This allows for a greater focus on ESG metrics and will provide a better balance between internal and external, as well as absolute and relative performance.

The performance measures and targets for the 2020 LTIP is detailed in the following table:

**Table D: Kumba LTIP performance measures overview**

Current policy measure	Current policy weighting	2019 measure	2019 measure weighting	Proposed 2020 measures	Proposed 2020 weighting
Relative total shareholder return	70%	TSR – Global iron ore peer group	35%	50%	TSR – Global iron ore peer group
		TSR – JSE/FTSE mining index	35%		TSR – JSE/FTSE mining index
Balanced scorecard of metrics	30%	Attributable free cash flow	10%	50%	To be determined
		Rehabilitation and mine closure	3%		
		ROCE	10%		
		Safety – total recordable case frequency rate (TRCFR)	2%		
		Level 3, 4 and 5 environmental incidents	3%		
		PM <sub>10</sub> Dust control	2%		

### Rebalancing the performance measures in the annual bonus

The Committee is also proposing to introduce greater flexibility in the policy around measure selection for the annual bonus for the Chief Executive. Going forward, it is proposed that a minimum of 50% of the bonus opportunity will be linked to financial performance; a minimum weighting of 15% will be linked to safety, health and environment (SHE) and individual objectives will be weighted no higher than 20%. The balance of the bonus opportunity will be linked to measures based on the Company's strategic priorities. The

Committee will retain discretion to select the most appropriate measures and weightings each year, subject to the parameters above, to ensure continued alignment with strategic priorities and business needs as these evolve over the life of the policy.

The performance key result areas for the 2020 annual bonus (and their respective weightings) are reflected in the following table for the Chief Executive.

**Table E: 2020 performance scorecard key result areas for the Chief Executive**

Chief Executive performance scorecard Key result area	Key result area weighting for 2019	Key result area weighting proposed for 2020
Anglo American plc financial objectives	70% business results	20%
Kumba Iron Ore financial objectives		30%
Safety objectives		20%
Strategic objectives	30% critical tasks	20%
Individual performance objectives		10%

The introduction of specific strategic objectives aligns bonus outcomes to the delivery of the P101 and FutureSmart Mining™ productivity improvement programmes, the latter including progress towards our sustainable mining plan targets, all fundamental to long term value creation for our shareholders.

#### Promoting long term executive share ownership

Aligned with the Anglo American group, and based on investor feedback, the Committee has opted to incorporate an in-post

shareholding requirement for the Kumba Chief Executive. Taking a holistic approach to share ownership requirements, the Committee will decrease the annual bonus deferral (deferred bonus arrangement) percentage and time horizon to bring it into line with market practice. The bonus deferral will be decreased to 50% of the total bonus and this is deferred over two and three years. An in-post shareholding guideline of 200% of salary for the Chief Executive will be introduced. No post-exit shareholding requirements are currently being contemplated.

The policy changes are summarised as per the following table:

**Table F: Changes to long term executive share ownership**

Policy element	Current policy	2020 policy onward
Bonus deferral (deferred bonus arrangement)	60% of bonus earned Deferred shares vest: • 40% over three years • 20% over five years	50% of bonus earned Deferred shares vest: • 17% over two years • 33% over three years
In-post share ownership guideline	None	Chief Executive: 2 x salary
Post-employment share ownership requirement	None	None

### CHANGES TO THE STI AND DBA UNDER REVIEW FOR IMPLEMENTATION IN THE 2020 PERFORMANCE YEAR

The current practice in Kumba is to pay 40% of the annual short term incentive (STI) as a cash payment and to defer the remaining 60% in shares for three years under the deferred bonus arrangement (DBA) for the executive directors, prescribed officers and senior management (Band 5 and above employees). In line with the policy change for executive directors, it is proposed that the bonus deferral arrangements for Band 5 and above employees are brought in line.

#### Executive directors and prescribed officers' contracts of employment

Executive directors and prescribed officers are not employed on fixed-term contracts but have standard employment contracts with notice periods of up to six months. The Chief Executive's contract

has a restraint of trade provision for a period of 12 months after the termination of his employment. There are no additional payments for any of the restraint obligations as the Chief Executive's remuneration is deemed fair and reasonable compensation inclusive of the restraint obligations.

There is no restraint of trade provisions applicable to the Chief Financial Officer and prescribed officers. No restraint payments have been made during this year. There are no change of control provisions or any provisions relating to payment on termination of employment.

#### Appointments of executive directors' and prescribed officers

Appointments are subject to approval by the Board and are governed by the business integrity policy.





# REMUNERATION REPORT CONTINUED

## NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors do not have employment contracts with the Company or participate in any of the Company's incentive plans. Non-executive directors are subject to retirement by rotation and re-election by shareholders in accordance with the Memorandum of Incorporation of the Company.

Recommendations on the level of fees payable to non-executive directors, are made by Remco and are approved by the shareholders. Non-executive directors' remuneration is determined through the benchmarking of market data, based on a survey of a representative comparator group of JSE-listed companies, as conducted by an independent external service provider. Fees are not dependent on meeting attendance. There are no other supplementary fees payable.

Annual fees payable to non-executive directors were approved by shareholders at the AGM on 10 May 2019. The fees are as follows:

### 2019 fees per annum (Rand)

Capacity	Chairperson	Member
Board of Directors	1,507,433	249,233
Lead independent director	1,166,000	n/a
Audit Committee	332,644	165,446
Risk and Opportunities Committee	332,644	165,446
Social, Ethics and Transformation Committee	332,644	165,446
Human Resources and Remuneration Committee	332,644	165,446
Nominations and Governance Committee	n/a*	165,446

\* The Nominations and Governance Committee is chaired by the Chairperson of the Board and there are no additional fees paid for this responsibility.

## SECTION THREE: DISCLOSURE ON IMPLEMENTATION OF POLICIES FOR THE FINANCIAL YEAR

### GUARANTEED PAY ADJUSTMENTS

#### Average rate of increase for 2019

An inflation adjustment mandate of 6% on the cost to company (CTC – base salary plus employer retirement fund contribution) was approved by the Remco for the non-bargaining category employees, in line with our mining peers and national benchmarks conducted, supported by an external, third-party service provider. The approved mandate was further differentiated based on individual performance ranging from a 0% adjustment for non-performing employees to 6% for full to exceptional performing employees during the prior performance year (2018). An additional discretionary 1% mandate was approved to address individuals notably below the market median, taking cognisance of their performance (performance rating of 3 and above) during the prior two performance years.

The total reward (TR) remuneration of the executive directors are benchmarked against a comparator peer group of JSE listed companies of similar size and nature of operations and undertaken by a third-party, external service provider. The criteria utilised in the determination of an appropriate peer group were total assets under control, annual turnover, number of employees, EBITDA and market capitalisation.

A total salary adjustment mandate for the Chief Executive, for 2019, was effected as a 6% increase based on the annual inflation adjustment applied to exceptional performing employees and which was effective 1 January 2019.

An annual salary benchmarking review, conducted by a third-party external service provider, at the request of the Committee was completed in November 2018. Specific consideration was given to the total reward package of the Chief Financial Officer, compared to his mining industry comparator peer group. The Committee, based on the benchmarking guidance, decided to align the remuneration package of the Chief Financial Officer to the median of his comparator peer group. A two-tiered salary market adjustment over a two-year period was approved for the Chief Financial Officer, with a salary market adjustment increment of 11.1% effective as of 1 July 2019. This was a market adjustment over and above the inflation adjustment for 2019.

In 2017, a multi-year collective bargaining agreement was concluded between Kumba and the representative trade unions, for the period 1 July 2017 to 30 June 2020. Our three recognised trade unions, being the National Union of Mineworkers (NUM), Solidarity and the Association of Mineworkers and Construction Union (AMCU), together with management, concluded the agreement which regulates the annual adjustment percentage. A multi-year wage agreement 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 was agreed and signed on 12 September 2017, with 2019 being the third year of implementation of this agreement.

### ANNUAL PERFORMANCE INCENTIVE OUTCOMES – LINKED TO UNDERLYING PERFORMANCE (BUSINESS RESULTS AND CRITICAL TASKS)

#### Safety performance

Safety is Kumba's core value and we have maintained our fatality-free track record since May 2016. This is a significant accomplishment demonstrating what can be achieved when there is total commitment to safety. The power of having the right safety leadership, mindset, staff commitment, processes and support cannot be underestimated. Our elimination of fatalities (EoF) framework which prioritises leadership; risk and change management; and continuous learning; supported by technology, ensures that safety is always top of mind at Kumba. During 2019, we launched our “I-care” buddy campaign which encourages employee accountability for their personal safety and that of their colleagues. This collaborative approach is driving our response to section 23 safety stoppages for unsafe work practices and working conditions. This year, 402 section 23 and 172 internal safety stoppages took place reflecting that safety is our first priority. While our total recordable case frequency rate increased to 2.06 (2018: 1.80), our lost-time injury frequency rate improved to 0.69 (2018: 0.92), reflecting the decrease in severity of incidents. Our high-potential incidents – a leading safety indicator, increased to 12 (2018: 7). This is a concern for us and we have implemented high-risk work verification and increased management oversight to reduce these incidences.

#### Production performance

Operationally, 2019 was a challenging year from a mining and plant perspective. Sishen experienced unscheduled maintenance at both the mine and the plant, while the dense media separation (DMS) plant at Kolomela was closed for an infrastructure upgrade. Notwithstanding these issues, total tonnes mined increased by 2% to 297.9 Mt while total production volumes decreased by 2% to 42.4 Mt (2017: 43.1 Mt). Production ended the year within the revised market guidance of 42 to 43 Mt, reflecting a good recovery at Sishen and a ramp-up in production at Kolomela following the restarting of the DMS plant in the fourth quarter. Total sales volumes of 42.2 Mt (2018: 43.3 Mt) were also within the revised market guidance of 41.5 to 42.5 Mt. The 2.4% decrease from 2018 was driven by lower domestic sales due to ArcelorMittal SA's decision to wind down operations at its Saldanha Steel plant, while export sales volumes were maintained at similar levels to 2018 due to port constraints.



# REMUNERATION REPORT CONTINUED

Our strategy of leveraging our endowment in the Northern Cape is unchanged. We continue to target a 20-year life of asset by 2022 through efficiency and optimisation, our ultra high dense media separation (UHDMS) project, and our Northern Cape exploration programme.

## Cost containment

With increased cost pressure due to operational challenges experienced this year, our margin enhancement strategy proved its worth in offsetting the cost headwinds. A higher average realised iron ore price was achieved which provided a strong revenue basis, which more than compensated for the 2% decrease in total sales volumes due to lower domestic off-take. Our cost savings programme successfully delivered R920 million of savings, R220 million above market guidance of R700 million. This brings the run-rate from our programme to R1.9 billion and within close range of our total savings target of R2.6 billion, which we originally expected to achieve only by the end of 2022. The savings were realised through operational efficiency improvements, variable cost optimisation across the value chain and overhead cost reductions. The savings benefited the cost of production by R15/tonne and R13/tonne at Sishen and Kolomela, respectively.

## Business and operating model

We continue to implement the Anglo Operating Model throughout our business. This is the foundation for shifting the benchmark efficiency to best-in-class industry benchmark, as part of driving our operations to full potential. In 2019, our overall operational efficiency increased to 68% (2018: 65%) of benchmark, with our performance primarily being affected by the availability of the 4100 shovel fleet at Sishen and 996 shovel fleet at Kolomela. We continue to drive our efficiency improvement projects and we have seen some good results in truck direct operating hours (DOH) and shovel tempo.

## Financial performance

Kumba successfully delivered an EBITDA margin of 52%, up from 45% in the prior period. A strong market coupled with continued excellence from our marketing and integrated sales and operations team contributed to a 35% increase in the average realised FOB iron ore price of US\$97/tonne (2018: US\$72/tonne). Further margin benefits came from a 9% depreciation in the local currency and cost savings of R920 million, aided by an improved operational efficiency of 68% of benchmark. These margin benefits were instrumental in containing the break even price at US\$45/tonne (2018: US\$41/tonne) in the face of cost pressure. The break even price was impacted by higher maintenance costs, lower production volumes and higher work-in-progress (WIP) utilisation, arising from this year's operational challenges. This was over and above higher royalty charges, and ongoing increases in mining inflation and escalation.

Kumba ended the year with a net cash position of R12.3 billion (net of R0.5 billion lease liability). Cash flow generated from operations increased by 84% to R34.7 billion (2018: R18.9 billion) due to higher EBITDA and lower working capital requirements. Reduced working capital largely related to lower receivables with the collection period improving to 14 days and higher payables due to provisions and accruals. This was partially offset by higher inventory as finished stock increased to 6.4 Mt (2018: 5.3 Mt).

Since embarking on our margin enhancement strategy Kumba's ROCE has improved from 49% in 2018 to 83% in 2019, reflecting favourable market conditions and continued success of our value over volume strategy.

## 2019 PERFORMANCE SCORECARD FOR THE EXECUTIVE DIRECTORS – PERFORMANCE AGAINST TARGETS

Aligned with the Anglo American **Team+** performance management approach during 2019, the Chief Financial Officer and prescribed officers were assessed against the business unit performance scorecard, set forth for Kumba. The Chief Executive was assessed against his personal scorecard, aligned with the Kumba business unit performance scorecard.

The business unit performance scorecard comprises two key result areas, being:

- **Business results** – These are the key output metrics (financial performance, productivity achieved, cost containment, safety and sustainability for the performance year) which comprises 70% of the short term incentive potential;
- **Critical tasks** – These being the programmes and initiatives that the business unit must deliver during the performance year in order to be successful in the transformation of the business and comprises 30% of the short term incentive potential.

The 2019 **Team+** performance scorecard was reviewed and assessed under the following principles:

- **Business results** – The Kumba scorecard was reviewed and assessed by the Anglo American Corporate Committee and ratified by the Anglo American Group Management Committee. The final scoring was communicated to the Kumba Remco for final review, consideration and approval.
- **Critical tasks** – The adjudication of the critical tasks segment of the Kumba scorecard is comparable to the business results segment, but as the critical tasks key result area objectives are linked to the individual objectives of the Chief Executive, this section of the scorecard is assessed independently for the Kumba Chief Executive by the Chairperson of the Kumba Board and the Anglo American Chief Executive of Bulk Commodities and Other Minerals, prior to final review, consideration and ratification by the Kumba Remco as per their mandate from the Board.

## 2019 PERFORMANCE SCORECARD FOR THE EXECUTIVE DIRECTORS – PERFORMANCE AGAINST TARGETS

Business results team objectives	Weighting 70%	Below threshold	Between threshold and target	Between target and stretch	Stretch and beyond
<b>Anglo American plc group financial objectives</b>	15.0%				
EPS Anglo American group			✓		
Attributable free cash flow					✓
<b>Kumba financial objectives</b>	18.0%				
EBITDA			✓		
Operating free cash flow			✓		
ROCE					✓
<b>Kumba production objectives</b>	12.5%				
Saleable production			✓		
<b>Kumba unit cost objectives</b>	12.5%				
C1 unit cost			✓		
<b>Kumba safety, health and environmental objectives</b>	12.0%				
Fatal risk control strategies implemented					✓
Total recordable case frequency rate (TRCFR)					✓
Level 3 to 5 environmental incidents					✓
HIV management (testing, counselling and treatment)					✓
	Weighting 30%	Did not achieve objective/s	Partially achieved objective/s	Achieved objective/s	Exceeded objective/s
<b>Kumba value chain margin improvement</b>	7.5%				✓
<b>Kumba mining productivity improvement (P101)</b>	7.5%		✓		
<b>Kumba plant productivity improvement (P101)</b>	7.5%		✓		
<b>Rail contract performance</b>	7.5%				✓

Kumba, under the strategic direction and leadership of the Chief Executive, had a sterling performance year across all of its operational key result areas with the following synopsis across the respective performance areas:

**Financial indicators** – Against challenging operational conditions, Kumba marked another year of strong financial performance with EBITDA up by 62% to R33.4 billion. Kumba's EBITDA margin increased to 52% and cash flow from operations is up by 79% to R34.7 billion.

**Production indicators** – Met the threshold target on combined production (Sishen and Kolomela).

**Safety** – Safety remains a core value. There is continuous efforts towards embedding the elimination of fatalities (EoF) framework which ensures that we maintain our fatality-free track record of close to four years. While our total recordable case frequency rate increased to 2.06 (2018: 1.80), our lost-time injury frequency rate improved to 0.69 (2018: 0.92), reflecting the decrease in severity of incidents. Our high-potential incidents – a leading safety indicator, increased to 12 (2018: 7). This a concern for us and we have implemented high-risk work verification and increased management oversight to reduce these incidences.



# REMUNERATION REPORT CONTINUED

**Business development** – Given the reliability challenges faced this year, we have revised our asset management strategy and tactics. We have brought forward some scheduled maintenance and stay-in-business (SIB) projects in order to improve the performance of our key equipment and plant. Although completion of these projects is only expected at the end of 2020, to date we have already seen improvements in shovel availability and plant reliability. Sishen's production was well within the revised 2019 guidance of 29 to 30 Mt and waste above the 2019 guidance of 170 Mt to 180 Mt.

From an efficiency perspective, the overall Sishen owner fleet efficiency increased to 65% in 2018 to 68%. While availability of the 4100 shovels was challenging, the 2800 shovel fleet continued to perform well throughout the year, with the overall equipment efficiency achieved already exceeding expected benchmark performance for 2023.

Total tonnes mined at Kolomela increased by 10% to 79.1 Mt (2018: 72.0 Mt), with waste stripping increasing to 63.2 Mt (2018: 56.0 Mt). This was achieved on the back of improved owner fleet efficiency which increased to 67% (2018: 66%). The main contributors to this improvement was the temporary benefit of shorter cycle times to exploit an in-pit dumping opportunity in the main Leeuwfontein pit and the uplift in truck DOH from 14.5 to 16.1 hours following the implementation of a revised shift system.

A significant improvement in rail performance was seen in 2019 with iron ore railed to port increasing by 3.4% to 42 Mt from 40.6 Mt in the comparative period. The improved working relationship and collaboration with Transnet has been fundamental to the improvement in rail performance this year and we are continuing to build on the success achieved. The focus at the mines this year was on optimising the loading of the trains and reducing variability of the loads, as well as improving turnaround times at our load out stations at the mines, has helped to improve reliability and stability in the system and increased the rate at which ore is railed to port.

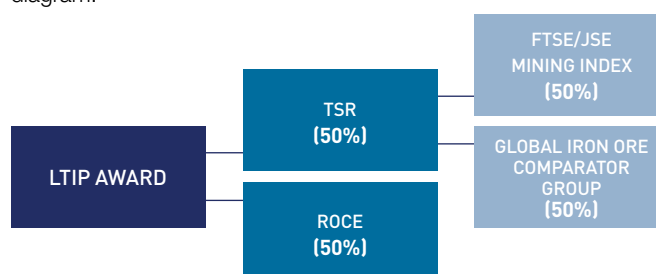
Despite severe weather disruptions and repairs to a stacker reclaimer at Saldanha port in June 2019, as well as the refurbishment of the second ship loader in the second half of 2019, the total volume shipped for the period was similar at 40 Mt (2018: 39.9 Mt).

**Full potential transformation – Tswelelopele** – Through our Tswelelopele strategy programme a strong, sustainable performance platform has been built. Tswelelopele encompasses strategic imperatives stretching from safety performance, extending the life of our Northern Cape operations to 20 years and beyond, moving to the first cost quartile by unlocking US\$10/tonne margin and becoming the employer of choice.

The Tswelelopele programme further underpins the Anglo American targets over the next five years (2019 to 2023). Looking ahead to the next three to five years, we expect a further step change in financial performance from the delivery of our P101 asset performance initiative and are expected to define a new and sustainable future for our industry and our stakeholders, as well as delivering our continued focus on improving safety, reducing environmental impact and supporting thriving host communities.

## LTIP VESTING OUTCOMES AND AWARDS FOR THE EXECUTIVE DIRECTORS

During 2017, conditional shares were awarded to the executive directors in terms of the rules of the LTIP. The LTIP performance measures comprise 70% total shareholder return (TSR) and 50% return on capital employed (ROCE). The breakdown and weighting of the performance measures are depicted in the following diagram:



The performance conditions have been calculated based on targeted against actual performance during 2019, with reference to the base year (2016) parameters. The ROCE threshold target was based on an iron ore price assumption of US\$46.68/tonne and exchange rate of ZAR14.50/US\$. During 2019, actual attributable ROCE performance was recorded as above the extended (stretch) target. In terms of the relative TSR measure, Kumba performed above the upper quartile compared to the global iron ore comparator group as well as the FTSE/JSE mining index stretch target.

## 2019 ACTUAL ROCE ACHIEVEMENT AGAINST TARGETS – APPLICABLE TO 50% OF CONDITIONAL SHARES

### Achievement against ROCE targets

Performance indicator	% of LTIP vesting	ROCE target	ROCE achieved
Return on capital employed (ROCE) achieved	11%	31%	76.2%
Vesting schedule	30%	100%	

As a result of the 2019 actual ROCE performance being above the extended (stretch) target of 31%, all conditional shares subject to this performance condition will vest in 2020.

#### Total shareholder return performance and vesting conditions

Of the conditional shares that are subject to the total shareholder return (TSR) performance condition that will vest, 50% is determined by assessing the Company's relative performance to a global iron ore comparator group in terms of TSR. The approved peer group for the period was determined as:

- Companhia Siderúrgica Nacional
- EVRAZ PLC
- Ferrexpo Plc
- Fortescue Metals Group Ltd
- Hengshi Mining Investments (Aowei) Limited
- Honbridge Holdings Limited
- IRC Limited
- NMDC Limited
- Shougang Hierro Peru Saa
- Vale S.A.

#### TSR and vesting conditions – applicable to 50% of conditional shares:

TSR measure	Weighting	Target	TSR performance	Vesting percentage
Global iron ore peer group	50%	Threshold Stretch	Below the median	0%
			Median TSR of the peer group	30%
			Upper quartile TSR of the peer group	100%
JSE/FTSE index	50%	Threshold Stretch	Below the performance index	0%
			Performance at the index	30%
			Performance at the index + 9%	100%

The percentage of the conditional shares that are subject to the TSR performance condition that will vest is determined by assessing the Company's relative performance to a global iron ore comparator group in terms of TSR. Kumba ranked above the upper quartile of the above comparator group. To this end, 100% of this portion will vest.

Kumba's TSR of 48.92% lies above the JSE/FTSE mining index stretch target of 26.57%. As a result, 100% of this portion will vest.

#### Overall LTIP vesting based on the combined attributable ROCE and relative TSR performance conditions

The overall vesting of the 2016 LTIP conditional share award based on both the attributable ROCE (50%) and the relative TSR (50%) performance measures for 2019 is 100%.



# REMUNERATION REPORT CONTINUED

## 2019 SINGLE FIGURE REMUNERATION

R'000	Guaranteed pay and benefits			Additional payments		Short term incentive	Long term incentive			Total emoluments
	Base salary	Benefits	Total guaranteed pay	Circumstantial payments	Dividend equivalent	Cash bonus (paid March 2020)	DBA	LTIP	Total long-term incentive	2019
<b>Executive directors</b>			4			6	7	8		
TM Mkhwanazi <sup>9</sup>	8,275	265	8,540	2,788	—	5,308	7,962	17,650	25,612	42,248
BA Mazarura <sup>9</sup>	4,431	265	4,696	—	—	1,777	2,488	6,252	8,740	15,213
<b>Sub-total</b>	<b>12,706</b>	<b>530</b>	<b>13,236</b>	<b>2,788</b>	<b>—</b>	<b>7,085</b>	<b>10,450</b>	<b>23,902</b>	<b>34,352</b>	<b>57,461</b>
<b>Prescribed officers</b>										
PJP Fourie	2,594	376	2,970	681	—	882	1,235	—	1,235	5,768
SA Martin <sup>2</sup>	2,756	265	3,021	74	—	897	1,256	1,885	3,141	7,133
GM Mc Gavigan	3,081	267	3,348	761	—	996	1,394	—	1,394	6,499
Y Mfolo	2,557	264	2,821	546	—	837	1,172	—	1,172	5,376
TS Smit <sup>3</sup>	6,912	1,311	8,223	3,716	1,732	3,243	4,541	6,948	11,489	28,403
D Strange <sup>10</sup>	6,921	986	7,907	240	—	2,369	—	—	—	10,516
SV Tyobeka	3,079	264	3,343	649	—	994	1,392	—	1,392	6,378
CD Appollis <sup>1</sup>	1,140	169	1,309	109	—	—	—	—	—	1,418
<b>Sub-total</b>	<b>29,040</b>	<b>3,902</b>	<b>32,942</b>	<b>6,776</b>	<b>1,732</b>	<b>10,218</b>	<b>10,990</b>	<b>8,833</b>	<b>19,823</b>	<b>71,491</b>
<b>Total</b>	<b>41,746</b>	<b>4,432</b>	<b>46,178</b>	<b>9,564</b>	<b>1,732</b>	<b>17,303</b>	<b>21,440</b>	<b>32,735</b>	<b>54,175</b>	<b>128,952</b>

### Notes:

<sup>1</sup> Resigned 31 July 2019.

<sup>2</sup> LTIP value includes the vesting value calculated at R409.88 of Anglo American shares previously awarded when employed by Anglo American Coal SA.

<sup>3</sup> Employed by Anglo American Marketing Limited (Singapore branch) and emoluments are paid in Singapore Dollars and Pound Sterling. The DBA and LTIP shares awarded is settled in Anglo American plc shares. Included in circumstantial payments are cost of living related allowances. The dividend equivalent is related to Anglo American plc shares.

<sup>4</sup> Benefits include employer contribution to retirement fund and medical aid.

<sup>5</sup> Includes long service leave, cash in lieu of share awards, housing allowance, leave encashment and retention bonus payment.

<sup>6</sup> Cash bonus is based on 2019 performance – paid in March 2020.

<sup>7</sup> Face value of DBA shares awarded in March 2020 based on the 2019 bonus value.

<sup>8</sup> No FSP shares were awarded in 2019 – awards were replaced by LTIP awards as reflected in the unvested awards and cash flow table.

<sup>9</sup> Value of LTIP shares awarded in 2017 with a performance period ending 31 December 2019, based on a 100% achievement of performance conditions and a three-day VWAP on 31 December 2019 of R403.45.

<sup>10</sup> Recognised as prescribed officer in 2019. Emoluments (with the exception of housing and employer medical aid subsidy), are paid in Australian Dollar and is reflected in Rand.



## 2018 SINGLE FIGURE REMUNERATION

Guaranteed pay and benefits				Additional payments	Short term incentive	Long term incentive				Total emoluments
R'000	Base salary	Benefits	Total guaranteed pay	Circumstantial payments	Cash bonus (paid March 2019)	DBA	FSP	LTIP	Total long-term incentive	2018
<b>Executive directors</b>										
TM Mkhwanazi <sup>1,2,10</sup>	7,936	306	8,242	2,898	6,230	9,345	—	16,934	26,279	43,649
BA Mazarura	3,700	266	3,966	35	1,534	2,147	—	—	2,147	7,682
NB Mbazima <sup>2</sup>	—	—	—	—	—	—	—	86,954	86,954	86,954
FT Kotzee <sup>1,2</sup>	—	—	—	—	—	—	—	26,287	26,287	26,287
<b>Sub-total</b>	<b>11,636</b>	<b>572</b>	<b>12,208</b>	<b>2,933</b>	<b>7,764</b>	<b>11,492</b>	<b>—</b>	<b>130,175</b>	<b>141,667</b>	<b>164,572</b>
<b>Prescribed officers</b>										
PJP Fourie <sup>10</sup>	2,447	354	2,801	678	899	1,258	760	4,140	6,158	10,536
SA Martin <sup>3</sup>	1,286	139	1,425	—	562	787	—	—	787	2,774
GM Mc Gavigan	2,892	266	3,158	838	1,093	1,530	858	—	2,388	7,477
Y Mfolo	2,383	277	2,660	599	853	1,194	721	—	1,915	6,027
TS Smit <sup>4</sup>	5,844	1,093	6,937	3,727	3,605	5,047	—	15,381	20,428	34,697
SV Tyobeka	2,887	266	3,153	726	1,091	1,528	857	—	2,385	7,355
CD Appollis	1,844	272	2,116	4	469	656	—	—	656	3,245
<b>Sub-total</b>	<b>19,583</b>	<b>2,667</b>	<b>22,250</b>	<b>6,572</b>	<b>8,572</b>	<b>12,000</b>	<b>3,196</b>	<b>19,521</b>	<b>34,717</b>	<b>72,111</b>
<b>Total</b>	<b>31,219</b>	<b>3,239</b>	<b>34,458</b>	<b>9,505</b>	<b>16,336</b>	<b>23,492</b>	<b>3,196</b>	<b>149,696</b>	<b>176,384</b>	<b>236,683</b>

### Notes:

- <sup>1</sup> Resigned 11 May 2017. LTIP value refers to award retained in terms of separation agreement.
- <sup>2</sup> Value of LTIP shares awarded in 2016 with a performance period ending 31 December 2018 based on a 100% achievement of performance conditions and a three-day VWAP on 31 December 2018 of R276.94.
- <sup>3</sup> Emoluments are from 1 July 2018. Cash bonus includes a pro-rated bonus earned at Anglo Coal SA.
- <sup>4</sup> Employed by Anglo American Marketing Limited (Singapore branch) and emoluments are paid in Singapore Dollar and Pound Sterling. The DBA and LTIP shares awarded is settled in Anglo American plc shares. Included in circumstantial payments are cost of living related allowances as well as dividend equivalent related to the Anglo American plc shares.
- <sup>5</sup> Benefits include employer contribution to retirement fund and medical aid.
- <sup>6</sup> Includes cash in lieu of dividends, leave encashment and retention bonus payment.
- <sup>7</sup> Cash bonus is based on 2018 performance – paid in March 2019.
- <sup>8</sup> Face value of DBA shares awarded in March 2019 based on the 2018 bonus value.
- <sup>9</sup> Face value of FSP shares awarded in 2018.
- <sup>10</sup> LTIP value includes the vesting value calculated at R367.53 of Anglo American shares previous awarded when employed by Anglo American Coal SA.



# REMUNERATION REPORT CONTINUED

## 2019 SINGLE FIGURE REMUNERATION

R'000	Fees		Total emoluments
	Directors' fees	Committee fees	2019
<b>Non-executive directors</b>			
MS Bomela	188	325	513
N Dlamini	182	162	344
S French	245	164	409
MSV Gantsho	1,479	—	1,479
TP Goodlace	1,144	—	1,144
MA Jenkins <sup>2</sup>	42	55	97
NB Langa-Royds	245	589	834
DD Mokgatlé <sup>1</sup>	99	395	494
SS Ntsaluba	245	645	890
S Pearce <sup>3</sup>	99	66	165
BP Sonjica	251	487	738
D Wanblad <sup>4</sup>	145	124	269
<b>Total</b>	<b>4,364</b>	<b>3,012</b>	<b>7,376</b>

Notes:

<sup>1</sup> Retired 10 May 2019.<sup>2</sup> Appointed 1 November 2019.<sup>3</sup> Resigned 31 May 2019.<sup>4</sup> Appointed 31 May 2019.

## 2018 SINGLE FIGURE REMUNERATION

R'000	Fees		Total emoluments
	Directors' fees	Committee fees	2018
<b>Non-executive directors</b>			
MS Bomela	231	393	624
N Dlamini	231	153	384
S French	231	153	384
MSV Gantsho	1,389	—	1,389
TP Goodlace	643	422	1,065
NB Langa-Royds	250	530	780
DD Mokgatlé	231	1,016	1,247
AJ Morgan <sup>1</sup>	94	424	518
SS Ntsaluba	231	665	896
S Pearce	231	153	384
BP Sonjica	231	495	726
<b>Total</b>	<b>3,993</b>	<b>4,404</b>	<b>8,397</b>

Note:

<sup>1</sup> Resigned 11 May 2018.

## UNVESTED AWARDS AND CASH FLOW

The interests of the executive directors and of prescribed officers in shares of the Company granted in terms of the various long term incentive schemes are shown below.

Number of shares										
2019	Scheme	Award date	Earliest date of vesting	Opening balance on 1 January 2019	Granted during 2019	Forfeited during 2019	Vesting during 2019	Closing balance on 31 December 2019	Value of receipts R'000	Estimated fair value on 31 December 2019 R'000
<b>Executive directors</b>									2	3
TM Mkhwanazi	DBA	1 March 2017	1 March 2020	5,205				5,205	242	2,100
	DBA	1 March 2017	1 March 2022	2,082				2,082	97	840
	DBA	1 June 2017	1 March 2020	5,171				5,171	241	2,086
	DBA	1 June 2017	1 March 2022	2,585				2,585	120	1,043
	DBA	9 April 2018	1 March 2012	12,575				12,575	585	5,073
	DBA	9 April 2018	1 March 2023	6,288				6,288	293	2,537
	DBA	1 March 2019	1 March 2022	—	16,357			16,357	761	6,599
	DBA	1 March 2019	1 March 2025	—	8,179			8,179	380	3,300
	LTIP	15 September 2016	1 March 2019	23,774			23,774	—	8,996	—
	LTIP	1 June 2017	1 March 2020	43,748				43,748	—	17,650
	LTIP	1 June 2018	1 March 2021	30,184				30,184	—	5,366
	LTIP	31 May 2019	1 March 2022	—	24,776			24,776	—	8,477
<b>Sub-total</b>				131,612	49,312	—	23,774	157,150	11,715	55,071
BA Mazarura	DBA	9 April 2018	1 March 2021	1,617				1,617	75	652
	DBA	1 March 2019	1 March 2022	—	5,637			5,637	262	2,274
	LTIP	1 September 2017	1 March 2020	15,496				15,496	—	6,252
	LTIP	1 June 2018	1 March 2021	9,798				9,798	—	1,742
	LTIP	31 May 2019	1 March 2022	—	9,048			9,048	—	3,096
<b>Sub-total</b>				26,911	14,685	—	—	41,596	337	14,016
NB Mbazima <sup>4</sup>	DBA	1 March 2015	1 March 2018	—				—	—	—
	DBA <sup>1</sup>	1 March 2015	1 March 2020	7,772			7,772	—	3,921	—
	DBA	1 April 2016	1 March 2019	95,684			95,684	—	36,206	—
	DBA <sup>1</sup>	1 April 2016	1 March 2021	47,836			47,836	—	24,132	—
	LTIP	1 March 2015	1 March 2018	—				—	—	—
	LTIP	1 April 2016	1 March 2019	313,980			313,980	—	118,807	—
<b>Sub-total</b>				465,272	—	—	465,272	—	183,066	—
FT Kotzee <sup>4</sup>	LTIP	1 April 2016	1 March 2019	94,918			94,918	—	35,916	—
<b>Sub-total</b>				94,918	—	—	94,918	—	35,916	—

Notes:

<sup>1</sup> Share vesting accelerated as per scheme rules as a result of retirement from the Anglo American group of companies on 30 June 2019.

<sup>2</sup> Includes dividend payments received on 18 March 2019 and 19 August 2019 as well as face value of share vesting during 2019.

<sup>3</sup> Sum total of the estimated fair value of unvested DBA and FSP shares, 2017 LTIP award (estimated vesting of 100%), 2018 LTIP award (estimated vesting of 47%) and 2019 LTIP award (estimated vesting of 95%). The value is based on a three-day VWAP on 31 December 2019 of R403.45. Anticipated dividend equivalent based on the estimated LTIP vesting is also included.

<sup>4</sup> Awards were made during tenure as executive directors and awards were retained in terms of separation agreement.



# REMUNERATION REPORT CONTINUED

				Number of shares						
2019	Scheme	Award date	Earliest date of vesting	Opening balance on 1 January 2019	Granted during 2019	Forfeited during 2019	Vesting during 2019	Closing balance on 31 December 2019	Value of receipts R'000	Estimated fair value on 31 December 2019 R'000
Prescribed officers									1	2
PJP Fourie	DBA	9 April 2018	1 March 2021	3,246				3,246	151	1,310
	DBA	1 March 2019	1 March 2022	—	3,303			3,303	154	1,333
	FSP	1 May 2017	1 May 2020	5,281				5,281	246	2,131
	FSP	9 April 2018	1 March 2021	2,773				2,773	129	1,119
	LTIP	31 May 2019	1 March 2022	—	4,552			4,552	—	1,690
Sub-total				11,300	7,855	—	—	19,155	680	7,583
SA Martin	DBA	1 March 2019	1 March 2022	—	2,066			2,066	96	834
	LTIP	31 May 2019	1 March 2022	—	4,632			4,632	—	1,720
Sub-total				—	6,698			6,698	96	2,554
GM Mc Gavigan	DBA	1 March 2015	1 March 2018	—				—	—	—
	DBA	1 April 2016	1 March 2019	21,607			21,607	—	8,176	—
	DBA	1 March 2017	1 March 2020	3,712				3,712	173	1,498
	DBA	9 April 2018	1 March 2021	5,128				5,128	239	2,069
	DBA	1 March 2019	1 March 2022	—	4,018			4,018	187	1,621
	FSP	1 March 2015	1 March 2018	—				—	—	—
	FSP	1 April 2016	1 March 2019	15,769			15,769	—	5,967	—
	FSP	1 March 2017	1 March 2020	5,091				5,091	237	2,054
	FSP	9 April 2018	1 March 2021	3,131				3,131	146	1,263
	LTIP	31 May 2019	1 March 2022	—	5,142			5,142	—	1,910
Sub-total				54,438	9,160	—	37,376	26,222	15,125	10,415
Y Mfelo	DBA	1 March 2015	1 March 2018	—				—	—	—
	DBA	1 April 2016	1 March 2019	22,263			22,263	—	8,424	—
	DBA	1 March 2017	1 March 2020	5,352				5,352	249	2,159
	DBA	9 April 2018	1 March 2021	3,518				3,518	164	1,419
	DBA	1 March 2019	1 March 2022	—	3,135			3,135	146	1,265
	FSP	1 March 2015	1 March 2018	—				—	—	—
	FSP	1 April 2016	1 March 2019	19,496			19,496	—	7,377	—
	FSP	1 March 2017	1 March 2020	4,266				4,266	198	1,721
	FSP	9 April 2018	1 March 2021	2,631				2,631	122	1,061
	LTIP	31 May 2019	1 March 2022	—	4,320			4,320	—	1,604
Sub-total				57,526	7,455	—	41,759	23,222	16,680	9,229
SV Tyobeka	DBA	1 March 2015	1 March 2018	—				—	—	—
	DBA	1 April 2016	1 March 2019	25,528			25,528	—	9,660	—
	DBA	1 March 2017	1 March 2020	6,200				6,200	288	2,501
	DBA	9 April 2018	1 March 2021	4,850				4,850	226	1,957
	DBA	1 March 2019	1 March 2022	—	4,011			4,011	187	1,618
	FSP	1 March 2015	1 March 2018	—				—	—	—
	FSP	1 April 2016	1 March 2019	20,959			20,959	—	7,931	—
	FSP	1 March 2017	1 March 2020	4,616				4,616	215	1,862
	FSP	9 April 2018	1 March 2021	3,126				3,126	145	1,261
	LTIP	31 May 2019	1 March 2022	—	5,134			5,134	—	1,907
Sub-total				65,279	9,145	—	46,487	27,937	18,652	11,106
CD Appollis <sup>3</sup>	DBA	9 April 2018	1 March 2021	182		182		—	3	—
	DBA	1 March 2019	1 March 2022	—	1,723	1,723		—	27	—
Sub-total				182	1,723	1,905	—	—	30	—
Total				907,438	106,033	1,905	709,586	301,980	282,297	109,974

## Notes:

<sup>1</sup> Includes dividend payments received on 18 March 2019 and 19 August 2019 as well as face value of share vesting during 2019.

<sup>2</sup> Sum total of the estimated fair value of unvested DBA and FSP shares, 2017 LTIP award (estimated vesting of 100%), 2018 LTIP award (estimated vesting of 47%) and 2019 LTIP award (estimated vesting of 95%). The value is based on a three-day VWAP on 31 December 2019 of R403.45. Anticipated dividend equivalent based on the estimated LTIP vesting is also included.

<sup>3</sup> Unvested share awards forfeited as a result of resignation on 31 July 2019.

## UNVESTED AWARDS AND CASH FLOW

		Number of shares								
2018	Scheme	Award date	Earliest date of vesting	Opening balance on 1 January 2018	Granted during 2018	Forfeited during 2018	Vesting during 2018	Closing balance on 31 December 2018	Value of receipts R'000	Estimated fair value on 31 December 2018 R'000
Executive directors									3	4
TM Mkhwanazi	DBA	1 March 2017	1 March 2020	5,205				5,205	154	1,441
	DBA	1 March 2017	1 March 2022	2,082				2,082	61	577
	DBA	1 June 2017	1 March 2020	5,171				5,171	153	1,432
	DBA	1 June 2017	1 March 2022	2,585				2,585	76	716
	DBA	9 April 2018	1 March 2012		12,575			12,575	182	3,483
	DBA	9 April 2018	1 March 2023		6,288			6,288	91	1,741
	LTIP	15 September 2016	1 March 2019	23,774	—			23,774	—	6,584
	LTIP	1 June 2017	1 March 2020	43,748				43,748	—	6,962
	LTIP	1 June 2018	1 March 2021		30,184			30,184	—	3,525
Sub-total				82,565	49,047	—	—	131,612	717	26,461
BA Mazarura	DBA	9 April 2018	1 March 2021	—	1,617			1,617	23	448
	LTIP	1 September 2017	1 March 2020	15,496				15,496	—	2,466
	LTIP	1 June 2018	1 March 2021	—	9,798			9,798	—	1,144
Sub-total				15,496	11,415	—	—	26,911	23	4,058
NB Mbazima <sup>5</sup>	DBA <sup>2</sup>	1 March 2015	1 March 2018	15,543	—	—	15,543	—	4,585	—
	DBA	1 March 2015	1 March 2020	7,772	—	—		7,772	229	2,152
	DBA	1 April 2016	1 March 2019	143,520	—	—		143,520	4,235	39,746
	LTIP <sup>1, 2</sup>	1 March 2015	1 March 2018	54,409	—	6,782	47,627	—	13,337	—
	LTIP	1 April 2016	1 March 2019	313,980	—	—		313,980	—	86,954
Sub-total				535,224	—	6,782	63,170	465,272	22,386	128,852
FT Kotzee <sup>5</sup>	LTIP <sup>1</sup>	1 March 2015	1 March 2018	16,819		2,096	14,723	—	5,139	—
	LTIP	1 April 2016	1 March 2019	94,918				94,918	—	26,287
Sub-total				111,737	—	2,096	14,723	94,918	5,139	26,287

### Notes:

<sup>1</sup> Shares forfeited are due to performance conditions of the 2015 award not fully being met.

<sup>2</sup> Share vesting delayed to 9 April 2018 due to employee being subject to an embargo.

<sup>3</sup> Includes dividend payments received on 12 March 2018 and 20 August 2018 as well as face value of share vestings during 2018.

<sup>4</sup> Sum total of the estimated fair value of unvested DBA and FSP shares, 2016 LTIP award (estimated vesting of 100%), 2017 LTIP award (estimated vesting of 65%) and 2018 LTIP award (estimated vesting of 53%). The value is based on a three-day VWAP on 31 December 2018 of R276.94.

<sup>5</sup> Awards were made during tenure as executive directors and awards were retained in terms of separation agreement.



# REMUNERATION REPORT CONTINUED

				Number of shares						
2018	Scheme	Award date	Earliest date of vesting	Opening balance on 1 January 2018	Granted during 2018	Forfeited during 2018	Vesting during 2018	Closing balance on 31 December 2018	Value of receipts R'000	Estimated fair value on 31 December 2018 R'000
Prescribed officers									2	3
PJP Fourie	DBA	9 April 2018	1 March 2021	—	3,246			3,246	47	899
	FSP	1 May 2017	1 May 2020	5,281				5,281	156	1,463
	FSP	9 April 2018	1 March 2021	—	2,773			2,773	40	768
Sub-total				5,281	6,019	—	—	11,300	243	3,130
GM Mc Gavigan	DBA <sup>1</sup>	1 March 2015	1 March 2018	4,557			4,557	—	1,344	—
	DBA	1 April 2016	1 March 2019	21,607				21,607	638	5,984
	DBA	1 March 2017	1 March 2020	3,712				3,712	110	1,028
	DBA	9 April 2018	1 March 2021	—	5,128			5,128	74	1,420
	FSP <sup>1</sup>	1 March 2015	1 March 2018	2,921			2,921	—	862	—
	FSP	1 April 2016	1 March 2019	15,769				15,769	465	4,367
	FSP	1 March 2017	1 March 2020	5,091				5,091	150	1,410
	FSP	9 April 2018	1 March 2021	—	3,131			3,131	45	867
Sub-total				53,657	8,259	—	7,478	54,438	3,688	15,076
Y Mfelo	DBA <sup>1</sup>	1 March 2015	1 March 2018	3,792			3,792	—	1,119	—
	DBA	1 April 2016	1 March 2019	22,263				22,263	657	6,166
	DBA	1 March 2017	1 March 2020	5,352				5,352	158	1,482
	DBA	9 April 2018	1 March 2021	—	3,518			3,518	51	974
	FSP <sup>1</sup>	1 March 2015	1 March 2018	3,628			3,628	—	1,070	—
	FSP	1 April 2016	1 March 2019	19,496				19,496	575	5,399
	FSP	1 March 2017	1 March 2020	4,266				4,266	126	1,181
	FSP	9 April 2018	1 March 2021	—	2,631			2,631	38	729
Sub-total				58,797	6,149	—	7,420	57,526	3,794	15,931
SV Tyobeka	DBA <sup>1</sup>	1 March 2015	1 March 2018	4,756			4,756	—	1,403	—
	DBA	1 April 2016	1 March 2019	25,528				25,528	753	7,070
	DBA	1 March 2017	1 March 2020	6,200				6,200	183	1,717
	DBA	9 April 2018	1 March 2021	—	4,850			4,850	70	1,343
	FSP <sup>1</sup>	1 March 2015	1 March 2018	3,911			3,911	—	1,154	—
	FSP	1 April 2016	1 March 2019	20,959				20,959	619	5,804
	FSP	1 March 2017	1 March 2020	4,616				4,616	136	1,278
	FSP	9 April 2018	1 March 2021	—	3,126			3,126	45	866
Sub-total				65,970	7,976	—	8,667	65,279	4,363	18,078
CD Appollis	DBA	9 April 2018	1 March 2021		182			182	3	50
Sub-total				—	182	—	—	182	3	50
Total				928,727	89,047	8,878	101,458	907,438	40,356	237,923

## Notes:

<sup>1</sup> Share vesting delayed to 9 April 2018 due to employee being subject to an embargo.

<sup>2</sup> Includes dividend payments received on 12 March 2018 and 20 August 2018 as well as face value of share vesting during 2018.

<sup>3</sup> Sum total of the estimated fair value of unvested DBA and FSP shares, 2016 LTIP award (estimated vesting of 100%), 2017 LTIP award (estimated vesting of 65%) and 2018 LTIP award (estimated vesting of 53%). The value is based on a three-day VWAP on 31 December 2018 of R276.94.

## DIRECTORS' BENEFICIAL INTEREST IN KUMBA

The aggregate beneficial interest in Kumba at 31 December 2019 of the directors of the Company and their immediate families (none of whom has a holding greater than 1%) in the issued shares of the Company are detailed below. There have been no material changes to the shareholding since 2019 and the date of approval of the annual financial statements.

Capacity and name	2019			2018		
	Number of shares	Long term incentive scheme shares	Total beneficial interest	Number of shares	Long term incentive scheme shares	Total beneficial interest
<b>Executive directors<sup>1</sup></b>						
TM Mkhwanazi <sup>2</sup>	11,826	157,150	168,976	—	131,612	131,612
BA Mazarura <sup>2</sup>	—	41,596	41,596	—	26,911	26,911
NB Mbazima <sup>2</sup>	—	—	—	—	465,272	465,272
F Kotzee <sup>2</sup>	—	—	—	—	94,918	94,918
<b>Sub-total</b>	<b>11,826</b>	<b>198,746</b>	<b>210,572</b>	<b>—</b>	<b>718,713</b>	<b>718,713</b>
<b>Non-executive directors</b>						
DD Mokgatlhe <sup>3</sup>	428	—	428	428	—	428
SS Ntsaluba	500	—	500	—	—	—
<b>Sub-total</b>	<b>928</b>	<b>—</b>	<b>928</b>	<b>428</b>	<b>—</b>	<b>428</b>
<b>Total</b>	<b>12,754</b>	<b>198,746</b>	<b>211,500</b>	<b>428</b>	<b>718,713</b>	<b>719,141</b>

Notes:

<sup>1</sup> Direct interest held by executive directors.

<sup>2</sup> Granted under the rules of the bonus share plan, bonus and retention share plan and performance share plan and disclosed in the tables above.

<sup>3</sup> Resigned as non-executive directors on 10 May 2019. Total indirect interest held by spouse.





# CLIMATE CHANGE DISCLOSURE

## DISCLOSURES RELATED TO THE RECOMMENDATIONS OF THE TCFD

Respecting society's increasing expectations for greater transparency around climate change, our management and reporting approach follows the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Kumba's response to the risks posed by climate change is multi-disciplinary and is covered throughout our reporting suite – from the sustainability report to Anglo American's climate-change specific supplement published in 2016. The table below offers guidance on where to find information relating to each of the TCFD's recommendations.

## GOVERNANCE

*Disclose the organisation's governance around climate-related risks and opportunities.*

Recommended disclosures	References
(a) Describe the Board's oversight of climate-related risks and opportunities	Governance and management approach (SR page 21 ) Climate change (SR, pages 86 to 91)
(b) Describe management's role in assessing and managing climate-related risks and opportunities	Governance and management approach (SR page 23 and 24 ) Environmental management (SR, pages 77 to 81) Climate change (SR, pages 86 to 91)

## STRATEGY

*Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning, where such information is material.*

Recommended disclosures	References
(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Climate change (SR, pages 86 to 91) CDP Climate Response 2019 (Q. CC2 Risks and opportunities)
(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Climate change (SR, pages 86 to 91) CDP Climate Response 2019 (Q. CC2 Risks and opportunities)

## RISK MANAGEMENT

*Disclose how the organisation identifies, assesses, and manages climate-related risks.*

Recommended disclosures	References
(a) Describe the organisation's processes for identifying and assessing climate-related risks	Climate change (SR, pages 86 to 91) CDP Climate Response 2019 (Q CC2.2b)
(b) Describe the organisation's processes for managing climate-related risks	Climate change (SR, pages 86 to 91) CDP Climate Response 2019 (Q. CC2.1, 2.2, 2.5 and 2.6)
(c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Climate change (SR, pages 86 to 91) CDP Climate Response 2019 (Q. CC2.1, 2.2, 2.5 and 2.6)

## METRICS AND TARGETS



*Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.*

Recommended disclosures	References
(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Climate change (SR, pages 86 to 91) CDP Climate Response 2019 (Q. CC2.2b, 2.3a and 11.3a)
(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Climate change (SR, pages 86 to 91) Performance tables (SR, pages 110 and 111)
(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Climate change (SR, pages 86 to 91)




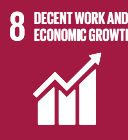






# THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs)

Kumba's purpose is to "re-imagine mining to improve people's lives", using innovative thinking, enabling technologies and collaborative partnerships to shape an industry that is safer, more sustainable, and better harmonised with the needs of our host communities and society. We are delivering on this purpose through our active engagement in Anglo American plc's FutureSmart Mining™ programme and sustainable mining plan that include ambitious long term targets aligned with the UN Sustainable Development Goals, relating to three global sustainability pillars: being a trusted corporate leader, building thriving communities, and maintaining a healthy environment. A summary of our activities that contribute to the UN SDGs is provided below; additional detail is available in our sustainability report.

SDG	HOW KUMBA MAKES A DIFFERENCE	REFERENCE
 <b>1 NO POVERTY</b>	<ul style="list-style-type: none"> <li>Provision of thousands of jobs, both direct and indirect, including in communities that otherwise have limited economic opportunities.</li> <li>Localised procurement strategy that supports suppliers within host communities, including substantial spend on HDSA business.</li> <li>Supplier development programme to support local SMMEs and provide advice and support for their business activities.</li> <li>Building capacity in our communities through direct social investment and our Collaborative Regional Development programme. Many of our initiatives are implemented through strategic partnerships with local government, development partners, SIOC-cdt, the Anglo American Chairman's fund, suppliers, communities and NGOs.</li> <li>Tax payments, including corporate income tax, mineral royalties, value added tax (VAT) on purchases, duties on imports and exports, payroll taxes and dividend withholding taxes.</li> </ul>	<p>Making a positive social contribution (SR page 64 to 75)</p> <p>Stakeholder engagement (SR page 30 and 31)</p>
 <b>3 GOOD HEALTH AND WELL-BEING</b>	<ul style="list-style-type: none"> <li>Sacred covenant code with the families of all our employees to do our utmost to ensure that every employee and contractor at our operations returns home unharmed after every day's work. 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.</li> <li>Strategy in place with clear objectives and targets for our health outcomes, including supporting the overall health and wellbeing of our workforce, and collaborating with partners to drive community health initiatives in the areas where we operate.</li> </ul>	<p>Safety and health (SR page 33 to 48)</p>
 <b>4 QUALITY EDUCATION</b>	<ul style="list-style-type: none"> <li>Ambitious education programme that aims to ensure that schools in our host communities perform among the top 30% of state schools by 2025 and in the top 20% by 2030.</li> <li>Many of our CSI initiatives support vulnerable and marginalised stakeholders who are unable to participate in our value chains, with an emphasis on youth development, including areas such as education and skills development.</li> <li>Internal training and development interventions focus on providing skills training for our employees and also include learnerships, leadership development, mentorships and career progression plans.</li> <li>Develop technical talent for the Company through our three-year graduate development programme offering degree and diploma graduates the opportunity to obtain training and work experience during a fixed-term contract with the Company to cover bursary debt.</li> </ul>	<p>Making a positive social contribution (SR page 64 to 75)</p> <p>Stakeholder engagement (SR page 30 and 31)</p> <p>Workforce culture and capability (SR page 49 to 57)</p>
 <b>5 GENDER EQUALITY</b>	<ul style="list-style-type: none"> <li>Women-in-mining (WIM) strategy and plan to promote the integration of women in the workplace, especially in core functions. 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 have also set a target to achieve 33% representation of women at management levels by 2023.</li> <li>Recently launched our living with dignity programme, which includes a range of sexual and gender-based violence (SGBV) interventions that aim to eliminate SGBV and harassment at work, at home, in our schools and our communities. These include a programme called men as partners, which encourages men to drive positive change, become positive role models in their communities and support women and children initiatives.</li> </ul>	<p>Workforce culture and capability (SR page 49 to 57)</p>



# THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs) CONTINUED

SDG	HOW KUMBA MAKES A DIFFERENCE	REFERENCE
 <b>6</b> CLEAN WATER AND SANITATION	<ul style="list-style-type: none"> <li>Take all reasonable steps to ensure that we do not degrade water quality or compromise the access rights of other users. Water management site plans include provision for water security, water-use efficiencies, tailings water recovery projects and a mine dewatering strategy, storm-water management, and discharge management, complemented by a monitoring programme.</li> <li>In 2019 Sishen returns about 12,825Mℓ of excess clean groundwater from dewatering to the Sedibeng regional water supply each year. Kolomela artificially recharges about 36,000m<sup>3</sup> of clean mine water each month to the underground aquifers that its operations traverse.</li> </ul>	Water (SR pages 82 to 85)
 <b>8</b> DECENT WORK AND ECONOMIC GROWTH	<ul style="list-style-type: none"> <li>We employ 6,107 permanent employees and 5,596 contractors at our operations and head office. We are committed to providing a safe, inclusive and healthy working environment, to promoting employee training and development, ensuring fair labour practices, and to promoting local employment opportunities.</li> <li>Committed to the Youth Employment Services (YES) Programme, to stimulate demand-side job creation. Every year we will place +20 previously disadvantaged, unemployed youth from local communities into 12-month work experience and training opportunities in the Company.</li> <li>Kumba's total tax contribution of R11.9 billion and the contribution we make to government and our local host communities is critical to foster economic growth in South Africa.</li> <li>Since Kumba's inception we have paid R34 billion in dividends to our empowerment partners and returned R19.6 billion in dividends to the owners of Kumba during 2019.</li> </ul>	Making a positive social contribution (SR pages 64 to 75)  Workforce culture and capability (SR pages 49 to 57)  Chief Financial Officer review (page 85)
 <b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE	<ul style="list-style-type: none"> <li>Technology strategy to accelerate the adoption of appropriate technologies at our operations to improve safety and reduce costs.</li> <li>Work closely with Transnet to ensure that the rail and port can support Kumba to deliver products to its customers.</li> </ul>	Our strategy (pages 4 and 5)  Strategic focus areas (pages 44 to 49)
 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION	<ul style="list-style-type: none"> <li>Vision in place to achieve and sustain zero hazardous and general waste to landfill, at Kolomela by the end of 2020, and at Sishen by 2022.</li> <li>Bio-remediation facilities at all our operations to treat soil that has been impacted by hydrocarbons and would otherwise be taken to a hazardous landfill site.</li> </ul>	Mineral residue management and non-mineral waste (SR pages 99 to 103)
 <b>13</b> CLIMATE ACTION	<ul style="list-style-type: none"> <li>Adhere to Anglo American plc's climate change policy; focus on driving energy and carbon savings throughout our business, and building internal agility and resilience to climate change.</li> <li>Identified and implemented projects to reduce energy use and GHG emissions since 2011. On track to achieve our 2020 energy and carbon targets and are working towards 2030 stretch targets: 30% net reduction in greenhouse gas emissions and 30% improvement in energy efficiency against 2016 baseline; these stretch goals were informed by the South African government submission to the 2015 Paris Agreement and align with our aspiration to develop a carbon-neutral mine.</li> </ul>	Climate change and energy (SR pages 86 to 91)
 <b>15</b> LIFE ON LAND	<ul style="list-style-type: none"> <li>Manage 87,876 hectares of land and 2,500 hectares are set aside for biodiversity offsets.</li> <li>Integrate mine closure planning with land rehabilitation, promoting biodiversity and conservation, and using our non-operational land to benefit the mine and surrounding communities.</li> </ul>	Mine closure, rehabilitation and biodiversity (SR pages 92 to 96)
 <b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS	<ul style="list-style-type: none"> <li>We respect human rights, providing access to information, supporting representative decision-making, working to avoid company-community conflict and carefully manage our security approaches to ensure they decrease rather than increase the likelihood of conflict.</li> <li>Commit to transparency across the scope of our activities that impact society, from transparency of mineral revenues and payments to transparency in commitments made to local communities.</li> </ul>	Stakeholder engagement (SR pages 30 and 31)  Governance and management approach (SR pages 21 to 29)  Workforce culture and capability (SR pages 49 to 57)
 <b>17</b> PARTNERSHIPS FOR THE GOALS	<ul style="list-style-type: none"> <li>We believe in partnering and working collaboratively towards achievement of the SDG goals at the local, national and global levels and with all our stakeholders.</li> </ul>	Stakeholder engagement (SR pages 30 and 31)  Governance and management approach (SR pages 21 to 29)



# SALIENT FEATURES

## SALIENT FEATURES FOR THE YEAR ENDED 31 DECEMBER

	2019	2018	2017	2016	2015
<b>Group safety</b>					
Fatalities	0	0	0	2	0
Total recordable case frequency rate (TRCFR)	2.06	1.80	3.23	3.90	4.50
Fatal-injury frequency rate (FIFR)	0	0	0	0.02	0
Lost-time injury frequency rate (LTIFR)	0.69	0.92	0.84	1.14	1.17
<b>Production (Mt)</b>					
Sishen	29.2	29.2	31.1	28.4	31.4
Kolomela	13.2	13.9	13.9	12.7	12.1
Thabazimbi	n/a	n/a	n/a	0.4	1.4
(Thabazimbi production ceased in March 2016)					
<b>Sishen free-on-rail (FOR) unit cost</b>					
Unit cost (R/tonne)/(US\$/tonne)	467.3/32.3	378.2/28.6	375.4/28.7	412.0/28.1	403.5/31.6
Cash cost (R/tonne)/(US\$/tonne)	345.1/23.9	290.0/21.9	287.3/22.0	296.2/20.2	310.8/24.4
<b>Kolomela FOR unit cost</b>					
Unit cost (R/tonne)/(US\$/tonne)	374.4/25.9	354.7/26.8	336.7/25.8	283.4/19.3	245.7/19.3
Cash cost (R/tonne)/(US\$/tonne)	270.4/18.7	248.1/18.8	236.7/18.1	201.1/13.7	177.7/13.9
<b>Stripping ratio</b>					
Sishen	4.8	4.7	4.3	3.3	5.7
Kolomela	4.0	3.5	3.4	3.7	3.1
<b>Logistics (Mt)</b>					
Total volumes railed to port of Saldanha Bay (including Saldanha Steel)	42.0	40.6	42.0	39.8	42.4
Total volumes loaded at port	40.0	40.0	41.6	38.7	43.5
<b>Sales volumes (Mt)</b>					
Export sales	40.0	40.0	41.6	39.1	43.5
Domestic sales	2.2	3.3	3.3	3.4	4.3
<b>Reserve life (years) (including inferred resources) (Mt)</b>					
Sishen	13	14	13	17	15
Kolomela	12	14	14	18	21
<b>CED expenditure (Rm)</b>					
Sishen	62.1	48.7	13.0	11.4	70.9
Kolomela	53.5	47.1	21.6	16.1	31.4
Thabazimbi	—	—	0.7	6.7	10.1
<b>Transformation</b>					
HDSAs in management (%)	71	68	66	62	59
Women in core mining (%)	20	23	17	16	14
<b>Environmental performance</b>					
Number of level 3, 4 or 5 environmental incidents	0	0	0	0	1 (Level 3)
Total water withdrawals (million m <sup>3</sup> )	30.0	30.8	33.2	24.1	33.1
Total energy consumed (million GJ)	8.78	8.85	8.94	8.5	11.1

## EMPLOYEES (EXCLUDING HEAD OFFICE, LOGISTICS AND LEARNERSHIPS)

	2019		2018		2017		2016		2015	
	Full time	Contractors	Full time	Contractors	Full time	Contractors	Full time	Contractors	Full time	Contractors
<b>Operation</b>										
Sishen	4,370	4,306	4,312	4,440	4,194	3,112	4,040	1,426	5,575	2,269
Kolomela	1,426	1,206	1,382	1,070	1,324	1,178	1,178	932	1,143	1,091
Thabazimbi	—	—	—	—	61	38	63	25	408	107



# GLOSSARY OF TERMS AND ACRONYMS

<b>ADR</b>	Alternative dispute resolution
<b>AFS</b>	Annual financial statements
<b>AGM</b>	Annual general meeting
<b>AMCU</b>	Association of Mineworkers and Construction Union
<b>Attributable free cash flow</b>	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 dividends paid to Kumba shareholders
<b>BCI</b>	Business confidence index
<b>BEC</b>	Basic employment cost
<b>BEE</b>	Black economic empowerment
<b>B-BBEE</b>	Broad-based black economic empowerment
<b>CED spend</b>	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)
<b>CFR</b>	Cost and freight
<b>COID</b>	Compensation for occupational injuries and diseases
<b>CTC</b>	Cost to company
<b>DAF</b>	Delegation of Authority Framework
<b>DBA</b>	Deferred bonus arrangement
<b>DM</b>	District municipalities
<b>DMRE</b>	Department of Mineral Resources and Energy
<b>DMS</b>	Dense media separation
<b>DMT</b>	Dry metric tonne
<b>DOH</b>	Direct operating hours
<b>DSO</b>	Direct shipping ore
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>EPS</b>	Earnings per share
<b>ESOP</b>	Employee share ownership scheme
<b>EVP</b>	Employee value proposition
<b>Exco</b>	Executive Committee
<b>FC</b>	Financial capital
<b>FIFR</b>	Fatal injury frequency rate – rate of fatalities per 1,000,000 hours worked (total fatalities x 1,000,000/total hours worked)
<b>FOB</b>	Free-on-board
<b>FOR</b>	Free-on-rail
<b>FSP</b>	Forfeitable share plan
<b>FTSE</b>	Financial Times Stock Exchange
<b>GCC</b>	Government certificate of competency
<b>GRI</b>	Formerly Global Reporting Initiative – now known as GRI
<b>HC</b>	Human capital
<b>HDSA</b>	Historically disadvantaged South Africans
<b>HIV</b>	Human immunodeficiency virus
<b>HR</b>	Human resources
<b>IAS</b>	International Accounting Standards
<b>IC</b>	Intellectual capital

<b>IDC</b>	Industrial Development Corporation
<b>IFC</b>	International Finance Corporation
<b>IFRS</b>	International Financial Reporting Standards
<b>IIRC</b>	International Integrated Reporting Council
<b>IOEC</b>	Iron ore export channel
<b>IR</b>	Integrated report
<b>ISO</b>	International Organisation for Standardisation
<b>JSE</b>	Johannesburg Stock Exchange
<b>King IV™</b>	King IV Report on Corporate Governance for South Africa, 2016
<b>KPI</b>	Key performance indicators
<b>Level 3 – 5 environmental incidents</b>	Those environmental incidents that we consider to have prolonged impacts on the local environments
<b>LM</b>	Local municipalities
<b>LoM</b>	Life-of-mine
<b>LoMP</b>	Life-of-mine plan
<b>LTI</b>	Lost-time injury
<b>LTIFR</b>	Lost-time injury frequency rate – the number of lost-time incidents per 1,000,000 hours worked (LTI *1,000,000/total hours)
<b>LTIP</b>	Long term incentive plan
<b>MC 2018</b>	Mining Charter 2018 – gazetted in December 2018
<b>MC</b>	Manufactured capital
<b>MENA</b>	Middle East and North Africa region
<b>Mol</b>	Memorandum of Incorporation
<b>MPRDA</b>	Mineral and Petroleum Resources Development Act
<b>MPT</b>	Multi-purpose terminal
<b>MRC</b>	Management Risk Committee
<b>Mt</b>	Million tonnes
<b>Mtpa</b>	Million tonnes per annum
<b>NC</b>	Natural capital
<b>NDP</b>	National Development Plan
<b>New cases of occupational diseases (NCOD)</b>	Number of new cases of occupational disease diagnosed among employees during the reporting period
<b>NGO</b>	Non-governmental organisation
<b>NIHL</b>	Noise-induced hearing loss
<b>NomGov</b>	Nominations and Governance Committee
<b>NUM</b>	National Union of Mineworkers
<b>OEE</b>	Overall equipment effectiveness
<b>OHSAS</b>	Occupational Health and Safety Assessment Series
<b>OMP</b>	Occupational medical practitioner
<b>ORMR</b>	Ore Reserve (and Saleable Product) and Mineral Resource Report
<b>P101</b>	Asset productivity programme to shift our key operational processes to benchmark and then beyond, exceeding industry best practice productivity at our operations and deliver our full potential
<b>QC</b>	Quality control
<b>PwC</b>	PricewaterhouseCoopers



## GLOSSARY OF TERMS AND ACRONYMS CONTINUED

<b>RDP</b>	Resource Development Plan
<b>Remco</b>	Human Resources and Remuneration Committee
<b>Return on capital employed (ROCE)</b>	The return on adjusted capital employed and calculated as annualised EBIT divided by adjusted average capital employed
<b>SAMREC Code</b>	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves – SAMREC Code 2016 Edition
<b>SC</b>	Social capital
<b>SDG</b>	Sustainable Development Goals
<b>SEAT</b>	Socio-Economic Assessment Toolbox
<b>SENS</b>	Stock exchange news service
<b>Setco</b>	Social, Ethics and Transformation Committee
<b>SHE</b>	Safety, health and environment
<b>SIB</b>	Stay in business
<b>SIOC</b>	Sishen Iron Ore Company Proprietary Limited
<b>SIOC CDT</b>	SIOC Community Development Trust
<b>SLAD</b>	Safety Leadership Alignment Day
<b>SMME</b>	Small, medium and micro-sized enterprise
<b>SR</b>	Sustainability report
<b>Social way implementation</b>	Our social way implementation defines Anglo American's governing framework for social performance. Each operation's compliance is assessed annually. Every operation is required to implement an improvement plan for those relevant requirements that are not met in full
<b>SSD</b>	Safety and sustainable development
<b>STI</b>	Short term incentive
<b>Stratco</b>	Strategy and Investment Committee
<b>TGP</b>	Total guaranteed pay
<b>Total water withdrawals</b>	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
<b>TRCFR</b>	Total recordable case frequency rate (calculated) is the rate of recordable cases per 1,000,000 hours worked
<b>TSR</b>	Total shareholder return
<b>UASA</b>	United Association of South Africa
<b>UHDMS</b>	Ultra-high density media separation
<b>UIF</b>	Unemployment Insurance Fund
<b>UN</b>	United Nations
<b>VFL</b>	Visible felt leadership
<b>Voluntary labour turnover</b>	Number of permanent employee resignations as a percentage of total permanent employees
<b>VWAP</b>	Volume weighted average price
<b>WIP</b>	Work in progress
<b>ZRP</b>	Zandriverspoort project





# ADMINISTRATION

## COMPANY REGISTRATION NUMBER

2005/015852/06

JSE share code: KIO

ISIN: ZAE000085346

## COMPANY SECRETARY AND REGISTERED OFFICE

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## AUDITOR

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Chartered Accountants (SA)

Registered Auditors

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Registered Auditors

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## SPONSOR

RAND MERCHANT BANK

(A division of FirstRand Bank Limited)

Registration number: 1929/001225/06

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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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